ANNUAL REPORT 2020

Pearl-Continental Hotel, Bhurban

Pearl-Continental Hotel, Lahore

PAKISTAN SERVICES LTD.

Pearl-Continental

HOTELS & RESORTS

ANNUAL REPORT

2020

CONTENTS

Pearl-Continental Hotel, Lahore

VISION STATEMENT

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

MISSION STATEMENT

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

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

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

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

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

CORPORATE INFORMATION

Pearl Continental Hotels, a chain owned, operated and franchised by Pakistan Services Limited, sets the international standards for quality hotel accommodation across Pakistan and AJ&K and manages 7 luxury hotels in Karachi, Lahore, Rawalpindi, Peshawar, Bhurban, Muzaffarabad, Malam Jabba; comprising 1,543 rooms. It also owns 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. Shakir Abu Bakar
Syed Haseeb Amjad Gardezi
Mr. M. Ahmed Ghazali Marghoob
Ms. Ayesha Khan
Mr. Rohail Ajmal
Mr. Shahid Hussain

AUDIT COMMITTEE

Mr. M. Ahmed Ghazali Marghoob — Chairman
Mr. Shahid Hussain
Ms. Ayesha Khan

HUMAN RESOURCE & REMUNERATION COMMITTEE

Mr. M. Ahmed Ghazali Marghoob — Chairman
Mr. Murtaza Hashwani
Ms. Ayesha Khan

NOMINATION COMMITTEE

Mr. Murtaza Hashwani — Chairman
Mr. M. A. Bawany
Syed Haseeb Amjad Gardezi
Mr. Shakir Abu Bakar

RISK MANAGEMENT COMMITTEE

Mr. Murtaza Hashwani — Chairman
Mr. M. A. Bawany
Syed Haseeb Amjad Gardezi
Mr. Shakir Abu Bakar
Mr. Rohail Ajmal

CHIEF FINANCIAL OFFICER

Mr. Javed Iqbal

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
Muslim Commercial Bank Limited
Silk Bank Limited
Faysal Bank Limited
Standard Chartered Bank (Pakistan) Limited
Industrial and Commercial Bank of China
Dubai Islamic Bank (Pakistan) Limited

REGISTERED OFFICE

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

SHARE REGISTRAR

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

CORPORATE OBJECTIVES

Code of Conduct

The smooth and successful flow of processes and operations can not be achieved without the active participation and concerned efforts of all the employees of the Company. 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 latest technological trends

Recognition and Reward

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

Innovation

Listening and two-way interaction
Encouragement
Enterprise
Participation
Motivation
Initiative

Trust

Cooperation
Integrity
Dignity
Respect
Candidness
Support
Teamwork
Sense of ownership
Empowerment

Strategic Objectives

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

Pearl-Continental Hotel, Karachi

BOARD OF DIRECTORS

Mr. Sadruddin Hashwani

Mr. Murtaza Hashwani

Mr. M.A. Bawany

Mr. Shakir Abu Bakar

Syed Haseeb Amjad Gardezi

Mr. M. Ahmed Ghazali Marghoob

Ms. Ayesha Khan

Mr. Shahid Hussain

Mr. Rohail Ajmal

STATUTORY OFFICERS

Mr. Javed Iqbal
Chief Financial Officer

Mr. Mansoor Khan
Company Secretary

Syed Nehal Ahmed Zaidi
Head of Internal Audit

NOTICE OF 61ST ANNUAL GENERAL MEETING

Notice is hereby given that the 61st Annual General Meeting of Pakistan Services Limited will be held on Wednesday, October 28, 2020 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 26, 2020.
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, 2020.
3. To appoint Auditors for the year 2020-21 and fix their remuneration.
4. To consider any other business with the permission of the Chair.

By Order of the Board

Mansoor Khan

Islamabad: September 30, 2020

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 22, 2020 to October 28, 2020** (both days inclusive).

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

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

a. For Attending the Meeting:

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

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

b. For Appointing Proxies:

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

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

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

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

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

E. As per the provisions of Section-242 of the Companies Act, 2017 and 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.) 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:

<u>Pakistan Services Limited</u>

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

<u>Share Registrar</u>

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

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

H. 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.

I. Members holding in aggregate 10% or more shareholding residing at a geographical location other than Islamabad, may participate in the meeting through video conference by submitting their application to the Company Secretary at least seven days prior to the date of the meeting. The Company will arrange video conference facility in the requested city subject to availability of such facility in that city. The Company will intimate members regarding venue of the video conference facility at least 5 days before the date of the general meeting along with complete information necessary to enable them to access such facility.

CHAIRMAN'S REVIEW

Dear Members

I am pleased to present 61st annual report of Pakistan Services Limited comprising unconsolidated and consolidated audited financial statements for the year ended on 30 June 2020 and the auditors' report thereon.

THE GLOBAL ECONOMIC ENVIRONMENT

The advent of year 2020, has put the whole world at a war against a pandemic, with a certainty of an unpredictable future. Casualties ranging in hundreds of thousands and reported cases in millions, no country — from the most developed to the poorest — has been spared. The world is defining itself as pre-COVID-19 and post COVID-19.

It was already becoming clear that the global economy was entering into recession, however the situation was expected to improve in 2020, led by the large emerging economies, with a return to potential global growth by 2021, however, with Covid-19 and its devastating effects, all bets are off, and all forecasts for 2020 being revised downward.

The outbreak of coronavirus disease COVID-19 has severely affected national and global economies. Various enterprises are facing difficulties to survive and retain its highly skilled HR asset with a certain degree of losses, along with decrease in demand, supply chain disruptions, cancelation of export orders, raw material shortage, and transportation disruptions, among others.

Nevertheless, it is quite clear that businesses around the globe are experiencing the significant impact of COVID-19 outbreak on their operations. The COVID-19 pandemic has impacted every business indifferently and new methodologies are being evolved to continue businesses around the world.

PAKISTAN

Pakistan's already fragile economy had only just been moving towards stability when the health crisis COVID-19 struck the country causing a devastating blow on the Pakistan fragile economic condition.

Due to the pandemic COVID-19 Pakistan's economy is shrinking, unemployment is rising and various sectors such as entertainment, Retail, Luxury goods, Real estate, Coal, Oil & Gas, and Automotive are affected in general and exports, hospitality, tourism and aviation in particular.

To meet the negative impact of COVID-19 on various sectors of the economy the Government of Pakistan has taken all out steps to support the economy and people with limited resources depended on daily wages through Ehsas Cash Program and by offering several relief packages to businesses i.e. Economic relief package, relief package for the construction industry, Regulatory relief of deferment of principal amount of loans and markup, Refinance scheme for payment of salaries and wages.

PROSPECTS

Pakistan is in the post COVID-19 situation, lock down is eased out, businesses are reopening, travel restrictions are being lifted gradually, social restrictions are fading away and social gathering are being allowed following SOPs, banquets, restaurants, hotels have been allowed to operate and economic activities are growing steadily.

The hospitality industry along with tourism and aviation industry were hit by COVID-19 badly which brought activities of these industries to almost zero, however since Government's measures toward ease of lockdowns and permission to start operations with SOPs has revitalized these industries and now the businesses related to particular industries are picking up and it is expected that a re-bounce in these sectors will be witnessed by next six months.

Despite this challenging situation, the management of the Company got success to sign franchise and management agreement for Pearl Continental Hotel Hyderabad and Pearl Continental Hotel Bahria Town, Rawalpindi.

OVERALL PERFORMANCE OF THE COMPANY

During first six months of FY2019-2020, the Company performed preeminently and registered an increase of Rs.295 million in revenue along with registering a visible growth in operating profit in comparison with corresponding period of last year depicting a promising growth in 2nd half of the FY2019-20. Unfortunately, the globally spread and surge of COVID-19 in beginning of the 3rd quarter of FY2019-20 severely impacted the Company's business and operations. In compliance with the directives issued by Federal and Provincial Governments and Administration Authorities under their control, the Company closed its four business units i.e. Pearl Continental Hotel Bhurban, Pearl Continental Hotel, Muzaffarabad, Pearl Continental Hotel, Peshawar and Pearl Continental Hotel, Rawalpindi and operated with limited scope, this affected the overall performance of the company, its revenue and operating profit.

The complete closure of above cited hotel properties in the last quarter of the financial year resulted negatively and impacted the revenues and margins of the company. The Company, for the year under report incurred operating loss of Rs. 285 million compared with operating profit of Rs. 1,026 million of the previous year, and incurred loss before tax of Rs. 1,843 million as compared to loss before tax of Rs. 369 million of last year. Further The Pakistan Credit Rating Agency (PACRA) in its report dated March 24, 2020 downgraded entity rating from A+ to A with outlook from developing to negative , where as instrument rating (Sukuk) was revised from AA- to A with outlook from developing to negative.

The Company expect the situation to improve in subsequent period and is confident that operating cash flows will be adequate to fulfill obligations when due. The Company is in advanced stage of negotiations with banks for rescheduling of loans and accrued interest payments which will have a positive impact on the Company's liquidity. Further, subsequent to the year-end, the lockdown restrictions have eased, and the Company's hotel properties have resumed operations and management expects the room occupancy and sales at its hotel to improve further.

Management acknowledges that material uncertainty remains over the Company's ability to meet its funding requirements. However, as described above, management has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. If for any reason the Company is unable to continue as going concern, then this could have an impact on the Company's ability to realize assets, and to extinguish its liabilities in the normal course of business.

PERFORMANCE OF ROOMS DEPARTMENT

The revenue (exclusive of GST) was Rs. 3,517 million against Rs. 4,621 million in the last year indicating a drop-in revenue by Rs. 1,104 million.

PERFORMANCE OF FOOD & BEVERAGE DEPARTMENT

The revenue (exclusive of GST) was Rs. 4,138 million as against Rs. 5,099 million of the last year. The revenue of this segment has decreased by Rs. 961 million.

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

Revenue (exclusive of GST) during the year under review was Rs. 474 million as compared with Rs. 498 million of the prior year.

INTERNAL CONTROL SYSTEMS

To achieve the objective of a business, proper execution of business activities in the light of prevailing laws and socio-economic conditions of the Country, our company has adopted strong internal control procedures.

The internal control system is introduced to avoid errors and frauds and for systematic control of business activities. The purpose of the Company and of all of the coordinate methods and measures adopted within a business is to safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency and encourage adherence to preserved managerial policies. The management has established a controlling activities system to prevent risk associated with every objective. These controlling activities include all those measures that are to be followed by the employees like relevant information for decision making to be collected and reported in proper time and the internal control system is monitored from time to time by internal audit team to evaluate its effectiveness so that necessary changes may be brought to avoid any deficiency in the system.

CORPORATE SOCIAL RESPONSIBILITY & CORPORATE PHILANTHROPY

The Company's efforts in building sustainability in Pakistan are demonstrated by its contributions towards social investments on education, healthcare, vocational training and skill development. We aim to help drive creation of shared economic and social value across Pakistan by empowering under privileged people and bring them into mainstream population.

ENERGY CONVERSATION

We are committed to cutting down wasted energy throughout the organization by promoting green technologies, reducing overall waste and improving levels of recycling.

ENVIRONMENT PROTECTION MEASURES

The Company is cognizant with its responsibility to protect the environment and is continuously imparting trainings on regular basis to its employees to save water and to be an energy efficient organization.

CUSTOMER SATISFACTION

The Company has engaged an international firm to maintain record of valuable feedbacks and suggestions received from guests which the management utilizes to further improve policies for enhanced customer experience.

Customer satisfaction is key in creating a long-term relationship and has a profound effect on business success. The Company has taken extended measures in wake of COVID-19 for safety and health of valued Guests, this includes i.e. sanitization at entry points, elevators, passages, railings, corridors, rooms, seating areas, luggage & luggage trolleys further ranging from staff awareness & training to social distancing, hand sanitization & wearing of masks etc.

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 has always ensured the health and safety of our valued clients, guests, employees and the general public at large and is following all pre-cautionary measures (among various rigorous measures implemented by the Company within all its hotel properties' premises) in present COVID-19 environment. These measures are in addition to already in placed health & safety measures under principle "Safety First". The Company arranged training programs for staff to give awareness toward sanitization with respect to self sanitiazaiton and safety measures to be followed for Guests interactions, besides this, Company has adopted sanitization policy raning from all its service areas to equipment, kitchen, serving crockery, trays, trolleys and utensils. The Company is providing all related sanitization items on FOC basis to its employees and a FOC safety kit is providedto each valued guest at the time of check-in at front office. For employees strict adherence to this sanitization policy has been made mandatory.

BUSINESS ETHICS AND ANTI-CORRUPTION MEASURES

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

CONTRIBUTION TO GOVERNMENT EXCHEQUER

The Company in the year under review contributed an amount of Rs. 2,841 million as against Rs. 3,809 million in the corresponding period of last year to Provincial and Federal governments in the form of customs duties, general sales tax, income tax and other levies.

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated revenue of the Company in the reporting year was Rs. 8,742 million, as compared to Rs. 10,312 million that of the last year. The consolidated loss before and after tax for the year under review were Rs. 2,128 million and Rs. 2,159 million correspondingly.

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. 140 million during the year under report as compared to Rs. 206 million of corresponding period of last year.

The wholly owned subsidiaries M/s City Properties (Private) Limited and M/s Elite Properties Private Limited engaged in real estate business are yet to start their commercial operations whereas M/s Pearl Continental Hotels (Private) Limited remained non-operational throughout the year 2019-20.

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 and in particular the Government Authorities for the advice, understanding, and their support. I thank the bankers of the Company for the understanding and the cooperation they have extended and last but not the least gratitude towards our loyal and confident customers. The combined efforts of all have been instrumental in the healthy growth of the Company against all odds. We all pray for a peaceful, progressive and prosperous Pakistan. Ameen!

For and on behalf of the Board of Directors,

SADRUDDIN HASHWANI

Chairman

30 September 2020

The hospitality experience of a lifetime

Pearl-Continental Hotel and Ski Resort Malam Jabba

Experience the ultimate extreme as you travel to Pakistan's first-ever, five-star Ski and Mountain Resort, extending unmatched services to all guests. Overlooking the majestic Hindu Kush Mountains, Pearl-Continental Hotel and Ski Resort Malam Jabba is a complete tourist destination for families and friends on vacation, nature lovers, and adventure enthusiasts.

Malam Jabba Resort offers ski classes for beginners and thrilling, steep slopes for more advanced skiers. Travel down history lane to explore the 2,000-year-old Buddhist Stupas and monasteries in the vicinity. Hike up to Shangla Top which stands at about 18 kilometres from the resort, neighbouring two different trekking trails amidst the stunning scenery.
Adventure buffs can also enjoy various exciting activities such as zip-lining, rock-climbing, and chairlift rides around the resort. Relax at the resort while your children enjoy fun-filled, interactive activities at the in-house Kids' Club in a safe and secure environment.

Accommodation

The five-star ski and mountain resort offers comfortable accommodation with breathtaking views of the mountains and ski slopes. Guests can choose from a variety of 76 rooms and suites for their stay. These include 48 Deluxe Rooms, 24 Family Rooms, three Penthouse Suites and one Presidential Penthouse Suite.

Dining

Whether you are in the mood for a laidback breakfast, a quick coffee meetup, or a fulfilling dinner, we have all your tastes covered.

Marco Polo

Combing a variety in both Pakistani and Continental cuisines, Marco Polo offers breakfast,
lunch, dinner, and hi-tea in buffet spread as well as the option of A la Carte dining. The restaurant is open round-the-clock.

Terrace Café

Start your morning with a cup of tea at our outdoor Terrace Café, facing the sunrise. Offering a beautiful view of the mountains, the café provides a calming, laidback setting to enjoy a delicious snack or beverage anytime during the day.

Executive Lounge

Connect with friends, network with business associates, or just unwind with a steaming cup of tea in the Executive Club Lounge. In a calm atmosphere, the lounge offers afternoon snacks and a variety of beverage options. Sit back, read up on the news, or enjoy your favourite TV shows in this cosy and comfortable space. For dining in the lounge, a prior reservation is required.

Health Club

Take your workout to a whole new level at the in-house gym that features top cardio equipment, strength training machines a comprehensive range of free weights and accessories. Overlooking the grand mountains, the Health Club captures one of the most fascinating views you'll ever see.

Business and Meetings

From small meetings to large-scale conferences, our expansive halls cater to serving you as per your requirements. Backed by high-speed Wi-Fi, our meeting rooms offer a range of audio-visual equipment and video-conferencing technologies.
Enjoy the view and the fresh mountain air when you host an event on the Panoramic Deck. The spacious terrace with an incomparable scenic offers an unforgettable highlight for every guest.

Banquet Facilities

Every dreamt of getting married at the highest altitude in Pakistan? Make this a reality at the hotel, towering above 9,000 feet above sea level. Plan your destination wedding with a natural backdrop of captivating, panoramic views of the mountains.
With customised settings, we deliver unsurpassed services for every occasion, not just meeting our guests' expectations, but also exceeding them. The gorgeous sunset and crisp mountain air complement the setup for any occasion. From our quality standards to efficient services, we bring you everything you need to make your event a truly memorable one. This includes food and beverage arrangements, logistics, and all aspects of technical support. Holding a wedding at this hotel is not just a dream come true, but the experience of a lifetime.

Pearl-Continental Hotel Muzaffarabad

Where serenity meets high-end hospitality

Take in a serene resort-like experience as you step into Pearl-Continental Hotel Muzaffarabad. Surrounded by scenic green mountains and capturing spectacular views of the Neelum River, the five-star hotel features comfortable upscale accommodation coupled with a variety of dining options in both local and international cuisines.

Nestled away in the mountains, amidst leafy green-tree forests, the five-star hotel provides a starting point for nature lovers and adventure enthusiasts. From here, they can visit numerous tourist attractions such as the 2,900-metre-high Pir Chinasi Top, which offers panoramic views of Muzaffarabad city, Neelum Valley, Jhelum Valley, and Abbottabad Mountains. Hikers and trekking buffs can also traverse tracks leading to breathtaking destinations. The 1,371-metre-high Athmuqam is well-known for its variety of fresh, juicy fruits.

Accommodation

Whether on holiday or a business trip, guests can choose from a wide range of 120 rooms and suites for their stay at the hotel. These comprise Standard Room, Deluxe Room, Executive Room, and Deluxe Room. Each room provides free and high-speed Wi-Fi connectivity along with a host of modern amenities and services.

Marco Polo

Discover a fusion of Pakistani and Continental cuisines in a buffet spread at Marco Polo, which also offers a separate Ala Carte menu. The restaurant is open throughout the day, both for dining and casual snacking.

Tai-Pan

Offering authentic Chinese cuisine with the essence of Cantonese and Shanghai provinces, Tai-Pan specialties are prepared using the four traditional Chinese cooking methods: steamed, braised, baked, and fried. Absorb the pleasant ambiance as our chefs serve you a variety of Asia cuisine delicacies.

Barbeque Grill (Exclusively Upon Request)

Enjoy aromatic, freshly grilled barbeque in a seasonal dining setup in our beautiful garden. Take in the fresh air with a breathtaking view of the mountains.

In-Room Dining

Select your favourite meals, snacks, and beverages, and enjoy them in the comfort of your room. Choose from a doorknob breakfast menu to order in an A la Carte breakfast. Order room service at any time of the day, until late at night.

Business Centre

Our Business Centre equips you with everything you need to maintain a small workflow on your trip. Operating 24-hours, the centre features a host of official facilities including high-speed internet, photocopying, binding, and secretarial services.

Health Club

Keep up with your fitness routine at our Health Club, which offers a range of gym equipment to keep you active and energised.

Meetings & Banquet Spaces

From small-scale meetings to large-sized conferences and social gatherings to elaborate weddings, our spacious banquet halls feature multifaceted facilities to organise a diversity of events. Zaver Ballroom and Ballroom Foyer also provide the convenience of hosting multiple functions. Furthermore, the meeting rooms offer facilities such as audio-visual equipment and video-conferencing, while outdoor activities can also be organised in our beautiful lawns and patios.

DIRECTORS' REPORT

Dear Members

The Board of Directors ("the Board") of Pakistan Services Limited ("the Company") is pleased to present the 61st Annual Report with the audited unconsolidated financial statements of the Company for the year ended 30 June 2020 along with the Auditors' Report thereon.

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

	(Rupees, 000)
Operating loss	(284,750)
Un-realized gain on re-measurement of investments	674
Finance income	169,207
Finance Cost	(1,728,614)
Loss before taxation	(1,843,483)
Taxation	99,469
Loss for the year	(1,744,014)
Other Comprehensive Income for the year	52,047
Un-appropriated profit brought forward	5,179,566
Profit available for appropriation	3,487,599

Loss per share for the year 2019-20 arrived at Rs. 53.62.

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

At present, the Board of directors comprise of nine members including one female member and eight male members.

As per requirement of Section 227 (2)(a) of Companies Act 2017, following are the names of persons who, at any time during the financial year were directors of the Company:

1. Mr. Sadruddin Hashwani
2. Mr. Murtaza Hashwani
3. Mr. M. A. Bawany
4. Mr. Mansoor Akbar Ali
5. Syed Sajid Ali
6. Mr. Shakir Abu Bakar
7. Syed Haseeb Amjad Gardezi
8. Syed Asad Ali Shah
9. Mr. M. Ahmed Ghazali Marghoob
10. Ms. Ayesha Khan
11. Mr. Rohail Ajmal
12. Mr. Shahid Hussain

ELECTION OF THE BOARD AND APPOINTMENT OF CHIEF EXECUTIVE

During the year the term of office of the Board of Directors expired and following directors namely Mr. Sadruddin Hashwani, Mr. Murtaza Hashwani, Mr. Muhammad Akhtar Bawany, Mr. Shakir Abu Bakar, Syed Haseeb Amjad Gardezi, M. Ahmed Ghazali Marghoob, Mr. Roahil Ajmal, Mr. Shahid Hussain and Ms. Ayesha Khan were elected as directors (un-opposed) for the next term commencing from 29 March 2020. 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 2020.

The Composition of the Board is as follows:

Category	Names
Independent Directors	1) Mr. M. Ahmed Ghazali Marghoob 2) Mr. Rohail Ajmal 3) Mr. Shahid Hussain
Executive Directors	4) Mr. Murtaza Hashwani 5) Mr. Shakir Abu Bakar 6) Syed Haseeb Amjad Gardezi
Non-Executive Directors	7) Mr. Sadruddin Hashwani 8) Mr. Muhammad Akhtar Bawany
Female Director- Non Executive	9) Ms. Ayesha Khan

The newly elected board constituted following committees comprising of members given below:

Audit Committee	HR and Remuneration Committee
Mr. M. Ahmed Ghazali Marghoob	Mr. M. Ahmed Ghazali Marghoob
Ms. Ayesha Khan	Mr. Murtaza Hashwani
Mr. Shahid Hussain	Ms. Ayesha Khan

Nomination Committee	Risk Management Committee
Mr. Murtaza Hashwani	Mr. Murtaza Hashwani
Mr. Muhammad Akhtar Bawany	Mr. Muhammad Akhtar Bawany
Syed Haseeb Amjad Gardezi	Syed Haseeb Amjad Gardezi
Mr. Shakir Abu Bakar	Mr. Shakir Abu Bakar
	Mr. Rohail Ajmal

The Company has in-placed policy for remuneration of its directors (both executive and non-executive).

The Company has paid amount of Rs. 134.813 million and Rs. 7.718 million in aggregate on account of Salary/Fee, perquisites, benefits and performance-linked incentives etc. to its executive and non-executive directors respectively.

Kindly refer Note No. 40 of the Unconsolidated Financial Statements for detail of remuneration of Director and Chief Executive.

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

The pattern of shareholding is annexed to this report.

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

The Company has always ensured the health and safety of our clients, employees and the general public at large. In compliance with the directives issued by Federal and Provincial Governments and Administration Authorities under their control, the Company closed its four business units i.e. Pearl Continental Hotel Bhurban, Pearl Continental Hotel, Muzaffarabad, Pearl Continental Hotel, Peshawar and Pearl Continental Hotel, Rawalpindi and operated with limited scope with all possible precautionary measures (among various rigorous measures within its hotel properties and corporate office) to contain spread of COVID-19. This caused severe stress on Company's cash flows, the Company was forced to approach to financial institutions in June 2020 for rescheduling/restructuring of its existing outstanding long term loan amounts along with markup due for a period of seven years inclusive of two years of deferment/grace period for repayment of principal and markup on loans. The company successfully negotiated this rescheduling/restructuring and secured approval from two financial institutions whereas approval from other two financial institutions are under process.

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

The retiring auditors, M/s. KPMG Taseer Hadi & Co, Chartered Accountants being eligible, offer themselves for re-appointment as the Company's auditors. The Board, on the recommendation of the Audit Committee, has proposed appointment of M/s KPMG Taseer Hadi & Co, Chartered Accountants as auditors of the Company for the year ending 30 June 2021.

M.A. Bawany
Director

Shakir Abu Bakar
Director

Islamabad: 30 September 2020

کمپنی کے ڈائریکٹرز (ایگزیکیٹیو اور نان ایگزیکیٹیو دونوں) کے معاضہ جات کی ادائیگی کے بارے میں ایک متعین پالیسی ہے۔

کمپنی نے ایگزیکیٹیو اور نان یگزیکیٹیو ڈائرکٹرز کو بالترتیب 134.813 ملین روپے اور 7.718 ملین روپے کی رقوم تنخواہوں/فیس، اضافی مراعات، فوائد، اور کارکردگی سے منسلکہ مراعات وغیرہ کی مد میں ادا کیے۔

ڈائرکٹرز کے معاوضہ جات کی تفصیل جاننے کے لیے براہِ کرم نوٹ نمبر 40 کا مطالعہ کریں۔

پورے سال کے دوران کاروبار کی نوعیت، بشمول ذیلی کمپنیوں کے کاروبار کے، یکساں رہی۔

طرزِ حصص داری (The pattern of shareholding) اس رپورٹ کے ساتھ منسلک ہے۔

اندرونی مالیتی کنٹرول کا نظام مضبوط ہے اور موثر طریقے سے کام کر رہا ہے

کمپنی نے ہمیشہ اپنے گاہکوں، ملازمین، اور عوام الناس کی صحت وسلامتی کو یقینی بنایا ہے۔ وفاقی اور صوبائی حکومتوں اور ان کے انتظامی اداروں کی جانب سے جاری کردہ ہدایات پر عمل درآمد کرتے ہوئے کمپنی نے کوویڈ-19 کے پھیلاؤ کو کم سے کم رکھنے کی خاطر اپنے چار کاروباری یونٹس، پرل کانٹینینٹل ہوٹل بھوربن، پرل کانٹینینٹل ہوٹل مظفر آباد، پرل کانٹینینٹل ہوٹل پشاور، اور پرل کانٹینینٹل ہوٹل راولپنڈی بندر کھے اور تمام ممکنہ حفاظتی اقدامات اختیار کرتے ہوئے (جن میں اپنے ہوٹلوں کی عمارات اور کارپوریٹ آفس میں سخت اقدامات شامل ہیں) محدود پیمانے پر کام کیا۔ اس صورت حال کی وجہ سے کمپنی کے کیش فلو پر سخت دباؤ آیا اور کمپنی کو جون 2020 میں مالیاتی اداروں کے پاس جانا پڑا تا کہ اپنے موجودہ قابل ادائیگی طویل المدتی قرضہ جات اور ان پر سود کی ادائیگی، جن کی ادائیگی 5 سال کے اندر کرنا ہے جس میں اصل رقم اور سود کی ادائیگی کے لیے دو سال کی التواشدہ/رعایتی مدت شامل ہے، کو نئے سرے سے منظّم/مرتب کیا جائے۔ کمپنی نے اس مالیاتی ذمہ داری کو نئے سے سے مرتب/منظّم کرنے کے سلسلے میں کامیاب مذاکرات کیے اور دو مالیاتی اداروں سے منظوری حاصل کرنے میں کامیاب ہوئی، جبکہ دو مزید مالیاتی اداروں سے منظوری اپنے تکمیل کے مراحل میں ہے۔

کمپنی کے ڈائریکٹرز نے موثر فنانشل کنٹرول واضع جو کہ مکمل طور پر نافذ ہیں۔

ریٹائرڈ ہونے والے آڈیٹرز، کے پی ایم جی تاثیر ہادی اینڈ کمپنی، چارٹرڈ اکاؤنٹینٹس نے اہل ہونے کے ناطے اپنے آپ کو کمپنی کے آڈیٹرز کی صورت میں دوبارہ تقرری کے لیے پیش کیا۔۔ آڈٹ کمیٹی کی سفارش پر بورڈ نے کے پی ایم جی تاثیر ہادی اینڈ کمپنی چارٹرڈ اکاؤنٹینٹس کو جون 2021 کو ختم ہونے والے سال کے لیے کمپنی کے آڈیٹرز مقرر کرنے کی تجویز دی ہے۔

ڈائریکٹر
ایم-اے- باوانی

ڈائریکٹر
شاکر ابوبکر

اسلام آباد: 30 ستمبر 2020

بورڈ کے انتخابات اور چیئرمین کا تقرر

سال مذکورہ کے دوران بورڈ آف ڈائرکٹرز کی عہدوں کی مدت اختتام کو پہنچی اور درج ذیلڈائریکٹرز اگلی مدت کے لیے، جس کا اغاز 29 مارچ 2020 سے ہوا ہے، (بلا مقابلہ) منتخب قرار پائے: جناب صدرالدین ہاشوانی، جناب مرتضٰی ہاشوانی، جناب محمد اختر باوانی، جناب شاکر ابوبکر، سید حسیب امجد گردیزی، جناب ایم احمد غزالی مرغوب، محترمہ عائشہ خان، جناب روحیل اجمل، جناب شاہد حسین۔ نئے منتخب شدہ بورڈ نے جناب مرتضٰی ہاشوانی کو 29 مارچ 2020 سے شروع ہونے والی مدت کے لیے کمپنی کا چیف ایگزیکیٹیو آفیسر مقرر کیا۔

بورڈ کی ترکیب درج ذیل ہے:

عہدہ	نام
انڈیپینڈنٹ ڈائریکٹر	1) جناب ایم احمد غزالی مرغوب 2) جناب روحیل اجمل 3) جناب شاہد حسین
ایگزیکیٹیو ڈائریکٹرز	4) جناب مرتضٰی ہاشوانی 5) جناب شاکر ابوبکر 6) سید حسیب امجد گردیزی
نان ایگزیکیٹیو ڈائریکٹرز	7) جناب صدرالدین ہاشوانی 8) جناب محمد اختر باوانی
خاتون ڈائریکٹر- نان ایگزیکیٹیو	9) محترمہ عائشہ خان

نئے منتخب شدہ بورڈ نیدرج ذیل ارکان پر مشتمل درج ذیل کمیٹیاں تشکیل دیں:

آڈٹ کمیٹی	ایچ آر اور ریمونریشن کمیٹی
جناب ایم احمد غزالی مرغوب	جناب ایم احمد غزالی مرغوب
محترمہ عائشہ خان	جناب مرتضٰی ہاشوانی
جناب شاہد حسین	محترمہ عائشہ خان

نومینیشن کمیٹی	رسک مینجمنٹ کمیٹی
جناب مرتضٰی ہاشوانی	جناب مرتضٰی ہاشوانی
جناب محمد اختر باوانی	جناب محمد اختر باوانی
سید حسیب امجد گردیزی	جناب حسیب امجد گردیزی
جناب شاکر ابوبکر	جناب شاکر ابوبکر
	جناب روحیل اجمل

ڈائریکٹرز رپورٹ

محترم حصص داران:

پاکستان سروسز لمیٹڈ (پی ایس ایل) کے بورڈ آف ڈائریکٹرز کمپنی کی 61ویں سالانہ رپورٹ بمعہ کمپنی کی محاسبہ شدہ مالی گوشورے برائے سال جو کہ مورخہ 30 جون 2020 کو اختتام پذیر ہوا بمعہ محاسب رپورٹ پیش کرتی ہے۔

کمپنی کی محاسبہ شدہ مالیاتی کارکردگی درج ذیل ہے:

(000، روپے)

کاروباری آپریشنز سے ہونے والا نقصان	(284,750)
سرمایہ کاری کے دوبارہ تعینِ مقدار پر غیر حاصل شدہ منافع	674
مالیاتی آمدن	169,207
مالیاتی لاگت	(1,728,614)
نقصان قابل از ٹیکس	1,843,483)
ٹیکس	99,469
دوران سال نقصان	(1,744,014)
دوران سال کی دیگر جامع آمدن	52,047
غیر مختص منافع	5,179,566
قابل تقسیم منافع	3,487,599

سال 20-2019 کے لیے فی حصص خسارہ 53.62 روپے کا ہے۔

تمام ڈائرکٹرز سالانہ رپورٹ میں شامل چیئرمین کے جائزے کے اندراجات کی مکمل تائید کرتے ہیں جو علاوہ دیگر باتوں کے، مالیاتی اور دوران کار (آپریٹنگ) نتائج اور پچھلے سال کے مقابلے میں نمایاں انحرافات، مستقبل کے اہم منصوبوں، خطرات اور غیر یقینی صورت حال، اور کمپنی کے دیگر متعلقہ معاملات کا احاطہ کرتی ہے۔

موجودہ بورڈ آف ڈائرکٹرز کے ارکان کی تعداد نو ہے، جن میں ایک خاتون رکن اور آٹھ مرد اراکین شامل ہیں۔

جیسا کہ کمپنیز ایکٹ 2017 کی دفعہ (a)(2)227 کے تحت درکار ہے، درج ذیل میں ان اراکین کے نام ہیں جو مالی سال کے دوران کسی بھی وقت کمپنی کے ڈائرکٹرز رہے ہیں:

1. جناب صدر الدین ہاشوانی
2. جناب مرتضٰی ہاشوانی
3. جناب ایم اے باوانی
4. جناب منصور اکبر علی
5. سید ساجد علی
6. جناب شاکر ابوبکر
7. سید حسیب امجد گردیزی
8. سید اسد علی شاہ
9. جناب ایم احمد غزالی مرغوب
10. محترمہ عائشہ خان
11. جناب روحیل اجمل
12. جناب شاہد حسین

KEY OPERATING AND FINANCIAL DATA

		2020	2019	2018	2017	2016	2015
Profitability Ratios							
Gross profit ratio	%	33.10	39.74	46.35	44.66	45.72	45.87
Net profit to sales	%	(21.45)	(8.45)	4.71	11.71	6.83	13.51
EBIDTA margin to sales	%	11.45	16.24	21.46	26.36	20.69	26.23
Return on equity	%	(4.99)	(2.47)	1.38	3.58	1.98	3.61
Return on capital employed	%	(3.84)	(1.81)	1.06	2.89	1.81	3.28
Return on assets	%	(3.14)	(1.60)	0.98	2.71	1.71	3.12
Liquidity Ratios							
Current ratio		0.59	1.10	1.53	2.50	1.24	1.89
Quick / acid test ratio		0.56	1.05	1.46	2.40	1.11	1.76
Cash and bak to current liabilities		0.04	0.04	0.33	0.10	0.17	0.44
Cash flow from operations to sales		(0.015)	0.004	0.14	0.16	0.22	0.13
Activity Turnover Ratios							
Inventory turnover	Days	19	18	18	19	22	24
Debtors turnover	Days	14	30	36	35	34	40
Creditors turnover	Days	63	27	35	18	22	34
Operating cycle	Days	(30)	21	19	36	34	30
Property, plant & equipment turnover	Times	0.19	0.25	0.26	0.30	0.29	0.27
Total assets turnover	Times	0.15	0.19	0.21	0.23	0.25	0.23
Investment / Market Ratios							
Earnings/ (loss) per share - basic and diluted	Rs	(53.62)	(26.55)	15.24	35.33	19.22	32.92
Price earning ratio	Rs	(19.02)	(38.42)	64.98	25.54	35.10	15.04
Dividend yield ratio	%	-	-	1.01	1.66	1.11	1.01
Dividend payout ratio	%	-	-	65.63	42.46	39.02	15.19
Dividend cover ratio	%	-	-	1.52	2.36	2.56	6.58
Cash dividend per share	Rs	-	-	10.00	15.00	7.50	5.00
Market value per share at year end	Rs	1,020	1,020	990.00	902.50	674.73	495
Highest market value per share during the year	Rs	1,066	1,060	1,045.00	980.00	674.73	574.50
Lowest market value per share during the year	Rs	894	900	900.00	699.99	499.2	411.00
Breakup value per share (Including the effect of surplus on revaluation of property, plant & equipment).	Rs	1,074	1,073	1,102	987	970	961
Breakup value per share (Excluding surplus on revaluation of property, plant & equipment).	Rs	175	227	255	256	239	230
Capital Structure Ratios							
Financial leverage ratio		0.40	0.42	0.31	0.23	0.09	0.02
Debt : Equity (Including the effect of surplus on revaluation of property, plant & equipment)		0.27	0.33	0.27	0.21	0.07	0.02
Debt : Equity (Excluding surplus on revaluation of property, plant & equipment)		1.64	1.57	1.16	0.82	0.28	0.09
Interest cover ratio		(0.16)	0.89	2.43	4.43	6.69	14.36
Summary of Cash Flows							
Net cash flow from operating activities	(Rs.000)	(123,098)	44,292	1,518,433	1,600,646	2,013,492	1,023,940
Net cash flow from investing activities	(Rs.000)	(79,271)	(5,034,912)	(3,894,336)	(6,095,428)	(4,005,839)	(577,521)
Net cash flow from financing activities	(Rs.000)	(1,022,868)	3,273,770	3,158,697	4,046,367	1,605,435	157,785
Net change in cash and cash equivalents	(Rs.000)	(1,225,237)	(1,716,850)	782,794	(448,415)	(386,912)	604,204

HORIZONTAL ANALYSIS

Balance Sheet

(Rs. '000)	2020	20 Vs 19	2019	19 Vs 18	2018	18 Vs 17	2017	17 Vs 16	2016	16 Vs 15	2015	15 Vs 14
		%		%		%		%		%		%
Equity												
Share Capital	325,242	-	325,242	-	325,242	-	325,242	-	325,242	-	325,242	-
Capital reserves	269,424	-	269,424	-	269,424	-	269,424	-	269,424	-	269,424	-
Revenue reserves	5,087,599	(24.96)	6,779,566	(12.12)	7,714,976	(0.35)	7,741,860	7.69	7,189,345	4.25	6,896,346	18.54
Revaluation surplus on property, plant and equipment	29,243,030		27,530,740		27,530,741		23,779,515		23,779,515		23,779,515	
Total equity	34,925,295	0.06	34,904,972	(2.61)	35,840,383	11.60	32,116,041	1.75	31,563,526	0.94	31,270,527	19.05
Liabilities												
Loans and borrowings	9,325,615	(19.67)	11,609,181	20.22	9,655,774	41.50	6,824,002	209.43	2,205,321	221.88	685,128	92.77
Lease liabilities	210,697	849.38	22,193	-	-	-	-	-	-	-	-	-
Deferred government grant	30,148	-	-	-	-	-	-	-	-	-	-	-
Employee benefits	735,246	(4.97)	773,666	16.15	666,088	-	600,182	-	514,935	-	470,248	138.67
Deferred tax liability-net	239,465	(44.31)	429,984	57.77	272,545	30.02	209,611	15.54	181,414	3.77	174,824	(60.76)
Non-current liabilities	10,541,171	(17.87)	12,835,024	21.14	10,594,407	38.79	7,633,795	163.08	2,901,670	118.14	1,330,200	33.29
Trade and other payables	2,178,062	40.24	1,553,107	(20.39)	1,950,875	19.54	1,632,042	2.33	1,594,818	(2.11)	1,629,265	(12.48)
Contract liabilities	403,933	1.00	399,943	-	-	-	-	-	-	-	-	-
Markup payable	-	-	-	-	-	-	103,859	22.39	84,856	121.83	38,253	9.10
Short term borrowings	2,807,284	121.99	1,264,583	121.56	570,768	100.00	339,943	100.00	-	0	-	-
Current portion of loans and borrowings	4,525,870	47.19	3,074,897	97.78	1,554,669	170.75	497,562	(0.49)	500,000	572.12	74,392	(69.28)
Current portion of lease liabilities	104,785	690.65	13,253	-	-	-	-	-	-	-	-	-
Advance against non-current assets held for sale	12,000	-	-	-	-	-	-	-	-	-	-	-
Unclaime dividend	9,242	-	9,242	-	9,242	-	16,588	-	8,600	-	3,534	-
Unpaid dividend	1,528	-	1,528	(92.05)	19,210	-	-	-	-	-	-	-
Current liabilities	10,042,704	58.99	6,316,553	62.78	4,104,763	49.82	2,589,994	18.36	2,188,274	25.37	1,745,444	(18.53)
Total equity and liabilities	55,509,170	2.69	54,056,549	6.96	50,539,553	19.37	42,339,830	15.51	36,653,470	6.72	34,346,171	16.80
Assets												
Property, plant and equipment	43,738,846	8.10	40,462,093	1.34	39,925,287	21.30	32,915,428	4.10	31,619,780	9.42	28,897,404	18.78
Advances for capital expenditure	1,338,170	(34.95)	2,057,190	34.26	1,532,203	13.75	1,346,935	10.35	1,220,607	3.84	1,175,457	(0.85)
Investment property	65,000	8.33	60,000	-	60,000	20.00	50,000	11.11	45,000	-	45,000	-
Long term investments	1,037,794	-	1,037,794	-	1,037,794	-	1,037,794	-	1,037,794	14.70	904,763	8.01
Advances against equity investment	3,412,571	-	3,412,571	69.39	2,014,570	1,837.09	104,000	-	-	-	-	-
Long term advance	-	-	-	-	-	-	400,000	100	-	-	-	(100.00)
Long term deposits and prepayments	33,657	(45.99)	62,316	64.12	37,970	70.09	22,323	(6.35)	23,838	26.37	18,864	(7.23)
Non-current sssets	49,626,038	5.38	47,091,964	169.12	44,607,824	1,962.23	35,876,480	119.20	33,947,019	9.36	31,041,488	17.26
Inventories	289,712	(7.63)	313,644	12.05	279,917	8.13	258,874	(9.02)	284,527	18.01	241,104	3.64
Trade debts	195,492	(64.02)	543,377	(22.89)	704,692	17.13	601,610	13.78	528,735	3.63	510,208	(12.61)
Contract assets	3,578	(87.97)	29,752	-	-	-	-	-	-	-	-	-
Advances, prepayments, trade deposits, and other receivables	371,355	(7.45)	401,258	33.93	299,613	(92.31)	3,895,250	1,677.61	219,128	(68.17)	688,517	2.39
Short term investments	1,273,816	(25.79)	1,716,437	(45.04)	3,123,231	127.36	1,373,707	13.66	1,208,587	10.41	1,094,604	(17.12)
Short Term Advances	-	-	515,000	1,187.50	40,000	-	-	-	-	-	-	-
Advance incom tax - net	481,238	5.79	454,898	109.73	216,899	-	63,251	-	86,344	-	4,208	-
Assets held for sale	2,908,739	5.82	2,748,739	-	-	-	-	-	-	-	-	-
Cash and bank balances	359,202	49.00	241,080	(80.98)	1,267,377	368.26	270,658	(28.61)	379,130	(50.51)	766,042	373.34
Current assets	5,883,132	(15.52)	6,964,185	17.41	5,931,729	(8.23)	6,463,350	138.81	2,706,451	(18.10)	3,304,683	11.21
Total assets	55,509,170	2.69	54,056,149	6.96	50,539,553	19.37	42,339,830	15.51	36,653,470	6.72	34,346,171	16.80
Profit and Loss Account												
Revenue - Gross	9,538,150	(20.40)	11,982,998	(3.07)	12,362,265	7.07	11,545,612	7.07	10,783,011	15.32	9,350,802	3.52
Discount and Commissions	130,905	(3.84)	136,138	(19.24)	168,561	(5.82)	178,970	18.81	150,639	18.60	127,019	(7.24)
Sales tax	1,277,527	(21.56)	1,628,765	(2.26)	1,666,453	7.19	1,554,656	4.95	1,481,312	13.79	1,301,767	1.22
Revenue - net	8,129,718	(20.44)	10,218,095	(2.94)	10,527,251	7.29	9,811,986	7.22	9,151,060	15.51	7,922,016	4.10
Cost of sales and services	5,438,898	(11.67)	6,157,666	9.04	5,647,370	4.01	5,429,680	9.30	4,967,545	15.83	4,288,554	0.88
Gross profit	2,690,820	(33.73)	4,060,429	(16.79)	4,879,881	11.35	4,382,306	4.75	4,183,515	15.14	3,633,462	8.18
Other income	42,543	(77.06)	185,469	22.02	151,998	10.72	137,283	14.28	120,128	11.30	107,927	(9.66)
Administrative expenses	2,901,127	(9.26)	3,197,078	(2.17)	3,268,064	23.02	2,656,605	11.45	2,383,614	5.39	2,261,735	15.21
Impairment loss on trade debts/ others	116,986	410.52	22,915	-	-	(100.00)	40,509	(94.92)	797,536	100.00	-	(100.00)
Operating (loss) / profit	(284,750)	(127.76)	1,025,905	(41.84)	1,763,815	(3.22)	1,822,475	62.36	1,122,493	(24.14)	1,479,654	1.36
Finance income	169,207	(32.65)	251,218	153.09	99,262	11.27	89,211	(38.43)	144,883	(4.53)	151,757	25.92
Gain/ (loss) on remeasurement of investments to fair value - net	674	(100.14)	(491,660)	96.29	(250,474)	(251.69)	165,120	41.30	116,859	306.41	28,754	(93.27)
Finance cost	1,728,614	49.73	1,154,494	59.13	725,513	76.18	411,802	145.48	167,753	62.75	103,073	(21.10)
Net finance cost	1,558,733		1,394,936		876,725		157,471		93,989		77,438	
(Loss) / profit before taxation	(1,843,483)	399.55	(369,031)	(141.60)	887,090	(46.72)	1,665,004	36.87	1,216,482	(21.87)	1,557,092	(17.03)
Income tax	(99,469)	(120.12)	494,367	26.26	391,534	(24.11)	515,929	(12.74)	591,277	21.55	486,446	2.75
(Loss) / profit for the year	(1,744,014)	101.99	(863,398)	(274.23)	495,556	(56.87)	1,149,075	83.79	625,205	(41.60)	1,070,646	(23.71)
(Loss) / Earnings per share - basic and diluted (Rupees)	(53.62)	101.99	(26.55)	(274.23)	15.24	(56.87)	35.33	83.79	19.22	(41.60)	32.92	(23.71)

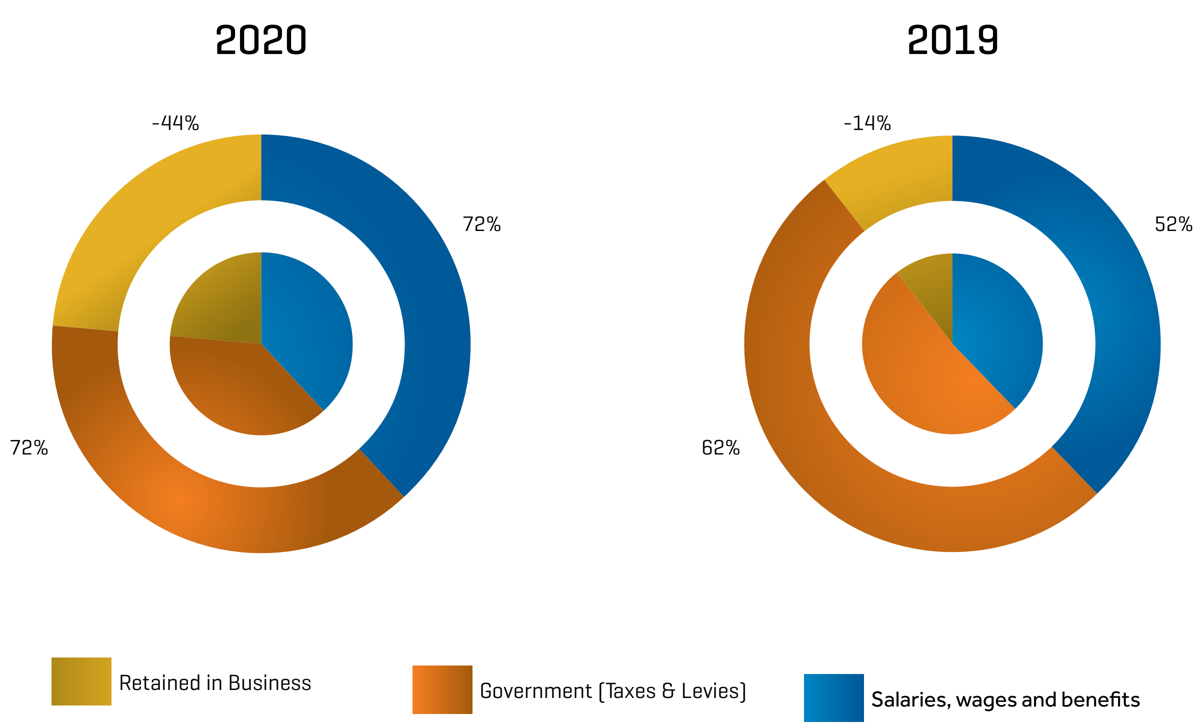
VERTICAL ANALYSIS

Balance Sheet

(Rs. '000)	2020	%	2019	%	2018	%	2017	%	2016	%	2015	%
Equity												
Share Capital	325,242	0.59	325,242	0.60	325,242	0.64	325,242	0.77	325,242	0.89	325,242	0.95
Capital reserves	269,424	0.49	269,424	0.50	269,424	0.53	269,424	0.64	269,424	0.74	269,424	0.78
Revenue reserves	5,087,599	9.17	6,779,566	12.55	7,714,976	15.27	7,741,860	18.29	7,189,345	19.61	6,896,346	20.08
Revaluation surplus on property, plant and equipment	29,243,030	52.68	27,530,740	50.96	27,530,741	54.47	23,779,515	56.16	23,779,515	64.88	23,779,515	69.23
Total equity	34,925,295	62.92	34,904,972	64.61	35,840,383	70.92	32,116,041	75.85	31,563,526	86.11	31,270,527	91.05
								-		-		-
Liabilities								-		-		-
Loans and borrowings	9,325,615	16.80	11,609,181	21.49	9,656,299	19.11	6,824,002	16.12	2,205,321	6.02	685,128	1.99
Lease liabilities	210,697	0.38	22,193									
Deferred government grant	30,148	0.05										
Employee benefits	735,246	1.32	773,666	1.43	666,088	1.32	600,182	1.42	514,935	1.40	470,248	1.37
Deferred tax liability-net	239,465	0.43	429,984	0.80	272,545	0.54	209,611	0.50	181,414	0.49	174,824	0.51
Non current liabilities	10,541,171	18.99	12,835,024	23.72	10,594,932	20.96	7,633,795	18.03	2,901,670	7.92	1,330,200	3.87
								-		-		-
								-		-		-
Trade and other payables	2,178,062	3.92	1,553,107	2.88	1,950,875	3.86	1,632,042	3.85	1,594,818	4.35	1,629,265	4.74
Contract Liabilities	403,933	0.73	399,943	0.74								
Markup payable	-	-	-	-	223,910	0.44	103,859	0.25	84,856	0.23	38,253	0.11
Short term borrowings	2,807,284	5.06	1,264,583	2.34	553,868	1.10	339,943	0.80	-	-	-	-
Current portion of loans and borrowings	4,525,870	8.15	3,074,497	5.69	1,347,134	2.67	497,562	1.18	500,000	1.36	74,392	0.22
Current portion of lease liabilities	104,785	0.19	13,253									
Advance against non-current assets held for sale	12,000	0.02	-	-	-	-	-	-	-	-	-	-
Unclaime dividend	9,242	0.02	9,242	0.02	9,242	0.02	16,588	0.04	8,600	0.02	3,534	0.01
Unpaid dividend	1,528	0.00	1,528	0.00	19,210	0.04	-	-	-			
Current liabilities	10,042,704	18.09	6,316,153	11.67	4,104,239	8.12	2,589,994	6.12	2,188,274	5.97	1,745,444	5.08
		-	-	-								
Total equity and liabilities	55,509,170	100.00	54,056,144	100.00	50,539,554	100.00	42,339,830	100.00	36,653,470	100.00	34,346,171	100.00
Assets												
Property, plant and equipment	43,738,846	78.80	40,462,093	74.85	39,925,287	79.00	32,915,428	77.74	31,619,780	86.27	28,897,404	84.14
Advance for capital expenditure	1,338,170	2.41	2,057,190	3.81	1,532,203	3.03	1,346,935	3.18	1,220,607	3.33	1,175,457	3.42
Investment property	65,000	0.12	60,000	0.11	60,000	0.12	50,000	0.12	45,000	0.12	45,000	0.13
Long term investments	1,037,794	1.87	1,037,794	1.92	1,037,794	2.05	1,037,794	2.45	1,037,794	2.83	904,763	2.63
Advance for equity investment	3,412,571	6.15	3,412,571	6.31	2,014,570	3.99	104,000	0.25	-	-	-	-
Long term advance	-	-	-	-	-	-	400,000	0.94	-	-	-	-
Long term deposits and prepayments	33,657	0.06	62,316	0.12	37,970	0.08	22,323	0.05	23,838	0.07	18,864	0.05
Non-current assets	49,626,038	89.40	47,091,964	87.12	44,607,824	88.26	35,876,480	84.73	33,947,019	92.62	31,041,488	90.38
Inventories	289,712	0.52	313,644	0.58	279,917	0.55	258,874	0.61	284,527	0.78	241,104	0.70
Trade debts	195,492	0.35	543,377	1.01	704,692	1.39	601,610	1.42	528,735	1.44	510,208	1.49
Contract Assets	3,578	0.01	29,752	0.06	-	-	-	-	-	-	-	-
Advances, prepayments, trade deposits,	-	-	-	-	-	-	-	-	-	-	-	
and other receivables	371,355	0.67	401,258	0.74	299,613	0.59	3,895,250	9.20	219,128	0.60	688,517	2.00
Short term investments	1,273,816	2.29	1,716,437	3.18	3,123,231	6.18	1,373,707	3.24	1,208,587	3.30	1,094,604	3.19
Short Term Advance	-	-	515,000	0.95	40,000	0.08	-	-	-	-	-	-
Advance income tax - net	481,238	0.87	454,898	0.84	216,899	0.43	63,251	0.15	86,344	0.24	4,208	0.01
Assets held for sale	2,908,739	5.24	2,748,739	5.08	-	-	-	-	-	-	-	-
Cash and bank balances	359,202	0.65	241,080	0.45	1,267,377	2.51	270,658	0.64	379,130	1.03	766,042	2.23
Current assets	5,883,132	10.60	6,964,185	12.88	5,931,729	11.74	6,463,350	15.27	2,706,451	7.38	3,304,683	9.62
		-	-	-	-							
Total assets	55,509,170	100.00	54,056,149	100.00	50,539,553	100.00	42,339,830	100.00	36,653,470	100.00	34,346,171	100.00
Profit and Loss Account												
Revenue - gross	9,538,150	100.00	11,982,998	100.00	12,362,265	100.00	11,545,612	100.00	10,783,011	100.00	9,350,802	100.00
Discounts and commissions	130,905	1.37	136,138	1.14	168,561	1.36	178,970	1.55	150,639	1.40	127,019	1.36
Sales tax	1,277,527	13.39	1,628,765	13.59	1,666,453	13.48	1,554,656	13.47	1,481,312	13.74	1,301,767	13.92
Revenue - net	8,129,718	85.23	10,218,095	85.27	10,527,251	85.16	9,811,986	84.98	9,151,060	84.87	7,922,016	84.72
Cost of sales and services	5,438,898	57.02	6,157,666	51.39	5,647,370	45.68	5,429,680	47.03	4,967,545	46.07	4,288,554	45.86
Gross profit	2,690,820	33.10	4,060,429	39.74	4,879,881	46.35	4,382,306	44.66	4,183,515	45.72	3,633,462	45.87
Other income	42,543	0.45	185,469	1.55	151,998	1.23	137,283	1.19	120,128	1.11	107,927	1.15
Administrative expenses	2,901,127	30.42	3,197,078	26.68	3,268,064	26.44	2,656,605	23.01	2,383,614	22.11	2,261,735	24.19
Impairment loss on trade debts/ others	116,986	1.23	22,915	0.19	-	-	40,509	0.35	797,536	7.40	-	-
Operating (loss) / profit	(284,750)	(2.99)	1,025,905	8.56	1,763,815	14.27	1,822,475	15.79	1,122,493	10.41	1,479,654	15.82
						-		-		-	-	
Finance income	169,207	1.77	251,218	2.10	99,262	0.80	89,211	0.77	144,883	1.34	151,757	1.62
Gain/ (loss) on remeasurement of investments to fair value - net	674	0.01	(491,660)	(4.10)	(250,474)	(2.03)	165,120	1.43	116,859	1.08	28,754	0.31
Finance cost	1,728,614	18.12	1,154,494	9.63	725,513	5.87	411,802	3.57	167,753	1.56	103,073	1.10
Net finance cost	1,558,733	16.34	1,394,936	11.64	876,725	7.09	157,471	1.36	93,989	0.87	77,438	0.83
(Loss) / profit before taxation	(1,843,483)	(19.33)	(369,031)	(3.08)	887,090	7.18	1,665,004	14.42	1,216,482	11.28	1,557,092	16.65
Income tax	(99,469)	(1.04)	494,367	4.13	391,534	3.17	515,929	4.47	591,277	5.48	486,446	5.20
(Loss) / profit for the year	(1,744,014)	(21.45)	(863,398)	(8.45)	495,556	4.71	1,149,075	11.71	625,205	6.83	1,070,646	13.51
(Loss) / Earnings per share - basic and diluted (Rupees)	(53.62)		(26.55)		15.24		35.33		19.22		32.92	

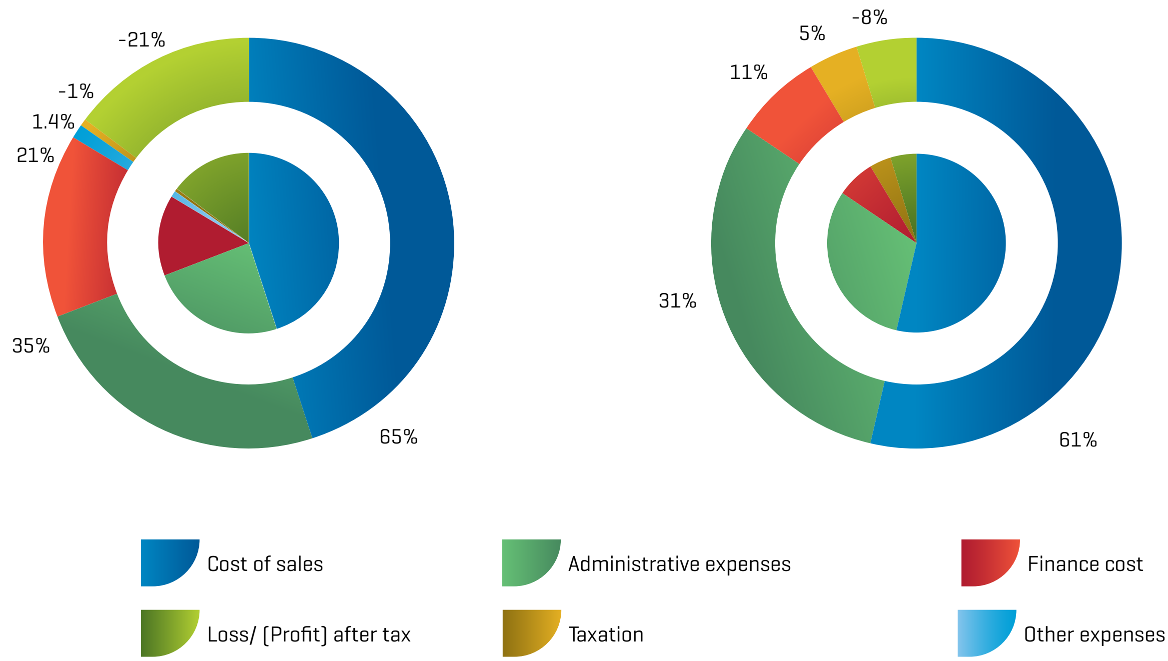
STATEMENT OF VALUE ADDITION & ITS DISTRIBUTION

	Note	2019-20	2018-19
		(Rupees'000)	
VALUE ADDED			
Sales and Services (Inclusive of GST and other taxes)		9,425,481	11,858,648
Other operating income - net		212,424	(54,973)
		9,637,905	11,803,675
Cost of sales and other expenses (Excluding salaries, wages and benefits & taxes)		(5,718,380)	(5,707,163)
		3,919,525	6,096,512
DISTRIBUTION			
Salaries, wages and benefits		2,822,029	3,151,212
Government (Taxes & Levies)		2,841,510	3,808,698
Retained in Business		(1,744,014)	(863,398)
		3,919,525	6,096,512

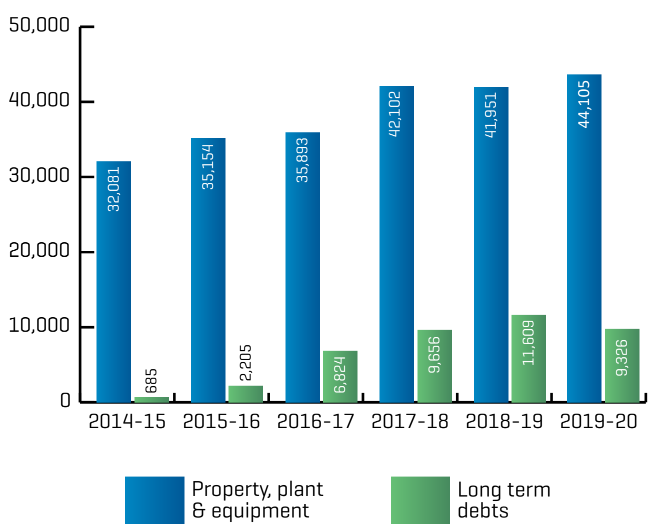


APPLICATION OF SALES & OTHER INCOME
FINANCIAL YEAR 2019-20

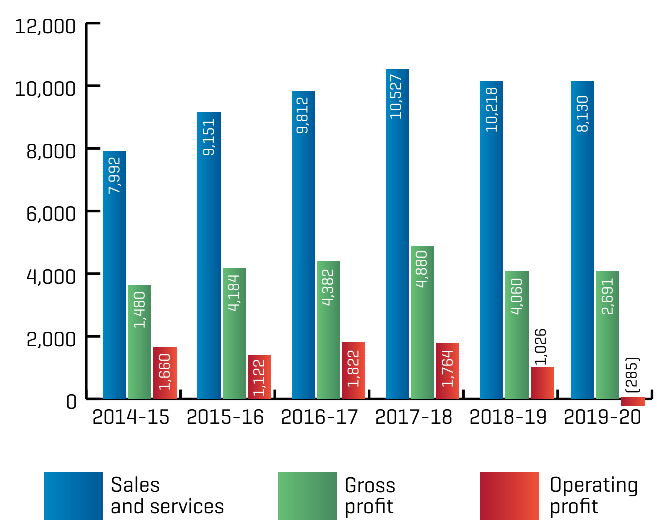
APPLICATION OF SALES & OTHER INCOME
FINANCIAL YEAR 2018-19



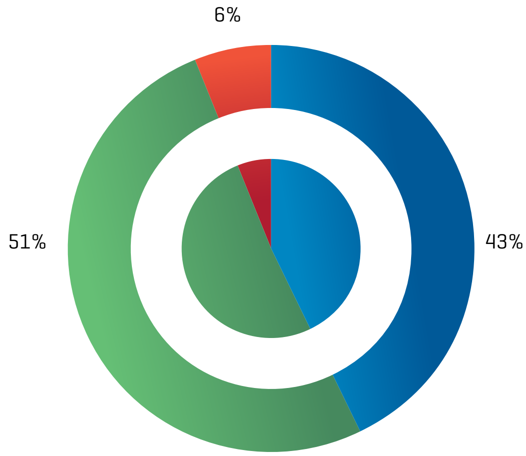
PROPERTY, PLANT & EQUIPMENT AT COST V/s LONG TERM DEBTS



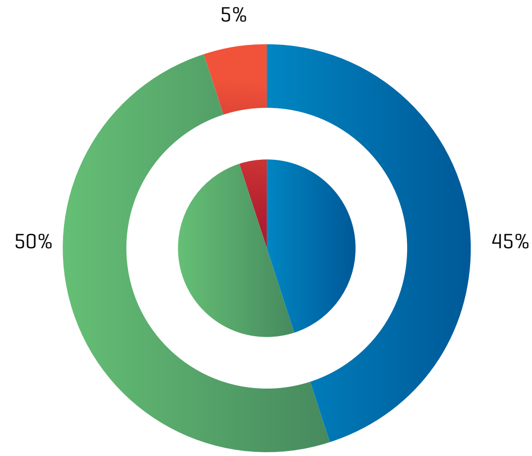
SALES AND SERVICES GROSS PROFIT OPERATING PROFIT



CONTRIBUTION OF MAJOR REVENUE GENERATING DEPARTMENTS
FINANCIAL YEAR 2019-20

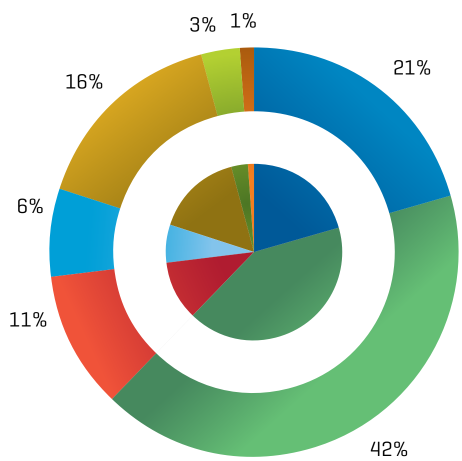


CONTRIBUTION OF MAJOR REVENUE GENERATING DEPARTMENTS
FINANCIAL YEAR 2018-19

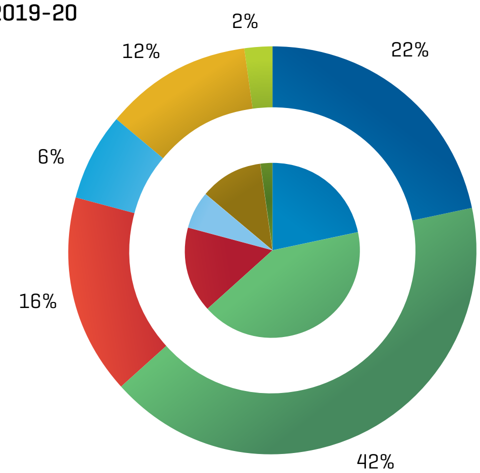


Room revenue
Food and beverage
Other related services

ROOM REVENUE
2019-20



FOOD AND BEVERAGES REVENUE - HOTEL WISE
2019-20



PCH - KARACHI
PCH - LAHORE
PCH-RAWALPINDI
PCH - PESHAWAR
PCH - BHURBAN
PCH - MUZAFFARABAD
HOTEL ONE

STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

FOR THE YEAR ENDED 30 JUNE 2020

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

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

   a. Male: Eight

   b. Female: One

2. The composition of board is as follows:

Category	Names
Independent Director	1. Mr. M. Ahmed Ghazali Marghoob 2. Mr. Rohail Ajmal 3. Mr. Shahid Hussain
Executive Directors	4. Mr. Murtaza Hashwani 5. Mr. Shakir Abu Bakar 6. Syed Haseeb Amjad Gardezi
Non-Executive Directors	7. Mr. Sadruddin Hashwani 8. Mr. M. A. Bawany
Non- Executive Female Director	9. Ms. Ayesha Khan

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.

4. The company has prepared a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the company.

6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.

7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board.

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

9. Out of total of nine directors, four directors (Mr. M. A. Bawany, Mr. Shakir Abu Bakar, Syed Haseeb Amjad Gardezi and Mr. Rohail Ajmal) have undertaken Directors' Training Program till 30 June 2020 and two Directors (Mr. Sadruddin Hashwani and Mr. Murtaza Hashwani) are exempted in term in terms of clause 19(2) of the Listed Companies (Code of Corporate Governance) Regulations, 2019. Hence the Company is in compliance with this requirement.

10. The Board has approved appointment of chief financial officer, company secretary and head of internal audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.

11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the board.

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

Name of Committee	Name of Member
Audit Committee	1. Mr. M. Ahmed Ghazali Marghoob (Chairman) 2. Ms. Ayesha Khan 3. Mr. Shahid Hussain
HR & Remuneration Committee	1. Mr. M. Ahmed Ghazali Marghoob (Chairman) 2. Mr. Murtaza Hashwani 3. Ms. Ayesha Khan
Nomination Committee	1. Mr. Murtaza Hashwani (Chairman) 2. Mr. M. A. Bawany 3. Mr. Shakir Abu Bakar 4. Syed Haseeb Amjad Gardezi
Risk Management Committee	1. Mr. Murtaza Hashwani (Chairman) 2. Mr. M. A. Bawany 3. Mr. Shakir Abu Bakar 4. Syed Haseeb Amjad Gardezi 5. Mr. Rohail Ajmal

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

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

15. The Board has set up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.

16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company.

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

18. We confirm that all requirements of the Regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with.

Sadruddin Hashwani
Chairman
September 30, 2020

UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020


EXIT
coronation
tulip

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF PAKISTAN SERVICES LIMITED

Report on the Audit of the Unconsolidated Financial Statements

Opinion

We have audited the annexed unconsolidated financial statements of Pakistan Services Limited (the Company), which comprise the unconsolidated statement of financial position as at 30 June 2020 and the unconsolidated statement of profit or loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity, the unconsolidated statement of cash flows for the year then ended, and notes to the unconsolidated financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, unconsolidated statement of profit or loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2020 and of the loss, the comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for opinion

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

Material Uncertainty relating to Going Concern

We draw attention to Note 2.3 of the unconsolidated financial statements which indicates that the Company has incurred a net loss after tax of Rs. 1,744 million during the year ended 30 June 2020 and as at that date, current liabilities exceeded current assets by Rs. 4,160 million. These events or conditions, along with other matters as set forth in Note 2.3, indicate that a material uncertainty exists relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PAKISTAN SERVICES LIMITED

Following or the key audit matters:

<table>
<tr><th>S. No.</th><th>Key audit matters</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>1</td><td>Revenue recognition

Refer notes 3.16 and 29 to the unconsolidated financial statements.

The Company recognized revenue of Rs. 4,123 million and Rs. 4,822 million from rooms and sale of food and beverages respectively for the year ended 30 June 2020.

We identified recognition of revenue from rooms and sale of food and beverages as a key audit matter because these are key performance indicators of the Company and gives rise to an inherent risk that rooms and food and beverage revenues could be subject to misstatement to meet expectations or targets.</td><td>Our audit procedures to assess the recognition of revenue from rooms and food and beverages, amongst others, included the following:

● obtaining an understanding of the process relating to recognition of revenue and testing the design, implementation and operating effectiveness of key internal controls over recording of revenue;

● comparing a sample of revenue transactions recorded during the year with reservations, sales invoices and other relevant underlying documents;

● comparing a sample of revenue transactions recorded around the year- end with bookings, sales invoices and other relevant underlying documentation to evaluate if the related revenue was recorded in the appropriate accounting period;

● comparing the details of a sample of journal entries posted to revenue accounts during the year, which met certain specific risk-based criteria, with the underlying documentation; and

● assessing whether the accounting policies for revenue recognition complies with the requirements of the accounting and reporting standards as applicable in Pakistan.</td></tr>
<tr><td>2</td><td>Related party transactions

Transactions with related parties are disclosed in note 41 to the unconsolidated financial statements.

We identified transactions with related parties and relevant disclosures in the unconsolidated financial statements as key audit matter due to the nature and volume of transactions with related parties and their significant to the unconsolidated financial statements.</td><td>Our audit procedures, amongst others, included the following:

● obtaining an understanding of the process that management has established to identify, account for and disclose related party transactions and to authorize and approve related party transactions and arrangements;

● comparing the related party transactions, on a sample basis, disclosed in the unconsolidated financial statements with the underlying records and performing procedures to identify related party transactions outside the normal course of business;

● obtaining, on a sample basis, external confirmations of related party transactions and year-end balances and comparing the same with the Company's record;

● comparing, on a sample basis, the recording of related party transactions with the underlying agreements / arrangements in place and supporting documentation and approvals; and

● assessing the adequacy of disclosures in the unconsolidated financial statements in accordance with accounting and reporting standards as applicable in Pakistan.</td></tr>
</table>

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PAKISTAN SERVICES LIMITED

S. No.	Key audit matters	How the matter was addressed in our audit
3	Impact of COVID-19 As disclosed in note 47 to the unconsolidated financial statements, the COVID-19 pandemic resulted in disruption to business operations particularly to businesses in highly exposed sectors including hospitality industry and significant increase in economic uncertainty. Due to the lockdown and restrictions imposed by the Government of Pakistan, the Company's hotel properties remained fully/partially closed for operations during the last quarter of the year. In connection with the accounting and reporting obligations, the Company assessed the impact of COVID-19 related events on its unconsolidated financial statements particularly its impact on the appropriateness of the use of the going concern assumption and impairment of non-current assets.	Our audit procedures, amongst others, included the following: ● obtaining an understanding of management's assessment of impact of COVID-19 pandemic and its related implications on the preparation and presentation of unconsolidated financial statements; ● evaluating appropriateness of management's assessment of going concern assumption and adequacy of related disclosures in the unconsolidated financial statements; ● assessing the status of restructuring of debt arrangements and appropriateness of classification and adequacy of related disclosures in the unconsolidated financial statements; ● evaluating the assessment of recoverable amounts for each cash generating units (hotel properties and other non-current assets) to ascertain if any impairment was required to be recognized in the unconsolidated financial statement; ● Involving external expert to assist in testing of assessed values used in determining recoverable amounts of cash generating units; and ● Assessing the adequacy of disclosures in unconsolidated financial statements relating to impact of COVD-19 in accordance with the accounting and reporting standards as applicable in Pakistan.

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

Management is responsible for the other information. Other information comprises the information included in the annual report for the year ended 30 June 2020, but does not include the unconsolidated financial statements and our auditors' report thereon.

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

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

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF PAKISTAN SERVICES LIMITED

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

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

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

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

Auditors' Responsibilities for the Audit of the Unconsolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the unconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these unconsolidated financial statements.

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

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

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF PAKISTAN SERVICES LIMITED

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

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

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

d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditors' report is Atif Zamurrad Malik.

KPMG Taseer Hadi & Co.

Chartered Accountants

Date: 06 October 2020

Islamabad

INDEPENDENT AUDITORS' REVIEW REPORT

TO THE MEMBERS OF PAKISTAN SERVICES LIMITED

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Pakistan Services Limited for the year ended 30 June 2020 in accordance with the requirements of regulation 36 of the Regulations.

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

As 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 Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. 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.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended 30 June 2020.

KPMG Taseer Hadi & Co.

Chartered Accountants

Date: 06 October 2020

Islamabad

UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	Note	30 June 2020	30 June 2019
		(Rupees'000)	
EQUITY			
Share capital	4	325,242	325,242
Capital reserve	5	269,424	269,424
Revenue reserves	6	5,087,599	6,779,566
Revaluation surplus on property, plant and equipment	7	29,243,030	27,530,740
Total equity		34,925,295	34,904,972
LIABILITIES			
Loans and borrowings	8	9,325,615	11,609,181
Lease liabilities	9	210,697	22,193
Deferred government grant	8	30,148	-
Employee benefits	10	735,246	773,666
Deferred tax liability - net	11	239,465	429,984
Non current liabilities		10,541,171	12,835,024
Short term borrowings	12	2,807,284	1,264,583
Current portion of loans and borrowings	8	4,525,870	3,074,497
Current portion of lease liabilities	9	104,785	13,253
Trade and other payables	13	2,178,062	1,553,107
Contract liabilities	30	403,933	399,943
Advance against non-current assets held for sale		12,000	-
Unpaid dividend	14	1,528	1,528
Unclaimed dividend		9,242	9,242
Current liabilities		10,042,704	6,316,153
Total equity and liabilities		55,509,170	54,056,149
CONTINGENCIES AND COMMITMENTS	15		

The annexed notes 1 to 49 form an integral part of these unconsolidated financial statements.

	Note	30 June 2020	30 June 2019
		(Rupees'000)	
ASSETS			
Property, plant and equipment	16	43,738,846	40,462,093
Advances for capital expenditure	17	1,338,170	2,057,190
Investment property	18	65,000	60,000
Long term investments	19	1,037,794	1,037,794
Advances against equity investment	20	3,412,571	3,412,571
Long term deposits and prepayments	21	33,657	62,316
Non-current assets		49,626,038	47,091,964
Inventories	22	289,712	313,644
Trade debts	23	195,492	543,377
Contract assets	30	3,578	29,752
Advances, prepayments, trade deposits and other receivables	24	371,355	401,258
Short term investments	25	1,273,816	1,716,437
Short term advances		-	515,000
Assets held for sale	26	2,908,739	2,748,739
Advance income tax - net	27	481,238	454,898
Cash and bank balances	28	359,202	241,080
Current assets		5,883,132	6,964,185
Total assets		55,509,170	54,056,149

M.A. Bawany
Director

Shakir Abu Bakar
Director

Javed Iqbal
Chief Financial Officer

UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 30 JUNE 2020

	Note	30 June 2020	30 June 2019
		(Rupees'000)	
Revenue - net	29	8,129,718	10,218,095
Cost of sales and services	31	(5,438,898)	(6,157,666)
Gross profit		2,690,820	4,060,429
Other income	32	42,543	185,469
Administrative expenses	33	(2,901,127)	(3,197,078)
Impairment loss on trade debts	23	(116,986)	(22,915)
Operating (loss) / profit		(284,750)	1,025,905
Finance income	34	169,207	251,218
Gain/ (loss) on remeasurement of investments to fair value - net		674	(491,660)
Finance cost	35	(1,728,614)	(1,154,494)
Net finance cost		(1,558,733)	(1,394,936)
Loss before taxation		(1,843,483)	(369,031)
Income tax	36	99,469	(494,367)
Loss for the year		(1,744,014)	(863,398)
Loss per share - basic and diluted (Rupees)	37	(53.62)	(26.55)

The annexed notes 1 to 49 form an integral part of these unconsolidated financial statements.

M.A. Bawany	Shakir Abu Bakar	Javed Iqbal
Director	Director	Chief Financial Officer

UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020

	Note	30 June 2020	30 June 2019
		(Rupees'000)	
Loss for the year		(1,744,014)	(863,398)
Other comprehensive income			
Items that will not be reclassified to statement of profit or loss			
Remeasurement of defined benefit liability - gratuity	10.1.4	73,305	(21,106)
Surplus on revaluation of property, plant and equipment		1,712,290	-
Related tax		(21,258)	6,121
Other comprehensive income for the year - net of tax		1,764,337	(14,985)
Total comprehensive income for the year		20,323	(878,383)

The annexed notes 1 to 49 form an integral part of these unconsolidated financial statements.

M.A. Bawany
Director

Shakir Abu Bakar
Director

Javed Iqbal
Chief Financial Officer

UNCONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020

	Note	30 June 2020	30 June 2019
		(Rupees'000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash flow from operating activities before working capital changes	38	1,085,729	2,088,669
Working capital changes			
(Increase) / decrease in current assets			
Inventories		23,518	(33,727)
Trade debts		230,899	58,080
Contract assets		26,174	(29,752)
Advances		57,336	(23,114)
Trade deposits and prepayments		9,537	(19,576)
Other receivables		(46,587)	(71,383)
Increase / (decrease) in current liabilities			
Trade and other payables		624,955	(273,597)
Contract liabilities		3,990	275,772
Cash generated from /(used in) operations		929,822	(117,297)
Staff retirement benefit - gratuity paid	10.1	(29,785)	(39,346)
Compensated leave absences paid	10.2	(21,975)	(34,346)
Income tax paid	27	(138,648)	(545,515)
Finance cost paid		(1,948,241)	(1,307,873)
Net cash (used in)/ generated from operating activities		(123,098)	44,292
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		(1,564,897)	(3,903,025)
Advance for capital expenditure		(245,011)	(524,987)
Proceeds from disposal of property, plant and equipment	16.1.9	594,816	117,776
Advances against equity to subsidiaries		(94,500)	(1,398,001)
Advances against equity refunded from subsidiary		94,500	-
Short term advance		515,000	(475,000)
Short term investments		444,000	925,000
Advance against non-current asset held for sale		12,000	-
Dividend income received		41,464	55,357
Receipts of return on bank deposits and short term investments		121,930	192,314
Long term deposits and prepayments		1,427	(24,346)
Net cash used in investing activities		(79,271)	(5,034,912)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long term financing		(1,472,222)	(1,501,667)
Proceeds from long-term financing		377,589	150,000
Proceeds from Sukuk finance		-	4,666,667
Repayment of diminishing Mutharika facility		-	(23,548)
Dividend paid		-	(17,682)
Loan from director		370,000	-
Repayment of loan to director		(220,000)	-
Lease liabilities paid	9.3	(78,235)	-
Net cash (used in) / generated from financing activities		(1,022,868)	3,273,770
Net decrease in cash and cash equivalents		(1,225,237)	(1,716,850)
Cash and cash equivalents at beginning of the year		(1,003,341)	713,509
Cash and cash equivalents at end of the year	39	(2,228,578)	(1,003,341)

The annexed notes 1 to 49 form an integral part of these unconsolidated financial statements.

M.A. Bawany	Shakir Abu Bakar	Javed Iqbal
Director	Director	Chief Financial Officer

UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020

	Share capital	Capital reserve	Surplus on revaluation of property, plant and equipment	Revenue reserves		Total equity
				General reserve	Unappropriated profit	
	Rupees '000					
Balance at 01 July 2018	325,242	269,424	27,530,740	1,600,000	6,114,976	35,840,382
Effect of change in policy	-	-	-	-	(57,027)	(57,027)
Adjusted balance at 01 July 2018	325,242	269,424	27,530,740	1,600,000	6,057,949	35,783,355
Total comprehensive income for the year						
Loss for the year	-	-	-	-	(863,398)	(863,398)
Other comprehensive income for the year	-	-	-	-	(14,985)	(14,985)
Total comprehensive income for the year-(loss)	-	-	-	-	(878,383)	(878,383)
Balance at 30 June 2019	325,242	269,424	27,530,740	1,600,000	5,179,566	34,904,972
Balance at 01 July 2019	325,242	269,424	27,530,740	1,600,000	5,179,566	34,904,972
Total comprehensive income for the year						
Loss for the year	-	-	-	-	(1,744,014)	(1,744,014)
Other comprehensive income for the year	-	-	1,712,290	-	52,047	1,764,337
Total comprehensive income for the year	-	-	1,712,290	-	(1,691,967)	20,323
Balance at 30 June 2020	325,242	269,424	29,243,030	1,600,000	3,487,599	34,925,295

The annexed notes 1 to 49 form an integral part of these unconsolidated financial statements.

M.A. Bawany	Shakir Abu Bakar	Javed Iqbal
Director	Director	Chief Financial Officer

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

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 the Companies Act, 2017) as a public limited company and is quoted on Pakistan Stock Exchange Limited.

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

The registered office of the Company is situated at 1st Floor, NESPAK House, Sector G-5/2, Islamabad. The addresses of lands, hotel buildings and other properties owned by the Company located in Karachi, Lahore, Rawalpindi, Bhurban, Peshawar, Multan, Muzaffarabad and Mirpur are disclosed in note 16.1.5. The addresses of the Company's other sales offices / lounges are as follows:

- CIP Lounge, Allama Iqbal International Airport, Lahore
- CIP Lounge, Jinnah International Airport, Karachi
- Sales center, office no. 05, Basement, Islamabad Center, Fazal-e-Haq Road, Blue Area, Islamabad.

2 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

2.1 Statement of compliance

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

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

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

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

In case the requirements of the Companies Act, 2017 differ from the IFRS Standards or IFAS, the requirements of the Companies Act, 2017 have been followed.

2.2 Basis of measurement and preparation

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

Item	Measurement basis
Land	Revaluation model
Investment property	Fair value
Investments classified as fair value through profit or loss	Fair value
Investments classified as fair value through other comprehensive income	Fair value
Employee benefits - Net defined benefit liability	Present value of the defined benefit liability, determined through actuarial valuation

The method used to measure fair values are disclosed in respective polity notes.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

These unconsolidated financial statements are 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 Going concern basis of accounting

The unconsolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to continue its operations and will discharge its liabilities including repayment of loans and interest thereon, in the normal course of business.

The Company has incurred a net loss after tax of Rs. 1,744 million during the year ended 30 June 2020 and, as at that date, current liabilities exceeded current assets by Rs. 4,160 million. The Company's operations were affected due to lock down measures taken by the Government of Pakistan in response to COVID-19 outbreak (refer note 47) which resulted in closing down of the hotel properties for the period from March 2020 to August 2020.

Management expects the situation to improve in subsequent period and is confident that operating cash flows will be adequate to fulfill obligations when due. The Company is in advanced stage of negotiations with banks for rescheduling of loans and accrued interest payments which will have a positive impact on the Company's liquidity. Further, subsequent to the year-end, the lockdown restrictions have eased, and the Company's hotel properties have resumed operations and management expects the room occupancy and sales at its hotel to improve further.

Management acknowledges that material uncertainty remains over the Company's ability to meet its funding requirements. However, as described above, management has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. If for any reason the Company is unable to continue as going concern, then this could have an impact on the Company's ability to realize assets, and to extinguish its liabilities in the normal course of business.

2.4 Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the functional currency).

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

2.5 Use of estimates and judgments

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

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

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

- Note 16.1 - useful lives, reassessed values, residual values and depreciation method of property, plant and equipment
- Note 18 - fair value of investment property
- Note 22 - provision for slow moving inventories
- Note 15 - recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources;
- Note 10 - measurement of defined benefit obligations: key actuarial assumptions
- Note 11 and 36 - recognition of deferred tax liabilities and assets and estimation of income tax provisions

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

- Note 23 - measurement of allowance for expected credit loss
- Note 19 and 25 – accounting for investments in associates
- Note 3 – leases: present value measurement of lease liabilities, determining lease term and whether a contract is or contains a lease and depreciation of right of use assets
- Note 26 – assets held for sale – determining the fair value less cost to sell
- Note 29 – revenue recognition

2.6 Measurement of fair values

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

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

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

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

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

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

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies as set out below have been applied consistently to all periods presented in these unconsolidated financial statements, except for the adoption of new standard effective as of 01 July 2019 as referred to in notes 3.1.

3.1 New standards, interpretations and amendments adopted by the Company

The Company has adopted IFRS 16 'Leases', IFRIC 23 'Uncertainty over income tax treatments', and IFRS 14 'Regulatory Deferral Accounts' effective for annual period beginning on or after 01 July 2019. IFRIC 23 and IFRS 14 have no effect on these unconsolidated financial statements. The impact of the adoption of IFRS 16 and the new accounting policy is disclosed below.

The Company applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings at 01 July 2019. Accordingly, the comparative information presented for 2019 is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 'Determining whether an Arrangement contains a Lease'. The Company now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 3.3.

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 July 2019.

As a lessee, the Company leases assets including property and vehicles. The Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS 16, the Company recognizes right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price.

Previously, the Company classified certain property leases as operating leases under IAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at 1 July 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Company used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Company:

- did not recognize right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognize right-of-use assets and liabilities for leases of low value assets;
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

3.1.1 Impact of transition on financial statements

The Company recognized additional right-of-use asset and additional lease liabilities at initial application of IFRS 16, i.e. 01 July 2019 as follows:

	Rs. '000'
Present value of future lease payments- Land and rental spaces	344,565
Present value of future lease payments- Vehicles	33,136
Prepayments classified as right-of-use asset	15,657
Right of use assets - vehicles	60,810
Total Right of use assets (presented in property, plant and equipment)	421,032

The Company leases a number of vehicles under the lease arrangements which were classified as finance leases under IAS 17. For these finance leases, the carrying amount of the right-of-use asset and the lease liability at 1 July 2019 were determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

When measuring lease liabilities at 01 July 2019, the Company discounted lease payments using its incremental borrowing rate of 11.70% for land and rental spaces. For leases of vehicles, the interest rate implicit in the lease is used.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

Reconciliation of operating lease commitments at the end of annual reporting period immediately preceding the date of initial application i.e. 30 June 2019, with lease liabilities recognized in the statement of financial position at the date of initial application is as follows:

	Rs. '000'
Operatonal lease commitments as at 30 June 2019	818,709
Leases not recognised under IFRS 16	(45,798)
Discounting effect	(428,346)
Liabilities recognized as at 01 July 2019	344,565

Had IFRS 16 not been applied, the impact on profit or loss would have been as follows:

	Rs. '000'
Increase in rental expenses	92,157
Decrease in depreciation expenses	(91,268)
Decrease in interest cost	(26,236)
Increase in profit for the period	25,347

Refer Note 3.3 for the details of accounting policies under IFRS 16 and IAS 17.

3.1.2 **Addition in Right of use assets during the year**

During the year, the Company availed further lease facility of Rs. 73.396 million inclusive of conversion of vehicles Ijarah facility of Rs. 60.580 million into Diminishing Musharka facility, accordingly this lease facility is treated under IFRS-16 – Leases and classified as right of use asset adjusted with lease deposits and prepayments of Rs. 24.598 million, with corresponding increase in lease liabilities by discounting remaining lease payments using interest rate implicit in the lease.

3.2 **Property, plant and equipment and advances for capital expenditure**

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.

Land (free hold and lease hold) are recognized at revalued amounts based on valuation by external independent valuer. Long term leases of land in which the Company obtains control of the land are accounted for as property, plant and equipment and presented as 'leasehold land'. Revaluation surplus on property, plant and equipment is credited to a capital reserve in shareholders' equity and presented as a separate line item in statement of financial position. Increases in the carrying amounts arising on revaluation of land are recognized, in other comprehensive income and accumulated in revaluation surplus in shareholders' equity. To the extent that increase reverses a decrease previously recognized in profit or loss, the increase is first recognized in profit or loss. Decreases that reverse previous increases of the same asset are first recognized in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss.

Cost comprises of purchase price and other directly attributable costs less refundable taxes. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use. The completed or / acquired capital work in progress and advance for capital expenditure is transferred to the respective item of operating fixed assets when it becomes available for intended use.

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

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

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 recognized in profit or loss.

Subsequent expenditure

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

Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the diminishing balance method over their estimated useful lives on monthly basis and is recognized in profit or loss. Capital work in progress is not depreciated. Rates of depreciation are mentioned in note 16.1.

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.

3.3 Leases

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

Policy applicable from 01 July 2019

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset.

This policy is applied to contracts entered into, or changed, on or after 01 July 2019.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date.

Right of use asset

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. Right of use asset is subsequently depreciated from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. The estimated useful lives of right of use assets are determined on the same basis as those of property, plant and equipment. In addition, right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. Rates of depreciation are mentioned in note 15.1.

The Company presents right of use assets that do not meet the definition of investment property in 'property, plant and equipment' in the statement of financial position.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments.

Short term leases and low-value assets

The Company has elected not to recognize right of use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and the leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Policy applicable before 01 July 2019

For contract entered into before 01 July 2019, the Company determined whether the arrangement was or contained a lease. At inception or on reassessment of an arrangement that contained a lease, the Company separated 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 concluded for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability were recognized at an amount equal to the fair value of the underlying asset; subsequently, the liability was reduced as payments are made and an imputed finance cost on the liability was recognized using the Company's incremental borrowing rate.

Leased assets

In the comparative period, leases of property, plant and equipment that transferred to the Company substantially all of the risks and rewards of ownership were classified as finance leases. The leased assets were 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 were accounted for in accordance with the accounting policy applicable to that asset. Assets held under other leases were classified as operating leases and are not recognized in the Company's statement of financial position. Depreciation on assets held under finance lease was charged in a manner consistent with that for depreciable assets which were owned by the Company.

Lease payments

Payments made over operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Minimum lease payments made under finance leases were apportioned between the finance expense and the reduction of the outstanding liability. The finance expense was 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.

3.4 Investment property

Investment property is initially measured at cost and subsequently at fair value with any change therein recognized in profit or loss. Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in profit or loss. When investment property that was

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

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

3.5 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.

3.5.1 Investments in subsidiaries

Investments in subsidiaries are initially recognized 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 recognized as expense in profit or loss. Where impairment losses subsequently reverse, the carrying amounts of the investments are increased to their revised recoverable amounts but limited to the extent of initial cost of investments. Reversal of impairment loss is recognized in the profit or loss.

The profits and losses of subsidiaries are carried forward in their financial statements and not dealt within these unconsolidated 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 fair value.

3.5.2 Investments in associates and jointly controlled entities

Associates

Investments in associates, where the Company has significant influence but not control over the financial and operating policies, are classified as fair value through profit or loss (Refer note 3.5.3). The Company has changed the accounting policy for unlisted associates from 'cost' method to account for such investments as measured at fair value through profit or loss. The change has however, no impact on the previously reported carrying amounts of those investments and opening retained earnings as of 01 July 2019.

Jointly controlled entities

Investments in jointly controlled entities are initially recognized 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 recognized as expense in the unconsolidated profit or loss. Where impairment losses subsequently reverse, the carrying amounts of the investments are increased to the revised recoverable amounts but limited to the extent of initial cost of investments. A reversal of impairment loss is recognized in the unconsolidated profit or loss. Gain and losses on disposal of investment is included in other income.

The profits and losses of jointly controlled entities are carried forward in their financial statements and not dealt within these unconsolidated financial statements except to the extent of dividend declared by the jointly controlled entity.

3.5.3 Investments at fair value through profit or loss

Investments which are acquired principally for the purpose of selling in the near term or the investments that are part of a portfolio of financial instruments exhibiting short term profit taking are classified as fair value through profit or loss and designated as such upon initial recognition. These are stated at fair value with any resulting gains or losses recognized directly in profit or loss. The Company recognized the regular way purchase or sale of financial assets using settlement date accounting.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

3.6 Inventories

3.6.1 Stores, spare parts and loose tools

Stores, spare parts and loose tools are valued at weighted average cost and net realizable value except for items in transit which are stated at cost incurred up to the unconsolidated statement of financial position date less impairment, if any. Cost comprises of cost of purchase and other costs incurred in bringing the items to their present location and condition. 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 amounts of stores, spare parts and loose tools on a regular basis and provision is made for obsolescence, if there is any change in usage pattern or physical form of related stores, spare parts and loose tools.

3.6.2 Stock in trade

These are valued at lower of cost and net realizable value. Cost comprises of cost of purchase 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 cost necessarily to be incurred in order to make a sale. The Company reviews the carrying amount of stock in trade on a regular basis and provision is made for obsolescence, if there is any change in usage pattern or physical form of related stock in trade.

3.7 Financial instruments

The Company initially recognizes financial assets on the date when they are originated. Financial liabilities are initially recognized on the trade date when the entity becomes a party to the contractual provisions of the instrument.

3.7.1 Financial assets

Classification

On initial recognition, a financial asset is classified as measured at:

- amortized cost;
- fair value through other comprehensive income (FVOCI); or
- fair value through profit or loss (FVTPL).

The classification of financial assets is based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

(a) Amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL: (i) it is held within a business model whose objective is to hold assets to collect contractual cash flows; and (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(b) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL: (i) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

(c) Fair value through profit or loss (FVTPL)

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL.

Subsequent measurement

Financial assets at amortized cost	Measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in unconsolidated profit or loss. Any gain or loss on de-recognition is recognized in unconsolidated profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in unconsolidated profit or loss. Other net gains and losses are recognized in unconsolidated OCI. On de-recognition, gains and losses accumulated in unconsolidated OCI are reclassified to unconsolidated profit or loss.
Financial assets at FVTPL	Measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in unconsolidated profit or loss.
Equity investment at FVOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in unconsolidated profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in unconsolidated OCI and are never reclassified to unconsolidated profit or loss.

De-recognition

The Company derecognizes 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 derecognized financial assets that is created or retained by the Company is recognized as a separate asset or liability.

3.7.2 Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in unconsolidated profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in unconsolidated statement of profit or loss. Any gain or loss on de-recognition is also included in unconsolidated profit or loss.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. Any gain / (loss) on the recognition and de-recognition of the financial assets and liabilities is included in the unconsolidated statement of profit or loss for the period in which it arises.

3.7.3 Offsetting

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

3.8 Trade and other receivables

Trade and other receivables are initially stated at fair value of consideration to be received. Subsequent to initial recognition

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

these are carried at their amortized cost as reduced by appropriate charge for expected credit losses, if any. The Company holds the trade debts with the objective of collecting the contractual cash flows and therefore measures the trade debts subsequently at amortized cost using the effective interest method. Impairment of trade debts and other receivables is described in note 3.10.

3.9 Trade and other payables

Trade and other payables are initially carried at the fair value of the consideration to be paid in future for goods and services received. Subsequent to initial recognition, these are carried at amortized cost.

3.10 Impairment

3.10.1 Impairment of financial assets

The Company recognizes loss allowance for Expected Credit Losses (ECLs) on financial assets measured at amortized cost, other than those due from the Government of Pakistan entities. For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Lifetime ECLs are those that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

At each reporting date, the Company assesses whether the financial assets carried at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have detrimental impact on the estimated future cash flows of the financial assets have occurred.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

For recognition of impairment on financial assets due from the Government of Pakistan entities, the Company assesses, at each reporting date, whether there is any objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security.

3.10.2 Impairment of non-financial assets

The carrying amount of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment loss. If any such indication exists, recoverable amount is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In the absence of any information about the fair value of a cash-generating unit, the recoverable amount is deemed to be the value in use. For the purpose of 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

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in unconsolidated statement of profit or loss. Impairment losses in respect of cash-generating units are allocated to the carrying amounts of assets in the cash-generating unit group on pro-rata basis. An impairment loss is reversed only to the extent that the asset carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3.11 Provisions

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

3.12 Contingent liabilities

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

3.13 Share capital and dividend

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

3.14 Employee benefits

3.14.1 Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized 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.

3.14.2 Defined contribution plan – Provident fund

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

3.14.3 Defined benefit plans

(a) Gratuity

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

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

The calculation of defined benefit liability is performed annually by a qualified actuary using the projected unit credit

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

method (PUC).

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

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

(b) Compensated leave absences

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

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

3.15 Income tax

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

Current tax

Provision for current tax is based on taxable income for the year at the applicable tax rates after taking into account tax credit and tax rebates, if any and any adjustment to tax payable in respect of previous year.

Deferred tax

Deferred tax is recognized 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 recognized 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 recognized 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 recognized 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,

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

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.

3.16 Revenue recognition

The Company generates revenue from room rentals, food and beverages sales, shop license fees and revenue from minor operating departments.

3.16.1 Revenue from contracts with customers

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers including significant payment terms, and the related revenue recognition policies.

Type of services	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policy
Room revenue	The performance obligation is satisfied at the point in time when control of room is transferred to the customer, which is mainly at the time of handing over of room key. There is no financing component involved. Discounts are offered to the customers at the management's discretion.	Room revenue is recognized on the rooms occupied on daily basis and after completing all other obligation related to the room.
Food and beverages revenue	The performance obligation is satisfied at the point in time when food and beverages are served to the customer. For service charges levied on food and beverages, the performance obligation is satisfied at the point in time when the food and beverages are served. There is no financing component involved. Discounts are offered to the customers at the management's discretion.	Food and beverages revenue is recognized on consumption of food and beverages by the customer.
Revenue from other related services	The performance obligation is satisfied at the point in time / over time when services are provided to the customer. There is no financing component involved. Discounts are offered to the customers at the management's discretion.	Revenue from other related services is recognized when the services are provided.

Contract cost

The contract cost is the incremental cost that the Company incurs to obtain a contract with customers that it would not have incurred if the contract had not been obtained. The Company recognized contract cost as an expense in the statement of profit or loss on a systematic pattern of revenue.

Contract assets

The contract assets primarily relate to the Company's right to consideration for service provided but not billed at the reporting date. The contract assets are transferred to trade debts when the rights become unconditional. This usually occurs when the Company issue an invoice to the customer.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration from the customer. If a customer pays consideration before the Company transfer services to a customer, a contract liability is recognized when the payment is made. Contract liabilities are recognized as revenue when the Company

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

perform its performance obligation under the contract.

3.16.2 Other income

Communication towers and other rental income is recognized on a straight-line basis over the agreed terms. The performance obligation is satisfied over time as the customer simultaneously receives and consumes the benefits. Other income is recognized on an accrual basis. Gains and losses arising from incidental activities to main revenue generating activities and those arising from a group of similar transactions which are not material, are aggregated, reported and presented on a net basis.

3.17 Assets held for sale

Non-current assets are classified as held-for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. Such assets are measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses, if any, on initial classification as held-for-sale and subsequent gains and losses on remeasurement are recognized in profit or loss. Once classified as held-for-sale, property, plant and equipment are no longer amortized or depreciated.

3.18 Foreign currency transactions and translation

Transactions in foreign currencies are translated in PKR (functional and presentation currency) at the exchange rate prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into PKR at the rates of exchange approximating those prevalent at the date of unconsolidated statement of financial position. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations of monetary assets and liabilities denominated in foreign currencies are recognized in the unconsolidated profit or loss.

3.19 Operating profit

Operating profit is the result generated from continuing principal revenue producing activities of the Company as well as other income and expenses related to operating activities. Operating profit excludes finance income, finance costs, income taxes and reversals of impairment.

3.20 Finance income and finance costs

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 recognized using the effective interest method. Dividend income is recognized in profit or loss on the date on which the Company's right to receive payment is established.

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

3.21 Government grant

The Company recognizes government grants as deferred income at fair value when there is reasonable assurance that they will be received, and the Company will comply with the conditions associated with grant. Grants that compensate the Company for expenses incurred, are recognized on a systematic basis in the income for the year in which the related expenses are recognized. Grants that compensate for the cost of an asset are recognized in income on a systematic basis over the expected useful life of the related asset.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

3.22 **Ijarah contracts**

Assets held under Ijarah arrangement are not recognized in the Company's unconsolidated statement of financial position. Payments made under ijarah contracts are charged to profit or loss on a straight-line basis over the term of the Ijarah lease arrangement.

3.23 **Cash and cash equivalents**

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

3.24 **Fair value measurement**

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

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

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

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

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

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Company determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is wholly supported by observable market data or the transaction is closed out.

3.25 **Earnings per share**

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

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

The following are the new standards, amendments to existing accounting and reporting standards as applicable in Pakistan and new interpretations that will be effective for the periods beginning on or after 1 July 2020 and are not likely to have an impact on the unconsolidated financial statements of the Company:

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.

- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general-purpose financial statements in accordance with IFRS Standards.

- On 29 March 2018, the IASB has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallize. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.

- Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after 1 January 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The amendments are not likely to affect the financial statements of the Company.

- Amendments to IFRS-16 - IASB has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. The amendments are effective for periods beginning on or after 1 June 2020, with earlier application permitted. Under the standard's previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects of the COVID-19 pandemic, and the fact that many lessees are applying the standard for the first time in their financial statements, the Board has provided an optional practical expedient for lessees. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications. Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:

    - the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
    - any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
    - there is no substantive change to the other terms and conditions of the lease.

- Classification of liabilities as current or non-current (Amendments to IAS 1) effective for the annual period beginning on or

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

after 1 January 2022. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8.

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual period beginning on or after 1 January 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprise the cost of fulfilling a contract, Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for the annual period beginning on or after 1 January 2022. Clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

- Annual Improvements to IFRS standards 2018-2020:

  The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after 1 January 2022.

  - IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.

  - IFRS 16 – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.

  - IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The above amendments and improvements do not have a material impact on the financial statements.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

4 SHARE CAPITAL

4.1 **Authorised share capital**

Authorized share capital is 200,000,000 (2019: 200,000,000) ordinary share of Rs. 10 each.

4.2 **Issued, subscribed and paid up share capital**

2020	2019		2020	2019
Number of shares			(Rupees'000)	
		Ordinary shares of Rs.10 each		
25,672,620	25,672,620	- Fully paid in cash	256,726	256,726
362,100	362,100	- For consideration other than cash (against property)	3,621	3,621
6,489,450	6,489,450	- Bonus shares	64,895	64,895
32,524,170	32,524,170		325,242	325,242

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

4.2.2 As of the reporting date 10,540,416 (2019: 7,370,336) and 585,270 (2019: 585,938) ordinary shares of Rs. 10 each were held by associated companies and directors of the Company respectively.

4.3 **Capital 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 share holders and benefits for other stake holders,and to maintain a strong capital base to support the sustained development of its businesses.

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. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to share holders and/or issue new shares.There were no changes to Company's approach to capital management during the year except for maintenance of debt to equity ratios under the financing arrangements.

	Note	2020	2019
5 CAPITAL RESERVES		(Rupees'000)	
Share premium	5.1	269,424	269,424

5.1 Capital reserve represents share premium as and when received.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

		Note	2020	2019
6	REVENUE RESERVES		(Rupees'000)	
	General reserve		1,600,000	1,600,000
	Unappropriated profits		3,487,599	5,179,566
			5,087,599	6,779,566

		Note	2020	2019
7	REVALUATION SURPLUS ON PROPERTY, PLANT AND EQUIPMENT		(Rupees'000)	
	Balance at 01 July		27,530,740	27,530,740
	Surplus on revaluation	16.1.3	1,712,290	-
	Balance at 30 June		29,243,030	27,530,740

		Note	2020	2019
8	LOANS AND BORROWINGS - Secured		(Rupees'000)	
a.	**Non current potion**			
	Term Finance Loan - 1	8.1	552,500	637,500
	Term Finance Loan - 2	8.2	1,720,000	1,935,000
	Term Finance Loan - 3	8.3	2,000,000	2,333,333
	Term Finance Loan - 4	8.4	2,000,000	2,000,000
	Term Finance Loan - 5	8.5	347,441	-
	Syndicated term loan		-	450,000
	Sukuk	8.6	6,611,111	7,000,000
	Transaction cost		(33,262)	(52,208)
			13,197,790	14,303,625
	Current portion of loans		(3,872,175)	(2,694,444)
			9,325,615	11,609,181
b.	**Current portion**			
	Current portion of loans		3,872,175	2,694,444
	Markup accrued		653,695	380,053
			4,525,870	3,074,497

8.1 This represents outstanding balance of term finance loan of Rs. 350 million and Rs. 500 million carrying markup of 3-month KIBOR plus 1.5% (2019: 3-month KIBOR plus 1.5%) per annum. These are secured against first pari passu equitable mortgage charge on land and building of Pearl Continental Hotel, Rawalpindi for an amount of Rs. 1,534 million (2019: 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 (2019: 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. Repayments have started from June 2018. The Company approached the lender for defferment of repayments and markup servicing refer note 8.7.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

8.2 This represents outstanding balance of term finance loan of Rs. 2,150 million carrying markup of 3-month KIBOR plus 0.75% (2019 :3-month KIBOR plus 0.75%) per annum payable quarterly. This facility is secured against charge over land and building of Pearl Continental Hotel, Rawalpindi and Peshawar to the extent of Rs. 1,200 million (2019: Rs. 1,200 million) and Rs. 1,667 million (2019: Rs. 1,667 million) respectively. The loan is repayable in twenty equal quarterly installments of Rs. 107.50 million each. Repayments have started from January 2019. The Company approached the lender for defferment of repayments and markup servicing refer note 8.7.

8.3 This represents outstanding balance of term finance loan of Rs. 3,000 million carrying markup of 3-month KIBOR plus 0.75% (2019: 3-month KIBOR plus 0.75%) per annum payable quarterly. This facility is secured against ranking equitable mortgage charge over land and building of Pearl Continental Hotel, Karachi and ranking hypothecation charge on all present and future fixed and current assets of Pearl Continental Hotel, Karachi to the extent of Rs. 4,000 million (2019: Rs. 4,000 million). The loan is repayable in eighteen equal quarterly installments of Rs. 166.67 million. Repayments have started from September 2018.The Company approached the lender for defferment of repayments and markup servicing refer note 8.7.

8.4 This represents term finance loan of Rs. 2,000 million carrying markup of 6-month KIBOR plus 0.65% per annum payable semi-annual (2019: 6-month KIBOR plus 0.65%) per annuam. This facility is secured against first pari passu equitable mortgage charge over land and building and first pari passu hypothecation charge on all present and future moveable assets of Pearl Continental Hotel, Peshawar with 25% margin. The loan is repayable in ten equal semi-annual installments starting from May 2020. The Company approached the lender for defferment of repayments and markup servicing refer note 8.7.

8.5 This represents long term loan of Rs. 377.58 million availed under State Bank of Pakistan (SBP) Refinance Scheme for payment of wages and salaries to the workers, the loan is extended at below-market rate of 3% per annum payable quarterly (2019: Nil) . This facility is secured against first pari passu ranking charge over fixed assets inclding land and building of Pearl Continental Hotel, Karachi subject to subsequent perfection to the extent fo Rs. 598 million (2019:Nil). The loan is repayable in eight equal quarterly installments starting from January 2021.

The Company received the loan on below-market rate therefore recognized the deferred grant on the statement of financial position as the difference between the actual loan proceed and the present value of the loan proceed received, discounting using the prevailing market rate of interest.

	(Rupees'000)
Loan proceeds	377,589
Deferred grant	30,148
Fairvalue of the loan proceeds	347,441

8.6 This represents rated, secured, long term privately placed Sukuk certificates. Pak Brunei Investment Company Limited is the trustee while Faysal Bank Limited is acting as shariah structuring advisor for this Sukuk arrangement. The Sukuk tenor is six years, and carries profit of 6-month KIBOR plus 1% (2019: 6-month KIBOR plus 1%) per annum payable semi-annually. The Sukuk is secured by way of first mortgage charge on Pearl Continental Hotel, Lahore with 25% margin and hypothecation on all the present and future assets (excluding land and building) of Pearl Continental Hotel, Lahore. Redemption of Sukuk will be in nine equal semi-annual installments and have started from March 2020.The Company approached the lender for defferment of repayments and markup servicing refer note 8.7.

8.7 In response to COVID-19 pandemic, the State Bank of Pakistan vide its BPRD Circular No. 13 of 2020 dated 26 March 2020 announced relief to customers of financial institutions in the form of deferment of repayment of principal installments and markup payments. Pursuant to this relief, the Company approached to the financial institutions in June 2020 for rescheduling/restructuring of its existing outstanding loan amounts along with markup for a period of seven years inclusive of two years of deferment/grace period for repayment of principal and markup on loans including the unpaid principal installments and markup due prior to the reporting date. Management expects the rescheduling/restructuring of this financing arrangements to be finalized in the near future.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

9	LEASE LIABILITIES	Note	2020	2019
			(Rupees'000)	
	Lease liabilities - Vehicles	9.1	94,218	35,446
	Lease liabilities - Land and rental spaces		221,264	-
		9.2	315,482	35,446
	Current portion		104,785	13,253
	Non current portion		210,697	22,193

9.1 This represents outstanding balance of diminishing musharaka facility from an Islamic financial institution and carries markup of 3-month KIBOR plus 1% (2019: 3-month KIBOR plus 1%) per annum payable quarterly . The facility is secured by way of ownership of leased assets.

9.2	Maturity of Lease liabilities is follows	Note	2020	2019
			(Rupees'000)	
	Not later than one year		112,840	16,513
	Later than one year and not later than five years		188,724	25,242
	Later than five year		422,487	-
			724,051	41,755
	Imputed interest		(408,569)	(6,309)
			315,482	35,446
9.3	**Movement of lease liabilities is as follows:**			
	Amount recognized on transition date/ opening	9.4	377,700	33,857
	Additions during the year		73,396	25,137
	Lease payments made during the period		(78,235)	(23,548)
	Lease modification		(57,379)	-
	Amount as per financial statement		315,482	35,446

9.4 This includes an amount of Rs. 344.565 million relating to land and rental spaces.

9.5 The Company has recognised lease rentals in the statement of profit or loss amounting to Rs. 45.798 million relating to short term leases.

10	EMPLOYEE BENEFITS	Note	2020	2019
			(Rupees'000)	
	Net defined benefit liability - gratuity	10.1.1	609,264	592,024
	Net defined benefit liability - compensated leave absences	10.2.1	125,982	181,642
			735,246	773,666

10.1 Net defined benefit liability - gratuity

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

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

			2020	2019
			(Rupees'000)	
10.1.1	**Movement in net defined liability - gratuity**			
	Balance at 01 July		592,024	527,066
	Included in profit or loss	10.1.3	120,330	83,198
	Benefits paid		(29,785)	(39,346)
	Included in other comprehensive income	10.1.4	(73,305)	21,106
	Balance at 30 June		609,264	592,024
10.1.2	**Reconciliation of liability recognised in the statement of financial position**			
	Present value of defined benefit liability		609,264	592,024
	Net defined benefit liability		609,264	592,024
10.1.3	**Included in profit or loss**			
	Current service cost		39,744	38,094
	Interest cost		80,586	45,104
			120,330	83,198
10.1.3.1	**Expense is recognized in the following line items in profit or loss**			
	Cost of sales and services		49,487	51,421
	Administrative expenses		70,843	31,777
			120,330	83,198
10.1.4	**Included in other comprehensive income**			
	Actuarial loss from changes in financial assumptions		3,012	2,728
	Experience adjustments on defined benefit liability		70,293	18,378
			73,305	21,106

10.1.5 Key Actuarial assumption

The latest actuarial valuation was carried out on 30 June 2020 using projected unit credit method with the following assumptions:

	Note	2020	2019
Discount rate		14.25%	9.00%
Expected increase in eligible salary		N/A	14.25%
Mortality rate	10.1.5.1	SLIC 2001-2005	SLIC 2001-2005
Withdrawal rate		Age - based	Age - based
Retirement assumption		Age-60	Age-60

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

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

10.1.6 Sensitivity analysis

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

	2020		2019	
	Increase	Decrease	Increase	Decrease
	(Rupees'000)		(Rupees'000)	
Discount rate	556,425	627,774	555,436	623,298
Salary increase rate	627,968	555,516	623,509	554,671

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

10.1.6.2 The Company's expected charge for the defined benefit liability - gratuity for the next year is Rs. 84.746 million.

10.1.7 Risk associated with defined benefit liability- gratuity

10.1.7.1 Salary Risk- (linked to inflation risk)

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

10.1.7.2 Demographic Risks

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

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

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

Years	(Rupees '000)
FY 2021	67,786
FY 2022	47,242
FY 2023	50,530
FY 2024	59,394
FY 2025	78,716
FY 2026	70,550
FY 2027	87,440
FY 2028	77,046
FY 2029	118,739
FY 2030	130,772
FY 2031 onwards	1,000,953

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

10.2 Net defined benefit liability - compensated leave absences

		Note	2020	2019
			(Rupees'000)	
10.2.1	**Movement in defined benefit liability compensated leave absences**			
	Balance at 01 July		181,642	139,022
	Included in profit or loss	10.2.3	(33,685)	76,966
	Payments made during the year		(21,975)	(34,346)
	Balance at 30 June		125,982	181,642
10.2.2	**Reconciliation of liability recognised in the statement of financial position**			
	Present value of defined benefit liability		125,982	181,642
	Net defined benefit liability		125,982	181,642
10.2.3	**Included in profit or loss**			
	Current service cost		29,080	29,728
	Past service cost		-	21,990
	Interest cost		22,974	10,838
	Experience adjustments on defined benefit liability		(85,739)	14,410
			(33,685)	76,966
10.2.3.1	Expense is recognized in the following line items in profit or loss			
	Cost of sales and services		(13,853)	40,476
	Administrative expenses		(19,832)	36,490
			(33,685)	76,966
10.2.4	**Actuarial assumption**			
	Discount rate		14.25%	9.00%
	Expected increase in eligible salary		N/A	14.25%
	Mortality rate	10.2.4.1	SLIC 2001-2005	SLIC 2001-2005
	Withdrawal rate		Age - based	Age - based
	Retirement assumption		Age-60	Age-60

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

10.2.5 Sensitivity analysis

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

	2020		2019	
	Increase	Decrease	Increase	Decrease
	(Rupees'000)		(Rupees'000)	
Discount rate	99,759	117,736	167,923	195,062
Salary increase rate	117,436	99,876	194,579	168,142

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

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

10.2.6 **Risk associated with defined benefit liability - compensated leave absences**

10.2.6.1 Salary Risk - (linked to inflation risk)

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

10.2.6.2 Demographic Risks

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

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

11 DEFERRED TAX LIABILITY

				Recognized in		
	Net balance at 01 July 2019	Adjustment on adoption of IFRS 9	Adjusted balance at 01 July 2019	Profit or loss (Note 36)	Other comprehensive income	Net balance at 30 June 2020
2020			(Rupees'000)			
Taxable temporary differences						
Property, plant and equipment	768,946	-	-	133,928	-	902,874
Deductible temporary differences						
Long term investments	35,647	-	-	-	-	35,647
Net defined benefit liability - gratuity	177,808	-	-	16,575	(21,258)	173,125
Provision for obsolescence - stores	476	-	-	100	-	576
Impairment loss on trade debts	105,657	-	-	10,633	-	116,290
Short term investments	1,740	-	-	-	-	1,740
Leased liabilities	17,634	-	-	74,079	-	91,713
Unadjusted depriciation losses	-	-	-	244,318	-	244,318
	338,962	-	-	345,705	(21,258)	663,409
	429,984	-	-	(211,777)	21,258	239,465

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

	Net balance at 01 July 2018	Adjustment on adoption of IFRS 9	Adjusted balance at 01 July 2018	Recognized in Profit or loss (Note 36)	Recognized in Other comprehensive income	Net balance at 30 June 2019
2019	(Rupees'000)					
Taxable temporary differences	493,488	-	-	275,458	-	768,946
Property, plant and equipment						
Deductible temporary differences						
Long term investments	30,730	-	30,730	4,917	-	35,647
Net defined benefit liability - gratuity	131,766	-	131,766	39,921	6,121	177,808
Provision for obsolescence - stores	410	-	410	66	-	476
Provision against doubtful debts	45,195	23,292	68,487	37,170	-	105,657
Short term investments	1,325	-	1,325	415	-	1,740
Leased vehicles	11,517	-	11,517	6,118	-	17,634
	220,943	23,292	244,235	88,607	6,121	338,962
	272,545	(23,292)	(244,235)	186,851	(6,121)	429,984

12 SHORT TERM BORROWINGS

	Note	2020	2019
		(Rupees'000)	
Running finance facilities - from banking companies- secured	12.1	**2,587,186**	1,243,464
Short term loan - unsecured	12.2	**150,000**	-
Markup accrued		**70,098**	21,119
		2,807,284	1,264,583

12.1 These facilities are obtained from various commercial banks with an aggregate limit of Rs. 2,630 million (2019: Rs. 1,620 million) which are secured against pari passu equitable mortgage charge on fixed assets and hypothecation charge on stock-in-trade, trade debts, receivables and all other moveable properties of Pearl Continental Hotel Karachi and Rawalpindi and lien on certain listed securities held by the Company. These facilities carry markup rates ranging from 1-month KIBOR to 3-month KIBOR plus 0.6% to 1.5% (2019: 1-month KIBOR to 3-month KIBOR plus 0.6% to 0.7%) per annum.

12.2 This represent short term loan from Director for utilization of working capital requirement.

12.3 The Company has unutilised running finance facilities aggregating to Rs. 42.80 million (2019: Rs.376.54 million) at the year end.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

		Note	2020	2019
13	TRADE AND OTHER PAYABLES		(Rupees'000)	
	Creditors		945,491	463,255
	Accrued liabilities		648,345	598,999
	Shop deposits	13.1	54,026	54,267
	Retention money		223,478	211,070
	Due to related parties - unsecured		45,455	21,353
	Sales tax payable		75,576	100,357
	Income tax deducted at source		1,409	4,180
	Un earned income		49,900	40,911
	Other liabilities		134,382	58,715
			2,178,062	1,553,107

13.1 As per terms of written agreement with customers, the amount of shop deposits are fully utilizable by the Company and have been utilized for business purpose.

14 UNPAID DIVIDEND

14.1 As per the provision of Section-242 of the Companies Act, 2017 and directives of the Securities and Exchange Commission of Pakistan vide circular no. 18 dated 01, August, 2017, cash dividend will only be paid through electronic mode directly in the bank accounts of shareholders, accordingly this unpaid dividend pertains to those shareholders who did not provide their valid bank accounts details.

15 CONTINGENCIES AND COMMITMENTS

15.1 Contingencies

15.1.1 For tax related contingencies, refer note 36.2.

		Note	2020	2019
15.1.2	**Guarantees**		(Rupees'000)	
			307,816	285,716
15.2	**Commitments**			
	Commitments for capital expenditure		2,684,376	2,797,346
16	PROPERTY, PLANT AND EQUIPMENT			
	Operating fixed assets	16.1	37,059,317	35,848,499
	Capital work in progress	16.2	6,679,529	4,613,594
			43,738,846	40,462,093

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

16.1 OPERATING FIXED ASSETS

16.1.1 Reconciliation of carrying amount

	Owned									Leased	Right of use asset		
	Freehold land	Leasehold land	Buildings on freehold land	Buildings on leasehold land	Plant and machinery	Furniture, fixtures, fittings and office equipment	Computers	Vehicles	Air craft	Vehicles	Land and rental spaces [Note - 3.1]	Vehicles [Note - 3.1]	Total
Cost / Revalued amounts	Rupees'000												
Balance at 01 July 2018	16,237,638	13,538,790	2,387,903	2,038,937	4,020,369	3,079,141	646,052	97,568	-	55,117	-	-	42,101,515
Additions	56,670	-	-	2,350	396,109	178,209	50,481	174,999	-	25,137	-	-	883,955
Disposals	-	-	(54,516)	(56,660)	(104,836)	(102,894)	(315)	(64,745)	-	-	-	-	(383,966)
Transfer from CWIP	-	-	325,021	246,607	258,789	440,728	65,020	-	783,286	-	-	-	2,119,451
Asset classified as held for sale	(2,620,000)	-	(150,249)	-	-	-	-	-	-	-	-	-	(2,770,249)
Balance at 30 June 2019	13,674,308	13,538,790	2,508,159	2,231,234	4,570,431	3,595,184	761,238	207,822	783,286	80,254			41,950,706
Balance at 01 July 2019	13,674,308	13,538,790	2,508,159	2,231,234	4,570,431	3,595,184	761,238	207,822	783,286	80,254	-	-	41,950,706
Adoption of IFRS-16 (note -3.1.1)	-	-	-	-	-	-	-	-	-	(80,254)	360,222	80,254	360,222
Adjusted balance at 01 July 2019	13,674,308	13,538,790	2,508,159	2,231,234	4,570,431	3,595,184	761,238	207,822	783,286	-	360,222	80,254	42,310,928
Additions	-	-	-	-	293,576	30,738	13,513	2,322	-	-	-	97,994	438,143
Disposals	-	-	-	-	(18,045)	-	(2,966)	(14,769)	(783,286)	-	(51,638)	(3,951)	(874,655)
Transfer from CWIP (refer note 16.2)	-	-	89,391	162,950	151,601	260,346	14,033	-	-	-	-	-	678,321
Revaluation surplus (note - 16.1.3)	478,170	1,234,120	-	-	-	-	-	-	-	-	-	-	1,712,290
Asset classified as held for sale	(160,000)	-	-	-	-	-	-	-	-	-	-	-	(160,000)
Balance at 30 June 2020	13,992,478	14,772,910	2,597,550	2,394,184	4,997,563	3,886,268	785,818	195,375	-	-	308,584	174,297	44,105,027
Accumulated depreciation													
Balance at 01 July 2018	-	-	680,613	824,154	2,492,067	1,145,321	299,482	62,722	-	11,015	-	-	5,515,374
Depreciation	-	-	89,305	62,628	249,691	301,196	99,196	17,579	45,953	8,429	-	-	873,977
Disposals	-	-	(38,147)	(36,337)	(92,813)	(82,430)	(188)	(15,719)	-	-	-	-	(265,634)
Asset classified as held for sale	-	-	(21,510)	-	-	-	-	-	-	-	-	-	(21,510)
Balance at 30 June 2019	-	-	710,261	850,445	2,648,945	1,364,087	398,490	64,582	45,953	19,444	-	-	6,102,207
Balance at 01 July 2019	-	-	710,261	850,445	2,648,945	1,364,087	398,490	64,582	45,953	19,444			6,102,207
Adoption of IFRS-16 (note -3.1.1)	-	-	-	-	-	-	-	-	-	(19,444)		19,444	-
Adjusted balance at 01 July 2019	-	-	710,261	850,445	2,648,945	1,364,087	398,490	64,582	45,953	-	-	19,444	6,102,207
Depreciation (refer note 16.1.6)	-	-	89,160	70,472	305,150	326,725	97,553	19,206	34,465	-	91,268	11,372	1,045,371
Disposals	-	-	-	-	(16,691)	-	(1,287)	(2,752)	(80,418)	-	-	(720)	(101,868)
Balance at 30 June 2020	-	-	799,421	920,917	2,937,404	1,690,812	494,756	81,036	-	-	91,268	30,096	7,045,710
Carrying amount - 30 June 2019	13,674,308	13,538,790	1,797,898	1,380,789	1,921,486	2,231,097	362,748	143,240	737,333	60,810	-	-	35,848,499
Carrying amount - 30 June 2020	13,992,478	14,772,910	1,798,129	1,473,267	2,060,159	2,195,456	291,062	114,339	-	-	217,316	144,201	37,059,317
Rates of depreciation per month/useful life (2020 and 2019)	-	-	5%	5%	15%	15%	30%	15%	10-20 years	15%	1.5 - 40 years	15%	

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

16.1.2 The operating fixed assets are secured against various loans availed by the Company. Refer note 8 and 12.

16.1.3 **Revaluation surplus on property, plant and equipment**

Freehold and leasehold land were revalued on 30 June 2020 by an independent valuer, based on market value basis. Revaluation for the year resulted in surplus of Rs. 1,712 million. The fair value when determined falls under level 3 heierarchy. Sensitivity analysis has not been presentedince data about observable inputs is not available.

Had the aforementioned revaluation not carried out, the book value of freehold and leasehold land would have been Rs. 766.26 million (2019: Rs. 921.26 million). Land having cost of Rs. 155 million has been transferred to non-current asset held for sale, as disclosed in note -26.

16.1.4 The forced sale value of the revalued land has been assessed at Rs. 23,019 million.

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

Location	Address	Particular	Land area (Sq. yards)
Karachi	Plot No. 11, CL 11, Club Road	Land and building	23,255
Karachi	Civil Line Quarters, Abdullah Haroon Road (refer note 16.1.7)	Land and building	13,101
Lahore	Upper Mall	Land and building	74,440
Lahore	Plot No. 105-A, Upper Mall Road	Land and building	2,420
Lahore	Shahi Muhallah, Fort Road	Land	1,132
Lahore	Defence Housing Authority (refer note 16.1.8)	Building	2,420
Rawalpindi	Property No.253, Survey No. 559, The Mall Road	Land and building	26,668
Peshawar	Survey No.32-B, Khyber Road, Peshawar Cantt	Land and building	25,167
Multan	Askari By-Pass Road, Mouza Abdul Fateh	Land and under Construction building	8,303
Hunza	Mominabad	Land	24,107
Gwadar	Mauza/ Qard, Koh-e-Batil	Land	96,800
Gilgit	Airport Road	Land	16,375
Chitral	Zargarandeh	Land	11,464
Bhurban	Compartment No. 08, at Bhurban Tehsil, Murree	Building	-
Muzaffarabad	Upper Chattar, Muzaffarabad.	Building	-
Mirpur	Village Barban Tehsil & District, Mirpur (AJK)	Under construction building	-

16.1.6 **Depreciation charge has been allocated as follows:**

	Note	2020	2019
		(Rupees'000)	
Cost of sales and services	31	**858,693**	786,579
Administrative expenses	33	**186,678**	87,398
		1,045,371	873,977

16.1.7 The Company purchased this property from an associated company, the possession of the property has been transferred to the Company, however NOC for transfer of title was not issued by respective department for transfer title in favor of the Company and the property is still in the name of Hashoo (Private) Limited, an associated company. The Company is pursuing issuance of NOC at different forums. The Company has decided to dispose of this property at market competetive price. The cost of this property was Rs. 1,539.34 million and current mrket value is Rs. 3,463.19. This property is classifed as held for sale, refer note - 26.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

16.1.8 The Company constructed building for spa and saloon facility under an agreement of absolute transfer and assignment agreement with Nirvana, a partnership firm (a related party as defined under Companies Act 2017). As per the term of the said agreement Nirvana will use two floors of this building. Since completion certificate from Defence Housing Authority Lahore (DHAL) has not been obtained yet, therefore the transfer of title of the property is pending. The cost of this building was Rs. 120.08 million.

16.1.9 **Detail of disposal of operating fixed assets:**

Description	Cost	Carrying value	Sale proceeds	Gain/ (Loss)	Mode of disposal	Purchaser	Relationship with purchaser
	(Rupees'000)						
Aircraft	783,286	702,869	563,710	(139,159)	Negotiation	Engro Fertilizers Limited	
Plant and Machinery	12,465	939	2,010	1,071	Negotiation	Various	
Vehicle	1,835	1,410	1,200	(210)	Auction\	Muhammad Shahbaz Ali	
Vehicle	3,951	3,231	3,231	-	Company policy	Asif Mahmood Qamar	Employee
Vehicle	10,497	9,256	12,761	3,505	Negotiation	Engro Fertilizers Limited	
Aggregate of other items with individual book values not exceeding Rs. 500,000.	10,984	3,444	11,904	8,460			
Total - 2020	823,018	721,149	594,816	(126,333)			
Total - 2019	383,966	118,332	117,776	(556)			

16.2 **Capital work in progress**

	Note	2020	2019
		(Rupees'000)	
Balance at 01 July		**4,613,594**	3,339,146
Additions during the year		**2,918,818**	3,393,899
Transfers to operating fixed assets		**(678,321)**	(2,119,451)
Writen down adjustment	16.2.1	**(174,562)**	-
Balance at 30 June	16.2.2	**6,679,529**	4,613,594

16.2.1 During the year the under construction Pearl Continental Hotel at Mirpur was damaged due to Earthquake, the total assessed loss of that damage was Rs.174.562 million against which insurance claim of Rs. 160.142 million were received during the year.

		Note	2020	2019
			(Rupees'000)	
16.2.2	Construction of Pearl Continental Hotel Multan		**2,996,222**	1,748,390
	Construction of Pearl Continental Hotel Mirpur		**3,371,377**	2,495,724
	Other civil works	16.2.3	**311,930**	369,480
		16.2.4	**6,679,529**	4,613,594

16.2.3 This includes construction work on expansion of Pearl Continental Hotel Peshawar amounting to Rs. 94.39 million (2019: Rs. 94.39 million) which is under suspension due to dispute with the Military Estate Office.

16.2.4 This also includes capitalized borrowing cost amounting to Rs. 1,084.85 million (2019: Rs. 523.66 million). During the year borrowing cost amounting to Rs. 561.19 million (2019: Rs. 349.69 million) was capitalized at the rate of 14.18% (2019: 9.99%) per annum.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

17 ADVANCES FOR CAPITAL EXPENDITURES	Note	2020	2019
		(Rupees'000)	
Advance for purchase of land	17.1	666,820	717,220
Advance for purchase of Malir Delta Land	17.2	381,656	381,656
		1,048,476	1,098,876
Advance for purchase of apartment		40,509	40,509
Impairment loss		(40,509)	(40,509)
		-	-
Advance for purchase of fixed assets		95,782	560,500
Advances for Pearl Continental Multan Project		92,145	255,818
Advances for Pearl Continental Mirpur Project		101,767	141,996
		289,694	958,314
		1,338,170	2,057,190

17.1 This includes amount of Rs. 626.82 million (2019: 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. During the year, the Securities and Exchange Commission of Pakistan (SECP) has imposed penalty on the Company's directors under the provisions of section 199 of the Companies Act, 2017 by treating this advance as 'investment in associated company' and also directed the Company to place the matter before the shareholders of the Company in the forthcoming general meeting to seek their approvals in terms of section 199 of the Companies Act, 2017. The directors of the Company has filed an appeal with the SECP which is pending. Management believes that the matter has no impact on the Company's financial statements.

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

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

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

			2020	2019
18	INVESTMENT PROPERTY		(Rupees'000)	
18.1	**Reconciliation of carrying amount**			
	Balance at 01 July		60,000	60,000
	Increase in fair value	18.2	5,000	-
	Balance at 30 June		65,000	60,000

18.1.1 This represents piece of land, located at Gwadar, owned by the Company held for capital appreciation. On 30 June 2020, an independent valuation exercise was carried out to assess the fair value of investment property. The price of land of the investment property is assessed based on market research carried out in the area where the property is situated. The fair value of the property is based on independent valuer's judgment about average prices prevalent on the said date in the vicinity / locality and has been prepared on openly available / provided information after making relevant inquiries. The valuer holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

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

Location	Area (Sq. yards)	FSV Rs. '000'
Khasra no. 59 min, khewat no.12, and khatooni no. 12, katat 20, mouza ankara north, tehsil & district Gwadar, Balochistan	484,000	55,250

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

18.3 **Measurement of fair values**

18.3.1 **Fair Value hierarchy**

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

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

		Country of incorporation / Jurisdiction	Amount in Foreign Currency	Percentage of holding	Note	2020	2019
						(Rupees'000)	
19	LONG TERM INVESTMENTS						
	Investments in related parties						
	Subsidiary companies - at cost - unquoted						
	Pearl Continental Hotels (Private) Limited	Pakistan		100%	19.1	5,000	5,000
	Pearl Tours and Travels (Private) Limited	Pakistan		100%	19.2	102,227	102,227
	City Properties (Private) Limited	Pakistan		100%	19.3	925,001	925,001
	Elite Properties (Private) Limited	Pakistan		100%	19.4	5,566	5,566
						1,037,794	1,037,794
	Associated undertaking - at fair value through profit or loss - unquoted						
	Hashoo Group Limited	British Virgin Island	$9,800,000	14%	19.5	586,403	586,403
	Impairment loss					(586,403)	(586,403)
	Hotel One (Private) Limited	Pakistan		17.85%	19.6	50,000	50,000
	Impairment loss					(50,000)	(50,000)
						-	-
	Investment in jointly controlled entity - at cost - unquoted						
	Pearl Continental Hotels Limited	United Arab Emirates	$4,750,000	50%	19.7	284,052	284,052
	Impairment loss					(284,052)	(284,052)
						-	-
	Other investments						
	Fair value through other comprehensive income						
	Malam Jabba Resorts Limited					1,000	1,000
	Impairment loss					(1,000)	(1,000)
						-	-
						1,037,794	1,037,794

19.1 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 (2019: 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 2020 was Rs. 24.75 (2019: Rs. 22.90).

19.2 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 (2019: 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 2020 was Rs. 12.40 (2019: Rs. 13.34).

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

19.3 **City Properties (Private) Limited**

This represents the Company's investment in 100% equity shares of City Properties (Private) Limited (CPPL) against 92,500,100 (2019: 92,500,100) ordinary shares of Rs. 10 each. The break-up value per share based on its audited financial statements for the year ended 30 June 2020 was Rs. 9.89 (2019: Rs. 9.93). Also refer note 20.

19.4 **Elite Properties (Private) Limited**

This represents the Company's investment in 100% equity shares of Elite Properties (Private) Limited (EPPL). against 556,000 (2019: 556,600) ordinary shares of Rs. 10 each. The break-up value per share based on its audited financial statements for the year ended 30 June 2020 was Rs. 9.86 (2019: Rs. 9.88). Also refer note 20.

19.5 **Hashoo Group Limited**

The Company holds 98,000 (2019: 98,000) ordinary shares of US$ 100 each in Hashoo Group Limited (HGL). HGL is treated as an 'associate' due to the Company's significant influence over it due to common directorship. Due to prevailing political turmoil, unrest, law and order situation in Libya, this Investment has been fully impaired.

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

Beneficial owner of Hashoo Group Limited are:

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

19.6 **Hotel One (Private) Limited**

The Company holds 500,000 (2019: 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, however HOPL is performing well and the management is hopeful for recovery of the impairment in near future.

19.7 **Pearl Continental Hotels Limited**

The Company holds 95 (2019: 95) ordinary shares of US $ 50,000 each in Pearl Continental Hotels Limited - UAE (PCHL - UAE) which represents 50% interest in PCHL - UAE, a jointly controlled entity of the Company and Hashwani Hotels Limited, a related party. Due to economic meltdown in year 2007-08, PCHL - UAE incurred losses and consequently the investment was fully impaired, however the Company is putting all its efforts to recover the losses.

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

Beneficial owner of Pearl Continental Hotels Limited are:

Name	% of Holding	Address
Pakistan Services Limited	50%	1st Floor Nespak House Islamabad, Pakistan
Hashwani Hotels Limited	50%	1st Floor Nespak House Islamabad, Pakistan

20 ADVANCES AGAINST EQUITY INVESTMENT

These represent advances against equity investments of Rs. 2,458.57 million and Rs. 954 million extended by the Company to its wholly owned subsidiary companies City Properties (Private) Limited and Elite Properties (Private) Limited respectively.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

21	LONG TERM DEPOSITS AND PREPAYMENTS	Note	2020	2019
			(Rupees'000)	
	Deposits	21.1	33,657	55,976
	Prepayments		-	6,340
			33,657	62,316

21.1 The Company has not recognised these deposits at fair value as the impact of discounting is considered immaterial.

22	INVENTORIES	Note	2020	2019
			(Rupees'000)	
	Stores		135,345	169,754
	Spare parts and loose tools		87,831	59,303
	Stock in trade - food and beverages	31	68,592	86,229
			291,768	315,286
	Provision for obsolescence	22.1	(2,056)	(1,642)
			289,712	313,644

22.1 This represents expense for the year amounting to Rs. 414,000 on account of provision for slow moving items.

23	TRADE DEBTS - Unsecured	Note	2020	2019
			(Rupees'000)	
	Considered good			
	Due from related parties	23.1	9,976	6,482
	Others		185,516	536,895
			195,492	543,377
	Considered doubtful		401,002	284,016
			596,494	827,393
	Provision against doubtful debts at 01 July		(284,016)	(180,781)
	Adjusted balance as at 01 July on adoption of IFRS-9		-	(80,320)
	Expected credit loss on trade debts for the year		(116,986)	(22,915)
	Balance at 30 June		(401,002)	(284,016)
			195,492	543,377

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

		Maximum amount outstanding at the end of any month during the year		2020	2019
				(Rupees'000)	
23.1	**Due from related parties**				
	Pearl Tours and Travels (Private) Limited	8,688		3,625	3,253
	City Properties (Private) Limited	55		55	42
	Hashwani Hotels Limited	14,955		557	296
	Hashoo Foundation	164		164	511
	Hotel One (Private) Limited	2,732		2,732	6
	Hashoo Holdings (Private) Limited	206		206	208
	Jubilee General Insurance Company Limited	68		25	4
	Orient Petroleum Inc.	1,276		1,255	1,094
	OPI Gas (Private) Limited	-		-	126
	Pearl Ceramics (Private) Limited	204		204	-
	Pearl Communications (Private) Limited	128		128	128
	Pearl Real Estate Holdings (Private) Limited	272		265	272
	Tejari Pakistan (Private) Limited	755		666	457
	Zahdan Retail (Private) Limited	65		65	65
	Karakorum Security Services (Private) Limited	54		59	20
				9,976	6,482
23.2	**Age analysis of due from related parties is as follows:**				
	Past due by 30 days			1,390	877
	Past due by 31 to 90 days			1,957	1,223
	Past due over 91 days			2,694	701
	Past due over 1 year			3,935	3,681
			23.3	9,976	6,482

23.3 This includes provision of Rs. 2.55 million (2019: Rs. 4.75 million) against doubtful debts.

24	ADVANCES, PREPAYMENTS, TRADE DEPOSITS AND OTHER RECEIVABLES	Note	2020	2019
			(Rupees'000)	
	Advance to employees	24.1	8,903	13,405
	Advance to suppliers and contractors		45,262	62,895
	Advance to related parties	24.2	28,414	63,615
	Trade deposits		14,349	15,905
	Prepayments		57,468	75,066
	Refundable sales tax		133,314	114,151
	Other receivables		83,645	56,221
			371,355	401,258

24.1 This advances as per company policy and are un-secured, interest free and are repayable over varying periods.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

		Note	2020	2019
24.2	**Advance to related parties - non-interest bearing**		(Rupees'000)	
	OPI Gas (Private) Limited		14,176	18,001
	Tejari Pakistan (Private) Limited		-	7,000
	Genesis Trading (Private) Limited		106	-
	Pearl Ceramics (Private) Limited		14,132	38,614
		24.2.1	28,414	63,615

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

		Note	2020	2019
25	SHORT TERM INVESTMENTS		(Rupees'000)	
	Amortized cost			
	Certificate of investments		5,300	5,300
	Provision for impairment loss		(5,300)	(5,300)
			-	-
	Fair value through other comprehensive income			
	National Technology Development Corporation Limited		500	200
	Indus Valley Solvent Oil Extraction Limited		200	500
	Impairment loss		(700)	(700)
			-	-
	Amortized cost			
	Term Deposit Receipt	25.1	565,523	1,009,523
	Term Finance Certificate	25.2	75,000	75,000
	Interest accrued		10,571	9,866
			651,094	1,094,389
	Financial assets at fair value through profit or loss			
	Short term investments in shares of listed companies	25.3	622,722	622,048
			1,273,816	1,716,437

25.1 This represent term deposit receipts having maturity of three months to one year carrying interest rate ranging from 7.50% to 9.50% (2019: 5.25% to 9%) per annum.

25.2 This represents investment in 750 TFCs having face value of Rs.100,000/-each and carrying profit @ 3-month KIBOR plus1.60%.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

25.3 Short term investments in shares of listed companies

	2020	2019	2020	2019
	No. of ordinary shares of Rs. 10 each		(Rupees'000)	
Pakistan Telecommunication Company Limited	350,000	350,000	3,108	2,894
Lotte Chemical Pakistan Limited	150,000	150,000	1,493	2,288
Fauji Fertilizer Bin Qasim Limited	50,000	50,000	798	912
Jubilee General Insurance Company Limited -associated company (Note 25.3.1)	15,056,661	13,687,874	617,323	615,954
			622,722	622,048

25.3.1 Out of total shares held by the Company, 13,500,000 (2019: 8,500,000) ordinary shares are placed / lien marked as security against running finance facility of the Company (Refer to note 12).

26 ASSETS ASSET HELD FOR SALE	Note	2020	2019
		(Rupees'000)	
Property	26.1	2,748,739	2,748,739
Land	26.2	160,000	-
		2,908,739	2,748,739

26.1 The Board of Directors of the Company in their meeting held on 26 April 2019 decided to sell one of the properties bearing Survey No. 8, New Survey Sheet CI-11 situated at Civil Line Quarters Abdullah Haroon Road, Karachi. The transaction could not be materialized due to disturbed ecomic enviornemnt in current paendemic Covid-19 senario, however, management of the Company expects the disposal of this asset within the next financial year.

26.2 This represents piece of land measuring 20 Acres bearing plot no. HR-WE-1, Lane no. CV-1, street no. AB, phase-IV, mauza / ward, koh-e-batil, tehsil & district Gwadar, Balochistan. Advance amount of Rs. 12 million has been received against disposal of this land, and management expects to complete the sale transaction in next financial year.

27 ADVANCE TAX - NET	Note	2020	2019
		(Rupees'000)	
Balance at 01 July		454,898	216,899
Income tax paid during the year		319,280	545,515
Charge for the year	36	(112,308)	(307,516)
Refund received during the year		(180,632)	-
Balance at 30 June		481,238	454,898

28 CASH AND BANK BALANCES	Note	2020	2019
Cash in hand		26,749	46,845
Cash at bank			
Current accounts - Local currency		19,875	27,890
Deposit accounts - Local currency	28.1	309,855	163,270
- Foreign currency	28.2	2,129	2,118
		331,859	193,278
Accrued profit		594	957
		359,202	241,080

28.1 Deposit accounts carry interest rate ranging from 6.50% to 11.30% (2019: 4.50% to 10.30%) per annum.

28.2 Deposit accounts carry interest @ 0.25% (2019: 0.25%) per annum.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

			2020	2019
29	REVENUE- NET	Note	(Rupees'000)	
	Revenue from contract with customers	29.1	9,538,150	11,982,998
	Discounts		(130,905)	(136,138)
	Sales tax		(1,277,527)	(1,628,765)
			8,129,718	10,218,095

29.1 Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by, major products and service lines, and timing of revenue recognition.

		2020	2019
Major products/service lines	Note	(Rupees'000)	
Rooms		4,123,782	5,375,571
Food and beverages		4,822,914	5,963,334
Other related services	29.2	548,587	590,860
Shop license fees		42,867	53,233
		9,538,150	11,982,998
Timing of revenue recognition			
Products / services transferred at a point in time		7,785,737	9,880,438
Services transferred over time		343,981	257,836

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

29.3 Revenue amounting to Rs. 183.27 (2019: Rs. 194.49) million has been recognized from contract liabilities at the beginning of the period.

29.4 The Company's entire revenue is generated within Pakistan.

			2020	2019
30	CONTRACT BALANCES	Note	(Rupees'000)	
	Contract assets	30.1	3,578	29,752
	Contract liabilities	30.2	403,933	399,943

30.1 Contract assets primarily relate to the Company's rights to consideration for goods and services provided to the customers but not billed at the reporting date. Contract assets are transferred to trade debts when invoice is raised. Opening balance of contract asset is fully transferred to trade debts during the period.

30.2 Contract liabilities represent the Company's obligation to transfer goods or services for which the customer has already paid a consideration, or when the amount is due from the customer. These contract liabilities mainly relates to the advances received against banquets functions, room sales and membership fee.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

31	COST OF SALES AND SERVICES	Note	2020	2019
			(Rupees'000)	
	Food and beverages			
	Opening balance		86,229	86,196
	Purchases during the year		1,277,944	1,754,172
	Closing balance	22	(68,592)	(86,229)
	Consumption during the year		1,295,581	1,754,139
	Direct expenses			
	Salaries, wages and benefits	31.1	1,581,172	1,728,023
	Heat, light and power		812,123	799,582
	Repair and maintenance		324,600	377,646
	Depreciation	16.1.6	858,693	786,579
	Guest supplies		184,241	232,013
	Linen, china and glassware		68,858	91,066
	Communication and other related services		49,125	85,641
	Banquet and decoration		47,354	63,936
	Transportation		47,779	55,580
	Uniforms		11,607	21,513
	Music and entertainment		16,780	14,825
	Others	31.2	140,985	147,123
			5,438,898	6,157,666

31.1 Salaries, wages and benefits include staff retirement benefits amounting to Rs. 64.19 million (2019: Rs. 94.69 million).

31.2 This inlcudes franchise fee of Rs.12.78 million (2019: Rs.10.50 million) paid to a franchisor, DOTW Holdings Limited, having its office at Satha tower, level 32, suite 3210-3212, Dubai Media City, Dubai, and Rs. 6.91 million (2019: Rs. 9.57 million) to an assocaited Company Hotel One (Pvt) Ltimited, having its registered office at 1st floor NESPAK House sector G-5/2 , Islamabad.

31.2.1 This also includes an amount of Rs. 80.630 million (2019: 79.821 million) relating to incremental costs of obtaining customer contracts.

32	OTHER INCOME / (EXPENSE)	Note	2020	2019
			(Rupees'000)	
	Concessions and commissions		3,583	6,995
	Loss on disposal of property, plant and equipment		(126,333)	(556)
	Liabilities written back		-	58,410
	Increase in fair value of investments property		5,000	-
	Communication towers and other rental income		65,803	67,262
	Insuracne claim		160,142	-
	Less: CWIP amount written down	16.2.1	(174,562)	-
			(14,420)	-
	Others - net		108,910	53,358
			42,543	185,469

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

33 ADMINISTRATIVE EXPENSES	Note	2020	2019
		(Rupees'000)	
Salaries, wages and benefits	33.1	1,240,857	1,423,189
Rent, rates and taxes	9.5	170,020	278,975
Security and protective services		271,631	337,319
Advertisement and sales promotion		76,854	92,486
Repair and maintenance		51,966	66,263
Heat, light and power		98,464	94,683
Travelling and conveyance		156,155	182,960
Depreciation	16.1.6	186,678	87,398
Communications		19,024	25,791
Printing and stationery		35,198	42,098
Legal and professional charges	33.2	243,152	189,559
Insurance		131,326	111,851
Entertainment		13,158	17,962
Subscriptions		100,351	63,546
Laundry and dry cleaning		8,586	7,981
Uniforms		2,731	6,097
Auditors' remuneration	33.3	4,495	4,492
Donations	33.4	-	84,677
Vehicle rentals and registration charges	33.5	59,447	67,866
Miscellaneous		31,034	11,885
		2,901,127	3,197,078

33.1 Salaries, wages and benefits include staff retirement benefits amounting to Rs. 81.13 million (2019: Rs. 69.76 million).

33.2 This includes an amont of Rs. 84 million pertaining to incremental selling expenses in respect of disposal of aircraft.

33.3 Auditors' remuneration	2020	2019
	(Rupees'000)	
Audit Services		
Annual audit fee	2,480	2,477
Audit of consolidated financial statements	495	495
Half yearly review	520	520
	3,495	3,492
Non-audit Services		
Special reports and certificates	800	800
Tax advisory	200	200
	1,000	1,000
	4,495	4,492

33.4 Detail of donation is presented below:

Name of donee	2020	2019
Aga Khan Foundation	-	50,000
The Supreme Court of Pakistan and the Prime minister of Pakistan Diamer-Bhasha and Mohmand Dams Fund.	-	34,677
	-	84,677

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

33.5 This includes Ijarah payments of Rs. 54.758 million (2019: Rs. 65.575 million) and vehicles registration charges under an Ijarah (lease) agreement. As required under IFAS 2 " IJARAH" (notified through SRO 431 (I) / 2007 by Securities & Exchange Commission of Pakistan). Ijarah payments under an Ijarah (lease) agreement are recognised as an expense in the profit or loss account on straight line basis over the term of Ijarah.

During the period out of total facility the Ijarah facility of Rs. 60.58 million has been converted into Diminishing Musharka facility, the maturity analysis of remaining Ijarah facility of Rs. 32.53 million is as follows:

	Note	2020	2019
		(Rupees'000)	
Within one year		14,483	55,205
After one year but not more than five years		18,047	53,796
		32,530	109,001
34 FINANCE INCOME			
Interest income on			
Term Deposit Receipt		85,067	139,584
Term Finance certificate		10,921	149
Bank deposits		26,284	50,976
Dividend income		41,464	55,357
Exchange gain - net		5,471	5,152
		169,207	251,218
35 FINANCE COST			
Interest expense on			
Loans and borrowing		639,115	599,416
Short term borrowings		293,353	81,547
Sukuk finance		673,991	380,109
Lease facilities		31,050	-
Amortization of transaction cost		18,946	19,049
Credit cards, bank and other charges		72,159	74,373
		1,728,614	1,154,494
36 INCOME TAX EXPENSE			
Current tax expense			
- Current year		112,351	290,793
- Change in estimates related to prior year		(43)	16,723
		112,308	307,516
Deferred tax (reversal) / expense	11	(211,777)	186,851
Tax (reversal) / expense for the year		(99,469)	494,367

36.1 Reconciliation of accounting profit with tax expense is as follows:

	2020	2019
Accounting loss for the year	(1,843,483)	(369,031)
Tax charge @ 29% (2019: 29%)	(534,610)	-
Unrecognized deferred tax asset	264,281	126,465
Tax effect of minimum tax	105,970	281,650
Tax effect of permanent differences	74,154	74,154
Tax effect of exempt income	2,804	4,938
Tax effect of income subject to lower taxation	(12,025)	(9,563)
Prior year's tax charge	(43)	16,723
	(99,469)	494,367

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

36.2 Tax related contingencies

Income Tax

i The income tax assessments of the Company have been finalised and returns have been filed up to and including the tax year 2019. 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 (2019: 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.

ii In June 2020, the taxation officer amended the assessment for the tax year 2014 by disallowing various expenses and raising tax demand of Rs. 1,400 million. The Company has filed appeal against the said assessment and has also obtained stay against any recovery measures by the taxation authorities. Based on the appellate history and merits, the Company is confident of a favorable outcome of the appeal and hence a provision on this matter has not been recognized.

Sales Tax

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

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

iii. The Deputy Commissioner Inland Revenue, Zone IV, Large Taxpayer Unit, Karachi based upon the sales tax audit for the year 2008-09, passed Order in Original 52/2013 dated 28 June 2013 against which the Company filed appeal before the Commissioner Appeals, Karachi. The Commissioner Appeals remanded back the case to department against which department is in appeal before the Appellate Tribunal Inland Revenue (ATIR), the assessing officer, during remand back proceedings, decided the case against the Company by raising total demand along with default surcharge and penalty aggregating to Rs. 49,393,192. The Company has filed appeal against said order before Commissioner Inland revenue (CIR), during the period , the CIR remanded the case back for de-novo consideration.

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

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

37 (LOSS)/ EARNINGS PER SHARE

	2020	2019
Loss for the year (Rupees '000)	(1,744,014)	(863,398)
Weighted average number of ordinary shares (Numbers)	32,524,170	32,524,170
Loss per share - basic (Rupees)	(53.62)	(26.55)

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

38 CASH FLOWS FROM OPERATING ACTIVITIES BEFORE WORKING CAPITAL CHANGES

	Note	2020	2019
		(Rupees'000)	
Loss before tax		(1,843,483)	(369,031)
Adjustments for:			
Depreciation	16.1.6	1,045,371	873,977
Loss on disposal of property, plant and equipment	32	126,333	556
Provision for staff retirement benefit - gratuity	10.1.3	120,330	83,198
(Reversal) / provision for compensated leave absences	10.2.3	(33,685)	76,966
Impairment loss on trade debts		116,986	22,915
Unrealised gain on remeasurement of investment property	32	(5,000)	-
Return on bank deposits / certificate of investment	34	(122,272)	(190,709)
Finance cost	35	1,728,614	1,154,494
Dividend income	34	(41,464)	(55,357)
Unrealised gain on remeasurement of investments to fair value		(674)	491,660
Gain on lease modification		(5,741)	-
Provision on stores, spare parts and loose tools	22.1	414	-
		1,085,729	2,088,669

39 CASH AND CASH EQUIVALENTS

	Note	2020	2019
Cash and bank balances	28	359,202	241,080
Short term borrowings	12	(2,657,284)	(1,264,583)
Accrued markup on short term borrowings		70,098	21,119
Accrued profit on bank deposits		(594)	(957)
		(2,228,578)	(1,003,341)

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

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

	Loans and borrowings	Lease Liabilities	Unclaimed dividend	Unpaid dividend	Total
			(Rupees'000)		
Balance at 01 July 2019	14,683,679	35,446	9,242	1,528	14,729,895
Changes from financing activities					
Proceeds from loans	747,589	-	-	-	747,589
Repayment of loan	(1,692,222)	-	-	-	(1,692,222)
Repayment of lease liabilities	-	(78,235)	-	-	(78,235)
Dividend paid	-	-	-	-	-
	(944,633)	(78,235)	-	-	(1,022,868)
Other changes					
Amortization of transaction cost	18,946	-	-	-	18,946
Markup accrued	273,642	-	-	-	273,642
Lease liabilities	-	358,271	-	-	358,271
	292,588	358,271	-	-	650,859
Balance at 30 June 2020	14,031,634	315,482	9,242	1,528	14,357,886

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

	Loans and borrowings	Lease Liabilities	Unclaimed dividend	Unpaid dividend	Total
			(Rupees'000)		
Balance at 01 July 2018	11,176,586	33,857	9,242	19,210	11,238,895
Changes from financing activities					
Proceeds from loans	4,816,667	-	-	-	4,816,667
Repayment of loan	(1,501,667)	-	-	-	(1,501,667)
Repayment Diminishing Musaraka facility	-	(23,548)	-	-	(23,548)
Dividend paid	-	-	-	(17,682)	(17,682)
	3,315,000	(23,548)	-	(17,682)	3,273,770
Other changes					
Amortization of transaction cost	19,049	-	-	-	19,049
Markup accrued	173,043	-	-	-	173,043
Diminishing Musharaka facility availed	-	25,137	-	-	25,137
	192,092	25,137	-	-	217,229
Balance at 30 June 2019	14,683,679	35,446	9,242	1,528	14,729,894

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

40 REMUNERATION TO CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

	2020			2019		
	Chief Executive Officer	Directors	Executives	Chief Executives Officer	Directors	Executives
	Rupees '000					
Managerial remuneration	63,000	58,796	444,920	72,000	67,195	611,998
Provident fund contribution	3,999	3,523	15,155	3,999	3,523	14,526
Provision for gratuity	3,945	3,671	4,513	3,945	22,511	7,009
Provision for compensated leave absences	-	-	17,481	6,000	5,599	30,480
Provision for bonus	-	1,876	-	12,000	7,446	1,433
Provision for leave fare assistance	2,000	1,241	-	2,000	1,241	-
Meeting fee	45	435	-	30	450	-
	72,989	* 69,542	482,069	99,974	107,965	665,446
Number of persons	1	2	99	1	2	103

* This includes Rs. 7.433 million of non-executive director and meeting fee of Rs. 285,000 (2019: Rs. 315,000) of certain non executive directors of the Company.

40.1 In addition to the above, Chief Executive Officer, non-executive director, and certain executive directors and executives are provided with the Company maintained vehicles having carrying value of Rs. 111.882 million (2019: 151.72 million). Accommodation maintenance is also provided to Chief Executive Officer. Certain directors Executives are also provided with medical expenses and company maintained accommodation, as per the Company's policy.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

41 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

Basis of Relationship	Name of Related Party	Percentage of Share holding
Wholly owned Subsidiary	City Properties (Private) Limited	100%
	Elite Properties (Private) Limited	100%
	Pearl Tours & Travels (Private) Limited	100%
	Pearl Continental Hotels (Private) Limited	100%
Common directorship	Hashwani Hotels Limited	-
	Hotel One (Private) Limited	17.85%
	Hashoo Holdings (Private Limited)	-
	Jubilee General Insurance Company Limited	7.6%
	Orient Petroleum Inc.	-
	OPI Gas (Private) Limited	-
	Pearl Ceramics (Private) Limited	-
	Pearl Real Estate Holdings (Private) Limited	
	Mr. Sadruddin Hashwani	
Directors	Mr. Murtaza Hashwani	-
	Mr. M.A. Bawany	-
	Mr. Shakir Abu Bakar	-
	Syed Haseeb Amjad Gardezi	-
	Mr. M. Ahmed Ghazali Marghoob	-
	Ms. Ayesha Khan	
	Mr. Rohail Ajmal	
	Mr. Shahid Hussain	
Key management personnel	Chief Financial officer	-
	Company Secretary	-
Directors as Board of trustees	Hashoo Foundation	-
	Hashoo Hunar	
Significant influence of relative of Director	Nirvana, a partnership firm	-
Significant influence	Hashoo (Private) Limited	-
	Tejari Pakistan (Private) Limited	-
	Genesis Trading (Private) Limited	-
Karakoram Security Services (Private) Limited		-
Staff retirement fund	PSL Employees Provident Fund Trust	-

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020	2019
		(Rupees'000)	
Transactions with subsidiary companies			
Sales		3,010	3,263
Services provided		7,977	14,587
Services availed		76,575	94,139
Short term advance paid		-	515,000
Refund of short term advance		515,000	40,000
Advance against equity extended		94,500	1,398,001
Refund of Advance against equity		94,500	-
Transactions and balances with associated undertakings			
Sales		185	122
Services provided		8,699	4,187
Services availed		351,226	486,239
Purchases		116,950	153,242
Franchise fee - income		3,330	4,517
Franchise and management fee - expense		6,906	9,569
Dividend income		41,064	54,751
Dividend paid		-	13,473
Purchase of asset		155	39
Purchase of vehicle		-	1,622
Sale of vehicle		-	37,124
Sale of asset		44	-
Advances, deposits and prepayments		38,015	69,521
Transactions with other related parties			
Sales		343	258
Services provided		241	182
Services availed		1,092	500
Purchases		1,522	-
Contribution to defined contribution plan - provident fund		58,680	58,276
Sales of vehicle			-
Dividend paid			-
Transactions with key management personnel			
Remuneration and allowances including staff retirement benefits	41.1	165,825	223,411
Loan from key management personnel		370,000	-
Refund of loan to key management personnel		220,000	-

41.1 **Compensation to key management personnel**

	2020	2019
Salaries and other benefits	143,487	152,922
Contribution to provident fund	8,443	8,157
Gratuity	7,616	26,456
Bonus	1,876	19,446
Meeting fee	480	480
Others	3,923	15,950
	165,825	223,411
Number of persons	5	5

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

42 FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT

42.1 Accounting classifications and fair values

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

	Note	Carrying amount				Fair value			
		Amount in Rs'000							
		Financial Assets		Financial liabilities at amortized cost	Total	Level 1	Level 2	Level 3	Total
30 June 2020		Fair value through profit or loss	Amortized cost						
Financial assets measured at fair value									
Short term investments	25	622,722	-	-	622,722	622,722	-	-	622,722
Long term deposits	21	33,657	-	-	33,657	-	-	33,657	33,657
Short term deposits	24	14,349	-	-	14,349	-	-	14,349	14,349
		670,728	-	-	670,728	622,722	-	48,006	670,728
Financial assets not measured at fair value	42.2								
Trade debts	23	-	195,492	-	195,492	-	-	-	-
Contract assets	30	-	3,578	-	3,578	-	-	-	-
Advance to employees	24	-	8,903	-	8,903	-	-	-	-
Other receivables	24	-	83,645	-	83,645	-	-	-	-
Short term investments	25	-	640,523	-	640,523	-	-	-	-
Cash and bank balances	28	-	359,202	-	359,202	-	-	-	-
		-	1,291,343	-	1,291,343	-	-	-	-
Financial liabilities not measured at fair value	42.2								
Loans and borrowings	8	-	-	13,884,747	13,884,747	-	-	-	-
Short term borrowings	12	-	-	2,807,284	2,807,284	-	-	-	-
Lease liabilities		-	-	315,482	315,482	-	-	-	-
Trade and other payables	42.3	-	-	2,101,077	2,101,077	-	-	-	-
Unclaimed dividend		-	-	9,242	9,242	-	-	-	-
Unpaid dividend		-	-	1,528	1,528	-	-	-	-
		-	-	19,119,360	19,119,360	-	-	-	-

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

	Note	Carrying amount				Fair value			
		Amount in Rs'000							
		Financial Assets		Financial	Total	Level 1	Level 2	Level 3	Total
30 June 2019		Fair value through loss	Amortized cost	liabilities at amortized cost					
Financial assets measured at fair value									
Short term investment	25	622,048	-	-	622,048	622,048	-	-	622,048
Long term deposits	21	55,976	-	-	55,976	-	-	55,976	55,976
Short term deposits	24	15,905	-	-	15,905	-	-	15,905	15,905
		693,929		-	693,929	622,048	-	71,881	693,929
Financial assets not measured at fair value	42.2								
Trade debts	23	-	543,377	-	543,377	-	-	-	-
Contract assets	30	-	29,752	-	29,752	-	-	-	-
Advance to employees	24	-	13,405	-	13,405	-	-	-	-
Other receivables	24	-	56,221	-	56,221	-	-	-	-
Short term investments	25	-	1,084,523	-	1,084,523	-	-	-	-
Short term advance		-	515,000	-	515,000	-	-	-	-
Cash and bank balances	28	-	241,080	-	241,080	-	-	-	-
		-	2,483,358	-	2,483,358	-	-	-	-
Financial liabilities not measured at fair value	42.2								
Loans and borrowings	8	-	-	14,355,833	14,355,833	-	-	-	-
Short term borrowings	12	-	-	1,264,583	1,264,583	-	-	-	-
Trade and other payables	42.3	-	-	1,407,659	1,407,659	-	-	-	-
Unclaimed dividend		-	-	9,242	9,242	-	-	-	-
Unpaid dividend		-	-	1,528	1,528	-	-	-	-
		-	-	17,038,845	17,038,845	-	-	-	-

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

42.2 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.

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

Financial Risk Management
The Company has exposure to the following risks arising for financial instruments:
- Credit risk (note 42.4)
- Liquidity risk (note 42.5)
- Market risk (note 42.6)"

Risk Management Framework
The Company's board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The board of directors has established the risk management committee, which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the board of directors on its activities.

The Company's risk management policies are established to identify and analyze 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 maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

42.4 **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 and arises principally from the Company's trade debts from customers.
The carrying amount of financial assets and contract assets represent the maximum credit exposure.

Expected credit losses on financial assets and contract assets recognised in unconsolidated profit or loss were as follows.

	2020	2019
	(Rupees '000)	
Expected credit losses on trade debts and contract assets arising from contract with customers	116,986	22,915

i **Trade debts and contract assets**

The Company's exposure to credit risk is influenced mainly by the individual's characteristics of each customer. However, management also considers the factors that may influence the credit risk of customer base, including the default risk associated with the industry and the region in which the customers operate. Detail of concentration of revenue are included in note 29.1.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

The risk management committee has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, if they are available, financial statements, credit agency information, industry information and in some cases bank references. Credit limits are established for each customer and are reviewed regularly. Any sales exceeding those limits require approval from the risk management committee.

The Company limits its exposure to credit risk from trade debts by establishing a maximum payment period for each corporate customer based on the assessment of risk management committee.

Maximum of the Company's customers have been transacting with the Company for many years and none of these customers' balances have been written off or are credit-impaired at the reporting date. In monitoring customer credit risk, customers are grouped according to their credit characteristics, their geographical location, industry, trading history with the Company and existence of previous financial difficulties.

At reporting date, the exposure to credit risk for trade debts and contract assets by geographical regions was as follows.

	2020		2019	
	Trade debts	Contract assets	Trade debts	Contract assets
	(Rupees '000)		(Rupees '000)	
Pearl Continental Hotel				
- Karachi	**130,681**	**2,906**	188,376	13,921
- Lahore	**212,632**	**654**	279,079	8,631
- Rawalpindi	**33,600**	**-**	74,702	3,412
- Peshawar	**38,279**	**18**	63,625	1,485
- Bhurban	**26,572**	**-**	54,096	1,267
- Muzaffarabad	**4,369**	**-**	8,821	615
- Hotel One The Mall, Lahore	**10,326**	**-**	6,445	420
Destinations of the world- Pakistan	**140,035**	**-**	152,248	-
	596,494	**3,578**	827,393	29,752

At reporting date, the exposure to credit risk for trade debts and contracts assets by type of counterparty was as follows;

	Note	2020	2019
		(Rupees'000)	
From related parties		**9,976**	6,482
From government institutions		**25,517**	34,107
From foreign embassies		**2,429**	6,692
Others		**562,150**	809,864
	22 & 30	**600,072**	857,145

A summary of the Company's exposure to credit risk for trade debts is as follows.

	2020	2019
Customers with external credit rating of A1+ to A3	**4,173**	49,684
Customers without external credit rating	**592,321**	777,709
Total gross carrying amount	**596,494**	827,393
Allowance for expected credit losses	**(401,002)**	(284,016)
	195,492	543,377

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

Expected credit loss assessment for corporate customers

The Company allocates each exposure to a credit risk based on data that is determined to be predictive of the loss (including but not limited to external ratings, audited financial statements, management accounts, cash flow projection and available press information about customers) and applying experienced credit judgment. Credit risk are defined using qualitative and quantitative factors that are indicative of the risk of default and are aligned to external credit rating definition from agencies (Rating agencies Pakistan Credit Rating Agency (PACRA) and JCR - VIS.

Exposure within each credit risk are segmented by geographical region and an ECL rate is calculated for each segment based on delinquency status and actual credit loss experience over the past three years. These rates are multiplied by scalar factors to reflect the difference between economic conditions during the period over which the historical data has been collected, current conditions and the Company's view of economic conditions over the expected lives of the trade debts.

Scalar factors are based on GDP forecast, unemployment rate, Consumer Price Index and exchange rate which are as follows.

Years	GDP Forecast	Unemployment rate	Consumer price index	Exchange rate
2020	(3.60)	6.00	9.1	168.30
2019	3.10	4.45	8.4	150.10
2018	5.83	6.00	5.08	121.82
2017	5.55	5.8	4.09	105.46

The Company uses an allowance matrix to measure the ECLs of trade debts from corporate customers, which comprises a very large number of small balances.

Loss rates are calculated using "roll rate" method based on the probability of a trade debt progressive through successive stages of delinquency to calculate the weighted average loss rate. Roll rates are calculated separately for exposure in different segments based on following common characteristics - geographic region and age of customer relationship.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

The following table provides information about the exposure to credit risk and ECL for trade debts and contract assets for corporate customers.

	Weighted average loss rate	Gross carrying amount	Loss allowance	Credit impaired
	%	(Rupees' 000)		
30 June 2020				
Current	16.8%	41,409	6,953	No
0-30 days past due	32.1%	12,994	4,173	No
30-60 days past due	40.3%	7,214	2,905	No
60-90 days past due	70.3%	61,614	43,295	No
91-150 days past due	58.8%	155,895	91,668	No
151 days and above	78.5%	320,946	252,008	No
		600,072	401,002	
30 June 2019				
Current	3.7%	338,749	12,530	No
0-30 days past due	11.0%	111,380	12,279	No
30-60 days past due	19.9%	121,136	24,136	No
60-90 days past due	55.3%	35,069	19,378	No
91-150 days past due	51.8%	26,717	13,851	No
151 days and above	90.1%	224,093	201,841	No
		857,145	284,016	

Movement in the allowance for expected credit losses in respect of trade debts and contract assets

The movement in the allowance for expected credit losses in respect of trade debts and contract assets during the year was as follows.

	2020	2019
	(Rupees' 000)	
Balance at 01 July	284,016	261,101
Remeasurement of loss allowance	116,986	22,915
Balance as at 30 June	401,002	284,016

ii **Long term deposits**

The Company held long term deposits of Rs. 33.657 million as at 30 June 2020 (2019: Rs. 55.976 million). These long term deposits are held with the Government agencies.

Impairment on long term deposits has been measured on 12 month expected loss basis and reflect the short maturities of the exposures. The Company considers that its long term deposits have low credit risk based on recoverable from government agencies.

iii **Trade deposit and other receivables**

The Company held trade deposit and other receivables of Rs. 97.994 million as at 30 June 2020 (2019: Rs. 72.126 million).

Impairment on trade deposits and other receivables have been measured on 12 month expected loss basis and reflect the short maturities of the exposures. The Company considers that its trade deposits and other receivables have low credit risk based on external credit rating of the counterparties.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

v Short term investments

The Company held short term investments of Rs. 640.523 million as at 30 June 2020 (2019: Rs. 1,084.523 million). These short term investments are held with the banks which are rated A1+ to AAA based on PACRA and JCR - VIS ratings.

Impairment on short term investments has been measured on 12 month expected loss basis and reflect the short maturities of the exposures. The Company considers that its short term investments have low credit risk based on external credit rating of the counterparties.

vi Cash at bank

The Company held cash at bank of Rs. 331.859 million as at 30 June 2020 (2019: Rs. 194.235 million). These balances are held with the banks which are rated A+1 to A-2 based on PACRA and JCR - VIS ratings.

Impairment on cash at bank has been measured on 12 month expected loss basis and reflect the short maturities of the exposures. The Company considers that its cash at bank have low credit risk based on external credit rating of the counterparties.

42.5 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. As the Company's rescheduling/restructuring of loan agreements were in process at the reporting date, management believes that the rescheduling will significantly improve the liquidity position and the Company will be able to meet its financial obligations when due. Further, since the State Bank of Pakistan has also instructed the financial institutions to reschedule the principal and markup payments of all borrowers who apply for rescheduling, the Company believes that bank borrowings are not payable on demand at the reporting date. (Also refer note 8.7).

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

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)			
2020					
Loans and borrowings	8	13,884,747	17,147,030	5,762,077	11,384,953
Trade and other payables	42.3	2,101,077	2,101,077	2,101,077	-
Short term borrowings	12	2,807,284	2,807,284	2,807,284	-
Lease liabilities		315,482	724,051	112,840	611,211
Unclaimed dividend		9,242	9,242	9,242	-
Unpaid dividend		1,528	1,528	1,528	-
		19,119,360	22,790,212	10,794,048	11,996,164
2019					
Long term financing	8	14,355,833	18,809,909	4,312,115	14,497,794
Trade and other payables	42.3	1,407,659	1,407,659	1,407,659	-
Short term borrowings	12	1,264,583	1,264,583	1,264,583	-
Unclaimed dividend		9,242	9,242	9,242	-
Unpaid dividend		1,528	1,528	1,528	-
		17,038,845	21,492,921	6,995,127	14,497,794

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

The contractual cash flows relating to long and short term borrowings have been determined on the basis of expected mark up rates. The mark up rates have been disclosed in notes 8 and 12 to these unconsolidated financial statements.

42.6 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 revalued to PKR equivalent, and the associated gain or loss is taken to the profit or loss. The foreign currency risk related to monetary items is managed as part of the risk management strategy.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

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:

	2020		2019	
	(Rupees'000)	USD' 000	(Rupees' 000)	USD' 000
Bank Balance	2,129	12.63	2,118	12.91

The following significant exchange rate applied during the year:

	Average rates		Balance sheet date rate	
	2020	2019	2020	2019
PKR/ US Dollars	158.82	137.29	168.51	164.00

Foreign Currency Sensitivity Analysis

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

	2020	2019
	(Rupees'000)	
Increase in 5% USD rate	106	106
Decrease in 5% USD rate	(106)	(106)

Interest rate risk

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

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

Exposure to interest rate risk:

	2020	2019	2020	2019
	Effective interest rates %		(Rupees' 000)	
Variable rate instruments				
Financial assets	0.25 to 11.3	0.25 to 10.3	311,984	165,388
Variable rate instruments				
Financial liabilities	KIBOR + 0.6 to 1.5	KIBOR + 0.6 to 1.95	(16,636,249)	(15,983,707)

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. 163.242 million (2019: Rs. 158.173 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2019.

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 at fair value through profit and loss. 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 fair value through profit and loss, a 100 basis point increase in market price at reporting date would have increased profit or loss by Rs. 6.23 million (2019: Rs. 6.22 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 2019 and assumes that all other variables remain the same.

Assets carried at fair value	Level 1	Level 2 (Rupees '000)	Level 3
2020			
Financial assets at fair value through profit or loss	622,722	-	-
2019			
Financial assets at fair value through profit or loss	622,048	-	-

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

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

43 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:

	2020	2019
	(Rupees'000)	
Increase in profit after tax for the year	**3,026**	4,759
Derecognition of property, plant and equipment	**(181,376)**	(202,343)
Recognition of intangible asset	**357,245**	374,257
Recognition of financial liability	**(28,230)**	(28,538)
Increase in taxation obligations	**1,236**	1,944
Unappropriated profits	**103,456**	100,430

44 CAPACITY

	Note	No. of lettable rooms		Average occupancy	
		2020	2019	2020	2019
Pearl Continental Hotel				%	%
- Karachi		286	286	55	72
- Lahore		607	607	52	59
- Rawalpindi		193	193	44	56
- Peshawar		148	148	42	46
- Bhurban		190	190	50	64
- Muzaffarabad		102	102	25	44
- Hotel One The Mall, Lahore	44.1	32	32	58	62

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

45 NUMBER OF EMPLOYEES

	2020	2019
Number of employees at the year end	2,576	3,253
Average number of employees during the year	3,033	3,381

46 EMPLOYEES' PROVIDENT FUND

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

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

47 IMPACT OF COVID-19 ON THE FINANCIAL STATEMENTS

During the year, the novel coronavirus (COVID-19) emerged and on 11 March 2020, the World Health Organisation declared the COVID-19 outbreak to be a pandemic in recognition of its rapid spread across the globe. Many countries, including Pakistan, took stringent steps to help contain the spread of the virus, including requiring self-isolation/quarantine by those potentially affected, implementing social distancing measures, and controlling or closing borders and locking down cities and regions. The events and conditions resulted in disruption to business operations particularly to businesses in highly exposed sectors including hospitality industry and significant increase in economic uncertainty.

Due to the lockdown and restrictions imposed by the Government of Pakistan, the Company's following hotel properties remained fully/partially closed for operations:

PC Karachi partially closed from 17 March 2020 to 10 August 2020
PC Lahore partially closed from 23 March 2020 to 02 August 2020
PC Rawalpinid were fully closed from 24 March 2020 to 01 July 2020
PC Bhurban 19 March 2020 to 10 August 2020
PC Muzaffarabad fully closed from 18 March to 12 August 2020
PC Peshawar fully closed from 24 March 2020 to 10 June 2020
Hotel One- The Mall were fully closed from 18 March 2020 to 09 July 2020

The Company recognized revenue of Rs. 362 million during the last quarter of the year as compared to Rs. 2,408 million in the corresponding period of previous year. The decline is attributed mainly to temporary close-down of operations.There is no impact of COVID-19 on the carrying amounts of assets and liabilities.

The material uncertainties relating to going concern assumption, including those arising from impacts of COVID-19 alongwith information relating to management's actions and plans to mitigate adverse financial implications and operational changes are disclosed in Note 2.2.1.

48 CORRESPONDING FIGURES

The corresponding figures have been rearranged and reclassified, wherever considered necessary for better presentation. Following reclassification have been made during the year:

Description of item	Reclassified from	Reclassified to	Amount (Rupees'000)
Commission on room bookings	Discounts and commissions	Cost of Sales- others	79,821
Franchise fee	Administrative expenses - Franchise fee	Cost of Sales- others	9,569
Un-earned income	Trade and other payables	Contract liabilities	124,170
Lease finance facilities	Loans and borrowings	Lease liabilities	35,446

49 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 30 September 2020.

M.A. Bawany	Shakir Abu Bakar	Javed Iqbal
Director	Director	Chief Financial Officer

PATTERN OF SHAREHOLDING
AS AT 30 JUNE 2020

Categories of Shareholders:	Shares Held	Percentage
Sponsors, Directors, CEO and Children	585,270	1.80
Associated Companies	10,540,416	32.41
Banks, Development Financial Institutions and Non-Banking Financial Institutions	440,093	1.35
Insurance Companies	28,815	0.09
Modarabas and Mutual Funds	1,123,141	3.45
Foreign Companies	17,856,343	54.90
Individual:		
Local	180,802	0.56
Foreign	19,706	0.06
Others	1,749,584	5.38
	32,524,170	100

DISCLOSURE TO PATTERN OF SHAREHOLDINGS
AS AT 30 JUNE 2020

SHAREHOLDERS	SHARES HELD
DIRECTORS, CHIEF EXECUTIVE OFFICER, AND THEIR SPOUSE AND CHILDREN:	
Mr. Sadruddin Hashwani	4,537
Syed Haseeb Amjad Gardezi	550
Mr. M. A. Bawany	2,875
Mr. Murtaza Hashwani	574,076
Mr. Muhammad Ahmed Ghazali Marghoob	500
Mr. Shakir Abu Bakar	500
Ms. Ayesha Khan	500
Mr. Shahid Hussain	582
Mr. Rohail Ajmal	1,150
	585,270
ASSOCIATED COMPANIES:	
Hashoo Holdings (Private) Limited	979,784
Zaver Petroleum Corporation Limited	2,466,332
Hashoo (Private) Limited	300
OPI Gas (Private) Limited	753,000
Gulf Properties (Private) Limited	3,171,000
Orient Petroleum INC.	3,170,000
	10,540,416
BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCE, COMPANIES,	
National Bank of Pakistan	418,921
The Bank of Punjab, Treasury Division	26
National Investment Trust Limited	21,146
	440,093
INSURANCE COMPANIES	
Alpha Insurance Co. Limited	28,815
MODARBAS & MUTUAL FUNDS:	
CDC - Trustee AKD Index Tracker Fund	5,190
Golden Arrow Selected Stocks Fund Limited	13,400
CDC-Trustee National Investment (UNIT) Trust	1,104,551
	1,123,141

DISCLOSURE TO PATTERN OF SHAREHOLDINGS
AS AT 30 JUNE 2020

SHAREHOLDERS	SHARES HELD
FOREIGN COMPANIES:	
Penoramic International General Trading Llc	382,900
Dominion Hospitality Investments Ltd.	3,150,000
Castle Participations Inc.	3,170,000
Orient Drilling & Oilfield Services Limited	1,209,643
Sharan Associates S.A	2,760,000
Brickwood Investment Holding S.A.	2,905,000
Grenley Investments Limited	1,163,890
Amcorp Investments Limited	1,906,260
Azucena Holdings Limited	1,208,650
	17,856,343
OTHERS:	
Secretary, P.I.A	172,913
President Of Pakistan	336,535
Shakil Express Limited	418
Sheriar F.Irani Invmt.Trut.Ltd	62
Molasses Export Co.(Pvt) Ltd	93
Galadari Invest International	1,052,085
Jahangir Siddiqui & Co Ltd.	990
Rs Publishers (Private) Limited	200
Central Depository Company Of Pakistan Limited	4
First Capital Equities Limited	80
Dawood Foundation	47,088
Trustee National Bank Of Pakistan Employees Pension Fund	75,074
Trustee National Bank Of Pakistan Emp Benevolent Fund Trust	2,634
H M Investments (Pvt) Limited	214
Kaizen Construction (Pvt) Limited	60,925
Horizon Securities Limited	200
Msmaniar Financials (Pvt) Ltd.	67
Fikrees (Private) Limited	2
	1,749,584
INDIVIDUAL	**200,508**
	32,524,170

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

DIRECTORS' REPORT – CONSOLIDATED

Dear Members

The Board of Directors of Pakistan Services Limited, the Parent Company, is pleased to present before you 61st Annual Report carrying therewith also the audited consolidated financial statements for the year ended on June 30, 2020 and Auditors' Report thereon.

The financial results reflected in the Consolidated Financial Statements for the year ended on June 30, 2020 are as under:

	(Rupees '000)
Loss before taxation	(2,127,828)
Taxation	(30,973)
Loss after taxation	(2,158,801)

Loss per share for the year worked out at Rs. 66.38.

During the year under review; the wholly owned subsidiary M/s Pearl Tours & Travels (Private) Limited remain engaged in the business of rent-a-car as well as arrangement of tour packages and generated revenue of Rs. 140 million as compared to Rs. 206 million for last year . During the year under review the Company recorded loss after tax of Rs. 21.27 million as compared to Rs. 19.01 million in last year.

Wholly owned subsidiary companies M/s City Properties (Private) Limited, M/s Elite Properties (Private) Limited have not started their commercial operations, whereas another wholly owned subsidiary M/s Pearl Continental Hotels (Private) Limited remained dormant during the year 2019-20.

The Chairman's Review included in the Annual report shall be treated as part of Director's report which deals inter alia with the financial and operating results along with significant deviations from last year, significant future and other related matters of the Group.

Name of Directors, Board committees and detail of Director's remuneration are included in Un-consolidated Directors report.

Nature of business throughout the year remains the same.

The Group has always ensured the health and safety of our clients, employees and the general public at large. In compliance with the directives issued by Federal and Provincial Governments and Administration Authorities under their control, the parent Company closed its four business units i.e. Pearl Continental Hotel Bhurban, Pearl Continental Hotel, Muzaffarabad, Pearl Continental Hotel, Peshawar and Pearl Continental Hotel, Rawalpindi and operated with limited scope with all possible precautionary measures (among various rigorous measures within its hotel properties and corporate office) to contain spread of COVID-19. This caused severe stress on Company's cash flows, the Company was forced to approach to financial institutions in June 2020 for rescheduling/restructuring of its existing outstanding long term loan amounts along with markup due for a period of seven years inclusive of two years of deferment/grace period for repayment of principal and markup on loans. The company successfully negotiated this rescheduling/restructuring and secured approval from two financial institutions whereas approval from other two financial institutions are under process.

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

M.A. Bawany
Director

Shakir Abu Bakar
Director

Islamabad: 30 September 2020

ڈائریکٹرز رپورٹ (مجموعی)

محترم حصص داران:

پاکستان سروسز لمیٹڈ، بنیادی کمپنی، کا بورڈ آف ڈائرکٹرز آپ کے سامنے 61ویں سالانہ رپورٹ پیش کر رہا ہے۔اس رپورٹ کے ساتھ 30 جون 2020 کو ختم ہونے والے مالیاتی سال کے آڈٹ شدہ اور مربوط شدہ مالیاتی گوشوارے اور اس کے بارے میں آڈیٹرز کی رپورٹ بھی شامل ہے۔

30 جون 2020 کو ختم ہونے والے مالیاتی سال کے مربوط شدہ مالیاتی گوشواروں سے حاصل نتائج درجِ ذیل ہیں:

(000،روپے)

ماقبل ٹیکس نقصان	(2,127,828)
ٹیکس	30,973
بعد از ٹیکس نقصان	(2,158,801)

فی حصص آمدن

مذکورہ سال کے لیے فی حصص نقصان 66.38 روپے رہا۔

زیرِ نظر سال میں میسرز پرل ٹورز اینڈ ٹریولز (پرائیویٹ) لمیٹڈ، جو کہ مکمل ملکیتی ذیلی کمپنی ہے، نیا پنا کاروبار یعنی کہ کاروں کو کرایہ پر دینے، اور اس کے ساتھ ساتھ تفریحی سفر کے پیکیجز کے انتظامات، کی سرگرمیاں جاری رکھیں اور 140 ملین روپے کمائے، جب کہ پچھلے سال یہ آمدن 206 ملین روپے تھی۔ زیرِ نظر سال کے دوران کمپنی نے بعد از ٹیکس 21.27 ملین روپے کا بعد از ٹیکس خسارہ ریکارڈ کیا۔ پچھلے سال یہ خسارہ 19.01 ملین روپے تھا۔

مکمل ملکیتی ذیلی کمپنیوں میسرز سٹی پراپرٹیز پرائیویٹ لمیٹڈ اور میسرز ایلیٹ پراپرٹیز (پرائیویٹ) لمیٹڈ نے اپنی کاروباری سرگرمیوں کا آغاز نہیں کیا ہے جبکہ ایک مکمل ملکیتی ذیلی کمپنی میسرز پرل کانٹیننٹل (پرائیویٹ) لمیٹڈ کی 20-2019 میں سرگرمیاں تقریباً معطل رہیں۔

سالانہ رپورٹ میں شامل چیئرمین کے جائزے کو ڈائریکٹرز رپورٹ کے ایک حصے کے طور پر لیا جائے، جو کہ مالیاتی اور دورانِ کار (آپریشنل) نتائج کے ساتھ ساتھ پچھلے سال کی نسبت نمایاں انحرافات، گروپ کے اہم مستقبل کے منصوبوں اور دیگر متعلقہ معاملات پر مشتمل ہے۔

ڈائریکٹرز کے نام، بورڈ کی کمیٹیوں، اور ڈائرکٹرز کے معاوضہ جات کی تفصیل ڈائرکٹرز کی انفرادی ڈائریکٹرز رپورٹ میں شامل ہے۔

سال بھر کے دوران کاروبار کی نوعیت یکساں رہی۔

کمپنی نے ہمیشہ اپنے گاہکوں، ملازمین، اور عوام الناس کی صحت و سلامتی کو یقینی بنایا ہے۔ وفاقی اور صوبائی حکومتوں اور ان کے انتظامی اداروں کی جانب سے جاری کردہ ہدایات پر عمل درآمد کرتے ہوئے کمپنی نے کوویڈ-19 کے پھیلاؤ کو کم سے کم رکھنے کی خاطر اپنے چار کاروباری یونٹس، پرل کانٹیننٹل ہوٹل بھوربن، پرل کانٹیننٹل ہوٹل مظفر آباد، پرل کانٹیننٹل ہوٹل پشاور، اور پرل کانٹیننٹل ہوٹل راولپنڈی بند رکھے اور تمام ممکنہ حفاظتی اقدامات اختیار کرتے ہوئے (جن میں اپنے ہوٹلوں کی عمارات اور کارپوریٹ آفس میں سخت اقدامات شامل ہیں) محدود پیمانے پر کام کیا۔ اس صورت حال کی وجہ سے کمپنی کے کیش فلو پر سخت دباؤ آیا اور کمپنی کو جون 2020 میں مالیاتی اداروں کے پاس جانا پڑا تا کہ اپنے موجودہ قابل ادائیگی طویل المدتی قرضہ جات اور ان پر سود کی ادائیگی، جن کی ادائیگی سات سال کے اندر کرنا ہے جس میں اصل رقم اور سود کی ادائیگی کے لیے دو سال کی التواشدہ/ رعایتی مدت شامل ہے، کو نئے سرے سے منظّم/ مرتب کیا جائے۔ کمپنی نے اس اس مالیاتی ذمہ داری کو نئے سے سے مرتب/ منظّم کرنے کے سلسلے میں کامیاب مذاکرات کیے اور دو مالیاتی اداروں سے منظوری حاصل کرنے میں کامیاب ہوئی، جبکہ دو مزید مالیاتی اداروں سے منظوری اپنے تکمیل کے مراحل میں ہے۔

کمپنی کے ڈائرکٹرز نے اندرونی مالیاتی ضبط کے کافی اور مناسب انتظامات مرتب اور نافذ کیے ہیں۔

کمپنی کے ڈائریکٹرز نے موثر فنانشل کنٹرول واضع جو کہ مکمل طور پر نافذ ہیں۔

ریٹائرڈ ہونے والے آڈیٹرز، کے پی ایم جی تاثیر ہادی اینڈ کمپنی، چارٹرڈ اکاؤنٹینٹس نے اہل ہونے کے ناطے اپنے آپ کو کمپنی کے آڈیٹرز کی صورت میں دوبارہ تقرری کے لیے پیش کیا۔ آڈٹ کمیٹی کی سفارش پر بورڈ نے کے پی ایم جی تاثیر ہادی اینڈ کمپنی چارٹرڈ اکاؤنٹینٹس کو جون 2021 کو ختم ہونے والے سال کے لیے کمپنی کے آڈیٹرز مقرر کرنے کی تجویز دی ہے۔

ڈائریکٹر
ایم-اے- باوانی

ڈائریکٹر
شاکر ابوبکر

اسلام آباد: **30 ستمبر 2020**

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF PAKISTAN SERVICES LIMITED

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the annexed consolidated financial statements of Pakistan Services Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 30 June 2020 and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for opinion

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

Material Uncertainty relating to Going Concern

We draw attention to Note 2.4 of the consolidated financial statements which indicates that the Group has incurred a net loss after tax of Rs. 2,159 million during the year ended 30 June 2020 and as at that date, current liabilities exceeded current assets by Rs. 1,371 million. These events or conditions, along with other matters as set forth in Note 2.4, indicate that a material uncertainty exists relating to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF PAKISTAN SERVICES LIMITED

S. No.	Key audit matters	How the matter was addressed in our audit
1	**Revenue recognition** Refer notes 3.15 and 31 to the consolidated financial statements. The Group recognized gross revenue of Rs. 4,115 million and Rs. 4,819 million from rooms and sale of food and beverages respectively for the year ended 30 June 2020. We identified recognition of revenue from rooms and sale of food and beverages as a key audit matter because these are key performance indicators of the Group and gives rise to an inherent risk that rooms and food and beverage revenues could be subject to misstatement to meet expectations or targets.	Our audit procedures to assess the recognition of revenue from rooms and food and beverages, amongst others, included the following: ● obtaining an understanding of the process relating to recognition of revenue and testing the design, implementation and operating effectiveness of key internal controls over recording of revenue; ● comparing a sample of revenue transactions recorded during the year with reservations, sales invoices and other relevant underlying documents; ● comparing a sample of revenue transactions recorded around the year- end with bookings, sales invoices and other relevant underlying documentation to evaluate if the related revenue was recorded in the appropriate accounting period; ● comparing the details of a sample of journal entries posted to revenue accounts during the year, which met certain specific risk-based criteria, with the underlying documentation; and ● assessing whether the accounting policies for revenue recognition complies with the requirements of the accounting and reporting standards as applicable in Pakistan.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF PAKISTAN SERVICES LIMITED

S. No.	Key audit matters	How the matter was addressed in our audit
2	**Related party transactions** Transactions with related parties are disclosed in note 42 to the consolidated financial statements. We identified transactions with related parties and relevant disclosures in the consolidated financial statements as key audit matter due to the nature and volume of transactions with related parties and their significant to the consolidated financial statements.	Our audit procedures, amongst others, included the following: ● obtaining an understanding of the process that management has established to identify, account for and disclose related party transactions and to authorize and approve related party transactions and arrangements; ● comparing the related party transactions, on a sample basis, disclosed in the consolidated financial statements with the underlying records and performing procedures to identify related party transactions outside the normal course of business; ● obtaining, on a sample basis, external confirmations of related party transactions and year-end balances and comparing the same with the Group's record; ● comparing, on a sample basis, the recording of related party transactions with the underlying agreements / arrangements in place and supporting documentation and approvals; and ● assessing the adequacy of disclosures in the consolidated financial statements in accordance with accounting and reporting standards as applicable in Pakistan.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF PAKISTAN SERVICES LIMITED

Following or the key audit matters:

S. No.	Key audit matters	How the matter was addressed in our audit
3	**Impact of COVID-19** As disclosed in note 48 to the consolidated financial statements, the COVID-19 pandemic resulted in disruption to business operations particularly to businesses in highly exposed sectors including hospitality industry and significant increase in economic uncertainty. Due to the lockdown and restrictions imposed by the Government of Pakistan, the Group's hotel properties remained fully/partially closed for operations during the last quarter of the year. In connection with the accounting and reporting obligations, the Group assessed the impact of COVID-19 related events on its consolidated financial statements particularly its impact on the appropriateness of the use of the going concern assumption and impairment of non-current assets.	Our audit procedures, amongst others, included the following: ● obtaining an understanding of management's assessment of impact of COVID-19 pandemic and its related implications on the preparation and presentation of consolidated financial statements; ● evaluating appropriateness of management's assessment of going concern assumption and adequacy of related disclosures in the consolidated financial statements; ● assessing the status of restructuring of debt arrangements and appropriateness of classification and adequacy of related disclosures in the consolidated financial statements; ● evaluating the assessment of recoverable amounts for each cash generating units (hotel properties and other non-current assets) to ascertain if any impairment was required to be recognized in the consolidated financial statements; ● Involving external expert to assist in testing of assessed values used in determining recoverable amounts of cash generating units; and ● Assessing the adequacy of disclosures in consolidated financial statements relating to impact of COVD-19 in accordance with the accounting and reporting standards as applicable in Pakistan.

Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. Other information comprises the information included in the annual report for the year ended 30 June 2020, but does not include the unconsolidated and consolidated financial statements and our auditors' reports thereon.

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

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

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF PAKISTAN SERVICES LIMITED

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF PAKISTAN SERVICES LIMITED

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditors' report is Atif Zamurrad Malik.

KPMG Taseer Hadi & Co.

Chartered Accountants

Date: 06 October 2020

Islamabad

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	Note	30 June 2020	30 June 2019
		(Rupees'000)	
EQUITY			
SHARE CAPITAL AND RESERVES			
Share capital	4	325,242	325,242
Capital reserves	5	416,645	416,645
Revenue reserves	6	4,420,830	6,386,580
Revaluation surplus on property, plant and equipment	7	29,243,031	27,530,741
Equity attributable to owners		34,405,748	34,659,208
Non-controlling interest		79,909	14,583
Total equity		34,485,657	34,673,791
LIABILITIES			
Loans and borrowings	8	9,325,615	11,609,181
Lease liabilities	9	231,313	62,091
Deferred government grant	8	30,148	-
Employee benefits	10	773,019	815,402
Deferred tax liability - net	11	511,928	564,479
Non current liabilities		10,872,023	13,051,153
Short term borrowings	12	3,040,614	1,264,583
Current portion of loans and borrowings	8	4,525,870	3,074,498
Current portin of lease liabilities	9	127,771	32,753
Trade and other payables	13	2,464,373	1,641,775
Contract liabilities	32	403,933	400,751
Advance against non-current assets held for sale		12,000	-
Unpaid dividend	14	1,528	1,528
Unclaimed dividend		9,242	9,242
Current liabilities		10,585,331	6,425,130
Total equity and liabilities		55,943,011	54,150,074
CONTINGENCIES AND COMMITMENTS	15		

The annexed notes 1 to 50 form an integral part of these consolidated financial statements.

	Note	30 June 2020	30 June 2019
		(Rupees'000)	
ASSETS			
Property, plant and equipment	16	43,871,165	40,605,493
Advances for capital expenditures	17	1,338,170	2,057,190
Intangible asset	18	160,930	-
Investment property	19	65,000	60,000
Long term investments	20	617,323	615,954
Long term deposits and prepayments	21	33,657	63,888
Advance against equity	22	642,194	355,314
Non current assets		46,728,439	43,757,839
Inventories	23	291,930	313,655
Development properties	24	3,763,885	4,301,165
Trade debts	25	216,551	557,183
Contract assets	32	3,578	29,752
Advances, prepayments, trade deposits and other receivables	26	391,145	430,331
Short term investments	27	659,506	1,106,813
Assets held for sale	28	2,908,739	2,748,739
Advance income tax - net	29	532,462	559,147
Cash and bank balances	30	446,776	345,450
Current assets		9,214,572	10,392,235
Total assets		55,943,011	54,150,074

M.A. Bawany
Director

Shakir Abu Bakar
Director

Javed Iqbal
Chief Financial Officer

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 30 JUNE 2020

	Note	30 June 2020	30 June 2019
		(Rupees'000)	
Revenue - net	31	8,742,377	10,312,198
Cost of sales and services	33	(6,069,920)	(6,253,890)
Gross profit		2,672,457	4,058,308
Other income	34	51,319	240,230
Administrative expenses	35	(3,108,700)	(3,335,125)
Other expense - impairment of goodwill		-	(73,155)
Impairment loss on trade debts	25	(112,872)	(21,457)
Operating (loss) / profit		(497,796)	868,801
Finance income / (loss)	36	18,967	(762,570)
Loss on remeasurement of investments to fair value - net		(695)	(1,635)
Finance cost	37	(1,736,083)	(1,161,272)
Net finance cost		(1,717,811)	(1,925,477)
Share of profit in equity accounted investments - net	20	87,779	95,288
Loss before taxation		(2,127,828)	(961,388)
Income tax	38	(30,973)	(505,464)
Loss for the year		(2,158,801)	(1,466,852)
Loss attributable to:			
Owners of the Company		(2,075,334)	(1,387,534)
Non-controlling interests		(83,467)	(79,318)
		(2,158,801)	(1,466,852)

The annexed notes 1 to 50 form an integral part of these consolidated financial statements.

M.A. Bawany	Shakir Abu Bakar	Javed Iqbal
Director	Director	Chief Financial Officer

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020

	30 June 2020	30 June 2019
	(Rupees'000)	
Loss for the year	(2,158,801)	(1,466,852)
Other comprehensive income for the year		
Items that will not be reclassified to profit or loss		
Remeasurement of defined benefits liability	83,794	(20,388)
Surplus on revaluation of property, plant and equipment	1,712,290	-
Related tax	(24,300)	5,913
	1,771,784	(14,475)
Items that may be subsequently reclassified to profit or loss		
Exchange gain on translation of long term investments in equity accounted investees	53,750	507,898
Share of other OCI items of associate	12,687	(70,125)
Share of remeasurement of defined benefit obligation of associate	(759)	(1,563)
Related tax	(15,588)	(123,015)
	50,090	313,195
Total other comprehensive income for the year	1,821,874	298,720
Total comprehensive income for the year	(336,927)	(1,168,132)
Total comprehensive income - (Loss) attributable to:		
Owners of the Company	(253,460)	(1,088,814)
Non-controlling interests	(83,467)	(79,318)
	(336,927)	(1,168,132)

The annexed notes 1 to 50 form an integral part of these consolidated financial statements.

M.A. Bawany
Director

Shakir Abu Bakar
Director

Javed Iqbal
Chief Financial Officer

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2020

	Note	30 June 2020	30 June 2019
		(Rupees'000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash flow from operating activities before working capital changes	39	889,955	2,008,038
Working capital changes			
(Increase) / decrease in current assets			
Inventories		21,311	(33,738)
Development property		537,280	(1,554,546)
Trade debts		227,760	63,209
Contract assets		26,174	(29,752)
Advances		57,017	(15,730)
Trade deposits and prepayments		14,801	(23,543)
Other receivables		(42,248)	(82,959)
Contract liabilities		3,182	276,581
increase in trade and other payables		822,598	(228,357)
Cash generated from / (used in) operations		1,667,875	(1,628,835)
Staff retirement benefit - gratuity paid		(31,154)	(39,641)
Compensated leave absences paid		(21,980)	(34,348)
Income tax paid		(96,727)	(575,403)
Finance cost paid		(1,955,712)	(1,315,162)
Net cash generated from / (used in) operating activities		452,257	(1,585,351)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		(1,576,488)	(3,904,648)
Advance for capital expenditure		(245,011)	(524,987)
Acquisition of subsidiary, net of cash acquired		-	(64,711)
Proceeds from disposal of property, plant and equipment		607,608	149,549
Development expenditure		(160,930)	-
Proceeds from disposal of non current asset held for sale		-	144,582
Advance against non-current asset held for sale		12,000	-
Dividend income received		41,464	55,357
Short term investments		447,316	920,982
Advance against equity investment		(286,880)	(180,629)
Receipts of return on bank deposits and short term advance		128,192	197,821
Long term deposits and prepayments		2,999	(21,051)
Net cash used in investing activities		(1,029,730)	(3,227,735)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of loans and borrowings		(1,472,222)	(1,501,667)
Proceed from loans and borrowing		377,589	150,000
Proceeds from Sukuk finance		-	4,666,667
Dividend paid		-	(17,682)
Advance against issuance of shares		148,793	-
Advance against issuance of shares returned		-	(87,854)
Short term loan		603,330	-
Refund of loan to director		(220,000)	-
Lease liabilities paid		(101,373)	(56,438)
Net cash (used in) / generated from financing activities		(663,883)	3,153,026
Net decrease in cash and cash equivalents		(1,241,356)	(1,660,060)
Cash and cash equivalents at beginning of the year		(899,836)	760,224
Cash and cash equivalents at end of the year	40	(2,141,192)	(899,836)

The annexed notes 1 to 50 form an integral part of these consolidated financial statements.

M.A. Bawany	Shakir Abu Bakar	Javed Iqbal
Director	Director	Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020

	Share capital	Share premium	Share of associate's capital reserve	Revenue reserves				Surplus on revaluation of property, plant and equipment	Total	Non-controlling interest	Total equity
				General reserve	Exchange translation reserve (net of tax)	Share of other OCI items of associate	Unappropri-ated profit				
	(Rupees'000)										
Balance at 30 June 2018	325,242	269,424	147,221	1,600,000	714,348	104,246	5,056,800	27,530,741	35,748,022	-	35,748,022
Change in ownership interest											
NCI on acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	93,901	93,901
Total comprehensive income for the year											
Loss for the year	-	-	-	-	-	-	(1,387,534)	-	(1,387,534)	(79,318)	(1,466,852)
Other comprehensive income for the year	-	-	-	-	384,883	(70,125)	(16,038)	-	298,720	-	298,720
Total comprehensive income for the year - loss	-	-	-	-	384,883	(70,125)	(1,403,572)	-	(1,088,814)	(79,318)	(1,168,132)
Balance at 30 June 2019	325,242	269,424	147,221	1,600,000	1,099,231	34,121	3,653,228	27,530,741	34,659,208	14,583	34,673,791
Balance at 01 July 2019	325,242	269,424	147,221	1,600,000	1,099,231	34,121	3,653,228	27,530,741	34,659,208	14,583	34,673,791
Total comprehensive income for the year											
Loss for the year	-	-	-	-	-	-	(2,075,334)	-	(2,075,334)	(83,467)	(2,158,801)
Advance against issuance of shares	-	-	-	-	-	-	-	-	-	148,793	148,793
Other comprehensive income for the year	-	-	-	-	38,162	12,687	58,735	1,712,290	1,821,874	-	1,821,874
Total comprehensive income for the year - loss	-	-	-	-	38,162	12,687	(2,016,599)	1,712,290	(253,460)	65,326	(188,134)
Balance at 30 June 2020	325,242	269,424	147,221	1,600,000	1,137,393	46,808	1,636,629	29,243,031	34,405,748	79,909	34,485,657

The annexed notes 1 to 50 form an integral part of these consolidated financial statements.

M.A. Bawany
Director

Shakir Abu Bakar
Director

Javed Iqbal
Chief Financial Officer

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

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 the Companies Act, 2017) as a public limited Company and is quoted on Pakistan Stock Exchange Limited.

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

The Parent Company registered office is situated at 1st Floor, NESPAK House, Sector G-5/2, Islamabad. The addresses of lands, hotel buildings and other properties owned by the Parent Company located in Karachi, Lahore, Rawalpindi, Bhurban, Peshawar, Multan, Muzaffarabad and Mirpur are disclosed in note 16.1.5. The addresses of the Parent Company's other sales offices / lounges are as follows:

- CIP Lounge, Allama Iqbal International Airport, Lahore
- CIP Lounge, Jinnah International Airport, Karachi
- Sales center, office no. 05, Basement, Islamabad Center, Fazal-e-Haq Road, Blue Area, Islamabad.

As at the reporting date, the Parent Company has the following subsidiaries, which together with the Parent Company Constitutes "the Group".

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

2 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

2.1 Statement of compliance

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

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

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

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

In case the requirements of the Companies Act, 2017 differ from the IFRS Standards or IFAS, the requirements of the Companies Act, 2017 have been followed.

2.2 Basis of consolidation

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

2.2.1 Business combinations

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

Subsidiaries

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

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

Non-controlling interests (NCI)

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

Loss of control

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

Interests in equity-accounted investees

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

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

Transactions elimination in consolidation

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

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

2.3 Basis of measurement and preparation

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

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

The method used to measure fair values are disclosed in respective policy notes.

2.4 Going concern basis of accounting

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will be able to continue its operations and will discharge its liabilities including repayment of loans and interest thereon, in the normal course of business.

The Group has incurred a net loss after tax of Rs. 2,159 million during the year ended 30 June 2020 and, as at that date, current liabilities exceeded current assets by Rs. 1,371 million. The Company's operations were also affected due to lock down measures taken by the Government of Pakistan in response to COVID-19 outbreak (refer note 47) which resulted in closing down of the hotel properties and tour & travel operations for the period from March 2020 to August 2020.

Management expects the situation to improve in subsequent period and is confident that operating cash flows will be adequate to fulfil obligations when due. The Group is in advanced stage of negotiations with banks for rescheduling of loans and accrued interest payments which will have a positive impact on the Group's liquidity. Further, subsequent to the year-end, the lockdown restrictions have eased, and the Group has resumed operations and management expects the room occupancy and sales at its hotel to improve further.

Management acknowledges that material uncertainty remains over the Group's ability to meet its funding requirements. However, as described above, management has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. If for any reason the Group is unable to continue as going concern, then this could have an impact on the Group's ability to realize assets, and to extinguish its liabilities in the normal course of business.

2.5 Functional and presentation currency

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

2.6 Use of estimates and judgments

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

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

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

- Note 16.1 useful lives, reassessed values, residual values and depreciation method of property, -plant and equipment
- Note 19 fair value of investment property
- Note 23 provision for slow moving inventories
- Note 15 recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources;
- Note 10 measurement of defined benefit obligations: key actuarial assumptions
- Note 11 and 38 recognition of deferred tax liabilities and estimation of income tax provisions
- Note 25 - measurement of allowance for expected credit loss
- Note 20 Accounting for investments in associates
- Note 3 – Leases: present value measurement of lease liabilities, determining lease term and whether a contract is or contains a lease and depreciation of right of use assets
- Note 28 – Assets held for sale – determining the fair value less cost to sell
- Note 31 – Revenue recognition

Measurement of fair values

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

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

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

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

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

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

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies as set out below have been applied consistently to all periods presented in these consolidated financial statements, except for the adoption of new standard effective as of 01 July 2019 as referred to in notes 3.1.

3.1 New standards, interpretations and amendments adopted by the Group

The Group has adopted IFRS 16 'Leases', IFRIC 23 'Uncertainty over income tax treatments', and IFRS 14 'Regulatory Deferral Accounts' effective for annual period beginning on or after 01 July 2019. IFRIC 23 and IFRS 14 have no effect on these consolidated financial statements. The impact of the adoption of IFRS 16 and the new accounting policy is disclosed below.

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings at 01 July 2019. Accordingly, the comparative information presented for 2019 is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 'Determining whether an Arrangement contains a Lease'. The Group now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 3.3.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 July 2019.

As a lessee, the Group leases assets including property and vehicles. The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognizes right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price.

Previously, the Group classified certain property leases as operating leases under IAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 July 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Group:

- did not recognize right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognize right-of-use assets and liabilities for leases of low value assets;
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

3.1.1 Impact of transition on financial statements

The Group recognized additional right-of-use asset and additional lease liabilities at initial application of IFRS 16, i.e. 01 July 2019 as follows:

	Rs. '000'
Present value of future lease payments- Land and rental spaces	351,907
Present value of future lease payments- Vehicles	92,534
Prepayments classified as right-of-use asset	15,657
Right of use assets - vehicles	122,449
Total Right of use assets (presented in property, plant and equipment)	490,013

The Group leases a number of vehicles under the lease arrangements which were classified as finance leases under IAS 17. For these finance leases, the carrying amount of the right-of-use asset and the lease liability at 1 July 2019 were determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

When measuring lease liabilities at 01 July 2019, the Group discounted lease payments using its incremental borrowing rate of 11.70% for land and rental spaces. For leases of vehicles, the interest rate implicit in the lease is used.

Reconciliation of operating lease commitments at the end of annual reporting period immediately preceding the date of initial application i.e. 30 June 2019, with lease liabilities recognized in the statement of financial position at the date of initial application is as follows:

	Rs. '000'
Operational lease commitments as at 30 June 2019	826,051
Leases not recognised under IFRS 16	(45,798)
Discounting effect	(428,346)
Liabilities recognized as at 01 July 2020	351,907

Had IFRS 16 not been applied, the impact on profit or loss would have been as follows:

	Rs. '000'
Increase in rental expenses	92,157
Decrease in depreciation expenses	(91,268)
Decrease in interest cost	(26,236)
Increase in profit for the period	25,347

Refer Note 3.3 for the details of accounting policies under IFRS 16 and IAS 17.

3.1.2 Addition in Right of use assets during the year

During the year, the Group availed further lease facility of Rs. 73.396 million inclusive of conversion of vehicles Ijarah facility of Rs. 60.580 into Diminishing Musharka facility, accordingly this lease facility is treated under IFRS-16 – Leases and classified as right of use asset adjusted with lease deposits and prepayments of Rs. 24.598 million, with corresponding increase in lease liabilities by discounting remining lease payments using interest rate implicit in the lease.

3.2 Property, plant and equipment and advance for capital expenditure

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

Land (free hold and lease hold) are recognized at revalued amounts based on valuation by external independent valuer. Long term leases of land in which the Group obtains control of the land are accounted for as property, plant and equipment and presented as 'leasehold land'. Revaluation surplus on property, plant and equipment is credited to a capital reserve in shareholders' equity and presented as a separate line item in statement of financial position. Increases in the carrying amounts arising on revaluation of land are recognized, in other comprehensive income and accumulated in revaluation surplus in shareholders' equity. To the extent that increase reverses a decrease previously recognized in profit or loss, the increase is first recognized in profit or loss. Decreases that reverse previous increases of the same asset are first recognized in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss.

Cost comprises of purchase price and other directly attributable costs less refundable taxes. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use. The completed or / acquired capital work in progress and advance for capital expenditure is transferred to the respective item of operating fixed assets when it becomes available for intended use.

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

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

Subsequent expenditure

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

Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the diminishing balance method over their estimated useful lives, and is generally recognised in consolidated statement of profit or loss at rates given in note 15 to these consolidated financial statements. Leased assets are depreciated over the shorter of the leased term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land and capital work in progress is not depreciated. Rates of depreciation are mentioned in note 16.1 to these consolidated financial statements.

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 of / derecognized.

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

3.3 Leases

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

Policy applicable from 01 July 2019

At the inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

- the contract involves the use of an identified asset;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset.

This policy is applied to contracts entered into, or changed, on or after 01 July 2019.

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date.

Right of use asset

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. Right of use asset is subsequently depreciated using the straight line method from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. The estimated useful lives of right of use assets are determined on the same basis as those of property, plant and equipment. In addition, right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. Rates of depreciation are mentioned in note 16.1.

The Group presents right of use assets that do not meet the definition of investment property in 'property, plant and equipment' in the statement of financial position.

Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments.

Short term leases and low-value assets

The Group has elected not to recognize right of use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and the leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Policy applicable before 01 July 2019

For contract entered into before 01 July 2019, the Group determined whether the arrangement was or contained a lease. At inception or on reassessment of an arrangement that contained a lease, the Group separated 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 concluded for a finance lease that it is impracticable to separate the payments reliably,

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

then an asset and a liability were recognized at an amount equal to the fair value of the underlying asset; subsequently, the liability was reduced as payments are made and an imputed finance cost on the liability was recognized using the Group's incremental borrowing rate.

Leased assets

In the comparative period, leases of property, plant and equipment that transferred to the Group substantially all of the risks and rewards of ownership were classified as finance leases. The leased assets were 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 were accounted for in accordance with the accounting policy applicable to that asset. Assets held under other leases were classified as operating leases and are not recognized in the Group's statement of financial position. Depreciation on assets held under finance lease was charged in a manner consistent with that for depreciable assets which were owned by the Group.

Lease payments

Payments made over operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Minimum lease payments made under finance leases were apportioned between the finance expense and the reduction of the outstanding liability. The finance expense was 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.

3.4 Investment property

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

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

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

3.5 Inventories

3.5.1 Stores, spare parts and loose tools

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

3.5.2 Stock in trade

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

The Group reviews the carrying amount of stock in trade on a regular basis and provision is made for obsolescence, if there is any change in usage pattern or physical form of related stock in trade.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

3.6 **Financial instruments**

The Group initially recognizes financial assets on the date when they are originated. Financial liabilities are initially recognized on the trade date when the entity becomes a party to the contractual provisions of the instrument.

3.6.1 **Financial asset**

Classification

On initial recognition, a financial asset is classified as measured at:
- amortized cost;
- fair value through other comprehensive income (FVOCI); or
- fair value through profit or loss (FVTPL).

The classification of financial assets is based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

a) **Amortized cost**

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL: (i) it is held within a business model whose objective is to hold assets to collect contractual cash flows; and (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

b) **Fair value through other comprehensive income (FVOCI)**

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL: (i) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

c) **Fair value through profit or loss (FVTPL)**

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL.

Subsequent measurement

Financial assets at amortised cost	Measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in consolidated profit or loss. Any gain or loss on de-recognition is recognized in consolidated profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in consolidated profit or loss. Other net gains and losses are recognized in consolidated OCI. On de-recognition, gains and losses accumulated in consolidated OCI are reclassified to consolidated profit or loss.
Financial assets at FVTPL	Measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in consolidated profit or loss.
Equity investment at FVOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in consolidated profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in consolidated OCI and are never reclassified to consolidated profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

De-recognition

The Group derecognizes 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 derecognized financial assets that is created or retained by the Group is recognized as a separate asset or liability.

3.6.2 Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in consolidated profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in consolidated statement of profit or loss. Any gain or loss on de-recognition is also included in consolidated profit or loss.

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. Any gain / (loss) on the recognition and de-recognition of the financial assets and liabilities is included in the consolidated statement of profit or loss for the period in which it arises.

3.6.3 Offsetting

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

3.7 Trade and other receivables

Trade and other receivables are initially stated at fair value of consideration to be received. Subsequent to initial recognition these are carried at their amortized cost as reduced by appropriate charge for expected credit losses, if any. The Group holds the trade debts with the objective of collecting the contractual cash flows and therefore measures the trade debts subsequently at amortized cost using the effective interest method. Impairment of trade debts and other receivables is described in note 3.9.

3.8 Trade and other payables

Trade and other payables are initially carried at the fair value of the consideration to be paid in future for goods and services received. Subsequent to initial recognition, these are carried at amortized cost.

3.9 Impairment

3.9.1 Impairment of financial assets

The Group recognizes loss allowance for Expected Credit Losses (ECLs) on financial assets measured at amortized cost, other than those due from the Government of Pakistan entities. For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

Lifetime ECLs are those that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

At each reporting date, the Group assesses whether the financial assets carried at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have detrimental impact on the estimated future cash flows of the financial assets have occurred.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

For recognition of impairment on financial assets due from the Government of Pakistan entities, the Group assesses, at each reporting date, whether there is any objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security.

3.9.2 Impairment of non-financial assets

The carrying amount of the group's assets are reviewed at each reporting date to determine whether there is any indication of impairment loss. If any such indication exists, recoverable amount is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In the absence of any information about the fair value of a cash-generating unit, the recoverable amount is deemed to be the value in use. For the purpose of 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 groups of assets (the "cash-generating unit").

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in consolidated statement of profit or loss. Impairment losses in respect of cash-generating units are allocated to the carrying amounts of assets in the cash-generating unit group on pro-rata basis. An impairment loss is reversed only to the extent that the asset carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

.

3.10 Provisions

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

3.11 Contingent liabilities

A contingent liability is disclosed when the Group has a possible obligation as a result of past events, whose existence will be confirmed only by the occurrence or non-occurrence, of one or more uncertain future events not wholly within the

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

control of the Group; or the Group has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

3.12 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.

3.13 Employee benefits

The accounting policies for employee benefits are described below:

3.13.1 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.

3.13.2 Defined contribution plan – Provident fund

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

3.13.3 Defined benefit plans

The Group operates the following defined benefit plans:

(a) Gratuity

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

(b) Compensated leave absences

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

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

3.14 Income tax

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

Current tax

Provision for current tax is based on taxable income for the year at the applicable tax rates after taking into account tax credit and tax rebates, if any and any adjustment to tax payable in respect of previous year.

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.

3.15 Revenue recognition

The Group generates revenue from room rentals, food and beverages sales, communication tower, shop license fees and revenue from minor operating departments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

3.15.1 Revenue from contracts with customers

The Group generates revenue from room rentals, food and beverages sales, shop license fees and revenue from minor operating departments.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers including significant payment terms, and the related revenue recognition policies.

Type of services	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policy
Room revenue	The performance obligation is satisfied at the point in time when control of room is transferred to the customer, which is mainly at the time of handing over of room key. There is no financing component involved. Discounts are offered to the customers at the management's discretion.	Room revenue is recognized on the rooms occupied on daily basis and after completing all other obligation related to the room.
Food and beverages revenue	The performance obligation is satisfied at the point in time when food and beverages are served to the customer. For service charges levied on food and beverages, the performance obligation is satisfied at the point in time when the food and beverages are served. There is no financing component involved. Discounts are offered to the customers at the management's discretion.	Food and beverages revenue is recognized on consumption of food and beverages by the customer.
Revenue from other related services	The performance obligation is satisfied at the point in time/ over ime when services are provided to the customer. There is no financing component involved. Discounts are offered to the customers at the management's discretion.	Revenue from other related services is recognized when the services are provided.

Contract cost

The contract cost is the incremental cost that the Group incurs to obtain a contract with customers that it would not have incurred if the contract had not been obtained. The Group recognized contract cost as an expense in the statement of profit or loss on a systematic pattern of revenue.

Contract assets

The contract assets primarily relate to the Group's right to consideration for service provided but not billed at the reporting date. The contract assets are transferred to trade debts when the rights become unconditional. This usually occurs when the Group issue an invoice to the customer.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration from the customer. If a customer pays consideration before the Group transfer services to a customer, a contract liability is recognized when the payment is made. Contract liabilities are recognized as revenue when the Group perform its performance obligation under the contract.

3.15.2 Other income

Other income is recognized on an accrual basis. Net gains and losses of disposal of property, plant and equipment have been recognized in the consolidated statement of profit or loss, having deducted from proceeds on disposal, the carrying amount of the assets and related selling expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

Dividend income from investments is recognized when the Group's right to receive has been established.

Gains and losses arising from incidental activities to main revenue generating activities and those arising from a group of similar transactions which are not material, are aggregated, reported and presented on a net basis.

3.16 Assets held for sale

Non-current assets are classified as held-for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. Such assets are measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses, if any, on initial classification as held-for-sale and subsequent gains and losses on remeasurement are recognized in profit or loss. Once classified as held-for-sale, property, plant and equipment are no longer amortized or depreciated.

3.17 Foreign currency transactions and translations

Transactions in foreign currencies are recorded at the rates of exchange prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Pakistan Rupee at the exchange rate ruling on the reporting date and exchange differences, if any, are recognised in consolidated statement of profit or loss.

Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are recognised in consolidated statement of profit or loss.

3.18 Operating profit

Operating profit is the result generated from continuing principal revenue producing activities of the Group as well as other income and expenses related to operating activities. Operating profit excludes finance income, finance costs, income taxes and reversals of impairment.

3.19 Finance income and finance cost

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

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

3.20 Fair value measurement

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

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

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

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is wholly supported by observable market data or the transaction is closed out.

3.21 Development properties

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

3.22 Government grant

The Group recognizes government grants as deferred income at fair value when there is reasonable assurance that they will be received, and the Group will comply with the conditions associated with grant. Grants that compensate the group for expenses incurred, are recognized on a systematic basis in the income for the year in which the related expenses are recognized. Grants that compensate for the cost of an asset are recognized in income on a systematic basis over the expected useful life of the related asset.

3.23 Ijarah contracts

Assets held under Ijarah arrangement are not recognized in the group's consolidated statement of financial position. Payments made under ijarah contracts are charged to profit or loss on a straight-line basis over the term of the Ijarah lease arrangement.

3.24 Cash and cash equivalents

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

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

The following are the new standards, amendments to existing accounting and reporting standards as applicable in Pakistan and new interpretations that will be effective for the periods beginning on or after 1 July 2020 and are not likely to have an impact on the consolidated financial statements of the Group:

- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.

- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general-purpose financial statements in accordance with IFRS Standards.

- On 29 March 2018, the IASB has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallize. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.

- Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after 1 January 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The amendments are not likely to affect the financial statements of the Company.

- Amendments to IFRS-16 - IASB has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. The amendments are effective for periods beginning on or after 1 June 2020, with earlier application permitted. Under the standard's previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects of the COVID-19 pandemic, and the fact that many lessees are applying the standard for the first time in their financial statements, the Board has provided an optional practical expedient for lessees. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications. Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:

  - the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
  - any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
  - there is no substantive change to the other terms and conditions of the lease.

- Classification of liabilities as current or non-current (Amendments to IAS 1) effective for the annual period beginning on or

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

after 1 January 2022. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8.

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual period beginning on or after 1 January 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprise the cost of fulfilling a contract, Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for the annual period beginning on or after 1 January 2022. Clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

- Annual Improvements to IFRS standards 2018-2020:

  The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after 1 January 2022.

  - IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.

  - IFRS 16 – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.

  - IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The above amendments and improvements do not have a material impact on the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

4 SHARE CAPITAL

4.1 **Authorised share capital**

Authorized share capital is 200,000,000 (2019: 200,000,000) ordinary share of Rs. 10 each.

4.2 **Issued, subscribed and paid up share capital**

2020	2019		2020	2019
Number of shares			(Rupees'000)	
		Ordinary shares of Rs.10 each		
25,672,620	25,672,620	- Fully paid in cash	**256,726**	256,726
362,100	362,100	- For consideration other than cash (against property)	**3,621**	3,621
6,489,450	6,489,450	- Fully paid bonus shares	**64,895**	64,895
32,524,170	32,524,170		**325,242**	325,242

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

4.2.2 As of the reporting date 10,540,416 (2019: 7,370,336) and 585,270 (2019: 585,938) ordinary shares of Rs. 10 each were held by associated companies and directors of the Parent Company respectively.

4.3 **Capital management**

The Group's objective when managing capital is to safeguard the Groups's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stake holders, and to maintain a strong capital base to support the sustained development of its businesses.

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. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders and/or issue new shares. There were no changes to Group's approach to capital management during the year and the Group is not subject to externally imposed capital requirement except for maintenance of debt to equity ratios under the financing arrangements.

5 CAPITAL RESERVES	Note	2020	2019
		(Rupees'000)	
Share premium	5.1	**269,424**	269,424
Share of associate's capital reserve		**147,221**	147,221
		416,645	416,645

5.1 Capital reserve represents share premium as and when received.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

		Note	2020	2019
6	REVENUE RESERVES		(Rupees'000)	
	General reserve		1,600,000	1,600,000
	Exchange translation reserve		1,137,393	1,099,231
	Surplus on remeasurement of FVOCI securities		46,808	34,121
	Unappropriated profits		1,636,629	3,653,228
			4,420,830	6,386,580

		Note	2020	2019
7	REVALUATION SURPLUS ON PROPERTY, PLANT AND EQUIPMENT		(Rupees'000)	
	Balance at 01 July		27,530,741	27,530,741
	Surplus arising on revaluation during the year	16.1.3	1,712,290	-
	Balance at 30 June		29,243,031	27,530,741

		Note	2020	2019
8	LOANS AND BORROWINGS - Secured			
a.	**Non current portion**			
	Term Finance Loan - 1	8.1	552,500	637,500
	Term Finance Loan - 2	8.2	1,720,000	1,935,000
	Term Finance Loan - 3	8.3	2,000,000	2,333,333
	Term Finance Loan - 4	8.4	2,000,000	2,000,000
	Term Finance Loan - 5	8.5	347,441	-
	Syndicated term loan		-	450,000
	Sukuk	8.6	6,611,111	7,000,000
	Transaction cost		(33,262)	(52,208)
			13,197,790	14,303,625
	Current portion of loans		(3,872,175)	(2,694,444)
			9,325,615	11,609,181
b.	**Current portion**			
	Current portion of loans		3,872,175	2,694,444
	Markup Accrued		653,695	380,054
			4,525,870	3,074,498

8.1 This represents outstanding balance of term finance loan of Rs. 350 million and Rs. 500 million carrying markup of 3-month KIBOR plus 1.5% (2019: 3-month KIBOR plus 1.5%) per annum. These are secured against first pari passu equitable mortgage charge on land and building of Pearl Continental Hotel, Rawalpindi for an amount of Rs. 1,534 million (2019: 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 (2019: 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. Repayments have started from June 2018. The Parent Company approached the lender for defferment of repayments and markup servicing refer note 8.7.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

8.2 This represents outstanding balance of term finance loan of Rs. 2,150 million carrying markup of 3-month KIBOR plus 0.75% (2019 :3-month KIBOR plus 0.75%) per annum payable quarterly. This facility is secured against charge over land and building of Pearl Continental Hotel, Rawalpindi and Peshawar to the extent of Rs. 1,200 million (2019: Rs. 1,200 million) and Rs. 1,667 million (2019: Rs. 1,667 million) respectively. The loan is repayable in twenty equal quarterly installments of Rs. 107.50 million each. Repayments have started from January 2019. The Parent Company approached the lender for defferment of repayments and markup servicing refer note 8.7.

8.3 This represents outstanding balance of term finance loan of Rs. 3,000 million carrying markup of 3-month KIBOR plus 0.75% (2019: 3-month KIBOR plus 0.75%) per annum payable quarterly. This facility is secured against ranking equitable mortgage charge over land and building of Pearl Continental Hotel, Karachi and ranking hypothecation charge on all present and future fixed and current assets of Pearl Continental Hotel, Karachi to the extent of Rs. 4,000 million (2019: Rs. 4,000 million). The loan is repayable in eighteen equal quarterly installments of Rs. 166.67 million. Repayments have started from September 2018.The Parent Company approached the lender for defferment of repayments and markup servicing refer note 8.7.

8.4 This represents term finance loan of Rs. 2,000 million carrying markup of 6-month KIBOR plus 0.65% per annum payable semi-annual (2019: 6-month KIBOR plus 0.65%) per annuam. This facility is secured against first pari passu equitable mortgage charge over land and building and first pari passu hypothecation charge on all present and future moveable assets of Pearl Continental Hotel, Peshawar with 25% margin. The loan is repayable in ten equal semi-annual installments starting from May 2020. The Parent Company approached the lender for defferment of repayments and markup servicing refer note 8.7.

8.5 This represents long term loan of Rs. 377.58 million availed under State Bank of Pakistan (SBP) Refinance Scheme for payment of wages and salaries to the workers, the loan is extended at below-market rate of 3% per annum payable quarterly (2019: Nil) . This facility is secured against first pari passu ranking charge over fixed assets including land and building of Pearl Continental Hotel, Karachi to the extent fo Rs. 598 million (2019:Nil). The loan is repayable in eight equal quarterly installments starting from January 2021.

The Parent Company received the loan on below-market rate therefore recognized the deferred grant on the statement of financial position as the difference between the actual loan proceed and the present value of the loan proceed received, discounting using the prevailing market rate of interest.

	(Rupees'000)
Loan proceeds received	377,588
Deferred grant	30,148
Fairvalue of the loan proceeds	347,440

8.6 This represents rated, secured, long term privately placed Sukuk certificates. Pak Brunei Investment Company Limited is the trustee while Faysal Bank Limited is acting as shariah structuring advisor for this Sukuk arrangement. The Sukuk tenor is six years, and carries profit of 6-month KIBOR plus 1% (2019: 6-month KIBOR plus 1%) per annum payable semi-annually. The Sukuk is secured by way of first mortgage charge on Pearl Continental Hotel, Lahore with 25% margin and hypothecation on all the present and future assets (excluding land and building) of Pearl Continental Hotel, Lahore. Redemption of Sukuk will be in nine equal semi-annual installments starting from March 2020.The Parent Company approached the lender for defferment of repayments and markup servicing refer note 8.7.

8.7 In response to COVID-19 pandemic, the State Bank of Pakistan vide its BPRD Circular No. 13 of 2020 dated 26 March 2020 announced relief to customers of financial institutions in the form of deferment of repayment of principal installments and markup payments. Pursuant to this relief, the Parent Company approached to the financial institutions in June 2020 for rescheduling/restructuring of its existing outstanding loan amounts along with markup for a period of seven years inclusive of two years of deferment/grace period for repayment of principal and markup on loans including the unpaid principal installments and markup due prior to the reporting date. Management expects the rescheduling/restructuring of this financing arrangements to be finalized in the near future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

9	LEASE LIABILITIES	Note	2020	2019
			(Rupees'000)	
	Lease liabilities - Vehicles	9.1	133,703	94,844
	Lease liabilities - Land and rental spaces		225,381	-
		9.2	359,084	94,844
	Current portion		127,771	32,753
	Non current portion		231,313	62,091

9.1 This represents outstanding balance of diminishing musharaka facility from an Islamic financial institution and carries markup of 3-month KIBOR plus 1% (2019: 3-month KIBOR plus 1%) per annum payable quarterly . The facility is secured by way of ownership of leased assets.

9.2	Maturity of Lease liabilities is follows	2020	2019
		(Rupees'000)	
	Not later than one year	140,981	42,114
	Later than one year and not later than five years	211,587	69,782
	Later than five year	422,487	-
		775,055	111,896
	Imputed interest	(415,971)	(17,052)
		359,084	94,844
	Movement of lease liabilities is as follows:		
	Amount recognized on transition date/ opening	444,440	70,859
	Additions during the year	73,396	80,423
	Lease payments made during the period	(101,373)	(56,438)
	Lease modification	(57,379)	-
	Amount as per financial statement	359,084	94,844

10	EMPLOYEE BENEFITS	Note	2020	2019
			(Rupees'000)	
	Net defined benefit liability - gratuity	10.1.1	644,555	631,187
	Net defined benefit liability - compensated leave absences	10.2.1	128,464	184,215
			773,019	815,402

10.1 **Net defined benefit liability - gratuity**

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

10.1.1	Movement in net defined liability - gratuity	Note	2020	2019
			(Rupees'000)	
	Balance at 01 July		631,187	561,853
	Included in profit or loss	10.1.3	128,316	88,587
	Benefits paid		(31,154)	(39,641)
	Included in other comprehensive income	10.1.4	(83,794)	20,388
	Balance at 30 June		644,555	631,187

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

		2020	2019
		(Rupees'000)	
10.1.2	**Reconciliation of liability recognised in the statement of financial position**		
	Present value of defined benefit liability	644,555	631,187
	Net defined benefit liability	644,555	631,187
10.1.3	**Included in profit or loss**		
	Current service cost	42,272	40,367
	Interest cost	86,044	48,220
		128,316	88,587
10.1.3.1	**Expense is recognized in the following line items in profit or loss**		
	Cost of sales and services	53,560	53,694
	Administrative expenses	74,756	34,893
		128,316	88,587
10.1.4	**Included in other comprehensive income**		
	Actuarial loss from changes in financial assumptions	(3,274)	3,032
	Experience adjustments on defined benefit liability	(80,520)	17,356
		(83,794)	20,388

10.1.5 **Key Actuarial assumptions**

The latest actuarial valuation was carried out on 30 June 2020 using projected unit credit method with the following key assumptions:

	Note	2020	2019
Discount rate		9.00%	9.00%
Expected increase in eligible salary		14.50%	14.50%
Mortality rate	10.1.5.1	SLIC 2001-2005	SLIC 2001-2005

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

10.1.6 **Sensitivity analysis**

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

	2020		2019	
	Increase	Decrease	Increase	Decrease
	(Rupees'000)		(Rupees'000)	
Discount rate	589,427	664,958	592,261	665,071
Salary increase rate	665,181	588,457	665,319	591,423

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

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

10.1.6.2 The Group's expected charge for the defined benefit liability - gratuity for the next year is Rs. 87.66 million

10.1.7 Risk associated with defined benefit liability- gratuity

10.1.7.1 Salary Risk - (linked to inflation risk)

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

10.1.7.2 Demographic Risks

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

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

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

Years	(Rupees '000)
FY 2021	68,913
FY 2022	48,423
FY 2023	67,898
FY 2024	60,304
FY 2025	86,184
FY 2026	76,487
FY 2027	88,159
FY 2028	77,795
FY 2029	119,529
FY 2030	131,609
FY 2030 onwards	1,096,552

10.2 Net defined benefit liability - compensated leave absences

		2020	2019
		(Rupees'000)	
10.2.1 Movement in defined benefit liability - compensated leave absences			
Balance at 01 July		**184,215**	142,453
Included in profit or loss	10.2.3	**(33,771)**	76,110
Payments made during the year		**(21,980)**	(34,348)
Balance at 30 June		**128,464**	184,215

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

			2020	2019
			(Rupees'000)	
10.2.2	**Reconciliation of liability recognised in the Statement of Financial Position**			
	Present value of defined benefit liability		128,464	184,215
	Net defined benefit liability		128,464	184,215

		Note	2020	2019
10.2.3	**Included in profit or loss**		(Rupees'000)	
	Current service cost		30,222	29,796
	Interest cost		366	9,102
	Past service cost		21,384	21,990
	Experience adjustments on defined benefit liability		(85,743)	15,222
			(33,771)	76,110
10.2.3.1	**Expense is recognized in the following line items in profit or loss**			
	Cost of sales and services		(11,685)	40,801
	Administrative expenses		(22,082)	35,309
			(33,767)	76,110
10.2.4	**Actuarial assumption**			
	Discount rate		9.00%	9.00%
	Expected increase in eligible salary		14.50%	14.50%
	Mortality rate	10.2.4.1	SLIC 2001-2005	SLIC 2001-2005

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

10.2.5 Sensitivity analysis

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

	2020		2019	
	Increase	Decrease	Increase	Decrease
	(Rupees'000)		(Rupees'000)	
Discount rate	102,083	120,400	170,322	197,826
Salary increase rate	120,097	102,200	197,339	170,541

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

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

10.2.6 **Risk associated with defined benefit liability- compensated leave absences**

10.2.6.1 **Salary Risk- (linked to inflation risk)**

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

10.2.6.2 **Demographic Risks**

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

Withdrawal Risk - The risk of actual withdrawal 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.

11 DEFERRED TAX LIABILITY

				Recognized in		
	Net balance at 01 July 2019	Adjustment on adoption of IFRS 9	Adjusted balance at 01 July 2019	Profit or loss (Note 38)	Other comprehensive income	Net balance at 30 June 2020
2020			(Rupees'000)			
Taxable temporary differences						
Property, plant and equipment	745,057	-	-	288,535	-	1,033,592
Exchange translation reserve	295,647	-	-	-	15,588	311,235
Deductible temporary differences						
Employees benefit - gratuity	183,044	-	-	24,610	24,300	183,354
Provision against doubtful debts	88,833	-	-	32,732	-	121,565
Unabsorbed tax losses and depreciation	122	-	-	245,293	-	245,415
Share in loss of equity accounted investments	150,640	-	-	25,456	-	176,096
Provision for inventory	476	-	-	120	-	596
Short term investment	1,740	-	-	-	-	1,740
Income not yet received	8,628	-	-	(8,628)	-	-
Unabsorbed tax losses and depreciation	-	-	-	-	-	-
Lease liability	42,743	-	-	61,391	-	104,134
	476,225	-	-	380,974	24,300	832,899
	564,479	-	-	(92,439)	39,888	511,928

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

	Net balance at 01 July 2018	Adjustment on adoption of IFRS 9	Adjusted balance at 01 July 2018	Recognized in Profit or loss (Note 38)	Recognized in Other comprehensive income	Net balance at 30 June 2019
2019			(Rupees'000)			
Taxable temporary differences						
Property, plant and equipment	501,170	-	501,170	243,887	-	745,057
Exchange translation reserve	172,632	-	172,632	-	123,015	295,647
Deductible temporary differences						
Employees benefit - gratuity	140,463	-	140,463	36,668	5,913	183,044
Provision against doubtful debts	48,529	26,316	74,845	13,988	-	88,833
Unabsorbed tax losses and depreciation	122	-	122	-	-	122
Share in loss of equity accounted investments	30,729	-	30,729	119,911	-	150,640
Provision for inventory	410	-	410	66	-	476
Short term investment	1,500	-	1,500	240	-	1,740
Income not yet received	44	-	44	8,584	-	8,628
Write down of investment to its net selling price	134,179	-	134,179	(134,179)	-	-
Diminishing musharaka facility	29,812	-	29,812	12,931	-	42,743
	385,788	26,316	412,104	58,209	5,913	476,225
	288,014	(26,316)	261,698	185,678	117,102	564,479

12	SHORT TERM BORROWINGS - Secured	Note	2020	2019
			(Rupees'000)	
	Running finance facilities - from banking companies- secured	12.1	**2,587,186**	1,243,464
	Short term loan - unsecured	12.2	**383,330**	-
	Markup accrued		**70,098**	21,119
			3,040,614	1,264,583

12.1 These facilities are obtained from various commercial banks with an aggregate limit of Rs. 2,630 million (2019: Rs. 1,620 million) which are secured against pari passu equitable mortgage charge on fixed assets and hypothecation charge on stock-in-trade, trade debts, receivables and all other moveable properties of Pearl Continental Hotel Karachi and Rawalpindi and lien on certain listed securities held by the Company. These facilities carry markup rates ranging from 1-month KIBOR to 3-month KIBOR plus 0.6% to 1.5% (2019: 1-month KIBOR to 3-month KIBOR plus 0.6% to 0.7%) per annum.

12.2 This includes loan from directors Rs. 241.40 millin and from a related party Rs. 50 million.

12.3 The Parent Company has unutilised running finance facilities aggregating to Rs. 42.80 million (2019: Rs.376.54 million) at the year end.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

13 TRADE AND OTHER PAYABLES	Note	2020	2019
		(Rupees'000)	
Creditors		955,610	475,617
Accrued liabilities		675,912	606,134
Shop deposits	13.1	54,026	54,267
Retention money		223,478	211,070
Due to related parties - unsecured		270,029	25,242
Sales tax payable - net		75,576	100,569
Income tax deducted at source		6,435	4,185
Un-earned income		49,900	96,912
Payable to provident fund		13,236	-
Other liabilities		140,171	67,779
		2,464,373	1,641,775

13.1 As per terms of written agreement with customers, the amount of shop deposits are fully utilizable by the Parent Company and have been utilized for business purpose.

14 UNPAID DIVIDEND

As per the provision of Section -242 of the Companies Act, 2017 and directives of the Securities and Exchange Commission of Pakistan vide circular no. 18 dated 01 August, 2017, cash dividend will only paid through electronic mode directly in the bank accounts of shareholders, accordingly this unpaid dividend pertains to those shareholders who did not provided their valid bank accounts details.

15 CONTINGENCIES AND COMMITMENTS

15.1 Contingencies

15.1.1 For tax related contingencies please refer note 38.2.

15.1.2 Guarantees	Note	2020	2019
		(Rupees'000)	
Guarantees		308,952	286,852
15.2 Commitments			
Commitments for capital expenditure		4,248,657	2,911,627
16 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	16.1	37,191,636	35,991,899
Capital work in progress	16.2	6,679,529	4,613,594
		43,871,165	40,605,493

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

16.1 OPERATING FIXED ASSETS

16.1.1 Reconciliation of carrying amount

	Owned									Leased	Right of use asset		
	Freehold land	Leasehold land	Buildings on freehold land	Buildings on leasehold land	Plant and machinery	Furniture, fixtures, fittings and office equipment	Computers	Vehicles	Air craft	Vehicles	Land and rental spaces (Note - 3.1)	Vehicles (Note - 3.1)	Total
	Rupees'000												
Cost / Revalued amounts													
Balance at 01 July 2018	16,287,639	13,488,790	2,387,902	2,100,541	4,033,895	3,084,340	648,183	293,251	-	104,271	-	-	42,428,812
Additions	56,670	-	-	2,350	396,109	180,497	53,948	175,048	-	80,423	-	-	945,045
Revaluation surplus	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	(54,516)	(56,660)	(104,836)	(102,894)	(315)	(107,304)	-	-	-	-	(426,525)
Transfer from leased assets to owned assets	-	-	-	-	-	-	-	24,941	-	(24,941)	-	-	-
Transfer from CWIP (refer note 16.2)	-	-	325,021	246,607	258,789	440,728	65,020	-	783,286	-	-		2,119,451
Transfer to asset held for sale (refer note 15.1.7)	(2,620,000)	-	(150,249)	-	-	-	-	-	-	-	-	-	(2,770,249)
Balance at 30 June 2019	13,724,309	13,488,790	2,508,158	2,292,838	4,583,957	3,602,671	766,836	385,936	783,286	159,753	-	-	42,296,534
Balance at 01 July 2019	13,724,309	13,488,790	2,508,158	2,292,838	4,583,957	3,602,671	766,836	385,936	783,286	159,753	-	-	42,296,534
Adoption of IFRS-16 (note -3.1.2)										(159,753)	367,564	159,753	367,564
Adjusted balance at 01 July 2019	13,724,309	13,488,790	2,508,158	2,292,838	4,583,957	3,602,671	766,836	385,936	783,286	-	367,564	159,753	42,664,098
Additions	-	-	-	-	293,576	31,354	13,632	13,402	-	-	-	97,994	449,958
Disposals	-	-	-	-	(18,045)	(250)	(2,966)	(27,985)	(783,286)	-	(51,638)	(6,312)	(890,482)
Transfer from CWIP (refer note 16.2)	-	-	89,391	162,950	151,601	260,346	14,033	-	-	-	-	-	678,321
Revaluatin surplus	478,170	1,234,120	-	-	-	-	-	-	-	-	-	-	1,712,290
Transfer from leased assets to owned assets	-	-	-	-	-	-	-	19,490	-	(19,490)	-	-	-
Asset classified as held for sale	(160,000)	-	-	-	-	-	-	-	-	-	-	-	(160,000)
Balance at 30 June 2020	14,042,479	14,722,910	2,597,549	2,455,788	5,011,089	3,894,121	791,535	390,843	-	(19,490)	315,926	251,435	44,454,185
Accumulated depreciation													
Balance at 01 July 2018	-	-	719,859	846,515	2,502,972	1,150,094	302,245	190,174	-	16,483	-	-	5,728,342
Depreciation (refer note 16.1.6)	-	-	89,305	62,628	249,691	301,564	99,968	26,459	45,953	20,821	-		896,389
Disposals	-	-	(38,147)	(36,337)	(92,813)	(82,430)	(188)	(15,719)	-	-	-	-	(265,634)
Transfer to asset held for sale (refer note 15.1.7)	-	-	(21,510)	-	-	-	-	(32,952)	-	-	-	-	(54,462)
Balance at 30 June 2019	-	-	749,507	872,806	2,659,850	1,369,228	402,025	167,962	45,953	37,304	-	-	6,304,635
Balance at 01 July 2019	-	-	749,507	872,806	2,659,850	1,369,228	402,025	167,962	45,953	37,304	-	-	6,304,635
Adoption of IFRS-16 (note -3.1.2)	-	-	-	-	-	-	-	-	-	(37,304)	-	37,304	-
Adjusted balance at 01 July 2019	-	-	749,507	872,806	2,659,850	1,369,228	402,025	167,962	45,953	-	-	37,304	6,304,635
Depreciation (refer note 16.1.6)	-	-	89,160	70,472	305,150	327,433	98,866	27,259	35,768	-	94,871	22,040	1,071,019
Disposals	-	-	-	-	(16,691)	(27)	(1,287)	(13,200)	(80,418)	-	-	(1,482)	(113,105)
Transfer from leased assets to owned assets	-	-	-	-	-	-	-	6,696	-	-	-	(6,696)	-
Balance at 30 June 2020	-	-	838,667	943,278	2,948,309	1,696,634	499,604	188,717	1,303	-	94,871	51,166	7,262,549
Carrying amount - 30 June 2019	13,724,309	13,488,790	1,758,651	1,420,032	1,924,107	2,233,443	364,811	217,974	-	122,449	-	-	35,991,899
Carrying amount - 30 June 2020	14,042,479	14,722,910	1,758,882	1,512,510	2,062,780	2,197,487	291,931	202,126	(1,303)	(19,490)	221,055	200,269	37,191,636
Rates of depreciation per month/useful life (2019 and 2020)	-	-	5%	5%	15%	15%	30%	15%	10-20 years	15%	1.5 - 40 years	15%	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

16.1.2 The operating fixed assets are secured against various loan availed by the Parent Company. Refer note 8 and 12.

16.1.3 **Revaluation surplus on property, plant and equipment**

Freehold and leasehold land were revalued on 30 June 2020 by an independent valuer, based on market value basis. Revaluation for the year resulted in surplus of Rs. 1,712 million. The fair value when determined falls under level 3 heierarchy. Sensitivity analysis has not been presented ince data about observable inputs is not available.

Had the aforementioned revaluation not carried out, the book value of freehold and leasehold land would have been Rs. 766.26 million (2019: Rs. 921.26 million). Land having cost of Rs. 155 million has been transferred to non-current asset held for sale, as disclosed in note 26.

16.1.4 The forced sale value of the revalued land has been assessed at Rs. 23,019 million.

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

Location	Address	Particular	Land area (Sq. yards)
Karachi	Plot No. 11, CL 11, Club Road	Land and building	23,255
Karachi	Civil Line Quarters, Abdullah Haroon Road (refer note 16.1.7)	Land and building	13,101
Lahore	Upper Mall	Land and building	74,440
Lahore	Plot No. 105-A, Upper Mall Road	Land and building	2,420
Lahore	Shahi Muhallah, Fort Road	Land	1,132
Lahore	Defence Housing Authority (refer note 16.1.8)	Building	2,420
Rawalpindi	Property No.253, Survey No. 559, The Mall Road	Land and building	26,668
Peshawar	Survey No.32-B, Khyber Road, Peshawar Cantt	Land and building	25,167
Multan	Askari By-Pass Road, Mouza Abdul Fateh	Land and under Construction building	8,303
Hunza	Mominabad	Land	24,107
Gwadar	Mauza/ Qard, Koh-e-Batil	Land	96,800
Gilgit	Airport Road	Land	16,375
Chitral	Zargarandeh	Land	11,464
Bhurban	Compartment No. 08, at Bhurban Tehsil, Murree	Building	-
Muzaffarabad	Upper Chattar, Muzaffarabad.	Building	-
Mirpur	Village Barban Tehsil & District, Mirpur (AJK)	Under construction building	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

16.1.6 Depreciation charge has been allocated as follows:	Note	2020	2019
		(Rupees'000)	
Cost of sales and services	33	875,886	806,193
Administrative expenses	35	195,133	90,196
		1,071,019	896,389

16.1.7 The Parent Company purchased this property from an associated company, the possession of the property has been transferred to the Company, however NOC for transfer of title was not issued by respective department for transfer title in favor of the Company and the property is still in the name of Hashoo (Private) Limited, an associated company. The Company is pursuing issuance of NOC at different forums. The Parent Company has decided to dispose of this property at market competetive price. The cost of this property was Rs. 1,539.34 million and current market value is Rs. 3,463.19. This property is classifed as held for sale, refer note 28.

16.1.8 The Parent Company constructed building for spa and saloon facility under an agreement of absolute transfer and assignment agreement with Nirvana, a partnership firm (a related party as defined under Companies Act 2017). As per the term of the said agreement Nirvana will use two floors of this building. Since completion certificate from Defence Housing Authority Lahore (DHAL) has not been obtained yet, therefore the transfer of title of the property is pending. The cost of this building was Rs. 120.08 million.

16.1.9 **Detail of disposal of operating fixed assets:**

Description	Cost	Carrying value	Sale proceeds	Gain/ (Loss)	Mode of disposal	Purchaser	Relationship with purchaser
	(Rupees'000)						
Aircraft	783,286	702,869	563,710	(139,159)	Negotiation	Engro Fertilizers Limited	
Plant and Machinery	12,465	939	2,010	1,071	Negotiation	Various	
Vehicle	1,835	1,410	1,200	(210)	Auction\	Muhammad Shahbaz Ali	
Vehicle	3,951	3,231	3,231	-	Company policy	Asif Mahmood Qamar	Employee
Vehicle	10,497	9,256	12,761	3,505	Negotiation	Engro Fertilizers Limited	
Vehicle	2,184	798	1,900	1,102	Insurance	TPL Insurance Limited	
Vehicle	2,361	1,599	2,300	701	Insurance	TPL Insurance Limited	
Aggregate of other items with individual book values not exceeding Rs. 500,000.	22,265	5,637	20,719	15,082			
Total - 2020	838,844	725,739	607,831	(117,908)			
Total - 2019	426,526	127,936	149,549	21,613			

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

16.2	Capital work in progress	Note	2020	2019
			(Rupees'000)	
	Balance at 01 July		4,613,594	3,339,152
	Additions during the year		2,918,818	3,393,893
	Transfers to operating fixed assets		(678,321)	(2,119,451)
	Writen down adjustment	16.2.1	(174,562)	-
	Balance at 30 June	16.2.2	6,679,529	4,613,594

16.2.1 During the year the under construction Pearl Continental Hotel at Mirpur was damaged due to Earthquake, the total assessed loss of that damage was Rs.174.562 million against which insurance claim of Rs. 160.142 million were received during the year.

		Note	2020	2019
			(Rupees'000)	
16.2.2	Construction of Pearl Continental Hotel Multan		2,996,222	1,748,390
	Construction of Pearl Continental Hotel Mirpur		3,371,377	2,495,724
	Other civil works	16.2.3	311,930	369,480
		16.2.4	6,679,529	4,613,594

16.2.3 This includes construction work on expansion of Pearl Continental Hotel Peshawar amounting to Rs. 94.39 million (2019: Rs. 94.39 million) which is under suspension due to dispute with the Military Estate Office.

16.2.4 This also includes capitalized borrowing cost amounting to Rs. 1,084.85 million (2019: Rs. 523.66 million). During the year borrowing cost amounting to Rs. 561.19 million (2019: Rs. 349.69 million) was capitalized at the rate of 14.18% (2019: 9.99%) per annum.

17	ADVANCES FOR CAPITAL EXPENDITURES	Note	2020	2019
			(Rupees'000)	
	Advance for purchase of land	17.1	666,820	717,220
	Advance for purchase of Malir Delta Land	17.2	381,656	381,656
			1,048,476	1,098,876
	Advance for purchase of apartment		40,509	40,509
	Impairment loss		(40,509)	(40,509)
			-	-
	Advance for purchase of fixed assets		95,782	560,500
	Advances for Pearl Continental Multan Project		92,145	255,818
	Advances for Pearl Continental Mirpur Project		101,767	141,996
			289,694	958,314
			1,338,170	2,057,190

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

17.1 This includes amount of Rs. 626.82 million (2019: 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. During the year, the Securities and Exchange Commission of Pakistan (SECP) has imposed penalty on the Parent Company's directors under the provisions of section 199 of the Companies Act, 2017 by treating this advance as 'investment in associated company' and also directed the Parent Company to place the matter before the shareholders of the Parent Company in the forthcoming general meeting to seek their approvals in terms of section 199 of the Companies Act, 2017. The directors of the Parent Company has filed an appeal with the SECP which is pending. Management believes that the matter has no impact on the Parent Company's financial statements.

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

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

		Note	2020	2019
18	INTANGIBLE ASSETS		(Rupees'000)	
	Project under development		160,930	-
18.1	**Cost**			
	Opening balance		-	-
	Additions	18.2	160,930	-
	Closing balance		160,930	-
	Accumulated amortisation			
	Opening balance		-	-
	Amortisation charge		-	-
	Closing balance	18.3	-	-
	Net book value			
	Cost		160,930	-
	Accumulated amortisation		-	-
	Closing balance	18.4	160,930	-
	Amortisation rate per annum		5%	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

18.2 This represents development cost incurred by the subsidiary company in relation to the development of Estoterik Resistive Hollow Fiber Membrane (ERM) Technology.

18.3 During the year, no amortization expense is charged to the consolidated statement of profit or loss as the subsidiary company is still in the development phase. During the period of development, the asset is tested for impairment annually.

18.4 During the year, the Group has also engaged an independent external consultant to determine the fair value of the above mentioned intangible assets based on projections of cash flows to be generated from the use (product derived from technology) of Estoterik Resistive Hollow Fiber membrane (ERM) technology. Based on the aforesaid projections, the Group has concluded that fair value of the intangible is estimated to be Rs. 3,709 million.

			2020	2019
19	INVESTMENT PROPERTY	Note	(Rupees'000)	
19.1	**Reconciliation of carrying amount**			
	Balance at 01 July		60,000	60,000
	Increase in fair value	19.2	5,000	-
	Balance at 30 June	19.1.1	65,000	60,000

19.1.1 This represents piece of land, located at Gwadar, owned by the Parent Company held for capital appreciation. On 30 June 2020, an independent valuation exercise was carried out to assess the fair value of investment property. The price of land of the investment property is assessed based on market research carried out in the area where the property is situated. The fair value of the property is based on independent valuer's judgment about average prices prevalent on the said date in the vicinity / locality and has been prepared on openly available / provided information after making relevant inquiries. The valuer holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

Particulars of Investment Property and Forced sale value are as follows:

Location	Area (Sq. yards)	FSV Rs. '000'
Khasra no. 59 min, khewat no.12, and khatooni no. 12, katat 20, mouza ankara north, tehsil & district Gwadar, Balochistan	484,000	55,250

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

19.3 **Measurement of fair values**

19.3.1 **Fair Value hierarchy**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

	Country of incorporation / Jurisdiction	Amount in Foreign Currency	Percentage of holding	Note	2020	2019
					(Rupees'000)	
20 LONG TERM INVESTMENTS						
Associated undertaking - unquoted						
Hashoo Group Limited	British Virgin Island	$9,800,000	14%	20.1	-	-
Hotel One (Private) Limited	Pakistan		17.85%	20.2	-	-
Associated undertaking - quoted						
Jubilee General Insurance Company Limited - an associated company	Pakistan	-	7.6%	20.3	617,323	615,954
					617,323	615,954
Investment in jointly controlled entity - unquoted						
Pearl Continental Hotels Limited	United Arab Emirates	$4,750,000	50%	20.4	-	-
Other investments						
Fair value through other comprehensive income - unquoted company						
Malam Jabba Resorts Limited					1,000	1,000
Impairment loss					(1,000)	(1,000)
					-	-
					617,323	615,954

20.1 Hashoo Group Limited

The Parent Company holds 98,000 (2019: 98,000) ordinary shares of US$ 100 each in Hashoo Group Limited (HGL). HGL is treated as an 'associate' due to the Parent Company's significant influence over it due to common directorship. Due to prevailing political turmoil, unrest, law and order situation in Libya, this Investment has been fully impaired.

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

Beneficial owner of Hashoo Group Limited are:

Name	% of Holding	Address
Pakistan Services Limited	14%	1st Floor Nespak House Islamabad
Saladala investment	86%	53rd street 16th Floor Panama, the republic of Panama

20.2 Hotel One (Private) Limited

The Parent Company holds 500,000 (2019: 500,000) ordinary shares of Rs.100 each in Hotel One (Private) Limited (HOPL). HOPL is treated as an 'associate' due to the Parent Company's significant influence over it due to common directorship. This investment was fully impaired based on prudence, considering the accumulated losses, however HOPL is performing well and the management is hopeful for recovery of the impairment in near future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

20.3 Investment in Associated Undertakings	2020	2019
	(Rupees'000)	
Cost of investment	1,534,082	1,534,082
Share of equity brought forward	1,655,694	1,260,659
Share of profit for the year - net	89,998	97,285
Share of surplus on remeasurement of FVOCI for the year	12,687	(70,125)
Share of experience adjustments on defined benefit obligation of associate	(759)	(1,563)
Share of exchange translation reserve for the year	45,302	424,189
Dividend received	(41,063)	(54,751)
	106,165	395,035
	1,761,859	1,655,694
Impairment losses		
Opening balance	(2,573,822)	(1,688,761)
Loss recognised during the year	(104,796)	(885,061)
Loss reversed during the year	-	-
	(2,678,618)	(2,573,822)
	617,323	615,954

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

	Hashoo Group Limited		Hotel One (Pvt) Limited		Jubilee General Insurance	
	2020	2019	2020	2019	2020	2019
			(Rupees'000)			
Non current assets	12,427,012	12,094,415	161,278	157,333	13,610,939	11,680,711
Current assets	238,165	275,723	481,670	414,487	10,071,979	8,607,964
Non current Liabilities	-	-	105,885	31,797	9,181,764	7,891,308
Current Liabilities	485,187	480,999	208,844	188,028	6,177,710	4,997,778
Net Assets	12,179,990	11,889,139	328,219	351,995	8,323,444	7,399,589
Group share in net assets	1,705,199	1,664,479	58,587	62,831	631,333	561,259
Impairment	(1,705,578)	(1,664,858)	(60,103)	(64,728)	(930,550)	(861,844)
Other adjustments	379	379	1,516	1,897	9,830	9,830
Goodwill	-	-	-	-	709,299	709,299
Impact of policy alignment	-	-	-	-	193,493	193,493
Carrying amount of interest	-	-	-	-	3,917	3,917
in associate	-	-	-	-	617,323	615,954
Revenues	-	-	392,738	502,150	6,800,238	5,870,560
Expenses	34,024	84,068	(418,648)	(483,168)	(5,489,938)	(4,794,358)
Profit / (loss)	34,024	84,068	(25,910)	18,982	1,310,300	1,076,202
Group share of profit / (loss)	(4,763)	11,770	(4,625)	3,388	99,386	81,684

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

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 statement of profit or loss are based on the financial statements of the year / period ended 30 June 2020.

20.4 **Pearl Continental Hotels Limited**

The Parent Company holds 95 (2019: 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 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.

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

Beneficial owner of Pearl Continental Hotels Limited are:

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

20.4.1 **Investment in jointly controlled entity**

	2020	2019
	(Rupees'000)	
Cost of investment	284,052	284,052
Post acquisition loss brought forward	45,727	(35,985)
Share of loss for the year	(2,219)	(1,997)
Share of exchange translation reserve for the year	8,448	83,709
	6,229	81,712
	51,956	45,727
	336,008	329,779
Impairment losses		
Opening balance	(329,779)	(248,067)
Loss recognised during the year	(6,229)	(81,712)
	(336,008)	(329,779)
	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

		2020	2019
20.4.2	**Summarised financial information of jointly controlled entity is as follows:**	(Rupees'000)	
	Non current assets	-	-
	Current assets	734,209	715,769
	Non current Liabilities	-	-
	Current Liabilities	55,442	49,299
	Net Assets	678,767	666,342
	Group share of net assets	339,384	333,171
	Opening balance of Impairment	(329,779)	(248,067)
	Impairment loss recognized during the year	(6,229)	(81,712)
	Other adjustments	(3,376)	(3,392)
	Carrying amount of interest in jointly controlled entity	-	-
	Revenues	-	-
	Expenses	(4,438)	(3,995)
	Loss	(4,438)	(3,995)
	Group share of loss	(2,219)	(1,997)

The reporting date of Pearl Continental Hotels Limited - UAE is 31 December. For the purpose of applying equity method of accounting, assets, liabilities and profit or loss are based on the financial statements of the period ended 30 June 2020.

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

		Note	2020	2019
21	LONG TERM DEPOSITS AND PREPAYMENTS		(Rupees'000)	
	Deposits	21.1	33,657	57,548
	Prepayments		-	6,340
			33,657	63,888

21.1 The Group has not recognised these deposits at fair value as the impact of discounting is considered immaterial.

		Note	2020	2019
22	ADVANCE AGAINST EQUITY INVESTMENT		(Rupees'000)	
	Foreepay (Private) Limited		426,280	219,280
	Xoop Technologies (Private) Limited		215,914	136,034
			642,194	355,314
23	INVENTORIES			
	Stores		137,563	169,765
	Spare parts and loose tools		87,831	59,303
	Stock in trade - food and beverages		68,592	86,229
			293,986	315,297
	Provision for obsolescence	23.1	(2,056)	(1,642)
			291,930	313,655

23.1 This represents expense for the year amounting to Rs. 414,000 on account of provision for slow moving items.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

		2020	2019
24	DEVELOPMENT PROPERTIES	(Rupees'000)	
	Land	3,213,885	3,658,551
	Advance for purchase of land	550,000	642,614
		3,763,885	4,301,165

24.1 Particulars of land included in development properties of the Group are as follows:

Location	Address	Particulars	Landarea (Acres)
Faisalabad	Moza Chak No 162 Rab, Tehsil Chak Jhumra	Land	11.26
Faisalabad	Moza Chak No 164 Rab, Tehsil Chak Jhumra	Land	21.12
Faisalabad	Moza Chak No 164 Rab, Tehsil Chak Jhumra	Land	4.13
Faisalabad	Moza Chak No 164 Rab, Tehsil Chak Jhumra	Land	2.76
Faisalabad	Moza Chak No 189 Rab, Tehsil Chak Jhumra	Land	1.54
Faisalabad	Moza Chak No 189 Rab, Tehsil Chak Jhumra	Land	13.67
Faisalabad	Moza Chak No 189 Rab, Tehsil Chak Jhumra	Land	8.14
Faisalabad	Moza Chak No 189 Rab, Tehsil Chak Jhumra	Land	3.08
Faisalabad	Moza Chak No 189 Rab, Tehsil Chak Jhumra	Land	0.92
Faisalabad	Moza Chak No 189 Rab, Tehsil Chak Jhumra	Land	0.75
Faisalabad	Moza Chak No 189 Rab, Tehsil Chak Jhumra	Land	1.69
Faisalabad	Moza Chak No 189 Rab, Tehsil Chak Jhumra	Land	0.97
Multan	Mouza Kotla Abdul Fateh, Tehsil Multan City	Land	9.51
Multan	Mouza Kotla Abdul Fateh, Tehsil Multan City	Land	0.87
Islamabad	Plot No 21, Street Apricot, Sector-A, Al Hamra Hills, Country Housing Scheme, Islamabad	Land	2.55
Lahore	Bungalow No S-42-R-15, 15-Race Course, Mouza Mozang, Tehsil Lahore	Land	2.09
Faisalabad	Moza Chak No 162 Rab, Tehsil Chak Jhumra	Land	5.26
Faisalabad	Moza Chak No 162 Rab, Tehsil Chak Jhumra	Land	2.54
Faisalabad	Moza Chak No 162 Rab, Tehsil Chak Jhumra	Land	0.17
Faisalabad	Moza Chak No 162 Rab, Tehsil Chak Jhumra	Land	0.54
Faisalabad	Moza Chak No 162 Rab, Tehsil Chak Jhumra	Land	0.60
Faisalabad	Moza Chak No 162 Rab, Tehsil Chak Jhumra	Land	0.06
Faisalabad	Moza Chak No 162 Rab, Tehsil Chak Jhumra	Land	1.31
Faisalabad	Moza Chak No 162 Rab, Tehsil Chak Jhumra	Land	2.33
Faisalabad	Moza Chak No 162 Rab, Tehsil Chak Jhumra	Land	0.54
Faisalabad	Moza Chak No 162 Rab, Tehsil Chak Jhumra	Land	8.08
Faisalabad	Moza Chak No 162 Rab, Tehsil Chak Jhumra	Land	1.06

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

25 TRADE DEBTS - Unsecured	Note	2020	2019
		(Rupees'000)	
Considered good			
Due from related parties	25.1	18,645	8,342
Others		197,906	548,841
		216,551	557,183
Considered doubtful		419,189	306,317
		635,740	863,500
Provision against doubtful debts at 01 July		(306,317)	(194,118)
Adjusted balance as at 01 July on adoption of IFRS-9		-	(90,742)
Expected credit loss on trade debts for the year		(112,872)	(21,457)
Balance at 30 June	25.3	(419,189)	(306,317)
		216,551	557,183

25.1 Due from related parties	Maximum amount outstanding at the end of any month during the year	Note	2020	2019
			(Rupees'000)	
Associated Builders	13		13	-
Hashwani Hotels Limited	14,955		11,525	4,686
Hashoo Foundation	164		319	568
Hotel One (Private) Limited	2,732		2,803	108
Hashoo Holdings (Private) Limited	206		408	410
Jubilee General Insurance Company Limited	68		25	11
Orient Petroleum Inc.	1,276		1,348	1,187
OPI Gas (Private) Limited	-		-	126
Pearl Ceramics (Private) Limited	204		204	-
Pearl Communications (Private) Limited	254		382	382
Pearl Real Estate Holdings (Private) Limited	272		265	272
Nirvana	538		538	-
Tejari Pakistan (Private) Limited	755		668	457
Zahdan Retail (Private) Limited	65		65	65
Zaver Mining Private Limited	50		50	50
Karakorum Security Services (Private) Limited	54		32	20
		25.2	18,645	8,342

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

		2020	2019
25.2	**Age analysis of due from related parties is as follows:**	(Rupees'000)	
	Past due by 30 days	1,902	2,395
	Past due by 31 to 90 days	4,599	1,519
	Past due over 91 days	7,269	542
	Past due over 1 year	4,875	3,886
		18,645	8,342

25.3 This includes provision of Rs. 2.55 million (2019: Rs. 4.75 million) against doubtful debts.

		Note	2020	2019
26	ADVANCES, PREPAYMENTS, TRADE DEPOSITS AND OTHER RECEIVABLES		(Rupees'000)	
	Advance to employees	26.1	15,305	19,623
	Advance to suppliers and contractors		47,601	65,099
	Advance to related parties	26.2	28,414	63,615
	Trade deposits		15,512	19,967
	Prepayments		57,973	77,935
	Refundable sales tax		135,967	120,437
	Other receivables		90,373	63,655
			391,145	430,331

26.1 These advances are given as per company policy and are un-secured, interest free and are repayable over varying periods.

			2020	2019
26.2	**Advance to related parties - non-interest bearing**		(Rupees'000)	
	OPI Gas (Private) Limited		14,176	18,001
	Tejari Pakistan (Private) Limited		-	7,000
	Genesis Trading (Private) Limited		106	-
	Pearl Ceramics (Private) Limited		14,132	38,614
		26.2.1	28,414	63,615

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

27 SHORT TERM INVESTMENTS	Note	2020	2019
		(Rupees'000)	
Amortized cost			
Certificate of investments		5,300	5,300
Provision for impairment loss		(5,300)	(5,300)
		-	-
Fiar value through other comprehensive income			
National Technology Development Corporation Limited		200	200
Indus Valley Solvent Oil Extraction Limited		500	500
Impairment loss		(700)	(700)
		-	-
Amortized cost			
Term Deposit Receipts	27.1	565,523	1,009,523
Term Finance Certificate	27.2	75,000	75,000
Mutual Fund		3,013	6,329
Interest accrued		10,571	9,866
		654,107	1,100,718
Financial assets at fair value through profit or loss			
Short term investments in shares of listed companies	27.3	5,399	6,095
		659,506	1,106,813

27.1 This represent term deposit receipts having maturity of 3 months to one year carrying interest rate ranging from 7.50% to 9.50% (2019: 5.25% to 9%) per annum.

27.2 This represent investment in 750 TFCs having face value of Rs.100,000/-each and carrying profit @ 3-month KIBOR plus1.60%.

27.3 **Short term investments in shares of listed companies**

	No. of ordinary shares of Rs. 10 each	2020	2019
		(Rupees'000)	
Pakistan Telecommunication Company Limited	350,000	3,108	2,895
Lotte Chemical Pakistan Limited	150,000	1,493	2,288
Fauji Fertilizer Bin Qasim Limited	50,000	798	912
		5,399	6,095

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

28	NON CURRENT ASSET HELD FOR SALE	Note	2020	2019
			(Rupees'000)	
	Property	28.1	2,748,739	2,748,739
	Land	28.2	160,000	-
			2,908,739	2,748,739

28.1 The Board of Directors of the Parent Company in their meeting held on 26 April 2019 decided to sell one of the properties bearing Survey No. 8, New Survey Sheet Cl-11 situated at Civil Line Quarters Abdullah Haroon Road, Karachi. The transaction could not be materialized due to disturbed ecomic enviornemnt in current paendemic Covid-19 senario, however, management of the Parent Company expects the disposal of this asset within the next financial year.

28.2 This represents piece of land measuring 20 Acres bearing plot no. HR-WE-1, Lane no. CV-1, street no. AB, phase-IV, mauza / ward, koh-e-batil, tehsil & district Gwadar, Balochistan. Advance amount of Rs. 12 million has been received against disposal of this land, and management expects to complete the sale transaction in next financial year.

29	ADVANCE TAX - Net	Note	2020	2019
			(Rupees'000)	
	Balance at 01 July		559,147	302,050
	Income tax paid during the year		277,359	576,883
	Charge for the year	38	(123,412)	(319,786)
	Refund received during the year		(180,632)	-
	Balance at 30 June		532,462	559,147

30	CASH AND BANK BALANCES	Note	2020	2019
	Cash in hand		27,173	47,346
	Cash at bank			
	Current accounts - Local currency		24,859	41,641
	Deposit accounts - Local currency	30.1	391,833	252,386
	Deposit accounts - Foreign currency	30.2	2,129	2,255
			418,821	296,282
	Accrued profit		782	1,822
			446,776	345,450

30.1 Deposit accounts carry interest rate ranging from 5% to 11.30% (2019: 4.50% to 10.30%) per annum.

30.2 Deposit accounts carry interest @ 0.25% (2019: 0.25%) per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

31 REVENUE- NET	2020	2019
	(Rupees'000)	
Revenue from contract with customers	10,195,789	12,135,869
Discounts	(151,090)	(160,235)
Sales tax	(1,302,322)	(1,663,436)
	8,742,377	10,312,198

31.1 Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by, major products and service lines, and timing of revenue recognition.

Major products/service lines	Note	2020	2019
		(Rupees'000)	
Rooms		4,115,805	5,360,984
Food and beverages		4,819,904	5,960,071
Other related services	31.2	1,108,587	618,034
Vehicle rental		108,626	143,547
Shop license fees		42,867	53,233
Revenue - gross		10,195,789	12,135,869

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

31.3 Revenue amounting to Rs. 183.27 (2019: Rs. 194.49) million has been recognized from contract liabilities at the beginning of the period.

31.4 Group's entire revenue is generated within Pakistan.

32 CONTRACT BALANCES	Note	2020	2019
		(Rupees'000)	
Contract assets	32.1	3,578	29,752
Contract liabilities	32.2	403,933	400,751

32.1 Contract assets primarily relate to the Group's rights to consideration for goods and services provided to the customers but not billed at the reporting date. Contract assets are transferred to trade debts when invoice is raised. Opening balance of contract assets was fully transferred to trade debts during the year.

32.2 Contract liabilities represent the Group's obligation to transfer goods or services for which the customer has already paid a consideration. These contract liabilities mainly relate to the advances received against banquets functions room sales and membership fee.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

33 COST OF SALES AND SERVICES	Note	2020 (Rupees'000)	2019 (Rupees'000)
Food and beverages			
Opening balance		86,229	86,196
Purchases during the year		1,277,944	1,754,172
Closing balance		(68,592)	(86,229)
Consumption during the year		1,295,581	1,754,139
Direct expenses			
Salaries, wages and benefits	33.1	1,633,198	1,783,378
Heat, light and power		812,123	799,582
Repair and maintenance		324,933	378,297
Depreciation	16.1.6	875,886	806,193
Guest supplies		184,241	232,013
Linen, china and glassware		68,858	91,066
Communication and other related services		49,125	85,641
Banquet and decoration		47,354	63,936
Transportation		9,492	11,154
Uniforms		11,607	21,513
Music and entertainment		16,780	14,825
Insurance		2,561	4,917
Vehicle operating expense		25,192	33,288
Vehicle rentals and registration charges		11,829	25,704
Others	33.2	701,160	148,244
		6,069,920	6,253,890

33.1 Salaries, wages and benefits include staff retirement benefits amounting to Rs. 69.65 million (2019: Rs. 97.78 million).

33.2 This includes franchise fee of Rs.12.78 million (2019: Rs.10.50 million) paid to a franchiser, DOTW Holdings Limited, having its office at Satha tower, level 32, suite 3210-3212, Dubai Media City, Dubai, and Rs. 6.91 million (2019: Rs. 9.57 million) to an associated Company Hotel One (Pvt) Limited, having its registered office at 1st floor NESPAK House sector G-5/2 , Islamabad.

33.2.1 This also includes an amount of Rs. 80.630 million (2019: 79.821 million) relating to incremental costs of obtaining customer contracts.

34 OTHER INCOME / (EXPENSE)	2020 (Rupees'000)	2019 (Rupees'000)
Concessions and commissions	3,583	6,995
Gain on disposal of property, plant and equipment	(117,908)	21,613
Liabilities written back	-	58,410
Increase in fair value of investments property	5,000	-
Communication towers and other rental income	65,803	67,262
Insuracne claim	160,142	-
Less: CWIP amount written down	(174,562)	-
	(14,420)	-
Others - net	109,261	85,950
	51,319	240,230

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

35	ADMINISTRATIVE EXPENSES	Note	2020	2019
			(Rupees'000)	
	Salaries, wages and benefits	35.1	1,343,567	1,492,992
	Rent, rates and taxes		178,448	287,682
	Security and protective services		278,695	340,876
	Advertisement and sales promotion		78,481	97,403
	Repair and maintenance		51,986	66,681
	Heat, light and power		99,799	95,331
	Travelling and conveyance		126,645	158,795
	Depreciation	16.1.6	195,133	90,196
	Communications		22,865	30,892
	Printing and stationery		35,836	43,445
	Legal and professional charges	35.2	266,398	239,781
	Insurance		132,722	112,369
	Entertainment		13,867	18,457
	Subscriptions		105,042	69,251
	Laundry and dry cleaning		8,586	7,981
	Uniforms		2,731	6,097
	Auditors' remuneration	35.3	8,473	6,538
	Donations	35.4	-	85,677
	Vehicle rentals and registration charges	35.5	59,447	67,866
	Miscellaneous		99,979	16,815
			3,108,700	3,335,125

35.1 Salaries, wages and benefits include staff retirement benefits amounting to Rs. 85.97 million (2019: Rs. 69.756 million).

35.2 This includes an amount of Rs. 84 million pertaining to incremental selling expenses in respect of disposal of aircraft.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

		2020	2019
35.3	**Auditors' remuneration**	(Rupees'000)	
	KPMG Taseer Hadi & Co.		
	Audit Services		
	Annual audit fee	4,670	3,686
	Audit of consolidated financial statements	655	495
	Half yearly review	520	520
		5,845	4,701
	Non-audit Services		
	Special reports and certificates	800	800
	Tax advisory	200	200
		1,000	1,000
		6,845	5,701
	BDO Ebrahim & Co.		
	Annual audit fee	598	496
	Audit of consolidated financial statements	-	261
	Special reports and certificates	1,030	80
		1,628	837
		8,473	6,538
35.4	**Name of donee**		
	Aga Khan Foundation	-	50,000
	Diamer-Bhasha and Mohmand Dams Fund.	-	34,677
	College of Electrical and Mechanical Engineering	-	1,000
		-	85,677

35.5 This includes Ijarah payments of Rs. 54.758 million (2019: Rs. 65.575 million) and vehicles registration charges under an Ijarah (lease) agreement. As required under IFAS 2 " IJARAH" (notified through SRO 431 (I) / 2007 by Securities & Exchange Commission of Pakistan). Ijarah payments under an Ijarah (lease) agreement are recognised as an expense in the profit or loss account on straight line basis over the term of Ijarah.

During the period out of total facility the Ijarah facility of Rs. 60.58 million has been converted into Diminishing Musharka facility, the remaining Ijarah facility amount of Rs. 32.53 is payable as follows:

	2020	2019
	(Rupees'000)	
Within one year	14,483	55,205
After one year but not more than five years	18,047	53,796
	32,530	109,001

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

		2020	2019
36	**FINANCE INCOME**	(Rupees'000)	
	Interest income on Bank deposits / certificate of investments	127,857	198,450
	Dividend income	401	606
	Impairment on associates and jointly controlled entity	(111,025)	(966,778)
	Exchange gain - net	1,734	5,152
		18,967	(762,570)
37	**FINANCE COST**		
	Interest expense on:		
	Loans and borrowings	639,115	596,609
	Short term borrowings	293,353	81,547
	Sukuk finance	673,991	380,109
	Amortization of transaction cost	18,946	19,049
	Lease facilities	38,305	-
	Credit cards, bank and other charges	72,373	83,958
		1,736,083	1,161,272
38	**INCOME TAX EXPENSE**		
	Current tax expense		
	- Current year	123,369	304,233
	- Prior year	43	15,553
		123,412	319,786
	Deferred tax expense	(92,439)	185,678
	Tax expense for the year	30,973	505,464
38.1	**Relationship between accounting profit and tax expense is as follows:**		
	Accounting (Loss) for the year	(2,127,828)	(961,388)
	Tax charge @ 29% (2019: 29%)	(617,070)	-
	Unrecognized deferred tax asset	441,219	210,372
	Tax effect of minimum tax	200,746	284,164
	Tax effect of income subject to lower taxation	(558)	(9,563)
	Prior year's tax charge	(43)	15,553
	Others	6,679	4,938
		30,973	505,464

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

38.2 Tax related contingencies

Income tax

The income tax assessments of the Parent Company have been finalised and returns have been filed up to and including the tax year 2018. 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 (2018: Rs. 73.165 million) may arise against the Parent Company for which no provision has been recognised by the Parent Company. This 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.

In June 2020, the taxation officer amended the assessment for the tax year 2014 by disallowing various expenses and raising tax demand of Rs. 1,400 million. The Parent Company has filed appeal against the said assessment and has also obtained stay against any recovery measures by the taxation authorities. Based on the appellate history and merits, the Parent Company is confident of a favorable outcome of the appeal and hence a provision on this matter has not been recognized.

Sales Tax

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

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

iii. The Deputy Commissioner Inland Revenue, Zone IV, Large Taxpayer Unit, Karachi based upon the sales tax audit for the year 2008-09, passed Order in Original 52/2013 dated 28 June 2013 against which the Parent Company filed appeal before the Commissioner Appeals, Karachi. The Commissioner Appeals remanded back the case to department against which department is in appeal before the Appellate Tribunal Inland Revenue (ATIR), the assessing officer, during remand back proceedings, decided the case against the Parent Company by raising total demand along with default surcharge and penalty aggregating to Rs. 49,393,192. The Parent Company has filed appeal against said order before Commissioner Inland revenue (CIR), during the period , the CIR remanded the case back for de-novo consideration.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

v. The Assistant Commissioner Inland Revenue issued an order dated 26 May 2018 whereby a demand was raised of Rs. 30.88 million for the tax year 2016, with reference to order passed under section 161/205/182 of the Income Tax Ordinance, 2001. Against this order, the Company filed an appeal before Commissioner Inland Revenue (Appeals-I), who vide its Order No. 10-2019 dated 10 May 2019 remanded back the case to Deputy Commissioner Inland Revenue. Being aggrieved of the decision of Commissioner Inland Revenue (Appeals-I), the Company filed an appeal to the Appellate Tribunal Inland Revenue on 16 May 2019 whose decision is pending to date.

vi. Commissioner Inland Revenue based on scrutiny of sales tax returns for the period October 2015 to March 2019 issued a show cause notice number CIR/Zone-IV/CRTOKHI/2019/1950 dated 26 April 2019 for suspension of sales tax registration. The said notice was issued on grounds that Company claimed and adjusted input tax of Rs. 9.14 million against the output tax of services whereas no such adjustments are allowed under Services Ordinance, 2001. Commissioner Inland Revenue vide order no. CIR/Zone IV/CRTO/2019/2078 dated 14 May 2019 issued an order for temporary restoration of sales tax registration.

39 CASH FLOWS FROM OPERATING ACTIVITIES BEFORE WORKING CAPITAL CHANGES

	Note	2020 (Rupees'000)	2019 (Rupees'000)
(Loss) / profit before tax		(2,127,828)	(961,388)
Adjustments for:			
Depreciation	16.1.6	1,071,019	896,389
Loss / (gain) on disposal of property, plant and equipment	34	117,908	(21,613)
Provision for staff retirement benefit - gratuity	10.1.3	128,316	88,587
(Reversal) / provision for compensated leave absences	10.2.3	(33,771)	76,110
Impairment loss on trade debts		112,872	21,457
Return on bank deposits / certificate of investment	36	(127,857)	(198,450)
Share of gain on equity accounted investments		(87,779)	(95,288)
Finance cost	37	1,736,083	1,161,272
Dividend income	36	(401)	(606)
Impairment on associates and jointly controlled entity	36	111,025	966,778
Unrealized loss on remeasurement of investment to fair value		695	1,635
Unrealised gain on remeasurement of investments property	34	(5,000)	-
Impairment loss - goodwill		-	73,155
Gain on lease modification		(5,741)	-
Provision on stores, spare parts and loose tools	23.1	414	-
		889,955	2,008,038

40 CASH AND CASH EQUIVALENTS

	Note	2020	2019
Cash and bank balances	30	446,776	345,450
Short term borrowings	12	(2,657,284)	(1,264,583)
Accrued profit		(782)	(1,822)
Accrued markup on short term borrowings		70,098	21,119
		(2,141,192)	(899,836)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

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

	Loans and borrowings	Lease Liabilities	Unclaimed dividend	Unpaid dividend	Total
			(Rupees'000)		
Balance at 01 July 2019	14,683,679	94,844	9,242	1,528	14,789,293
Changes from financing activities					
Proceeds from loans	980,919	-	-	-	980,919
Repayment of loan	(1,692,222)	-	-	-	(1,692,222)
Lease liabilities	-	(101,373)	-	-	(101,373)
Advance against issuance of shares	148,793	-	-	-	148,793
Dividend paid	-	-	-	-	-
	(562,510)	(101,373)	-	-	(663,883)
Other changes					
Amortization of transaction cost	18,946	-	-	-	18,946
Lease liabilities	-	365,613	-	-	365,613
Markup accrued	273,641	-	-	-	273,641
	292,587	365,613	-	-	658,200
Balance at 30 June 2020	14,413,756	359,084	9,242	1,528	14,783,610

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

	Loans and borrowings	Lease Liabilities	Unclaimed dividend	Unpaid dividend	Total
			(Rupees'000)		
Balance at 01 July 2018	11,177,098	70,859	9,242	19,210	11,276,409
Changes from financing activities					
Proceeds from loans	4,816,667	-	-	-	4,816,667
Repayment of loan	(1,501,667)	-	-	-	(1,501,667)
Repayment Diminishing Musaraka Facility	-	(56,438)	-	-	(56,438)
Transaction cost paid	-	-	-	-	-
Dividend paid	-	-	-	(17,682)	(17,682)
	3,315,000	(56,438)	-	(17,682)	3,240,880
Other changes					
Amortization of transaction cost	19,049	-	-	-	19,049
Diminishing Musaraka Facility availed	-	80,423	-	-	80,423
Markup accrued	172,532	-	-	-	172,532
	191,581	80,423	-	-	272,004
Balance at 30 June 2019	14,683,679	94,844	9,242	1,528	14,789,293

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

41 REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

	2020			2019		
	Chief Executive Officer	Directors	Executives	Chief Executives Officer	Directors	Executives
	Rupees '000					
Managerial remuneration	63,000	58,796	522,328	72,000	67,195	656,758
Provident fund contribution	3,999	3,523	15,155	3,999	3,523	17,338
Provision for gratuity	3,945	3,671	26,139	3,945	22,511	24,597
Provision for compensated leave absences	-	-	17,481	6,000	5,599	30,480
Bonus	-	1,876	-	12,000	7,446	1,433
Leave fare assistance	2,000	1,241	-	2,000	1,241	-
Meeting fee	45	435	-	30	450	-
	72,989	*69,542	581,103	99,974	107,965	730,606
Number of persons	1	2	111	1	2	114

* This includes amount of Rs. 7.433 million of non-executive director and meeting fee of Rs. 435,000 (2019: Rs. 315,000) of certain non executive directors of the Company.

41.1 In addition to the above, Chief Executive Officer, non-executive director, and certain executive directors and executives are provided with the Group maintained vehicles having carrying value of Rs. 111.882 million (2019: 151.72 million) . Accommodation maintenance is also provided to Chief Executive Officer. Certain directors Executives are also provided with medical expenses and company maintained accommodation, as per the Group's policy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

42 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

Basis of Relationship	Name of Related Party	Percentage of Share holding
Common directorship	Hashwani Hotels Limited	-
	Hotel One (Private) Limited	17.85%
	Hashoo Holdings (Private Limited)	-
	Jubilee General Insurance Company Limited	7.6%
	Orient Petroleum Inc.	-
	OPI Gas (Private) Limited	-
	Pearl Ceramics (Private) Limited	-
	Pearl Real Estate Holdings (Private) Limited	-
Directors	Mr. Sadruddin Hashwani	-
	Mr. Murtaza Hashwani	-
	Mr. M.A. Bawany	-
	Mr. Shakir Abu Bakar	-
	Syed Haseeb Amjad Gardezi	-
	Mr. M. Ahmed Ghazali Marghoob	-
	Ms. Ayesha Khan	-
	Mr. Rohail Ajmal	-
	Mr. Shahid Hussain	
Key management personnel	Chief Financial officer	-
	Company Secretary	-
Directors as Board of trustees	Hashoo Foundation	-
	Hashoo Hunar Associates	
Significant influence	Hashoo (Private) Limited	-
	Tejari Pakistan (Private) Limited	-
	Genesis Trading (Private) Limited	-
	Karakoram Security Services (Private) Limited	-
Significant influence of relative of Director	Nirvana, a partnership firm	-
Staff retirement fund	PSL Employees Provident Fund Trust	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020	2019
		(Rupees'000)	
Transactions and balances with associated undertakings			
Sales		185	122
Services provided		30,453	32,503
Services availed		360,698	499,228
Purchases		116,950	153,242
Franchise fee - income		3,330	4,517
Franchise and management fee - expense		6,906	9,569
Dividend income		41,064	54,751
Dividend paid		-	13,471
Purchase of property, plant and equipment		155	39
Purchase of vehicle		-	1,622
Sale of vehicle		-	37,124
Sale of asset		44	-
Advances / Deposits & Prepayments		39,095	79,377
Transactions and balances with other related parties			
Sales		343	258
Services provided		241	182
Services availed		1,092	500
Purchases		1,522	-
Contribution to defined contribution plan - provident fund		58,680	58,276
Transactions with key management personnel			
Remuneration and allowances including staff retirement benefits	42.1	165,825	223,411
Loan from key management personnel		461,399	-
Refund of loan to key management personnel		220,000	-

42.1 **Compensation to key management personnel**

	2020	2019
Salaries and other benefits	143,487	152,922
Contribution to provident fund	8,443	8,157
Gratuity	7,616	26,456
Bonus	1,876	19,446
Meeting fee	480	480
Others	3,923	15,950
	165,825	223,411
Number of persons	5	5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

43 FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT

43.1 Accounting classifications and fair values

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

	Note	Carrying amount				Fair value			
		Amount in Rs'000							
30 June 2020		Fair value through profit or loss	Amortized cost	Financial liabilities at amortized cost	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value									
Short term investment	27	5,399	-	-	5,399	5,399	-	-	5,399
Long term deposits	21	33,657	-	-	33,657	-	-	33,657	33,657
Short term deposits	26	15,512	-	-	15,512	-	-	15,512	15,512
		54,568	-	-	54,568	5,399	-	49,169	54,568
Financial assets not measured at fair value	43.2								
Trade debts	25	-	216,551	-	216,551	-	-	-	-
Contract assets	32	-	3,578	-	3,578	-	-	-	-
Advance to employees	26	-	15,305	-	15,305	-	-	-	-
Other receivables	26	-	90,373	-	90,373	-	-	-	-
Short term investment	27	-	640,523	-	640,523	-	-	-	-
Cash and bank balances	30	-	446,776	-	446,776	-	-	-	-
		-	1,413,106	-	1,413,106	-	-	-	-
Financial liabilities not measured at fair value	43.2								
Loans and borrowings	8	-	-	13,884,747	13,884,747	-	-	-	-
Short term borrowings	12	-	-	3,040,614	3,040,614	-	-	-	-
Lease liabilities	9	-	-	359,084	359,084	-	-	-	-
Trade and other payables	13	-	-	2,332,462	2,332,462	-	-	-	-
Unclaimed dividend		-	-	9,242	9,242	-	-	-	-
Unpaid dividend		-	-	1,528	1,528	-	-	-	-
		-	-	19,627,677	19,627,677	-	-	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

	Note	Carrying amount				Fair value			
		Amount in Rs'000							
30 June 2019		Fair value through profit or loss	Amortized cost	Financial liabilities at amortized cost	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value									
Short term investment	27	6,095	-	-	6,095	6,095	-	-	6,095
Long term deposits	21	57,548	-	-	57,548	-		57,548	57,548
Short term deposits	26	19,967	-	-	19,967	-	-	19,967	19,967
		83,610	-	-	83,610	6,095	-	77,515	83,610
Financial assets not measured at fair value									
Trade debts	25	-	557,183	-	557,183	-	-	-	-
Contract assets	32	-	29,752	-	29,752	-	-	-	-
Advance to employees	26	-	19,623	-	19,623	-	-	-	-
Other receivables	26	-	63,655	-	63,655	-	-	-	-
Term deposit receipt	27	-	1,019,389	-	1,019,389	-	-	-	-
Term finance certificate	27	-	75,000	-	75,000	-	-	-	-
Cash and bank balances	30	-	345,450	-	345,450	-	-	-	-
		-	2,110,052	-	2,110,052	-	-	-	-
Financial liabilities not measured at fair value	43.2								
Loans and borrowings	8	-	-	14,355,833	14,355,833	-	-	-	-
Short term borrowings	12	-	-	1,264,583	1,264,583	-	-	-	-
Liabilities against diminishing musharaka facility	9	-	-	94,844	94,844	-	-	-	-
Trade and other payables	13	-	-	1,440,109	1,440,109	-	-	-	-
Markup accrued		-	-	276,581	276,581	-	-	-	-
Unclaimed dividend		-	-	9,242	9,242	-	-	-	-
Unpaid dividend		-	-	1,528	1,528	-	-	-	-
		-	-	17,442,720	17,442,720	-	-	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

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

43.3 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.

Financial Risk Management

The Group has exposure to the following risks arising for financial instruments:
- Credit risk (note 43.4)
- Liquidity risk (note 43.5)
- Market risk (note 43.6)

Risk Management Framework

The Parent Company's board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The board of directors has established the risk management committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the board of directors on its activities.

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

43.4 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 and arises principally from the Group's trade debts from customers.

The carrying amount of financial assets and contract assets represent the maximum credit exposure.

Expected credit losses on financial assets and contract assets recognised in consolidated profit or loss were as follows.

	2020	2019
	(Rupees'000)	
Expected credit losses on trade debts and contract assets arising from contract with customers	112,872	21,457

i **Trade debts and contract assets**

The Group's exposure to credit risk is influenced mainly by the individual's characteristics of each customer. However, management also considers the factors that may influence the credit risk of customer base, including the default risk associated with the industry and the region in which the customers operate. Detail of concentration of revenue are included in note 29.1.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

The risk management committee has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, if they are available, financial statements, credit agency information, industry information and in some cases bank references. Credit limits are established for each customer and are reviewed regularly. Any sales exceeding those limits require approval from the risk management committee.

The Group limits its exposure to credit risk from trade debts by establishing a maximum payment period for each corporate customer based on the assessment of risk management committee.

Maximum of the Group's customers have been transacting with the Group for many years and none of these customers' balances have been written off or are credit-impaired at the reporting date. In monitoring customer credit risk, customers are grouped according to their credit characteristics, their geographical location, industry, trading history with the Group and existence of previous financial difficulties.

At reporting date, the exposure to credit risk for trade debts and contract assets by geographical regions was as follows.

	2020		2019	
	Trade debts	Contract assets	Trade debts	Contract assets
	(Rupees '000)		(Rupees '000)	
Pearl Continental Hotel				
- Karachi	129,621	2,906	187,383	13,922
- Lahore	210,685	654	277,564	8,631
- Rawalpindi	33,254	-	74,214	3,412
- Peshawar	38,101	18	63,515	1,485
- Bhurban	26,572	-	53,950	1,267
- Muzaffarabad	4,220	-	8,779	615
- Hotel One The Mall, Lahore	10,326	-	6,445	420
Destinations of the world- Pakistan	140,035	-	152,248	-
Pearl Tours & Travels (Pvt) Ltd.	42,926	-	39,402	-
	635,740	3,578	863,500	29,752

At reporting date, the exposure to credit risk for trade debts and contracts assets by type of counterparty was as follows;

	Note	2020	2019
		(Rupees'000)	
From related parties		18,645	8,342
From government institutions		26,887	34,158
From foreign embassies		4,134	14,567
Others		589,653	836,185
	25 & 32	639,319	893,252

A summary of the Group's exposure to credit risk for trade debts is as follows.

	2020
	(Rupees' 000)
Customers with external credit rating of A1+ to A3	14,608
Customers without external credit rating	621,132
Total gross carrying amount	635,740
Allowance for expected credit losses	(419,189)
	216,551

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

Expected credit loss assessment for corporate customers

The Group allocates each exposure to a credit risk based on data that is determined to be predictive of the loss (including but not limited to external ratings, audited financial statements, management accounts, cash flow projection and available press information about customers) and applying experienced credit judgment. Credit risk are defined using qualitative and quantitative factors that are indicative of the risk of default and are aligned to external credit rating definition from agencies (Rating agencies Pakistan Credit Rating Agency (PACRA) and JCR - VIS.

Exposure within each credit risk are segmented by geographical region and an ECL rate is calculated for each segment based on delinquency status and actual credit loss experience over the past three years. These rates are multiplied by scalar factors to reflect the difference between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the trade debts.

Scalar factors are based on GDP forecast, unemployment rate, Consumer Price Index and exchange rate which are as follows:

Years	GDP Forecast	Unemployment rate	Consumer price index	Exchange rate
2020	(3.60)	6.00	9.1	168.30
2019	3.10	4.45	8.4	150.10
2018	5.83	6.00	5.08	121.82
2017	5.55	5.8	4.09	105.46

The Group uses an allowance matrix to measure the ECLs of trade debts from corporate customers, which comprises a very large number of small balances.

Loss rates are calculated using "roll rate" method based on the probability of a trade debt progressive through successive stages of delinquency to calculate the weighted average loss rate. Roll rates are calculated separately for exposure in different segments based on following common characteristics - geographic region and age of customer relationship.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

The following table provides information about the exposure to credit risk and ECL for trade debts and contract assets for corporate customers as at 30 June 2020.

	Weighted average loss rate	Gross carrying amount	Loss allowance	Credit impaired
30-Jun-20	%	(Rupees' 000)		
Current	16.7%	41,918	6,995	No
0-30 days past due	28.3%	15,164	4,298	No
30-60 days past due	26.3%	12,155	3,199	No
60-90 days past due	69.4%	63,822	44,283	No
91-150 days past due	53.6%	173,416	92,901	No
151 days and above	80.4%	332,843	267,513	No
		639,318	419,189	
30-Jun-19				
Current	3.7%	335,883	12,530	No
0-30 days past due	10.1%	121,225	12,279	No
30-60 days past due	23.6%	102,180	24,136	No
60-90 days past due	50.0%	38,755	19,378	No
91-150 days past due	40.7%	34,040	13,851	No
151 days and above	96.9%	231,416	224,142	No
		863,500	306,317	

Movement in the allowance for expected credit losses in respect of trade debts and contract assets

The movement in the allowance for expected credit losses in respect of trade debts and contract assets during the year was as follows.

	2020	2019
	(Rupees '000)	
Balance at 01 July	**306,317**	194,118
Adjustment on initial application of IFRS 9	**-**	90,742
Balance at 01 July under IFRS 9	**306,317**	284,860
Remeasurement of loss allowance	**112,872**	21,457
Balance as at 30 June	**419,189**	306,317

ii **Long term deposits**

The Group held long term deposits of Rs. 33.66 million as at 30 June 2020 (2019: Rs. 57.55 million). These long term deposits are held with the Government agencies and financial institutions which are rated AA+ , based on PACRA and JCR - VIS ratings.

Impairment on long term deposits has been measured on 12 month expected loss basis and reflect the short maturities of the exposures. The Group considers that its long term deposits have low credit risk based on the amount recoverable from Government.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

iii Short term advances

The Group held short term advances of Rs. 91.32 million as at 30 June 2020 (2019: Rs. 148.37 million). These short term advances are recoverable from the , employees, related parties and suppliers of goods and services.

Impairment on short term advances has been measured on 12 month expected loss basis and reflect the short maturities of the exposures. The Group considers that its short term advances have low credit risk based on recovery of these advances from related parties, contractors and from the final settlement of employees in case of default .

iv Trade deposit and other receivables

The Group held trade deposit and other receivables of Rs. 105.89 million as at 30 June 2020 (2019: Rs. 83.62 million).

Impairment on trade deposits and other receivables have been measured on 12 month expected loss basis and reflect the short maturities of the exposures. The Group considers that its trade deposits and other receivables have low credit risk based on previous experience.

v Short term investments

The Group held short term investments of Rs. 640.523 million as at 30 June 2020 (2019: Rs. 1,106.82 million). These short term investments are held with the banks which are rated A1+ to AAA based on PACRA and JCR - VIS ratings.

Impairment on short term investments has been measured on 12 month expected loss basis and reflect the short maturities of the exposures. The Group considers that its short term investments have low credit risk based on external credit rating of the counterparties.

vi Cash at bank

The Group held cash at bank of Rs. 418.821 million as at 30 June 2020 (2019: Rs. 296.282 million). These balances are held with the banks which are rated A+1 to A-2 based on PACRA and JCR - VIS ratings.

Impairment on cash at bank has been measured on 12 month expected loss basis and reflect the short maturities of the exposures. The Group considers that its cash at bank have low credit risk based on external credit rating of the counterparties.

43.5 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

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

	Note	Carrying amount	Contractual cash flows	Maturity up to one year	Maturity after one year and up to five years
		(Rupees' 000)			
2020					
Loans and borrowings	8	13,884,747	17,147,030	5,762,077	11,384,953
Lease liabilities	8	359,084	775,055	140,981	634,074
Trade and other payables	13	2,332,462	2,332,462	2,332,462	-
Short term borrowings	12	3,040,614	3,040,614	3,040,614	-
Unclaimed dividend		9,242	9,242	9,242	-
Unpaid dividend		1,528	1,528	1,528	-
		19,627,677	23,305,931	11,286,904	12,019,027
2019					
Long term financing	8	14,355,833	18,809,909	4,312,115	14,497,794
Liabilities against diminishing musharaka facility	8	94,844	111,896	42,114	69,782
Trade and other payables	13	1,440,109	1,440,109	1,440,109	-
Markup payable		380,054	380,054	380,054	-
Short term borrowings	12	1,264,583	1,264,583	1,264,583	-
Unclaimed dividend		9,242	9,242	9,242	-
Unpaid dividend		1,528	1,528	1,528	-
		17,546,193	22,017,321	7,449,745	14,567,576

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

The contractual cash flows relating to long and short term borrowings have been determined on the basis of expected mark up rates. The mark up rates have been disclosed in notes 8 and 12 to these consolidated financial statements.

43.6 **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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

Foreign Currency risk

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

Transactional exposure in respect of non functional currency monetary items

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

Transactional exposure in respect of non functional currency expenditure and revenues

Certain operating and capital expenditure is incurred by the Group in currencies other than the functional currency. Certain sales revenue is earned in currencies other than the functional currency of the 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:

	2020		2019	
	(Rupees'000)	USD' 000	(Rupees' 000)	USD' 000
Bank Balance	2,129	12.63	2,255	13.75

The following significant exchange rate applied during the year:

	Average rates		Balance sheet date rate	
	2020	2019	2020	2019
PKR/ US Dollars	158.82	137.29	168.51	164.00

Foreign Currency Sensitivity Analysis

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

	2020	2019
	(Rupees'000)	
Increase in 5% USD rate	106	113
Decrease in 5% USD rate	(106)	(113)

Interest rate risk

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

Exposure to interest rate risk:

	2020	2019	2020	2019
	Effective interest rates %		(Rupees' 000)	
Variable rate instruments				
Financial assets	0.25 to 11.30	0.25 to 10.3	393,962	1,218,327
Variable rate instruments				
Financial assets	-	-	-	-
	KIBOR +	KIBOR +	-	-
Financial liabilities	0.6 to 1.95	0.6 to 1.95	(16,675,734)	(15,715,260)

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 statement of profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) equity / profit and loss by Rs. 162.818 million (2019: Rs. 154.46 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2019.

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. 0.05 million (2019: Rs. 0.06 million) thousand; an equal change in the opposite direction would have decreased profit or loss by the same amount. The analysis is performed on the same basis for 2018 and assumes that all other variables remain the same.

Assets carried at fair value	Level 1	Level 2 (Rupees '000)	Level 3
2020			
Financial assets at fair value			
through profit or loss - held for trading	5,399	-	-
2019			
Financial assets at fair value			
through profit or loss - held for trading	6,095	-	-

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

44 APPLICATION OF IFRIC INTERPRETATION 12 - SERVICE CONCESSION ARRANGEMENTS

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

	2020	2019
	(Rupees'000)	
Increase in profit after tax for the year	3,026	4,759
Derecognition of property, plant and equipment	(181,376)	(202,343)
Recognition of intangible asset	357,245	374,257
Recognition of financial liability	(28,230)	(28,538)
Increase in taxation obligations	1,236	1,944
Increase in unappropriated profits	103,456	100,430

45 CAPACITY

	Note	No. of lettable rooms		Average occupancy	
		2020	2019	2020	2019
Pearl Continental Hotel				%	%
- Karachi		286	286	55	72
- Lahore		607	607	52	59
- Rawalpindi		193	193	44	56
- Peshawar		148	148	42	46
- Bhurban		190	190	50	64
- Muzaffarabad		102	102	25	44
- Hotel One The Mall, Lahore	45	32	32	58	62

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

46 NUMBER OF EMPLOYEES

	2020	2019
Number of employees at the year end	2,677	3,450
Average number of employees during the year	3,213	3,578

47 EMPLOYEES' PROVIDENT FUND

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

48 IMPACT OF COVID-19 ON THE FINANCIAL STATEMENTS

During the year, the novel coronavirus (COVID-19) emerged and on 11 March 2020, the World Health Organisation declared the COVID-19 outbreak to be a pandemic in recognition of its rapid spread across the globe. Many countries, including Pakistan, took stringent steps to help contain the spread of the virus, including requiring self-isolation/quarantine by those potentially affected, implementing social distancing measures, and controlling or closing borders and locking down cities and regions. The events and conditions resulted in disruption to business operations particularly to businesses in highly exposed sectors including hospitality industry and significant increase in economic uncertainty.

Due to the lockdown and restrictions imposed by the Government of Pakistan, the Company's following hotel properties remained fully/partially closed for operations:

PC Karachi partially closed from 17 March 2020 to 10 August 2020
PC Lahore partially closed from 23 March 2020 to 02 August 2020
PC Rawalpinid were fully closed from 24 March 2020 to 01 July 2020
PC Bhurban 19 March 2020 to 10 August 2020
PC Muzaffarabad fully closed from 18 March to 12 August 2020
PC Peshawar fully closed from 24 March 2020 to 10 June 2020
Hotel One- The Mall were fully closed from 18 March 2020 to 09 July 2020

The Group's recognized revenue of Rs. 921 million during the last quarter of the year as compared to Rs. 2,403 million in the corresponding period of previous year. The decline is attributed mainly to temporary close-down of operations. There is no impact of COVID-19 on the carrying amounts of assets and liabilities.

The material uncertainties relating to going concern assumption, including those arising from impacts of COVID-19 alongwith information relating to management's actions and plans to mitigate adverse financial implications and operational changes are disclosed in Note 2.2.1.

49 CORRESPONDING FIGURES

The corresponding figures have been rearranged and reclassified, wherever considered necessary for better presentation. Following reclassification have been made during the year:

Description of item	Reclassified from	Reclassified to	Amount (Rupees'000)
Commission on room bookings	Discounts and commission	Cost of Sales- others	79,821
Un-earned income	Trade and other payables	Contract liabilities	124,170
Franchise fee	Administrative expenses - Franchise fee	- Cost of Sales- others	9,569
Lease finance facilities	Loans and borrowings	Lease liabilities	94,844

50 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 30 September, 2020.

M.A. Bawany	Shakir Abu Bakar	Javed Iqbal
Director	Director	Chief Financial Officer

PAKISTAN SERVICES LTD.

Dear Shareholder,

ELECTRONIC PAYMENT OF CASH DIVIDENDS

Pursuant to Section-242 of the Companies Act, 2017 and Companies (Distribution of Dividends) Regulations, 2017 issued by the Securities and Exchange Commission of Pakistan (SECP), it is mandatory for a listed company to pay cash dividends to its shareholders only through electronic mode directly in the bank accounts of the shareholders.

In this connection, it is necessary to provide complete bank mandate detail including IBAN number to credit the proceeds of the future dividends into your bank account. You are therefore required to provide complete bank mandate details with IBAN otherwise future dividend may be withheld.

The Shareholders, who are holding physical shares are requested to submit e-dividend mandate form by filling the attached format and send it to Company's Share Registrar at the following address:

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

The CDC shareholders must submit their e-dividend mandate form details to Investor Account Services or to their brokers where shares are placed electronically.

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

For any query/ problem/information, the investors may contact the company's Share Registrar at the above phone numbers, email address.

Yours faithfully,

for Pakistan Services Limited

Mansoor Khan
Company Secretary

PAKISTAN SERVICES LIMITED
FORM OF PROXY

I / We ____

______________________________of______________________ being a member of Pakistan Services Limited hereby

appoint Mr./Ms./M/s.____ of ________________

_______________________________________failing whom Mr./Ms./M/s.____

of____________________ as my proxy to attend and act for me, and on my behalf, at the Annual General Meeting of the Company to be held on Wednesday, October 28, 2020 at 11:00 a.m. at Islamabad Marriott Hotel, and any adjournment thereof.

Dated this __________ day of _________ 2020.

____
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.

پاکستان سروسز لمیٹڈ
پراکسی فارم

اختتام سال 30 جون 2020

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 عدم موجودگی کی صورت میں کمپنی کے سالانہ اجلاس عام جو کہ بروز بدھ مورخہ 28 اکتوبر 2020 کو اسلام آباد میرٹ ہوٹل میں منعقد ہوگا یا التواء کی صورت میں حاضر ہو کر میری/ہماری نمائندگی کرے۔

مورخہ .... بروز 2020

....
پراکسی کے دستخط کا نمونہ

پانچ روپے مالیت کی ریونیو ٹکٹ

فولیو نمبر ....
سی ڈی سی پارٹسیپنٹ آئی ڈی نمبر ....
ذیلی اکاؤنٹ نمبر ....

ممبر (رکن) کا دستخط ....
فولیو نمبر ....
سی ڈی سی پارٹسیپنٹ آئی ڈی نمبر ....
ذیلی اکاؤنٹ نمبر ....

متبادل پراکسی کے دستخط کا نمونہ ....
فولیو نمبر ....
سی ڈی سی پارٹسیپنٹ 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 84 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 نمونہ دستخط (بشرطیکہ پہلے سے کمپنی کو فراہم نہ کیا گیا ہو) پراکسی فارم کے ساتھ جمع کرنا ہوگا۔

PAKISTAN SERVICES LTD.

E-DIVIDEND MANDATE FORM

To,

Investor Account Services - Central Depository Company of Pakistan Limited or in case of a sub account with any of the broker participant, kindly convey information to your broker participant.

OR

In case of Physical Shareholder

Share Registrar

Pakistan Services Limited

M/s. THK Associates (Pvt) Limited,

1st Floor, 40-C, Block-6, P.E.C.H.S., Karachi

Phone: 021-111-000-322 E-mail: sfc@thk.com.pk

Participant Id	
Investor / Sub Account No.	
Folio number (Physical Shareholder)	
Title of Account	
IBAN Number	
Bank Name	
Branch	
Branch Address	
Mobile Number	
Email address	

Authorized Signatories (to be signed as per operating instruction, in case of physical dispatch)

1) ______________________________ 2) ______________________________

3) ______________________________ 4) ______________________________

For information, how to fill the form:

A)	IBAN Number (24 Digit):	PK37 HABB 0000 0700 3333 9999 (example)
B)	E-mail invest or account services CDC:	ias-khi@cdcpak.com (example)
C)	Independent Share Registrar:	Mail@t tpl.com.pk (example)
D)	CDC Participant:	in case of a sub account with any of the broker participant, kindl y convey information to your broker participant.

Pearl-Continental Hotel, Muzaffarabad

PAKISTAN SERVICES LTD.

1st floor, NESPAK House, Sector G-5/2, Islamabad
Tel: +92-51-2272860-8, Fax: +92-51-2878636

OWNERS AND OPERATORS OF

Pearl-Continental
HOTELS & RESORTS

KARACHI • LAHORE • RAWALPINDI • PESHAWAR • BHURBAN
MUZAFFARABAD • MALAM JABBA