

Pearl-Continental Hotel
Malam Jabba, Swat

CONDENSED
INTERIM
FINANCIAL
STATEMENTS

For the six months period
ended 31 December 2019

PSL
PAKISTAN SERVICES LTD.

PC
Pearl-Continental
HOTELS & RESORTS



Taipan Pearl-Continental Hotel Rawalpindi



Pearl-Continental
HOTELS & RESORTS

CONDENSED INTERIM FINANCIAL STATEMENTS [UNAUDITED]

For the six months period ended 31 December 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. Ahmed Ghazali Marghoob	Chairman
Mr. M.A. Bawany	
Syed Sajid Ali	
Mr. Shakir Abu Bakar	

CHIEF FINANCIAL OFFICER

Mr. Javed Iqbal

COMPANY SECRETARY

Mr. Mansoor Khan

AUDITORS

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

LEGAL ADVISOR

M/s Liaquat Merchant & Associates

BANKERS

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

REGISTERED OFFICE

1st Floor, NESPAK House,
Sector G-5/2, Islamabad.
Tel: +92 51-2272890-8
Fax: +92 51-2878636
<http://www.psl.com.pk>
<http://www.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 information on the performance of the Company for the six-month period ended 31 December 2019.

Economic Overview

The Pakistan Economic activity has softened, broadly as expected, growth has slowed in recent months as the economy is adjusting to the new policies. The transition to a market-determined exchange rate, sharp increase in discount rate and energy cost resulted hike in cost of doing business and project cost.

The Company is also facing the same challenges towards completion of its projects besides having stressed cash flows for meeting financial commitments and management is considering different prepositions to address the same.

Overall performance of the Company

During the six month period ended 31 December 2019, the Company achieved net Revenue of Rs. 5,331 million, as compared to Rs. 5,036 million recorded in the corresponding period of the last year.

The Gross profit is recorded at Rs. 2,185 million in comparison with Rs. 2,093 million of last year same period, while profit before tax is Rs. 64 million as compared to loss of Rs. 174 million in the corresponding period.

Highlights of Performance:

	For the six months' period ended 31 December	
	2019	2018
	[Rupees million]	
Revenue – net	5,331	5,036
Gross profit	2,185	2,093
Profit / [loss] before taxation	64	[174]
Loss after taxation	[90]	[420]
Loss per share [Rupees]	[2.77]	[12.91]

Performance of Rooms Department

During the period net room Revenue was recorded at Rs. 2,480 million against Rs. 2,442 million of the corresponding period of last year.

Performance of Food & Beverage (F&B) Department

Net revenue from this segment has been recorded at Rs. 2,594 million as compared to Rs. 2,344 million of same period last year.

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

From this segment of business net Revenue of Rs. 257 million has been achieved as compared to Rs. 250 million of corresponding period.

Consolidated Results

During the current period the group recorded a net Revenue of Rs. 5,369 million as compared to Rs. 5,104 million of the same period last year, loss after taxation is recorded at Rs. 176 million in comparison of Rs. 385 million of the corresponding period of last year.

Recognition & Branding

During the period the Company was conferred upon “Brand of the year Award 2019-20” by The World Branding Forum. The Company also entered into arrangement to operate and manage hotel in Malam Jabba a resort valley, and P.C Hotel Hyderabad, in its role to take hospitality to new standards, and keenly improving its existing facilities to provide more satisfactory services to its customers.

Prospects

The Government of Pakistan has put tourism at the front and centre of its policy agenda and, with positive perception of the country around the world, the future of tourism industry in Pakistan is optimistic and your Company is fully capable to harvest the improved tourism activities in the country, however epidemic Corona Virus may have global impact leading to challenge in boarding and lodging industry.

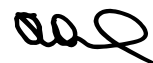
Acknowledgement

On behalf of the Board, we thank the Company’s 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. And finally, our valued guests, who encourage and expect from the company and its staff to provide the best level of products and services to win their continued support and patronage.

For and on behalf of the Board of Directors



M.A. Bawany
Director



Shakir Abu Bakar
Director

Islamabad: 26 February 2020

ڈائریکٹرز رپورٹ

محترم حصص داران:

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

اقتصادی جائزہ:

حالیہ مہینوں میں پاکستانی معیشت سست روی کا شکار ہوئی ہے جس کی ایک بنیادی وجہ نئی معاشی پالیسیوں سے ہم آہنگی کا فقدان ہے، کرنسی کی شرح تبادلہ فنانش لاکٹ میں اضافہ اور یوٹیلیٹی کی قیمتوں میں اضافے کی وجہ سے کاروبار اور منصوبوں کی تکمیل کی لاکٹ میں اضافہ ہوا ہے۔

کمپنی بھی ان معاشی دشواریوں کی وجہ سے اپنے زیر تعمیر منصوبوں کو مکمل کرنے میں مشکلات کا سامنا کر رہی ہے اور رسد کے باؤ میں کمی کی وجہ سے معاشی معاہدوں کے ایفاء کرنے میں دشواری کا شکار ہے اور اس کیلئے کمپنی مختلف تجاویز پر غور کر رہی ہے۔

کمپنی کی مجموعی کارکردگی:

۳۱ دسمبر ۲۰۱۹ء تک ختم ہونے والی ششماہی مدت کے دوران کمپنی نے ۵,۳۳۱ ملین روپے کی محصولات (خالص) ریکارڈ کیے ہیں جو گزشتہ سال کے اسی عرصے کے دوران ۵,۰۳۶ ملین روپے تھے۔

کمپنی کا مجموعی منافع ۱۸۵ ملین روپے ہے جو گزشتہ سال کے اسی عرصے میں ۲,۰۹۳ ملین روپے تھا۔ قبل از ٹیکس منافع گزشتہ برس کے اسی عرصے کے ۷ ملین خسارے کے مقابلے میں ۶۲ ملین ریکارڈ کیا گیا۔

کارکردگی کی جھلکیاں:

	ششماہی مدت اختتام ۳۱ دسمبر ۲۰۱۹ء	
	۲۰۱۹	۲۰۱۸
	(ملین روپے)	
فروخت اور خدمات (خالص)	۵,۳۳۱	۵,۰۳۶
کل منافع	۲,۱۸۵	۲,۰۹۳
منافع/(خسارہ) قبل از ٹیکس	۶۴	(۱۷۴)
خسارہ بعد از ٹیکس	(۹۰)	(۴۲۰)
نی حصہ خسارہ (روپے میں)	(۲,۷۷)	(۱۲,۹۱)

رومزڈ پیارٹمنٹ کی کارکردگی:

اس عرصہ کے دوران گزشتہ سال کے اسی عرصہ کے ۲,۴۴۲ ملین روپے کی نسبت آمدنی (خالص) ۲,۴۸۰ ملین روپے ریکارڈ کی گئی۔

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

اس شعبہ کی خالص آمدن ۲,۵۹۴ ملین روپے ریکارڈ کی گئی جو گزشتہ سال اسی عرصے کے مقابلے میں ۲,۳۴۴ ملین روپے تھی۔

دیگر متعلقہ خدمات لائسنس فیس/ٹریول وٹورز ڈویژن کی کارکردگی:

اس شعبہ میں زیر جائزہ عرصے کے دوران میں ۲,۵۷ ملین روپے کی آمدنی (خالص) حاصل کی گئی۔ جو گزشتہ برس کے اسی عرصے کے مقابلے میں ۲,۵۰ ملین روپے تھی۔

مجموعی نتائج:

زیر جائزہ عرصے کے دوران گروپ نے ۵,۳۶۹ ملین روپے کے محصولات (خالص) ریکارڈ کئے جو گزشتہ سال اسی عرصے میں ۵,۱۰۴ ملین روپے تھے۔ گزشتہ برس کے ۳۸۵ ملین روپے بعد از ٹیکس خسارہ کی نسبت موجودہ عرصہ میں ۷۶ ملین روپے خسارہ ریکارڈ کیا گیا۔

برانڈ آف دی انیر ایوارڈ:

کمپنی کو ورلڈ برانڈنگ فورم کی جانب سے ”برانڈ آف دی انیر ایوارڈ ۲۰۱۹-۲۰۲۰“ سے نوازا گیا۔ کمپنی نے مالم جبہ اور حیدر آباد میں ہوٹل آپریشن اینڈ مینجمنٹ کے معاہدے کیے ہیں اور اپنی موجودہ ہوٹلز میں بھی مزید بہتری لارہی ہے تاکہ اپنے معزز مہمانوں کو مزید بہتر سہولیات فراہم کی جاسکے۔

مستقبل کے امکانات:

حکومت پاکستان نے سیاحت کے فروغ کو اپنی ترجیحات میں رکھا ہوا ہے، پاکستان میں سیاحت کی صنعت کا مستقبل خوش آئند ہے، اور آپ کی کمپنی ملک میں سیاحتی سرگرمیوں میں اضافے سے فائدہ اٹھانے کی مکمل صلاحیت رکھتی ہے، تاہم کرونا وائرس جیسے وبائی مرض کی وجہ سے پوری دنیا میں سیاحتی سرگرمیاں متاثر ہو سکتی ہے۔

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، بشیران اور شراکت داروں کے ممنون ہیں، جو ہمارے پروگراموں، پروڈیکٹس اور عمومی کاروباری امور میں کامیابی کے لیے انتہائی اہم ہیں۔

منجانب بورڈ آف ڈائریکٹرز



شاہد کراہو بکر

ڈائریکٹر



ایم۔ اے۔ بادانی

ڈائریکٹر

اسلام آباد: ۲۶ فروری ۲۰۲۰ء

INDEPENDENT AUDITORS' REVIEW REPORT

To the members of Pakistan Services Limited

Report on review of Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim unconsolidated statement of financial position of Pakistan Services Limited ["the Company"] as at 31 December 2019 and the related condensed interim unconsolidated statement of profit or loss, condensed interim unconsolidated statement of comprehensive income, condensed interim unconsolidated statement of cash flows and condensed interim unconsolidated statement of changes in equity, and notes to the condensed interim unconsolidated financial statements for the six months period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review.

Scope of Review

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

Conclusion

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

Other matter

The figures of the condensed interim unconsolidated statement of profit or loss and condensed interim unconsolidated statement of comprehensive income for the three months period ended 31 December 2019 and 31 December 2018, have not been reviewed and we do not express a conclusion on them.

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



KPMG Taseer Hadi & Co.
Chartered Accountants

Islamabad
Date: 27 February 2020



TwinRoom Pearl-Continental Hotel Karachi



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

For the six months period ended 31 December 2019

Condensed Interim Unconsolidated Statement of Financial Position

As at 31 December 2019

		Unaudited 31 December 2019	Audited 30 June 2019
	Note	[Rupees'000]	
EQUITY			
Share capital	4	325,242	325,242
Capital reserve		269,424	269,424
Revenue reserves		6,689,386	6,779,566
Revaluation surplus on property, plant and equipment		27,530,740	27,530,740
Total equity		34,814,792	34,904,972
LIABILITIES			
Loans and borrowings	5	10,812,494	11,631,374
Lease liabilities	10	194,683	-
Employee benefits		831,765	773,666
Deferred tax liability - net		494,524	429,984
Non - current liabilities		12,333,466	12,835,024
Short term borrowings	6	2,569,286	1,264,583
Current portion of loans and borrowings	5	3,378,943	3,087,750
Trade and other payables	7	2,581,338	1,677,278
Contract liabilities		353,003	275,772
Lease liabilities	10	69,610	-
Unpaid dividend		1,528	1,528
Unclaimed dividend		9,242	9,242
Current liabilities		8,962,950	6,316,153
Total equity and liabilities		56,111,208	54,056,149
CONTINGENCIES AND COMMITMENTS			
	8		

The annexed notes 1 to 22 form an integral part of these condensed interim unconsolidated financial statements.

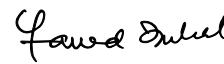
		Unaudited 31 December 2019	Audited 30 June 2019
	Note	[Rupees'000]	
ASSETS			
Property, plant and equipment	9	42,144,638	40,462,093
Right of use assets	10	262,598	-
Advance for capital expenditure	11	1,935,627	2,057,190
Investment property		60,000	60,000
Long term investments		1,037,794	1,037,794
Advance against equity investment	12	3,412,571	3,412,571
Long term deposits and prepayments		57,752	62,316
Non - current assets		48,910,980	47,091,964
Inventories		328,765	313,644
Trade debts		787,527	543,377
Contract assets		28,993	29,752
Advances, prepayments, trade deposits and other receivables		505,052	401,258
Short term investments	13	1,842,107	1,716,437
Short term advance	14	103,000	515,000
Non - current asset held for sale		2,748,739	2,748,739
Advance tax - net		490,584	454,898
Cash and bank balances		365,461	241,080
Current assets		7,200,228	6,964,185
Total assets		56,111,208	54,056,149



M.A. Bawany
Director



Shakir Abu Bakar
Director



Javed Iqbal
Chief Financial Officer

Condensed Interim Unconsolidated Statement of Profit or Loss (Unaudited)

For the six months period ended 31 December 2019

		Three months period ended 31 December		Six months period ended 31 December	
		2019	2018	2019	2018
	Note	[Rupees'000]			
Revenue - net	15	2,974,727	2,754,343	5,331,301	5,036,173
Cost of sales and services	16	[1,637,785]	[1,468,992]	[3,146,642]	[2,942,837]
Gross profit		1,336,942	1,285,351	2,184,659	2,093,336
Other income		40,701	55,226	92,940	89,805
Administrative expenses		[875,360]	[835,855]	[1,650,740]	[1,569,092]
Reversal of impairment loss on trade debts		17,752	-	10,530	-
Operating profit		520,035	504,722	637,389	614,049
Finance income		41,811	49,230	78,318	101,578
Unrealised gain / [loss] on remeasurement of investments to fair value - net		83,416	[108,989]	123,589	[284,538]
Finance cost		[365,008]	[380,070]	[775,416]	[604,712]
Net finance cost		[239,781]	[439,829]	[573,509]	[787,672]
Profit / [loss] before taxation		280,254	64,893	63,880	[173,623]
Income tax expense		[74,322]	[127,206]	[154,060]	[246,326]
Profit / [loss] for the period		205,932	[62,313]	[90,180]	[419,949]
Earnings / [loss] per share - basic and diluted [Rupees]	17	6.33	[1.92]	[2.77]	[12.91]

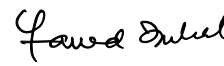
The annexed notes 1 to 22 form an integral part of these condensed interim unconsolidated financial statements.



M.A. Bawany
Director



Shakir Abu Bakar
Director



Javed Iqbal
Chief Financial Officer

Condensed Interim Unconsolidated Statement of Comprehensive Income (Unaudited)

For the six months period ended 31 December 2019

	Three months period ended 31 December		Six months period ended 31 December	
	2019	2018	2019	2018
	[Rupees'000]			
Profit / [loss] for the period	205,932	[62,313]	[90,180]	[419,949]
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period - [loss]	205,932	[62,313]	[90,180]	[419,949]

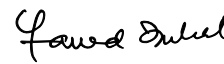
The annexed notes 1 to 22 form an integral part of these condensed interim unconsolidated financial statements.



M.A. Bawany
Director



Shakir Abu Bakar
Director



Javed Iqbal
Chief Financial Officer

Condensed Interim Unconsolidated Statement of Cash Flows [Unaudited]

For the six months period ended 31 December 2019

	Note	31 December 2019	31 December 2018
		[Rupees'000]	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash flows from operating activities before working capital changes	18	1,232,801	1,074,326
Working capital changes			
[Increase] / decrease in current assets			
Inventories		[15,121]	[4,936]
Trade debts		[233,620]	[91,651]
Contract assets		759	[1,734]
Advances		[10,436]	[74,481]
Trade deposits and prepayments		[84,268]	[66,077]
Other receivables		[13,207]	[1,666]
Increase / (decrease) in current liabilities			
Increase in trade and other payables		904,060	[49,977]
Increase in contract liabilities		77,231	65,168
Cash generated from / (used in) operations		625,398	[225,354]
Staff retirement benefit - gratuity paid		[12,265]	[10,412]
Compensated leave absences paid		[12,781]	[16,240]
Income tax paid		[125,205]	[255,181]
Finance cost paid		[953,774]	[572,184]
Net cash generated from / (used in) operating activities		754,174	[5,045]
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		[1,319,934]	[1,863,197]
Advance for capital expenditure		[308,072]	[8,867]
Proceeds from disposal of property, plant and equipment		11,336	28,194
Refund against short term advance		412,000	40,000
Advance against equity investment		-	[1,397,001]
Maturity of short term investments		-	1,000,000
Dividend income received		225	380
Receipts of return on bank deposits and short term investments		71,635	79,302
Long term deposits and prepayments		[1,476]	[14,217]
Net cash used in investing activities		[1,134,286]	[2,135,406]
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long term financing		[691,666]	[643,333]
Proceeds from Sukuk issuance		-	1,361,547
Proceeds from long term financing		-	150,000
Repayment of diminishing Musharaka facility		[7,767]	[6,067]
Repayment of lease liability		[39,552]	-
Dividend paid		-	[17,655]
Net cash (used in) / generated from financing activities		[738,985]	844,492
Net decrease in cash and cash equivalents		[1,119,097]	[1,295,959]
Cash and cash equivalents at beginning of the period		[1,003,341]	713,509
Cash and cash equivalents at end of the period	19	[2,122,438]	[582,450]

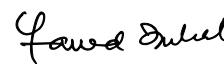
The annexed notes 1 to 22 form an integral part of these condensed interim unconsolidated financial statements.



M.A. Bawany
Director



Shaker Abu Bakar
Director



Javed Iqbal
Chief Financial Officer

Condensed Interim Unconsolidated Statement of Changes in Equity (Unaudited)

For the six months period ended 31 December 2019

	Capital reserve			Revenue reserves		Total equity
Share capital	Share premium	Surplus on revaluation of property, plant and equipment	General reserve	Unappropriated profit		
(Rupees'000)						
Adjusted balance at 01 July 2018	325,242	269,424	27,530,740	1,600,000	6,057,949	35,783,355
Total comprehensive income for the period						
Loss for the period	-	-	-	-	(419,949)	(419,949)
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the period - (loss)	-	-	-	-	(419,949)	(419,949)
Balance at 31 December 2018	325,242	269,424	27,530,740	1,600,000	5,638,000	35,363,406
Balance at 01 July 2019	325,242	269,424	27,530,740	1,600,000	5,179,566	34,904,972
Total comprehensive income for the period						
Loss for the period	-	-	-	-	(90,180)	(90,180)
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the period - (loss)	-	-	-	-	(90,180)	(90,180)
Balance at 31 December 2019	325,242	269,424	27,530,740	1,600,000	5,089,386	34,814,792

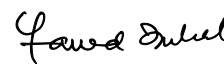
The annexed notes 1 to 22 form an integral part of these condensed interim unconsolidated financial statements.



M.A. Bawany
Director



Shakir Abu Bakar
Director



Javed Iqbal
Chief Financial Officer

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months period ended 31 December 2019

1 THE COMPANY AND ITS OPERATIONS

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

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

2 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

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

The disclosures in these interim unconsolidated financial statements do not include the information that was reported in annual audited unconsolidated financial statements and should therefore be read in conjunction with the annual audited unconsolidated financial statements for the year ended 30 June 2019. Comparative condensed interim unconsolidated statement of financial position is extracted from the annual audited unconsolidated financial statements for the year ended 30 June 2019, 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 six months period ended 31 December 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 Significant accounting policies

The accounting policies and the methods of computation adopted in the preparation of these condensed interim unconsolidated financial statements are the same as those applied in the preparation of the financial statements of the Company for the year ended 30 June 2019, except for the adoption of new standards and interpretations as referred to in note 3.2 to these condensed interim unconsolidated financial statements.

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months period ended 31 December 2019

3.2 New standards, interpretations and amendments adopted by the Company

(a) IFRS 16 'Leases'

The Company has initially applied IFRS 16 'Leases' from 01 July 2019.

IFRS 16 introduced a single, on-balance sheet lease accounting model for lessees. As a result, the Company, as a lessee has recognised right of use assets representing its right to use the underlying assets and lease liabilities representing its obligation to make lease payments.

IFRS 16 replaced previous leases guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases – Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'.

The Company applied IFRS 16 using the modified retrospective approach, under which the Company has recognized right of use assets and lease liabilities at the date of initial recognition for leases previously classified as operating leases under IAS 17 at the present value of the remaining lease payments using the Company's weighted average incremental borrowing rate at the initial application date. The Company has chosen to measure the right of use assets at an amount equal to the lease liabilities adjusted by the amount of prepaid lease payments relating to the operating leases recognized in the statement of financial position as at 01 July 2019. Accordingly, no adjustment to equity has been made in these financial statements on adoption of the new policy and the comparative figures presented for 2018 have not been restated, i.e., it is presented, as previously reported, under IAS 17 and related interpretations.

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining Whether an Arrangement contains a Lease. The Company now assesses whether a contract is, or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- The contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset;
- The Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Company has the right to direct the use of the asset. The Company has this right when it has the decision - making rights that are most relevant to changing how and for what purpose the asset is used.

On transition to IFRS 16, the Company has elected to apply the practical expedient to grandfather the assessment of which contracts or arrangements are leases, i.e., it applies IFRS 16 only to contracts that were previously identified as leases under IAS 17 and related interpretations. Contracts that were not previously identified as leases were not reassessed. As a result, the definition of lease under IFRS 16 would only be applied to contracts or arrangements entered into or changed after 01 July 2019, to be accounted for accordingly. Additionally, the Company has applied the following practical expedients:

- The use of a single discount rate to a portfolio of leases with reasonably similar risk characteristics.
- Applied the exemption not to recognize the right of use assets and lease liabilities of low value items and leases having a term of less than 12 months i.e., short term leases.

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months period ended 31 December 2019

The Company has contracts for right to use of lands for hotel construction and spaces for normal course of operations along with its corporate office space, for a specific period of time in exchange of consideration.

Previously, the Company classified leases as an operating lease and a finance lease based on an assessment whether substantial risk and rewards of ownership has been transferred to the Company. Under IFRS 16, the Company has recognized right of use assets and lease liabilities for lease contracts, which were previously not presented on the statement of financial position.

Right of use assets are initially recognized at an amount equal to the amount of lease liability at initial recognition of the lease contract and subsequently depreciated on a straight line method over the term of the lease contract.

Lease liabilities are initially recognized at the present value of the remaining lease payments and are subsequently carried at their amortized cost using the effective interest method.

The Company has applied an incremental borrowing rate of 11.69% on transition to IFRS 16.

Impact on Transition

On transition to IFRS 16, the Company recognized additional right of use assets and additional lease liabilities, presented on the statement of financial position. The right of use assets are recognized at an amount equal to the lease liabilities, adjusted by the prepaid lease payments pertaining to such lease contracts recognized in the statement of financial position of the Company at initial application date.

The impact of transition is detailed below:

	01 July 2019 Rs. '000'
Right of use assets recognized on the statement of financial position	302,424
Lease liabilities recognized on the statement of financial position	292,267

Prepaid lease payments amounting to Rs. 10.158 million have been reclassified as right of use assets at initial application date.

Impact for the period

In relation to adoption of IFRS 16, the Company recognized depreciation on right of use assets and interest on lease liabilities in the condensed interim unconsolidated statement of profit or loss and deducted lease contractual payments from lease liability during the six months period ended 31 December 2019, as presented below:

	Rs. '000'
Depreciation expense	39,826
Interest cost	11,578
Lease payments	27,974

Had IFRS 16 not been applied, the impact on condensed interim unconsolidated statement of profit or loss of the Company for the six months period ended 31 December 2019 would have been as follows:

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months period ended 31 December 2019

	Rs. '000'
Increase in rental expenses	40,121
Decrease in depreciation expenses	(39,826)
Decrease in interest cost	(11,578)
Increase in profit for the period	(11,283)

Reconciliation of amount presented on condensed interim unconsolidated statement of financial position is presented below:

	Right of use assets	Lease liabilities
	Rs. '000'	
Amount recognized on transition date	302,424	292,267
Depreciation expense for the period	(39,826)	-
Interest on lease liabilities	-	11,578
Lease payments made during the period	-	(39,552)
Amount as per financial statement	262,598	264,293

(b) IFRIC 23 'Uncertainty over income tax treatments'

The Company has adopted IFRIC 23 'Uncertainty over income tax treatments' with a date of initial application of 01 July 2019. IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities, whilst also aiming to enhance transparency. However, it has no significant impact on the Company's financial statements.

3.3 Accounting estimates and judgments

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

The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements, except for the new significant judgments related to the application of IFRS 16, which are detailed in note 3.2(a) to these condensed interim financial statements.

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.

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months period ended 31 December 2019

Significant valuation issues are reported to the Board.

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

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

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

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

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.

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

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 January 2020 :

- Amendments to IFRS 3: Business Combinations	[effective 01 January 2020]
- Amendments to IAS 1: Presentation of Financial Statements	[effective 01 January 2020]
- Amendments to IAS 8: Accounting policies, changes in accounting estimates and errors	[effective 01 January 2020]
- Amendments to IFRS 7: Financial instruments- disclosures	[effective 01 January 2020]
- Amendments to IFRS 9: Financial instruments	[effective 01 January 2020]
- Amendments to revised conceptual framework	[effective 01 January 2020]

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

4 SHARE CAPITAL

There is no change in the authorised, issued, subscribed and paid up share capital of the Company from 30 June 2019.

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months period ended 31 December 2019

	Unaudited 31 December 2019	Audited 30 June 2019
	[Rupees'000]	
5 LOANS AND BORROWINGS - Secured		
a. Non current portion		
Term Finance Loan - 1	552,500	637,500
Term Finance Loan - 2	1,720,000	1,935,000
Term Finance Loan - 3	2,166,667	2,333,333
Term Finance Loan - 4	2,000,000	2,000,000
Syndicated term loan	225,000	450,000
Sukuk	7,000,000	7,000,000
Transaction cost	(42,438)	(52,208)
	13,621,729	14,303,625
Current portion of loans	(2,836,111)	(2,694,444)
	10,785,618	11,609,181
Lease finance facilities		
Diminishing musharaka arrangements	41,919	35,446
Current portion thereon	(15,043)	(13,253)
	26,876	22,193
	10,812,494	11,631,374
b. Current portion		
Current portion of loans	2,836,111	2,694,444
Current portion of Diminishing musharaka arrangements	15,043	13,253
Markup accrued	527,789	380,053
	3,378,943	3,087,750

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 2019.

	Unaudited 31 December 2019	Audited 30 June 2019
	[Rupees'000]	
6 SHORT TERM BORROWINGS - Secured		
	Note	
Running finance facilities - banking companies	6.1	2,487,020
Markup accrued		82,266
		2,569,286
		1,243,464
		21,119
		1,264,583

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 2019 except as disclosed in note 6.1.1.

6.1.1 During the period the Company availed fresh facilities of Rs. 800 million carrying markup of 3M KIBOR plus 0.50%.

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months period ended 31 December 2019

	Unaudited 31 December 2019	Audited 30 June 2019
	[Rupees'000]	
7 TRADE AND OTHER PAYABLES		
Creditors	1,146,432	463,255
Accrued liabilities	674,367	598,999
Shop deposits	54,136	54,267
Retention money	225,121	211,070
Due to related parties - unsecured	43,111	21,353
Sales tax payable	201,543	100,357
Income tax deducted at source	4,726	4,180
Unearned income	184,772	165,082
Other liabilities	47,130	58,715
	<u>2,581,338</u>	<u>1,677,278</u>

8 CONTINGENCIES AND COMMITMENTS

8.1 Contingencies

8.1.1 There is no change in the contingent liabilities as reported in the annual audited unconsolidated financial statements for the year ended 30 June 2019 except for the following:

	Note	Unaudited 31 December 2019	Audited 30 June 2019
		[Rupees'000]	
8.1.2 Guarantees		<u>307,176</u>	<u>285,716</u>
8.2 Commitments			
Commitments for capital expenditure		<u>2,631,466</u>	<u>2,797,346</u>
9 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	9.1	35,937,111	35,848,499
Capital work in progress	9.2	6,207,527	4,613,594
		<u>42,144,638</u>	<u>40,462,093</u>
9.1 Operating fixed assets			
Carrying amount at beginning of the period / year		35,848,499	36,586,141
Additions during the period / year	9.2.2	293,040	883,955
Transfers from capital work in progress	9.2.2	285,424	2,119,451
Asset classified as held for sale		-	[2,748,739]
Disposal during the period / year		[6,308]	[118,332]
Depreciation charge for the period / year	9.2.2	[483,544]	[873,977]
Carrying amount at end of the period / year		<u>35,937,111</u>	<u>35,848,499</u>
9.2 Capital work in progress			
Carrying amount at beginning of the period / year		4,613,594	3,339,146
Additions during the period / year		1,879,357	3,393,899
Transfers to operating fixed assets		[285,424]	[2,119,451]
Carrying amount at end of the period / year	9.2.1	<u>6,207,527</u>	<u>4,613,594</u>

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months period ended 31 December 2019

	Unaudited 31 December 2019	Audited 30 June 2019
	[Rupees'000]	
9.2.1 Closing capital work in progress represents:		
Construction of Pearl Continental Multan	2,581,499	1,748,390
Construction of Pearl Continental Mirpur	3,168,081	2,495,724
Other civil works	457,947	369,480
	6,207,527	4,613,594

9.2.2 Additions to operating fixed assets and depreciation during the six months period ended 31 December 2018 amounted to Rs. 1,470.79 million and Rs. 415.57 million respectively.

10 RIGHT OF USE ASSETS / LEASE LIABILITIES

The Company upon initial application of IFRS 16 recognized right of use assets and lease liabilities at present value of outstanding lease payments using weighted average incremental borrowing rate. The right of use assets are recognized at an amount equal to present value of lease liabilities adjusted by prepaid lease rentals existing at initial application date.

	Unaudited 31 December 2019	Audited 30 June 2019
	[Rupees'000]	
Right of use assets	262,598	-
Lease liabilities		
Not later than one year	82,615	-
Later than one but not later than five years	142,147	-
Later than five years	427,468	-
Total undiscounted lease commitments	652,230	-
Discounted lease liability using the incremental borrowing rate	264,293	-
Less: Current portion thereon	[69,610]	-
	194,683	-

11 ADVANCE FOR CAPITAL EXPENDITURE

Advance for purchase of land	11.1	732,220	717,220
Advance for purchase of Malir Delta Land	11.2	381,656	381,656
		1,113,876	1,098,876
Advance for purchase of apartment		40,509	40,509
Impairment loss		[40,509]	[40,509]
		-	-
Advance for purchase of fixed assets		477,581	560,500
Advances for Pearl Continental Multan Project		204,878	255,818
Advances for Pearl Continental Mirpur Project		139,292	141,996
		821,751	958,314
		1,935,627	2,057,190

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months period ended 31 December 2019

11.1 This includes amount of Rs. 626.82 million [30 June 2019: Rs. 626.82 million] paid to a related party, Associated Builders (Private) Limited, for purchase of tourist site piece[s] of land measuring 7.29 acres in Gwadar.

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

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

12 ADVANCE AGAINST EQUITY INVESTMENT

This represents advance against equity investment of Rs. 2,458.57 million and Rs. 954 million extended by the Company to its wholly owned subsidiary companies City Properties (Private) Limited and Elite Properties (Private) Limited respectively.

13 SHORT TERM INVESTMENTS

Amortized cost

Certificate of investments
Impairment loss

Fair value through other comprehensive income

National Technology Development Corporation Limited
Indus Valley Solvent Oil Extraction Limited
Impairment loss

Amortized cost

Term deposit receipt
Term Finance certificate
Accrued interest

Financial assets at fair value through profit or loss

Shares of listed Companies

Note	Unaudited 31 December 2019 (Rupees'000)	Audited 30 June 2019
	5,300 (5,300)	5,300 (5,300)
	-	-
	500 200 (700)	500 200 (700)
	-	-
13.1	1,009,523	1,009,523
13.2	75,000	75,000
	11,947	9,866
	1,096,470	1,094,389
13.3	745,637	622,048
	1,842,107	1,716,437

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months period ended 31 December 2019

13.1 The Term deposit receipts carry interest rate ranging from 5.25% to 11.30% [30 June 2019: 5.25% to 9%].

13.2 Term Finance certificate carry profit @ 3-month KIBOR plus 1.60%.

13.3 This mainly includes investment in an associated company having carrying value of Rs. 739.282 million [30 June 2019 : Rs. 615.954 million].

13.3.1 Out of total shares 13,687,874 held by the Company in Jubilee General Insurance Company Limited-an associated company, 13,500,000 [30 June 2019: 8,500,000] ordinary shares are placed / lien marked as security against running finance facility of the Company.

14 SHORT TERM ADVANCE

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

		Three months period ended 31 December		Six months period ended 31 December	
		2019	2018	2019	2018
15 REVENUE - NET	Note	[Rupees'000]			
Rooms		1,527,439	1,575,161	2,931,955	2,847,808
Food and beverages		1,818,997	1,496,268	3,049,143	2,763,598
Other related services	15.1	158,739	147,835	306,144	290,681
Shop license fees		11,373	13,907	22,916	29,348
		3,516,548	3,233,171	6,310,158	5,931,435
Discounts and commissions		[66,226]	[39,236]	[128,956]	[85,996]
Sales tax		[475,595]	[439,592]	[849,901]	[809,266]
		2,974,727	2,754,343	5,331,301	5,036,173

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

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months period ended 31 December 2019

	Three months period ended 31 December		Six months period ended 31 December	
	2019	2018	2019	2018
16 COST OF SALES AND SERVICES	[Rupees'000]			
Food and beverages				
Opening balance	92,693	87,083	86,229	86,196
Purchases during the year	476,628	447,845	848,611	857,268
Closing balance	[98,157]	[87,727]	[98,157]	[87,727]
Consumption during the year	471,164	447,201	836,683	855,737
Direct expenses				
Salaries, wages and benefits	453,378	431,136	886,031	851,108
Heat, light and power	225,862	151,522	500,299	381,061
Repair and maintenance	94,235	84,441	173,970	170,480
Depreciation	218,008	187,408	435,190	374,013
Guest supplies	65,948	61,864	121,203	114,101
Linen, china and glassware	29,285	25,628	49,469	52,062
Communication and other related services	20,077	26,244	36,681	47,034
Banquet and decoration	16,693	12,312	31,172	24,402
Transportation	17,239	15,275	30,264	27,502
Uniforms	7,062	8,820	11,947	15,206
Music and entertainment	4,372	3,538	8,383	7,089
Others	14,462	13,603	25,350	23,042
	<u>1,637,785</u>	<u>1,468,992</u>	<u>3,146,642</u>	<u>2,942,837</u>
17 EARNINGS / [LOSS] PER SHARE				
Profit / [loss] for the period [Rupees '000]	<u>205,932</u>	<u>[62,313]</u>	<u>[90,180]</u>	<u>[419,949]</u>
Weighted average number of ordinary shares [Numbers]	<u>32,524,170</u>	<u>32,524,170</u>	<u>32,524,170</u>	<u>32,524,170</u>
Profit / [loss] per share - basic [Rupees]	<u>6.33</u>	<u>[1.92]</u>	<u>[2.77]</u>	<u>[12.91]</u>

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

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months period ended 31 December 2019

		Six months period ended 31 December	
		2019	2018
		[Rupees'000]	
18	CASH FLOWS FROM OPERATING ACTIVITIES BEFORE WORKING CAPITAL CHANGES		
	Profit / [loss] before tax	63,880	[173,623]
	Adjustments for:		
	Depreciation	483,544	415,570
	Depreciation on right of use asset	39,826	-
	Gain on disposal of property, plant and equipment	[5,028]	[20,495]
	Provision for staff retirement benefit - gratuity	59,111	41,156
	Provision for compensated leave absences	24,034	20,218
	Reversal of impairment loss on trade debts	[10,530]	-
	Provision for bad debts	-	1,843
	Return on bank deposits / certificate of investments	[73,638]	[99,213]
	Finance cost	775,416	604,712
	Dividend income	[225]	[380]
	Unrealised [gain] / loss on remeasurement of investments to fair value	[123,589]	284,538
		<u>1,232,801</u>	<u>1,074,326</u>
19	CASH AND CASH EQUIVALENTS		
	Cash and bank balances	365,461	199,239
	Short term borrowings	[2,569,286]	[781,689]
	Accrued markup on short term borrowings	82,266	-
	Accrued profit on bank deposits	[879]	-
		<u>[2,122,438]</u>	<u>[582,450]</u>
20	TRANSACTIONS AND BALANCES WITH RELATED PARTIES		

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

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months period ended 31 December 2019

Six months period ended
31 December
2019 2018
[Rupees'000]

Transactions with subsidiary companies

Sales	1,301	1,752
Services provided	6,425	10,240
Services availed	50,808	29,458
Refund against short term advance	412,000	40,000
Advance against equity investment	-	1,397,000

Balances as at the period end:

- Trade debts	3,433	* 3,295
- Long term investments	1,037,794	*1,037,794
- Advance against equity investment	3,412,571	*3,412,571

Transactions and balances with associated undertakings

Sales	75	74
Services provided	2,280	790
Services availed	198,513	41,936
Purchases	58,868	63,283
Franchise fee - income	2,226	2,373
Franchise and management fee - expense	4,656	5,028
Dividend paid	-	13,473

Balances as at the period end:

- Trade debts	3,462	*2,676
- Advances, deposits and prepayments	74,991	*69,521

Transactions with other related parties

Sales	180	232
Services provided	18	182
Services availed	-	95,123
Contribution to defined contribution plan - provident fund	29,954	28,129
Advance for purchase of vehicle	-	1,622

Balances as at the period end:

- Trade debts	362	*511
- Advance for capital expenditure	626,820	*626,820

Transactions with key management personnel

Remuneration and allowances including staff retirement benefits	108,600	79,465
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* Represents balances as at 30 June 2019.

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months period ended 31 December 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.

		Carrying amount			Fair value				
					Amount in Rs'000				
		Financial Assets		Financial Liabilities	Total	Level 1	Level 2	Level 3	Total
		Fair value through profit or loss	Amortized cost	Amortized cost					
31 December 2019	Note								
Financial assets measured at fair value									
Shares of listed Companies	13	745,637	-	-	745,637	745,637	-	-	745,637
Long term deposits		57,752	-	-	57,752	-	-	57,752	57,752
Short term deposits		17,055	-	-	17,055	-	-	17,055	17,055
		820,444	-	-	820,444	745,637	-	74,807	820,444
Financial assets not measured at fair value									
Trade debts	21.2	-	787,527	-	787,527	-	-	-	-
Contract assets		-	28,993	-	28,993	-	-	-	-
Advance to employees		-	41,950	-	41,950	-	-	-	-
Other receivables		-	183,579	-	183,579	-	-	-	-
Term deposit receipt	13	-	1,009,523	-	1,009,523	-	-	-	-
Term finance certificate	13	-	75,000	-	75,000	-	-	-	-
Short term advance		-	103,000	-	103,000	-	-	-	-
Accrued interest	13	-	11,947	-	11,947	-	-	-	-
Cash and bank balances		-	365,461	-	365,461	-	-	-	-
		-	2,606,980	-	2,606,980	-	-	-	-
Financial liabilities not measured at fair value									
Loans and borrowings	21.2	-	-	13,664,167	13,664,167	-	-	-	-
Short term borrowings	6	-	-	2,569,286	2,569,286	-	-	-	-
Trade and other payables	21.3	-	-	2,190,297	2,190,297	-	-	-	-
Unclaimed dividend		-	-	9,242	9,242	-	-	-	-
Unpaid dividend		-	-	1,528	1,528	-	-	-	-
		-	-	18,434,520	18,434,520	-	-	-	-
30 June 2019									
Financial assets measured at fair value									
Shares of listed Companies	13	622,048	-	-	622,048	622,048	-	-	622,048
Long term deposits		55,976	-	-	55,976	-	-	55,976	55,976
Short term deposits		15,905	-	-	15,905	-	-	15,905	15,905
		693,929	-	-	693,929	622,048	-	71,881	693,929
Financial assets not measured at fair value									
Trade debts	21.2	-	543,377	-	543,377	-	-	-	-
Contract assets		-	29,752	-	29,752	-	-	-	-
Advance to employees		-	13,405	-	13,405	-	-	-	-
Other receivables		-	56,221	-	56,221	-	-	-	-
Term deposit receipt	13	-	1,009,523	-	1,009,523	-	-	-	-
Term finance certificate	13	-	75,000	-	75,000	-	-	-	-
Short term advance		-	515,000	-	515,000	-	-	-	-
Cash and bank balances		-	241,080	-	241,080	-	-	-	-
		-	2,483,358	-	2,483,358	-	-	-	-
Financial liabilities not measured at fair value									
Loans and borrowings	21.2	-	-	14,355,833	14,355,833	-	-	-	-
Short term borrowings	6	-	-	1,264,583	1,264,583	-	-	-	-
Trade and other payables	21.3	-	-	1,407,659	1,407,659	-	-	-	-
Unclaimed dividend		-	-	9,242	9,242	-	-	-	-
Unpaid dividend		-	-	1,528	1,528	-	-	-	-
		-	-	17,038,845	17,038,845	-	-	-	-

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months period ended 31 December 2019

- 21.2 The Company has not disclosed the fair values for these financial assets and financial liabilities, because their carrying amounts are reasonable approximation of fair value.
- 21.3 It excludes, federal excise duty, bed tax and sales tax payable, banquet / beverage tax, unearned income and income tax deducted at source.

22 DATE OF AUTHORISATION FOR ISSUE

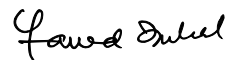
These condensed interim unconsolidated financial statements were authorized for issue by the Board of Directors of the Company in its meeting held on 26 February 2020.



M.A. Bawany
Director



Shakir Abu Bakar
Director



Javed Iqbal
Chief Financial Officer



Pearl-Continental Hotel Malam Jabba



**CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS [UNAUDITED]**
For the six months period ended 31 December 2019

Condensed Interim Consolidated Statement of Financial Position

As at 31 December 2019

		Unaudited 31 December 2019	Audited 30 June 2019
	Note	[Rupees'000]	
EQUITY			
Share capital	4	325,242	325,242
Capital reserve		416,645	416,645
Revenue reserves		6,241,139	6,386,580
Revaluation surplus on property, plant and equipment		27,530,741	27,530,741
Equity attributable to owners		34,513,767	34,659,208
Non- controlling interest		[20,729]	14,583
Total equity		34,493,038	34,673,791
LIABILITIES			
Loans and borrowings	5	10,849,524	11,671,272
Lease liability	11	194,683	-
Employee benefits		876,273	815,402
Deferred tax liability - net		630,971	564,479
Non current liabilities		12,551,451	13,051,153
Short term borrowings	6	2,569,286	1,264,583
Current portion of loans and borrowings	5	3,396,413	3,107,251
Short term loans	7	233,012	
Trade and other payables	8	3,101,123	1,765,945
Contract liabilities		353,102	276,581
Lease liability	11	69,610	-
Unpaid dividend		1,528	1,528
Unclaimed dividend		9,242	9,242
Current liabilities		9,733,316	6,425,130
Total equity and liabilities		56,777,805	54,150,074
CONTINGENCIES AND COMMITMENTS			
	9		

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

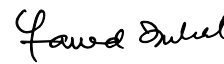
		Unaudited 31 December 2019	Audited 30 June 2019
	Note	[Rupees'000]	
ASSETS			
Property, plant and equipment	10	42,286,471	40,605,493
Right-of-use Asset	11	262,598	-
Advance for capital expenditure	12	1,935,627	2,057,190
Investment property		60,000	60,000
Long term investments		739,282	615,954
Advance against equity investment	13	517,599	355,314
Long term deposits and prepayments		67,126	63,888
Non current assets		45,868,703	43,757,839
Inventories		330,981	313,655
Trade debts		823,320	557,183
Contract assets		28,993	29,752
Development properties		4,308,087	4,301,165
Advances, prepayments, trade deposits and other receivables		530,877	430,331
Short term investments	14	1,111,293	1,106,813
Non current asset held for sale		2,748,739	2,748,739
Advance tax - net		594,871	559,147
Cash and bank balances		431,941	345,450
Current assets		10,909,102	10,392,235
Total assets		56,777,805	54,150,074



M.A. Bawany
Director



Shakir Abu Bakar
Director



Javed Iqbal
Chief Financial Officer

Condensed Interim Consolidated Statement of Profit or Loss (Unaudited)

For the six months period ended 31 December 2019

		Three months period ended 31 December		Six months period ended 31 December	
		2019	2018	2019	2018
	Note	[Rupees'000]			
Revenue - net	15	2,994,315	2,785,819	5,369,364	5,104,153
Cost of sales and services	16	[1,660,976]	[1,498,511]	[3,189,565]	[3,007,549]
Gross profit		1,333,339	1,287,308	2,179,799	2,096,604
Other income		48,101	55,714	100,534	125,026
Administrative expenses		[921,248]	[841,358]	[1,738,674]	[1,577,853]
Reversal of impairment loss on trade debts		17,752	-	10,530	-
Operating profit		477,944	501,664	552,189	643,777
Finance income		124,814	[64,112]	189,459	[189,488]
Unrealised gain/ [loss] on remeasurement of investments to fair value - net		1,153	378	261	33
Finance cost		[365,927]	[381,715]	[777,727]	[607,618]
Net finance cost		[239,960]	[445,449]	[588,007]	[797,073]
Share of gain in equity accounted investment-net		4,682	18,546	18,626	22,284
Profit/ [loss] before taxation		242,666	74,761	[17,192]	[131,012]
Income tax expense		[76,243]	[127,923]	[159,221]	[254,284]
Profit / [loss] for the period		166,423	[53,162]	[176,413]	[385,296]
Loss attributable to:					
Owners of the Company		185,214	-	[141,101]	-
Non-controlling interests		[18,791]	-	[35,312]	-
		166,423	-	[176,413]	-

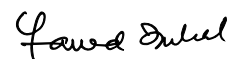
The annexed notes 1 to 21 form an integral part of these interim consolidated financial statements.



M.A. Bawany
Director



Shakir Abu Bakar
Director



Javed Iqbal
Chief Financial Officer

Condensed Interim Consolidated Statement of Comprehensive Income (Unaudited)

For the six months period ended 31 December 2019

	Three months period ended 31 December		Six months period ended 31 December	
	2019	2018	2019	2018
	[Rupees'000]			
Profit / [loss] for the period	166,423	[53,162]	[176,413]	[385,296]
Surplus on remeasurement of available for sale securities	[4,340]	[11,430]	[4,340]	[11,430]
Total comprehensive income for the period- [loss]	162,083	[64,592]	[180,753]	[396,726]
Total comprehensive income- [loss] attributable to:				
Owners of the Company	180,874	-	[145,441]	-
Non-controlling interests	[18,791]	-	[35,312]	-
	162,083	-	[180,753]	-

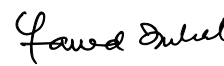
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M.A. Bawany
Director



Shakir Abu Bakar
Director



Javed Iqbal
Chief Financial Officer

Condensed Interim Consolidated Statement of Cash Flows [Unaudited]

For the six months period ended 31 December 2019

		Six months period ended 31 December	
		2019	2018
		[Rupees'000]	
	Note		
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash flow from operating activities before working capital changes	17	1,156,022	1,110,439
Working capital changes			
[Increase] / decrease in current assets			
Inventories		[17,326]	[4,936]
Development properties		[6,922]	[1,442,031]
Trade debts		[255,607]	[111,518]
Contract assets		759	[1,734]
Advances		[11,586]	[68,910]
Trade deposits and prepayments		[81,151]	[68,723]
Other receivables		[11,922]	[1,449]
Increase / (decrease) in current liabilities			
Increase/ (decrease) in trade and other payables		1,335,178	[65,999]
Increase in contract liabilities		76,521	65,833
Cash generated from / (used in) operations		1,027,944	[1,699,467]
Staff retirement benefit - gratuity paid		[12,265]	[10,412]
Compensated leave absences paid		[12,781]	[16,240]
Income tax paid		[128,453]	[275,175]
Finance cost paid		[979,242]	[574,448]
Net Cash generated from / (used in) operations		1,051,225	[1,465,303]
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		[1,333,050]	[1,896,555]
Advance for capital expenditure		[308,072]	[8,867]
Proceeds from disposal of property, plant and equipment		22,467	41,346
Advance against equity investment		[162,285]	-
Maturity of short term investments		-	1,000,000
Short term investments		[2,139]	-
Proceeds from disposal of held for sale asset		-	144,582
Dividend income received		225	380
Receipts of return on bank deposits and short term investments		72,500	83,217
Long term deposits and prepayments		[9,278]	[17,152]
Net cash used in investing activities		[1,719,632]	[653,049]
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long term financing		[691,666]	[643,333]
Proceeds from Sukuk issuance		-	1,361,547
Proceeds from long term financing		-	150,000
Short term loans		233,012	-
Repayment of diminishing Mutharika facility		[12,665]	[18,558]
Repayment of lease liability		[16,396]	-
Dividend paid		-	[17,655]
Net cash (used in) / generated from financing activities		[487,715]	832,001
Net decrease in cash and cash equivalents		[1,156,122]	[1,286,351]
Cash and cash equivalents at beginning of the period		[899,836]	760,224
Cash and cash equivalents at end of the period	18	[2,055,958]	[526,127]

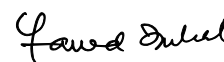
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M.A. Bawany
Director



Shakir Abu Bakar
Director



Javed Iqbal
Chief Financial Officer

Condensed Interim Consolidated Statement of Changes in Equity (Unaudited)

For the six months period ended 31 December 2019

	Share capital	Capital reserve		Revenue reserves				Surplus on revaluation of property, plant and equipment	Total	Non controlling Interest	Total Equity
		Share premium	Share of associate's capital reserve	General reserve	Exchange translation reserve [net of tax]	Surplus on re-measurement of available for sale securities	Unappropriated profit				
	[Rupees'000]										
Adjusted balance at 01 July 2018	325,242	269,424	147,221	1,600,000	714,348	104,246	5,056,800	27,530,741	35,748,022	-	35,748,022
Total comprehensive income for the year											
Loss for the period	-	-	-	-	-	-	(385,296)	-	(385,296)	-	(385,296)
Other comprehensive income for the period -loss	-	-	-	-	-	(11,430)	-	-	(11,430)	-	(11,430)
Total comprehensive income for the period -loss	-	-	-	-	-	(11,430)	(385,296)	-	(396,726)	-	(396,726)
Balance at 31 December 2018	325,242	269,424	147,221	1,600,000	714,348	92,816	4,671,504	27,530,741	35,351,296	-	35,351,296
Balance at 01 July 2019	325,242	269,424	147,221	1,600,000	1,099,231	34,121	3,653,228	27,530,741	34,659,208	14,583	34,673,791
Total comprehensive income for the year											
Loss for the period	-	-	-	-	-	-	(141,101)	-	(141,101)	(35,312)	(176,413)
Other comprehensive income for the period -loss	-	-	-	-	-	(4,340)	-	-	(4,340)	-	(4,340)
Total comprehensive income for the period -loss	-	-	-	-	-	(4,340)	(141,101)	-	(145,441)	(35,312)	(180,753)
Balance at 31 December 2019	325,242	269,424	147,221	1,600,000	1,099,231	29,781	3,512,127	27,530,741	34,513,767	(20,729)	34,493,038

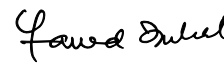
The annexed notes 1 to 21 form an integral part of these interim consolidated financial statements.



M.A. Bawany
Director



Shaker Abu Bakar
Director



Javed Iqbal
Chief Financial Officer

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the six months period ended 31 December 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.

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

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

2 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

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

The disclosures in these interim consolidated financial statements do not include the information that was reported in annual audited consolidated financial statements and should therefore be read in conjunction with the annual audited consolidated financial statements for the year ended 30 June 2019. Comparative condensed consolidated statement of financial position is extracted from the annual audited consolidated financial statements for the year ended 30 June 2019, whereas comparative condensed interim consolidated statement of profit or loss, condensed interim consolidated statement of comprehensive income, condensed interim consolidated statement of cash flows and condensed interim consolidated statement of changes in equity are extracted from unaudited interim consolidated financial statements for the six months period ended 31 December 2018.

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

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the six months period ended 31 December 2019

3 ACCOUNTING POLICIES AND ESTIMATES

3.1 Significant accounting policies

The accounting policies and the methods of computation adopted in the preparation of these condensed interim consolidated financial statements are the same as those applied in the preparation of the financial statements of the Group for the year ended 30 June 2019, except for the adoption of new standards and interpretations as referred to in note 3.2 to these condensed interim consolidated financial statements.

3.2 New standards, interpretations and amendments adopted by the Group

[a] IFRS 16 'Leases'

The Group has initially applied IFRS 16 'Leases' from 01 July 2019.

IFRS 16 introduced a single, on-balance sheet lease accounting model for lessees. As a result, the Group, as a lessee has recognised right of use assets representing its right to use the underlying assets and lease liabilities representing its obligation to make lease payments.

IFRS 16 replaced previous leases guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases – Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'.

The Group applied IFRS 16 using the modified retrospective approach, under which the Group has recognized right of use assets and lease liabilities at the date of initial recognition for leases previously classified as operating leases under IAS 17 at the present value of the remaining lease payments using the Group's weighted average incremental borrowing rate at the initial application date. The Group has chosen to measure the right of use assets at an amount equal to the lease liabilities adjusted by the amount of prepaid lease payments relating to the operating leases recognized in the statement of financial position as at 01 July 2019. Accordingly, no adjustment to equity has been made in these financial statements on adoption of the new policy and the comparative figures presented for 2018 have not been restated, i.e., it is presented, as previously reported, under IAS 17 and related interpretations.

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining Whether an Arrangement contains a Lease. The Group now assesses whether a contract is, or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset;
- The Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Group has the right to direct the use of the asset. The Group has this right when it has the decision – making rights that are most relevant to changing how and for what purpose the asset is used.

On transition to IFRS 16, the Group has elected to apply the practical expedient to grandfather the assessment of which contracts or arrangements are leases, i.e., it applies IFRS 16 only to contracts that were previously identified as leases under IAS 17 and related interpretations. Contracts that were not previously identified as leases were not reassessed. As a result, the definition of lease under IFRS 16 would only be applied to contracts or arrangements entered into or changed after 01 July 2019, to be accounted for accordingly. Additionally, the Group has applied the following practical expedients:

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- The use of a single discount rate to a portfolio of leases with reasonably similar risk characteristics.
- Applied the exemption not to recognize the right of use assets and lease liabilities of low value items and leases having a term of less than 12 months i.e., short term leases.

The Group has contracts for right to use of lands for hotel construction and for normal course of operations along with it's corporate office space, for a specific period of time in exchange of consideration.

Previously, the Group classified leases as an operating lease and a finance lease based on an assessment whether substantial risk and rewards of ownership has been transferred to the Group. Under IFRS 16, the Group has recognized right of use assets and lease liabilities for lease contracts, which were previously not presented on the statement of financial position.

Right of use assets are initially recognized at an amount equal to the amount of lease liability at initial recognition of the lease contract and subsequently depreciated on a straight line method over the term of the lease contract.

Lease liabilities are initially recognized at the present value of the remaining lease payments and are subsequently carried at their amortized cost using the effective interest method.

The Group has used an incremental borrowing rate of 11.69% on transition to IFRS 16.

Impact on Transition

On transition to IFRS 16, the Group recognized additional right of use assets and additional lease liabilities, presented on the statement of financial position. The right of use assets are recognized at an amount equal to the lease liabilities, adjusted by the prepaid lease payments pertaining to such lease contracts recognized in the statement of financial position at initial application date.

	01 July 2019 Rs. '000'
The impact of transition is as below:	
Right-of-use assets presented on the statement of financial position	302,424
Lease liabilities presented on the statement of financial position	292,267

Prepaid lease payments amounting to Rs. 10.158 million have been reclassified as right of use assets at initial application date.

Impact for the period

In relation to adoption of IFRS 16, the Group recognized depreciation on right of use assets and interest on lease liabilities in the condensed interim consolidated statement of profit or loss and deducted lease contractual payments from lease liability during the six months period ended 31 December 2019, as presented below:

	Rs. '000'
Depreciation expense	39,826
Interest cost	11,578
Lease payments	27,974

Had IFRS 16 not been applied, the impact on condensed interim consolidated statement of profit or loss of the Group for the six months period ended 31 December 2019 would have been as follows:

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	Rs. '000'
Increase in rental expenses	40,121
Decrease in depreciation expenses	[39,826]
Decrease in interest cost	[11,578]
Increase in Profit	[11,283]

Reconciliation of amount presented on statement of Financial Statement:

	Right of use assets	Lease liabilities
	Rs. '000'	
Recognized on 01 July 2019	302,424	292,267
Depreciation expense for the period	[39,826]	-
Interest on lease liabilities	-	11,578
Lease payments made during the period	-	[39,552]
	262,598	264,293

(b) IFRIC 23 'Uncertainty over income tax treatments'

The Group has adopted IFRIC 23 'Uncertainty over income tax treatments' with a date of initial application of 01 July 2019. IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities, whilst also aiming to enhance transparency. However, it has no significant impact on the Group's financial statements.

3.3 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 judgments 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 financial statements, except for the new significant judgments related to the application of IFRS 16, which are detailed in note 3.2(a) to these condensed interim financial statements.

Measurement of fair values

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

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

Significant valuation issues are reported to the Board.

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

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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.

3.4 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 2020 :

- Amendments to IFRS 3: Business Combinations	[effective 01 January 2020]
- Amendments to IAS 1: Presentation of Financial Statements	[effective 01 January 2020]
- Amendments to IAS 8: Accounting policies, changes in accounting estimates and errors	[effective 01 January 2020]
- Amendments to IFRS 7: Financial instruments- disclosures	[effective 01 January 2020]
- Amendments to IFRS 9: Financial instruments	[effective 01 January 2020]
- Amendments to revised conceptual framework	[effective 01 January 2020]

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

4 SHARE CAPITAL

There is no change in authorised and issued, subscribed and paid up share capital of the Group from 30 June 2019.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the six months period ended 31 December 2019

		Unaudited 31 December 2019	Audited 30 June 2019	
		[Rupees'000]		
5	LOANS AND BORROWINGS - Secured			
a.	Non current potion			
	Term Finance Loan - 1	552,500	637,500	
	Term Finance Loan - 2	1,720,000	1,935,000	
	Term Finance Loan - 3	2,166,667	2,333,333	
	Term Finance Loan - 4	2,000,000	2,000,000	
	Syndicated term loan	225,000	450,000	
	Sukuk	7,000,000	7,000,000	
	Transaction cost	[42,438]	[52,208]	
		13,621,729	14,303,625	
	Current portion of loans	[2,836,111]	[2,694,444]	
		10,785,618	11,609,181	
	Lease finance facilities			
	Diminishing Musharaka arrangements	96,419	94,844	
	Current portion	[32,513]	[32,753]	
		63,906	62,091	
		10,849,524	11,671,272	
b.	Current portion			
	Current portion of loans	2,836,111	2,694,444	
	Current portion of Diminishing Musharaka Facility	32,513	32,753	
	Markup accrued	527,789	380,054	
		3,396,413	3,107,251	
5.1	The markup rates, facility limits and securities offered for long term financing facilities are the same as disclosed in the annual audited consolidated financial statements of the Group for the year ended 30 June 2019.			
		Unaudited 31 December 2019	Audited 30 June 2019	
6	SHORT TERM BORROWINGS - Secured	[Rupees'000]		
		Note		
	Running finance facilities - from banking companies	6.1	2,487,020	1,243,464
	Markup accrued		82,266	21,119
			2,569,286	1,264,583
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 2019 except as disclosed in note 6.1.1.			
6.1.1	During the period the Group availed fresh facilities of Rs. 800 million carrying markup of 3-month KIBOR plus 0.50%.			
7	SHORT TERM LOAN			
This also icludes short term loan of Rs. 185 million availed from related parties.				

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the six months period ended 31 December 2019

	Unaudited 31 December 2019	Audited 30 June 2019
	[Rupees'000]	
8 TRADE AND OTHER PAYABLES		
Creditors	1,161,267	475,617
Accrued liabilities	686,569	606,134
Shop deposits	54,136	54,267
Retention money	225,217	211,070
Due to related parties - unsecured	49,367	25,242
Sales tax payable	201,543	100,569
Income tax deducted at source	10,077	4,185
Un-earned income	184,772	221,082
Advance against sale of development property	468,000	-
Other liabilities	60,175	67,779
	3,101,123	1,765,945

9 CONTINGENCIES AND COMMITMENTS

9.1 Contingencies

- 9.1.1 There is no change in the contingent liabilities as reported in the annual audited consolidated financial statements for the year ended 30 June 2019 except for the following:

	Note	Unaudited 31 December 2019	Audited 30 June 2019
		[Rupees'000]	
9.1.2 Guarantees		307,176	286,852
9.2 Commitments			
Commitments for capital expenditure		2,631,466	2,911,627
10 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	10.1	36,078,944	35,991,899
Capital work in progress	10.2	6,207,527	4,613,594
		42,286,471	40,605,493
10.1 Operating fixed assets			
Carrying amount at beginning of the period / year		35,991,899	36,700,470
Additions during the period / year	10.2.2	306,156	945,045
Transfer from Capital work in progress	10.2.2	285,424	2,119,451
Asset classified as held for sale		-	(2,715,787)
Disposal during the period / year		(10,116)	(160,891)
Depreciation charge for the period / year	10.2.2	(494,419)	(896,389)
Carrying amount at end of the period / year		36,078,944	35,991,899

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the six months period ended 31 December 2019

		Unaudited 31 December 2019	Audited 30 June 2019
	Note	[Rupees'000]	
10.2 Capital work in progress			
Carrying amount at beginning of the period / year		4,613,594	3,339,152
Additions during the period / year		1,879,357	3,393,893
Transferred to operating fixed assets		(285,424)	(2,119,451)
Carrying amount at end of the period / year	10.2.1	6,207,527	4,613,594
10.2.1 Closing capital work in progress represents:			
Construction of Pearl Continental Multan		2,581,499	1,748,390
Construction of Pearl Continental Mirpur		3,168,081	2,495,724
Other civil works		457,947	369,480
		6,207,527	4,613,594

10.2.2 Additions to operating fixed assets and depreciation during the six months period ended 31 December 2018 amounted to Rs. 1,470.79 million and Rs. 415.57 million respectively.

11 RIGHT-OF- USE ASSETS / LEASE LIABILITIES

The Group upon initial application of IFRS 16 recognized right of use assets and lease liabilities at present value of outstanding lease payments using weighted average incremental borrowing rate. The right of use assets are recognized at an amount equal to present value of lease liabilities adjusted by prepaid lease rentals existing at initial application date.

	Unaudited 31 December 2019	Audited 30 June 2019
	[Rupees'000]	
Right-of-use Asset	262,598	-
Lease liability:		
Not later than one year	82,615	-
Later than one but not later than five years	142,147	-
Later than five years	427,468	-
Total undiscounted lease commitments	652,230	-
Discounted lease liability using the incremental borrowing rate	264,293	-
Less: Current portion thereon	(69,610)	-
	194,683	-

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the six months period ended 31 December 2019

		Unaudited 31 December 2019	Audited 30 June 2019
	Note	[Rupees'000]	
12 ADVANCE FOR CAPITAL EXPENDITURE			
Advance for purchase of land	12.1	732,220	717,220
Advance for purchase of Malir Delta Land	12.2	381,656	381,656
		1,113,876	1,098,876
Advance for purchase of apartment		40,509	40,509
Impairment loss		[40,509]	[40,509]
		-	-
Advance for purchase of fixed assets		477,581	560,500
Advances for Pearl Continental Multan Project		204,878	255,818
Advances for Pearl Continental Mirpur Project		139,292	141,996
		821,751	958,314
		1,935,627	2,057,190

12.1 This includes amount of Rs. 626.82 million (30 June 2019: Rs. 626.82 million) paid to a related party, Associated Builders (Private) Limited, for purchase of tourist site piece[s] of land measuring 7.29 acres in Gwadar.

12.2 This represents amount paid for purchase of 1/3rd share (113.34 acres of land) from Ms. Seema Tressa Gill's situated in Deh Dih in the Delta of Malir River. The Parent Company relying upon the representation of good title by Ms. Seema Tressa Gill entered into 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 Parent Company also paid regularization fee amounting to Rs. 301.65 million to the Land Utilization Department Govt. of Sindh on her behalf through Challan.

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

	Unaudited 31 December 2019	Audited 30 June 2019
	[Rupees'000]	
13 ADVANCE AGAINST EQUITY INVESTMENT		
Foreepay (Pvt) Limited	327,280	219,280
Xoop Technologies (Pvt) Limited	190,319	136,034
	517,599	355,314

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the six months period ended 31 December 2019

14	SHORT TERM INVESTMENTS	Unaudited 31 December 2019	Audited 30 June 2019
		[Rupees'000]	
	Amortized cost		
	Certificate of investments	5,300	5,300
	Impairment loss	(5,300)	(5,300)
		-	-
	Fair value through other comprehensive income		
	National Technology Development Corporation Limited	200	200
	Indus Valley Solvent Oil Extraction Limited	500	500
	Impairment loss	(700)	(700)
		-	-
	Shares of listed companies	6,355	6,095
	Term deposit receipt	1,009,523	1,009,523
	Mutual Fund	8,468	6,329
	Term Finance certificate	75,000	75,000
		1,099,346	1,096,947
	Accrued interest	11,947	9,866
		1,111,293	1,106,813

15	REVENUE- net	Note	Three months period ended 31 December		Six months period ended 31 December	
			2019	2018	2019	2018
			[Rupees'000]			
	Rooms		1,521,911	1,570,204	2,925,530	2,837,202
	Food and beverages		1,822,656	1,495,453	3,047,842	2,762,046
	Other related services	15.1	165,275	157,309	321,348	312,434
	Vehicles Rental		31,001	42,644	60,750	88,598
	Shop license fees		11,373	13,907	22,916	29,348
			3,552,216	3,279,517	6,378,386	6,029,628
	Discounts and commissions		(73,507)	(45,294)	(142,235)	(97,557)
	Sales tax		(484,394)	(448,404)	(866,787)	(827,918)
			2,994,315	2,785,819	5,369,364	5,104,153

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

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For the six months period ended 31 December 2019

	Three months period ended 31 December		Six months period ended 31 December	
	2019	2018	2019	2018
	[Rupees'000]			
16 COST OF SALES AND SERVICES				
Food and beverages				
Opening balance	92,693	87,083	86,229	86,196
Purchases during the year	476,843	447,845	848,611	857,268
Closing balance	[98,157]	[87,727]	[98,157]	[87,727]
Consumption during the year	471,379	447,201	836,683	855,737
Direct expenses				
Salaries, wages and benefits	469,381	444,588	915,935	878,432
Heat, light and power	225,862	151,522	500,299	381,061
Repair and maintenance	94,333	84,615	174,142	170,784
Depreciation	222,081	192,909	444,085	384,230
Guest supplies	65,948	61,864	121,203	114,101
Linen, china and glassware	29,285	25,628	49,469	52,062
Communication and other related services	20,077	26,244	36,681	47,034
Banquet and decoration	16,693	12,312	31,172	24,402
Transportation	3,022	9,090	4,860	15,278
Uniforms	7,062	8,820	11,947	15,206
Music and entertainment	4,372	3,538	8,383	7,089
Insurance	724	1,258	1,456	2,270
Vehicle operating Expense	9,017	8,952	16,918	18,237
Vehicle Rental and Registration Charges	4,370	5,330	7,731	15,886
Others	17,370	14,640	28,601	25,740
	1,660,976	1,498,511	3,189,565	3,007,549
17 CASH FLOWS FROM OPERATING ACTIVITIES BEFORE WORKING CAPITAL CHANGES				
Loss before tax			[17,192]	[131,012]
Adjustments for:				
Depreciation			494,419	426,922
Depreciation on right-of-use asset			39,826	-
Gain on disposal of property, plant and equipment			[12,351]	[28,665]
Provision for staff retirement benefit - gratuity			61,237	43,731
Provision for compensated leave absences			24,678	20,846
Reversal of impairment loss on trade debts			[10,530]	-
Provision for bad debts			-	1,843
Return on bank deposits / certificate of investments			[73,638]	[103,572]
Finance cost			777,727	607,618
Dividend income			[225]	[380]
Unrealised [Gain]/ loss on remeasurement of investments to fair value			[261]	[33]
Share of gain in equity accounted investment-net			[18,626]	[22,284]
[Reversal]/ Impairment on investment in associated company			[109,042]	295,425
			1,156,022	1,110,439
18 CASH AND CASH EQUIVALENTS				
Cash and bank balances			431,941	255,562
Short term borrowings			[2,569,286]	[781,689]
Accrued markup on short term borrowings			82,266	-
Accrued profit on bank deposits			[879]	-
			[2,055,958]	[526,127]

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19 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

	Six months period ended 31 December	
	2019	2018
	[Rupees'000]	
Transactions and balances with associated undertakings		
Sales	75	74
Services provided	15,387	2,850
Services availed	203,568	46,009
Purchases	60,146	64,025
Franchise fee - income	2,226	2,373
Franchise and management fee - expense	4,656	5,028
Dividend paid	-	13,473
Balances as at the period end:		
- Trade debts	8,653	* 7,774
- Advances, deposits and prepayments	74,991	* 79,377
Transactions with other related parties		
Sales	180	232
Services provided	18	182
Services availed	-	95,123
Contribution to defined contribution plan - provident fund	29,954	28,129
Advance for purchase of vehicle	-	1,622
Balances as at the period end:		
- Trade debts	420	* 568
- Advance for capital expenditure	626,820	* 626,820
Transactions with key management personnel		
Remuneration and allowances including staff retirement benefits	108,600	79,465
Loan from key management personnel	78,000	-

* Represents balances as at 30 June 2019.

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20 FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT

20.1 Accounting classifications and fair values

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

	Note	Carrying amount			Fair value				
					Amount in Rs'000				
		Financial Assets	Financial Liabilities		Total	Level 1	Level 2	Level 3	Total
		Fair value through profit or loss	Amortized cost	Amortized cost					
31 December 2019									
Financial assets measured at fair value									
Shares of listed Companies	14	6,355	-	-	6,355	6,355	-	-	6,355
Long term deposits		57,752	-	-	57,752	-	-	57,752	57,752
Short term deposits		17,055	-	-	17,055	-	-	17,055	17,055
		81,162	-	-	81,162	6,355	-	74,807	81,162
Financial assets not measured at fair value	20.2								
Trade debts		-	823,320	-	823,320	-	-	-	-
Contract assets		-	28,993	-	28,993	-	-	-	-
Advance to employees		-	41,950	-	41,950	-	-	-	-
Other receivables		-	183,578	-	183,578	-	-	-	-
Term deposit receipt	14	-	1,009,523	-	1,009,523	-	-	-	-
Term finance certificate	14	-	75,000	-	75,000	-	-	-	-
Short term investment	14	-	8,468	-	8,468	-	-	-	-
Accrued interest	14	-	11,947	-	11,947	-	-	-	-
Cash and bank balances		-	431,941	-	431,941	-	-	-	-
		-	2,614,720	-	2,614,720	-	-	-	-
Financial liabilities not measured at fair value	20.2								
Loans and borrowings	5	-	-	13,664,167	13,664,167	-	-	-	-
Short term borrowings	6	-	-	2,569,286	2,569,286	-	-	-	-
Trade and other payables	8	-	-	2,704,731	2,704,731	-	-	-	-
Unclaimed dividend		-	-	9,242	9,242	-	-	-	-
Unpaid dividend		-	-	1,528	1,528	-	-	-	-
		-	-	18,948,954	18,948,954	-	-	-	-
30 June 2019									
Financial assets measured at fair value									
Short term investment	14	6,095	-	-	6,095	6,095	-	-	6,095
Long term deposits		57,548	-	-	57,548	-	-	57,548	57,548
Short term deposits		19,967	-	-	19,967	-	-	19,967	19,967
		83,610	-	-	83,610	6,095	-	77,515	83,610
Financial assets not measured at fair value	20.2								
Trade debts		-	557,183	-	557,183	-	-	-	-
Contract assets		-	29,752	-	29,752	-	-	-	-
Advance to employees		-	19,623	-	19,623	-	-	-	-
Other receivables		-	63,655	-	63,655	-	-	-	-
Term deposit receipt	14	-	1,019,389	-	1,019,389	-	-	-	-
Term finance certificate	14	-	75,000	-	75,000	-	-	-	-
Cash and bank balances		-	345,450	-	345,450	-	-	-	-
		-	2,110,052	-	2,110,052	-	-	-	-
Financial liabilities not measured at fair value	20.2								
Loans and borrowings	5	-	-	14,355,833	14,355,833	-	-	-	-
Short term borrowings	6	-	-	1,264,583	1,264,583	-	-	-	-
Liabilities against diminishing Mutharika facility		-	-	94,844	94,844	-	-	-	-
Trade and other payables	8	-	-	1,440,109	1,440,109	-	-	-	-
Markup accrued		-	-	276,581	276,581	-	-	-	-
Unclaimed dividend		-	-	9,242	9,242	-	-	-	-
Unpaid dividend		-	-	1,528	1,528	-	-	-	-
		-	-	17,442,720	17,442,720	-	-	-	-

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the six months period ended 31 December 2019

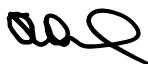
- 20.2 The Group has not disclosed the fair values for these financial assets and financial liabilities, because their carrying amounts are reasonable approximation of fair value.
- 20.3 It excludes, federal excise duty, bed tax and sales tax payable, banquet / beverage tax, unearned income and income tax deducted at source.

21 DATE OF AUTHORISATION FOR ISSUE

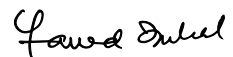
These condensed interim consolidated financial statements were authorized for issue by the Board of Directors of the Parent Company in its meeting held on 26 February 2020.



M.A. Bawany
Director



Shakir Abu Bakar
Director



Javed Iqbal
Chief Financial Officer



Pearl-Continental Hotel Lahore



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OWNERS AND OPERATORS OF



Pearl-Continental
HOTELS & RESORTS

KARACHI • LAHORE • RAWALPINDI • PESHAWAR • BHURBAN
MUZAFFARABAD • MALAM JABBA