



PAKISTAN SERVICES LTD.



Pearl-Continental
HOTELS & RESORTS

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS PERIOD ENDED | 31 DECEMBER 2022

Shisparé Sar | Gilgit-Baltistan



PEARL-CONTINENTAL HOTEL - MUZAFFARABAD



Pearl-Continental
HOTELS & RESORTS

CONDENSED INTERIM FINANCIAL STATEMENTS [UNAUDITED]

For the six months period ended 31 December 2022



PAKISTAN SERVICES LTD

Vision Statement

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

Mission Statement

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

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

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

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

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

CORPORATE INFORMATION

Pearl Continental Hotels, a chain owned, operated and franchised by Pakistan Services Limited, sets the international standards for quality hotel accommodation across Pakistan and AJ&K and manages 6 luxury hotels in Karachi, Lahore, Rawalpindi, Bhurban, Muzaffarabad and Malam Jabba comprising 1,470 rooms.

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	

COMPANY SECRETARY

Mr. Muhammad Amir

AUDITORS

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

AUDIT COMMITTEE

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

LEGAL ADVISOR

M/s Liaquat Merchant & Associates

HUMAN RESOURCE & REMUNERATION COMMITTEE

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

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
Meezan Bank Limited

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	

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.pshotels.com>
<http://www.hashoogroup.com>

CHIEF FINANCIAL OFFICER

Mr. Tahir Mahmood

SHARE REGISTRAR

M/s THK Associates [Private] Limited
Plot No. 32-C, Jami Commercial
Street-2, DHA, Phase VII
Karachi

Directors' Report

Dear Members,

The Board of Directors of Pakistan Services Limited (PSL) presents the reviewed condensed interim financial statements of the Company for the six months period ended 31 December 2022.

Economic Overview

In most economies, amid the cost-of-living crisis, the priority remains achieving sustained disinflation. With tighter monetary conditions and lower growth potentially affecting financial and debt stability, Russia's war in Ukraine could escalate, and tighter global financing costs could worsen debt distress.

Pakistan is facing a severe economic crisis, prices of staples like food and fuel are skyrocketing, the country has been dealing with backbreaking inflation, a depreciating currency, and precariously low foreign exchange reserves, external debt repayment of the country is in billions, but its foreign reserves are quite low, and Imports are halted due to insufficient foreign reserves. The government tries to revive stalled talks with the International Monetary Fund to unlock much needed assistance. The Government also unveiled a Rs. 170 billion mini budget that carried some highly inflationary measures and is hopeful of getting IMF programme approved shortly.

Overall performance of the Company

During the six-month period ended 31 December 2022, the Company recorded revenue [net] of Rs. 6,959 million, as compared to Rs. 5,765 million registered in the corresponding period of the last year whereas the gross profit for the period is Rs. 2,862 million as compared to Rs. 2,419 million of comparative period of the last year. The profit before tax is Rs. 227 million as compared to profit of Rs. 575 million of corresponding period of last year.

Highlights of Performance:

	For the six months' period ended 31 December	
	2022	2021
	[Rupees million]	
Sales and Services – net	6,959	5,765
Gross profit	2,862	2,419
Profit before taxation	227	575
Profit after taxation	136	420
Earnings per share [Rupees]	4.17	12.93

Performance of Rooms Department

During the period Rooms Revenue-net was recorded at Rs. 2,944 million as against Rs. 2,218 million of the corresponding period of last year.

Performance of Food & Beverage (F&B) Department

Net revenue from this segment has been recorded at Rs. 3,584 million for the period under review as compared to Rs. 3,169 million of the same period last year.

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

From this segment of business net revenue of Rs. 431 million has been achieved as compared to Rs. 378 million of the comparative period.

Prospects

Deep rooted economic reforms are need of the hour to remove the structural imbalances to increase efficiency, improve competitiveness, stimulate entrepreneurship, and technological progress and step to make business environment friendlier. The International Monetary Fund programme would help stabilize the rupee and ensure economic stabilization.

Consolidated Results

During the current period, the group recorded a revenue [net] of Rs. 7,198 million as compared to Rs. 5,820 million of the same period last year. Profit after taxation is recorded at Rs. 28 million in comparison with profit of Rs. 316 million of the corresponding period of the previous year.

Acknowledgement

On behalf of the Board, we thank the Company's staff for their dedicated professional services and their wholehearted efforts and contribution, which helped in bringing the results back on track. We also extend our thanks to our consultants, bankers, and shareholders and in particular the Government Authorities for their advice, understanding, and support that is critical for the success of our programs, projects, and business operations, finally, our valued guests, who encourage and expect from the company and its staff to provide the best level of products and services to win their continued support and patronage.

For and on behalf of the Board of Directors,



Murtaza Hashwani
Chief Executive Officer



M.A. Bawany
Director

Islamabad: 24 February 2023

ڈائریکٹرز رپورٹ

محترم حصص داران:

پاکستان سروسز لمیٹڈ (پی ایس ایل) کے بورڈ آف ڈائریکٹرز 31 دسمبر 2022 کو ختم ہونے والی ششماہی مدت میں کمپنی کی کارکردگی اور مالیاتی معلومات کا عبوری خلاصہ پیش کر رہے ہیں۔

اقتصادی جائزہ:

زیادہ تر ممالک کی معیشتیں روزمرہ زندگی کے اخراجات میں اضافہ کا سامنا کر رہی ہیں، اور ان اخراجات میں کمی سب سے پہلی ترجیح ہے۔ مالیاتی استحکام بھی کافی متاثر ہو رہا ہے۔ روس اور یوکرین کی جنگ میں بڑھاؤ کے ساتھ عالمی مالیاتی اخراجات و استحکام مزید متاثر ہو سکتے ہیں۔

پاکستان کو شدید معاشی بحران کا سامنا ہے، اشیائے خورد و نوش اور آئل کی قیمتوں میں بہت زیادہ اضافہ ہو گیا ہے۔ پاکستان کی معیشت کو مہنگائی کے ساتھ ساتھ روپے کے قدر میں کمی اور غیر ملکی ذخائر کی کمی کا سامنا ہے اور اس ہی کی وجہ سے درآمدات بھی روک دی گئیں ہیں۔ حکومت بین الاقوامی مالیاتی فنڈ کے ساتھ بھی دوبارہ بات چیت شروع کرنے کی کوشش میں ہے تاکہ ترجیحی بنیاد پر معیشت میں بہتری لائی جاسکے اور امید ہے کہ معاملات جلد طے پا جائیں گے۔ حکومت نے 170 ارب روپے کا منی بجٹ بھی پیش کیا ہے جس سے مزید مہنگائی کا سامنا ہے۔

کمپنی کی مجموعی کارکردگی:

31 دسمبر 2022 کو ختم ہونے والی ششماہی مدت کے دوران کمپنی نے 6,959 ملین روپے کی محصولات (خالص) ریکارڈ کیے ہیں جو گزشتہ سال کے اسی عرصے کے دوران 5,765 ملین روپے تھے۔

کمپنی کا مجموعی منافع 2,862 ملین روپے ہے جو کہ گزشتہ سال کے اسی عرصے میں 2,419 ملین روپے تھا۔ قبل از ٹیکس منافع گزشتہ برس کے اسی عرصے کے 575 ملین منافع کے مقابلے میں 227 ملین روپے ریکارڈ کیا گیا۔

کارکردگی کی جھلکیاں:

	ششماہی مدت اختتام 31 دسمبر	
	2022	2021
	(ملین روپے)	
فروخت اور خدمات (خالص)	6,959	5,765
کل منافع	2,862	2,419
منافع قبل از ٹیکس	227	575
منافع بعد از ٹیکس	136	420
فی حصہ آمدنی (روپے میں)	4.17	12.93

رومز ڈیپارٹمنٹ کی کارکردگی:

اس عرصہ کے دوران گزشتہ سال کے اسی عرصہ کے 2,218 ملین روپے کی نسبت آمدنی (خالص) 2,944 ملین روپے ریکارڈ کی گئی۔

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

اس شعبے کی خالص آمدن 3,584 ملین روپے ریکارڈ کی گئی جو گزشتہ سال اسی عرصے کے مقابلے میں 3,169 ملین روپے تھی۔

دیگر متعلقہ خدمات لائسنس فیس/ٹریول و ٹورز ڈویژن کی کارکردگی:

اس شعبے میں زیر جائزہ عرصے کے دوران میں 431 ملین روپے کی آمدنی (خالص) حاصل کی گئی۔ جو گزشتہ برس کے اسی عرصے کے مقابلے میں 378

ملین روپے تھی

مستقبل کے امکانات:

کارکردگی کو بہتر بنانے کیلئے انٹر پرائز پر نیور شپ کی حوصلہ افزائی تکنیکی ترقی، کاروباری ماحول کو دوستانہ بنانے اور ساختی عدم توازن کو دور کرنے کیلئے سخت اقتصادی اصلاحات وقت کی اہم ضرورت ہیں۔ آئی ایم ایف پروگرام روپے کی قدر کو مستحکم بنانے میں یقینی طور پر مددگار ثابت ہوگا۔

مجموعی نتائج:

زیر جائزہ عرصے کے دوران گروپ نے 7,198 ملین روپے کے محصولات (خالص) ریکارڈ کئے جو گزشتہ سال اسی عرصے میں 5,820 ملین روپے تھے۔ گزشتہ برس کے 316 ملین روپے بعد از ٹیکس منافع کی نسبت موجودہ عرصہ میں 28 ملین روپے منافع ریکارڈ کیا گیا۔

اظہار تشکر:

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

منجانب بورڈ آف ڈائریکٹرز

Tooway

ایم۔ اے باوانی

ڈائریکٹر

محمد

مرتضی ہاشوانی

چیف ایگزیکٹو آفیسر

اسلام آباد: 24 فروری 2023

INDEPENDENT AUDITORS' REVIEW REPORT

To the members of Pakistan Services Limited

Report on review of Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim unconsolidated statement of financial position of Pakistan Services Limited ("the Company") as at 31 December 2022 and the related condensed interim unconsolidated statement of profit or loss, condensed interim unconsolidated statement of comprehensive income, condensed interim unconsolidated statement of cash flows and condensed interim unconsolidated statement of changes in equity, and notes to the condensed interim unconsolidated financial statements for the six months period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review.

Scope of Review

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

Conclusion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2.1 of the condensed interim unconsolidated financial statements, which indicates that as at 31 December 2022 the current liabilities of the Company exceeded its current assets (excluding non-current assets held for sale) by Rs. 11,442 million. These events or conditions, along with other matters as set forth in Note 2.1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Other matter

The figures of the condensed interim unconsolidated statement of profit or loss and condensed interim unconsolidated statement of comprehensive income for the three months period ended 31 December 2022 and 31 December 2021, have not been reviewed and we do not express a conclusion on them.

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



KPMG Taseer Hadi & Co.
Chartered Accountants

Islamabad
27 February 2023
UDIN: RR202210111LgdJqTA4x



PEARL-CONTINENTAL HOTEL - RAWALPINDI



CONDENSED INTERIM
UNCONSOLIDATED
FINANCIAL STATEMENTS
(UNAUDITED)

FOR THE SIX MONTHS PERIOD ENDED | 31 DECEMBER 2022

Condensed Interim Unconsolidated Statement of Financial Position

As at 31 December 2022

		Unaudited 31 December 2022	Audited 30 June 2022
	Note	[Rupees'000]	
EQUITY			
Share capital	4	325,242	325,242
Capital reserve		269,424	269,424
Revenue reserves		8,197,041	5,491,769
Revaluation surplus on property, plant and equipment		36,498,204	39,067,870
Total equity		45,289,911	45,154,305
LIABILITIES			
Loans and borrowings	5	1,600,000	8,451,722
Lease liabilities	6	161,781	213,491
Deferred government grant		785	4,638
Employee benefits		921,282	872,791
Other non current liabilities		78,082	12,934
Non - current liabilities		2,761,930	9,555,576
Short term borrowings	7	2,239,101	2,241,140
Current portion of loans and borrowings	5	10,866,865	4,879,957
Current portion of lease liabilities	6	103,075	100,546
Trade and other payables	8	2,393,841	2,532,060
Contract liabilities		733,049	710,863
Advance against non-current assets held for sale		-	875,000
Unpaid dividend		1,528	1,528
Unclaimed dividend		9,242	9,242
Current liabilities		16,346,701	11,350,336
Total equity and liabilities		64,398,542	66,060,217
CONTINGENCIES AND COMMITMENTS	9		

The annexed notes 1 to 23 form an integral part of these condensed interim unconsolidated financial statements.

		Unaudited 31 December 2022	Audited 30 June 2022
	Note	[Rupees'000]	
ASSETS			
Property, plant and equipment	10	49,797,452	49,534,613
Advance for capital expenditure	11	1,139,537	1,121,685
Intangible asset	12	106,328	123,896
Investment property		80,000	80,000
Long term investments		1,037,794	1,037,794
Advance against equity investment	13	1,874,071	1,874,071
Long term deposits		21,080	21,773
Deffered tax assets-net		347,407	287,702
Non - current assets		54,403,669	54,081,534
Inventories		448,387	394,715
Trade debts		904,089	781,041
Contract assets		66,685	27,654
Advances, prepayments, trade deposits and other receivables		533,398	432,135
Short term investments	14	1,688,617	1,753,240
Non-current assets held for sale	15	5,090,824	7,659,099
Advance tax - net		699,102	541,212
Cash and bank balances		563,771	389,587
Current assets		9,994,873	11,978,683
Total assets		64,398,542	66,060,217



Murtaza Hashwani
Chief Executive Officer



M.A. Bawany
Director



Tahir Mahmood
Chief Financial Officer

Condensed Interim Unconsolidated Statement of Profit or Loss (Unaudited)

For the six months period ended 31 December 2022

	Note	Three months period ended 31 December		Six months period ended 31 December	
		2022	2021	2022	2021
[Rupees'000]					
Revenue - net	16	3,807,887	3,349,733	6,959,476	5,764,770
Cost of sales and services	17	[2,076,011]	[1,810,959]	[4,097,829]	[3,345,588]
Gross profit		1,731,876	1,538,774	2,861,647	2,419,182
Other income		152,572	16,610	211,129	73,028
Administrative expenses		[1,047,392]	[692,525]	[1,900,796]	[1,282,676]
Impairment loss on trade debts		[24,838]	[34,727]	[55,754]	[60,481]
Operating profit		812,218	828,132	1,116,226	1,149,053
Finance income		55,126	11,769	110,672	25,688
Unrealised [loss] on remeasurement of investments to fair value - net		[76,127]	10,373	[61,937]	8,339
Finance cost		[475,125]	[299,012]	[938,418]	[608,271]
Net finance cost		[496,126]	[276,870]	[889,683]	[574,244]
Profit before taxation		316,092	551,262	226,543	574,809
Income tax expense		[28,531]	[135,874]	[90,937]	[154,389]
Profit for the period		287,561	415,388	135,606	420,420
Earnings [per share - basic and diluted] [Rupees]	18	8.84	12.77	4.17	12.93

The annexed notes 1 to 23 form an integral part of these condensed interim unconsolidated financial statements.



Murtaza Hashwani
Chief Executive Officer



M.A. Bawany
Director



Tahir Mahmood
Chief Financial Officer

Condensed Interim Unconsolidated Statement of Comprehensive Income (Unaudited)

For the six months period ended 31 December 2022

	Three months period ended 31 December		Six months period ended 31 December	
	2022	2021	2022	2021
	[Rupees'000]			
Other comprehensive income for the period	287,561	415,388	135,606	420,420
Total comprehensive income for the period	287,561	415,388	135,606	420,420

The annexed notes 1 to 23 form an integral part of these condensed interim unconsolidated financial statements.



Murtaza Hashwani
Chief Executive Officer



M.A. Bawany
Director



Tahir Mahmood
Chief Financial Officer

Condensed Interim Unconsolidated Statement of Cash Flows (Unaudited)

For the six months period ended 31 December 2022

	Note	31 December 2022	31 December 2021
		(Rupees'000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash flows from operating activities before working capital changes	19	1,597,657	1,780,710
Working capital changes (Increase) / decrease in current assets			
Inventories		(53,672)	(30,567)
Trade debts		(178,802)	(671,669)
Contract assets		(39,031)	(8,279)
Advances		(34,098)	(13,831)
Trade deposits and prepayments		(78,906)	(55,476)
Other receivables		11,742	(7,185)
Increase / (decrease) in current liabilities			
Trade and other payables		(138,219)	262,360
Non current liabilities		65,148	(5,158)
Contract liabilities		22,186	194,956
Cash used in operations		(423,652)	(334,849)
Staff retirement benefit - gratuity paid		(14,762)	(8,105)
Compensated leave absences paid		(28,362)	(11,631)
Income tax paid		(308,531)	(102,578)
Finance cost paid		(1,086,995)	(943,192)
Net cash (used in)/ generated from operating activities		(264,645)	380,355
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		(720,676)	(392,628)
Advance for capital expenditure		(17,852)	(16,867)
Payment for Intangible asset		-	(37,506)
Proceeds from disposal of property, plant and equipment		48,183	175,223
Equity refunded from subsidiaries		-	410,000
Advance against non-current asset held for sale		-	400,000
Increase in non-current asset held for sale		(234,054)	(94,895)
Proceeds from disposal of non-current asset held for sale		2,337,910	-
Dividend income received		600	225
Receipts of return on bank deposits and short term investments		105,709	26,773
Long term deposits and prepayments		693	7,124
Net cash generated in investing activities		1,520,513	477,449
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long term financing		(1,015,105)	(170,687)
Lease liabilities paid		(49,181)	(52,447)
Transaction cost paid		-	(8,200)
Net cash used in financing activities		(1,064,286)	(231,334)
Net increase in cash and cash equivalents		191,582	626,470
Cash and cash equivalents at beginning of the period		(1,787,969)	(2,294,564)
Cash and cash equivalents at end of the period	20	(1,596,387)	(1,668,094)

The annexed notes 1 to 23 form an integral part of these condensed interim unconsolidated financial statements.



Murtaza Hashwani
Chief Executive Officer



M.A. Bawany
Director



Tahir Mahmood
Chief Financial Officer

Condensed Interim Unconsolidated Statement of Changes in Equity (Unaudited)

For the six months period ended 31 December 2022

	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 2021	325,242	269,424	29,105,049	1,600,000	3,210,061	34,509,776
Impact of change in accounting policy - net of tax	-	-	-	-	[14,775]	[14,775]
Adjusted balance as at 01 July 2021	325,242	269,424	29,105,049	1,600,000	3,195,286	34,495,001
Total comprehensive income for the period						
Profit for the period	-	-	-	-	420,420	420,420
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	420,420	420,420
Balance at 31 December 2021	325,242	269,424	29,105,049	1,600,000	3,615,706	34,915,421
Balance at 01 July 2022	325,242	269,424	39,067,870	1,600,000	3,891,769	45,154,305
Total comprehensive income for the period						
Profit for the period	-	-	-	-	135,606	135,606
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	135,606	135,606
Transfer on disposal of property, plant and equipment	-	-	[2,569,666]	-	2,569,666	-
Balance at 31 December 2022	325,242	269,424	36,498,204	1,600,000	6,597,041	45,289,911

The annexed notes 1 to 23 form an integral part of these condensed interim unconsolidated financial statements.



Murtaza Hashwani
Chief Executive Officer



M.A. Bawany
Director



Tahir Mahmood
Chief Financial Officer

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months period ended 31 December 2022

1 THE COMPANY AND ITS OPERATIONS

Pakistan Services Limited (“the Company”) was incorporated on 06 December 1958 in Pakistan under the Companies Act, 1913 [now Companies Act, 2017] as a public limited company and is quoted on Pakistan Stock Exchange Limited. The Company’s registered office is situated at 1st Floor, NESPAK House, Sector G-5/2, Islamabad. The Company is principally engaged in the hotel business and owns and manages the chain of Pearl Continental Hotels in Karachi, Lahore, Rawalpindi, Bhurban and Muzaffarabad Azad Jammu & Kashmir. The Company also grants franchise to use its trade mark and name “Pearl Continental”.

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

2 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

- International Accounting Standard [IAS] 34, Interim Financial Reporting, 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.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

The disclosures in these interim unconsolidated financial statements do not include the information that was reported in annual audited unconsolidated financial statements and should therefore be read in conjunction with the annual audited unconsolidated financial statements for the year ended 30 June 2022. Comparative condensed interim unconsolidated statement of financial position is extracted from the annual audited unconsolidated financial statements for the year ended 30 June 2022, whereas comparative condensed interim unconsolidated statement of profit or loss, condensed interim unconsolidated statement of comprehensive income, condensed interim unconsolidated statement of cash flows and condensed interim unconsolidated statement of changes in equity are extracted from unaudited interim unconsolidated financial statements for the six months period ended 31 December 2021.

These interim unconsolidated financial statements are unaudited and are being submitted to the members as required under Section 237 of the Companies Act, 2017 and the Listing Regulations of the Pakistan Stock Exchange Limited.

2.1 Going concern basis of accounting

These condensed interim 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. Accordingly, these condensed interim unconsolidated financial statements do not include any adjustments to the carrying amounts and classification of assets, liabilities and reported expenses that may otherwise be required if the going concern basis was not appropriate.

Current liabilities of the Company as at 31 December 2022 exceeds its current assets [excluding non-current assets held for sales] by Rs. 11,442 million [30 June 2022: 7,031 million]. This adverse liquidity position is mainly due to increase in cost of borrowing and scheduled principal repayments of loans and borrowings.

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months period ended 31 December 2022

The Management of Company expects further improvement in occupancy rate and average daily rate due to increased demand and inflationary pressures. Further to improve the liquidity in the short term the Company has formally submitted a request for restructuring/rescheduling to its lenders. The negotiation are ongoing and the Company expects a positive outcome of these negotiations.

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.

3 ACCOUNTING POLICIES AND ESTIMATES

3.1 Significant accounting policies

The accounting policies and the methods of computation adopted in the preparation of these condensed interim unconsolidated financial statements are the same as those applied in the preparation of the financial statements of the Company for the year ended 30 June 2022.

3.2 Accounting estimates and judgments

In preparing these condensed interim unconsolidated financial statements, management has made judgments and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, incomes and expenses. Actual results may differ from these estimates.

The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements of the Company for the year ended 30 June 2022.

Measurement of fair values

The Company has an established control framework with respect to the measurement of fair values. This includes a finance team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the management.

Finance team 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 finance team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which the valuations should be classified.

Significant valuation issues are reported to the Board.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorised 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).

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months period ended 31 December 2022

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised 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 recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

3.3 Standards, interpretations and amendments to approved accounting and reporting standards that are not yet effective

The following International Financial Reporting Standards (IFRS) as notified under the Companies Act, 2017 and the amendments and interpretations thereto effective for accounting periods beginning on or after 01 January 2023 :

- Amendments to IAS 1: Presentation of Financial Statements	[effective 01 January 2023]
- Amendments to IAS 8: Accounting policies, Changes in accounting estimates and errors	[effective 01 January 2023]
- Amendments to IAS 12: Income Taxes	[effective 01 January 2023]

The above amendments are not likely to have an impact on the Company's interim unconsolidated financial statements.

4 SHARE CAPITAL

There is no change in the authorised, issued, subscribed and paid up share capital of the Company from 30 June 2022.

5 LOANS AND BORROWINGS - Secured

a. Non current portion

	Unaudited 31 December 2022	Audited 30 June 2022
	[Rupees'000]	
Term Finance Loan - 1	478,785	534,035
Term Finance Loan - 2	1,490,520	1,662,520
Term Finance Loan - 3	1,598,873	1,765,539
Term Finance Loan - 4	1,600,000	1,800,000
Term Finance Loan - 5	50,057	147,884
Sukuk	6,070,675	6,390,184
Transaction cost	[22,180]	[27,080]
	<u>11,266,730</u>	<u>12,273,082</u>
Current portion of loans	[9,666,730]	[3,970,016]
	<u>1,600,000</u>	<u>8,303,066</u>
Markup accrued - non current	-	148,656
	<u>1,600,000</u>	<u>8,451,722</u>

b. Current portion

Current portion of loans	9,666,730	3,970,016
Markup accrued	1,200,135	909,941
	<u>10,866,865</u>	<u>4,879,957</u>

5.1 The markup rates, facility limits and securities offered for long term financing facilities are the same as disclosed in the annual audited unconsolidated financial statements of the Company for the year ended 30 June 2022 except as follows:

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months period ended 31 December 2022

During the period the Company approached to the financial institutions for rescheduling/restructuring of its existing outstanding loan amounts along with deferred markup and unpaid installments, the terms and conditions along with tenour are under discussion and management expects the rescheduling/restructuring of this financing arrangements to be finalized in the near future.

In view of the request, the company did not pay its principal repayment of loan and borrowing due on 31 Dec 2022. Although the company believes that lender were informed prior to repayment date and hence these installments will not result in early repayment of entire amount of borrowings. However to strictly comply with requirements of accounting and reporting standards as applicable in Pakistan, the amount of loans has been classified as current.

	Unaudited 31 December 2022	Audited 30 June 2022
	[Rupees'000']	
6 LEASE LIABILITIES		
Opening	314,037	218,528
Interest expenses	13,036	23,031
Additions during the period/ year	-	201,708
Lease payments	(62,217)	(129,230)
Closing	<u>264,856</u>	<u>314,037</u>
Current portion	<u>103,075</u>	<u>100,546</u>
Non-current portion	<u>161,781</u>	<u>213,491</u>

6.1 The current payable amount to related party is Rs. 5.2 million [30 June 2022: Rs. 3.60 million]

		Unaudited 31 December 2022	Audited 30 June 2022
		[Rupees'000']	
7 SHORT TERM BORROWINGS - secured	Note		
Running finance facilities - banking companies	7.1	2,156,996	2,176,245
Markup accrued		82,105	64,895
		<u>2,239,101</u>	<u>2,241,140</u>

7.1 The facility limits, securities offered and markup rates of these short term borrowings are the same as disclosed in the annual audited unconsolidated financial statements of the Company for the year ended 30 June 2022.

		Unaudited 31 December 2022	Audited 30 June 2022
		[Rupees'000']	
8 TRADE AND OTHER PAYABLES	Note		
Creditors		1,076,273	1,041,802
Accrued liabilities		598,059	557,666
Shop deposits		50,075	53,575
Retention money		161,255	170,161
Due to related parties - unsecured		53,150	23,509
Sales tax payable		159,633	222,062
Income tax deducted at source		-	6,941
Unearned income		20,564	58,409
Other liabilities	8.1	274,832	397,935
		<u>2,393,841</u>	<u>2,532,060</u>

8.1 This includes amount of Rs. 20.71 million [30 June 2022: Rs. 22.47 million] payable to director.

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months period ended 31 December 2022

9 CONTINGENCIES AND COMMITMENTS

9.1 Contingencies

9.1.1 There is no change in the contingent liabilities as reported in the annual audited unconsolidated financial statements for the year ended 30 June 2022 except for the following:

	Note	Unaudited 31 December 2022 (Rupees'000)	Audited 30 June 2022
9.1.2 Guarantees		369,069	369,069
9.2 Commitments			
Commitments for capital expenditure		2,763,551	2,747,885
10 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	10.1	45,663,000	45,803,771
Capital work in progress	10.2	4,134,452	3,730,842
		49,797,452	49,534,613
10.1 Operating fixed assets			
Carrying amount at beginning of the period / year		45,803,771	36,036,481
Additions during the period / year	10.2.2	29,950	257,108
Transfer from capital work in progress		287,114	918,301
Revaluation surplus		-	10,131,256
Asset classified as held for sale		-	(365,815)
Disposal during the period / year		(19,685)	(222,254)
Depreciation charge for the period / year	10.2.2	(438,150)	(951,306)
Carrying amount at end of the period / year		45,663,000	45,803,771
10.2 Capital work in progress			
Carrying amount at beginning of the period / year		3,730,842	3,679,837
Additions during the period / year		690,724	969,306
Transferred to operating fixed assets		(287,114)	(918,301)
Carrying amount at end of the period / year	10.2.1	4,134,452	3,730,842
10.2.1 Closing capital work in progress represents:			
Construction of Pearl Continental Mirpur		3,635,861	3,661,460
Other civil works		498,591	69,382
		4,134,452	3,730,842

10.2.2 Additions in and depreciation on property, plant and equipment during the six months period ended 31 December 2021 were Rs. 195.752 million and Rs. 472.318 million respectively.

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months period ended 31 December 2022

		Unaudited 31 December 2022	Audited 30 June 2022
	Note	(Rupees'000)	
11 ADVANCE FOR CAPITAL EXPENDITURE			
Advance for purchase of land	11.1	666,820	666,820
Advance for purchase of Malir Delta Land	11.2	381,656	381,656
Impairment loss		(40,000)	(40,000)
		1,008,476	1,008,476
Advance for purchase of apartment		40,509	40,509
Impairment loss		(40,509)	(40,509)
		-	-
Advance for purchase of fixed assets		32,035	34,183
Advances for Pearl Continental Mirpur Project		99,026	79,026
		131,061	113,209
		1,139,537	1,121,685

11.1 This includes amount of Rs. 626.82 million (30 June 2022: 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, in previous years, 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 general meeting and seek their approval in terms of section 199 of the Companies Act, 2017. The directors of the Company has filed an appeal in the Honorable Islamabad High Court against the order of SECP. Simultaneously, without prejudice to the right of the Appellants, the management and Board have complied with the directions of SECP in this regard.

11.2 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 Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months period ended 31 December 2022

	Unaudited 31 December 2022	Audited 30 June 2022
	[Rupees'000']	
12 INTANGIBLE ASSET	Note	
Software	106,328	123,896
Cost		
Opening balance	200,180	107,978
Additions	-	92,202
Closing balance	200,180	200,180
Accumulated amortisation		
Opening balance	76,284	32,393
Amortisation charge	17,568	43,891
Closing balance	93,852	76,284
Net book value		
Cost	200,180	200,180
Accumulated amortisation	(93,852)	(76,284)
Closing balance	106,328	123,896
Amortisation rate per annum	30%	30%

13 ADVANCE AGAINST EQUITY INVESTMENT

This represents advance against equity investment of Rs. 1,143.07 million (30 June 2022: Rs. 1,143.07 million) and Rs. 731 million (30 June 2022: Rs. 731 million) extended by the Company to its wholly owned subsidiary companies City Properties (Private) Limited and Elite Properties (Private) Limited respectively.

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months period ended 31 December 2022

14 SHORT TERM INVESTMENTS	Note	Unaudited 31 December 2022	Audited 30 June 2022
		[Rupees'000']	
<i>Amortized cost</i>			
Certificate of investments		5,300	5,300
Allowance for Impairment loss		(5,300)	(5,300)
		-	-
<i>Fair value through other comprehensive income</i>			
National Technology Development Corporation Limited		200	200
Indus Valley Solvent Oil Extraction Limited		500	500
Allowance for Impairment loss		(700)	(700)
		-	-
<i>Amortized cost</i>			
Term deposit receipt		1,193,579	1,193,579
Term Finance certificate		75,000	75,000
Accrued interest		6,722	9,407
		1,275,301	1,277,986
<i>Financial assets at fair value through profit or loss</i>			
Shares of listed Companies	14.1	413,316	475,254
		<u>1,688,617</u>	<u>1,753,240</u>

14.1 This mainly includes investment in an associated company having carrying value of Rs. 406.531 million [30 June 2022: Rs. 468.262 million].

14.1.1 Out of total shares 15,056,661 held by the Company in an associated company, 15,000,000 [30 June 2022: 15,000,000] ordinary shares are placed / lien marked as security against running finance facility availed by the Company.

15 NON CURRENT ASSET HELD FOR SALE	Note	Unaudited 31 December 2022	Audited 30 June 2022
		[Rupees'000']	
Property-Survey No. 32-B, Khyber Road, Peshawar Under Construction Hotel Pearl Continental Multan	15.1	-	3,114,554
		5,090,824	4,544,545
		<u>5,090,824</u>	<u>7,659,099</u>

15.1 During the period, the disposal of the property has been completed.

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months period ended 31 December 2022

16 REVENUE - NET	Note	Three months period ended 31 December		Six months period ended 31 December	
		2022	2021	2022	2021
		[Rupees'000']			
Rooms		1,962,655	1,519,312	3,462,889	2,630,384
Food and beverages		2,329,100	2,215,662	4,192,172	3,746,051
Other related services	16.1	243,033	229,249	498,939	417,551
Fee revenue from franchise & management properties		15,147	6,820	29,469	31,555
Shop license fees		12,695	15,479	25,378	30,074
		4,562,630	3,986,522	8,208,847	6,855,615
Discounts		[80,177]	[112,786]	[157,725]	[181,583]
Sales tax		[674,566]	[524,003]	[1,091,646]	[909,262]
		3,807,887	3,349,733	6,959,476	5,764,770

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

17 COST OF SALES AND SERVICES	Three months period ended 31 December		Six months period ended 31 December	
	2022	2021	2022	2021
	[Rupees'000]			
Food and beverages				
Opening balance	148,484	233,517	150,527	170,716
Purchases during the period	687,769	785,523	1,280,188	1,304,970
Closing balance	[170,326]	[402,254]	[170,326]	[402,254]
Consumption during the period	665,927	616,786	1,260,389	1,073,432
Direct expenses				
Salaries, wages and benefits	538,093	404,209	1,018,328	752,526
Heat, light and power	333,462	270,619	823,796	565,482
Repair and maintenance	123,210	99,821	220,482	172,082
Depreciation	177,978	193,449	358,901	391,306
Amortization	7,660	4,742	15,811	18,254
Guest supplies	73,730	71,092	136,305	127,666
Linen, china and glassware	41,167	39,682	68,470	60,567
Communication	3,179	2,650	5,908	4,546
Laundry and dry cleaning	20,561	21,250	37,729	38,348
Banquet and decoration	20,064	31,665	38,694	37,823
Transportation	13,456	11,947	23,740	16,494
Uniforms	6,896	3,520	11,731	7,577
Music and entertainment	4,602	3,908	9,099	7,143
Others	46,026	35,619	68,446	72,342
	2,076,011	1,810,959	4,097,829	3,345,588

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months period ended 31 December 2022

	Three months period ended 31 December		Six months period ended 31 December	
	2022	2021	2022	2021
18 EARNINGS PER SHARE	[Rupees'000]			
Profit for the period [Rupees '000]	287,561	415,388	135,606	420,420
Weighted average number of ordinary shares [Numbers]	32,524,170	32,524,170	32,524,170	32,524,170
Earnings per share - basic [Rupees]	8.84	12.77	4.17	12.93

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

	Six months period ended 31 December	
	2022	2021
19 CASH FLOWS FROM OPERATING ACTIVITIES BEFORE WORKING CAPITAL CHANGES	[Rupees'000]	
Profit before tax	226,543	574,809
Adjustments for:		
Depreciation	438,150	472,318
Amortization	17,568	20,282
[Gain]/ loss on disposal of property, plant and equipment	[28,498]	6,038
Gain on disposal of non-current assets held for sale	[98,356]	-
Provision for staff retirement benefit - gratuity	62,565	47,963
Provision for compensated leave absences	29,051	25,920
Impairment loss on trade debts	55,754	60,481
Return on bank deposits / certificate of investments	[104,875]	[26,808]
Finance cost	938,418	608,271
Dividend income	[600]	[225]
Unrealised loss/[gain] on remeasurement of investments to fair value	61,937	[8,339]
	1,597,657	1,780,710
20 CASH AND CASH EQUIVALENTS		
Cash and bank balances	563,771	492,595
Short term borrowings	[2,239,101]	[2,207,968]
Accrued markup on short term borrowings	82,105	47,686
Accrued profit on bank deposits	[3,162]	[407]
	[1,596,387]	[1,668,094]

21 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 transactions and balances with related parties, other than those which have been disclosed elsewhere in these financial statements, are as follows:

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months period ended 31 December 2022

Six months period ended
31 December
2022 2021
[Rupees'000]

Transactions with subsidiary companies

Sales	1,723	1,375
Services provided	6,387	6,249
Services availed	62,588	36,278
Refund of advance against equity investment	-	410,000
Fund received/current account	-	20,000
Fund repaid/current account	-	20,000

Balances as at the period / year end:

- Trade debts	11,367	* 6,689
- Long term investments	1,037,794	*1,037,794
- Advances, deposits and prepayments	52	-

Transactions with associated undertakings

Sales	106	168
Services provided	5,897	4,414
Services availed	269,899	185,154
Purchases	89,701	36,800
Franchise fee - income	2,740	2,346

Balances as at the period / year end:

- Trade debts	6,679	*5,935
- Advances, deposits and prepayments	20,699	*11,846

Transactions with other related parties

Sales	16	920
Services provided	79	89
Services availed	14,712	300
Contribution to defined contribution plan - provident fund	30,322	25,342
Purchase of fixed asset	4,708	-

Balances as at the period / year end:

- Trade debts	553	*1,245
- Advance for capital expenditure	626,820	*626,820
- Advances, deposits and prepayments	-	*794

Transactions with key management personnel

Remuneration and allowances including staff retirement benefits	223,723	121,182
Advance remuneration & other receivables	5,362	*794
Payable to key management personnel	20,712	*22,470

* Represents balances as at 30 June 2022.

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months period ended 31 December 2022

22 FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT

22.1 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			Total	Level 1	Level 2	Level 3	Total
		Financial Assets Fair value through profit or loss	Amortized cost	Financial Liabilities Amortized cost					
31 December 2022									
Financial assets measured at fair value									
Shares of listed Companies	14	413,316	-	-	413,316	413,316	-	-	413,316
Long term deposits		21,080	-	-	21,080	-	-	-	-
Short term deposits		21,683	-	-	21,683	-	-	-	-
		<u>456,079</u>	<u>-</u>	<u>-</u>	<u>456,079</u>	<u>413,316</u>	<u>-</u>	<u>-</u>	<u>413,316</u>
Financial assets not measured at fair value									
Trade debts	22.2	-	904,089	-	904,089	-	-	-	-
Contract assets		-	66,685	-	66,685	-	-	-	-
Advance to employees		-	17,030	-	17,030	-	-	-	-
Other receivables		-	311,873	-	311,873	-	-	-	-
Short term investments	14	-	1,268,579	-	1,268,579	-	-	-	-
Accrued interest		-	9,883	-	9,883	-	-	-	-
Cash and bank balances		-	563,771	-	563,771	-	-	-	-
		<u>-</u>	<u>3,141,910</u>	<u>-</u>	<u>3,141,910</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities not measured at fair value									
Loans and borrowings	5	-	-	12,489,045	12,489,045	-	-	-	-
Other non current liabilities		-	-	78,082	78,082	-	-	-	-
Short term borrowings	7	-	-	2,239,101	2,239,101	-	-	-	-
Lease liabilities	6	-	-	264,856	264,856	-	-	-	-
Trade and other payables	22.3	-	-	2,213,644	2,213,644	-	-	-	-
Unclaimed dividend		-	-	9,242	9,242	-	-	-	-
Unpaid dividend		-	-	1,528	1,528	-	-	-	-
		<u>-</u>	<u>-</u>	<u>17,295,498</u>	<u>17,295,498</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
30 June 2022									
Financial assets measured at fair value									
Short term investments	14	475,254	-	-	475,254	475,254	-	-	475,254
Long term deposits		21,773	-	-	21,773	-	-	-	-
Short term deposits		16,095	-	-	16,095	-	-	-	-
		<u>513,122</u>	<u>-</u>	<u>-</u>	<u>513,122</u>	<u>475,254</u>	<u>-</u>	<u>-</u>	<u>475,254</u>
Financial assets not measured at fair value									
Trade debts	22.2	-	781,041	-	781,041	-	-	-	-
Contract assets		-	27,654	-	27,654	-	-	-	-
Advance to employees		-	5,044	-	5,044	-	-	-	-
Other receivables		-	120,069	-	120,069	-	-	-	-
Short term investments	14	-	1,268,579	-	1,268,579	-	-	-	-
Cash and bank balances		-	389,587	-	389,587	-	-	-	-
		<u>-</u>	<u>2,591,974</u>	<u>-</u>	<u>2,591,974</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities not measured at fair value									
Loans and borrowings	5	-	-	13,358,759	13,358,759	-	-	-	-
Other non current liabilities		-	-	12,934	12,934	-	-	-	-
Short term borrowings	7	-	-	2,241,140	2,241,140	-	-	-	-
Lease liabilities	6	-	-	314,037	314,037	-	-	-	-
Trade and other payables	22.3	-	-	2,244,648	2,244,648	-	-	-	-
Unclaimed dividend		-	-	9,242	9,242	-	-	-	-
Unpaid dividend		-	-	1,528	1,528	-	-	-	-
		<u>-</u>	<u>-</u>	<u>18,182,288</u>	<u>18,182,288</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months period ended 31 December 2022

- 22.2 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.
- 22.3 It excludes, federal excise duty, bed tax and sales tax payable, banquet / beverage tax, unearned income and income tax deducted at source.
- 23 DATE OF AUTHORISATION FOR ISSUE
- 23.1 These condensed interim unconsolidated financial statements were authorized for issue by the Board of Directors of the Company in its meeting held on 24 February 2023.



Murtaza Hashwani
Chief Executive Officer



M.A. Bawany
Director



Tahir Mahmood
Chief Financial Officer





PEARL-CONTINENTAL HOTEL - BHURBAN



CONDENSED INTERIM
CONSOLIDATED
FINANCIAL STATEMENTS
(UNAUDITED)

FOR THE SIX MONTHS PERIOD ENDED | 31 DECEMBER 2022

Condensed Interim Consolidated Statement of Financial Position

As at 31 December 2022

		Unaudited 31 December 2022	Audited 30 June 2022
	Note	[Rupees'000]	
EQUITY			
Share capital	4	325,242	325,242
Capital reserve		145,070	145,070
Revenue reserves		6,677,354	4,055,165
Revaluation surplus on property, plant and equipment		36,498,205	39,067,871
Equity attributable to owners		43,645,871	43,593,348
Non-controlling interest		176,438	186,344
Total equity		43,822,309	43,779,692
LIABILITIES			
Loans and borrowings	5	1,949,000	8,730,771
Lease liabilities	6	237,797	301,591
Deferred government grant		785	4,638
Employee benefits		981,700	945,299
Deferred tax liability - net		144,918	204,411
Other non current liabilities		78,082	12,934
Non - current liabilities		3,392,282	10,199,644
Short term borrowings	7	3,125,916	3,047,607
Current portion of loans and borrowings	5	10,949,154	4,940,595
Current portion of lease liabilities	6	134,154	135,726
Trade and other payables	8	2,680,908	2,843,806
Contract liabilities		883,049	864,663
Advance against non-current assets held for sale	15	-	875,000
Unpaid dividend		1,528	1,528
Unclaimed dividend		9,242	9,242
Current liabilities		17,783,951	12,718,167
Total equity and liabilities		64,998,542	66,697,503
CONTINGENCIES AND COMMITMENTS	9		

The annexed notes 1 to 23 form an integral part of these condensed interim consolidated financial statements.

		Unaudited 31 December 2022	Audited 30 June 2022
	Note	[Rupees'000]	
ASSETS			
Property, plant and equipment	10	50,022,670	49,695,181
Intangible asset	11	650,316	635,112
Advance for capital expenditure	12	1,139,537	1,203,165
Investment property		80,000	80,000
Long term investments		1,068,533	1,130,265
Advance against equity investment	13	189,402	189,402
Long term deposits and prepayments		52,760	52,518
Non - current assets		53,203,218	52,985,643
Inventories		473,422	407,862
Development properties		1,855,487	1,855,487
Trade debts		951,294	833,185
Contract assets		66,685	27,654
Advances, prepayments, trade deposits and other receivables		659,277	512,862
Short term investments	14	1,285,791	1,288,350
Assets held for sale	15	5,090,824	7,659,099
Advance tax - net		744,719	577,635
Cash and bank balances		667,825	549,726
Current assets		11,795,324	13,711,860
Total assets		64,998,542	66,697,503



Murtaza Hashwani
Chief Executive Officer



M.A. Bawany
Director



Tahir Mahmood
Chief Financial Officer

Condensed Interim Consolidated Statement of Profit or Loss (Unaudited)

For the six months period ended 31 December 2022

	Note	Three months period ended 31 December		Six months period ended 31 December	
		2022	2021	2022	2021
[Rupees'000]					
Revenue - net	16	3,960,006	3,377,929	7,198,294	5,819,678
Cost of sales and services	17	(2,187,518)	(1,837,981)	(4,293,157)	(3,392,819)
Gross profit		1,772,488	1,539,948	2,905,137	2,426,859
Other income		168,311	16,590	226,943	73,168
Administrative expenses		(1,123,539)	(767,201)	(2,033,544)	(1,373,530)
Other expenses/ reversal		(85,968)	3,019	(99,829)	(24,024)
Impairment loss on trade debts		(24,838)	(34,727)	(55,754)	(60,481)
Operating profit		706,454	757,629	942,953	1,041,992
Finance income		56,788	12,926	113,485	27,645
Unrealised loss on remeasurement of investments to fair value - net		(844)	(166)	(205)	(1,447)
Finance cost		(492,803)	(310,454)	(970,784)	(631,545)
Net finance cost		(436,859)	(297,694)	(857,504)	(605,347)
Share of profit in equity accounted investments		10,685	7,520	38,097	33,810
Profit before taxation		280,280	467,455	123,546	470,455
Income tax expense		(27,171)	(138,583)	(95,329)	(154,559)
Profit for the period		253,109	328,872	28,217	315,896
Profit / [Loss] attributable to:					
Owners of the Company		271,370	348,255	52,523	341,324
Non-controlling interests		(18,261)	(19,383)	(24,306)	(25,428)
		253,109	328,872	28,217	315,896

The annexed notes 1 to 23 form an integral part of these condensed interim consolidated financial statements.



Murtaza Hashwani
Chief Executive Officer



M.A. Bawany
Director



Tahir Mahmood
Chief Financial Officer

Condensed Interim Consolidated Statement of Comprehensive Income (Unaudited)

For the six months period ended 31 December 2022

	Three months period ended 31 December		Six months period ended 31 December	
	2022	2021	2022	2021
	[Rupees'000]			
Profit for the period	253,109	328,872	28,217	315,896
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	253,109	328,872	28,217	315,896
Total comprehensive income- [loss] attributable to:				
Owners of the Company	271,370	348,255	52,523	341,324
Non-controlling interests	[18,261]	[19,383]	[24,306]	[25,428]
	253,109	328,872	28,217	315,896

The annexed notes 1 to 23 form an integral part of these condensed interim consolidated financial statements.



Murtaza Hashwani
Chief Executive Officer



M.A. Bawany
Director



Tahir Mahmood
Chief Financial Officer

Condensed Interim Consolidated Statement of Cash Flows (Unaudited)

For the six months period ended 31 December 2022

	Note	Six months period ended 31 December	
		2022	2021
		[Rupees'000]	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash flows from operating activities before working capital changes	18	1,528,390	1,774,784
Working capital changes			
(Increase) / decrease in current assets			
Inventories		(65,560)	(32,699)
Development properties		-	(4,137)
Trade debts		(173,863)	(698,649)
Contract assets		(39,031)	(8,279)
Advances		(64,395)	(19,718)
Trade deposits and prepayments		(86,052)	(55,688)
Other receivables		4,032	(14,639)
Increase / (decrease) in current liabilities			
Trade and other payables		(162,898)	730,155
Non current liabilities		65,148	(5,158)
Contract liabilities		18,386	194,956
Cash (used in) / generated from operations		(504,233)	86,144
Staff retirement benefit - gratuity paid		(28,577)	(8,337)
Compensated leave absences paid		(28,641)	(11,709)
Income tax paid		(321,905)	(105,496)
Finance cost paid		(1,095,825)	(953,613)
Net cash (used in) / generated from operating activities		(450,791)	781,773
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		(800,728)	(408,137)
Advance for capital expenditure		63,628	(16,867)
Payment for Intangible asset		(33,337)	(400,194)
Proceeds from disposal of property, plant and equipment		70,056	175,223
Acquisition of a subsidiary, net of cash		-	(342,119)
Advance against equity investment		-	562,199
Short term investments		(330)	(113)
Advance against asset held for sale		-	400,000
Proceed from disposal of asset held for sale		2,337,910	-
Addition in asset held for sale		(234,054)	(94,895)
Dividend income received		600	225
Receipts of return on bank deposits and short term investments		108,597	28,762
Long term deposits and prepayments		(242)	(11,022)
Net cash generated / (used in) investing activities		1,512,101	(106,938)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long term financing		(1,017,039)	(172,461)
Proceeds from short term loan		80,348	111,977
Proceeds from long term financing		70,000	-
Advance against issuance of shares		14,400	40,686
Lease liabilities paid		(73,448)	(66,400)
Net cash generated / (used in) financing activities		(925,739)	(86,198)
Net increase in cash and cash equivalents		135,571	588,637
Cash and cash equivalents at beginning of the period		(1,627,920)	(2,184,209)
Cash and cash equivalents at end of the period	19	(1,492,349)	(1,595,572)

The annexed notes 1 to 23 form an integral part of these condensed interim consolidated financial statements.



Murtaza Hashwani
Chief Executive Officer



M.A. Bawany
Director



Tahir Mahmood
Chief Financial Officer

Condensed Interim Consolidated Statement of Changes in Equity (Unaudited)

For the six months period ended 31 December 2022

	Share capital	Share premium	Acquisition reserve	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	Unappropriated profit				
(Rupees'000)												
Balance at 01 July 2021	325,242	269,424	-	147,221	1,600,000	1,050,550	49,004	1,244,304	29,105,050	33,790,795	187,871	33,978,666
Impact of change in accounting policy	-	-	-	-	-	-	-	(14,775)	-	(14,775)	-	(14,775)
Adjusted balance at 01 July 2021	325,242	269,424	-	147,221	1,600,000	1,050,550	49,004	1,229,529	29,105,050	33,776,020	187,871	33,963,891
Total comprehensive income for the period												
Profit/ (loss) for the period	-	-	-	-	-	-	-	341,324	-	341,324	[25,428]	315,896
Advance against issuance of shares	-	-	-	-	-	-	-	-	-	-	40,686	40,686
NCI on acquisition of subsidiary	-	-	-	-	-	-	-	-	-	-	[74,328]	[74,328]
Total comprehensive income for the period	-	-	-	-	-	-	-	341,324	-	341,324	[59,070]	282,254
Balance at 31 December 2021	325,242	269,424	-	147,221	1,600,000	1,050,550	49,004	1,570,853	29,105,050	34,117,344	128,801	34,246,145
Balance at 01 July 2022	325,242	269,424	[271,575]	147,221	1,600,000	1,468,847	27,840	958,478	39,067,871	43,593,348	186,344	43,779,692
Total comprehensive income for the year												
Profit/ (loss) for the period	-	-	-	-	-	-	-	52,523	-	52,523	[24,306]	28,217
Advance against issuance of shares	-	-	-	-	-	-	-	-	-	-	14,400	14,400
NCI on acquisition of subsidiary	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	-	-	52,523	-	52,523	[9,906]	42,617
Transfer on disposal of property, plant & equipment	-	-	-	-	-	-	-	2,569,666	[2,569,666]	-	-	-
Balance at 31 December 2022	325,242	269,424	[271,575]	147,221	1,600,000	1,468,847	27,840	3,580,667	36,498,205	43,645,871	176,438	43,822,309

The annexed notes 1 to 23 form an integral part of these condensed interim consolidated financial statements.



Murtaza Hashwani
Chief Executive Officer



M.A. Bawany
Director



Tahir Mahmood
Chief Financial Officer

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the six months period ended 31 December 2022

1 THE GROUP AND ITS OPERATIONS

Pakistan Services Limited (“the Parent Company”) was incorporated on 06 December 1958 in Pakistan under the Companies Act, 1913 (now Companies Act, 2017) as a public limited Company and is quoted on Pakistan Stock Exchange Limited. The Parent Company’s registered office is situated at 1st Floor, NESPAK House, Sector G-5/2, Islamabad. The Parent Company is principally engaged in the hotel business and owns and manages the chain of Pearl Continental Hotels in Karachi, Lahore, Rawalpindi, Bhurban and Muzaffarabad Azad Jammu & Kashmir. The Parent Company also grants franchise to use its trade mark and name “Pearl Continental”.

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

These condensed interim consolidated financial statements includes the condensed interim financial statements of the Parent Company and the following Subsidiary Companies together constituting “the Group”:

Subsidiary Companies	Nature of business	Holding
Pearl Tours and Travels (Private) Limited	Rent-a-car, tour packages and travel related work	100%
Pearl Continental Hotels (Private) Limited	Non-operational	100%
City Properties (Private) Limited	Real Estate Development	100%
Elite Properties (Private) Limited	Real Estate Development	100%
Inveny (Private) Limited (through CPPL)	Conglomerate	78%

2 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

- International Accounting Standard [IAS] 34, Interim Financial Reporting, 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.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

The disclosures in these interim consolidated financial statements do not include the information that was reported in annual audited consolidated financial statements and should therefore be read in conjunction with the annual audited consolidated financial statements for the year ended 30 June 2022. Comparative condensed interim consolidated statement of financial position is extracted from the annual audited consolidated financial statements for the year ended 30 June 2022, whereas comparative condensed interim consolidated statement of profit or loss, condensed interim consolidated statement of comprehensive income, condensed interim consolidated statement of cash flows and condensed interim consolidated statement of changes in equity are extracted from unaudited interim consolidated financial statements for the six months period ended 31 December 2021.

These interim consolidated financial statements are unaudited and are being submitted to the members as required under Section 237 of the Companies Act, 2017 and the Listing Regulations of the Pakistan Stock Exchange Limited.

2.1 Going concern basis of accounting

These condensed interim 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. Accordingly, these condensed interim consolidated financial statements do not include any adjustments to the carrying amounts and classification of assets, liabilities and reported expenses that may otherwise be required if the going concern basis was not appropriate.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the six months period ended 31 December 2022

Current liabilities of the Group as at 31 December 2022 exceeds its current assets (excluding non-current assets held for sales) by Rs. 11,079 million (30 June 2022: 6,667 million). This adverse liquidity position is mainly due to increase in cost of borrowing and scheduled principal repayments of loans and borrowings.

The Group expects further improvement in occupancy rate and average daily rate due to increased demand and inflationary pressures. Further to improve the liquidity in the short term the Parent Company has formally submitted a request for restructuring/rescheduling to its lenders. The negotiation are ongoing and the Parent Company expects a positive outcome of these negotiation.

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.

3 ACCOUNTING POLICIES AND ESTIMATES

3.1 Significant accounting policies

The accounting policies and the methods of computation adopted in the preparation of these condensed interim consolidated financial statements are the same as those applied in the preparation of the financial statements of the Group for the year ended 30 June 2022.

3.2 Accounting estimates and judgments

In preparing these condensed interim consolidated financial statements, management has made judgments and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgments made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements of the Parent Company for the year ended 30 June 2022.

Measurement of fair values

The Group has an established control framework with respect to the measurement of fair values. This includes a finance team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the management.

Finance team 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 finance team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which the valuations should be classified.

Significant valuation issues are reported to the Board.

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

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the six months period ended 31 December 2022

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

3.3 Standards, interpretations and amendments to approved accounting and reporting standards that are not yet effective

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 January 2023 :

- Amendments to IAS 1: Presentation of Financial Statements [effective 01 January 2023]
- Amendments to IAS 8: Accounting policies, Changes in accounting estimates and error [effective 01 January 2023]
- Amendments to IAS 12: Income Taxes [effective 01 January 2023]

The above amendments are not likely to have an impact on these interim consolidated financial statements.

4 SHARE CAPITAL

There is no change in the authorized, issued, subscribed and paid up share capital of the Parent Company from 30 June 2022.

	Unaudited 31 December 2022	Audited 30 June 2022
	(Rupees'000)	
5 LOANS AND BORROWINGS - Secured		
a. Non - current portion		
Term Finance Loan - 1	478,785	534,035
Term Finance Loan - 2	1,490,520	1,662,520
Term Finance Loan - 3	1,598,873	1,765,539
Term Finance Loan - 4	1,600,000	1,800,000
Term Finance Loan - 5	50,057	149,818
Term Finance Loan - 6	70,000	-
Sukuk	6,070,675	6,390,184
Preference Shares	279,000	279,000
Transaction cost	[22,180]	[27,080]
	11,615,730	12,554,016
Current portion of loans	[9,666,730]	[3,971,901]
	1,949,000	8,582,115
Markup accrued	-	148,656
	1,949,000	8,730,771
b. Current portion		
Current portion of loans	9,666,730	3,971,901
Markup accrued	1,282,424	968,694
	10,949,154	4,940,595

5.1 The markup rates, facility limits and securities offered for long term financing facilities are the same as disclosed in the annual audited consolidated financial statements of the Group for the year ended 30 June 2022 except as follows:

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the six months period ended 31 December 2022

During the period the Parent Company approached to the financial institutions for rescheduling/restructuring of its existing outstanding loan amounts along with deferred markup and unpaid installments, the terms and conditions along with tenour are under discussion and management expects the rescheduling/restructuring of these financing arrangements to be finalized in the near future.

In view of the request, the parent company did not pay its principal repayment of loans and borrowings due on 31 Dec 2022. Although the company believes that lender were informed prior to repayment date and hence these installments will not result in early repayment of entire amount of borrowings. However to strictly comply with requirements of accounting and reporting standards as applicable in Pakistan, the amount of loans have been classified as current.”

- 5.2 This represent a partial disbursement of Rs. 70 million from total long term finance arrangement of Rs. 200 million availed by the Group during the period. The loan is repayable in eight equal quarterly installments with grace period of one year. The facility carries markup of 3-months KIBOR plus 2.75% per annum payable quarterly. Repayments of the facility will commence from January 2024. This long-term financing facility is secured by way of first pari passu hypothecation charge on all present and future current & fixed / tangible & intangible / movable & immovable assets, licence, rights, intellectual rights / properties / patents / of a subsidiary company and pledge shares equivalent to the facility amount with 50% margin and personal guarantee of a Director of the Parent Company and Director of a subsidiary company.

6 LEASE LIABILITIES	Unaudited 31 December 2022	Audited 30 June 2022
	[Rupees'000']	
Opening	437,317	239,657
Additions during the period/ year	8,082	330,585
Interest	21,646	27,537
Payments	(95,094)	(160,462)
Closing	<u>371,951</u>	<u>437,317</u>
Current portion	<u>134,154</u>	<u>135,726</u>
Non-current portion	<u>237,797</u>	<u>301,591</u>

- 6.1 The current payable amount to related party is Rs. 5.2 million (30 June 2022: Rs. 3.60 million)

7 SHORT TERM BORROWINGS - secured	Note	Unaudited 31 December 2022	Audited 30 June 2022
		[Rupees'000']	
Running finance facilities - banking companies	7.1	2,156,996	2,176,245
Short term loan - unsecured	7.2	886,815	806,467
Markup accrued		82,105	64,895
		<u>3,125,916</u>	<u>3,047,607</u>

- 7.1 The facility limits, securities offered and markup rates of these short term borrowings are the same as disclosed in the annual audited consolidated financial statements of the Group for the year ended 30 June 2022.

- 7.2 This includes loan from directors Rs. 619.787 million (30 June 2022: 539.44 million) and from related parties Rs. 267.03 million (30 June 2022 : Rs. 267.03 million).

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the six months period ended 31 December 2022

	Unaudited 31 December 2022	Audited 30 June 2022
	[Rupees'000]	
8 TRADE AND OTHER PAYABLES		
Creditors	1,133,318	1,100,660
Accrued liabilities	692,360	620,803
Shop deposits	50,075	53,575
Retention money	161,255	170,161
Due to related parties - unsecured	57,679	35,346
Sales tax payable-net	159,633	222,063
Income tax deducted at source	34,309	42,760
Unearned income	20,564	58,409
Payable to provident fund	7,877	7,877
Other liabilities	363,838	532,152
8.1	2,680,908	2,843,806

8.1 This includes amount of Rs. 20.71 million (30 June 2022: Rs. 22.47 million) payable to director of the Parent Company and Rs. 75 million (30 June 2022 : Rs. 125 million) payable on behalf of a subsidiary.

9 CONTINGENCIES AND COMMITMENTS

9.1 Contingencies

9.1.1 There is no change in the contingent liabilities as reported in the annual audited consolidated financial statements of the Group for the year ended 30 June 2022 except for the following:

	Unaudited 31 December 2022	Audited 30 June 2022
	[Rupees'000]	
9.1.2 Guarantees	370,205	403,416
9.2 Commitments		
Commitments for capital expenditure	2,763,551	2,816,748
10 PROPERTY, PLANT AND EQUIPMENT		
Operating fixed assets	45,888,218	45,964,339
Capital work in progress	4,134,452	3,730,842
	50,022,670	49,695,181
10.1 Operating fixed assets		
Carrying amount at beginning of the period / year	45,964,339	36,141,987
Additions during the period / year	118,080	341,121
Transfer from Capital work in progress	287,114	918,301
Revaluation surplus	-	10,131,256
asset classified as held for sale	-	[365,816]
Disposal during the period / year	[25,863]	[226,135]
Depreciation charge for the period / year	[455,452]	[976,375]
Carrying amount at end of the period / year	45,888,218	45,964,339

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the six months period ended 31 December 2022

	Unaudited 31 December 2022	Audited 30 June 2022
	[Rupees'000]	
10.2 Capital work in progress	Note	
Carrying amount at beginning of the period / year	3,730,842	3,679,837
Additions during the period / year	690,724	969,306
Transferred to operating fixed assets	(287,114)	(918,301)
Carrying amount at end of the period / year	4,134,452	3,730,842
10.2.1 Closing capital work in progress represents:		
Construction of Pearl Continental Mirpur	3,635,861	3,661,460
Other civil works	498,591	69,382
	4,134,452	3,730,842
10.2.2 Additions in and depreciation on property, plant and equipment during the six months period ended 31 December 2021 were Rs. 242.307 million and Rs. 486.004 million respectively.		
11 INTANGIBLE ASSET	Unaudited 31 December 2022	Audited 30 June 2022
	[Rupees'000']	
Project under development	532,440	499,103
Software	213,329	213,329
	745,769	712,432
Cost		
Opening balance	712,432	284,713
Additions : Project under development	13,250	16,438
Additions : Project under development	20,087	305,929
Additions : Software	-	92,202
Additions : Software	-	13,150
Closing balance	745,769	712,432
Accumulated amortisation		
Opening balance	77,320	32,393
Amortisation charge	18,133	44,927
Closing balance	95,453	77,320
Net book value		
Cost	745,769	712,432
Accumulated amortisation	95,453	77,320
Closing balance	650,316	635,112
Amortisation rate per annum		
Project under development	5%	5%
Software	30%	30%

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the six months period ended 31 December 2022

	Unaudited 31 December 2022	Audited 30 June 2022
	[Rupees'000']	
12 ADVANCE FOR CAPITAL EXPENDITURE		
Advance for purchase of land	12.1 666,820	666,820
Advance for purchase of Malir Delta Land	12.2 381,656	381,656
Impairment loss	(40,000)	(40,000)
	1,008,476	1,008,476
Advance for purchase of apartment	40,509	40,509
Impairment loss	(40,509)	(40,509)
	-	-
Advance for purchase of fixed assets	32,035	34,183
Advances for Pearl Continental Mirpur Project	99,026	79,026
	131,061	113,209
Advance for vehicles under lease arrangements	-	81,480
	1,139,537	1,203,165

12.1 This includes amount of Rs. 626.82 million (30 June 2022: 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, in previous years, 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 general meeting and seek their approval in terms of section 199 of the Companies Act, 2017. The directors of the Parent Company has filed an appeal in the Honorable Islamabad High Court against the order of SECP. Simultaneously, without prejudice to the right of the Appellants, the management and Board have complied with the directions of SECP in this regard.

12.2 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 Hon'ble Supreme Court of Pakistan and presently the matter is pending adjudication before the Apex Court and Parent Company 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.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the six months period ended 31 December 2022

	Unaudited 31 December 2022	Audited 30 June 2022
	(Rupees'000)	
13 ADVANCE AGAINST EQUITY INVESTMENT		
Xoop Technologies (Private) Limited Impairment allowance	248,278 (119,233) 129,045	248,278 (119,233) 129,045
Home Shopping Impairment allowance	116,124 (55,767) 60,357	116,124 (55,767) 60,357
	189,402	189,402
14 SHORT TERM INVESTMENTS		
<i>Amortized cost</i>		
Certificate of investments Impairment loss	5,300 (5,300) -	5,300 (5,300) -
<i>Fair value through other comprehensive income</i>		
National Technology Development Corporation Limited Indus Valley Solvent Oil Extraction Limited Impairment loss	200 500 (700) -	200 500 (700) -
<i>Amortized cost</i>		
Term deposit receipt Term Finance certificate Mutual Fund Accrued interest	1,193,579 75,000 3,703 6,722 1,279,004	1,193,579 75,000 3,373 9,407 1,281,359
<i>Financial assets at fair value through profit or loss</i>		
Shares of listed Companies	6,787 1,285,791	6,991 1,288,350
15 NON CURRENT ASSET HELD FOR SALE		
Property Under construction Hotel Pearl Continental Multan	- 5,090,824 5,090,824	3,114,554 4,544,545 7,659,099

15.1 During the period, the disposal of the property has been completed.

	Note	Three months period ended 31 December		Six months period ended 31 December	
		2022	2021	2022	2021
(Rupees'000')					
16 REVENUE - NET					
Rooms		1,958,616	1,514,507	3,456,502	2,624,135
Food and beverages		2,328,218	2,214,827	4,190,449	3,744,676
Other related services	16.1	393,464	235,615	702,869	426,929
Vehicle rentals		49,714	42,231	107,239	79,310
Shop license fees		12,695	15,479	25,378	30,074
Franchise & management fee revenue		15,147	6,820	29,469	31,555
		4,757,854	4,029,479	8,511,906	6,936,679
Discounts and commissions		(88,878)	(116,081)	(172,271)	(191,950)
Sales tax		(708,970)	(535,469)	(1,141,341)	(925,051)
		3,960,006	3,377,929	7,198,294	5,819,678

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

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the six months period ended 31 December 2022

	Three months period ended 31 December		Six months period ended 31 December	
	2022	2021	2022	2021
	[Rupees'000]			
17 COST OF SALES AND SERVICES				
Food and beverages				
Opening balance	148,484	233,517	150,527	170,716
Purchases during the period	687,769	785,523	1,280,188	1,304,970
Closing balance	(170,326)	(402,254)	(170,326)	(402,254)
Consumption during the period	665,927	616,786	1,260,389	1,073,432
Direct expenses				
Salaries, wages and benefits	559,146	417,322	1,060,353	775,890
Heat, light and power	333,462	270,619	823,796	565,482
Repair and maintenance	123,338	99,933	220,854	172,286
Depreciation	184,952	197,603	372,372	399,690
Amortization	7,660	4,742	15,811	18,254
Guest supplies	73,730	71,092	136,305	127,666
Linen, china and glassware	41,167	39,682	68,470	60,567
Communication and other related services	3,179	2,650	5,908	4,546
Laundry and dry cleaning	20,561	21,250	37,729	38,348
Banquet and decoration	20,064	31,665	38,694	37,823
Transportation	(298)	323	1,834	1,983
Uniforms	6,896	3,520	11,731	7,577
Music and entertainment	4,602	3,908	9,099	7,143
Insurance	844	672	1,662	1,004
Vehicle operating Expense	20,289	10,950	42,499	18,412
Vehicle Rental and Registration Charges	9,499	6,104	22,490	10,863
Others	112,500	39,160	163,161	71,853
	2,187,518	1,837,981	4,293,157	3,392,819
18 CASH FLOWS FROM OPERATING ACTIVITIES BEFORE WORKING CAPITAL CHANGES				
			Six months period ended 31 December	
			2022	2021
			[Rupees'000]	
Profit before tax			123,546	470,455
Adjustments for:				
Depreciation			455,452	486,004
Amortization			18,133	53,240
[Gain] / Loss on disposal of property, plant and equipment			(44,193)	6,038
Gain on disposal of Assets held for sale			(98,356)	-
Provision for staff retirement benefit - gratuity			64,435	78,288
Provision for compensated leave absences			29,187	26,057
Impairment loss on trade debts			55,754	60,481
Return on bank deposits / certificate of investments			(107,689)	(28,760)
Finance cost			970,784	631,545
Dividend income			(600)	(225)
Unrealised Loss on remeasurement of investments to fair value			205	1,447
Share of gain in equity accounted investment-net			(38,097)	(33,810)
Impairment on investment in associated company			99,829	24,024
			1,528,390	1,774,784
19 CASH AND CASH EQUIVALENTS				
Cash and bank balances			667,825	565,117
Short term borrowings			(2,156,996)	(2,160,282)
Accrued profit on bank deposits			(3,178)	(407)
			(1,492,349)	(1,595,572)

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the six months period ended 31 December 2022

20 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 transactions and balances with related parties, other than those which have been disclosed elsewhere in these financial statements, are as follows:

	Six months period ended 31 December	
	2022	2021
	[Rupees'000]	
Transactions with associated undertakings		
Sales	106	168
Services provided	38,437	14,670
Services availed	277,856	187,723
Purchases	89,701	36,800
Franchise fee - income	2,740	2,346
Balances as at the period / year end:		
- Trade debts	32,113	*19,543
- Trade Advances, deposits, prepayments & other receivables	23,375	*12,926
Transactions with other related parties		
Sales	16	920
Services provided	79	89
Services availed	14,712	300
Contribution to defined contribution plan - provident fund	30,322	25,342
Purchase of Fixed asset	4,708	-
Short term loan repaid during the period	-	11,522
Balances as at the period / year end:		
- Trade debts	553	* 1,245
- Advance for capital expenditure	626,820	* 626,820
Transactions with key management personnel		
Remuneration and allowances including staff retirement benefits	266,626	121,182
Loan from key management personnel during the period	80,348	43,500
Advance remuneration and other receivables	5,362	* 794

* Represents balances as at 30 June 2022.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the six months period ended 31 December 2022

21 FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT

21.1 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				
		Financial Assets		Financial Liabilities	Amount in Rs'000				
		Fair value through profit or loss	Amortized cost	Amortized cost	Total	Level 1	Level 2	Level 3	Total
31 December 2022									
Financial assets measured at fair value									
Shares of listed Companies	14	6,787	-	-	6,787	6,787	-	-	6,787
Long term deposits		52,760	-	-	52,760	-	-	-	-
Short term deposits		22,270	-	-	22,270	-	-	-	-
		81,817	-	-	81,817	6,787	-	-	6,787
Financial assets not measured at fair value									
Trade debts	21.2	-	951,294	-	951,294	-	-	-	-
Contract assets		-	66,685	-	66,685	-	-	-	-
Advance to employees		-	43,149	-	43,149	-	-	-	-
Other receivables		-	354,428	-	354,428	-	-	-	-
Short term investments	14	-	1,272,282	-	1,272,282	-	-	-	-
Accrued interest		-	9,900	-	9,900	-	-	-	-
Cash and bank balances		-	667,825	-	667,825	-	-	-	-
		-	3,365,563	-	3,365,563	-	-	-	-
Financial liabilities not measured at fair value									
Loans and borrowings	21.2	-	-	12,920,334	12,920,334	-	-	-	-
Other non-current liabilities	5	-	-	78,082	78,082	-	-	-	-
Short term borrowings	7	-	-	3,125,916	3,125,916	-	-	-	-
Lease liabilities	6	-	-	371,951	371,951	-	-	-	-
Trade and other payables	21.3	-	-	2,466,402	2,466,402	-	-	-	-
Unclaimed dividend		-	-	9,242	9,242	-	-	-	-
Unpaid dividend		-	-	1,528	1,528	-	-	-	-
		-	-	18,973,455	18,973,455	-	-	-	-
30 June 2022									
Financial assets measured at fair value									
Short term investments	14	6,991	-	-	6,991	6,991	-	-	6,991
Long term deposits		52,518	-	-	52,518	-	-	-	-
Short term deposits		16,682	-	-	16,682	-	-	-	-
		76,191	-	-	76,191	6,991	-	-	6,991
Financial assets not measured at fair value									
Trade debts	21.2	-	833,185	-	833,185	-	-	-	-
Contract assets		-	27,654	-	27,654	-	-	-	-
Advance to employees		-	18,537	-	18,537	-	-	-	-
Other receivables		-	143,289	-	143,289	-	-	-	-
Short term investments	14	-	1,271,952	-	1,271,952	-	-	-	-
Cash and bank balances		-	549,726	-	549,726	-	-	-	-
		-	2,844,343	-	2,844,343	-	-	-	-
Financial liabilities not measured at fair value									
Loans and borrowings	21.2	-	-	13,698,446	13,698,446	-	-	-	-
Other non-current liabilities	5	-	-	12,934	12,934	-	-	-	-
Short term borrowings	7	-	-	3,047,607	3,047,607	-	-	-	-
Lease liabilities	6	-	-	366,244	366,244	-	-	-	-
Trade and other payables	21.3	-	-	2,520,574	2,520,574	-	-	-	-
Unclaimed dividend		-	-	9,242	9,242	-	-	-	-
Unpaid dividend		-	-	1,528	1,528	-	-	-	-
		-	-	19,656,575	19,656,575	-	-	-	-

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the six months period ended 31 December 2022

- 21.2 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.
- 21.3 It excludes, federal excise duty, bed tax and sales tax payable, banquet / beverage tax, unearned income and income tax deducted at source.

22 CORRESPONDING FIGURES

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

Description of item	Reclassified from	Reclassified to	Amount [Rupees'000]
Impairment on associates	Finance income	Other expense/ reversal	24,024

23 DATE OF AUTHORISATION FOR ISSUE

These condensed interim consolidated financial statements were authorized for issue by the Board of Directors of the Parent Company in its meeting held on 24 February 2023.



Murtaza Hashwani
Chief Executive Officer



M.A. Bawany
Director



Tahir Mahmood
Chief Financial Officer



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OWNERS AND OPERATORS OF



Pearl-Continental
HOTELS & RESORTS