

# CONDENSED INTERIM FINANCIAL STATEMENTS

For the nine months period  
ended 31 March 2019

**PSL**

PAKISTAN SERVICES LTD.

*PC*

Pearl-Continental  
HOTELS & RESORTS

NATHIAGALI, MURREE - PAKISTAN





Pearl-Continental  
HOTELS & RESORTS

# CONDENSED INTERIM FINANCIAL STATEMENTS [UNAUDITED]

For the nine months period ended 31 March 2019



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, Peshawar, Bhurban and Muzaffarabad; comprising 1,526 rooms. It also owns and manages another small hotel with 32 rooms in Lahore city.

### BOARD OF DIRECTORS

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

### AUDIT COMMITTEE

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

### HUMAN RESOURCE & REMUNERATION

#### COMMITTEE

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

### CHIEF FINANCIAL OFFICER

Mr. Tahir Mahmood

### COMPANY SECRETARY

Mr. Mansoor Khan

### AUDITORS

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

### LEGAL ADVISOR

M/s Liaquat Merchant & Associates

### BANKERS

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

### REGISTERED OFFICE

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

### SHARE REGISTRAR

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

# Directors' Report

## Dear Members,

The Board of Directors of Pakistan Services Limited (PSL) presents the condensed interim financial statements on the performance of the Company for the nine-months period ended 31 March 2019.

## Economic Overview

The economy of Pakistan is facing challenges of inflation, devaluation, and current account shortfall besides Indian aggression and threats. Negotiations with the IMF over a crucial bailout package is expected to end soon as IMF team is expected to have final round at the end of April.

The government is rightly focusing on industrial revival, exports and investments incentives, and improving productivity in order to foster economic growth to reduce the pressures on balance of payment. CPEC projects are soon expected to have a positive outlook for Pakistan economy.

Several cricket matches of Pakistan Super League were recently held in Pakistan with prominent international players willingly played the matches indicating improved and safe law and order situation. Several famous international footballers also visited Pakistan and expressed their confidence in the current law and order situation. High-profile activities like these provide a boost to tourism and the economy of Pakistan and thus alleviating the poverty.

## Overall performance of the Company

The unstable economic situation and tension at the borders with neighboring countries, coupled with tough fiscal policy decisions impacted the hospitality industry negatively in Pakistan. During the nine-month period ended 31 March 2019, the Company achieved revenue [net] of Rs. 7,810 million, as compared to Rs. 8,214 million in the corresponding period of the last year.

During the period, the gross profit stood at Rs. 3,332 million as compared to Rs. 4,038 million in the same period of last year, while the loss before tax was Rs. 53 million as compared to a profit of Rs. 931 million in similar period last year. Continued adverse performance of marketable securities also added the unrealized loss of Rs. 354 million.

**Highlights of Performance:**

	For the nine months period ended 31 March	
	2019	2018
	(Rupees million)	
Sales and Services – net	7,810	8,214
Gross profit	3,332	4,038
[Loss] / profit before taxation	(53)	931
[Loss] / profit after taxation	(401)	672
[Loss]/ earnings per share (Rupees)	(12.33)	20.65

**Performance of Rooms Department**

During the period Rooms Revenue [net] was Rs. 3,798 million as against Rs. 4,111 million in the corresponding period of last year.

**Performance of Food & Beverage (F&B) Department**

Net revenue from this segment recorded at Rs. 3,643 million as compared to Rs. 3,734 million of same period last year.

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

From this segment of business Revenue of Rs. 369 million [net] has been achieved which is in line with the comparative period of last year.

**Prospects**

The Government is keen to make Pakistan a tourist destination and provide safe and healthy tourism activities for international tourists. The opening of the Kartarpur corridor also carries a positive image for potential tourism in the country.

The Company has excellent potential to benefit from the planned tourism activities in the country and can offer services to a wide range of customers.

Further, the completion of our two hotels – Pearl-Continental Hotel Mirpur-AJK and Pearl-Continental Hotel Multan is expected in the next financial year while the Company is targeting soft-openings of both these hotels by the end of year 2019.

## Consolidated Results

During the current period, the group recorded a revenue [net] of Rs. 7,909 million as compared to Rs. 8,286 million of the same period last year. Loss after taxation is recorded at Rs. 394 million in comparison to Profit of Rs. 780 million of the corresponding period in the previous year.

## Acknowledgement

On behalf of the Board, we thank the staff for their dedicated professional services. We also extend our thanks to our consultants, bankers, and shareholders for the advice, understanding, and support that are critical for the success of programs, projects, and business operations. Finally we thank our valued guests for their encouragement and expectation which forces your company to deliver the best level of products and services to win their continued support and patronage.

For and on behalf of the Board of Directors



**M.A. Bawany**

Director



**Shakir Abu Bakar**

Director

Islamabad: 26 April 2019



## ڈائریکٹرز رپورٹ

### محترم حصص داران:

پاکستان سروسز لمیٹڈ (پی ایس ایل) کے بورڈ آف ڈائریکٹرز ۳۱ مارچ ۲۰۱۹ء کو ختم ہونے والی نو ماہی مدت میں کمپنی کی کارکردگی اور مالیاتی معلومات کا عبوری خلاصہ پیش کر رہے ہیں۔

### اقتصادی جائزہ:

پاکستان کی معیشت کو بڑھتی ہوئی افراط زر، کرنسی کی قدر میں کمی، بھارت کے جارحانہ رویہ اور کرنٹ اکاؤنٹ میں خسارہ کا سامنا ہے۔ آئی ایم ایف کے ساتھ ٹیل آؤٹ پیکیج پر مذاکرات جاری ہیں۔ جو کہ اپریل میں اختتامی مذاکرات کے بعد حاصل ہو جائیگا۔

موجودہ حکومت معاشی ترقی اور بیلنس آف پیمنٹ کو بہتر کرنے کیلئے صنعتی بحالی، برآمدات اور سرمایہ کاری کو بڑھانے کی کوشش کر رہی ہے اور سی پیک منصوبے کے مثبت اثرات پاکستان کی معیشت پر جلد مرتب ہونگے۔

پاکستان سپر لیگ کے کئی میچز پاکستان میں منعقد ہوئے جس میں کئی ممتاز بین الاقوامی کھلاڑیوں نے حصہ لیا اور اس کے علاوہ کئی مشہور بین الاقوامی فٹ بالرز نے پاکستان کا دورہ کیا اور ملک میں موجودہ امن و امان کی صورت حال پر اپنے اعتماد کا اظہار کیا ہے۔ اس طرح کی اعلیٰ سرگرمیاں سیاحت اور معیشت کے فروغ کے ساتھ غربت میں کمی کے خاتمے کا باعث ہونگی۔

### کمپنی کی مجموعی کارکردگی:

غیر مستحکم معاشی صورتحال اور پڑوسی ملک سے کشیدگی نے پاکستان میں سیاحت کی سرگرمیوں کو کافی متاثر کیا ہے۔ ۳۱ مارچ ۲۰۱۹ء تک ختم ہونے والی نو ماہی مدت کے دوران کمپنی نے ۷,۸۱۰ ملین روپے کی خالص آمدنی حاصل کی ہے جو گزشتہ سال کے اسی عرصے کے دوران ۸,۲۱۴ ملین روپے تھی۔ کمپنی کا مجموعی منافع ۳,۳۳۲ ملین روپے ہے جو کہ گزشتہ سال کے اسی عرصے میں ۲,۰۳۸ ملین روپے تھا۔ قبل از ٹیکس خسارہ گزشتہ برس کے اسی عرصے کے ۹۳۱ ملین منافع کے مقابلے میں ۵۳ ملین ریکارڈ کیا گیا۔ بازار حصص کے مندرجہ تمسکات میں سرمایہ کاری سے نقصان ۳۵۴ ملین روپے ریکارڈ کیا گیا۔

## کارکردگی کی جھلکیاں:

	نوامبر تا مئی ۲۰۱۹ء	
	۲۰۱۹	۲۰۱۸
	(ملین روپے)	
فروخت اور خدمات (خالص)	۷,۸۱۰	۸,۲۱۴
کل منافع	۳,۳۳۲	۴,۰۳۸
(خسارہ)/منافع قبل از ٹیکس	(۵۳)	۹۳۱
(خسارہ)/منافع بعد از ٹیکس	(۴۰۱)	۶۷۲
فی حصہ (خسارہ)/آمدنی (روپے میں)	(۱۲.۳۳)	۲۰.۶۵

## رومز ڈیپارٹمنٹ کی کارکردگی:

اس عرصہ کے دوران گزشتہ سال کے اسی عرصہ کے ۳,۱۱۱ ملین روپے کی نسبت آمدنی (خالص) ۷,۹۸ ملین روپے ریکارڈ کی گئی۔

## فوڈ اینڈ بیورٹج (F&amp;B) ڈیپارٹمنٹ کی کارکردگی:

اس شعبے کی خالص آمدن ۳,۶۴۳ ملین روپے ریکارڈ کی گئی جو گزشتہ سال اسی عرصے کے مقابلے میں ۳,۷۳۴ ملین روپے تھی۔

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

اس شعبے میں زیر جائزہ عرصے کے دوران میں ۳,۶۹ ملین روپے کی آمدنی (خالص) حاصل کی گئی۔ جو گزشتہ برس کے اسی عرصے کے دوران حاصل ہونے والی آمدنی کے برابر

ہے۔

## مستقبل کے امکانات:

موجودہ حکومت، پاکستان کو سیاحتی مقام بنانے اور بین الاقوامی سیاحوں کے لیے محفوظ اور صحت مند سیاحت کی سرگرمیاں فراہم کرنے میں خصوصی دلچسپی لے رہی ہے۔ کرتاپور راہداری کا افتتاح ملک میں ممکنہ سیاحت کے لیے بہت سازگار ثابت ہوگا۔

کمپنی پاکستان میں ممکنہ سیاحتی سرگرمیوں میں اضافہ سے فائدہ حاصل کرنے اور اپنے معزز مہمانوں کو بہترین خدمات فراہم کرنے کی مکمل صلاحیت رکھتی ہے۔

اس کے علاوہ ہمارے دو ہوٹل پرل کانسٹیبل ہوٹل ملتان اور میرپور اس سال تکمیل کے مراحل میں ہیں اور کمپنی ان دو ہوٹلوں کو اگلے مالی سال میں کھولنے کا ارادہ رکھتی ہے اور ان ہوٹلوں کی سوئٹ اوپننگ سال ۲۰۱۹ء کے اختتام تک کرنے کا ارادہ ہے۔

## مجموعی نتائج:

زیر جائزہ عرصے کے دوران گروپ نے ۷,۹۰۹ ملین روپے کے محصولات (خالص) ریکارڈ کئے جو گزشتہ سال اسی عرصے میں ۸,۲۸۶ ملین روپے تھے۔ گزشتہ برس کے ۷۸۰ ملین روپے بعد از ٹیکس منافع کی نسبت موجودہ عرصہ میں ۳۹۴ ملین روپے خسارہ ریکارڈ کیا گیا۔

## اظہار تشکر:

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

## منجانب بورڈ آف ڈائریکٹرز



شاہراہ بوکر

ڈائریکٹر



ایم۔ اے بادانی

ڈائریکٹر

اسلام آباد: ۲۶ اپریل ۲۰۱۹ء



Executive Suite,  
Pearl-Continental Hotel Bhurban



**CONDENSED INTERIM UNCONSOLIDATED  
FINANCIAL STATEMENTS (UNAUDITED)**

For the nine months period ended 31 March 2019

# Condensed Interim Unconsolidated Statement of Financial Position

As at 31 March 2019

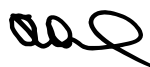
		Unaudited 31 March 2019	Audited 30 June 2018 Restated
	Note	[Rupees'000]	
<b>EQUITY</b>			
Share capital	4	325,242	325,242
Capital reserve		269,424	269,424
Revenue reserves		7,314,021	7,714,976
Revaluation surplus on property, plant and equipment		27,530,740	27,530,740
<b>Total equity</b>		<b>35,439,427</b>	<b>35,840,382</b>
<b>LIABILITIES</b>			
Loans and borrowings	5	12,305,512	9,656,299
Employee benefits		698,701	666,088
Deferred tax liability - net		424,750	272,545
<b>Non current liabilities</b>		<b>13,428,963</b>	<b>10,594,932</b>
Short term borrowings	6	559,116	553,868
Current portion of loans and borrowings	5	2,503,244	1,347,134
Trade and other payables	7	1,490,473	1,522,922
Contract liabilities	3.3	454,518	427,953
Markup accrued		309,652	223,910
Unpaid dividend		1,555	19,210
Unclaimed dividend		9,242	9,242
<b>Current liabilities</b>		<b>5,327,800</b>	<b>4,104,239</b>
<b>Total equity and liabilities</b>		<b>54,196,190</b>	<b>50,539,553</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	8		

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

		Unaudited 31 March 2019	Audited 30 June 2018 Restated
	Note	[Rupees'000]	
<b>ASSETS</b>			
Property, plant and equipment	9	41,986,794	39,925,287
Advance for capital expenditure	10	1,649,402	1,532,203
Investment property		60,000	60,000
Long term investments		1,037,794	1,037,794
Advance against equity investment	11	3,411,571	2,014,570
Long term deposits and prepayments		69,740	37,970
<b>Non current assets</b>		<b>48,215,301</b>	<b>44,607,824</b>
Inventories		340,371	279,917
Contract assets	12	34,745	35,589
Trade debts		821,008	669,103
Advances, prepayments, trade deposits and other receivables		504,662	299,613
Short term investments	13	2,785,244	3,123,231
Short term advance	14	515,000	40,000
Advance tax - net		378,182	216,899
Cash and bank balances		601,677	1,267,377
<b>Current assets</b>		<b>5,980,889</b>	<b>5,931,729</b>
<b>Total assets</b>		<b>54,196,190</b>	<b>50,539,553</b>



**M.A. Bawany**  
Director



**Shakir Abu Bakar**  
Director



**Tahir Mahmood**  
Chief Financial Officer

# Condensed Interim Unconsolidated Statement of Profit or Loss (Unaudited)

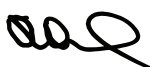
For the nine months period ended 31 March 2019

	Note	Three months period ended 31 March		Nine months period ended 31 March	
		2019	2018	2019	2018
[Rupees'000]					
Revenue - net	15	2,774,257	2,882,366	7,810,430	8,213,507
Cost of sales and services	16	(1,535,372)	(1,417,480)	(4,478,209)	(4,175,215)
<b>Gross profit</b>		<b>1,238,885</b>	<b>1,464,886</b>	<b>3,332,221</b>	<b>4,038,292</b>
Other income		59,374	36,700	149,179	88,781
Administrative expenses		(813,932)	(838,816)	(2,383,024)	(2,485,741)
<b>Operating profit</b>		<b>484,327</b>	<b>662,770</b>	<b>1,098,376</b>	<b>1,641,332</b>
Finance income		102,859	9,096	204,437	21,497
Unrealised (loss)/ gain on remeasurement of investments to fair value - net		(69,311)	34,791	(353,849)	(226,942)
Finance cost		(397,677)	(182,272)	(1,002,389)	(504,660)
<b>Net finance cost</b>		<b>(364,129)</b>	<b>(138,385)</b>	<b>(1,151,801)</b>	<b>(710,105)</b>
(Loss) / profit before taxation		120,198	524,385	(53,425)	931,227
Income tax expense		(101,204)	(94,883)	(347,530)	(259,694)
<b>(Loss) / profit for the period</b>		<b>18,994</b>	<b>429,502</b>	<b>(400,955)</b>	<b>671,533</b>
(Loss) / earnings per share - basic and diluted (Rupees)	17	0.58	13.21	(12.33)	20.65

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



**M.A. Bawany**  
Director



**Shakir Abu Bakar**  
Director



**Tahir Mahmood**  
Chief Financial Officer



# Condensed Interim Unconsolidated Statement of Comprehensive Income (Unaudited)

For the nine months period ended 31 March 2019

	Three months period ended 31 March		Nine months period ended 31 March	
	2019	2018	2019	2018
	[Rupees'000]			
[Loss] / profit for the period	18,994	429,502	[400,955]	671,533
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	18,994	429,502	[400,955]	671,533

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



M.A. Bawany  
Director



Shakir Abu Bakar  
Director



Tahir Mahmood  
Chief Financial Officer

# Condensed Interim Unconsolidated Statement of Cash Flow (Unaudited)


For the nine months period ended 31 March 2019

	Note	Nine months period ended 31 March	
		2019	2018
		[Rupees'000]	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash flows from operating activities before working capital changes	18	1,815,530	2,176,728
<b>Changes in:</b>			
Inventories		(60,454)	(21,277)
Contract assets		844	(33,191)
Trade debts		(160,090)	(260,771)
Advances		(82,047)	(73,046)
Trade deposits and prepayments		(66,168)	(40,633)
Other receivables		(5,083)	641,703
Trade and other payables		(32,449)	66,393
Contract liabilities		26,565	33,998
<b>Cash [used in] / from operations</b>		<b>(378,882)</b>	<b>313,176</b>
Staff retirement benefit - gratuity paid		(37,569)	(37,586)
Compensated leave absences paid		(34,949)	(21,363)
Income tax paid		(356,609)	(351,166)
Finance cost paid		(922,158)	(448,723)
<b>Net cash from operating activities</b>		<b>85,363</b>	<b>1,631,066</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to property, plant and equipment		(2,685,739)	(2,166,240)
Advance for capital expenditure		(117,199)	(401,832)
Proceeds from disposal of property, plant and equipment		45,152	41,840
Advance against equity investment		(1,397,001)	(966,000)
Short term investments		(15,862)	-
Short term advance		(475,000)	-
Dividend income received		380	355
Receipts of return on bank deposits and TDR		149,449	17,342
Long term deposits and prepayments		(31,770)	(14,832)
<b>Net cash used in investing activities</b>		<b>(4,527,590)</b>	<b>(3,489,367)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of long term financing		(1,018,333)	(450,000)
Proceeds from sukuk issuance		4,666,667	2,333,333
Proceeds from long term financing		150,000	1,000,000
Repayment of diminishing musharaka facility		(9,400)	-
Payment of Facility arrangement/transaction cost		-	(45,000)
Dividend paid		(17,655)	(329,287)
<b>Net cash from financing activities</b>		<b>3,771,279</b>	<b>2,509,046</b>
<b>Net [decrease] / increase in cash and cash equivalents</b>		<b>(670,948)</b>	<b>650,745</b>
Cash and cash equivalents at beginning of the period		713,509	(69,285)
Cash and cash equivalents at end of the period	19	42,561	581,460

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



**M.A. Bawany**  
Director



**Shaker Abu Bakar**  
Director



**Tahir Mahmood**  
Chief Financial Officer

# Condensed Interim Unconsolidated Statement of Changes in Equity (Unaudited)

For the nine months period ended 31 March 2019

Share capital	Capital reserve		Revenue reserves		Total equity
	Share premium	Surplus on revaluation of property, plant and equipment	General reserve	Unappropriated profit	

[Rupees'000]

Balance at 01 July 2017	325,242	269,424	23,779,515	1,600,000	6,141,680	32,116,041
Total comprehensive income for the period						

Profit for the period	-	-	-	-	671,533	671,533
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	671,533	671,533

#### Transaction with owners of the Company

##### Distribution:

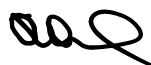
Final dividend of 2017 @ Rs. 5 per share	-	-	-	-	(162,621)	(162,621)
First interim dividend of 2018 @ Rs. 5 per share	-	-	-	-	(162,621)	(162,621)
Total distribution	-	-	-	-	(325,242)	(325,242)
Balance at 31 March 2018	325,242	269,424	23,779,515	1,600,000	6,487,971	32,462,332

Balance at 01 July 2018	325,242	269,424	27,530,740	1,600,000	6,114,976	35,840,382
Total comprehensive income for the period						
Loss for the period	-	-	-	-	(400,955)	(400,955)
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the period - [loss]	-	-	-	-	(400,955)	(400,955)
Balance at 31 March 2019	325,242	269,424	27,530,740	1,600,000	5,714,021	35,439,427

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



M.A. Bawany  
Director



Shakir Abu Bakar  
Director



Tahir Mahmood  
Chief Financial Officer

# Notes to the Interim Unconsolidated Financial Statements (Unaudited)

For the nine months period ended 31 March 2019

## 1 STATUS AND NATURE OF BUSINESS

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

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

## 2 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

These 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 2018. Comparative condensed interim unconsolidated statement of financial position is extracted from the annual audited unconsolidated financial statements for the year ended 30 June 2018, whereas comparative condensed interim unconsolidated statement of profit or loss, condensed interim unconsolidated statement of comprehensive income, condensed interim unconsolidated statement of cash flow and condensed interim unconsolidated statement of changes in equity are extracted from unaudited interim unconsolidated financial statements for the nine months period ended 31 March 2018.

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.

## 3 ACCOUNTING POLICIES AND ESTIMATES

### 3.1 Accounting policies

The accounting policies adopted in the preparation of these 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 2018 except for the adoption of new standard effective as of 01 July 2018 as referred to in note 3.3 to these interim unconsolidated financial statements.

### 3.2 New standards, interpretations and amendments adopted by the Company

The Company has adopted IFRS 15 ‘Revenue from Contracts with Customers’ from 01 July 2018. The impact of the adoption of standard and the new accounting policy is disclosed in note 3.3 below. A number of amendments / interpretations are effective from 01 July 2018 but they do not have a material effect on the Company’s condensed interim financial statements.

# Notes to the Interim Unconsolidated Financial Statements (Unaudited)

## For the nine months period ended 31 March 2019

### 3.3 IFRS 15 'Revenue from Contracts with Customers'

The IASB issued IFRS 15 Revenue from Contracts with Customers ("IFRS 15") in May 2014. This IFRS replaces IAS 18 Revenue, IAS 11 Construction Contracts and other revenue-related interpretations. IFRS 15 establishes a single revenue recognition framework which requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive when control is transferred to the purchaser. IFRS 15 became applicable to the Company on 01 July 2018 and the Company used the retrospective method to adopt the standard. Under this method, cumulative effect of applying the new standard is recognized at the start of the earliest period presented. The Company has reviewed its revenue streams i.e. sale of goods and rendering of services and underlying contracts with customers and, as result of this review, the adoption of IFRS 15 did not have an impact on the Company's condensed interim unconsolidated statement of profit or loss, condensed interim unconsolidated statement of comprehensive income and condensed interim unconsolidated financial position except advance consideration received from customers was included in 'Trade and other payables' which now is reclassified in 'Contract liabilities' and unbilled receivables which were included in 'Trade debts' are now reclassified to 'Contract assets' presented separately in these condensed interim unconsolidated statement of financial position. In addition, comparative figures of these account heads are also reclassified for comparison purpose. As required for the condensed interim financial statements, the Company disaggregated revenue recognised from contracts with customers which is disclosed in note 15 to these condensed interim unconsolidated financial statements.

#### Accounting Policy

Customers obtain control of goods and services when goods are consumed and services are provided to the customers. Invoices are generated and revenue is recognised net of upfront discounts at that point in time. Invoices are usually payable within 30 days. Generally for such sales, the customer has no right of return. The Company does not have any obligations for return of goods and services.

### 3.4 Accounting Estimates and Judgements

In preparing these interim unconsolidated financial statements, management has made judgements 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 judgements 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, except for new significant judgements and key sources of estimation uncertainty related to the application of IFRS 15, which are described in note 3.3.

#### 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.

# Notes to the Interim Unconsolidated Financial Statements (Unaudited)

## For the nine months period ended 31 March 2019

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 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.

### 3.5 Standards, interpretations and amendments to published approved accounting standards that are not yet effective.

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 January 2019 or period / year ending 30 June 2019:

- IFRS 16: Leases	[effective 01 January 2019]
- IFRS 9 Financial Instruments	[effective period / year ending 30 June 2019]
- IFRIC 23: Uncertainty over Income Tax Treatments	[effective 01 January 2019]
- Amendment to IFRS 09: Prepayments Feature with Negative Compensation	[effective 01 January 2019]
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement	[effective 01 January 2019]
- Amendment to IAS 28: Investments in Associates and Joint Ventures - Long Term Interests in Associates and Joint Ventures	[effective 01 January 2019]
- Amendments to IFRS 3: Business Combinations	[effective 01 January 2020]
- Amendments to IAS 1: Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	[effective 01 January 2020]

Annual improvements to IFRS Standards 2015 - 2017 cycle:

- IFRS 3: Business Combinations and IFRS 11 Joint Arrangement	[effective 01 January 2019]
- Amendments to IAS 12: Income Taxes	[effective 01 January 2019]
- Amendments to IAS 23: Borrowing Costs	[effective 01 January 2019]

The above amendments are not likely to have an impact on the Company's interim unconsolidated financial statements except for "IFRS 16 Leases", "IFRS 9 Financial Instruments" and "IFRIC 23 Uncertainty over income tax treatments" for which the Company is currently in the process of analyzing the potential impact of adoption of these standards and interpretation.

## 4 SHARE CAPITAL

There is no change in authorised and issued, subscribed and paid up share capital of the Company from 30 June 2018.

# Notes to the Interim Unconsolidated Financial Statements (Unaudited)

For the nine months period ended 31 March 2019

	Unaudited 31 March 2019	Audited 30 June 2018
	[Rupees'000]	
<b>5 LOANS AND BORROWINGS - Secured</b>		
Non current portion		
Term Finance Loan - 1	680,000	807,500
Syndicated term loan	450,000	900,000
Term Finance Loan - 2	2,042,500	2,150,000
Term Finance Loan - 3	2,666,667	3,000,000
Term Finance Loan - 4	2,000,000	1,850,000
Sukuk	7,000,000	2,333,333
Transaction costs	(54,868)	(71,257)
	14,784,299	10,969,576
Current portion of loans	(2,494,444)	(1,335,000)
	12,289,855	9,634,576
<b>Lease finance facilities</b>		
Diminishing musharaka facility	24,457	33,857
Current portion	(8,800)	(12,134)
	15,657	21,723
	12,305,512	9,656,299
Current portion		
Current portion of loans	2,494,444	1,335,000
Current portion of diminishing musharaka facility	8,800	12,134
	2,503,244	1,347,134

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 2018.

	Unaudited 31 March 2019	Audited 30 June 2018
	[Rupees'000]	
<b>6 SHORT TERM BORROWINGS - Secured</b>		
Running finance facilities - from banking companies	559,116	553,868

6.1 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 2018.

	Unaudited 31 March 2019	Audited 30 June 2018
	[Rupees'000]	
<b>7 TRADE AND OTHER PAYABLES</b>		
Creditors	425,354	549,082
Accrued liabilities	593,349	563,862
Shop deposits	54,617	57,280
Retention money	200,538	172,357
Due to related parties - unsecured	42,120	14,881
Sales tax payable	104,783	105,321
Income tax deducted at source	4,889	1,493
Other liabilities	64,823	58,646
	1,490,473	1,522,922

# Notes to the Interim Unconsolidated Financial Statements (Unaudited)

For the nine months period ended 31 March 2019

## 8 CONTINGENCIES AND COMMITMENTS

### 8.1 Contingencies

There is no change in the contingent liabilities as reported in the annual audited unconsolidated financial statements for the year ended 30 June 2018 except for the following:

The Deputy Commissioner Inland Revenue, Zone IV, Large Taxpayer Unit, Karachi based upon the sales tax audit for the year 2008-09, passed Order in Original 52/2013 dated 28 June 2013 against which the Company filed appeal before the Commissioner Appeals, Karachi. The Commissioner Appeals remanded back the case to department against which department is in appeal before the Appellate Tribunal Inland Revenue (ATIR). During the period, the assessing officer, during remand back proceedings, decided the case against the Company by raising total demand along with default surcharge and penalty aggregating to Rs. 49.393 million. The Company has filed appeal against said order and the matter is subjudice before Commissioner Inland revenue (CIR).

		Unaudited 31 March 2019	Audited 30 June 2018
		[Rupees'000]	
8.2	<b>Commitments</b>		
	Commitments for capital expenditure	1,356,057	1,601,622
9	<b>PROPERTY, PLANT AND EQUIPMENT</b>		
		Note	
	Operating fixed assets	9.1 38,121,472	36,586,141
	Capital work in progress	9.2 3,865,322	3,339,146
		41,986,794	39,925,287
9.1	<b>Operating fixed assets</b>		
	Carrying amount at beginning of the period / year	36,586,141	30,841,298
	Additions during the period / year	669,867	1,056,033
	Transfer from Capital work in progress	1,511,598	1,705,525
	Revaluation surplus	-	3,751,225
	Disposal during the period / year	[10,467]	[120,961]
	Depreciation charge for the period / year	[635,667]	[646,979]
	Carrying amount at end of the period / year	38,121,472	36,586,141
9.2	<b>Capital work in progress</b>		
	Carrying amount at beginning of the period / year	3,339,146	2,074,130
	Additions during the period / year	2,037,774	2,970,541
	Transferred to operating fixed assets	[1,511,598]	[1,705,525]
	Carrying amount at end of the period / year	9.2.1 3,865,322	3,339,146
9.2.1	<b>Closing capital work in progress represents:</b>		
	Construction of Pearl Continental Multan	1,443,952	1,032,064
	Construction of Pearl Continental Mirpur Aircraft	1,821,160	1,311,671
	Other civil works	600,210	382,499
		3,865,322	3,339,146
9.3	Additions in and depreciation on property, plant and equipment during the nine months period ended 31 March 2018 were Rs. 2,435.037 million and Rs. 455.268 million respectively.		



# Notes to the Interim Unconsolidated Financial Statements (Unaudited)

## For the nine months period ended 31 March 2019

		Unaudited 31 March 2019	Audited 30 June 2018
	Note	(Rupees'000)	
<b>10 ADVANCE FOR CAPITAL EXPENDITURE</b>			
Advance for purchase of land		677,256	667,820
Advance for purchase of Malir Delta Land	10.1	381,656	381,656
		<u>1,058,912</u>	<u>1,049,476</u>
Advance for purchase of apartment		40,509	40,509
Impairment loss		(40,509)	(40,509)
		-	-
Advance for purchase of fixed assets		367,904	358,660
Advances for Pearl Continental Multan Project		112,947	72,420
Advances for Pearl Continental Mirpur Project		109,639	51,647
		<u>590,490</u>	<u>482,727</u>
		<u>1,649,402</u>	<u>1,532,203</u>

10.1 This represents amount paid for purchase of 1/3rd share of land [113.34 acres] from Ms. Seema Tressa Gill, 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 an 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 Government 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 Honourable 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."

### 11 ADVANCE AGAINST EQUITY INVESTMENT

During the period, the Company advanced Rs. 834 million and Rs. 563 million respectively to its wholly owned subsidiary companies City Properties (Private) Limited and Elite Properties (Private) Limited for issuance of ordinary shares.

### 12 CONTRACT ASSETS

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

		Unaudited 31 March 2019	Audited 30 June 2018
	Note	(Rupees'000)	
<b>13 SHORT TERM INVESTMENTS</b>			
Shares of listed companies	13.1	759,860	1,113,708
Term Deposit Receipt	13.2	2,025,384	2,009,523
		<u>2,785,244</u>	<u>3,123,231</u>

# Notes to the Interim Unconsolidated Financial Statements (Unaudited)

For the nine months period ended 31 March 2019

- 13.1 This mainly includes investment in an associated company having carrying value of Rs. 752.833 million [30 June 2018 : Rs. 1,105.980 million].
- 13.1.1 Out of total shares held by the Company, 8,500,000 [30 June 2018: 12,500,000] ordinary shares are placed / lien marked as security against running finance facility of the Company [Refer to note 6].
- 13.2 This represents term deposit receipts having maturity of 1 months to one year and carrying interest rate ranging from 5% to 9.80% [30 June 2018: 5% to 5.22%] per annum.

## 14 SHORT TERM ADVANCE

This represent short term advance extended to wholly owned subsidiary , City Properties (Private) Limited.

	Note	Unaudited Three months period ended 31 March		Unaudited Nine months period ended 31 March	
		2019	2018	2019	2018
<b>15 REVENUE - net</b>		[Rupees'000]			
Rooms		1,585,489	1,680,576	4,433,297	4,791,714
Food and beverages		1,526,085	1,547,977	4,289,683	4,368,055
Other related services	15.1	144,563	143,409	435,244	435,672
Shop license fees		13,990	12,789	43,338	37,633
Revenue - gross		3,270,127	3,384,751	9,201,562	9,633,074
Discounts and commissions		(52,347)	(45,109)	(138,343)	(123,407)
Sales tax		(443,523)	(457,276)	(1,252,789)	(1,296,160)
Revenue - net		2,774,257	2,882,366	7,810,430	8,213,507

- 15.1 This includes revenue from telephone, laundry, discount cards and other ancillary services.
- 15.2 Revenue amounting to Rs. 116.73 million has been recognized from contract liabilities at the beginning of the period.
- 15.3 Disaggregation of revenue as product and service lines are disclosed above whereas Company's entire revenue is generated within Pakistan. Revenue is recognized when goods are consumed and services are provided to the customers at a point in time.
- 15.4 The following tables summarise the impacts of adopting IFRS 15 on the Company's condensed interim statement of financial position as at 31 March 2019. There was no material impact on the Company's condensed interim Statement of profit or loss and condensed interim statement of cash flows for the nine month period ended 31 March 2019.

	As reported	Adjustments	Amounts without adoption of IFRS 15
	[Rupees'000]		
<b>Assets</b>			
<b>Non current assets</b>	48,215,301	-	48,215,301
Contract assets	34,745	34,745	-
Trade debts	821,008	(34,745)	855,753
Other current assets	5,125,136	-	5,125,136
<b>Current assets</b>	5,980,889	-	5,980,889
<b>Total assets</b>	54,196,190	-	54,196,190
<b>Equity</b>			
<b>Total equity</b>	35,439,427	-	35,439,427
<b>Liabilities</b>			
<b>Non-current liabilities</b>	13,428,963	-	13,428,963
Trade and other payables	1,490,473	(454,518)	1,944,991
Contract liabilities	454,518	454,518	-
Other current liabilities	3,382,809	-	3,382,809
<b>Current liabilities</b>	5,327,800	-	5,327,800
<b>Total liabilities</b>	18,756,763	-	18,756,763
<b>Total equity and liabilities</b>	54,196,190	-	54,196,190

# Notes to the Interim Unconsolidated Financial Statements (Unaudited)

For the nine months period ended 31 March 2019

	Unaudited Three months period ended 31 March 2019	Unaudited Three months period ended 31 March 2018	Unaudited Nine months period ended 31 March 2019	Unaudited Nine months period ended 31 March 2018
	[Rupees'000]			
<b>16 COST OF SALES AND SERVICES</b>				
<b>Food and beverages</b>				
Opening balance	87,727	82,128	86,196	83,160
Purchases during the period	465,325	466,260	1,322,593	1,284,107
Closing balance	[99,770]	[92,693]	[99,770]	[92,693]
Consumption during the period	453,282	455,695	1,309,019	1,274,574
<b>Direct expenses</b>				
Salaries, wages and benefits	444,457	407,752	1,295,565	1,164,887
Heat, light and power	179,210	133,021	560,271	501,239
Repair and maintenance	102,584	97,862	273,064	319,840
Depreciation	198,087	152,469	572,100	409,741
Guest supplies	61,996	65,131	176,097	184,459
Linen, china and glassware	22,805	27,023	74,867	83,791
Communication and other related services	20,438	22,689	67,472	61,558
Banquet and decoration	13,172	19,230	37,574	63,019
Transportation	14,844	20,162	42,346	53,346
Uniforms	6,712	5,283	21,918	18,174
Music and entertainment	3,881	3,530	10,970	9,738
Others	13,904	7,633	36,946	30,849
	1,535,372	1,417,480	4,478,209	4,175,215
<b>17 [LOSS] / EARNINGS PER SHARE</b>				
[Loss] / profit for the period [Rupees '000]	18,994	429,502	[400,955]	671,533
Weighted average number of ordinary shares [Numbers]	32,524,170	32,524,170	32,524,170	32,524,170
[Loss] - earnings per share - basic [Rupees]	0.58	13.21	[12.33]	20.65

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

	Unaudited Nine months period ended 31 March 2019	Unaudited Nine months period ended 31 March 2018
	[Rupees'000]	
<b>18 CASH FLOWS FROM OPERATING ACTIVITIES BEFORE WORKING CAPITAL CHANGES</b>		
[Loss] / profit before tax	[53,425]	931,227
<b>Adjustments for:</b>		
Depreciation	635,667	455,268
Gain on disposal of property, plant and equipment	[34,685]	[3,151]
Provision for staff retirement benefit - gratuity	61,698	45,279
Provision for compensated leave absences	43,433	41,214
Provision for doubtful debts	8,185	[5,694]
Return on bank deposits / TDR	[146,449]	[18,662]
Finance cost	1,002,389	504,660
Dividend income	[55,132]	[355]
Unrealised loss on remeasurement of investments to fair value	[353,849]	226,942
	1,815,530	2,176,728

# Notes to the Interim Unconsolidated Financial Statements (Unaudited)

For the nine months period ended 31 March 2019

19 CASH AND CASH EQUIVALENTS	Unaudited	Unaudited
	Nine months period ended 31 March 2019	Nine months period ended 31 March 2018
	(Rupees'000)	
Cash and bank balances	601,677	1,207,064
Short term borrowings	(559,116)	(625,604)
	42,561	581,460

## 20 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated and subsidiary companies, directors as well as their close family members, companies with common directorship, executives, key management personnel, major shareholders and provident fund. Detail of transactions and balances with related parties, other than those which have been disclosed elsewhere in these interim unconsolidated financial statements, are as follows:

	Nine months period ended 31 March	
	2019	2018
	(Rupees'000)	
<b>Transactions and balances with subsidiary companies</b>		
Sales	2,665	2,891
Services provided	13,197	10,421
Services availed	45,776	72,536
Advance against equity investment	1,397,001	966,000
Short term advance	515,000	-
Refund of short term advance	40,000	-
Long term advance and interest converted into equity	-	419,570
<b>Balances as at the period end:</b>		
- Trade debts	2,933	* 5,229
- Long term investments	1,037,794	*1,037,794
- Advance against equity investment	3,411,571	*2,014,570
- Short term advance	515,000	*40,000
<b>Transactions and balances with associated undertakings</b>		
Sales	124	108
Services provided	2,695	1,197
Services availed	59,820	19,574
Purchases	114,107	110,168
Franchise fee - income	3,618	3,724
Franchise and management fee - expense	7,632	8,305
Refund of advance for purchase of land	-	630,000
Dividend income	54,752	-
Dividend paid	13,473	88,610
Purchase of fixed asset	-	17,444
<b>Balances as at the period end:</b>		
- Trade debts	2,577	* 2,349
- Trade advances and prepayments	64,471	* 30,398
- Dividend receivable	54,752	-
<b>Transactions and balances with other related parties</b>		
Sales	257	28
Services provided	330	181
Services availed	96,273	80,686
Purchases	-	4,422
Contribution to defined contribution plan - provident fund	43,668	33,790
Dividend paid	-	3
Advance for purchase of vehicle	1,622	-
<b>Balances as at the period end:</b>		
- Trade debts	833	* 1,013
- Advance for capital expenditure	628,442	*626, 820
<b>Transactions with key management personnel</b>		
Remuneration and allowances including staff retirement benefits	164,031	110,601
Dividend paid	-	4,916

\* Represents balances as at 30 June 2018.

# Notes to the Interim Unconsolidated Financial Statements (Unaudited)

## For the nine months period ended 31 March 2019

### 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				
		Fair value through profit or loss	Loans and receivables	Other financial liabilities	Amount in Rs'000				
					Total	Level 1	Level 2	Level 3	Total
<b>31 March 2019</b>									
<b>Financial assets measured at fair value</b>									
Short term investments	13	759,860	-	-	759,860	759,860	-	-	759,860
<b>Financial assets not measured at fair value</b>									
Long term deposits	21.1.1	-	69,740	-	69,740	-	-	-	-
Trade debts		-	821,008	-	821,008	-	-	-	-
Contract assets		-	34,745	-	34,745	-	-	-	-
Advances to employees		-	38,198	-	38,198	-	-	-	-
Trade deposits		-	16,430	-	16,430	-	-	-	-
Other receivables		-	159,114	-	159,114	-	-	-	-
Interest accrued		-	9,428	-	9,428	-	-	-	-
Short term investments- TDR	13	-	2,025,384	-	2,025,384	-	-	-	-
Cash and bank balances		-	601,677	-	601,677	-	-	-	-
		-	3,775,634	-	3,775,634	-	-	-	-
<b>Financial liabilities not measured at fair value</b>									
Loans and borrowings	5	-	-	14,839,167	14,839,167	-	-	-	-
Short term borrowings	6	-	-	559,116	559,116	-	-	-	-
Trade and other payables	7 & 21.2	-	-	1,380,801	1,380,801	-	-	-	-
Markup accrued		-	-	309,652	309,652	-	-	-	-
Unclaimed dividend		-	-	9,242	9,242	-	-	-	-
Unpaid dividend		-	-	1,555	1,555	-	-	-	-
		-	-	17,099,533	17,099,533	-	-	-	-
		Carrying amount			Fair value				
	Note	Fair value through profit or loss	Loans and receivables	Other financial liabilities	Amount in Rs'000				
					Total	Level 1	Level 2	Level 3	Total
<b>30 June 2018</b>									
<b>Financial assets measured at fair value</b>									
Short term investments	13	1,113,708	-	-	1,113,708	1,113,708	-	-	1,113,708
<b>Financial assets not measured at fair value</b>									
Long term deposits	21.1.1	-	29,655	-	29,655	-	-	-	-
Trade debts		-	669,103	-	669,103	-	-	-	-
Contract assets		-	35,589	-	35,589	-	-	-	-
Advances to employees		-	18,005	-	18,005	-	-	-	-
Trade deposits		-	24,721	-	24,721	-	-	-	-
Other receivables		-	98,989	-	98,989	-	-	-	-
Interest accrued		-	12,428	-	12,428	-	-	-	-
Short term investment- TDR	13	-	2,009,523	-	2,009,523	-	-	-	-
Short term advance		-	40,000	-	40,000	-	-	-	-
Cash and bank balances		-	1,267,377	-	1,267,377	-	-	-	-
		-	4,205,390	-	4,205,390	-	-	-	-
<b>Financial liabilities not measured at fair value</b>									
Loans and borrowings	5	-	-	11,040,833	11,040,833	-	-	-	-
Short term borrowings	6	-	-	553,868	553,868	-	-	-	-
Trade and other payables	7 & 21.2	-	-	1,416,108	1,416,108	-	-	-	-
Markup accrued		-	-	223,910	223,910	-	-	-	-
Unclaimed dividend		-	-	9,242	9,242	-	-	-	-
Unpaid dividend		-	-	19,210	19,210	-	-	-	-
		-	-	13,263,171	13,263,171	-	-	-	-

# Notes to the Interim Unconsolidated Financial Statements (Unaudited)

For the nine months period ended 31 March 2019

21.1.1 Since these financial assets and financial liabilities are either short term in nature or repriced periodically therefore fair value and carrying value of these financial assets and financial liabilities are same.

21.2 It excludes sales tax payable and income tax deducted at source.

## 22 DATE OF AUTHORISATION FOR ISSUE

These interim unconsolidated financial statements were authorized for issue by the Board of Directors of the Company in its meeting held on 26 April 2019.

## 23 GENERAL

Figures have been rounded off to the nearest thousand of rupees.



M.A. Bawany  
Director



Shakir Abu Bakar  
Director



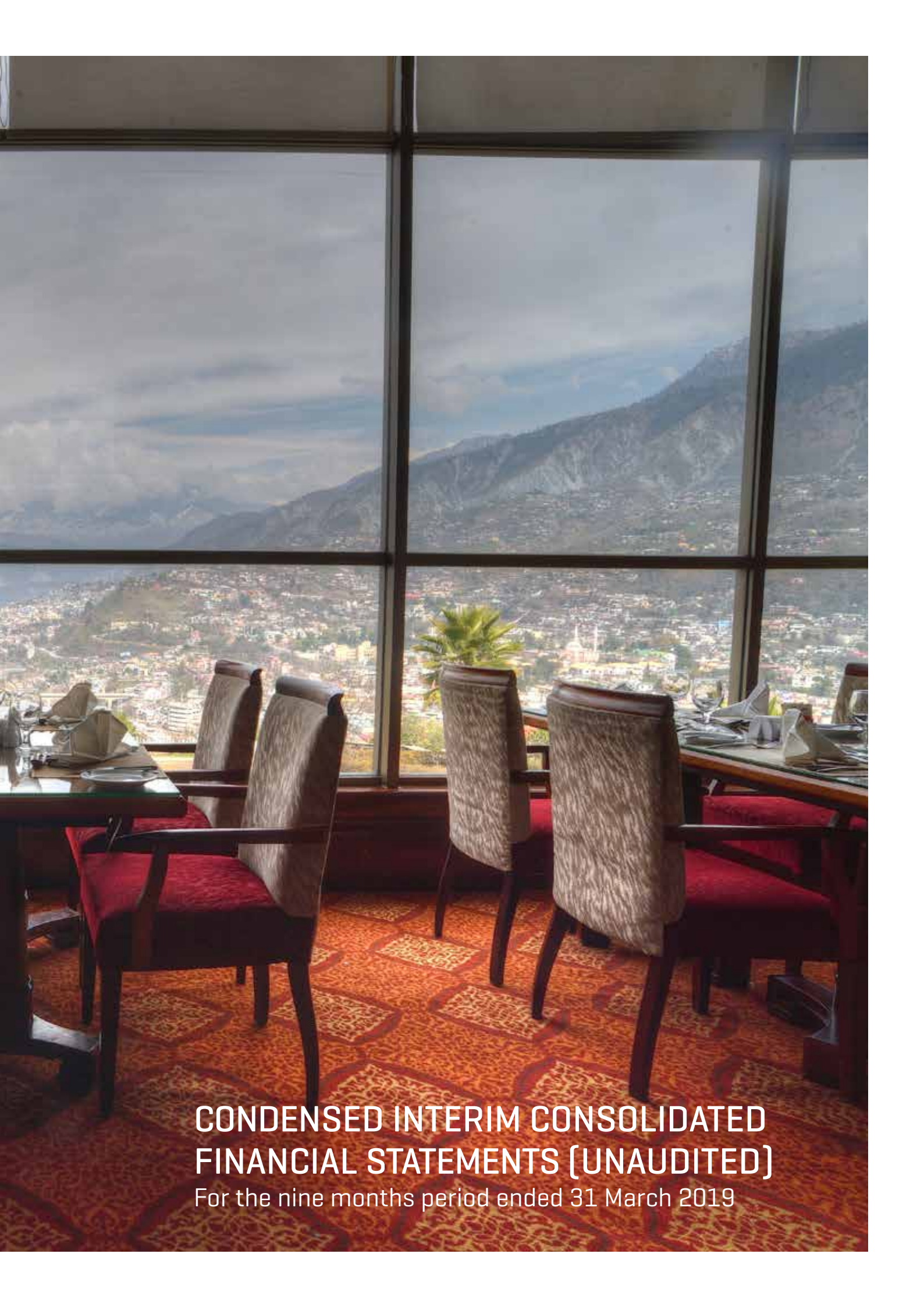
Tahir Mahmood  
Chief Financial Officer





Marco Polo Restaurant,  
Pearl-Continental Hotel Muzaffarabad





**CONDENSED INTERIM CONSOLIDATED  
FINANCIAL STATEMENTS [UNAUDITED]**

For the nine months period ended 31 March 2019

# Condensed Interim Consolidated Statement of Financial Position

## As at 31 March 2019

		Unaudited 31 March 2019	Audited 30 June 2018 Restated
	Note	[Rupees'000]	
<b>EQUITY</b>			
Share capital	4	325,242	325,242
Capital reserve		416,645	416,645
Revenue reserves		7,133,921	7,539,821
Revaluation surplus on property, plant and equipment		27,530,741	27,530,741
Equity attributable to owners of the Company		35,406,549	35,812,449
Non-controlling interests		78,752	-
<b>Total equity</b>		<b>35,485,301</b>	<b>35,812,449</b>
<b>LIABILITIES</b>			
Loans and borrowings	5	12,356,805	9,681,188
Employee benefits		741,847	704,306
Deferred tax liability - net		440,982	288,014
<b>Non current liabilities</b>		<b>13,539,634</b>	<b>10,673,508</b>
Short term borrowings	6	559,116	553,868
Current portion of loans and borrowings	5	2,525,719	1,359,247
Trade and other payables	7	1,504,786	1,552,648
Contract liabilities		510,620	428,102
Markup accrued		310,004	224,422
Liabilities directly associated with assets classified as held for sale		-	120
Unpaid dividend		1,555	19,210
Advance against sale of long term investment		-	115,000
Unclaimed dividend		9,242	9,242
<b>Current liabilities</b>		<b>5,421,042</b>	<b>4,261,859</b>
<b>Total equity and liabilities</b>		<b>54,445,977</b>	<b>50,747,816</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	8		

The annexed notes 1 to 21 form an integral part of this condensed interim consolidated financial statements.

		Unaudited 31 March 2019	Audited 30 June 2018 Restated
	Note	[Rupees'000]	
<b>ASSETS</b>			
Property, plant and equipment	9	42,214,903	40,039,622
Advance for capital expenditure	10	1,649,402	1,532,203
Investment property		60,000	60,000
Long term investments		1,188,640	1,105,980
Long term deposits and prepayments		77,542	42,837
<b>Non current assets</b>		<b>45,190,487</b>	<b>42,780,642</b>
Inventories		340,371	279,917
Development properties		4,188,650	2,746,619
Trade debts		858,883	697,002
Contract assets	11	34,745	35,589
Advances, prepayments, trade deposits and other receivables		516,377	314,953
Short term investments	12	2,034,093	2,017,250
Asset held for sale	13	-	259,702
Advance tax - net		479,623	302,050
Cash and bank balances		802,748	1,314,092
<b>Current assets</b>		<b>9,255,490</b>	<b>7,967,174</b>
<b>Total assets</b>		<b>54,445,977</b>	<b>50,747,816</b>



**M.A. Bawany**  
Director



**Shakir Abu Bakar**  
Director



**Tahir Mahmood**  
Chief Financial Officer

# Condensed Interim Consolidated Statement of Profit or Loss (Unaudited)

For the nine months period ended 31 March 2019

	Note	Three months period ended 31 March		Nine months period ended 31 March	
		2019	2018	2019	2018
[Rupees'000]					
Revenue - net	14	2,804,620	2,903,955	7,908,773	8,285,860
Cost of sales and services	15	(1,561,080)	(1,440,151)	(4,569,273)	(4,246,289)
<b>Gross profit</b>		<b>1,243,540</b>	<b>1,463,804</b>	<b>3,339,500</b>	<b>4,039,571</b>
Other income		59,476	37,003	184,502	90,267
Administrative expenses		(843,669)	(826,868)	(2,421,522)	(2,481,346)
<b>Operating profit</b>		<b>459,347</b>	<b>673,939</b>	<b>1,102,480</b>	<b>1,648,492</b>
Finance income		42,899	38,312	(146,589)	(165,613)
Unrealised gain/ (loss) on remeasurement of investments to fair value - net		(735)	571	(702)	(1,092)
Finance cost		(398,950)	(183,079)	(1,006,568)	(506,537)
<b>Net finance cost</b>		<b>(356,786)</b>	<b>(144,196)</b>	<b>(1,153,859)</b>	<b>(673,242)</b>
Share of profit in equity accounted investment-net		(8,166)	54,127	14,118	68,888
<b>[Loss] / profit before taxation</b>		<b>94,395</b>	<b>583,870</b>	<b>(37,261)</b>	<b>1,044,138</b>
Income tax expense		(102,762)	(94,431)	(357,046)	(264,113)
<b>[Loss] / profit for the period</b>		<b>(8,367)</b>	<b>489,439</b>	<b>(394,307)</b>	<b>780,025</b>

The annexed notes 1 to 21 form an integral part of this condensed interim consolidated financial statements.



**M.A. Bawany**  
Director



**Shaker Abu Bakar**  
Director



**Tahir Mahmood**  
Chief Financial Officer

# Condensed Interim Consolidated Statement of Comprehensive Income (Unaudited)

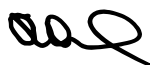
For the nine months period ended 31 March 2019

	Three months period ended 31 March		Nine months period ended 31 March	
	2019	2018	2019	2018
	[Rupees'000]			
[Loss] / profit for the period	[8,367]	489,439	[394,307]	780,025
Surplus on remeasurement of available for sale securities	[163]	[48,637]	[11,593]	[106,381]
Total comprehensive income for the period	[8,530]	440,802	[405,900]	673,644

The annexed notes 1 to 21 form an integral part of this condensed interim consolidated financial statements.



**M.A. Bawany**  
Director



**Shakir Abu Bakar**  
Director



**Tahir Mahmood**  
Chief Financial Officer

# Condensed Interim Consolidated Statement of Cash Flow (Unaudited)

For the nine months period ended 31 March 2019

	Note	Nine months period ended 31 March	
		2019	2018
[Rupees'000]			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash flow from operating activities before working capital changes	16	1,833,752	2,200,219
<b>Change in:</b>			
Inventories		(60,454)	(21,277)
Development Property		(1,442,031)	(973,544)
Contract assets		844	(33,191)
Trade debts		(170,066)	(280,444)
Advances		(75,769)	(75,478)
Trade deposits and prepayments		(68,780)	(44,264)
Other receivables		(4,793)	641,787
Decrease in trade and other payables		(49,856)	133,617
Contract liabilities		82,518	33,998
<b>Cash used in operations</b>		<b>(1,788,387)</b>	<b>(618,796)</b>
Staff retirement benefit - gratuity paid		(37,569)	(37,587)
Compensated leave absences paid		(34,949)	(21,363)
Income tax paid		(378,002)	(371,494)
Finance cost paid		(926,499)	(450,434)
<b>Net cash [used in] / from operating activities</b>		<b>(1,331,654)</b>	<b>700,545</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to property, plant and equipment		(2,767,134)	(2,166,324)
Advance for capital expenditure		(117,199)	(401,832)
Proceeds from disposal of property, plant and equipment		58,304	53,699
Short term investments		(15,863)	-
Proceed from disposal of held for sale asset		144,582	-
Long term investment		(435,807)	-
Dividend income received		380	355
Receipts of return on bank deposits and TDR		154,290	18,454
Long term deposits and prepayments		(34,705)	(16,248)
<b>Net cash used in investing activities</b>		<b>(3,013,152)</b>	<b>(2,511,896)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of long term financing		(1,018,333)	(450,000)
Proceeds from Sukuk issuance		4,666,667	2,333,333
Proceeds from long term financing		150,000	1,000,000
Repayment of liabilities against assets subject to finance lease		(27,036)	(12,628)
Payment of Facility arrangement/transaction cost		-	(45,000)
Dividend paid		(17,655)	(329,287)
<b>Net cash from financing activities</b>		<b>3,753,643</b>	<b>2,496,418</b>
<b>Net [decrease] / increase in cash and cash equivalents</b>		<b>(591,163)</b>	<b>685,067</b>
Cash and bank transfer upon acquisition of Subsidiary		74,571	-
Cash and cash equivalents at beginning of the period		760,224	(13,972)
Cash and cash equivalents at end of the period	17	243,632	671,095

The annexed notes 1 to 21 form an integral part of this condensed interim consolidated financial statements.



**M.A. Bawany**  
Director



**Shaker Abu Bakar**  
Director



**Tahir Mahmood**  
Chief Financial Officer

# Condensed Interim Consolidated Statement of Changes in Equity (Unaudited)

For the nine months period ended 31 March 2019

	Capital reserve			Revenue reserves				Total	Non controlling Interest	Total Equity	
	Share capital	Share premium	Share of associate's capital reserve	Surplus on revaluation of property, plant and equipment	General reserve	Exchange translation reserve (net of tax)	Surplus on remeasurement of available for sale securities				Unappropriated profit
	(Rupees'000)										
Balance at 01 July 2017	325,242	269,424	147,221	23,779,515	1,600,000	498,809	222,514	5,243,733	32,086,458	-	32,086,458
Total comprehensive income for the period											
Profit for the period	-	-	-	-	-	-	-	780,025	780,025	-	780,025
Other comprehensive income for the period	-	-	-	-	-	-	(106,381)	-	(106,381)	-	-
Total comprehensive income for the period	-	-	-	-	-	-	(106,381)	780,025	673,644	-	673,644
Transaction with owners of the Company											
Distribution:											
Final cash dividend of 2017 @ Rs. 5 per share	-	-	-	-	-	-	-	(162,621)	(162,621)	-	(162,621)
First interim cash dividend for the year 2017-18 (@ Rs. 5.0 per share)	-	-	-	-	-	-	-	(162,621)	(162,621)	-	(162,621)
Total distribution	-	-	-	-	-	-	-	(325,242)	(325,242)	-	(325,242)
Balance at 31 March 2018	325,242	269,424	147,221	23,779,515	1,600,000	498,809	116,133	5,698,516	32,434,860	-	32,434,860
Balance at 01 July 2018	325,242	269,424	147,221	27,530,741	1,600,000	714,348	104,246	5,121,227	35,812,449	-	35,812,449
At acquisition	-	-	-	-	-	-	-	-	-	85,851	85,851
Total comprehensive income for the period											
Loss for the period	-	-	-	-	-	-	-	(394,307)	(394,307)	(7,099)	(401,406)
Other comprehensive income for the period	-	-	-	-	-	-	(11,593)	-	(11,593)	-	(11,593)
Total comprehensive income for the period	-	-	-	-	-	-	(11,593)	(394,307)	(405,900)	(7,099)	(412,999)
Balance at 31 March 2019	325,242	269,424	147,221	27,530,741	1,600,000	714,348	92,653	4,726,920	35,406,549	78,752	35,485,301

The annexed notes 1 to 21 form an integral part of this condensed interim consolidated financial statements.



**M.A. Bawany**  
Director



**Shakir Abu Bakar**  
Director



**Tahir Mahmood**  
Chief Financial Officer

# Notes to the Interim Consolidated Financial Statements (Unaudited)

For the nine months period ended 31 March 2019

## 1 STATUS AND NATURE OF BUSINESS

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

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

This condensed interim consolidated financial information includes the condensed interim financial 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%

During the period The Subsidiary Company, M/s City Properties (Private) Limited, acquired 78.31% holding in M/s Inveny (Private) Limited.

## 2 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

These 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 2018. Comparative condensed interim consolidated statement of financial position is extracted from the annual audited consolidated financial statements for the year ended 30 June 2018, whereas comparative condensed interim consolidated statement of profit or loss, condensed interim consolidated statement of comprehensive income, condensed interim consolidated statement of cash flow and condensed interim consolidated statement of changes in equity are extracted from unaudited interim consolidated financial statements for the nine months period ended 31 March 2018.

This condensed interim consolidated financial statements is unaudited and is 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.



# Notes to the Interim Consolidated Financial Statements (Unaudited)

For the nine months period ended 31 March 2019

## 3 ACCOUNTING POLICIES AND ESTIMATES

### 3.1 Accounting policies

The accounting policies adopted in the preparation of these interim consolidated financial statements are the same as those applied in the preparation of the consolidated financial statements of the Group for the year ended 30 June 2018 except for the adoption of new standard effective as of 01 July 2018 as referred to in note 3.3 to these interim consolidated financial statements.

### 3.2 New standards, interpretations and amendments adopted by the Group

The Group has adopted IFRS 15 'Revenue from Contracts with Customers' from 01 July 2018. The impact of the adoption of standard and the new accounting policy is disclosed in note 3.3 below. A number amendments/interpretations are effective from 01 July 2018 but they do not have a material effect on the Company's condensed interim financial statements.

### 3.3 IFRS 15 'Revenue from Contracts with Customers'

The IASB issued IFRS 15 Revenue from Contracts with Customers ("IFRS 15") in May 2014. This IFRS replaces IAS 18 Revenue, IAS 11 Construction Contracts and other revenue-related interpretations. IFRS 15 establishes a single revenue recognition framework which requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive when control is transferred to the purchaser. IFRS 15 became applicable to the Group on 01 July 2018 and the Group used the retrospective method to adopt the standard. Under this method cumulative effect of applying the new standard is recognized at the start of the earliest period presented. The Group has reviewed its revenue streams i.e. sale of goods and rendering of services and underlying contracts with customers and, as result of this review, the adoption of IFRS 15 did not have an impact on the Group's statement of profit or loss, statement of comprehensive income and financial position except advance consideration received from customers was included in 'Trade and other payables' which now is reclassified in 'Contract liabilities' and unbilled receivables which were included in 'Trade debts' are now reclassified to 'Contract assets' presented separately in condensed interim statement of financial position. In addition, comparative figures of these account heads are also reclassified for comparison purpose. As required for the condensed interim financial statements, the Group disaggregated revenue recognised from contracts with customers which is disclosed in Note 14 to these condensed interim consolidated financial statements.

#### Accounting Policy

Customers obtain control of goods and services when goods are consumed and services are provided to the customers. Invoices are generated and revenue is recognised net of upfront discounts at that point in time. Invoices are usually payable within 30 days. Generally for such sales, the customer has no right of return. The Group does not have any obligations for return of goods and services.

### 3.4 Accounting Estimates and Judgements

In preparing these interim consolidated financial statements, management has made judgements 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 judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual consolidated financial statements, except for new significant judgements and key sources of estimation uncertainty related to the application of IFRS 15, which are described in note 3.3.

# Notes to the Interim Consolidated Financial Statements (Unaudited)

## For the nine months period ended 31 March 2019

### 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.

The 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 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).

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

### 3.5 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 January 2019:

- IFRS 16: Leases	[effective 01 January 2019]
- IFRIC 23: Uncertainty over Income Tax Treatments	[effective 01 January 2019]
- Amendment to IFRS 09: Prepayments Feature with Negative Compensation	[effective 01 January 2019]
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement	[effective 01 January 2019]
- Amendment to IAS 28: Investments in Associates and Joint Ventures	
- Long Term Interests in Associates and Joint Ventures	[effective 01 January 2019]
- Amendments to IFRS 3: Business Combinations	[effective 01 January 2020]
- Amendments to IAS 1: Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	[effective 01 January 2020]

Annual improvements to IFRS Standards 2015 - 2017 cycle:

- IFRS 3: Business Combinations and IFRS 11 Joint Arrangement	[effective 01 January 2019]
- Amendments to IAS 12: Income Taxes	[effective 01 January 2019]
- Amendments to IAS 23: Borrowing Costs	[effective 01 January 2019]

The above amendments are not likely to have an impact on the Group's interim consolidated financial statements except for "IFRS 16 Leases", "IFRS 9 Financial Instruments" and "IFRIC 23 Uncertainty over income tax treatments" for which the Group is currently in the process of analyzing the potential impact of adoption of these standards and interpretation.

# Notes to the Interim Consolidated Financial Statements (Unaudited)

For the nine months period ended 31 March 2019

## 4 SHARE CAPITAL

There is no change in authorised and issued, subscribed and paid up share capital of the Company from 30 June 2018.

	Unaudited 31 March 2019	Audited 30 June 2018
	[Rupees'000]	
<b>5 LOANS AND BORROWINGS - Secured</b>		
<b>a. Non current portion</b>		
Term Finance Loan - 1	680,000	807,500
Syndicated term loan	450,000	900,000
Term Finance Loan - 2	2,042,500	2,150,000
Term Finance Loan - 3	2,666,667	3,000,000
Term Finance Loan - 4	2,000,000	1,850,000
Sukuk	7,000,000	2,333,333
Transaction cost	[54,868]	[71,257]
	<b>14,784,299</b>	<b>10,969,576</b>
Current portion of loans	[2,494,444]	[1,335,000]
	<b>12,289,855</b>	<b>9,634,576</b>
<b>Lease finance facilities</b>		
Diminishing Musharaka Facility/ lease finance	98,225	70,859
Current portion	[31,275]	[24,247]
	<b>66,950</b>	<b>46,612</b>
	<b>12,356,805</b>	<b>9,681,188</b>
<b>b. Current portion</b>		
Current portion of loans	2,494,444	1,335,000
Current portion of Diminishing Musharaka Facility	31,275	24,247
	<b>2,525,719</b>	<b>1,359,247</b>

5.1 The markup rates, facility limits and securities offered for long term financing and lease finance facilities are the same as disclosed in the annual audited consolidated financial statements of the Group for the year ended 30 June 2018.

	Unaudited 31 March 2019	Audited 30 June 2018
	[Rupees'000]	
<b>6 SHORT TERM BORROWINGS - Secured</b>		
Running finance facilities - from banking companies	559,116	553,868

6.1 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 2018.

	Unaudited 31 March 2019	Audited 30 June 2018
	[Rupees'000]	
<b>7 TRADE AND OTHER PAYABLES</b>		
Creditors	436,931	556,376
Accrued liabilities	603,873	579,585
Shop deposits	54,617	57,280
Retention money	200,538	172,357
Due to related parties - unsecured	29,767	21,101
Sales tax payable	107,357	105,924
Income tax deducted at source	4,889	1,493
Other liabilities	66,814	58,532
	<b>1,504,786</b>	<b>1,552,648</b>

# Notes to the Interim Consolidated Financial Statements (Unaudited)

## For the nine months period ended 31 March 2019

### 8 CONTINGENCIES AND COMMITMENTS

#### 8.1 Contingencies

There is no change in the contingent liabilities as reported in the annual audited consolidated financial statements for the year ended 30 June 2018 except for the following:

The Deputy Commissioner Inland Revenue, Zone IV, Large Taxpayer Unit, Karachi based upon the sales tax audit for the year 2008-09, passed Order in Original 52/2013 dated 28 June 2013 against which the Group filed appeal before the Commissioner Appeals, Karachi. The Commissioner Appeals remanded back the case to department against which department is in appeal before the Appellate Tribunal Inland Revenue (ATIR). During the period, the assessing officer, during remand back proceedings, decided the case against the Group by raising total demand along with default surcharge and penalty aggregating to Rs. 49.393 million. The Group has filed appeal against said order and the matter is subjudice before Commissioner Inland revenue (CIR).

		Unaudited 31 March 2019	Audited 30 June 2018
		[Rupees'000]	
8.2	<b>Commitments</b>		
	Commitments for capital expenditure	1,356,057	1,601,622
9	<b>PROPERTY, PLANT AND EQUIPMENT</b>		
	Operating fixed assets	38,268,590	36,700,470
	Capital work in progress	3,946,313	3,339,152
		42,214,903	40,039,622
9.1	<b>OPERATING FIXED ASSETS</b>		
	Carrying value at beginning of the period	36,700,470	31,216,208
	Additions during the period- owned assets	670,597	1,012,567
	Additions during the period- leased assets	54,402	59,924
	Transfer from CWIP	1,511,598	1,705,525
	Transfer to Asset held for sale	-	(258,514)
	Revaluation surplus	-	3,751,225
	Disposal during the period	(15,449)	(121,250)
	Depreciation charge for the period	(653,028)	(665,215)
	Carrying value at end of the period	38,268,590	36,700,470
9.2	<b>Closing capital work in progress represents:</b>		
	Carrying amount at beginning of the period / year	3,339,152	2,074,136
	Additions during the period / year	2,118,759	2,970,541
	Transferred to operating fixed assets	(1,511,598)	(1,705,525)
	Carrying amount at end of the period / year	3,946,313	3,339,152
9.2.1	<b>Closing capital work in progress represents:</b>		
	Construction of Pearl Continental Multan	1,443,952	1,032,064
	Construction of Pearl Continental Mirpur	1,821,160	1,311,671
	Aircraft	-	612,912
	Other civil works	681,201	382,505
		3,946,313	3,339,152
9.3	Additions in and depreciation on property, plant and equipment during the half year ended 31 March 2018 were Rs. 2.449 million and Rs. 468.656 million respectively.		

# Notes to the Interim Consolidated Financial Statements (Unaudited)

## For the nine months period ended 31 March 2019

		Unaudited 31 March 2019	Audited 30 June 2018
	Note	[Rupees'000]	
<b>10 ADVANCE FOR CAPITAL EXPENDITURE</b>			
Advance for purchase of land		677,256	667,820
Advance for purchase of Malir Delta Land	10.1	381,656	381,656
		<b>1,058,912</b>	<b>1,049,476</b>
Advance for purchase of apartment		40,509	40,509
Impairment loss		(40,509)	(40,509)
		-	-
Advance for purchase of fixed assets		367,904	358,660
Advances for Pearl Continental Multan Project		112,947	72,420
Advances for Pearl Continental Mirpur Project		109,639	51,647
		<b>590,490</b>	<b>482,727</b>
		<b>1,649,402</b>	<b>1,532,203</b>

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

Legal proceedings of the above said piece of land were instituted in the Courts of Law, the Group being aggrieved and dissatisfied with a impugned judgment of High Court against dismissal of its Constitution Petition has filed a Civil Petition for Leave to Appeal [CPLA] before Hon'ble Supreme Court of Pakistan and presently the matter is pending adjudication before the Apex Court and Group is diligently pursuing the same. The Group 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.

### 11 CONTRACT ASSETS

Contract assets primarily relate to the Group's rights to consideration for goods and services provided to the customers but not billed at the reporting date. Contract assets are transferred to trade debts when invoice is raised.

		Unaudited 31 March 2019	Audited 30 June 2018
	Note	[Rupees'000]	
<b>12 SHORT TERM INVESTMENTS</b>			
Shares of listed companies		7,027	7,728
Term Deposit Receipt	12.1	2,027,066	2,009,522
		<b>2,034,093</b>	<b>2,017,250</b>

12.1 This represent term deposit receipts having maturity of 1 months to one year carrying interest rate ranging from 5% to 9.80% [2018: 5% to 5.22%] per annum.

# Notes to the Interim Consolidated Financial Statements (Unaudited)

For the nine months period ended 31 March 2019

## 13 ASSET HELD FOR SALE

During the period asset classified as held for sale were disposed off as per terms disclosed in the annual audited consolidated financial statements of the Group for the year ended 30 June 2018.

## 14 SHORT TERM ADVANCE

This represent short term advance extended to wholly owned subsidiary , City Properties (Private) Limited.

14 REVENUE - net	Note	Unaudited	Unaudited	Unaudited	Unaudited
		Three months period ended 31 March	2018	Nine months period ended 31 March	2018
		2019		2019	
		[Rupees'000]			
Rooms		1,583,448	1,675,048	4,420,650	4,781,293
Food and beverages		1,524,988	1,546,772	4,287,034	4,365,164
Other related services	14.1	146,777	153,548	459,211	457,780
Vehicles Rental		45,912	41,248	134,510	123,688
Shop license fees		13,990	12,789	43,338	37,633
Revenue - gross		3,315,115	3,429,405	9,344,743	9,765,558
Discounts and commissions		(58,096)	(56,493)	(155,653)	(153,839)
Sales tax		(452,399)	(468,957)	(1,280,317)	(1,325,859)
Revenue - net		2,804,620	2,903,955	7,908,773	8,285,860

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

14.2 Revenue amounting to Rs. 116.73 million has been recognized from contract liabilities at the beginning of the period.

14.3 Disaggregation of revenue as product and service lines are disclosed above whereas Group's entire revenue is generated within Pakistan. Revenue is recognized when goods are consumed and services are provided to the customers at a point in time.

14.4 The following tables summarise the impacts of adopting IFRS 15 on the Company's condensed interim statement of financial position as at 31 March 2019. There was no material impact on the Company's condensed interim Statement of profit or loss and condensed interim statement of cash flows for the nine month period ended 31 March 2019.

	As reported	Adjustments	Amounts without adoption of IFRS 15
[Rupees'000]			
<b>Assets</b>			
<b>Non current assets</b>	45,190,487	-	45,190,487
Contract assets	34,745	34,745	-
Trade debts	858,883	(34,745)	893,628
Other current assets	8,361,862	-	8,361,862
<b>Current assets</b>	9,255,490		9,255,490
<b>Total assets</b>	54,445,977		54,445,977
<b>Equity</b>			
<b>Total equity</b>	35,485,301	-	35,485,301
<b>Liabilities</b>			
<b>Non-current liabilities</b>	13,539,634	-	13,539,634
Trade and other payables	1,504,786	(510,620)	2,015,406
Contract liabilities	510,620	510,620	-
Other current liabilities	3,405,636	-	3,405,636
<b>Current liabilities</b>	5,421,042		5,421,042
<b>Total liabilities</b>	18,960,676		18,960,676
<b>Total equity and liabilities</b>	54,445,977		54,445,977

# Notes to the Interim Consolidated Financial Statements (Unaudited)

For the nine months period ended 31 March 2019

	Unaudited Three months period ended 31 March 2019	Unaudited Three months period ended 31 March 2018	Unaudited Nine months period ended 31 March 2019	Unaudited Nine months period ended 31 March 2018
<b>15 COST OF SALES AND SERVICES</b>	[Rupees'000]			
<b>Food and beverages</b>				
Opening balance	87,083	82,128	86,196	83,160
Purchases during the period	465,325	466,260	1,322,593	1,284,107
Closing balance	(99,770)	(92,693)	(99,770)	(92,693)
Consumption during the period	452,638	455,695	1,309,019	1,274,574
<b>Direct expenses</b>				
Salaries, wages and benefits	458,956	421,359	1,337,388	1,204,314
Heat, light and power	179,210	133,021	560,271	501,239
Repair and maintenance	102,796	98,360	273,580	321,322
Depreciation	203,484	156,598	587,714	421,389
Guest supplies	61,996	65,131	176,097	184,459
Linen, china and glassware	22,805	27,023	74,867	83,791
Communication and other related services	20,438	22,689	67,472	61,558
Banquet and decoration	13,172	19,230	37,574	63,019
Transportation	6,882	4,929	22,160	17,078
Uniforms	6,712	5,283	21,918	18,174
Music and entertainment	3,881	3,530	10,970	9,738
Insurance	1,311	1,136	3,581	3,758
Vehicle Operating Expense	6,875	9,023	25,112	25,888
Vehicle Rental and registration charges	7,668	6,596	23,554	20,653
Others	12,256	10,548	37,996	35,335
	1,561,080	1,440,151	4,569,273	4,246,289
<b>16 CASH FLOWS FROM OPERATING ACTIVITIES BEFORE WORKING CAPITAL CHANGES</b>	[Rupees'000]			
[Loss] / profit before tax			(37,261)	1,044,138
<b>Adjustments for:</b>				
Depreciation			653,028	468,656
Gain on disposal of property, plant and equipment			(42,855)	(3,999)
Provision for staff retirement benefit - gratuity			65,683	48,876
Provision for compensated leave absences			44,375	41,447
Provision for doubtful debts			8,185	(5,694)
Return on bank deposits / certificate of investment			(151,095)	(19,948)
Finance cost			1,006,568	506,537
Dividend income			(55,132)	(355)
Unrealised [gain] / loss on remeasurement of investments to fair value			702	1,092
Share of profit in equity accounted investments			(14,118)	(68,888)
Impairment on investment in associated company			355,672	188,357
			1,833,752	2,200,219
<b>17 CASH AND CASH EQUIVALENTS</b>				
Cash and bank balances			802,748	1,296,699
Short term borrowings			(559,116)	(625,604)
			243,632	671,095

# Notes to the Interim Consolidated Financial Statements (Unaudited)

## For the nine months period ended 31 March 2019

### 18 TRANSACTIONS WITH RELATED PARTIES

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

	Nine months period ended 31 March	
	2019	2018
	[Rupees'000]	
<b>Transactions and balances with subsidiary companies</b>		
Sales	124	108
Services provided	8,855	13,674
Services availed	67,903	25,437
Purchases	115,998	112,018
Franchise fee - income	3,618	3,724
Franchise and management fee - expense	7,632	8,305
Refund of advance for purchase of land	-	630,000
Dividend income	54,752	-
Dividend paid	13,473	88,610
Purchase of fixed asset	-	17,444
<b>Balances as at the period end:</b>		
- Trade debts	8,748	*9,835
- Trade Advances	64,471	*29,947
- Dividend Receivables	54,752	-
<b>Transactions and balances with other related parties</b>		
Sales	257	28
Services provided	330	181
Services availed	96,273	80,686
Purchases	-	4,422
Contribution to defined contribution plan - provident fund	43,668	33,790
Dividend paid	-	3
Advance for purchase of vehicle	1,622	-
<b>Balances as at the period end:</b>		
- Trade debts	890	*1,070
- Advance for capital expenditure	628,442	*626,820
<b>Transactions with key management personnel</b>		
Remuneration and allowances including staff retirement benefits	164,031	110,601
Dividend paid	-	4,916

\* Represents balances as at 30 June 2018.



# Notes to the Interim Consolidated Financial Statements (Unaudited)

## For the nine months period ended 31 March 2019

### 19 FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT

#### 19.1 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				
		Fair value through profit or loss	Loans and receivables	Other financial liabilities	Amount in Rs'000				
					Total	Level 1	Level 2	Level 3	Total
<b>31 March 2019</b>									
<b>Financial assets measured at fair value</b>									
Short term investment	12	7,027	-	-	7,027	7,027	-	-	7,027
<b>Financial assets not measured at fair value</b>									
	19.1.1								
Long term deposits		-	77,542	-	77,542	-	-	-	-
Trade debts		-	858,883	-	858,883	-	-	-	-
Advance to employees		-	41,895	-	41,895	-	-	-	-
Trade deposits		-	21,995	-	21,995	-	-	-	-
Other receivables		-	160,371	-	160,371	-	-	-	-
Interest accrued		-	9,602	-	9,602	-	-	-	-
Term deposit receipt	12	-	2,027,066	-	2,027,066	-	-	-	-
Cash and bank balances		-	802,748	-	802,748	-	-	-	-
		-	4,000,102	-	4,000,102	-	-	-	-
<b>Financial liabilities not measured at fair value</b>									
	19.1.1								
Loans and borrowings	5	-	-	14,839,167	14,839,167	-	-	-	-
Short term borrowings	6	-	-	559,116	559,116	-	-	-	-
Trade and other payables	7 & 19.2	-	-	1,392,540	1,392,540	-	-	-	-
Markup accrued		-	-	310,004	310,004	-	-	-	-
Unclaimed Dividend		-	-	9,242	9,242	-	-	-	-
Unpaid dividend		-	-	1,555	1,555	-	-	-	-
		-	-	17,111,624	17,111,624	-	-	-	-
		Carrying amount			Fair value				
		Fair value through profit or loss	Loans and receivables	Other financial liabilities	Amount in Rs'000				
					Total	Level 1	Level 2	Level 3	Total
<b>30 June 2018</b>									
<b>Financial assets measured at fair value</b>									
Short term investment	12	7,728	-	-	7,728	7,728	-	-	7,728
<b>Financial assets not measured at fair value</b>									
	19.1.1								
Long term deposits		-	34,522	-	34,522	-	-	-	-
Trade debts		-	732,591	-	732,591	-	-	-	-
Advance to employees		-	22,150	-	22,150	-	-	-	-
Trade deposits		-	27,839	-	27,839	-	-	-	-
Other receivables		-	101,133	-	101,133	-	-	-	-
Interest accrued		-	12,623	-	12,623	-	-	-	-
Term deposit receipt	12	-	2,009,522	-	2,009,522	-	-	-	-
Cash and bank balances		-	1,314,092	-	1,314,092	-	-	-	-
		-	4,254,472	-	4,254,472	-	-	-	-
<b>Financial liabilities not measured at fair value</b>									
	19.1.1								
Loans and borrowings	5	-	-	11,040,833	11,040,833	-	-	-	-
Short term borrowings	6	-	-	553,868	553,868	-	-	-	-
Trade and other payables	7 & 19.2	-	-	1,445,231	1,445,231	-	-	-	-
Markup accrued		-	-	224,422	224,422	-	-	-	-
Unclaimed Dividend		-	-	9,242	9,242	-	-	-	-
Unpaid dividend		-	-	19,210	19,210	-	-	-	-
		-	-	13,292,806	13,292,806	-	-	-	-

# Notes to the Interim Consolidated Financial Statements (Unaudited)

## For the nine months period ended 31 March 2019

19.1.1 Since these financial assets and financial liabilities are either short term in nature or repriced periodically therefore fair value and carrying value of these financial assets and financial liabilities are same.

19.2 It excludes sales tax payable and income tax deducted at source.

### 20 DATE OF AUTHORISATION FOR ISSUE

These unaudited condensed interim consolidated financial statements were authorized for issue by the Board of Directors of the Parent Company in its meeting held on 26 April 2019.

### 21 GENERAL

Figures have been rounded off to the nearest thousand of rupees.



**M.A. Bawany**  
Director



**Shakir Abu Bakar**  
Director



**Tahir Mahmood**  
Chief Financial Officer





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