

ANNUAL REPORT 2020



Pearl-Continental Hotel, Lahore



PAKISTAN SERVICES LTD.



Pearl-Continental

HOTELS & RESORTS

ANNUAL REPORT

2020

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Pearl-Continental Hotel, Lahore

VISION STATEMENT

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

MISSION STATEMENT

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

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

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

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

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

CORPORATE INFORMATION

Pearl Continental Hotels, a chain owned, operated and franchised by Pakistan Services Limited, sets the international standards for quality hotel accommodation across Pakistan and AJ&K and manages 7 luxury hotels in Karachi, Lahore, Rawalpindi, Peshawar, Bhurban, Muzaffarabad, Malam Jabba; comprising 1,543 rooms. It also owns another small hotel with 32 rooms in Lahore city.

BOARD OF DIRECTORS

| | |
|-------------------------------|----------|
| Mr. Sadruddin Hashwani | Chairman |
| Mr. Murtaza Hashwani | CEO |
| Mr. M. A. Bawany | |
| Mr. Shakir Abu Bakar | |
| Syed Haseeb Amjad Gardezi | |
| Mr. M. Ahmed Ghazali Marghoob | |
| Ms. Ayesha Khan | |
| Mr. Rohail Ajmal | |
| Mr. Shahid Hussain | |

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

AUDIT COMMITTEE

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

HUMAN RESOURCE & REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

RISK MANAGEMENT COMMITTEE

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

BANKERS

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

REGISTERED OFFICE

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

CHIEF FINANCIAL OFFICER

Mr. Javed Iqbal

SHARE REGISTRAR

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

CORPORATE OBJECTIVES

Code of Conduct

The smooth and successful flow of processes and operations can not be achieved without the active participation and concerned efforts of all the employees of the Company. Discipline and professional working environment largely depends on behavior and attitude of the employees. Hence the Company has established its own standards of:

- Confidentiality
- Attendance and punctuality
- Working relationships
- Discussion topics
- Behavior and Attitude-in-General

Core Values

- Growth and development for all
- Competence and contribution as the only basis for job security
- Promotion from within
- Learning environment and opportunities
- Provision for world-class education and training
- Aligning people with latest technological trends

Recognition and Reward

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

Innovation

- Listening and two-way interaction
- Encouragement
- Enterprise
- Participation
- Motivation
- Initiative

Trust

- Cooperation
- Integrity
- Dignity
- Respect
- Candidness
- Support
- Teamwork
- Sense of ownership
- Empowerment

Strategic Objectives

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



Pearl-Continental Hotel, Karachi

BOARD OF DIRECTORS



Mr. Sadruddin Hashwani



Mr. Murtaza Hashwani



Mr. M.A. Bawany



Mr. Shakir Abu Bakar



Syed Haseeb Amjad Gardezi



Mr. M. Ahmed Ghazali Marghoob



Ms. Ayesha Khan



Mr. Shahid Hussain



Mr. Rohail Ajmal

STATUTORY OFFICERS



Mr. Javed Iqbal
Chief Financial Officer



Mr. Mansoor Khan
Company Secretary



Syed Nehal Ahmed Zaidi
Head of Internal Audit

NOTICE OF 61ST ANNUAL GENERAL MEETING

Notice is hereby given that the 61st Annual General Meeting of Pakistan Services Limited will be held on Wednesday, October 28, 2020 at 11:00 a.m. at Islamabad Marriott Hotel to transact the following business:

1. To confirm the minutes of the Extraordinary General Meeting held on March 26, 2020.
2. To receive, consider and adopt the Audited Financial Statements together with the Directors' and the Auditors' Reports thereon for the year ended June 30, 2020.
3. To appoint Auditors for the year 2020-21 and fix their remuneration.
4. To consider any other business with the permission of the Chair.

By Order of the Board



Mansoor Khan
Company Secretary

Islamabad: September 30, 2020

Notes:

- A. Any member of the Company entitled to attend and vote at the Annual General Meeting may appoint another member as his/her proxy to attend and vote instead of him/her except in case of a corporate entity which may appoint a proxy who may not be a member. Proxies must be received at the Registered Office of the Company not less than 48 hours before the time of holding the Meeting.
- B. The Share Transfer Books of the Company will remain closed from **October 22, 2020 to October 28, 2020** (both days inclusive).
- C. Shareholders are requested to notify the Company's Share Registrar, M/s. THK Associates (Private) Limited, 1st Floor, 40-C, Block-6, P.E.C.H.S., Karachi, of any change in their address.
- D. CDC Account Holders will further have to follow the under-mentioned guidelines as laid down in Circular 01 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

a. For Attending the Meeting:

- i] In case of individuals, the account holders or sub-account holders whose registration details are uploaded as per the CDC Regulations, shall authenticate their identity by showing their original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.
- ii] In case of corporate entity, the Board of Directors' Resolution / Power of Attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

b. For Appointing Proxies:

- i] In case of individuals, the account holders or sub-account holders whose registration details are uploaded as per the CDC Regulations, shall submit the proxy form as per the above requirement.
- ii] The Proxy Form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- iii] Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the Proxy Form.
- iv] The proxy shall produce his original CNIC or original passport at the time of the meeting.

- v] In case of corporate entity, the Board of Directors' Resolution / Power of Attorney with specimen signature shall be submitted [unless it has been provided earlier] along with Proxy Form to the Company.
- E. As per the provisions of Section-242 of the Companies Act, 2017 and directives of Securities & Exchange Commission of Pakistan vide Circular no. 18 dated August 01, 2017, after October 31, 2017 the cash dividends will only paid through electronic mode directly in the bank accounts of the shareholders, therefore the Shareholders are requested to provide copies of their valid CNICs and Dividend Mandate including Name, Bank Account Number, Bank and Respective Branch addresses to the Company in order to enable the Company to pay cash dividend electronically. The Dividend Mandate Form is attached with printed Annual Report and also placed on Company's website www.psl.com.pk.
- F. In order to transfer the amount of dividend directly into bank account, shareholders are requested to provide detail of bank account [CDC account holders to their respective members and physical shareholders to the Company or our Share Registrar.] For any query / problem / information, the investors may contact the Company and / or the Share Registrar on the following phone numbers and e-mail addresses:

Pakistan Services Limited

1st Floor, NESPAK House, G-5/2, Islamabad.

Phone: 051-2272890-98 E-mail: mansoorkhan@hashoogroup.com

Share Registrar

M/s. THK Associates [Private] Limited,

1st Floor, 40-C, Block-6, P.E.C.H.S., Karachi

Phone: 021-111-000-322 E-mail: sfc@thk.com.pk

- G. The Corporate shareholders having CDC accounts are required to have their National Tax Number [NTN] updated with their participants, whereas corporate physical shareholders should send a copy of their NTN certificates to the Company or our Share Registrar i.e. M/s. THK Associates [Private] Limited. The shareholders while sending NTN or NTN certificates, as the case may be must quote company name and their respective folio numbers.
- H. The SECP vide SRO 787 [1]/2014 dated September 08, 2014 has provided an option for shareholders to receive Audited Financial Statements along with notice of Annual General Meeting electronically through email. Hence, members who are interested in receiving the Annual Reports and notice of Annual General Meeting electronically, are requested to send their email addresses on the consent form placed on the Company's website www.psl.com.pk, to the Company's Share Registrar. The Company shall, however, additionally provide hard copies of the Annual Report to such members, on request, free of cost.
- I. Members holding in aggregate 10% or more shareholding residing at a geographical location other than Islamabad, may participate in the meeting through video conference by submitting their application to the Company Secretary at least seven days prior to the date of the meeting. The Company will arrange video conference facility in the requested city subject to availability of such facility in that city. The Company will intimate members regarding venue of the video conference facility at least 5 days before the date of the general meeting along with complete information necessary to enable them to access such facility.



CHAIRMAN'S REVIEW

Dear Members

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

THE GLOBAL ECONOMIC ENVIRONMENT

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

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

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

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

PAKISTAN

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

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

To meet the negative impact of COVID-19 on various

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

PROSPECTS

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

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

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

OVERALL PERFORMANCE OF THE COMPANY

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

performance of the company, its revenue and operating profit.

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

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

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

PERFORMANCE OF ROOMS DEPARTMENT

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

PERFORMANCE OF FOOD & BEVERAGE DEPARTMENT

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

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

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

prior year.

INTERNAL CONTROL SYSTEMS

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

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

CORPORATE SOCIAL RESPONSIBILITY & CORPORATE PHILANTHROPY

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

ENERGY CONSERVATION

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

ENVIRONMENT PROTECTION MEASURES

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

CUSTOMER SATISFACTION

The Company has engaged an international firm to maintain record of valuable feedbacks and suggestions received from guests which the management utilizes to further

improve policies for enhanced customer experience.

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

EMPLOYMENT OF SPECIAL PERSONS

The Company has an open-door policy for recruitment of Special Persons. The Company continues to employ number of individuals at different business locations.

OCCUPATIONAL SAFETY AND HEALTH

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

BUSINESS ETHICS AND ANTI-CORRUPTION MEASURES

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

CONTRIBUTION TO GOVERNMENT EXCHEQUER

The Company in the year under review contributed an amount of Rs. 2,841 million as against Rs. 3,809 million in the corresponding period of last year to Provincial

and Federal governments in the form of customs duties, general sales tax, income tax and other levies.

CONSOLIDATED FINANCIAL STATEMENTS

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

The wholly owned subsidiary company, M/s Pearl Tours and Travels (Private) Limited, engaged in the business of Rent-a-Car and arranging package tours, generated revenue of Rs. 140 million during the year under report as compared to Rs. 206 million of corresponding period of last year.

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

ACKNOWLEDGEMENTS

On behalf of the Board, I express my appreciation for the dedication to duty and professional conduct of the employees of the Company, as well as shareholders and stakeholders and in particular the Government Authorities for the advice, understanding, and their support. I thank the bankers of the Company for the understanding and the cooperation they have extended and last but not the least gratitude towards our loyal and confident customers. The combined efforts of all have been instrumental in the healthy growth of the Company against all odds. We all pray for a peaceful, progressive and prosperous Pakistan. Ameen!

For and on behalf of the Board of Directors,



SADRUDDIN HASHWANI

Chairman

30 September 2020

THE HOSPITALITY EXPERIENCE OF A LIFETIME

PEARL-CONTINENTAL HOTEL AND SKI RESORT MALAM JABBA



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

Malam Jabba Resort offers ski classes for beginners and thrilling, steep slopes for more advanced skiers. Travel down history lane to explore the 2,000-year-old Buddhist Stupas and monasteries in the vicinity. Hike up to Shangla Top which stands at about 18 kilometres from the resort, neighbouring two different trekking trails amidst the stunning scenery.

Adventure buffs can also enjoy various exciting activities such as zip-lining, rock-climbing, and chairlift rides around the resort. Relax at the resort while your children enjoy fun-filled, interactive activities at the in-house Kids' Club in a safe and secure environment.



Accommodation

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

Dining

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

Marco Polo

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

Terrace Café

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

Executive Lounge

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

Health Club

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

Business Meetings and Meetings

From small meetings to large-scale conferences, our expansive halls cater to serving you as per your requirements. Backed by high-speed Wi-Fi, our meeting rooms offer a range of audio-visual equipment and video-conferencing technologies.

Enjoy the view and the fresh mountain air when you host an event on the Panoramic Deck. The spacious terrace with an incomparable scenic offers an unforgettable highlight for every guest.



Banquet Facilities

Every dreamt of getting married at the highest altitude in Pakistan? Make this a reality at the hotel, towering above 9,000 feet above sea level. Plan your destination wedding with a natural backdrop of captivating, panoramic views of the mountains.

With customised settings, we deliver unsurpassed services for every occasion, not just meeting our guests' expectations, but also exceeding them. The gorgeous sunset and crisp mountain air complement the setup for any occasion. From our quality standards to efficient services, we bring you everything you need to make your event a truly memorable one. This includes food and beverage arrangements, logistics, and all aspects of technical support. Holding a wedding at this hotel is not just a dream come true, but the experience of a lifetime.

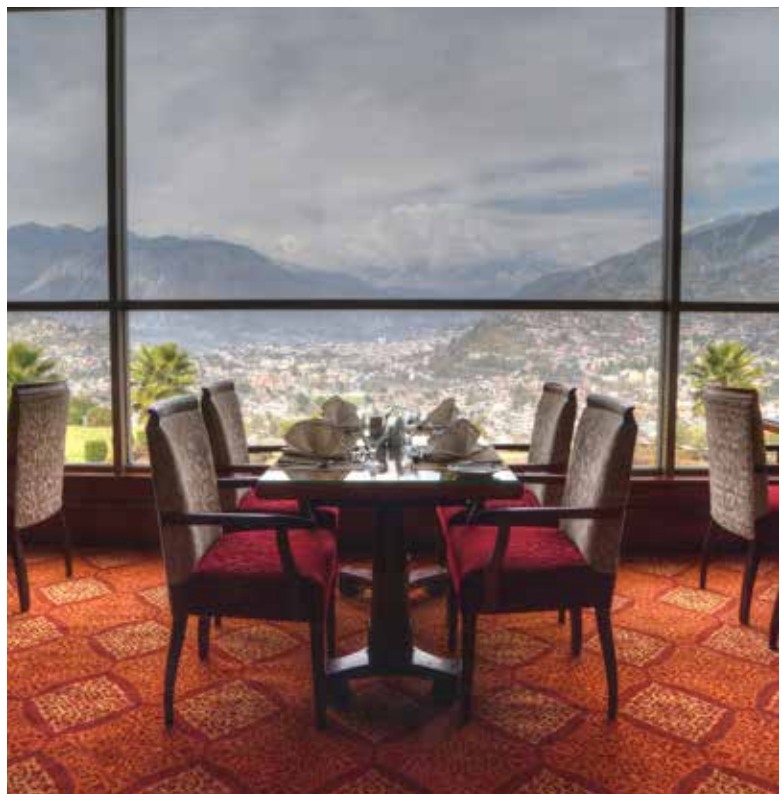
PEARL-CONTINENTAL HOTEL MUZAFFARABAD

WHERE SERENITY MEETS HIGH-END HOSPITALITY



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

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



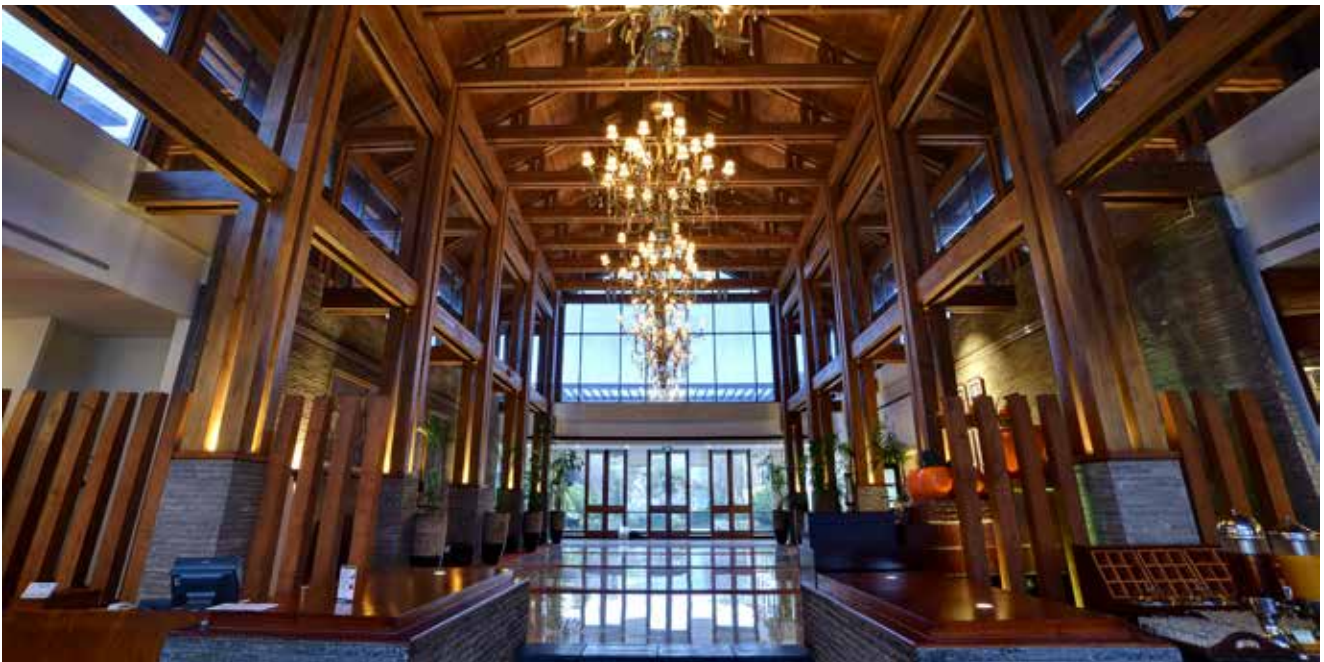


Accommodation

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

Marco Polo

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



Tai-Pan

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

Barbeque Grill [Exclusively Upon Request]

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

In-Room Dining

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

Business Centre

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

Health Club

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

Meetings & Banquet Spaces

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



DIRECTORS' REPORT

Dear Members

The Board of Directors [“the Board”] of Pakistan Services Limited [“the Company”] is pleased to present the 61st Annual Report with the audited unconsolidated financial statements of the Company for the year ended 30 June 2020 along with the Auditors’ Report thereon.

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

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

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

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

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

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

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

ELECTION OF THE BOARD AND APPOINTMENT OF CHIEF EXECUTIVE

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

The Composition of the Board is as follows:

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

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

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

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

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

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

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

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

The pattern of shareholding is annexed to this report.

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

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

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

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



M.A. Bawany
Director



Shakir Abu Bakar
Director

Islamabad: 30 September 2020

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

کمپنی نے ایگزیکٹو اور نان ایگزیکٹو ڈائریکٹرز کو بالترتیب 134.813 ملین روپے اور 7.718 ملین روپے کی رقم تنخواہوں/فیس، اضافی مراعات، فوائد، اور کارکردگی سے منسلک مراعات وغیرہ کی مد میں ادا کیے۔

ڈائریکٹرز کے معاوضہ جات کی تفصیل جاننے کے لیے براہ کرم نوٹ نمبر 40 کا مطالعہ کریں۔

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

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

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

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

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

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



ڈائریکٹر

شاہراہ بوکر



ڈائریکٹر

ایم۔ اے۔ بادانی

اسلام آباد: 30 ستمبر 2020

بورڈ کے انتخابات اور چیمبر مین کا تقرر

سال مذکورہ کے دوران بورڈ آف ڈائریکٹرز کی عہدوں کی مدت اختتام کو پہنچی اور درج ذیل ڈائریکٹرز اگلی مدت کے لیے، جس کا آغاز 29 مارچ 2020 سے ہوا ہے، (بلا مقابلہ) منتخب قرار پائے: جناب صدر الدین ہاشوانی، جناب مرتضیٰ ہاشوانی، جناب محمد اختر ہادوانی، جناب شاکر ابوبکر، سید حبیب امجد گردیزی، جناب ایم احمد غزالی مرغوب، محترمہ عائشہ خان، جناب روجیل اجمل، جناب شاہد حسین۔ نئے منتخب شدہ بورڈ نے جناب مرتضیٰ ہاشوانی کو 29 مارچ 2020 سے شروع ہونے والی مدت کے لیے کمپنی کا چیف ایگزیکٹو آفیسر مقرر کیا۔

بورڈ کی ترکیب درج ذیل ہے:

| عہدہ | نام |
|-------------------------------|-------------------------------|
| انڈیپنڈنٹ ڈائریکٹر | (1) جناب ایم احمد غزالی مرغوب |
| | (2) جناب روجیل اجمل |
| | (3) جناب شاہد حسین |
| ایگزیکٹو ڈائریکٹرز | (4) جناب مرتضیٰ ہاشوانی |
| | (5) جناب شاکر ابوبکر |
| | (6) سید حبیب امجد گردیزی |
| نان ایگزیکٹو ڈائریکٹرز | (7) جناب صدر الدین ہاشوانی |
| | (8) جناب محمد اختر ہادوانی |
| خاتون ڈائریکٹر - نان ایگزیکٹو | (9) محترمہ عائشہ خان |

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

| آڈٹ کمیٹی | ایچ آر اور ریویو نریشن کمیٹی |
|---------------------------|------------------------------|
| جناب ایم احمد غزالی مرغوب | جناب ایم احمد غزالی مرغوب |
| محترمہ عائشہ خان | جناب مرتضیٰ ہاشوانی |
| جناب شاہد حسین | محترمہ عائشہ خان |

| نومینیشن کمیٹی | رиск مینجمنٹ کمیٹی |
|------------------------|------------------------|
| جناب مرتضیٰ ہاشوانی | جناب مرتضیٰ ہاشوانی |
| جناب محمد اختر ہادوانی | جناب محمد اختر ہادوانی |
| سید حبیب امجد گردیزی | جناب حبیب امجد گردیزی |
| جناب شاکر ابوبکر | جناب شاکر ابوبکر |
| | جناب روجیل اجمل |

ڈائریکٹرز رپورٹ

محترم حصص داران:

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

کمپنی کی محاسبہ شدہ مالیاتی کارکردگی درج ذیل ہے:

(000، روپے)

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

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

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

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

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

1. جناب صدر الدین ہاشوائی
2. جناب مرتضیٰ ہاشوائی
3. جناب ایم اے ہاشوائی
4. جناب منصور اکبر علی
5. سید ساجد علی
6. جناب شا کر ابوبکر
7. سید حبیب احمد گردیزی
8. سید اسد علی شاہ
9. جناب ایم احمد غزالی مرغوب
10. محترمہ عائشہ خان
11. جناب روجیل اجمل
12. جناب شاہد حسین

KEY OPERATING AND FINANCIAL DATA

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

HORIZONTAL ANALYSIS

Balance Sheet

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

VERTICAL ANALYSIS

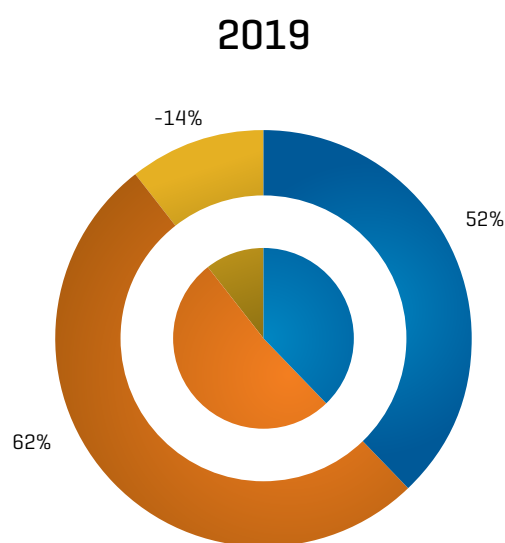
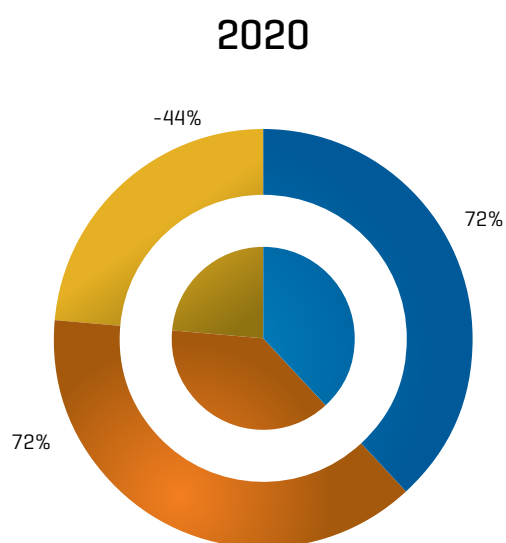
Balance Sheet

(Rs. '000)

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

STATEMENT OF VALUE ADDITION & ITS DISTRIBUTION

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



Retained in Business

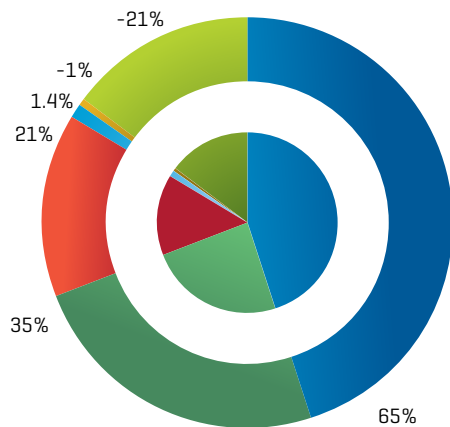


Government [Taxes & Levies]



Salaries, wages and benefits

**APPLICATION OF SALES
& OTHER INCOME**
FINANCIAL YEAR 2019-20



Cost of sales

Loss/ (Profit) after tax

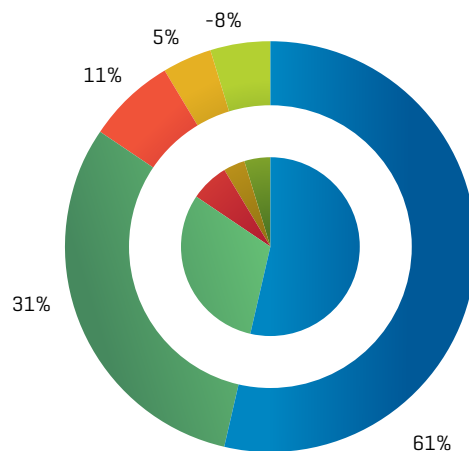
Administrative expenses

Taxation

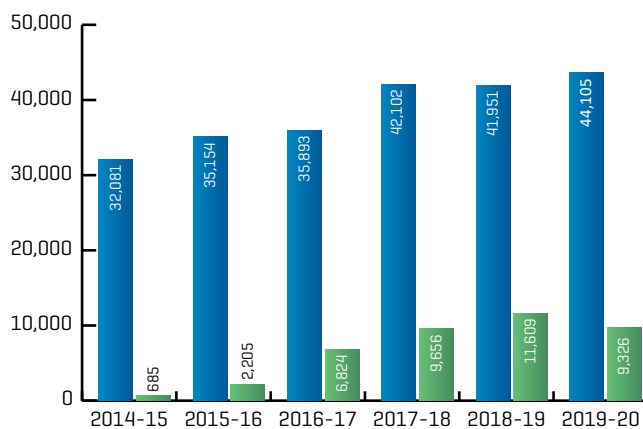
Finance cost

Other expenses

**APPLICATION OF SALES
& OTHER INCOME**
FINANCIAL YEAR 2018-19



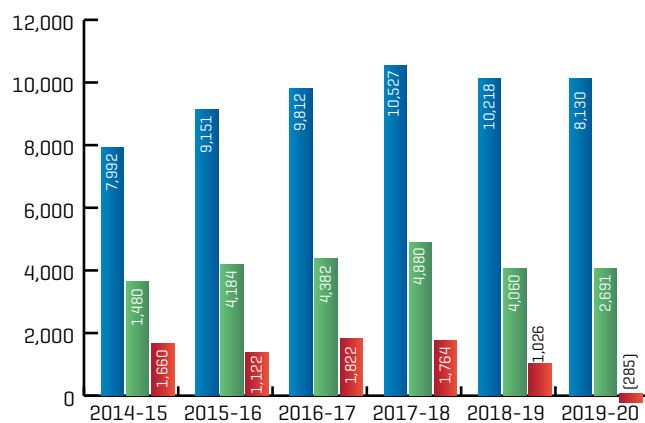
**PROPERTY, PLANT & EQUIPMENT AT COST
V/s LONG TERM DEBTS**



Property, plant & equipment

Long term debts

**SALES AND SERVICES GROSS
PROFIT OPERATING PROFIT**

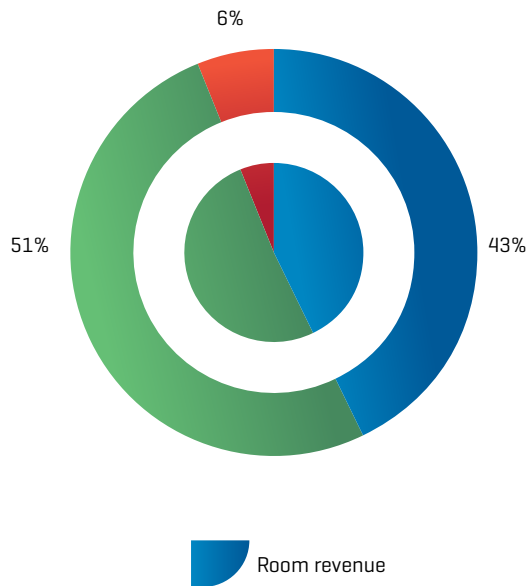


Sales and services

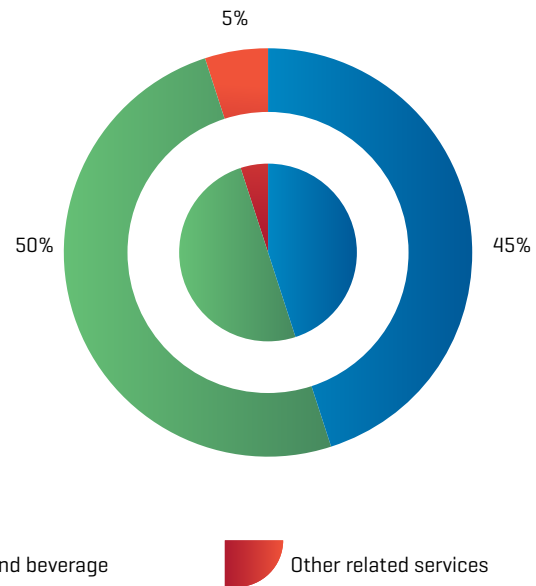
Gross profit

Operating profit

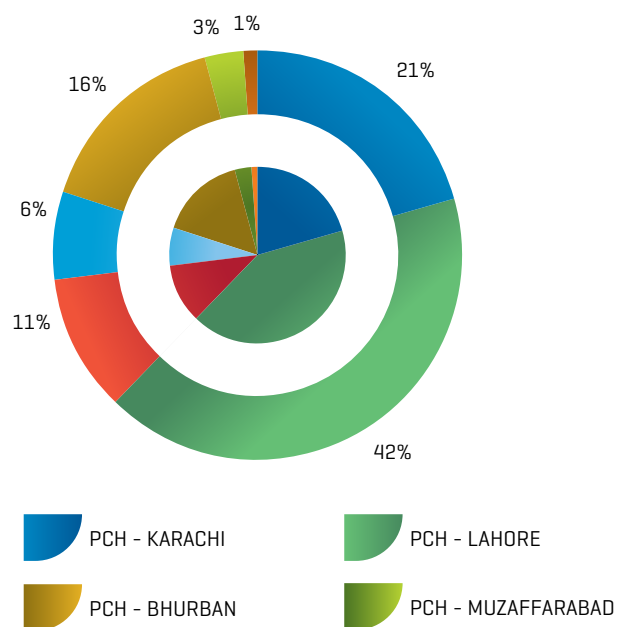
CONTRIBUTION OF MAJOR REVENUE GENERATING DEPARTMENTS FINANCIAL YEAR 2019-20



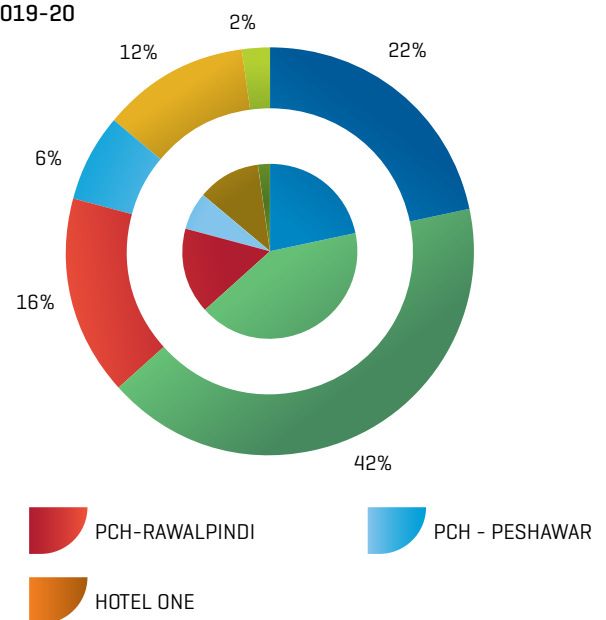
CONTRIBUTION OF MAJOR REVENUE GENERATING DEPARTMENTS FINANCIAL YEAR 2018-19



ROOM REVENUE 2019-20



FOOD AND BEVERAGES REVENUE - HOTEL WISE 2019-20



STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019 FOR THE YEAR ENDED 30 JUNE 2020

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

- The total number of directors are nine [9] as per the following:

- Male: Eight
- Female: One

- The composition of board is as follows:

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

- The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.
- The company has prepared a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
- The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the company.
- All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.
- The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board.
- The Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
- Out of total of nine directors, four directors [Mr. M. A. Bawany, Mr. Shakir Abu Bakar, Syed Haseeb Amjad Gardezi and Mr. Rohail Ajmal] have undertaken Directors' Training Program till 30 June 2020 and two Directors [Mr. Sadruddin Hashwani and Mr. Murtaza Hashwani] are exempted in term in terms of clause 19[2] of the Listed Companies [Code of Corporate Governance] Regulations, 2019. Hence the Company is in compliance with this requirement.
- The Board has approved appointment of chief financial officer, company secretary and head of internal audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
- Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the board.

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

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

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
14. Audit Committee meetings were held once every quarter and Human Resource and Remuneration Committee meeting was held once during the year.
15. The Board has set up an effective internal audit function/ or has outsourced the internal audit function to who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.
16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all requirements of the Regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with.



Sadruddin Hashwani
Chairman
September 30, 2020



UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PAKISTAN SERVICES LIMITED

Report on the Audit of the Unconsolidated Financial Statements

Opinion

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

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

Basis for opinion

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

Material Uncertainty relating to Going Concern

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

Key Audit Matters

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PAKISTAN SERVICES LIMITED

Following are the key audit matters:

| S. No. | Key audit matters | How the matter was addressed in our audit |
|--------|--|---|
| 1 | <p>Revenue recognition</p> <p>Refer notes 3.16 and 29 to the unconsolidated financial statements.</p> <p>The Company recognized revenue of Rs. 4,123 million and Rs. 4,822 million from rooms and sale of food and beverages respectively for the year ended 30 June 2020.</p> <p>We identified recognition of revenue from rooms and sale of food and beverages as a key audit matter because these are key performance indicators of the Company and gives rise to an inherent risk that rooms and food and beverage revenues could be subject to misstatement to meet expectations or targets.</p> | <p>Our audit procedures to assess the recognition of revenue from rooms and food and beverages, amongst others, included the following:</p> <ul style="list-style-type: none"> ● obtaining an understanding of the process relating to recognition of revenue and testing the design, implementation and operating effectiveness of key internal controls over recording of revenue; ● comparing a sample of revenue transactions recorded during the year with reservations, sales invoices and other relevant underlying documents; ● comparing a sample of revenue transactions recorded around the year- end with bookings, sales invoices and other relevant underlying documentation to evaluate if the related revenue was recorded in the appropriate accounting period; ● comparing the details of a sample of journal entries posted to revenue accounts during the year, which met certain specific risk-based criteria, with the underlying documentation; and ● assessing whether the accounting policies for revenue recognition complies with the requirements of the accounting and reporting standards as applicable in Pakistan. |
| 2 | <p>Related party transactions</p> <p>Transactions with related parties are disclosed in note 41 to the unconsolidated financial statements.</p> <p>We identified transactions with related parties and relevant disclosures in the unconsolidated financial statements as key audit matter due to the nature and volume of transactions with related parties and their significant to the unconsolidated financial statements.</p> | <p>Our audit procedures, amongst others, included the following:</p> <ul style="list-style-type: none"> ● obtaining an understanding of the process that management has established to identify, account for and disclose related party transactions and to authorize and approve related party transactions and arrangements; ● comparing the related party transactions, on a sample basis, disclosed in the unconsolidated financial statements with the underlying records and performing procedures to identify related party transactions outside the normal course of business; ● obtaining, on a sample basis, external confirmations of related party transactions and year-end balances and comparing the same with the Company's record; ● comparing, on a sample basis, the recording of related party transactions with the underlying agreements / arrangements in place and supporting documentation and approvals; and ● assessing the adequacy of disclosures in the unconsolidated financial statements in accordance with accounting and reporting standards as applicable in Pakistan. |

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PAKISTAN SERVICES LIMITED

| S. No. | Key audit matters | How the matter was addressed in our audit |
|--------|--|---|
| 3 | <p>Impact of COVID-19</p> <p>As disclosed in note 47 to the unconsolidated financial statements, the COVID-19 pandemic resulted in disruption to business operations particularly to businesses in highly exposed sectors including hospitality industry and significant increase in economic uncertainty. Due to the lockdown and restrictions imposed by the Government of Pakistan, the Company's hotel properties remained fully/partially closed for operations during the last quarter of the year.</p> <p>In connection with the accounting and reporting obligations, the Company assessed the impact of COVID-19 related events on its unconsolidated financial statements particularly its impact on the appropriateness of the use of the going concern assumption and impairment of non-current assets.</p> | <p>Our audit procedures, amongst others, included the following:</p> <ul style="list-style-type: none"> ● obtaining an understanding of management's assessment of impact of COVID-19 pandemic and its related implications on the preparation and presentation of unconsolidated financial statements; ● evaluating appropriateness of management's assessment of going concern assumption and adequacy of related disclosures in the unconsolidated financial statements; ● assessing the status of restructuring of debt arrangements and appropriateness of classification and adequacy of related disclosures in the unconsolidated financial statements; ● evaluating the assessment of recoverable amounts for each cash generating units (hotel properties and other non-current assets) to ascertain if any impairment was required to be recognized in the unconsolidated financial statement; ● Involving external expert to assist in testing of assessed values used in determining recoverable amounts of cash generating units; and ● Assessing the adequacy of disclosures in unconsolidated financial statements relating to impact of COVID-19 in accordance with the accounting and reporting standards as applicable in Pakistan. |

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

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

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

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PAKISTAN SERVICES LIMITED

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

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

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

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

Auditors' Responsibilities for the Audit of the Unconsolidated Financial Statements

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

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

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PAKISTAN SERVICES LIMITED

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

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

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

Report on Other Legal and Regulatory Requirements

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

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 [XIX of 2017];
- b) the unconsolidated statement of financial position, the unconsolidated statement of profit or loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 [XIX of 2017] and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 [XVIII of 1980].

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



KPMG Taseer Hadi & Co.

Chartered Accountants

Date: 06 October 2020

Islamabad

INDEPENDENT AUDITORS' REVIEW REPORT

TO THE MEMBERS OF PAKISTAN SERVICES LIMITED

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

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

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

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

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

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



KPMG Taseer Hadi & Co.

Chartered Accountants

Date: 06 October 2020

Islamabad

UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

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

CONTINGENCIES AND COMMITMENTS

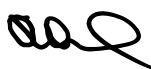
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The annexed notes 1 to 49 form an integral part of these unconsolidated financial statements.

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



M.A. Bawany
Director



Shakir Abu Bakar
Director



Javed Iqbal
Chief Financial Officer

UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 30 JUNE 2020

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

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



M.A. Bawany
Director



Shakir Abu Bakar
Director



Javed Iqbal
Chief Financial Officer

UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2020

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

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



M.A. Bawany
Director



Shakir Abu Bakar
Director



Javed Iqbal
Chief Financial Officer

UNCONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2020

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

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



M.A. Bawany
Director



Shakir Abu Bakar
Director



Javed Iqbal
Chief Financial Officer

UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2020

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

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



M.A. Bawany
Director



Shakir Abu Bakar
Director



Javed Iqbal
Chief Financial Officer

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

1 THE COMPANY AND ITS OPERATIONS

Pakistan Services Limited [“the Company”] was incorporated on 06 December 1958 in Pakistan under the Companies Act, 1913 [now the Companies Act, 2017] as a public limited company and is quoted on Pakistan Stock Exchange Limited.

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

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

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

2 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

2.1 Statement of compliance

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

- International Financial Reporting Standards [IFRS Standards], issued by the International Accounting Standards Board [IASB] as notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards [IFAS] issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

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

2.2 Basis of measurement and preparation

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

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

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

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

These unconsolidated financial statements are separate financial statements of the Company in which investments in subsidiary companies, associates and jointly controlled entity are accounted for on the basis of direct equity interest rather than on the basis of reported results. Consolidated financial statements are prepared separately.

2.3 Going concern basis of accounting

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

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

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

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

2.4 Functional and presentation currency

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

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

2.5 Use of estimates and judgments

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

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

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

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

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

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

2.6 Measurement of fair values

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

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

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

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

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES

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

3.1 New standards, interpretations and amendments adopted by the Company

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

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

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

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

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

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

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

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

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

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

3.1.1 Impact of transition on financial statements

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

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

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

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

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

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

| | Rs. '000' |
|--|----------------|
| Operational lease commitments as at 30 June 2019 | 818,709 |
| Leases not recognised under IFRS 16 | [45,798] |
| Discounting effect | [428,346] |
| Liabilities recognized as at 01 July 2019 | <u>344,565</u> |

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

| | Rs. '000' |
|-----------------------------------|---------------|
| Increase in rental expenses | 92,157 |
| Decrease in depreciation expenses | [91,268] |
| Decrease in interest cost | [26,236] |
| Increase in profit for the period | <u>25,347</u> |

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

3.1.2 Addition in Right of use assets during the year

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

3.2 Property, plant and equipment and advances for capital expenditure

Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses except for:

- land [free hold and lease hold] which is carried at revalued amount
- capital work in progress and advance for capital expenditure which are stated at cost less impairment loss, if any.

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

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

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

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

Gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognized in profit or loss.

Subsequent expenditure

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

Depreciation

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

Depreciation on additions to property, plant and equipment is charged on prorata basis from the month in which property, plant and equipment is acquired or capitalized while no depreciation is charged for the month in which property, plant and equipment is disposed off / derecognized.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted, if appropriate.

3.3

Leases

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

Policy applicable from 01 July 2019

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

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

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

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

Right of use asset

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

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

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

Lease liabilities

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

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

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

Short term leases and low-value assets

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

Policy applicable before 01 July 2019

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

Leased assets

In the comparative period, leases of property, plant and equipment that transferred to the Company substantially all of the risks and rewards of ownership were classified as finance leases. The leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset. Assets held under other leases were classified as operating leases and are not recognized in the Company's statement of financial position. Depreciation on assets held under finance lease was charged in a manner consistent with that for depreciable assets which were owned by the Company.

Lease payments

Payments made over operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Minimum lease payments made under finance leases were apportioned between the finance expense and the reduction of the outstanding liability. The finance expense was allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

3.4 Investment property

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

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

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

3.5 Investments

All purchases and sale of investments are recognized using settlement date accounting that is, the date on which investments are delivered to or by the Company. All investments are derecognized when the right to receive economic benefits from the investments has expired or has been transferred and the Company has transferred substantially all the risks and rewards of ownership.

3.5.1 Investments in subsidiaries

Investments in subsidiaries are initially recognized at cost. At subsequent reporting dates, recoverable amounts are estimated to determine the extent of impairment loss, if any, and carrying amounts of investments are adjusted accordingly. Impairment losses are recognized as expense in profit or loss. Where impairment losses subsequently reverse, the carrying amounts of the investments are increased to their revised recoverable amounts but limited to the extent of initial cost of investments. Reversal of impairment loss is recognized in the profit or loss.

The profits and losses of subsidiaries are carried forward in their financial statements and not dealt within these unconsolidated financial statements except to the extent of dividend declared by the subsidiaries. Gain and losses on disposal of investments is included in other income. When the disposal of investment in subsidiary resulted in loss of control such that it becomes an associate the retained investment is carried at fair value.

3.5.2 Investments in associates and jointly controlled entities

Associates

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

Jointly controlled entities

Investments in jointly controlled entities are initially recognized at cost. At subsequent reporting date, the recoverable amounts are estimated to determine the extent of impairment losses, if any, and carrying amounts of investments are adjusted accordingly. Impairment losses are recognized as expense in the unconsolidated profit or loss. Where impairment losses subsequently reverse, the carrying amounts of the investments are increased to the revised recoverable amounts but limited to the extent of initial cost of investments. A reversal of impairment loss is recognized in the unconsolidated profit or loss. Gain and losses on disposal of investment is included in other income.

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

3.5.3 Investments at fair value through profit or loss

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

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

3.6 Inventories

3.6.1 Stores, spare parts and loose tools

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

3.6.2 Stock in trade

These are valued at lower of cost and net realizable value. Cost comprises of cost of purchase and other costs incurred in bringing the items to their present location and condition. Net realizable value signifies the estimated selling price in the ordinary course of business less cost necessarily to be incurred in order to make a sale. The Company reviews the carrying amount of stock in trade on a regular basis and provision is made for obsolescence, if there is any change in usage pattern or physical form of related stock in trade.

3.7 Financial instruments

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

3.7.1 Financial assets

Classification

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

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

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

[a] Amortized cost

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

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

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

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

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

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

Subsequent measurement

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

De-recognition

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognized financial assets that is created or retained by the Company is recognized as a separate asset or liability.

3.7.2 Financial liabilities

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

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

3.7.3 Offsetting

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

3.8 Trade and other receivables

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

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

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

3.9 Trade and other payables

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

3.10 Impairment

3.10.1 Impairment of financial assets

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

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

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

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

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

3.10.2 Impairment of non-financial assets

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

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of other assets or groups of assets [the “cash-generating unit”].

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

3.11 Provisions

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

3.12 Contingent liabilities

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

3.13 Share capital and dividend

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

3.14 Employee benefits

3.14.1 Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3.14.2 Defined contribution plan – Provident fund

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

3.14.3 Defined benefit plans

[a] Gratuity

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

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

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

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method [PUC].

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

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

[b] Compensated leave absences

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

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

3.15 Income tax

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

Current tax

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

Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- temporary differences on initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on business plans for the Company and the reversal of temporary differences. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves. Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse,

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using tax rates enacted or substantially enacted at the reporting date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Company has not rebutted this assumption. Deferred tax assets and liabilities are offset if certain criteria are met.

3.16 Revenue recognition

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

3.16.1 Revenue from contracts with customers

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

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

Contract cost

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

Contract assets

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

Contract liabilities

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

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perform its performance obligation under the contract.

3.16.2 Other income

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

3.17 Assets held for sale

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

3.18 Foreign currency transactions and translation

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

3.19 Operating profit

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

3.20 Finance income and finance costs

The Company's finance income and finance costs include interest income, dividend income, interest expense, foreign currency gain or loss on financial assets and financial liabilities. Interest income or expense is recognized using the effective interest method. Dividend income is recognized in profit or loss on the date on which the Company's right to receive payment is established.

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

3.21 Government grant

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

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3.22 Ijarah contracts

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

3.23 Cash and cash equivalents

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

3.24 Fair value measurement

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

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

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

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

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

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

3.25 Earnings per share

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

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

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

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- Amendment to IFRS 3 'Business Combinations' – Definition of a Business [effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020]. The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors [effective for annual periods beginning on or after 1 January 2020]. The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general-purpose financial statements in accordance with IFRS Standards.
- On 29 March 2018, the IASB has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallize. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.
- Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after 1 January 2020. The G20 asked the Financial Stability Board [FSB] to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' [the reform]. The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The amendments are not likely to affect the financial statements of the Company.
- Amendments to IFRS-16 – IASB has issued amendments to IFRS 16 [the amendments] to provide practical relief for lessees in accounting for rent concessions. The amendments are effective for periods beginning on or after 1 June 2020, with earlier application permitted. Under the standard's previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects of the COVID-19 pandemic, and the fact that many lessees are applying the standard for the first time in their financial statements, the Board has provided an optional practical expedient for lessees. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications. Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:
 - the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
 - any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
 - there is no substantive change to the other terms and conditions of the lease.
- Classification of liabilities as current or non-current [Amendments to IAS 1] effective for the annual period beginning on or

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

- Onerous Contracts – Cost of Fulfilling a Contract [Amendments to IAS 37] effective for the annual period beginning on or after 1 January 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprise the cost of fulfilling a contract. Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments [the date of initial application]. Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.
- Property, Plant and Equipment: Proceeds before Intended Use [Amendments to IAS 16] effective for the annual period beginning on or after 1 January 2022. Clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings [or other component of equity, as appropriate] at the beginning of that earliest period presented.
- Annual Improvements to IFRS standards 2018-2020:

The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after 1 January 2022.
 - IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity [the borrower] and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.
 - IFRS 16 – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.
 - IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

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

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4 SHARE CAPITAL

4.1 Authorised share capital

Authorized share capital is 200,000,000 [2019: 200,000,000] ordinary share of Rs. 10 each.

4.2 Issued, subscribed and paid up share capital

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

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

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

4.3 Capital management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for share holders and benefits for other stake holders, and to maintain a strong capital base to support the sustained development of its businesses.

The Company manages its capital structure which comprises capital and reserves by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to share holders and/or issue new shares. There were no changes to Company's approach to capital management during the year except for maintenance of debt to equity ratios under the financing arrangements.

| 5 | CAPITAL RESERVES | Note | 2020 | 2019 |
|---|------------------|------|----------------|----------------|
| | | | [Rupees'000] | |
| | Share premium | 5.1 | <u>269,424</u> | <u>269,424</u> |

5.1 Capital reserve represents share premium as and when received.

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| 6 | REVENUE RESERVES | Note | 2020 | 2019 |
|----|--|--------|--------------------|--------------------|
| | | | [Rupees'000] | |
| | General reserve | | 1,600,000 | 1,600,000 |
| | Unappropriated profits | | 3,487,599 | 5,179,566 |
| | | | <u>5,087,599</u> | <u>6,779,566</u> |
| | | | | |
| 7 | REVALUATION SURPLUS ON PROPERTY, PLANT AND EQUIPMENT | Note | 2020 | 2019 |
| | | | [Rupees'000] | |
| | Balance at 01 July | | 27,530,740 | 27,530,740 |
| | Surplus on revaluation | 16.1.3 | 1,712,290 | - |
| | Balance at 30 June | | <u>29,243,030</u> | <u>27,530,740</u> |
| | | | | |
| 8 | LOANS AND BORROWINGS - Secured | Note | 2020 | 2019 |
| | | | [Rupees'000] | |
| a. | Non current portion | | | |
| | Term Finance Loan - 1 | 8.1 | 552,500 | 637,500 |
| | Term Finance Loan - 2 | 8.2 | 1,720,000 | 1,935,000 |
| | Term Finance Loan - 3 | 8.3 | 2,000,000 | 2,333,333 |
| | Term Finance Loan - 4 | 8.4 | 2,000,000 | 2,000,000 |
| | Term Finance Loan - 5 | 8.5 | 347,441 | - |
| | Syndicated term loan | | - | 450,000 |
| | Sukuk | 8.6 | 6,611,111 | 7,000,000 |
| | Transaction cost | | [33,262] | [52,208] |
| | | | <u>13,197,790</u> | <u>14,303,625</u> |
| | Current portion of loans | | <u>[3,872,175]</u> | <u>[2,694,444]</u> |
| | | | <u>9,325,615</u> | <u>11,609,181</u> |
| b. | Current portion | | | |
| | Current portion of loans | | 3,872,175 | 2,694,444 |
| | Markup accrued | | 653,695 | 380,053 |
| | | | <u>4,525,870</u> | <u>3,074,497</u> |

- 8.1 This represents outstanding balance of term finance loan of Rs. 350 million and Rs. 500 million carrying markup of 3-month KIBOR plus 1.5% (2019: 3-month KIBOR plus 1.5%) per annum. These are secured against first pari passu equitable mortgage charge on land and building of Pearl Continental Hotel, Rawalpindi for an amount of Rs. 1,534 million (2019: Rs. 1,534 million), ranking hypothecation charge over all present and future movable assets of Pearl Continental Hotel, Rawalpindi to the extent of Rs. 734 million (2019: Rs. 734 million). These loans are repayable in twenty equal quarterly installments of Rs. 17.50 million and Rs. 25.00 million each against respective loans. Repayments have started from June 2018. The Company approached the lender for deferral of repayments and markup servicing refer note 8.7.

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- 8.2 This represents outstanding balance of term finance loan of Rs. 2,150 million carrying markup of 3-month KIBOR plus 0.75% [2019 :3-month KIBOR plus 0.75%] per annum payable quarterly. This facility is secured against charge over land and building of Pearl Continental Hotel, Rawalpindi and Peshawar to the extent of Rs. 1,200 million [2019: Rs. 1,200 million] and Rs. 1,667 million [2019: Rs. 1,667 million] respectively. The loan is repayable in twenty equal quarterly installments of Rs. 107.50 million each. Repayments have started from January 2019. The Company approached the lender for defferment of repayments and markup servicing refer note 8.7.
- 8.3 This represents outstanding balance of term finance loan of Rs. 3,000 million carrying markup of 3-month KIBOR plus 0.75% [2019: 3-month KIBOR plus 0.75%] per annum payable quarterly. This facility is secured against ranking equitable mortgage charge over land and building of Pearl Continental Hotel, Karachi and ranking hypothecation charge on all present and future fixed and current assets of Pearl Continental Hotel, Karachi to the extent of Rs. 4,000 million [2019: Rs. 4,000 million]. The loan is repayable in eighteen equal quarterly installments of Rs. 166.67 million. Repayments have started from September 2018. The Company approached the lender for defferment of repayments and markup servicing refer note 8.7.
- 8.4 This represents term finance loan of Rs. 2,000 million carrying markup of 6-month KIBOR plus 0.65% per annum payable semi-annual [2019: 6-month KIBOR plus 0.65%] per annum. This facility is secured against first pari passu equitable mortgage charge over land and building and first pari passu hypothecation charge on all present and future moveable assets of Pearl Continental Hotel, Peshawar with 25% margin. The loan is repayable in ten equal semi-annual installments starting from May 2020. The Company approached the lender for defferment of repayments and markup servicing refer note 8.7.
- 8.5 This represents long term loan of Rs. 377.58 million availed under State Bank of Pakistan (SBP) Refinance Scheme for payment of wages and salaries to the workers, the loan is extended at below-market rate of 3% per annum payable quarterly [2019: Nil] . This facility is secured against first pari passu ranking charge over fixed assets inclding land and building of Pearl Continental Hotel, Karachi subject to subsequent perfection to the extent fo Rs. 598 million [2019:Nil]. The loan is repayable in eight equal quarterly installments starting from January 2021.

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

| | [Rupees'000] |
|--------------------------------|--------------|
| Loan proceeds | 377,589 |
| Deferred grant | 30,148 |
| Fairvalue of the loan proceeds | 347,441 |

- 8.6 This represents rated, secured, long term privately placed Sukuk certificates. Pak Brunei Investment Company Limited is the trustee while Faysal Bank Limited is acting as shariah structuring advisor for this Sukuk arrangement. The Sukuk tenor is six years, and carries profit of 6-month KIBOR plus 1% [2019: 6-month KIBOR plus 1%] per annum payable semi-annually. The Sukuk is secured by way of first mortgage charge on Pearl Continental Hotel, Lahore with 25% margin and hypothecation on all the present and future assets (excluding land and building) of Pearl Continental Hotel, Lahore. Redemption of Sukuk will be in nine equal semi-annual installments and have started from March 2020. The Company approached the lender for defferment of repayments and markup servicing refer note 8.7.
- 8.7 In response to COVID-19 pandemic, the State Bank of Pakistan vide its BPRD Circular No. 13 of 2020 dated 26 March 2020 announced relief to customers of financial institutions in the form of deferment of repayment of principal installments and markup payments. Pursuant to this relief, the Company approached to the financial institutions in June 2020 for rescheduling/restructuring of its existing outstanding loan amounts along with markup for a period of seven years inclusive of two years of deferment/grace period for repayment of principal and markup on loans including the unpaid principal installments and markup due prior to the reporting date. Management expects the rescheduling/restructuring of this financing arrangements to be finalized in the near future.

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FOR THE YEAR ENDED 30 JUNE 2020

| 9 | LEASE LIABILITIES | Note | 2020 | 2019 |
|------|---|--------|--------------|----------|
| | | | [Rupees'000] | |
| | Lease liabilities - Vehicles | 9.1 | 94,218 | 35,446 |
| | Lease liabilities - Land and rental spaces | | 221,264 | - |
| | | 9.2 | 315,482 | 35,446 |
| | Current portion | | 104,785 | 13,253 |
| | Non current portion | | 210,697 | 22,193 |
| 9.1 | This represents outstanding balance of diminishing musharaka facility from an Islamic financial institution and carries markup of 3-month KIBOR plus 1% [2019: 3-month KIBOR plus 1%] per annum payable quarterly . The facility is secured by way of ownership of leased assets. | | | |
| 9.2 | Maturity of Lease liabilities is follows | | 2020 | 2019 |
| | | | [Rupees'000] | |
| | Not later than one year | | 112,840 | 16,513 |
| | Later than one year and not later than five years | | 188,724 | 25,242 |
| | Later than five year | | 422,487 | - |
| | | | 724,051 | 41,755 |
| | Imputed interest | | [408,569] | [6,309] |
| | | | 315,482 | 35,446 |
| 9.3 | Movement of lease liabilities is as follows: | | | |
| | Amount recognized on transition date/ opening | 9.4 | 377,700 | 33,857 |
| | Additions during the year | | 73,396 | 25,137 |
| | Lease payments made during the period | | [78,235] | [23,548] |
| | Lease modification | | [57,379] | - |
| | Amount as per financial statement | | 315,482 | 35,446 |
| 9.4 | This includes an amount of Rs. 344.565 million relating to land and rental spaces. | | | |
| 9.5 | The Company has recognised lease rentals in the statement of profit or loss amounting to Rs. 45.798 million relating to short term leases. | | | |
| 10 | EMPLOYEE BENEFITS | Note | 2020 | 2019 |
| | | | [Rupees'000] | |
| | Net defined benefit liability - gratuity | 10.1.1 | 609,264 | 592,024 |
| | Net defined benefit liability - compensated leave absences | 10.2.1 | 125,982 | 181,642 |
| | | | 735,246 | 773,666 |
| 10.1 | Net defined benefit liability - gratuity | | | |

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

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

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

10.1.5 Key Actuarial assumption

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

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

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

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

10.1.6 Sensitivity analysis

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

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

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

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

10.1.7 Risk associated with defined benefit liability- gratuity

10.1.7.1 Salary Risk- [linked to inflation risk]

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

10.1.7.2 Demographic Risks

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

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

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

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

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

10.2 Net defined benefit liability - compensated leave absences

| | | 2020 | 2019 |
|----------|---|----------------|----------------|
| | | [Rupees'000] | |
| 10.2.1 | Movement in defined benefit liability compensated leave absences | | |
| | Balance at 01 July | 181,642 | 139,022 |
| | Included in profit or loss | [33,685] | 76,966 |
| | Payments made during the year | [21,975] | [34,346] |
| | Balance at 30 June | 125,982 | 181,642 |
| 10.2.2 | Reconciliation of liability recognised in the statement of financial position | | |
| | Present value of defined benefit liability | 125,982 | 181,642 |
| | Net defined benefit liability | 125,982 | 181,642 |
| 10.2.3 | Included in profit or loss | | |
| | Current service cost | 29,080 | 29,728 |
| | Past service cost | - | 21,990 |
| | Interest cost | 22,974 | 10,838 |
| | Experience adjustments on defined benefit liability | [85,739] | 14,410 |
| | | [33,685] | 76,966 |
| 10.2.3.1 | Expense is recognized in the following line items in profit or loss | | |
| | Cost of sales and services | [13,853] | 40,476 |
| | Administrative expenses | [19,832] | 36,490 |
| | | [33,685] | 76,966 |
| 10.2.4 | Actuarial assumption | | |
| | Discount rate | 14.25% | 9.00% |
| | Expected increase in eligible salary | N/A | 14.25% |
| | Mortality rate | SLIC 2001-2005 | SLIC 2001-2005 |
| | Withdrawal rate | Age - based | Age - based |
| | Retirement assumption | Age-60 | Age-60 |
| 10.2.4.1 | Assumption regarding future mortality has been based on State Life Corporation (SLIC 2001-2005), ultimate mortality rate with 1 year setback as per recommendation of Pakistan Society of Actuaries (PSOA). | | |
| 10.2.5 | Sensitivity analysis | | |

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

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

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

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

10.2.6 Risk associated with defined benefit liability - compensated leave absences

10.2.6.1 Salary Risk - (linked to inflation risk)

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

10.2.6.2 Demographic Risks

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

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

11 DEFERRED TAX LIABILITY

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

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FOR THE YEAR ENDED 30 JUNE 2020

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

| 12 | SHORT TERM BORROWINGS | Note | 2020 | 2019 |
|----|--|------|--------------|-----------|
| | | | [Rupees'000] | |
| | Running finance facilities - from banking companies- secured | 12.1 | 2,587,186 | 1,243,464 |
| | Short term loan - unsecured | 12.2 | 150,000 | - |
| | Markup accrued | | 70,098 | 21,119 |
| | | | 2,807,284 | 1,264,583 |

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

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

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

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

| 13 | TRADE AND OTHER PAYABLES | Note | 2020 [Rupees'000] | 2019 |
|--------|--|------|----------------------|-------------------|
| | Creditors | | 945,491 | 463,255 |
| | Accrued liabilities | | 648,345 | 598,999 |
| | Shop deposits | 13.1 | 54,026 | 54,267 |
| | Retention money | | 223,478 | 211,070 |
| | Due to related parties - unsecured | | 45,455 | 21,353 |
| | Sales tax payable | | 75,576 | 100,357 |
| | Income tax deducted at source | | 1,409 | 4,180 |
| | Un earned income | | 49,900 | 40,911 |
| | Other liabilities | | 134,382 | 58,715 |
| | | | 2,178,062 | 1,553,107 |
| 13.1 | As per terms of written agreement with customers, the amount of shop deposits are fully utilizable by the Company and have been utilized for business purpose. | | | |
| 14 | UNPAID DIVIDEND | | | |
| 14.1 | As per the provision of Section-242 of the Companies Act, 2017 and directives of the Securities and Exchange Commission of Pakistan vide circular no. 18 dated 01, August, 2017, cash dividend will only be paid through electronic mode directly in the bank accounts of shareholders, accordingly this unpaid dividend pertains to those shareholders who did not provide their valid bank accounts details. | | | |
| 15 | CONTINGENCIES AND COMMITMENTS | | | |
| 15.1 | Contingencies | | | |
| 15.1.1 | For tax related contingencies, refer note 36.2. | | | |
| 15.1.2 | Guarantees | Note | 2020 [Rupees'000] | 2019 |
| | | | 307,816 | 285,716 |
| 15.2 | Commitments | | | |
| | Commitments for capital expenditure | | 2,684,376 | 2,797,346 |
| 16 | PROPERTY, PLANT AND EQUIPMENT | | | |
| | Operating fixed assets | 16.1 | 37,059,317 | 35,848,499 |
| | Capital work in progress | 16.2 | 6,679,529 | 4,613,594 |
| | | | 43,738,846 | 40,462,093 |

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

16.1 OPERATING FIXED ASSETS

16.1.1 Reconciliation of carrying amount

| | Cost / Revalued amounts | | | | | | | | | | | | Total |
|---|-------------------------|----------------|----------------------------|-----------------------------|---------------------|--|-----------|----------|-------------|-----------------|-------------------------------------|-----------------------|-------------|
| | Freehold land | Leasehold land | Buildings on freehold land | Buildings on leasehold land | Plant and machinery | Furniture, fixtures, fittings and office equipment | Computers | Vehicles | Air craft | Leased Vehicles | Land and rental spaces (Note - 3.1) | Vehicles (Note - 3.1) | |
| | | | | | | | | | | | | | Rupees'000 |
| Balance at 01 July 2018 | 16,237,638 | 13,538,790 | 2,387,903 | 2,038,937 | 4,020,369 | 3,079,141 | 646,052 | 97,568 | - | 55,117 | - | - | 42,101,515 |
| Additions | 56,670 | - | - | 2,350 | 396,109 | 178,209 | 50,481 | 174,999 | - | 25,137 | - | - | 883,955 |
| Disposals | - | - | [54,516] | [56,660] | [104,836] | [102,894] | [315] | [64,745] | - | - | - | - | [383,966] |
| Transfer from CWIP | - | - | 325,021 | 246,607 | 258,789 | 440,728 | 65,020 | - | 783,286 | - | - | - | 2,119,451 |
| Asset classified as held for sale | [2,620,000] | - | [150,249] | - | - | - | - | - | - | - | - | - | [2,770,249] |
| Balance at 30 June 2019 | 13,674,308 | 13,538,790 | 2,508,159 | 2,231,234 | 4,570,431 | 3,595,184 | 761,238 | 207,822 | 783,286 | 80,254 | - | - | 41,950,706 |
| Balance at 01 July 2019 | 13,674,308 | 13,538,790 | 2,508,159 | 2,231,234 | 4,570,431 | 3,595,184 | 761,238 | 207,822 | 783,286 | 80,254 | - | - | 41,950,706 |
| Adoption of IFRS-16 (note -3.1.1) | - | - | - | - | - | - | - | - | - | [80,254] | 360,222 | 80,254 | 360,222 |
| Adjusted balance at 01 July 2019 | 13,674,308 | 13,538,790 | 2,508,159 | 2,231,234 | 4,570,431 | 3,595,184 | 761,238 | 207,822 | 783,286 | - | 360,222 | 80,254 | 42,310,928 |
| Additions | - | - | - | - | 293,576 | 30,738 | 13,513 | 2,322 | - | - | - | 97,994 | 438,143 |
| Disposals | - | - | - | - | [18,045] | - | [2,966] | [14,769] | [783,286] | - | [51,638] | [3,951] | [874,855] |
| Transfer from CWIP (refer note 16.2) | - | - | 89,391 | 162,950 | 151,601 | 260,346 | 14,033 | - | - | - | - | - | 678,321 |
| Revaluation surplus (note - 16.1.3) | 478,170 | 1,234,120 | - | - | - | - | - | - | - | - | - | - | 1,712,290 |
| Asset classified as held for sale | [160,000] | - | - | - | - | - | - | - | - | - | - | - | [160,000] |
| Balance at 30 June 2020 | 13,992,478 | 14,772,910 | 2,597,550 | 2,394,184 | 4,997,563 | 3,886,268 | 785,818 | 195,375 | - | - | 308,584 | 174,297 | 44,105,027 |
| Accumulated depreciation | | | | | | | | | | | | | |
| Balance at 01 July 2018 | - | - | 680,613 | 824,154 | 2,492,067 | 1,145,321 | 299,482 | 62,722 | - | 11,015 | - | - | 5,515,374 |
| Depreciation | - | - | 89,305 | 62,628 | 249,691 | 301,196 | 99,196 | 17,579 | 45,953 | 8,429 | - | - | 873,977 |
| Disposals | - | - | [38,147] | [36,337] | [92,813] | [82,430] | [188] | [15,719] | - | - | - | - | [265,634] |
| Asset classified as held for sale | - | - | [21,510] | - | - | - | - | - | - | - | - | - | [21,510] |
| Balance at 30 June 2019 | - | - | 710,261 | 850,445 | 2,648,945 | 1,364,087 | 398,490 | 64,582 | 45,953 | 19,444 | - | - | 6,102,207 |
| Balance at 01 July 2019 | - | - | 710,261 | 850,445 | 2,648,945 | 1,364,087 | 398,490 | 64,582 | 45,953 | 19,444 | - | - | 6,102,207 |
| Adoption of IFRS-16 (note -3.1.1) | - | - | - | - | - | - | - | - | - | [19,444] | 19,444 | - | - |
| Adjusted balance at 01 July 2019 | - | - | 710,261 | 850,445 | 2,648,945 | 1,364,087 | 398,490 | 64,582 | 45,953 | - | - | 19,444 | 6,102,207 |
| Depreciation [refer note 16.1.6] | - | - | 89,160 | 70,472 | 305,150 | 326,725 | 97,553 | 19,206 | 34,465 | - | 91,268 | 11,372 | 1,045,371 |
| Disposals | - | - | - | - | [16,691] | - | [1,287] | [2,752] | [80,418] | - | - | [720] | [101,868] |
| Balance at 30 June 2020 | - | - | 799,421 | 920,917 | 2,937,404 | 1,690,812 | 494,756 | 81,036 | - | - | 91,268 | 30,096 | 7,045,710 |
| Carrying amount - 30 June 2019 | 13,674,308 | 13,538,790 | 1,797,898 | 1,380,789 | 1,921,486 | 2,231,097 | 362,748 | 143,240 | 737,333 | 60,810 | - | - | 35,848,499 |
| Carrying amount - 30 June 2020 | 13,992,478 | 14,772,910 | 1,798,129 | 1,473,267 | 2,060,159 | 2,195,456 | 291,062 | 114,339 | - | - | 217,316 | 144,201 | 37,059,317 |
| Rates of depreciation per month/useful life (2020 and 2019) | - | - | 5% | 5% | 15% | 15% | 30% | 15% | 10-20 years | 15% | 1.5 - 40 years | 15% | 15% |

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

16.1.3 Revaluation surplus on property, plant and equipment

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

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

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

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

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

| 16.1.6 | Depreciation charge has been allocated as follows: | Note | 2020 | 2019 |
|--------|--|------|------------------|----------------|
| | | | [Rupees'000] | |
| | Cost of sales and services | 31 | 858,693 | 786,579 |
| | Administrative expenses | 33 | 186,678 | 87,398 |
| | | | <u>1,045,371</u> | <u>873,977</u> |

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

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FOR THE YEAR ENDED 30 JUNE 2020

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

16.1.9 Detail of disposal of operating fixed assets:

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

| 16.2 | Capital work in progress | Note | 2020 (Rupees'000) | 2019 |
|------|-------------------------------------|--------|----------------------|-------------|
| | Balance at 01 July | | 4,613,594 | 3,339,146 |
| | Additions during the year | | 2,918,818 | 3,393,899 |
| | Transfers to operating fixed assets | | [678,321] | [2,119,451] |
| | Written down adjustment | 16.2.1 | [174,562] | - |
| | Balance at 30 June | 16.2.2 | 6,679,529 | 4,613,594 |

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

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

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

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

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

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

17.1 This includes amount of Rs. 626.82 million [2019: Rs. 626.82 million] paid to a related party, Associated Builders (Private) Limited, for purchase of tourist site piece[s] of land measuring 7.29 acres in Gwadar. During the year, the Securities and Exchange Commission of Pakistan (SECP) has imposed penalty on the Company's directors under the provisions of section 199 of the Companies Act, 2017 by treating this advance as 'investment in associated company' and also directed the Company to place the matter before the shareholders of the Company in the forthcoming general meeting to seek their approvals in terms of section 199 of the Companies Act, 2017. The directors of the Company has filed an appeal with the SECP which is pending. Management believes that the matter has no impact on the Company's financial statements.

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

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

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

- 18.2 Increases in fair value are recognised as gains in unconsolidated profit or loss and included in other income. All increase in fair value of investment property are unrealised.
- 18.3 Measurement of fair values
- 18.3.1 Fair Value hierarchy

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

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

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| | | Country of incorporation / Jurisdiction | Amount in Foreign Currency | Percentage of holding | | 2020 Note [Rupees'000] | 2019 |
|------|--|---|----------------------------------|--------------------------|------|------------------------------|-----------|
| 19 | LONG TERM INVESTMENTS | | | | | | |
| | <u>Investments in related parties</u> | | | | | | |
| | Subsidiary companies - at cost - unquoted | | | | | | |
| | Pearl Continental Hotels (Private) Limited | Pakistan | | 100% | 19.1 | 5,000 | 5,000 |
| | Pearl Tours and Travels (Private) Limited | Pakistan | | 100% | 19.2 | 102,227 | 102,227 |
| | City Properties (Private) Limited | Pakistan | | 100% | 19.3 | 925,001 | 925,001 |
| | Elite Properties (Private) Limited | Pakistan | | 100% | 19.4 | 5,566 | 5,566 |
| | | | | | | 1,037,794 | 1,037,794 |
| | Associated undertaking - at fair value through profit or loss - unquoted | | | | | | |
| | Hashoo Group Limited | British Virgin Island | \$9,800,000 | 14% | 19.5 | 586,403 | 586,403 |
| | Impairment loss | | | | | (586,403) | (586,403) |
| | Hotel One (Private) Limited | Pakistan | | 17.85% | 19.6 | 50,000 | 50,000 |
| | Impairment loss | | | | | (50,000) | (50,000) |
| | | | | | | - | - |
| | Investment in jointly controlled entity - at cost - unquoted | | | | | | |
| | Pearl Continental Hotels Limited | United Arab Emirates | \$4,750,000 | 50% | 19.7 | 284,052 | 284,052 |
| | Impairment loss | | | | | (284,052) | (284,052) |
| | | | | | | - | - |
| | <u>Other investments</u> | | | | | | |
| | Fair value through other comprehensive income | | | | | | |
| | Malam Jabba Resorts Limited | | | | | 1,000 | 1,000 |
| | Impairment loss | | | | | (1,000) | (1,000) |
| | | | | | | - | - |
| | | | | | | 1,037,794 | 1,037,794 |
| 19.1 | Pearl Continental Hotels (Private) Limited | | | | | | |
| | This represents the Company's investment in 100% equity shares of Pearl Continental Hotels (Private) Limited (PCHPL). The Company holds 500,000 (2019: 500,000) ordinary shares of Rs. 10 each. The break-up value per share based on audited financial statements for the year ended 30 June 2020 was Rs. 24.75 (2019: Rs. 22.90). | | | | | | |
| 19.2 | Pearl Tours and Travels (Private) Limited | | | | | | |
| | This represents the Company's investment in 100% equity shares of Pearl Tours and Travels (Private) Limited (PTTPL). The Company holds 10,222,700 (2019: 10,222,700) ordinary shares of Rs. 10 each. The break-up value per share based on its audited financial statements for the year ended 30 June 2020 was Rs. 12.40 (2019: Rs. 13.34). | | | | | | |

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19.3 City Properties (Private) Limited

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

19.4 Elite Properties (Private) Limited

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

19.5 Hashoo Group Limited

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

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

Beneficial owner of Hashoo Group Limited are:

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

19.6 Hotel One (Private) Limited

The Company holds 500,000 [2019: 500,000] ordinary shares of Rs.100 each in Hotel One (Private) Limited (HOPL). HOPL is treated as an 'associate' due to the Company's significant influence over it due to common directorship. This investment was fully impaired based on prudence, considering the accumulated losses, however HOPL is performing well and the management is hopeful for recovery of the impairment in near future.

19.7 Pearl Continental Hotels Limited

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

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

Beneficial owner of Pearl Continental Hotels Limited are:

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

20 ADVANCES AGAINST EQUITY INVESTMENT

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

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

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

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

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

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

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FOR THE YEAR ENDED 30 JUNE 2020

| | | 2020 | 2019 |
|-------------|---|----------------|----------------|
| | | [Rupees'000] | |
| | Maximum amount outstanding at the end of any month during the year | | |
| 23.1 | Due from related parties | | |
| | Pearl Tours and Travels (Private) Limited | 3,625 | 3,253 |
| | City Properties (Private) Limited | 55 | 42 |
| | Hashwani Hotels Limited | 557 | 296 |
| | Hashoo Foundation | 164 | 511 |
| | Hotel One (Private) Limited | 2,732 | 6 |
| | Hashoo Holdings (Private) Limited | 206 | 208 |
| | Jubilee General Insurance Company Limited | 25 | 4 |
| | Orient Petroleum Inc. | 1,255 | 1,094 |
| | OPI Gas (Private) Limited | - | 126 |
| | Pearl Ceramics (Private) Limited | 204 | - |
| | Pearl Communications (Private) Limited | 128 | 128 |
| | Pearl Real Estate Holdings (Private) Limited | 265 | 272 |
| | Tejari Pakistan (Private) Limited | 666 | 457 |
| | Zahdan Retail (Private) Limited | 65 | 65 |
| | Karakorum Security Services (Private) Limited | 59 | 20 |
| | | 9,976 | 6,482 |
| 23.2 | Age analysis of due from related parties is as follows: | | |
| | Past due by 30 days | 1,390 | 877 |
| | Past due by 31 to 90 days | 1,957 | 1,223 |
| | Past due over 91 days | 2,694 | 701 |
| | Past due over 1 year | 3,935 | 3,681 |
| | | 9,976 | 6,482 |
| 23.3 | This includes provision of Rs. 2.55 million [2019: Rs. 4.75 million] against doubtful debts. | | |
| 24 | ADVANCES, PREPAYMENTS, TRADE DEPOSITS AND OTHER RECEIVABLES | 2020 | 2019 |
| | Note | [Rupees'000] | |
| | Advance to employees | 8,903 | 13,405 |
| | Advance to suppliers and contractors | 45,262 | 62,895 |
| | Advance to related parties | 28,414 | 63,615 |
| | Trade deposits | 14,349 | 15,905 |
| | Prepayments | 57,468 | 75,066 |
| | Refundable sales tax | 133,314 | 114,151 |
| | Other receivables | 83,645 | 56,221 |
| | | 371,355 | 401,258 |
| 24.1 | This advances as per company policy and are un-secured, interest free and are repayable over varying periods. | | |

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| | | | 2020 | 2019 |
|--------|--|--------|--------------|-----------|
| | | | [Rupees'000] | |
| 24.2 | Advance to related parties - non-interest bearing | Note | | |
| | OPI Gas (Private) Limited | | 14,176 | 18,001 |
| | Tejari Pakistan (Private) Limited | | - | 7,000 |
| | Genesis Trading (Private) Limited | | 106 | - |
| | Pearl Ceramics (Private) Limited | | 14,132 | 38,614 |
| | | 24.2.1 | 28,414 | 63,615 |
| 24.2.1 | The advances to related parties are of trade nature and extended for provision of goods and services. | | | |
| 25 | SHORT TERM INVESTMENTS | Note | 2020 | 2019 |
| | | | [Rupees'000] | |
| | <i>Amortized cost</i> | | | |
| | Certificate of investments | | 5,300 | 5,300 |
| | Provision for impairment loss | | [5,300] | [5,300] |
| | | | - | - |
| | <i>Fair value through other comprehensive income</i> | | | |
| | National Technology Development Corporation Limited | | 500 | 200 |
| | Indus Valley Solvent Oil Extraction Limited | | 200 | 500 |
| | Impairment loss | | [700] | [700] |
| | | | - | - |
| | <i>Amortized cost</i> | | | |
| | Term Deposit Receipt | 25.1 | 565,523 | 1,009,523 |
| | Term Finance Certificate | 25.2 | 75,000 | 75,000 |
| | Interest accrued | | 10,571 | 9,866 |
| | | | 651,094 | 1,094,389 |
| | <i>Financial assets at fair value through profit or loss</i> | | | |
| | Short term investments in shares of listed companies | 25.3 | 622,722 | 622,048 |
| | | | 1,273,816 | 1,716,437 |
| 25.1 | This represent term deposit receipts having maturity of three months to one year carrying interest rate ranging from 7.50% to 9.50% (2019: 5.25% to 9%) per annum. | | | |
| 25.2 | This represents investment in 750 TFCs having face value of Rs.100,000/-each and carrying profit @ 3-month KIBOR plus 1.60%. | | | |

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25.3 Short term investments in shares of listed companies

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

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

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

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

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

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

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

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

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

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| 29 | REVENUE- NET | Note | 2020 [Rupees'000] | 2019 |
|------|--|------|----------------------|-------------------|
| | Revenue from contract with customers | 29.1 | 9,538,150 | 11,982,998 |
| | Discounts | | [130,905] | [136,138] |
| | Sales tax | | [1,277,527] | [1,628,765] |
| | | | <u>8,129,718</u> | <u>10,218,095</u> |
| 29.1 | Disaggregation of revenue from contracts with customers | | | |
| | In the following table, revenue from contracts with customers is disaggregated by, major products and service lines, and timing of revenue recognition. | | | |
| | Major products/service lines | Note | 2020 [Rupees'000] | 2019 |
| | Rooms | | 4,123,782 | 5,375,571 |
| | Food and beverages | | 4,822,914 | 5,963,334 |
| | Other related services | 29.2 | 548,587 | 590,860 |
| | Shop license fees | | 42,867 | 53,233 |
| | | | <u>9,538,150</u> | <u>11,982,998</u> |
| | Timing of revenue recognition | | | |
| | Products / services transferred at a point in time | | <u>7,785,737</u> | <u>9,880,438</u> |
| | Services transferred over time | | <u>343,981</u> | <u>257,836</u> |
| 29.2 | This includes revenue from telephone, laundry, discount cards and other ancillary services. | | | |
| 29.3 | Revenue amounting to Rs. 183.27 (2019: Rs. 194.49) million has been recognized from contract liabilities at the beginning of the period. | | | |
| 29.4 | The Company's entire revenue is generated within Pakistan. | | | |
| 30 | CONTRACT BALANCES | Note | 2020 [Rupees'000] | 2019 |
| | Contract assets | 30.1 | 3,578 | 29,752 |
| | Contract liabilities | 30.2 | 403,933 | 399,943 |
| 30.1 | Contract assets primarily relate to the Company's rights to consideration for goods and services provided to the customers but not billed at the reporting date. Contract assets are transferred to trade debts when invoice is raised. Opening balance of contract asset is fully transferred to trade debts during the period. | | | |
| 30.2 | Contract liabilities represent the Company's obligation to transfer goods or services for which the customer has already paid a consideration, or when the amount is due from the customer. These contract liabilities mainly relates to the advances received against banquets functions, room sales and membership fee. | | | |

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| 31 | COST OF SALES AND SERVICES | Note | 2020 [Rupees'000] | 2019 |
|--------|---|--------|----------------------|------------------|
| | Food and beverages | | | |
| | Opening balance | | 86,229 | 86,196 |
| | Purchases during the year | | 1,277,944 | 1,754,172 |
| | Closing balance | 22 | [68,592] | [86,229] |
| | Consumption during the year | | 1,295,581 | 1,754,139 |
| | Direct expenses | | | |
| | Salaries, wages and benefits | 31.1 | 1,581,172 | 1,728,023 |
| | Heat, light and power | | 812,123 | 799,582 |
| | Repair and maintenance | | 324,600 | 377,646 |
| | Depreciation | 16.1.6 | 858,693 | 786,579 |
| | Guest supplies | | 184,241 | 232,013 |
| | Linen, china and glassware | | 68,858 | 91,066 |
| | Communication and other related services | | 49,125 | 85,641 |
| | Banquet and decoration | | 47,354 | 63,936 |
| | Transportation | | 47,779 | 55,580 |
| | Uniforms | | 11,607 | 21,513 |
| | Music and entertainment | | 16,780 | 14,825 |
| | Others | 31.2 | 140,985 | 147,123 |
| | | | 5,438,898 | 6,157,666 |
| 31.1 | Salaries, wages and benefits include staff retirement benefits amounting to Rs. 64.19 million [2019: Rs. 94.69 million]. | | | |
| 31.2 | This includes franchise fee of Rs.12.78 million [2019: Rs.10.50 million] paid to a franchisor, DOTW Holdings Limited, having its office at Satha tower, level 32, suite 3210-3212, Dubai Media City, Dubai, and Rs. 6.91 million [2019: Rs. 9.57 million] to an associated Company Hotel One (Pvt) Limited, having its registered office at 1st floor NESPAK House sector G-5/2, Islamabad. | | | |
| 31.2.1 | This also includes an amount of Rs. 80.630 million [2019: 79.821 million] relating to incremental costs of obtaining customer contracts. | | | |

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

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

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

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

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

| 33.3 | Auditors' remuneration | 2020 [Rupees'000] | 2019 |
|------|--|----------------------|--------------|
| | Audit Services | | |
| | Annual audit fee | 2,480 | 2,477 |
| | Audit of consolidated financial statements | 495 | 495 |
| | Half yearly review | 520 | 520 |
| | | 3,495 | 3,492 |
| | Non-audit Services | | |
| | Special reports and certificates | 800 | 800 |
| | Tax advisory | 200 | 200 |
| | | 1,000 | 1,000 |
| | | 4,495 | 4,492 |
| 33.4 | Detail of donation is presented below: | | |
| | <u>Name of donee</u> | | |
| | Aga Khan Foundation | - | 50,000 |
| | The Supreme Court of Pakistan and the Prime minister of Pakistan | | |
| | Diamer-Bhasha and Mohmand Dams Fund. | - | 34,677 |
| | | - | 84,677 |

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

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

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

| | | 2020 | 2019 |
|-------------|--|--------------|-----------|
| | | [Rupees'000] | |
| | Within one year | 14,483 | 55,205 |
| | After one year but not more than five years | 18,047 | 53,796 |
| | | 32,530 | 109,001 |
| 34 | FINANCE INCOME | | |
| | Interest income on | | |
| | Term Deposit Receipt | 85,067 | 139,584 |
| | Term Finance certificate | 10,921 | 149 |
| | Bank deposits | 26,284 | 50,976 |
| | Dividend income | 41,464 | 55,357 |
| | Exchange gain - net | 5,471 | 5,152 |
| | | 169,207 | 251,218 |
| 35 | FINANCE COST | | |
| | Interest expense on | | |
| | Loans and borrowing | 639,115 | 599,416 |
| | Short term borrowings | 293,353 | 81,547 |
| | Sukuk finance | 673,991 | 380,109 |
| | Lease facilities | 31,050 | - |
| | Amortization of transaction cost | 18,946 | 19,049 |
| | Credit cards, bank and other charges | 72,159 | 74,373 |
| | | 1,728,614 | 1,154,494 |
| 36 | INCOME TAX EXPENSE | | |
| | Current tax expense | | |
| | - Current year | 112,351 | 290,793 |
| | - Change in estimates related to prior year | [43] | 16,723 |
| | | 112,308 | 307,516 |
| | Deferred tax [reversal] / expense | [211,777] | 186,851 |
| | Tax [reversal] / expense for the year | [99,469] | 494,367 |
| 36.1 | Reconciliation of accounting profit with tax expense is as follows: | | |
| | Accounting loss for the year | [1,843,483] | [369,031] |
| | Tax charge @ 29% [2019: 29%] | [534,610] | - |
| | Unrecognized deferred tax asset | 264,281 | 126,465 |
| | Tax effect of minimum tax | 105,970 | 281,650 |
| | Tax effect of permanent differences | 74,154 | 74,154 |
| | Tax effect of exempt income | 2,804 | 4,938 |
| | Tax effect of income subject to lower taxation | [12,025] | [9,563] |
| | Prior year's tax charge | [43] | 16,723 |
| | | [99,469] | 494,367 |

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

36.2 Tax related contingencies

Income Tax

- i The income tax assessments of the Company have been finalised and returns have been filed up to and including the tax year 2019. However, for the assessment year 1999-2000, an appeal is pending with the Appellate Tribunal, Inland Revenue. In case of adverse decision of the appeal, the tax liability of Rs. 73.165 million (2019: Rs. 73.165 million) may arise against the Company for which no provision has been recognised by the Company. These comprise of disallowances of certain expenses and arbitrary additions to the income of the Company. Based on appellate history and merits, the Company is confident of a favorable outcome of the appeal. Therefore, the Company considers that provision against this tax liability is not required.
- ii In June 2020, the taxation officer amended the assessment for the tax year 2014 by disallowing various expenses and raising tax demand of Rs. 1,400 million. The Company has filed appeal against the said assessment and has also obtained stay against any recovery measures by the taxation authorities. Based on the appellate history and merits, the Company is confident of a favorable outcome of the appeal and hence a provision on this matter has not been recognized.

Sales Tax

- i. Sales Tax Collectorate, Lahore created the sales tax liability amounting to Rs. 9.571 million on the basis of audit proceedings for the year 1997-98 that the Company provided out door catering to PIA without payment of sales tax. The Additional Collector disposed off the above referred audit observations. The department filed appeal before the Appellate Tribunal Inland Revenue [ATIR]. The ATIR set aside order of Additional Collector through order no. 1394/LB/09 dated 13 May 2011. The Company filed reference application no. 128/2011 before the Honorable Lahore High Court dated 12 September 2011 against the order passed by ATIR.
- ii. The Additional Collector, Lahore disallowed the input tax relating to purchase of certain items amounting to Rs. 7.22 million during the period of October 2000 and June 2002 on the basis of section 8[1] of the Sales Tax Act, 1990 read with SRO 578[1]/98 dated 12 June 1998. The Company filed appeal before the Appellate Tribunal Inland Revenue [ATIR], while the ATIR upheld the order of Additional Collector, Lahore. The Company filed reference application before the Lahore High Court on 24 September 2011 against the order passed by ATIR.
- iii. The Deputy Commissioner Inland Revenue, Zone IV, Large Taxpayer Unit, Karachi based upon the sales tax audit for the year 2008-09, passed Order in Original 52/2013 dated 28 June 2013 against which the Company filed appeal before the Commissioner Appeals, Karachi. The Commissioner Appeals remanded back the case to department against which department is in appeal before the Appellate Tribunal Inland Revenue [ATIR], the assessing officer, during remand back proceedings, decided the case against the Company by raising total demand along with default surcharge and penalty aggregating to Rs. 49,393,192. The Company has filed appeal against said order before Commissioner Inland revenue [CIR], during the period, the CIR remanded the case back for de-novo consideration.
- iv. The Deputy Commissioner, Punjab Revenue Authority, Lahore issued notices having references No.PRA/PC/Hotel/14/32972 on 05 November 2014 and No.PRA/PC/Hotel/14/32985 on 12 November 2014 for the tax period August 2014 and tax periods from July 2012 to September 2014 respectively. Through notice dated 05 November 2014 it has been alleged that the Company claimed inadmissible input tax adjustment on construction material amounting to Rs 21.15 million. Through notice dated 12 November 2014, the Deputy Commissioner, Punjab Revenue Authority, Lahore initiated the inquiry/investigation against the Company for the period from July 2012 to September 2014. The Company filed Writ Petition 30844/2014 before Lahore High Court which is pending adjudication.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

37 [LOSS]/ EARNINGS PER SHARE

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

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

38 CASH FLOWS FROM OPERATING ACTIVITIES BEFORE WORKING CAPITAL CHANGES

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

39 CASH AND CASH EQUIVALENTS

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

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

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

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

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

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

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

40 REMUNERATION TO CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

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

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

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

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

41 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

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

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

| | Note | 2020 [Rupees'000] | 2019 |
|---|------|----------------------|----------------|
| Transactions with subsidiary companies | | | |
| Sales | | 3,010 | 3,263 |
| Services provided | | 7,977 | 14,587 |
| Services availed | | 76,575 | 94,139 |
| Short term advance paid | | - | 515,000 |
| Refund of short term advance | | 515,000 | 40,000 |
| Advance against equity extended | | 94,500 | 1,398,001 |
| Refund of Advance against equity | | 94,500 | - |
| Transactions and balances with associated undertakings | | | |
| Sales | | 185 | 122 |
| Services provided | | 8,699 | 4,187 |
| Services availed | | 351,226 | 486,239 |
| Purchases | | 116,950 | 153,242 |
| Franchise fee - income | | 3,330 | 4,517 |
| Franchise and management fee - expense | | 6,906 | 9,569 |
| Dividend income | | 41,064 | 54,751 |
| Dividend paid | | - | 13,473 |
| Purchase of asset | | 155 | 39 |
| Purchase of vehicle | | - | 1,622 |
| Sale of vehicle | | - | 37,124 |
| Sale of asset | | 44 | - |
| Advances, deposits and prepayments | | 38,015 | 69,521 |
| Transactions with other related parties | | | |
| Sales | | 343 | 258 |
| Services provided | | 241 | 182 |
| Services availed | | 1,092 | 500 |
| Purchases | | 1,522 | - |
| Contribution to defined contribution plan - provident fund | | 58,680 | 58,276 |
| Sales of vehicle | | - | - |
| Dividend paid | | - | - |
| Transactions with key management personnel | | | |
| Remuneration and allowances including staff retirement benefits | 41.1 | 165,825 | 223,411 |
| Loan from key management personnel | | 370,000 | - |
| Refund of loan to key management personnel | | 220,000 | - |
| 41.1 Compensation to key management personnel | | | |
| Salaries and other benefits | | 143,487 | 152,922 |
| Contribution to provident fund | | 8,443 | 8,157 |
| Gratuity | | 7,616 | 26,456 |
| Bonus | | 1,876 | 19,446 |
| Meeting fee | | 480 | 480 |
| Others | | 3,923 | 15,950 |
| | | 165,825 | 223,411 |
| Number of persons | | 5 | 5 |

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

42 FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT

42.1 Accounting classifications and fair values

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

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

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

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

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

42.2 The Company has not disclosed the fair values for these financial assets and financial liabilities, because their carrying amounts are reasonable approximation of fair value.

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

Financial Risk Management

The Company has exposure to the following risks arising for financial instruments:

- Credit risk [note 42.4]
- Liquidity risk [note 42.5]
- Market risk [note 42.6]"

Risk Management Framework

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

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

42.4 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's trade debts from customers.

The carrying amount of financial assets and contract assets represent the maximum credit exposure.

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

| | 2020 | 2019 |
|--|---------------|--------|
| | [Rupees '000] | |
| Expected credit losses on trade debts and contract assets arising from contract with customers | 116,986 | 22,915 |

i Trade debts and contract assets

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

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

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

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

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

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

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

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

| | Note | 2020 [Rupees'000] | 2019 |
|---|---------|----------------------|------------------|
| From related parties | | 9,976 | 6,482 |
| From government institutions | | 25,517 | 34,107 |
| From foreign embassies | | 2,429 | 6,692 |
| Others | | 562,150 | 809,864 |
| | 22 & 30 | 600,072 | 857,145 |
| A summary of the Company's exposure to credit risk for trade debts is as follows. | | | |
| Customers with external credit rating of A1+ to A3 | | 4,173 | 49,684 |
| Customers without external credit rating | | 592,321 | 777,709 |
| Total gross carrying amount | | 596,494 | 827,393 |
| Allowance for expected credit losses | | [401,002] | [284,016] |
| | | 195,492 | 543,377 |

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

Expected credit loss assessment for corporate customers

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

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

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

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

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

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

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

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

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

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

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

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

ii Long term deposits

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

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

iii Trade deposit and other receivables

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

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

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

v Short term investments

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

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

vi Cash at bank

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

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

42.5 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, prudent fund management practices and the ability to close out market positions due to dynamic nature of the business. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. As the Company's rescheduling/restructuring of loan agreements were in process at the reporting date, management believes that the rescheduling will significantly improve the liquidity position and the Company will be able to meet its financial obligations when due. Further, since the State Bank of Pakistan has also instructed the financial institutions to reschedule the principal and markup payments of all borrowers who apply for rescheduling, the Company believes that bank borrowings are not payable on demand at the reporting date. [Also refer note 8.7].

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

The maturity profile of the Company's financial liabilities based on the contractual amounts is as follows:

| | | Carrying amount | Contractual cash flows | Maturity up to one year | Maturity after one year and up to five years |
|--------------------------|------|--------------------|---------------------------|----------------------------|---|
| | Note | [Rupees' 000] | | | |
| 2020 | | | | | |
| Loans and borrowings | 8 | 13,884,747 | 17,147,030 | 5,762,077 | 11,384,953 |
| Trade and other payables | 42.3 | 2,101,077 | 2,101,077 | 2,101,077 | - |
| Short term borrowings | 12 | 2,807,284 | 2,807,284 | 2,807,284 | - |
| Lease liabilities | | 315,482 | 724,051 | 112,840 | 611,211 |
| Unclaimed dividend | | 9,242 | 9,242 | 9,242 | - |
| Unpaid dividend | | 1,528 | 1,528 | 1,528 | - |
| | | <u>19,119,360</u> | <u>22,790,212</u> | <u>10,794,048</u> | <u>11,996,164</u> |
| 2019 | | | | | |
| Long term financing | 8 | 14,355,833 | 18,809,909 | 4,312,115 | 14,497,794 |
| Trade and other payables | 42.3 | 1,407,659 | 1,407,659 | 1,407,659 | - |
| Short term borrowings | 12 | 1,264,583 | 1,264,583 | 1,264,583 | - |
| Unclaimed dividend | | 9,242 | 9,242 | 9,242 | - |
| Unpaid dividend | | 1,528 | 1,528 | 1,528 | - |
| | | <u>17,038,845</u> | <u>21,492,921</u> | <u>6,995,127</u> | <u>14,497,794</u> |

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

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

42.6 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. The Company is exposed to currency risk and interest rates only.

Foreign Currency risk

The PKR is the functional currency of the Company and, as a result, currency exposures arise from transactions and balances in currencies other than PKR. The Company's potential foreign currency exposure comprise:

Transactional exposure in respect of non functional currency monetary items

Monetary items, including financial assets and liabilities, denominated in currencies other than the functional currency of the Company are periodically revalued to PKR equivalent, and the associated gain or loss is taken to the profit or loss. The foreign currency risk related to monetary items is managed as part of the risk management strategy.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

Transactional exposure in respect of non functional currency expenditure and revenues

Certain operating and capital expenditure is incurred by the Company in currencies other than the functional currency. Certain sales revenue is earned in currencies other than the functional currency of the Company. These currency risks are managed as part of overall risk management strategy. The Company does not enter into forward exchange contracts.

Exposure to forex risk on year end monetary balances:

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

The following significant exchange rate applied during the year:

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

Foreign Currency Sensitivity Analysis

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

| | 2020 | 2019 |
|-------------------------|--------------|-------|
| | (Rupees'000) | |
| Increase in 5% USD rate | 106 | 106 |
| Decrease in 5% USD rate | [106] | [106] |

Interest rate risk

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

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

Exposure to interest rate risk:

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

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not effect profit or loss account.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / [decreased] equity / profit and loss by Rs. 163.242 million [2019: Rs. 158.173 million]. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2019.

Other market price risk

The primary goal of the Company's investment strategy is to maximize investment returns on surplus funds. The Company adopts a policy of ensuring to minimize its price risk by investing in securities having sound market performance. Certain investments are designated at fair value through profit and loss, because their performance is actively monitored and these are managed on a fair value basis. Equity price risk arises from investments at fair value through profit and loss.

Sensitivity analysis – equity price risk

For quoted investments classified as fair value through profit and loss, a 100 basis point increase in market price at reporting date would have increased profit or loss by Rs. 6.23 million [2019: Rs. 6.22 million] an equal change in the opposite direction would have decreased profit or loss by the same amount. The analysis is performed on the same basis for 2019 and assumes that all other variables remain the same.

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

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

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

43 APPLICATION OF IFRIC INTERPRETATION 12 - SERVICE CONCESSION ARRANGEMENTS

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

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

44 CAPACITY

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

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

45 NUMBER OF EMPLOYEES

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

46 EMPLOYEES' PROVIDENT FUND

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

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

47 IMPACT OF COVID-19 ON THE FINANCIAL STATEMENTS

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

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

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

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

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

48 CORRESPONDING FIGURES

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

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

49 DATE OF AUTHORISATION FOR ISSUE

These unconsolidated financial statements were authorized for issue by the Board of Directors of the Company in its meeting held on 30 September 2020.



M.A. Bawany
Director



Shakir Abu Bakar
Director



Javed Iqbal
Chief Financial Officer

PATTERN OF SHAREHOLDING

AS AT 30 JUNE 2020

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

DISCLOSURE TO PATTERN OF SHAREHOLDINGS

AS AT 30 JUNE 2020

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

DISCLOSURE TO PATTERN OF SHAREHOLDINGS

AS AT 30 JUNE 2020

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



CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020



DIRECTORS' REPORT – CONSOLIDATED

Dear Members

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

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

| | [Rupees '000] |
|----------------------|--------------------|
| Loss before taxation | [2,127,828] |
| Taxation | [30,973] |
| Loss after taxation | <u>[2,158,801]</u> |

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

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

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

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

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


Nature of business throughout the year remains the same.

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

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



M.A. Bawany
Director



Shakir Abu Bakar
Director

Islamabad: 30 September 2020

ڈائریکٹر ز رپورٹ (مجموعی)

محترم حصص داران:

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

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

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

(روپے، 000)

فی حصص آمدن

مذکورہ سال کے لیے فی حصص نقصان 66.38 روپے رہا۔

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

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

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

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

سال بھر کے دوران کاروبار کی نوعیت یکساں رہی۔

کمپنی نے ہمیشہ اپنے گاہکوں، ملازمین، اور عوام الناس کی صحت و سلامتی کو یقینی بنایا ہے۔ وفاقی اور صوبائی حکومتوں اور ان کے انتظامی اداروں کی جانب سے جاری کردہ ہدایات پر عمل درآمد کرتے ہوئے کمپنی نے کوویڈ-19 کے پھیلاؤ کو کم سے کم رکھنے کی خاطر اپنے چار کاروباری پینس، پرل کابینٹنل ہوٹل بھور بن، پرل کابینٹنل ہوٹل مظفر آباد، پرل کابینٹنل ہوٹل پشاور، اور پرل کابینٹنل ہوٹل راولپنڈی بند رکھے اور تمام مکملہ حفاظتی اقدامات اختیار کرتے ہوئے (جن میں اپنے ہوٹلوں کی عمارات اور کارپوریٹ آفس میں سخت اقدامات شامل ہیں) محدود پیمانے پر کام کیا۔ اس صورت حال کی وجہ سے کمپنی کے کیش فلو پر سخت دباؤ آیا اور کمپنی کو 30 جون 2020 میں مالیاتی اداروں کے پاس جانا پڑا تا کہ اپنے موجودہ قابل ادائیگی طویل المدتی قرضہ جات اور ان پرسود کی ادائیگی، جن کی ادائیگی سات سال کے اندر کرنا ہے جس میں اصل رقم اور سود کی ادائیگی کے لیے دو سال کی التوا شدہ/رعایتی مدت شامل ہے، کو نئے سرے سے منظم/مرتب کیا جائے۔ کمپنی نے اس اس مالیاتی ذمہ داری کو نئے سے مرتب/منظم کرنے کے سلسلے میں کامیاب مذاکرات کیے اور دو مالیاتی اداروں سے منظوری حاصل کرنے میں کامیاب ہوئی، جبکہ دوسری مالیاتی اداروں سے منظوری اپنے بحال کے مراحل میں ہے۔

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

کمپنی کے ڈائریکٹر نے موثر فاضل کنٹرول وضع جو کہ مکمل طور پر نافذ ہیں۔

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



ڈائریکٹر
شاکر ابوبکر



ڈائریکٹر

ایم۔ اے۔ باوانی

اسلام آباد: 30 ستمبر 2020

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PAKISTAN SERVICES LIMITED

Report on the Audit of the Consolidated Financial Statements

Opinion

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

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

Basis for opinion

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

Material Uncertainty relating to Going Concern

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

Key Audit Matters

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PAKISTAN SERVICES LIMITED

| S. No. | Key audit matters | How the matter was addressed in our audit |
|--------|--|---|
| 1 | <p>Revenue recognition</p> <p>Refer notes 3.15 and 31 to the consolidated financial statements.</p> <p>The Group recognized gross revenue of Rs. 4,115 million and Rs. 4,819 million from rooms and sale of food and beverages respectively for the year ended 30 June 2020.</p> <p>We identified recognition of revenue from rooms and sale of food and beverages as a key audit matter because these are key performance indicators of the Group and gives rise to an inherent risk that rooms and food and beverage revenues could be subject to misstatement to meet expectations or targets.</p> | <p>Our audit procedures to assess the recognition of revenue from rooms and food and beverages, amongst others, included the following:</p> <ul style="list-style-type: none"> ● obtaining an understanding of the process relating to recognition of revenue and testing the design, implementation and operating effectiveness of key internal controls over recording of revenue; ● comparing a sample of revenue transactions recorded during the year with reservations, sales invoices and other relevant underlying documents; ● comparing a sample of revenue transactions recorded around the year- end with bookings, sales invoices and other relevant underlying documentation to evaluate if the related revenue was recorded in the appropriate accounting period; ● comparing the details of a sample of journal entries posted to revenue accounts during the year, which met certain specific risk-based criteria, with the underlying documentation; and ● assessing whether the accounting policies for revenue recognition complies with the requirements of the accounting and reporting standards as applicable in Pakistan. |

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PAKISTAN SERVICES LIMITED

| S. No. | Key audit matters | How the matter was addressed in our audit |
|--------|---|---|
| 2 | <p>Related party transactions</p> <p>Transactions with related parties are disclosed in note 42 to the consolidated financial statements.</p> <p>We identified transactions with related parties and relevant disclosures in the consolidated financial statements as key audit matter due to the nature and volume of transactions with related parties and their significant to the consolidated financial statements.</p> | <p>Our audit procedures, amongst others, included the following:</p> <ul style="list-style-type: none"> ● obtaining an understanding of the process that management has established to identify, account for and disclose related party transactions and to authorize and approve related party transactions and arrangements; ● comparing the related party transactions, on a sample basis, disclosed in the consolidated financial statements with the underlying records and performing procedures to identify related party transactions outside the normal course of business; ● obtaining, on a sample basis, external confirmations of related party transactions and year-end balances and comparing the same with the Group's record; ● comparing, on a sample basis, the recording of related party transactions with the underlying agreements / arrangements in place and supporting documentation and approvals; and ● assessing the adequacy of disclosures in the consolidated financial statements in accordance with accounting and reporting standards as applicable in Pakistan. |

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PAKISTAN SERVICES LIMITED

Following are the key audit matters:

| S. No. | Key audit matters | How the matter was addressed in our audit |
|--------|--|--|
| 3 | <p>Impact of COVID-19</p> <p>As disclosed in note 48 to the consolidated financial statements, the COVID-19 pandemic resulted in disruption to business operations particularly to businesses in highly exposed sectors including hospitality industry and significant increase in economic uncertainty. Due to the lockdown and restrictions imposed by the Government of Pakistan, the Group's hotel properties remained fully/partially closed for operations during the last quarter of the year.</p> <p>In connection with the accounting and reporting obligations, the Group assessed the impact of COVID-19 related events on its consolidated financial statements particularly its impact on the appropriateness of the use of the going concern assumption and impairment of non-current assets.</p> | <p>Our audit procedures, amongst others, included the following:</p> <ul style="list-style-type: none"> ● obtaining an understanding of management's assessment of impact of COVID-19 pandemic and its related implications on the preparation and presentation of consolidated financial statements; ● evaluating appropriateness of management's assessment of going concern assumption and adequacy of related disclosures in the consolidated financial statements; ● assessing the status of restructuring of debt arrangements and appropriateness of classification and adequacy of related disclosures in the consolidated financial statements; ● evaluating the assessment of recoverable amounts for each cash generating units (hotel properties and other non-current assets) to ascertain if any impairment was required to be recognized in the consolidated financial statements; ● Involving external expert to assist in testing of assessed values used in determining recoverable amounts of cash generating units; and ● Assessing the adequacy of disclosures in consolidated financial statements relating to impact of COVID-19 in accordance with the accounting and reporting standards as applicable in Pakistan. |

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PAKISTAN SERVICES LIMITED

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PAKISTAN SERVICES LIMITED

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

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

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

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

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



KPMG Taseer Hadi & Co.

Chartered Accountants

Date: 06 October 2020

Islamabad

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

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

CONTINGENCIES AND COMMITMENTS

15

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

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



M.A. Bawany
Director



Shakir Abu Bakar
Director



Javed Iqbal
Chief Financial Officer

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 30 JUNE 2020

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

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



M.A. Bawany
Director



Shakir Abu Bakar
Director



Javed Iqbal
Chief Financial Officer

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2020

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

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



M.A. Bawany
Director



Shakir Abu Bakar
Director



Javed Iqbal
Chief Financial Officer

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2020

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

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



M.A. Bawany
Director



Shakir Abu Bakar
Director



Javed Iqbal
Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

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

James

M.A. Bawany
Director

2

Shakir Abu Bakar
Director

James Dubel

Javed Iqbal
Chief Financial Officer

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

1 THE GROUP AND ITS OPERATIONS

Pakistan Services Limited [“the Parent Company”] was incorporated on 06 December 1958 in Pakistan under the Companies Act, 1913 (now the Companies Act, 2017) as a public limited Company and is quoted on Pakistan Stock Exchange Limited.

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

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

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

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

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

2 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

2.1 Statement of compliance

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

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

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

2.2 Basis of consolidation

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

2.2.1 Business combinations

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

Subsidiaries

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

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

Non-controlling interests (NCI)

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

Loss of control

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

Interests in equity-accounted investees

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

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

Transactions elimination in consolidation

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into Pak Rupee at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into Pak Rupee at the exchange rates at the dates of the transactions. Foreign currency differences are recognised in the consolidated statement of comprehensive income, and accumulated in the foreign currency translation reserve.

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

2.3 Basis of measurement and preparation

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

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

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

2.4 Going concern basis of accounting

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

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

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

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

2.5 Functional and presentation currency

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

2.6 Use of estimates and judgments

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

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

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

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

Measurement of fair values

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 New standards, interpretations and amendments adopted by the Group

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

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

3.1.1 Impact of transition on financial statements

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

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

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

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

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

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

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

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

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

3.1.2 Addition in Right of use assets during the year

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

3.2 Property, plant and equipment and advance for capital expenditure

Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses except for:

- land [free hold and lease hold] which is carried at revalued amount
- capital work in progress and advance for capital expenditure which are stated at cost less impairment loss, if any.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

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

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

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

Gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognized in profit or loss.

Subsequent expenditure

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

Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the diminishing balance method over their estimated useful lives, and is generally recognised in consolidated statement of profit or loss at rates given in note 15 to these consolidated financial statements. Leased assets are depreciated over the shorter of the leased term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land and capital work in progress is not depreciated. Rates of depreciation are mentioned in note 16.1 to these consolidated financial statements.

Depreciation on additions to property, plant and equipment is charged on prorated basis from the month in which property, plant and equipment is acquired or capitalized while no depreciation is charged for the month in which property, plant and equipment is disposed of / derecognized.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3.3

Leases

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

Policy applicable from 01 July 2019

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

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

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

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

Right of use asset

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. Right of use asset is subsequently depreciated using the straight line method from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. The estimated useful lives of right of use assets are determined on the same basis as those of property, plant and equipment. In addition, right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. Rates of depreciation are mentioned in note 16.1.

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

Lease liabilities

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

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

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

Short term leases and low-value assets

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

Policy applicable before 01 July 2019

For contract entered into before 01 July 2019, the Group determined whether the arrangement was or contained a lease. At inception or on reassessment of an arrangement that contained a lease, the Group separated payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concluded for a finance lease that it is impracticable to separate the payments reliably,

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then an asset and a liability were recognized at an amount equal to the fair value of the underlying asset; subsequently, the liability was reduced as payments are made and an imputed finance cost on the liability was recognized using the Group's incremental borrowing rate.

Leased assets

In the comparative period, leases of property, plant and equipment that transferred to the Group substantially all of the risks and rewards of ownership were classified as finance leases. The leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset. Assets held under other leases were classified as operating leases and are not recognized in the Group's statement of financial position. Depreciation on assets held under finance lease was charged in a manner consistent with that for depreciable assets which were owned by the Group.

Lease payments

Payments made over operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Minimum lease payments made under finance leases were apportioned between the finance expense and the reduction of the outstanding liability. The finance expense was allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

3.4 Investment property

Investment property is initially measured at cost and subsequently at fair value with any change therein recognized in profit or loss.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in profit or loss.

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

3.5 Inventories

3.5.1 Stores, spare parts and loose tools

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

3.5.2 Stock in trade

These are valued at lower of cost and net realizable value. Cost comprises cost of purchases and other costs incurred in bringing the items to their present location and condition. Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred in order to make a sale.

The Group reviews the carrying amount of stock in trade on a regular basis and provision is made for obsolescence, if there is any change in usage pattern or physical form of related stock in trade.

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3.6 Financial instruments

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

3.6.1 Financial asset

Classification

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

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

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

a) Amortized cost

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

b) Fair value through other comprehensive income (FVOCI)

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

c) Fair value through profit or loss (FVTPL)

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

Subsequent measurement

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

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De-recognition

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognized financial assets that is created or retained by the Group is recognized as a separate asset or liability.

3.6.2 Financial liabilities

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

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

3.6.3 Offsetting

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

3.7 Trade and other receivables

Trade and other receivables are initially stated at fair value of consideration to be received. Subsequent to initial recognition these are carried at their amortized cost as reduced by appropriate charge for expected credit losses, if any. The Group holds the trade debts with the objective of collecting the contractual cash flows and therefore measures the trade debts subsequently at amortized cost using the effective interest method. Impairment of trade debts and other receivables is described in note 3.9.

3.8 Trade and other payables

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

3.9 Impairment

3.9.1 Impairment of financial assets

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

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

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

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

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

3.9.2 Impairment of non-financial assets

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

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

3.10 Provisions

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

3.11 Contingent liabilities

A contingent liability is disclosed when the Group has a possible obligation as a result of past events, whose existence will be confirmed only by the occurrence or non-occurrence, of one or more uncertain future events not wholly within the

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control of the Group; or the Group has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

3.12 Share capital and dividend

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

3.13 Employee benefits

The accounting policies for employee benefits are described below:

3.13.1 Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3.13.2 Defined contribution plan – Provident fund

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

3.13.3 Defined benefit plans

The Group operates the following defined benefit plans:

[a] Gratuity

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

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

The calculation of defined benefit liability is performed annually by a qualified actuary using the projected unit credit method [PUC].

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

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

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(b) Compensated leave absences

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

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

3.14 Income tax

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

Current tax

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

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on business plans for the Group and the reversal of temporary differences. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves. Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantially enacted at the reporting date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Group has not rebutted this assumption. Deferred tax assets and liabilities are offset if certain criteria are met.

3.15 Revenue recognition

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

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3.15.1 Revenue from contracts with customers

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

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

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

Contract cost

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

Contract assets

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

Contract liabilities

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

3.15.2 Other income

Other income is recognized on an accrual basis. Net gains and losses of disposal of property, plant and equipment have been recognized in the consolidated statement of profit or loss, having deducted from proceeds on disposal, the carrying amount of the assets and related selling expenses.

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Dividend income from investments is recognized when the Group's right to receive has been established.

Gains and losses arising from incidental activities to main revenue generating activities and those arising from a group of similar transactions which are not material, are aggregated, reported and presented on a net basis.

3.16 Assets held for sale

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

3.17 Foreign currency transactions and translations

Transactions in foreign currencies are recorded at the rates of exchange prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Pakistan Rupee at the exchange rate ruling on the reporting date and exchange differences, if any, are recognised in consolidated statement of profit or loss.

Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are recognised in consolidated statement of profit or loss.

3.18 Operating profit

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

3.19 Finance income and finance cost

The Group's finance income and finance costs include interest income, dividend income, bank charges, interest expense, foreign currency gain or loss on financial assets and financial liabilities. Interest income or expense is recognised using the effective interest method. Dividend income is recognised in consolidated statement of profit or loss on the date on which the Group's right to receive payment is established.

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

3.20 Fair value measurement

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

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

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

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

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

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

3.21 Development properties

Development properties include land acquired to carry on real estate business and property development. These are carried in the consolidated statement of financial position at lower of cost and net realizable value. Cost includes purchase costs, related government taxes, construction cost, borrowing cost and other overheads necessary to bring the properties in the saleable condition. Net realizable value represents the selling price in the ordinary course of business less cost of completion and estimated cost necessary to be incurred for making the sale. This also includes advances given to acquire the land / villas.

3.22 Government grant

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

3.23 Ijarah contracts

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

3.24 Cash and cash equivalents

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

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

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

- Amendment to IFRS 3 'Business Combinations' – Definition of a Business [effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020]. The IASB has

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issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.

- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors [effective for annual periods beginning on or after 1 January 2020]. The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general-purpose financial statements in accordance with IFRS Standards.
- On 29 March 2018, the IASB has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallize. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.
- Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after 1 January 2020. The G20 asked the Financial Stability Board [FSB] to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term ‘interest rate benchmark reform’ refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB’s recommendations set out in its July 2014 report ‘Reforming Major Interest Rate Benchmarks’ [the reform]. The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The amendments are not likely to affect the financial statements of the Company.
- Amendments to IFRS-16 – IASB has issued amendments to IFRS 16 [the amendments] to provide practical relief for lessees in accounting for rent concessions. The amendments are effective for periods beginning on or after 1 June 2020, with earlier application permitted. Under the standard’s previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects of the COVID-19 pandemic, and the fact that many lessees are applying the standard for the first time in their financial statements, the Board has provided an optional practical expedient for lessees. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications. Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:
 - the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
 - any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
 - there is no substantive change to the other terms and conditions of the lease.
- Classification of liabilities as current or non-current [Amendments to IAS 1] effective for the annual period beginning on or

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

- Onerous Contracts – Cost of Fulfilling a Contract [Amendments to IAS 37] effective for the annual period beginning on or after 1 January 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprise the cost of fulfilling a contract, Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments [the date of initial application]. Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.
- Property, Plant and Equipment: Proceeds before Intended Use [Amendments to IAS 16] effective for the annual period beginning on or after 1 January 2022. Clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings [or other component of equity, as appropriate] at the beginning of that earliest period presented.
- Annual Improvements to IFRS standards 2018-2020:

The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after 1 January 2022.
 - IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity [the borrower] and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.
 - IFRS 16 – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.
 - IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

4 SHARE CAPITAL

4.1 Authorised share capital

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

4.2 Issued, subscribed and paid up share capital

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

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

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

4.3 Capital management

The Group's objective when managing capital is to safeguard the Groups's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stake holders, and to maintain a strong capital base to support the sustained development of its businesses.

The Group manages its capital structure which comprises capital and reserves by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders and/or issue new shares. There were no changes to Group's approach to capital management during the year and the Group is not subject to externally imposed capital requirement except for maintenance of debt to equity ratios under the financing arrangements.

| 5 | CAPITAL RESERVES | Note | 2020 | 2019 |
|---|--------------------------------------|------|----------------|----------------|
| | | | [Rupees'000] | |
| | Share premium | 5.1 | 269,424 | 269,424 |
| | Share of associate's capital reserve | | 147,221 | 147,221 |
| | | | 416,645 | 416,645 |

5.1 Capital reserve represents share premium as and when received.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

| 6 | REVENUE RESERVES | Note | 2020 | 2019 |
|----|--|--------|--------------------|--------------------|
| | | | [Rupees'000] | |
| | General reserve | | 1,600,000 | 1,600,000 |
| | Exchange translation reserve | | 1,137,393 | 1,099,231 |
| | Surplus on remeasurement of FVOCI securities | | 46,808 | 34,121 |
| | Unappropriated profits | | 1,636,629 | 3,653,228 |
| | | | 4,420,830 | 6,386,580 |
| | | | | |
| 7 | REVALUATION SURPLUS ON PROPERTY, PLANT AND EQUIPMENT | Note | 2020 | 2019 |
| | | | [Rupees'000] | |
| | Balance at 01 July | | 27,530,741 | 27,530,741 |
| | Surplus arising on revaluation during the year | 16.1.3 | 1,712,290 | - |
| | Balance at 30 June | | 29,243,031 | 27,530,741 |
| | | | | |
| 8 | LOANS AND BORROWINGS - Secured | | | |
| a. | Non current portion | | | |
| | Term Finance Loan - 1 | 8.1 | 552,500 | 637,500 |
| | Term Finance Loan - 2 | 8.2 | 1,720,000 | 1,935,000 |
| | Term Finance Loan - 3 | 8.3 | 2,000,000 | 2,333,333 |
| | Term Finance Loan - 4 | 8.4 | 2,000,000 | 2,000,000 |
| | Term Finance Loan - 5 | 8.5 | 347,441 | - |
| | Syndicated term loan | | - | 450,000 |
| | Sukuk | 8.6 | 6,611,111 | 7,000,000 |
| | Transaction cost | | [33,262] | [52,208] |
| | | | 13,197,790 | 14,303,625 |
| | Current portion of loans | | [3,872,175] | [2,694,444] |
| | | | 9,325,615 | 11,609,181 |
| | | | | |
| b. | Current portion | | | |
| | Current portion of loans | | 3,872,175 | 2,694,444 |
| | Markup Accrued | | 653,695 | 380,054 |
| | | | 4,525,870 | 3,074,498 |

- 8.1 This represents outstanding balance of term finance loan of Rs. 350 million and Rs. 500 million carrying markup of 3-month KIBOR plus 1.5% (2019: 3-month KIBOR plus 1.5%) per annum. These are secured against first pari passu equitable mortgage charge on land and building of Pearl Continental Hotel, Rawalpindi for an amount of Rs. 1,534 million (2019: Rs. 1,534 million), ranking hypothecation charge over all present and future movable assets of Pearl Continental Hotel, Rawalpindi to the extent of Rs. 734 million (2019: Rs. 734 million). These loans are repayable in twenty equal quarterly installments of Rs. 17.50 million and Rs. 25.00 million each against respective loans. Repayments have started from June 2018. The Parent Company approached the lender for defferment of repayments and markup servicing refer note 8.7.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

- 8.2 This represents outstanding balance of term finance loan of Rs. 2,150 million carrying markup of 3-month KIBOR plus 0.75% (2019 :3-month KIBOR plus 0.75%) per annum payable quarterly. This facility is secured against charge over land and building of Pearl Continental Hotel, Rawalpindi and Peshawar to the extent of Rs. 1,200 million (2019: Rs. 1,200 million) and Rs. 1,667 million (2019: Rs. 1,667 million) respectively. The loan is repayable in twenty equal quarterly installments of Rs. 107.50 million each. Repayments have started from January 2019. The Parent Company approached the lender for defferment of repayments and markup servicing refer note 8.7.
- 8.3 This represents outstanding balance of term finance loan of Rs. 3,000 million carrying markup of 3-month KIBOR plus 0.75% (2019: 3-month KIBOR plus 0.75%) per annum payable quarterly. This facility is secured against ranking equitable mortgage charge over land and building of Pearl Continental Hotel, Karachi and ranking hypothecation charge on all present and future fixed and current assets of Pearl Continental Hotel, Karachi to the extent of Rs. 4,000 million (2019: Rs. 4,000 million). The loan is repayable in eighteen equal quarterly installments of Rs. 166.67 million. Repayments have started from September 2018. The Parent Company approached the lender for defferment of repayments and markup servicing refer note 8.7.
- 8.4 This represents term finance loan of Rs. 2,000 million carrying markup of 6-month KIBOR plus 0.65% per annum payable semi-annual (2019: 6-month KIBOR plus 0.65%) per annum. This facility is secured against first pari passu equitable mortgage charge over land and building and first pari passu hypothecation charge on all present and future moveable assets of Pearl Continental Hotel, Peshawar with 25% margin. The loan is repayable in ten equal semi-annual installments starting from May 2020. The Parent Company approached the lender for defferment of repayments and markup servicing refer note 8.7.
- 8.5 This represents long term loan of Rs. 377.58 million availed under State Bank of Pakistan (SBP) Refinance Scheme for payment of wages and salaries to the workers, the loan is extended at below-market rate of 3% per annum payable quarterly (2019: Nil) . This facility is secured against first pari passu ranking charge over fixed assets including land and building of Pearl Continental Hotel, Karachi to the extent fo Rs. 598 million (2019:Nil). The loan is repayable in eight equal quarterly installments starting from January 2021.

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

| | (Rupees'000) |
|--------------------------------|--------------|
| Loan proceeds received | 377,588 |
| Deferred grant | 30,148 |
| Fairvalue of the loan proceeds | 347,440 |

- 8.6 This represents rated, secured, long term privately placed Sukuk certificates. Pak Brunei Investment Company Limited is the trustee while Faysal Bank Limited is acting as shariah structuring advisor for this Sukuk arrangement. The Sukuk tenor is six years, and carries profit of 6-month KIBOR plus 1% (2019: 6-month KIBOR plus 1%) per annum payable semi-annually. The Sukuk is secured by way of first mortgage charge on Pearl Continental Hotel, Lahore with 25% margin and hypothecation on all the present and future assets (excluding land and building) of Pearl Continental Hotel, Lahore. Redemption of Sukuk will be in nine equal semi-annual installments starting from March 2020. The Parent Company approached the lender for defferment of repayments and markup servicing refer note 8.7.
- 8.7 In response to COVID-19 pandemic, the State Bank of Pakistan vide its BPRD Circular No. 13 of 2020 dated 26 March 2020 announced relief to customers of financial institutions in the form of deferment of repayment of principal installments and markup payments. Pursuant to this relief, the Parent Company approached to the financial institutions in June 2020 for rescheduling/restructuring of its existing outstanding loan amounts along with markup for a period of seven years inclusive of two years of deferment/grace period for repayment of principal and markup on loans including the unpaid principal installments and markup due prior to the reporting date. Management expects the rescheduling/restructuring of this financing arrangements to be finalized in the near future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

| 9 | LEASE LIABILITIES | Note | 2020 | 2019 |
|--------|---|--------|--------------|----------|
| | | | [Rupees'000] | |
| | Lease liabilities - Vehicles | 9.1 | 133,703 | 94,844 |
| | Lease liabilities - Land and rental spaces | | 225,381 | - |
| | | 9.2 | 359,084 | 94,844 |
| | Current portion | | 127,771 | 32,753 |
| | Non current portion | | 231,313 | 62,091 |
| 9.1 | This represents outstanding balance of diminishing musharaka facility from an Islamic financial institution and carries markup of 3-month KIBOR plus 1% (2019: 3-month KIBOR plus 1%) per annum payable quarterly . The facility is secured by way of ownership of leased assets. | | | |
| 9.2 | Maturity of Lease liabilities is follows | | 2020 | 2019 |
| | | | [Rupees'000] | |
| | Not later than one year | | 140,981 | 42,114 |
| | Later than one year and not later than five years | | 211,587 | 69,782 |
| | Later than five year | | 422,487 | - |
| | | | 775,055 | 111,896 |
| | Imputed interest | | [415,971] | [17,052] |
| | | | 359,084 | 94,844 |
| | Movement of lease liabilities is as follows: | | | |
| | Amount recognized on transition date/ opening | | 444,440 | 70,859 |
| | Additions during the year | | 73,396 | 80,423 |
| | Lease payments made during the period | | [101,373] | [56,438] |
| | Lease modification | | [57,379] | - |
| | Amount as per financial statement | | 359,084 | 94,844 |
| 10 | EMPLOYEE BENEFITS | Note | 2020 | 2019 |
| | | | [Rupees'000] | |
| | Net defined benefit liability - gratuity | 10.1.1 | 644,555 | 631,187 |
| | Net defined benefit liability - compensated leave absences | 10.2.1 | 128,464 | 184,215 |
| | | | 773,019 | 815,402 |
| 10.1 | Net defined benefit liability - gratuity | | | |
| | The Group operates an unfunded gratuity scheme for its eligible employees detail of which are as follows: | | | |
| 10.1.1 | Movement in net defined liability - gratuity | Note | 2020 | 2019 |
| | | | [Rupees'000] | |
| | Balance at 01 July | | 631,187 | 561,853 |
| | Included in profit or loss | 10.1.3 | 128,316 | 88,587 |
| | Benefits paid | | [31,154] | [39,641] |
| | Included in other comprehensive income | 10.1.4 | [83,794] | 20,388 |
| | Balance at 30 June | | 644,555 | 631,187 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

| | | 2020 | 2019 |
|----------|---|--------------|---------|
| | | [Rupees'000] | |
| 10.1.2 | Reconciliation of liability recognised in the statement of financial position | | |
| | Present value of defined benefit liability | 644,555 | 631,187 |
| | Net defined benefit liability | 644,555 | 631,187 |
| 10.1.3 | Included in profit or loss | | |
| | Current service cost | 42,272 | 40,367 |
| | Interest cost | 86,044 | 48,220 |
| | | 128,316 | 88,587 |
| 10.1.3.1 | Expense is recognized in the following line items in profit or loss | | |
| | Cost of sales and services | 53,560 | 53,694 |
| | Administrative expenses | 74,756 | 34,893 |
| | | 128,316 | 88,587 |
| 10.1.4 | Included in other comprehensive income | | |
| | Actuarial loss from changes in financial assumptions | [3,274] | 3,032 |
| | Experience adjustments on defined benefit liability | [80,520] | 17,356 |
| | | [83,794] | 20,388 |
| 10.1.5 | Key Actuarial assumptions | | |

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

| | Note | 2020 | 2019 |
|--------------------------------------|---|----------------|----------------|
| Discount rate | | 9.00% | 9.00% |
| Expected increase in eligible salary | | 14.50% | 14.50% |
| Mortality rate | 10.1.5.1 | SLIC 2001-2005 | SLIC 2001-2005 |
| 10.1.5.1 | Assumption regarding future mortality has been based on State Life Corporation [SLIC 2001-2005], ultimate mortality rate with 1 year setback as per recommendation of Pakistan Society of Actuaries [PSOA]. | | |
| 10.1.6 | Sensitivity analysis | | |

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

| | 2020 | | 2019 | |
|----------------------|--------------|----------|--------------|----------|
| | Increase | Decrease | Increase | Decrease |
| | [Rupees'000] | | [Rupees'000] | |
| Discount rate | 589,427 | 664,958 | 592,261 | 665,071 |
| Salary increase rate | 665,181 | 588,457 | 665,319 | 591,423 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

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

10.1.6.2 The Group's expected charge for the defined benefit liability - gratuity for the next year is Rs. 87.66 million

10.1.7 Risk associated with defined benefit liability- gratuity

10.1.7.1 Salary Risk - (linked to inflation risk)

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

10.1.7.2 Demographic Risks

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

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

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

| Years | [Rupees '000] |
|-----------------|---------------|
| FY 2021 | 68,913 |
| FY 2022 | 48,423 |
| FY 2023 | 67,898 |
| FY 2024 | 60,304 |
| FY 2025 | 86,184 |
| FY 2026 | 76,487 |
| FY 2027 | 88,159 |
| FY 2028 | 77,795 |
| FY 2029 | 119,529 |
| FY 2030 | 131,609 |
| FY 2030 onwards | 1,096,552 |

10.2 Net defined benefit liability - compensated leave absences

| | | 2020 | 2019 |
|--------|--|--------------|----------|
| | | [Rupees'000] | |
| 10.2.1 | Movement in defined benefit liability - compensated leave absences | | |
| | Balance at 01 July | 184,215 | 142,453 |
| | Included in profit or loss | [33,771] | 76,110 |
| | Payments made during the year | [21,980] | [34,348] |
| | Balance at 30 June | 128,464 | 184,215 |

10.2.3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

| | | 2020 | 2019 |
|----------|---|-------------------------|----------------|
| | | [Rupees'000] | |
| 10.2.2 | Reconciliation of liability recognised in the Statement of Financial Position | | |
| | Present value of defined benefit liability | 128,464 | 184,215 |
| | Net defined benefit liability | 128,464 | 184,215 |
| 10.2.3 | Included in profit or loss | Note | |
| | | 2020 | 2019 |
| | | [Rupees'000] | |
| | Current service cost | 30,222 | 29,796 |
| | Interest cost | 366 | 9,102 |
| | Past service cost | 21,384 | 21,990 |
| | Experience adjustments on defined benefit liability | [85,743] | 15,222 |
| | | [33,771] | 76,110 |
| 10.2.3.1 | Expense is recognized in the following line items in profit or loss | | |
| | Cost of sales and services | [11,685] | 40,801 |
| | Administrative expenses | [22,082] | 35,309 |
| | | [33,767] | 76,110 |
| 10.2.4 | Actuarial assumption | | |
| | Discount rate | 9.00% | 9.00% |
| | Expected increase in eligible salary | 14.50% | 14.50% |
| | Mortality rate | 10.2.4.1 SLIC 2001-2005 | SLIC 2001-2005 |
| 10.2.4.1 | Assumption regarding future mortality has been based on State Life Corporation (SLIC 2001-2005), ultimate mortality rate with 1 year setback as per recommendation of Pakistan Society of Actuaries (PSOA). | | |
| 10.2.5 | Sensitivity analysis | | |

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

| | 2020 | | 2019 | |
|----------------------|--------------|----------|--------------|----------|
| | Increase | Decrease | Increase | Decrease |
| | [Rupees'000] | | [Rupees'000] | |
| Discount rate | 102,083 | 120,400 | 170,322 | 197,826 |
| Salary increase rate | 120,097 | 102,200 | 197,339 | 170,541 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

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

10.2.6 Risk associated with defined benefit liability- compensated leave absences

10.2.6.1 Salary Risk- [linked to inflation risk]

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

10.2.6.2 Demographic Risks

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

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

11 DEFERRED TAX LIABILITY

| | Net balance at 01 July 2019 | Adjustment on adoption of IFRS 9 | Adjusted balance at 01 July 2019 | Recognized in Profit or loss (Note 38) | Other comprehensive income | Net balance at 30 June 2020 |
|--|-----------------------------------|--|--|---|----------------------------------|-----------------------------------|
| | [Rupees'000] | | | | | |
| 2020 | | | | | | |
| Taxable temporary differences | | | | | | |
| Property, plant and equipment | 745,057 | - | - | 288,535 | - | 1,033,592 |
| Exchange translation reserve | 295,647 | - | - | - | 15,588 | 311,235 |
| Deductible temporary differences | | | | | | |
| Employees benefit - gratuity | 183,044 | - | - | 24,610 | 24,300 | 183,354 |
| Provision against doubtful debts | 88,833 | - | - | 32,732 | - | 121,565 |
| Unabsorbed tax losses and depreciation | 122 | - | - | 245,293 | - | 245,415 |
| Share in loss of equity accounted investments | 150,640 | - | - | 25,456 | - | 176,096 |
| Provision for inventory | 476 | - | - | 120 | - | 596 |
| Short term investment | 1,740 | - | - | - | - | 1,740 |
| Income not yet received | 8,628 | - | - | (8,628) | - | - |
| Unabsorbed tax losses and depreciation | - | - | - | - | - | - |
| Lease liability | 42,743 | - | - | 61,391 | - | 104,134 |
| | 476,225 | - | - | 380,974 | 24,300 | 832,899 |
| | 564,479 | - | - | (92,439) | 39,888 | 511,928 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

| | Net balance at 01 July 2018 | Adjustment on adoption of IFRS 9 | Adjusted balance at 01 July 2018 | Recognized in | | Net balance at 30 June 2019 |
|--|-----------------------------------|--|--|--------------------------------|----------------------------------|-----------------------------------|
| | | | | Profit or loss [Note 38] | Other comprehensive income | |
| 2019 | [Rupees'000] | | | | | |
| Taxable temporary differences | | | | | | |
| Property, plant and equipment | 501,170 | - | 501,170 | 243,887 | - | 745,057 |
| Exchange translation reserve | 172,632 | - | 172,632 | - | 123,015 | 295,647 |
| Deductible temporary differences | | | | | | |
| Employees benefit - gratuity | 140,463 | - | 140,463 | 36,668 | 5,913 | 183,044 |
| Provision against doubtful debts | 48,529 | 26,316 | 74,845 | 13,988 | - | 88,833 |
| Unabsorbed tax losses and depreciation | 122 | - | 122 | - | - | 122 |
| Share in loss of equity accounted investments | 30,729 | - | 30,729 | 119,911 | - | 150,640 |
| Provision for inventory | 410 | - | 410 | 66 | - | 476 |
| Short term investment | 1,500 | - | 1,500 | 240 | - | 1,740 |
| Income not yet received | 44 | - | 44 | 8,584 | - | 8,628 |
| Write down of investment to its net selling price | 134,179 | - | 134,179 | [134,179] | - | - |
| Diminishing musharaka facility | 29,812 | - | 29,812 | 12,931 | - | 42,743 |
| | 385,788 | 26,316 | 412,104 | 58,209 | 5,913 | 476,225 |
| | 288,014 | [26,316] | 261,698 | 185,678 | 117,102 | 564,479 |

| 12 | SHORT TERM BORROWINGS - Secured | Note | 2020 | 2019 |
|------|---|------|--------------|-----------|
| | | | [Rupees'000] | |
| | Running finance facilities - from banking companies- secured | 12.1 | 2,587,186 | 1,243,464 |
| | Short term loan - unsecured | 12.2 | 383,330 | - |
| | Markup accrued | | 70,098 | 21,119 |
| | | | 3,040,614 | 1,264,583 |
| 12.1 | These facilities are obtained from various commercial banks with an aggregate limit of Rs. 2,630 million [2019: Rs. 1,620 million] which are secured against pari passu equitable mortgage charge on fixed assets and hypothecation charge on stock-in-trade, trade debts, receivables and all other moveable properties of Pearl Continental Hotel Karachi and Rawalpindi and lien on certain listed securities held by the Company. These facilities carry markup rates ranging from 1-month KIBOR to 3-month KIBOR plus 0.6% to 1.5% [2019: 1-month KIBOR to 3-month KIBOR plus 0.6% to 0.7%] per annum. | | | |
| 12.2 | This includes loan from directors Rs. 241.40 millin and from a related party Rs. 50 million. | | | |
| 12.3 | The Parent Company has unutilised running finance facilities aggregating to Rs. 42.80 million [2019: Rs.376.54 million] at the year end. | | | |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

| 13 | TRADE AND OTHER PAYABLES | Note | 2020 [Rupees'000] | 2019 |
|--------|--|------|----------------------|-------------------|
| | Creditors | | 955,610 | 475,617 |
| | Accrued liabilities | | 675,912 | 606,134 |
| | Shop deposits | 13.1 | 54,026 | 54,267 |
| | Retention money | | 223,478 | 211,070 |
| | Due to related parties - unsecured | | 270,029 | 25,242 |
| | Sales tax payable - net | | 75,576 | 100,569 |
| | Income tax deducted at source | | 6,435 | 4,185 |
| | Un-earned income | | 49,900 | 96,912 |
| | Payable to provident fund | | 13,236 | - |
| | Other liabilities | | 140,171 | 67,779 |
| | | | 2,464,373 | 1,641,775 |
| 13.1 | As per terms of written agreement with customers, the amount of shop deposits are fully utilizable by the Parent Company and have been utilized for business purpose. | | | |
| 14 | UNPAID DIVIDEND | | | |
| | As per the provision of Section -242 of the Companies Act, 2017 and directives of the Securities and Exchange Commission of Pakistan vide circular no. 18 dated 01 August, 2017, cash dividend will only paid through electronic mode directly in the bank accounts of shareholders, accordingly this unpaid dividend pertains to those shareholders who did not provided their valid bank accounts details. | | | |
| 15 | CONTINGENCIES AND COMMITMENTS | | | |
| 15.1 | Contingencies | | | |
| 15.1.1 | For tax related contingencies please refer note 38.2. | | | |
| 15.1.2 | Guarantees | Note | 2020 [Rupees'000] | 2019 |
| | Guarantees | | 308,952 | 286,852 |
| 15.2 | Commitments | | | |
| | Commitments for capital expenditure | | 4,248,657 | 2,911,627 |
| 16 | PROPERTY, PLANT AND EQUIPMENT | | | |
| | Operating fixed assets | 16.1 | 37,191,636 | 35,991,899 |
| | Capital work in progress | 16.2 | 6,679,529 | 4,613,594 |
| | | | 43,871,165 | 40,605,493 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

16.1 OPERATING FIXED ASSETS

16.1.1 Reconciliation of carrying amount

| Cost / Revalued amounts | Owned | | | | | | | | | | Leased Vehicles | Right of use asset | | Total |
|---|---------------|----------------|----------------------------|-----------------------------|---------------------|--|-----------|-----------|-------------|-----------|-----------------|-------------------------------------|-----------------------|-------------|
| | Freehold land | Leasehold land | Buildings on freehold land | Buildings on leasehold land | Plant and machinery | Furniture, fittings and office equipment | Computers | Vehicles | Air craft | | | Land and rental spaces (Note - 3.1) | Vehicles (Note - 3.1) | |
| | | | | | | | | | | | | | | |
| Balance at 01 July 2018 | 16,287,639 | 13,488,790 | 2,387,902 | 2,100,541 | 4,033,895 | 3,084,340 | 648,183 | 293,251 | - | 104,271 | - | - | - | 42,428,812 |
| Additions | 56,670 | - | - | 2,350 | 396,109 | 180,497 | 53,948 | 175,048 | - | 80,423 | - | - | - | 945,045 |
| Revaluation surplus | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Disposals | - | - | (54,516) | (56,660) | (104,836) | (102,894) | (315) | (107,304) | - | - | - | - | - | (426,525) |
| Transfer from leased assets to owned assets | - | - | - | - | - | - | - | 24,941 | - | (24,941) | - | - | - | - |
| Transfer from CWIP (refer note 16.2) | - | - | 325,021 | 246,607 | 258,789 | 440,728 | 65,020 | - | 783,286 | - | - | - | - | 2,119,451 |
| Transfer to asset held for sale (refer note 15.1.7) | (2,620,000) | - | (150,249) | - | - | - | - | - | - | - | - | - | - | (2,770,249) |
| Balance at 30 June 2019 | 13,724,309 | 13,488,790 | 2,508,158 | 2,292,838 | 4,583,957 | 3,602,671 | 766,836 | 385,936 | 783,286 | 159,753 | - | - | - | 42,296,534 |
| Balance at 01 July 2019 | 13,724,309 | 13,488,790 | 2,508,158 | 2,292,838 | 4,583,957 | 3,602,671 | 766,836 | 385,936 | 783,286 | 159,753 | - | - | - | 42,296,534 |
| Adoption of IFRS-16 [note - 3.1.2] | - | - | - | - | - | - | - | - | - | (159,753) | - | 367,564 | 159,753 | 367,564 |
| Adjusted balance at 01 July 2019 | 13,724,309 | 13,488,790 | 2,508,158 | 2,292,838 | 4,583,957 | 3,602,671 | 766,836 | 385,936 | 783,286 | - | - | 367,564 | 159,753 | 42,864,098 |
| Additions | - | - | - | - | 293,576 | 31,354 | 13,632 | 13,402 | - | - | - | - | - | 449,958 |
| Disposals | - | - | - | - | (18,045) | (250) | (2,966) | (27,985) | (783,286) | - | - | (51,638) | (6,312) | (890,482) |
| Transfer from CWIP (refer note 16.2) | - | - | 89,391 | 162,950 | 151,601 | 260,346 | 14,033 | - | - | - | - | - | - | 678,321 |
| Revaluation surplus | 478,170 | 1,234,120 | - | - | - | - | - | - | - | - | - | - | - | 1,712,290 |
| Transfer from leased assets to owned assets | - | - | - | - | - | - | - | 19,490 | - | (19,490) | - | - | - | - |
| Asset classified as held for sale | (160,000) | - | - | - | - | - | - | - | - | - | - | - | - | (160,000) |
| Balance at 30 June 2020 | 14,042,479 | 14,722,910 | 2,597,549 | 2,455,788 | 5,011,089 | 3,894,121 | 791,535 | 390,843 | - | (19,490) | - | 315,926 | 251,495 | 44,454,185 |
| Accumulated depreciation | | | | | | | | | | | | | | |
| Balance at 01 July 2018 | - | - | 719,859 | 846,515 | 2,502,972 | 1,150,094 | 302,245 | 190,174 | - | 16,483 | - | - | - | 5,728,342 |
| Depreciation (refer note 16.1.6) | - | - | 89,305 | 62,628 | 249,691 | 301,564 | 99,968 | 26,459 | 45,953 | 20,821 | - | - | - | 896,389 |
| Disposals | - | - | (38,147) | (36,337) | (92,813) | (82,430) | (188) | (15,719) | - | - | - | - | - | (265,634) |
| Transfer to asset held for sale (refer note 15.1.7) | - | - | (21,510) | - | - | - | - | (32,952) | - | - | - | - | - | (54,462) |
| Balance at 30 June 2019 | - | - | 749,507 | 872,806 | 2,659,850 | 1,369,228 | 402,025 | 167,962 | 45,953 | 37,304 | - | - | - | 6,304,635 |
| Balance at 01 July 2019 | - | - | 749,507 | 872,806 | 2,659,850 | 1,369,228 | 402,025 | 167,962 | 45,953 | 37,304 | - | - | - | 6,304,635 |
| Adoption of IFRS-16 [note - 3.1.2] | - | - | - | - | - | - | - | - | - | (37,304) | - | - | 37,304 | - |
| Adjusted balance at 01 July 2019 | - | - | 749,507 | 872,806 | 2,659,850 | 1,369,228 | 402,025 | 167,962 | 45,953 | - | - | - | 37,304 | 6,304,635 |
| Depreciation (refer note 16.1.6) | - | - | 89,160 | 70,472 | 305,150 | 327,433 | 98,866 | 27,259 | 35,768 | - | - | 94,871 | 22,040 | 1,071,019 |
| Disposals | - | - | - | - | (16,691) | (27) | (1,287) | (13,200) | (80,418) | - | - | - | (1,482) | (113,105) |
| Transfer from leased assets to owned assets | - | - | - | - | - | - | - | 6,696 | - | - | - | - | (6,696) | - |
| Balance at 30 June 2020 | - | - | 838,667 | 943,278 | 2,948,309 | 1,696,634 | 499,604 | 188,717 | 1,303 | - | - | 94,871 | 51,166 | 7,262,549 |
| Carrying amount - 30 June 2019 | 13,724,309 | 13,488,790 | 1,758,651 | 1,420,032 | 1,924,107 | 2,233,443 | 364,811 | 217,974 | - | 122,449 | - | - | - | 35,891,899 |
| Carrying amount - 30 June 2020 | 14,042,479 | 14,722,910 | 1,758,882 | 1,512,510 | 2,062,780 | 2,197,487 | 291,931 | 202,126 | (1,303) | (19,490) | - | 221,055 | 200,269 | 37,191,636 |
| Rates of depreciation per month/useful life (2019 and 2020) | - | - | - | 5% | 15% | 15% | 30% | 15% | 10-20 years | 15% | - | 1.5-40 years | 15% | |

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

16.1.3 Revaluation surplus on property, plant and equipment

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

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

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

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

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

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| | | | 2020 | 2019 |
|--------|--|------|------------------|----------------|
| 16.1.6 | Depreciation charge has been allocated as follows: | Note | (Rupees'000) | |
| | Cost of sales and services | 33 | 875,886 | 806,193 |
| | Administrative expenses | 35 | 195,133 | 90,196 |
| | | | 1,071,019 | 896,389 |

16.1.7 The Parent Company purchased this property from an associated company, the possession of the property has been transferred to the Company, however NOC for transfer of title was not issued by respective department for transfer title in favor of the Company and the property is still in the name of Hashoo (Private) Limited, an associated company. The Company is pursuing issuance of NOC at different forums. The Parent Company has decided to dispose of this property at market competitive price. The cost of this property was Rs. 1,539.34 million and current market value is Rs. 3,463.19. This property is classified as held for sale, refer note 28.

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

16.1.9 Detail of disposal of operating fixed assets:

| Description | Cost | Carrying value | Sale proceeds | Gain/ (Loss) | Mode of disposal | Purchaser | Relationship with purchaser |
|---|----------------|----------------|----------------|------------------|------------------|---------------------------|-----------------------------|
| (Rupees'000) | | | | | | | |
| Aircraft | 783,286 | 702,869 | 563,710 | (139,159) | Negotiation | Engro Fertilizers Limited | |
| Plant and Machinery | 12,465 | 939 | 2,010 | 1,071 | Negotiation | Various | |
| Vehicle | 1,835 | 1,410 | 1,200 | (210) | Auction\ | Muhammad Shahbaz Ali | |
| Vehicle | 3,951 | 3,231 | 3,231 | - | Company policy | Asif Mahmood Qamar | Employee |
| Vehicle | 10,497 | 9,256 | 12,761 | 3,505 | Negotiation | Engro Fertilizers Limited | |
| Vehicle | 2,184 | 798 | 1,900 | 1,102 | Insurance | TPL Insurance Limited | |
| Vehicle | 2,361 | 1,599 | 2,300 | 701 | Insurance | TPL Insurance Limited | |
| Aggregate of other items with individual book values not exceeding Rs. 500,000. | 22,265 | 5,637 | 20,719 | 15,082 | | | |
| Total - 2020 | 838,844 | 725,739 | 607,831 | (117,908) | | | |
| Total - 2019 | 426,526 | 127,936 | 149,549 | 21,613 | | | |

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| | | | 2020 | 2019 |
|--------|--|--------|--------------|-------------|
| | | | [Rupees'000] | |
| 16.2 | Capital work in progress | Note | | |
| | Balance at 01 July | | 4,613,594 | 3,339,152 |
| | Additions during the year | | 2,918,818 | 3,393,893 |
| | Transfers to operating fixed assets | | [678,321] | [2,119,451] |
| | Written down adjustment | 16.2.1 | [174,562] | - |
| | Balance at 30 June | 16.2.2 | 6,679,529 | 4,613,594 |
| 16.2.1 | During the year the under construction Pearl Continental Hotel at Mirpur was damaged due to Earthquake, the total assessed loss of that damage was Rs.174.562 million against which insurance claim of Rs. 160.142 million were received during the year. | | | |
| | | Note | 2020 | 2019 |
| | | | [Rupees'000] | |
| 16.2.2 | Construction of Pearl Continental Hotel Multan | | 2,996,222 | 1,748,390 |
| | Construction of Pearl Continental Hotel Mirpur | | 3,371,377 | 2,495,724 |
| | Other civil works | 16.2.3 | 311,930 | 369,480 |
| | | 16.2.4 | 6,679,529 | 4,613,594 |
| 16.2.3 | This includes construction work on expansion of Pearl Continental Hotel Peshawar amounting to Rs. 94.39 million [2019: Rs. 94.39 million] which is under suspension due to dispute with the Military Estate Office. | | | |
| 16.2.4 | This also includes capitalized borrowing cost amounting to Rs. 1,084.85 million [2019: Rs. 523.66 million]. During the year borrowing cost amounting to Rs. 561.19 million [2019: Rs. 349.69 million] was capitalized at the rate of 14.18% [2019: 9.99%] per annum. | | | |
| 17 | ADVANCES FOR CAPITAL EXPENDITURES | Note | 2020 | 2019 |
| | | | [Rupees'000] | |
| | Advance for purchase of land | 17.1 | 666,820 | 717,220 |
| | Advance for purchase of Malir Delta Land | 17.2 | 381,656 | 381,656 |
| | | | 1,048,476 | 1,098,876 |
| | Advance for purchase of apartment | | 40,509 | 40,509 |
| | Impairment loss | | [40,509] | [40,509] |
| | | | - | - |
| | Advance for purchase of fixed assets | | 95,782 | 560,500 |
| | Advances for Pearl Continental Multan Project | | 92,145 | 255,818 |
| | Advances for Pearl Continental Mirpur Project | | 101,767 | 141,996 |
| | | | 289,694 | 958,314 |
| | | | 1,338,170 | 2,057,190 |

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17.1 This includes amount of Rs. 626.82 million [2019: Rs. 626.82 million] paid to a related party, Associated Builders (Private) Limited, for purchase of tourist site piece[s] of land measuring 7.29 acres in Gwadar. During the year, the Securities and Exchange Commission of Pakistan (SECP) has imposed penalty on the Parent Company's directors under the provisions of section 199 of the Companies Act, 2017 by treating this advance as 'investment in associated company' and also directed the Parent Company to place the matter before the shareholders of the Parent Company in the forthcoming general meeting to seek their approvals in terms of section 199 of the Companies Act, 2017. The directors of the Parent Company has filed an appeal with the SECP which is pending. Management believes that the matter has no impact on the Parent Company's financial statements.

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

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

| 18 | INTANGIBLE ASSETS | Note | 2020 | 2019 |
|------|-----------------------------|------|--------------|------|
| | | | [Rupees'000] | |
| | Project under development | | 160,930 | - |
| 18.1 | Cost | | | |
| | Opening balance | | - | - |
| | Additions | 18.2 | 160,930 | - |
| | Closing balance | | 160,930 | - |
| | Accumulated amortisation | | | |
| | Opening balance | | - | - |
| | Amortisation charge | | - | - |
| | Closing balance | 18.3 | - | - |
| | Net book value | | | |
| | Cost | | 160,930 | - |
| | Accumulated amortisation | | - | - |
| | Closing balance | 18.4 | 160,930 | - |
| | Amortisation rate per annum | | 5% | - |

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- 18.2 This represents development cost incurred by the subsidiary company in relation to the development of Estoterik Resistive Hollow Fiber Membrane [ERM] Technology.
- 18.3 During the year, no amortization expense is charged to the consolidated statement of profit or loss as the subsidiary company is still in the development phase. During the period of development, the asset is tested for impairment annually.
- 18.4 During the year, the Group has also engaged an independent external consultant to determine the fair value of the above mentioned intangible assets based on projections of cash flows to be generated from the use [product derived from technology] of Estoterik Resistive Hollow Fiber membrane [ERM] technology. Based on the aforesaid projections, the Group has concluded that fair value of the intangible is estimated to be Rs. 3,709 million.

| 19 | INVESTMENT PROPERTY | Note | 2020 [Rupees'000] | 2019 |
|------|-----------------------------------|--------|----------------------|--------|
| 19.1 | Reconciliation of carrying amount | | | |
| | Balance at 01 July | | 60,000 | 60,000 |
| | Increase in fair value | 19.2 | 5,000 | - |
| | Balance at 30 June | 19.1.1 | 65,000 | 60,000 |

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

Particulars of Investment Property and Forced sale value are as follows:

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

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

19.3 Measurement of fair values

19.3.1 Fair Value hierarchy

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

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| | Country of incorporation / Jurisdiction | Amount in Foreign Currency | Percentage of holding | | 2020 Note [Rupees'000] | 2019 |
|--|---|----------------------------------|--------------------------|------|------------------------------|---------|
| 20 | LONG TERM INVESTMENTS | | | | | |
| Associated undertaking - unquoted | | | | | | |
| Hashoo Group Limited | British Virgin Island | \$9,800,000 | 14% | 20.1 | - | - |
| Hotel One (Private) Limited | Pakistan | | 17.85% | 20.2 | - | - |
| Associated undertaking - quoted | | | | | | |
| Jubilee General Insurance Company Limited - an associated company | Pakistan | - | 7.6% | 20.3 | 617,323 | 615,954 |
| | | | | | 617,323 | 615,954 |
| Investment in jointly controlled entity - unquoted | | | | | | |
| Pearl Continental Hotels Limited | United Arab Emirates | \$4,750,000 | 50% | 20.4 | - | - |
| <u>Other investments</u> | | | | | | |
| Fair value through other comprehensive income - unquoted company | | | | | | |
| Malam Jabba Resorts Limited | | | | | 1,000 | 1,000 |
| Impairment loss | | | | | [1,000] | [1,000] |
| | | | | | - | - |
| | | | | | 617,323 | 615,954 |

20.1 Hashoo Group Limited

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

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

Beneficial owner of Hashoo Group Limited are:

| Name | % of Holding | Address |
|---------------------------|--------------|---|
| Pakistan Services Limited | 14% | 1st Floor Nespak House Islamabad |
| Saladala investment | 86% | 53rd street 16th Floor Panama, the republic of Panama |

20.2 Hotel One (Private) Limited

The Parent Company holds 500,000 (2019: 500,000) ordinary shares of Rs.100 each in Hotel One (Private) Limited (HOPL). HOPL is treated as an 'associate' due to the Parent Company's significant influence over it due to common directorship. This investment was fully impaired based on prudence, considering the accumulated losses, however HOPL is performing well and the management is hopeful for recovery of the impairment in near future.

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| 20.3 | Investment in Associated Undertakings | 2020 | 2019 |
|------|--|--------------|-------------|
| | | [Rupees'000] | |
| | Cost of investment | 1,534,082 | 1,534,082 |
| | Share of equity brought forward | 1,655,694 | 1,260,659 |
| | Share of profit for the year - net | 89,998 | 97,285 |
| | Share of surplus on remeasurement of FVOCI for the year | 12,687 | [70,125] |
| | Share of experience adjustments on defined benefit obligation of associate | [759] | [1,563] |
| | Share of exchange translation reserve for the year | 45,302 | 424,189 |
| | Dividend received | [41,063] | [54,751] |
| | | 106,165 | 395,035 |
| | | 1,761,859 | 1,655,694 |
| | Impairment losses | | |
| | Opening balance | [2,573,822] | [1,688,761] |
| | Loss recognised during the year | [104,796] | [885,061] |
| | Loss reversed during the year | - | - |
| | | [2,678,618] | [2,573,822] |
| | | 617,323 | 615,954 |

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

| | Hashoo Group Limited | | Hotel One [Pvt] Limited | | Jubilee General Insurance | |
|--------------------------------|----------------------|-------------|-------------------------|-----------|---------------------------|-------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| | [Rupees'000] | | | | | |
| Non current assets | 12,427,012 | 12,094,415 | 161,278 | 157,333 | 13,610,939 | 11,680,711 |
| Current assets | 238,165 | 275,723 | 481,670 | 414,487 | 10,071,979 | 8,607,964 |
| Non current Liabilities | - | - | 105,885 | 31,797 | 9,181,764 | 7,891,308 |
| Current Liabilities | 485,187 | 480,999 | 208,844 | 188,028 | 6,177,710 | 4,997,778 |
| Net Assets | 12,179,990 | 11,889,139 | 328,219 | 351,995 | 8,323,444 | 7,399,589 |
| Group share in net assets | 1,705,199 | 1,664,479 | 58,587 | 62,831 | 631,333 | 561,259 |
| Impairment | [1,705,578] | [1,664,858] | [60,103] | [64,728] | [930,550] | [861,844] |
| Other adjustments | 379 | 379 | 1,516 | 1,897 | 9,830 | 9,830 |
| Goodwill | - | - | - | - | 709,299 | 709,299 |
| Impact of policy alignment | - | - | - | - | 193,493 | 193,493 |
| Carrying amount of interest | - | - | - | - | 3,917 | 3,917 |
| in associate | - | - | - | - | 617,323 | 615,954 |
| Revenues | - | - | 392,738 | 502,150 | 6,800,238 | 5,870,560 |
| Expenses | 34,024 | 84,068 | [418,648] | [483,168] | [5,489,938] | [4,794,358] |
| Profit / [loss] | 34,024 | 84,068 | [25,910] | 18,982 | 1,310,300 | 1,076,202 |
| Group share of profit / [loss] | [4,763] | 11,770 | [4,625] | 3,388 | 99,386 | 81,684 |

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The reporting date of M/s Jubilee General Insurance Company Limited is 31 December. For the purpose of applying equity method of accounting, assets, liabilities and statement of profit or loss are based on the financial statements of the year / period ended 30 June 2020.

20.4 Pearl Continental Hotels Limited

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

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

Beneficial owner of Pearl Continental Hotels Limited are:

| Name | % of Holding | Address |
|---------------------------|--------------|--|
| Pakistan Services Limited | 50% | 1st Floor Nespak House Islamabad |
| Hashwani Hotels Limited | 50% | 107-A, 1st Floor I.I. Chudrigar Road Karachi |

| | 2020 | 2019 |
|---|--------------|-----------|
| | [Rupees'000] | |
| 20.4.1 Investment in jointly controlled entity | | |
| Cost of investment | 284,052 | 284,052 |
| Post acquisition loss brought forward | 45,727 | [35,985] |
| Share of loss for the year | [2,219] | [1,997] |
| Share of exchange translation reserve for the year | 8,448 | 83,709 |
| | 6,229 | 81,712 |
| | 51,956 | 45,727 |
| | 336,008 | 329,779 |
| Impairment losses | | |
| Opening balance | [329,779] | [248,067] |
| Loss recognised during the year | [6,229] | [81,712] |
| | [336,008] | [329,779] |
| | - | - |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

| | | 2020 | 2019 |
|--------|--|--------------|-----------|
| | | [Rupees'000] | |
| 20.4.2 | Summarised financial information of jointly controlled entity is as follows: | | |
| | Non current assets | - | - |
| | Current assets | 734,209 | 715,769 |
| | Non current Liabilities | - | - |
| | Current Liabilities | 55,442 | 49,299 |
| | Net Assets | 678,767 | 666,342 |
| | Group share of net assets | 339,384 | 333,171 |
| | Opening balance of Impairment | [329,779] | [248,067] |
| | Impairment loss recognized during the year | [6,229] | [81,712] |
| | Other adjustments | [3,376] | [3,392] |
| | Carrying amount of interest in jointly controlled entity | - | - |
| | Revenues | - | - |
| | Expenses | [4,438] | [3,995] |
| | Loss | [4,438] | [3,995] |
| | Group share of loss | [2,219] | [1,997] |

The reporting date of Pearl Continental Hotels Limited - UAE is 31 December. For the purpose of applying equity method of accounting, assets, liabilities and profit or loss are based on the financial statements of the period ended 30 June 2020.

20.5 All the investments in associated companies been made in accordance with the provisions of Section 199 of the Companies Act, 2017 and the rules formulated for this purpose.

| | | 2020 | 2019 |
|----|------------------------------------|--------------|--------|
| | | [Rupees'000] | |
| 21 | LONG TERM DEPOSITS AND PREPAYMENTS | | |
| | Deposits | 33,657 | 57,548 |
| | Prepayments | - | 6,340 |
| | | 33,657 | 63,888 |

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

| | | 2020 | 2019 |
|----|-------------------------------------|--------------|---------|
| | | [Rupees'000] | |
| 22 | ADVANCE AGAINST EQUITY INVESTMENT | | |
| | Foreepay (Private) Limited | 426,280 | 219,280 |
| | Xoop Technologies (Private) Limited | 215,914 | 136,034 |
| | | 642,194 | 355,314 |
| 23 | INVENTORIES | | |
| | Stores | 137,563 | 169,765 |
| | Spare parts and loose tools | 87,831 | 59,303 |
| | Stock in trade - food and beverages | 68,592 | 86,229 |
| | | 293,986 | 315,297 |
| | Provision for obsolescence | [2,056] | [1,642] |
| | | 291,930 | 313,655 |

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

| 24 | DEVELOPMENT PROPERTIES | 2020 | 2019 |
|----|------------------------------|------------------|------------------|
| | | [Rupees'000] | |
| | Land | 3,213,885 | 3,658,551 |
| | Advance for purchase of land | 550,000 | 642,614 |
| | | 3,763,885 | 4,301,165 |

24.1 Particulars of land included in development properties of the Group are as follows:

| Location | Address | Particulars | Land area [Acres] |
|------------|---|-------------|----------------------|
| Faisalabad | Moza Chak No 162 Rab, Tehsil Chak Jhumra | Land | 11.26 |
| Faisalabad | Moza Chak No 164 Rab, Tehsil Chak Jhumra | Land | 21.12 |
| Faisalabad | Moza Chak No 164 Rab, Tehsil Chak Jhumra | Land | 4.13 |
| Faisalabad | Moza Chak No 164 Rab, Tehsil Chak Jhumra | Land | 2.76 |
| Faisalabad | Moza Chak No 189 Rab, Tehsil Chak Jhumra | Land | 1.54 |
| Faisalabad | Moza Chak No 189 Rab, Tehsil Chak Jhumra | Land | 13.67 |
| Faisalabad | Moza Chak No 189 Rab, Tehsil Chak Jhumra | Land | 8.14 |
| Faisalabad | Moza Chak No 189 Rab, Tehsil Chak Jhumra | Land | 3.08 |
| Faisalabad | Moza Chak No 189 Rab, Tehsil Chak Jhumra | Land | 0.92 |
| Faisalabad | Moza Chak No 189 Rab, Tehsil Chak Jhumra | Land | 0.75 |
| Faisalabad | Moza Chak No 189 Rab, Tehsil Chak Jhumra | Land | 1.69 |
| Faisalabad | Moza Chak No 189 Rab, Tehsil Chak Jhumra | Land | 0.97 |
| Multan | Mouza Kotla Abdul Fateh, Tehsil Multan City | Land | 9.51 |
| Multan | Mouza Kotla Abdul Fateh, Tehsil Multan City | Land | 0.87 |
| Islamabad | Plot No 21, Street Apricot, Sector-A, Al Hamra Hills, Country Housing Scheme, Islamabad | Land | 2.55 |
| Lahore | Bungalow No S-42-R-15, 15-Race Course, Mouza Mozang, Tehsil Lahore | Land | 2.09 |
| Faisalabad | Moza Chak No 162 Rab, Tehsil Chak Jhumra | Land | 5.26 |
| Faisalabad | Moza Chak No 162 Rab, Tehsil Chak Jhumra | Land | 2.54 |
| Faisalabad | Moza Chak No 162 Rab, Tehsil Chak Jhumra | Land | 0.17 |
| Faisalabad | Moza Chak No 162 Rab, Tehsil Chak Jhumra | Land | 0.54 |
| Faisalabad | Moza Chak No 162 Rab, Tehsil Chak Jhumra | Land | 0.60 |
| Faisalabad | Moza Chak No 162 Rab, Tehsil Chak Jhumra | Land | 0.06 |
| Faisalabad | Moza Chak No 162 Rab, Tehsil Chak Jhumra | Land | 1.31 |
| Faisalabad | Moza Chak No 162 Rab, Tehsil Chak Jhumra | Land | 2.33 |
| Faisalabad | Moza Chak No 162 Rab, Tehsil Chak Jhumra | Land | 0.54 |
| Faisalabad | Moza Chak No 162 Rab, Tehsil Chak Jhumra | Land | 8.08 |
| Faisalabad | Moza Chak No 162 Rab, Tehsil Chak Jhumra | Land | 1.06 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

| 25 | TRADE DEBTS - Unsecured | Note | 2020 [Rupees'000] | 2019 |
|----|--|------|----------------------|-----------|
| | Considered good | | | |
| | Due from related parties | 25.1 | 18,645 | 8,342 |
| | Others | | 197,906 | 548,841 |
| | | | 216,551 | 557,183 |
| | Considered doubtful | | 419,189 | 306,317 |
| | | | 635,740 | 863,500 |
| | Provision against doubtful debts at 01 July | | [306,317] | [194,118] |
| | Adjusted balance as at 01 July on adoption of IFRS-9 | | - | [90,742] |
| | Expected credit loss on trade debts for the year | | [112,872] | [21,457] |
| | Balance at 30 June | 25.3 | [419,189] | [306,317] |
| | | | 216,551 | 557,183 |

| | | Note | 2020 [Rupees'000] | 2019 |
|------|--|--------|----------------------|-------|
| | Maximum amount outstanding at the end of any month during the year | | | |
| 25.1 | Due from related parties | | | |
| | Associated Builders | 13 | 13 | - |
| | Hashwani Hotels Limited | 14,955 | 11,525 | 4,686 |
| | Hashoo Foundation | 164 | 319 | 568 |
| | Hotel One (Private) Limited | 2,732 | 2,803 | 108 |
| | Hashoo Holdings (Private) Limited | 206 | 408 | 410 |
| | Jubilee General Insurance Company Limited | 68 | 25 | 11 |
| | Orient Petroleum Inc. | 1,276 | 1,348 | 1,187 |
| | OPI Gas (Private) Limited | - | - | 126 |
| | Pearl Ceramics (Private) Limited | 204 | 204 | - |
| | Pearl Communications (Private) Limited | 254 | 382 | 382 |
| | Pearl Real Estate Holdings (Private) Limited | 272 | 265 | 272 |
| | Nirvana | 538 | 538 | - |
| | Tejari Pakistan (Private) Limited | 755 | 668 | 457 |
| | Zahdan Retail (Private) Limited | 65 | 65 | 65 |
| | Zaver Mining Private Limited | 50 | 50 | 50 |
| | Karakorum Security Services (Private) Limited | 54 | 32 | 20 |
| | | 25.2 | 18,645 | 8,342 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

| 25.2 | Age analysis of due from related parties is as follows: | | 2020 | 2019 |
|--------|--|--------|--------------|---------|
| | | | [Rupees'000] | |
| | Past due by 30 days | | 1,902 | 2,395 |
| | Past due by 31 to 90 days | | 4,599 | 1,519 |
| | Past due over 91 days | | 7,269 | 542 |
| | Past due over 1 year | | 4,875 | 3,886 |
| | | | 18,645 | 8,342 |
| 25.3 | This includes provision of Rs. 2.55 million [2019: Rs. 4.75 million] against doubtful debts. | | | |
| 26 | ADVANCES, PREPAYMENTS, TRADE DEPOSITS AND OTHER RECEIVABLES | | 2020 | 2019 |
| | | Note | [Rupees'000] | |
| | Advance to employees | 26.1 | 15,305 | 19,623 |
| | Advance to suppliers and contractors | | 47,601 | 65,099 |
| | Advance to related parties | 26.2 | 28,414 | 63,615 |
| | Trade deposits | | 15,512 | 19,967 |
| | Prepayments | | 57,973 | 77,935 |
| | Refundable sales tax | | 135,967 | 120,437 |
| | Other receivables | | 90,373 | 63,655 |
| | | | 391,145 | 430,331 |
| 26.1 | These advances are given as per company policy and are un-secured, interest free and are repayable over varying periods. | | | |
| 26.2 | Advance to related parties - non-interest bearing | | 2020 | 2019 |
| | | | [Rupees'000] | |
| | OPI Gas (Private) Limited | | 14,176 | 18,001 |
| | Tejari Pakistan (Private) Limited | | - | 7,000 |
| | Genesis Trading (Private) Limited | | 106 | - |
| | Pearl Ceramics (Private) Limited | | 14,132 | 38,614 |
| | | 26.2.1 | 28,414 | 63,615 |
| 26.2.1 | The advances to related parties are of trade nature and extended for provision of goods and services. | | | |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

| 27 | SHORT TERM INVESTMENTS | Note | 2020 | 2019 |
|------|--|---------------------------------------|--------------|-----------|
| | | | [Rupees'000] | |
| | Amortized cost | | | |
| | Certificate of investments | | 5,300 | 5,300 |
| | Provision for impairment loss | | [5,300] | [5,300] |
| | | | - | - |
| | Fiar value through other comprehensive income | | | |
| | National Technology Development Corporation Limited | | 200 | 200 |
| | Indus Valley Solvent Oil Extraction Limited | | 500 | 500 |
| | Impairment loss | | [700] | [700] |
| | | | - | - |
| | Amortized cost | | | |
| | Term Deposit Receipts | 27.1 | 565,523 | 1,009,523 |
| | Term Finance Certificate | 27.2 | 75,000 | 75,000 |
| | Mutual Fund | | 3,013 | 6,329 |
| | Interest accrued | | 10,571 | 9,866 |
| | | | 654,107 | 1,100,718 |
| | Financial assets at fair value through profit or loss | | | |
| | Short term investments in shares of listed companies | 27.3 | 5,399 | 6,095 |
| | | | 659,506 | 1,106,813 |
| 27.1 | This represent term deposit receipts having maturity of 3 months to one year carrying interest rate ranging from 7.50% to 9.50% [2019: 5.25% to 9%] per annum. | | | |
| 27.2 | This represent investment in 750 TFCs having face value of Rs.100,000/-each and carrying profit @ 3-month KIBOR plus1.60%. | | | |
| 27.3 | Short term investments in shares of listed companies | | 2020 | 2019 |
| | | No. of ordinary shares of Rs. 10 each | [Rupees'000] | |
| | Pakistan Telecommunication Company Limited | 350,000 | 3,108 | 2,895 |
| | Lotte Chemical Pakistan Limited | 150,000 | 1,493 | 2,288 |
| | Fauji Fertilizer Bin Qasim Limited | 50,000 | 798 | 912 |
| | | | 5,399 | 6,095 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

| | | | 2020 | 2019 |
|------|---|------|------------------|------------------|
| 28 | NON CURRENT ASSET HELD FOR SALE | Note | [Rupees'000] | |
| | Property | 28.1 | 2,748,739 | 2,748,739 |
| | Land | 28.2 | 160,000 | - |
| | | | <u>2,908,739</u> | <u>2,748,739</u> |
| 28.1 | The Board of Directors of the Parent Company in their meeting held on 26 April 2019 decided to sell one of the properties bearing Survey No. 8, New Survey Sheet CI-11 situated at Civil Line Quarters Abdullah Haroon Road, Karachi. The transaction could not be materialized due to disturbed economic environment in current pandemic Covid-19 scenario, however, management of the Parent Company expects the disposal of this asset within the next financial year. | | | |
| 28.2 | This represents piece of land measuring 20 Acres bearing plot no. HR-WE-1, Lane no. CV-1, street no. AB, phase-IV, mauza / ward, koh-e-batil, tehsil & district Gwadar, Balochistan. Advance amount of Rs. 12 million has been received against disposal of this land, and management expects to complete the sale transaction in next financial year. | | | |
| 29 | ADVANCE TAX - Net | Note | 2020 | 2019 |
| | | | [Rupees'000] | |
| | Balance at 01 July | | 559,147 | 302,050 |
| | Income tax paid during the year | | 277,359 | 576,883 |
| | Charge for the year | 38 | [123,412] | [319,786] |
| | Refund received during the year | | [180,632] | - |
| | Balance at 30 June | | <u>532,462</u> | <u>559,147</u> |
| 30 | CASH AND BANK BALANCES | | | |
| | Cash in hand | | 27,173 | 47,346 |
| | Cash at bank | | | |
| | Current accounts - Local currency | | 24,859 | 41,641 |
| | Deposit accounts - Local currency | 30.1 | 391,833 | 252,386 |
| | Deposit accounts - Foreign currency | 30.2 | 2,129 | 2,255 |
| | | | <u>418,821</u> | <u>296,282</u> |
| | Accrued profit | | 782 | 1,822 |
| | | | <u>446,776</u> | <u>345,450</u> |
| 30.1 | Deposit accounts carry interest rate ranging from 5% to 11.30% [2019: 4.50% to 10.30%] per annum. | | | |
| 30.2 | Deposit accounts carry interest @ 0.25% [2019: 0.25%] per annum. | | | |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

| 31 | REVENUE- NET | | 2020 | 2019 |
|------|--|------|-------------------|-------------------|
| | | | [Rupees'000] | |
| | Revenue from contract with customers | | 10,195,789 | 12,135,869 |
| | Discounts | | [151,090] | [160,235] |
| | Sales tax | | [1,302,322] | [1,663,436] |
| | | | <u>8,742,377</u> | <u>10,312,198</u> |
| 31.1 | Disaggregation of revenue from contracts with customers | | | |
| | In the following table, revenue from contracts with customers is disaggregated by, major products and service lines, and timing of revenue recognition. | | | |
| | Major products/service lines | Note | 2020 | 2019 |
| | | | [Rupees'000] | |
| | Rooms | | 4,115,805 | 5,360,984 |
| | Food and beverages | | 4,819,904 | 5,960,071 |
| | Other related services | 31.2 | 1,108,587 | 618,034 |
| | Vehicle rental | | 108,626 | 143,547 |
| | Shop license fees | | 42,867 | 53,233 |
| | Revenue - gross | | <u>10,195,789</u> | <u>12,135,869</u> |
| 31.2 | This includes revenue from telephone, laundry, discount cards and other ancillary services. | | | |
| 31.3 | Revenue amounting to Rs. 183.27 [2019: Rs. 194.49] million has been recognized from contract liabilities at the beginning of the period. | | | |
| 31.4 | Group's entire revenue is generated within Pakistan. | | | |
| 32 | CONTRACT BALANCES | Note | 2020 | 2019 |
| | | | [Rupees'000] | |
| | Contract assets | 32.1 | 3,578 | 29,752 |
| | Contract liabilities | 32.2 | <u>403,933</u> | <u>400,751</u> |
| 32.1 | Contract assets primarily relate to the Group's rights to consideration for goods and services provided to the customers but not billed at the reporting date. Contract assets are transferred to trade debts when invoice is raised. Opening balance of contract assets was fully transferred to trade debts during the year. | | | |
| 32.2 | Contract liabilities represent the Group's obligation to transfer goods or services for which the customer has already paid a consideration. These contract liabilities mainly relate to the advances received against banquets functions room sales and membership fee. | | | |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

| 33 | COST OF SALES AND SERVICES | Note | 2020 | 2019 |
|--------|---|--------|------------------|------------------|
| | | | [Rupees'000] | |
| | Food and beverages | | | |
| | Opening balance | | 86,229 | 86,196 |
| | Purchases during the year | | 1,277,944 | 1,754,172 |
| | Closing balance | | [68,592] | [86,229] |
| | Consumption during the year | | 1,295,581 | 1,754,139 |
| | Direct expenses | | | |
| | Salaries, wages and benefits | 33.1 | 1,633,198 | 1,783,378 |
| | Heat, light and power | | 812,123 | 799,582 |
| | Repair and maintenance | | 324,933 | 378,297 |
| | Depreciation | 16.1.6 | 875,886 | 806,193 |
| | Guest supplies | | 184,241 | 232,013 |
| | Linen, china and glassware | | 68,858 | 91,066 |
| | Communication and other related services | | 49,125 | 85,641 |
| | Banquet and decoration | | 47,354 | 63,936 |
| | Transportation | | 9,492 | 11,154 |
| | Uniforms | | 11,607 | 21,513 |
| | Music and entertainment | | 16,780 | 14,825 |
| | Insurance | | 2,561 | 4,917 |
| | Vehicle operating expense | | 25,192 | 33,288 |
| | Vehicle rentals and registration charges | | 11,829 | 25,704 |
| | Others | 33.2 | 701,160 | 148,244 |
| | | | 6,069,920 | 6,253,890 |
| 33.1 | Salaries, wages and benefits include staff retirement benefits amounting to Rs. 69.65 million [2019: Rs. 97.78 million]. | | | |
| 33.2 | This includes franchise fee of Rs.12.78 million [2019: Rs.10.50 million] paid to a franchiser, DOTW Holdings Limited, having its office at Satha tower, level 32, suite 3210-3212, Dubai Media City, Dubai, and Rs. 6.91 million [2019: Rs. 9.57 million] to an associated Company Hotel One [Pvt] Limited, having its registered office at 1st floor NESPAK House sector G-5/2, Islamabad. | | | |
| 33.2.1 | This also includes an amount of Rs. 80.630 million [2019: 79.821 million] relating to incremental costs of obtaining customer contracts. | | | |
| 34 | OTHER INCOME / [EXPENSE] | | 2020 | 2019 |
| | | | [Rupees'000] | |
| | Concessions and commissions | | 3,583 | 6,995 |
| | Gain on disposal of property, plant and equipment | | [117,908] | 21,613 |
| | Liabilities written back | | - | 58,410 |
| | Increase in fair value of investments property | | 5,000 | - |
| | Communication towers and other rental income | | 65,803 | 67,262 |
| | Insurance claim | | 160,142 | - |
| | Less: CWIP amount written down | | [174,562] | - |
| | | | [14,420] | - |
| | Others - net | | 109,261 | 85,950 |
| | | | 51,319 | 240,230 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

| 35 | ADMINISTRATIVE EXPENSES | Note | 2020 [Rupees'000] | 2019 |
|------|---|--------|----------------------|------------------|
| | Salaries, wages and benefits | 35.1 | 1,343,567 | 1,492,992 |
| | Rent, rates and taxes | | 178,448 | 287,682 |
| | Security and protective services | | 278,695 | 340,876 |
| | Advertisement and sales promotion | | 78,481 | 97,403 |
| | Repair and maintenance | | 51,986 | 66,681 |
| | Heat, light and power | | 99,799 | 95,331 |
| | Travelling and conveyance | | 126,645 | 158,795 |
| | Depreciation | 16.1.6 | 195,133 | 90,196 |
| | Communications | | 22,865 | 30,892 |
| | Printing and stationery | | 35,836 | 43,445 |
| | Legal and professional charges | 35.2 | 266,398 | 239,781 |
| | Insurance | | 132,722 | 112,369 |
| | Entertainment | | 13,867 | 18,457 |
| | Subscriptions | | 105,042 | 69,251 |
| | Laundry and dry cleaning | | 8,586 | 7,981 |
| | Uniforms | | 2,731 | 6,097 |
| | Auditors' remuneration | 35.3 | 8,473 | 6,538 |
| | Donations | 35.4 | - | 85,677 |
| | Vehicle rentals and registration charges | 35.5 | 59,447 | 67,866 |
| | Miscellaneous | | 99,979 | 16,815 |
| | | | 3,108,700 | 3,335,125 |
| 35.1 | Salaries, wages and benefits include staff retirement benefits amounting to Rs. 85.97 million [2019: Rs. 69.756 million]. | | | |
| 35.2 | This includes an amount of Rs. 84 million pertaining to incremental selling expenses in respect of disposal of aircraft. | | | |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

| | | 2020 | 2019 |
|------|---|--------------|---------|
| | | [Rupees'000] | |
| 35.3 | Auditors' remuneration | | |
| | KPMG Taseer Hadi & Co. | | |
| | Audit Services | | |
| | Annual audit fee | 4,670 | 3,686 |
| | Audit of consolidated financial statements | 655 | 495 |
| | Half yearly review | 520 | 520 |
| | | 5,845 | 4,701 |
| | Non-audit Services | | |
| | Special reports and certificates | 800 | 800 |
| | Tax advisory | 200 | 200 |
| | | 1,000 | 1,000 |
| | | 6,845 | 5,701 |
| | BDO Ebrahim & Co. | | |
| | Annual audit fee | 598 | 496 |
| | Audit of consolidated financial statements | - | 261 |
| | Special reports and certificates | 1,030 | 80 |
| | | 1,628 | 837 |
| | | 8,473 | 6,538 |
| 35.4 | Name of donee | | |
| | Aga Khan Foundation | - | 50,000 |
| | Diamer-Bhasha and Mohmand Dams Fund. | - | 34,677 |
| | College of Electrical and Mechanical Engineering | - | 1,000 |
| | | - | 85,677 |
| 35.5 | This includes Ijarah payments of Rs. 54.758 million (2019: Rs. 65.575 million) and vehicles registration charges under an Ijarah (lease) agreement. As required under IFAS 2 "IJARAH" (notified through SRO 431 (I) / 2007 by Securities & Exchange Commission of Pakistan). Ijarah payments under an Ijarah (lease) agreement are recognised as an expense in the profit or loss account on straight line basis over the term of Ijarah. | | |
| | During the period out of total facility the Ijarah facility of Rs. 60.58 million has been converted into Diminishing Musharka facility, the remaining Ijarah facility amount of Rs. 32.53 is payable as follows: | | |
| | | 2020 | 2019 |
| | | [Rupees'000] | |
| | Within one year | 14,483 | 55,205 |
| | After one year but not more than five years | 18,047 | 53,796 |
| | | 32,530 | 109,001 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

| | | 2020 | 2019 |
|------|--|------------------|------------------|
| | | [Rupees'000] | |
| 36 | FINANCE INCOME | | |
| | Interest income on Bank deposits / certificate of investments | 127,857 | 198,450 |
| | Dividend income | 401 | 606 |
| | Impairment on associates and jointly controlled entity | [111,025] | [966,778] |
| | Exchange gain - net | 1,734 | 5,152 |
| | | <u>18,967</u> | <u>[762,570]</u> |
| 37 | FINANCE COST | | |
| | Interest expense on: | | |
| | Loans and borrowings | 639,115 | 596,609 |
| | Short term borrowings | 293,353 | 81,547 |
| | Sukuk finance | 673,991 | 380,109 |
| | Amortization of transaction cost | 18,946 | 19,049 |
| | Lease facilities | 38,305 | - |
| | Credit cards, bank and other charges | 72,373 | 83,958 |
| | | <u>1,736,083</u> | <u>1,161,272</u> |
| 38 | INCOME TAX EXPENSE | | |
| | Current tax expense | | |
| | - Current year | 123,369 | 304,233 |
| | - Prior year | 43 | 15,553 |
| | | <u>123,412</u> | <u>319,786</u> |
| | Deferred tax expense | [92,439] | 185,678 |
| | Tax expense for the year | <u>30,973</u> | <u>505,464</u> |
| 38.1 | Relationship between accounting profit and tax expense is as follows: | | |
| | Accounting [Loss] for the year | [2,127,828] | [961,388] |
| | Tax charge @ 29% [2019: 29%] | [617,070] | - |
| | Unrecognized deferred tax asset | 441,219 | 210,372 |
| | Tax effect of minimum tax | 200,746 | 284,164 |
| | Tax effect of income subject to lower taxation | [558] | [9,563] |
| | Prior year's tax charge | [43] | 15,553 |
| | Others | 6,679 | 4,938 |
| | | <u>30,973</u> | <u>505,464</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

38.2 Tax related contingencies

Income tax

The income tax assessments of the Parent Company have been finalised and returns have been filed up to and including the tax year 2018. However, for the assessment year 1999-2000, an appeal is pending with the Appellate Tribunal, Inland Revenue. In case of adverse decision of the appeal, the tax liability of Rs. 73.165 million (2018: Rs. 73.165 million) may arise against the Parent Company for which no provision has been recognised by the Parent Company. This comprise of disallowances of certain expenses and arbitrary additions to the income of the Parent Company. Based on appellate history and merits, the Parent Company is confident of a favorable outcome of the appeal. Therefore, the Parent Company considers that provision against this tax liability is not required.

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

Sales Tax

- i. Sales Tax Collectorate, Lahore created the sales tax liability amounting to Rs. 9.571 million on the basis of audit proceedings for the year 1997-98 that the Parent Company provided out door catering to PIA without payment of sales tax. The Additional Collector disposed off the above referred audit observations. The department filed appeal before the Appellate Tribunal Inland Revenue [ATIR]. The ATIR set aside order of Additional collector through order no. 1394/LB/09 dated 13 May 2011. The Parent Company filed reference application no. 128/2011 before the Honorable Lahore High Court dated 12 September 2011 against the order passed by ATIR.
- ii. The Additional Collector, Lahore disallowed the input tax relating to purchase of certain items amounting to Rs. 7.22 million during the period of October 2000 and June 2002 on the basis of section 8[1] of the Sales Tax Act, 1990 read with SRO 578[1]/98 dated 12 June 1998. The Parent Company filed appeal before the Appellate Tribunal Inland Revenue [ATIR], while the ATIR upheld the order of Additional Collector, Lahore. The Parent Company filed reference application before the Lahore High Court on 24 September 2011 against the order passed by ATIR.
- iii. The Deputy Commissioner Inland Revenue, Zone IV, Large Taxpayer Unit, Karachi based upon the sales tax audit for the year 2008-09, passed Order in Original 52/2013 dated 28 June 2013 against which the Parent Company filed appeal before the Commissioner Appeals, Karachi. The Commissioner Appeals remanded back the case to department against which department is in appeal before the Appellate Tribunal Inland Revenue [ATIR], the assessing officer, during remand back proceedings, decided the case against the Parent Company by raising total demand along with default surcharge and penalty aggregating to Rs. 49,393,192. The Parent Company has filed appeal against said order before Commissioner Inland revenue [CIR], during the period, the CIR remanded the case back for de-novo consideration.
- iv. The Deputy Commissioner, Punjab Revenue Authority, Lahore issued notices having references No.PRA/PC/Hotel/14/32972 on 05 November 2014 and No.PRA/PC/Hotel/14/32985 on 12 November 2014 for the tax period August 2014 and tax periods from July 2012 to September 2014 respectively. Through notice dated 05 November 2014 it has been alleged that the Group claimed inadmissible input tax adjustment on construction material amounting to Rs 21.15 million. Through notice dated 12 November 2014, the Deputy Commissioner, Punjab Revenue Authority, Lahore initiated the inquiry/ investigation against the Group for the period from July 2012 to September 2014. The Group filed Writ Petition 30844/2014 before Lahore High Court which is pending adjudication.

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- v. The Assistant Commissioner Inland Revenue issued an order dated 26 May 2018 whereby a demand was raised of Rs. 30.88 million for the tax year 2016, with reference to order passed under section 161/205/182 of the Income Tax Ordinance, 2001. Against this order, the Company filed an appeal before Commissioner Inland Revenue [Appeals-I], who vide its Order No. 10-2019 dated 10 May 2019 remanded back the case to Deputy Commissioner Inland Revenue. Being aggrieved of the decision of Commissioner Inland Revenue [Appeals-I], the Company filed an appeal to the Appellate Tribunal Inland Revenue on 16 May 2019 whose decision is pending to date.
- vi. Commissioner Inland Revenue based on scrutiny of sales tax returns for the period October 2015 to March 2019 issued a show cause notice number CIR/Zone-IV/CRTOKHI/2019/1950 dated 26 April 2019 for suspension of sales tax registration. The said notice was issued on grounds that Company claimed and adjusted input tax of Rs. 9.14 million against the output tax of services whereas no such adjustments are allowed under Services Ordinance, 2001. Commissioner Inland Revenue vide order no. CIR/Zone IV/CRT0/2019/2078 dated 14 May 2019 issued an order for temporary restoration of sales tax registration.

39 CASH FLOWS FROM OPERATING ACTIVITIES BEFORE WORKING CAPITAL CHANGES

| | Note | 2020 [Rupees'000] | 2019 |
|--|--------|----------------------|------------------|
| [Loss] / profit before tax | | [2,127,828] | [961,388] |
| Adjustments for: | | | |
| Depreciation | 16.1.6 | 1,071,019 | 896,389 |
| Loss / [gain] on disposal of property, plant and equipment | 34 | 117,908 | [21,613] |
| Provision for staff retirement benefit - gratuity | 10.1.3 | 128,316 | 88,587 |
| [Reversal] / provision for compensated leave absences | 10.2.3 | [33,771] | 76,110 |
| Impairment loss on trade debts | | 112,872 | 21,457 |
| Return on bank deposits / certificate of investment | 36 | [127,857] | [198,450] |
| Share of gain on equity accounted investments | | [87,779] | [95,288] |
| Finance cost | 37 | 1,736,083 | 1,161,272 |
| Dividend income | 36 | [401] | [606] |
| Impairment on associates and jointly controlled entity | 36 | 111,025 | 966,778 |
| Unrealized loss on remeasurement of investment to fair value | | 695 | 1,635 |
| Unrealised gain on remeasurement of investments property | 34 | [5,000] | - |
| Impairment loss - goodwill | | - | 73,155 |
| Gain on lease modification | | [5,741] | - |
| Provision on stores, spare parts and loose tools | 23.1 | 414 | - |
| | | 889,955 | 2,008,038 |

40 CASH AND CASH EQUIVALENTS

| | | | |
|---|----|--------------------|------------------|
| Cash and bank balances | 30 | 446,776 | 345,450 |
| Short term borrowings | 12 | [2,657,284] | [1,264,583] |
| Accrued profit | | [782] | [1,822] |
| Accrued markup on short term borrowings | | 70,098 | 21,119 |
| | | [2,141,192] | [899,836] |

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

| | Loans and borrowings | Lease Liabilities | Unclaimed dividend | Unpaid dividend | Total |
|--|----------------------|-------------------|--------------------|-----------------|-------------|
| | (Rupees'000) | | | | |
| Balance at 01 July 2019 | 14,683,679 | 94,844 | 9,242 | 1,528 | 14,789,293 |
| Changes from financing activities | | | | | |
| Proceeds from loans | 980,919 | - | - | - | 980,919 |
| Repayment of loan | (1,692,222) | - | - | - | (1,692,222) |
| Lease liabilities | - | (101,373) | - | - | (101,373) |
| Advance against issuance of shares | 148,793 | - | - | - | 148,793 |
| Dividend paid | - | - | - | - | - |
| | (562,510) | (101,373) | - | - | (663,883) |
| Other changes | | | | | |
| Amortization of transaction cost | 18,946 | - | - | - | 18,946 |
| Lease liabilities | - | 365,613 | - | - | 365,613 |
| Markup accrued | 273,641 | - | - | - | 273,641 |
| | 292,587 | 365,613 | - | - | 658,200 |
| Balance at 30 June 2020 | 14,413,756 | 359,084 | 9,242 | 1,528 | 14,783,610 |

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

| | Loans and borrowings | Lease Liabilities | Unclaimed dividend | Unpaid dividend | Total |
|--|----------------------|-------------------|--------------------|-----------------|-------------|
| | (Rupees'000) | | | | |
| Balance at 01 July 2018 | 11,177,098 | 70,859 | 9,242 | 19,210 | 11,276,409 |
| Changes from financing activities | | | | | |
| Proceeds from loans | 4,816,667 | - | - | - | 4,816,667 |
| Repayment of loan | (1,501,667) | - | - | - | (1,501,667) |
| Repayment Diminishing Musaraka Facility | - | (56,438) | - | - | (56,438) |
| Transaction cost paid | - | - | - | - | - |
| Dividend paid | - | - | - | (17,682) | (17,682) |
| | 3,315,000 | (56,438) | - | (17,682) | 3,240,880 |
| Other changes | | | | | |
| Amortization of transaction cost | 19,049 | - | - | - | 19,049 |
| Diminishing Musaraka Facility availed | - | 80,423 | - | - | 80,423 |
| Markup accrued | 172,532 | - | - | - | 172,532 |
| | 191,581 | 80,423 | - | - | 272,004 |
| Balance at 30 June 2019 | 14,683,679 | 94,844 | 9,242 | 1,528 | 14,789,293 |

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41 REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

| | 2020 | | | 2019 | | |
|--|-------------------------|-----------|------------|--------------------------|-----------|------------|
| | Chief Executive Officer | Directors | Executives | Chief Executives Officer | Directors | Executives |
| | Rupees '000 | | | | | |
| Managerial remuneration | 63,000 | 58,796 | 522,328 | 72,000 | 67,195 | 656,758 |
| Provident fund contribution | 3,999 | 3,523 | 15,155 | 3,999 | 3,523 | 17,338 |
| Provision for gratuity | 3,945 | 3,671 | 26,139 | 3,945 | 22,511 | 24,597 |
| Provision for compensated leave absences | - | - | 17,481 | 6,000 | 5,599 | 30,480 |
| Bonus | - | 1,876 | - | 12,000 | 7,446 | 1,433 |
| Leave fare assistance | 2,000 | 1,241 | - | 2,000 | 1,241 | - |
| Meeting fee | 45 | 435 | - | 30 | 450 | - |
| | 72,989 | *69,542 | 581,103 | 99,974 | 107,965 | 730,606 |
| Number of persons | 1 | 2 | 111 | 1 | 2 | 114 |

* This includes amount of Rs. 7,433 million of non-executive director and meeting fee of Rs. 435,000 [2019: Rs. 315,000] of certain non executive directors of the Company.

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

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42 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

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

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| | Note | 2020 [Rupees'000] | 2019 |
|---|------|----------------------|----------------|
| Transactions and balances with associated undertakings | | | |
| Sales | | 185 | 122 |
| Services provided | | 30,453 | 32,503 |
| Services availed | | 360,698 | 499,228 |
| Purchases | | 116,950 | 153,242 |
| Franchise fee - income | | 3,330 | 4,517 |
| Franchise and management fee - expense | | 6,906 | 9,569 |
| Dividend income | | 41,064 | 54,751 |
| Dividend paid | | - | 13,471 |
| Purchase of property, plant and equipment | | 155 | 39 |
| Purchase of vehicle | | - | 1,622 |
| Sale of vehicle | | - | 37,124 |
| Sale of asset | | 44 | - |
| Advances / Deposits & Prepayments | | 39,095 | 79,377 |
| Transactions and balances with other related parties | | | |
| Sales | | 343 | 258 |
| Services provided | | 241 | 182 |
| Services availed | | 1,092 | 500 |
| Purchases | | 1,522 | - |
| Contribution to defined contribution plan - provident fund | | 58,680 | 58,276 |
| Transactions with key management personnel | | | |
| Remuneration and allowances including staff retirement benefits | 42.1 | 165,825 | 223,411 |
| Loan from key management personnel | | 461,399 | - |
| Refund of loan to key management personnel | | 220,000 | - |
| 42.1 Compensation to key management personnel | | | |
| Salaries and other benefits | | 143,487 | 152,922 |
| Contribution to provident fund | | 8,443 | 8,157 |
| Gratuity | | 7,616 | 26,456 |
| Bonus | | 1,876 | 19,446 |
| Meeting fee | | 480 | 480 |
| Others | | 3,923 | 15,950 |
| | | 165,825 | 223,411 |
| Number of persons | | 5 | 5 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

43 FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT

43.1 Accounting classifications and fair values

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

| | Note | Carrying amount | | | | Fair value | | | |
|---|------|-----------------------------------|------------------|---|-------------------|--------------|----------|---------------|---------------|
| | | Amount in Rs'000 | | | | | | | |
| | | Fair value through profit or loss | Amortized cost | Financial liabilities at amortized cost | Total | Level 1 | Level 2 | Level 3 | Total |
| 30 June 2020 | | | | | | | | | |
| Financial assets measured at fair value | | | | | | | | | |
| Short term investment | 27 | 5,399 | - | - | 5,399 | 5,399 | - | - | 5,399 |
| Long term deposits | 21 | 33,657 | - | - | 33,657 | - | - | 33,657 | 33,657 |
| Short term deposits | 26 | 15,512 | - | - | 15,512 | - | - | 15,512 | 15,512 |
| | | <u>54,568</u> | <u>-</u> | <u>-</u> | <u>54,568</u> | <u>5,399</u> | <u>-</u> | <u>49,169</u> | <u>54,568</u> |
| Financial assets not measured at fair value | 43.2 | | | | | | | | |
| Trade debts | 25 | - | 216,551 | - | 216,551 | - | - | - | - |
| Contract assets | 32 | - | 3,578 | - | 3,578 | - | - | - | - |
| Advance to employees | 26 | - | 15,305 | - | 15,305 | - | - | - | - |
| Other receivables | 26 | - | 90,373 | - | 90,373 | - | - | - | - |
| Short term investment | 27 | - | 640,523 | - | 640,523 | - | - | - | - |
| Cash and bank balances | 30 | - | 446,776 | - | 446,776 | - | - | - | - |
| | | <u>-</u> | <u>1,413,106</u> | <u>-</u> | <u>1,413,106</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Financial liabilities not measured at fair value | 43.2 | | | | | | | | |
| Loans and borrowings | 8 | - | - | 13,884,747 | 13,884,747 | - | - | - | - |
| Short term borrowings | 12 | - | - | 3,040,614 | 3,040,614 | - | - | - | - |
| Lease liabilities | 9 | - | - | 359,084 | 359,084 | - | - | - | - |
| Trade and other payables | 13 | - | - | 2,332,462 | 2,332,462 | - | - | - | - |
| Unclaimed dividend | | - | - | 9,242 | 9,242 | - | - | - | - |
| Unpaid dividend | | - | - | 1,528 | 1,528 | - | - | - | - |
| | | <u>-</u> | <u>-</u> | <u>19,627,677</u> | <u>19,627,677</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |

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| | Note | Carrying amount | | | | Fair value | | | |
|---|------|-----------------------------------|------------------|---|-------------------|--------------|----------|---------------|---------------|
| | | Amount in Rs'000 | | | | | | | |
| | | Fair value through profit or loss | Amortized cost | Financial liabilities at amortized cost | Total | Level 1 | Level 2 | Level 3 | Total |
| <u>30 June 2019</u> | | | | | | | | | |
| Financial assets measured at fair value | | | | | | | | | |
| Short term investment | 27 | 6,095 | - | - | 6,095 | 6,095 | - | - | 6,095 |
| Long term deposits | 21 | 57,548 | - | - | 57,548 | - | - | 57,548 | 57,548 |
| Short term deposits | 26 | 19,967 | - | - | 19,967 | - | - | 19,967 | 19,967 |
| | | <u>83,610</u> | <u>-</u> | <u>-</u> | <u>83,610</u> | <u>6,095</u> | <u>-</u> | <u>77,515</u> | <u>83,610</u> |
| Financial assets not measured at fair value | | | | | | | | | |
| Trade debts | 25 | - | 557,183 | - | 557,183 | - | - | - | - |
| Contract assets | 32 | - | 29,752 | - | 29,752 | - | - | - | - |
| Advance to employees | 26 | - | 19,623 | - | 19,623 | - | - | - | - |
| Other receivables | 26 | - | 63,655 | - | 63,655 | - | - | - | - |
| Term deposit receipt | 27 | - | 1,019,389 | - | 1,019,389 | - | - | - | - |
| Term finance certificate | 27 | - | 75,000 | - | 75,000 | - | - | - | - |
| Cash and bank balances | 30 | - | 345,450 | - | 345,450 | - | - | - | - |
| | | <u>-</u> | <u>2,110,052</u> | <u>-</u> | <u>2,110,052</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Financial liabilities not measured at fair value | | | | | | | | | |
| | 43.2 | | | | | | | | |
| Loans and borrowings | 8 | - | - | 14,355,833 | 14,355,833 | - | - | - | - |
| Short term borrowings | 12 | - | - | 1,264,583 | 1,264,583 | - | - | - | - |
| Liabilities against diminishing musharaka facility | 9 | - | - | 94,844 | 94,844 | - | - | - | - |
| Trade and other payables | 13 | - | - | 1,440,109 | 1,440,109 | - | - | - | - |
| Markup accrued | | - | - | 276,581 | 276,581 | - | - | - | - |
| Unclaimed dividend | | - | - | 9,242 | 9,242 | - | - | - | - |
| Unpaid dividend | | - | - | 1,528 | 1,528 | - | - | - | - |
| | | <u>-</u> | <u>-</u> | <u>17,442,720</u> | <u>17,442,720</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |

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43.2 The Group has not disclosed the fair values for these financial assets and financial liabilities, because their carrying amounts are reasonable approximation of fair value.

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

Financial Risk Management

The Group has exposure to the following risks arising for financial instruments:

- Credit risk [note 43.4]
- Liquidity risk [note 43.5]
- Market risk [note 43.6]

Risk Management Framework

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

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

43.4 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's trade debts from customers.

The carrying amount of financial assets and contract assets represent the maximum credit exposure.

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

| | 2020 | 2019 |
|--|--------------|--------|
| | (Rupees'000) | |
| Expected credit losses on trade debts and contract assets arising from contract with customers | 112,872 | 21,457 |

i Trade debts and contract assets

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

| | 2020 | | 2019 | |
|-------------------------------------|----------------|-----------------|----------------|-----------------|
| | Trade debts | Contract assets | Trade debts | Contract assets |
| | [Rupees '000] | | [Rupees '000] | |
| Pearl Continental Hotel | | | | |
| - Karachi | 129,621 | 2,906 | 187,383 | 13,922 |
| - Lahore | 210,685 | 654 | 277,564 | 8,631 |
| - Rawalpindi | 33,254 | - | 74,214 | 3,412 |
| - Peshawar | 38,101 | 18 | 63,515 | 1,485 |
| - Bhurban | 26,572 | - | 53,950 | 1,267 |
| - Muzaffarabad | 4,220 | - | 8,779 | 615 |
| - Hotel One The Mall, Lahore | 10,326 | - | 6,445 | 420 |
| Destinations of the world- Pakistan | 140,035 | - | 152,248 | - |
| Pearl Tours & Travels (Pvt) Ltd. | 42,926 | - | 39,402 | - |
| | 635,740 | 3,578 | 863,500 | 29,752 |

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

| | Note | 2020 [Rupees'000] | 2019 |
|------------------------------|---------|----------------------|----------------|
| From related parties | | 18,645 | 8,342 |
| From government institutions | | 26,887 | 34,158 |
| From foreign embassies | | 4,134 | 14,567 |
| Others | | 589,653 | 836,185 |
| | 25 & 32 | 639,319 | 893,252 |

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

| | 2020 [Rupees' 000] |
|--|-----------------------|
| Customers with external credit rating of A1+ to A3 | 14,608 |
| Customers without external credit rating | 621,132 |
| Total gross carrying amount | 635,740 |
| Allowance for expected credit losses | [419,189] |
| | 216,551 |

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Expected credit loss assessment for corporate customers

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

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

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

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

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

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

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FOR THE YEAR ENDED 30 JUNE 2020

The following table provides information about the exposure to credit risk and ECL for trade debts and contract assets for corporate customers as at 30 June 2020.

| | Weighted average loss rate | Gross carrying amount | Loss allowance | Credit impaired |
|----------------------|-------------------------------|--------------------------|-------------------|--------------------|
| 30-Jun-20 | % | [Rupees' 000] | | |
| Current | 16.7% | 41,918 | 6,995 | No |
| 0-30 days past due | 28.3% | 15,164 | 4,298 | No |
| 30-60 days past due | 26.3% | 12,155 | 3,199 | No |
| 60-90 days past due | 69.4% | 63,822 | 44,283 | No |
| 91-150 days past due | 53.6% | 173,416 | 92,901 | No |
| 151 days and above | 80.4% | 332,843 | 267,513 | No |
| | | 639,318 | 419,189 | |
| 30-Jun-19 | | | | |
| Current | 3.7% | 335,883 | 12,530 | No |
| 0-30 days past due | 10.1% | 121,225 | 12,279 | No |
| 30-60 days past due | 23.6% | 102,180 | 24,136 | No |
| 60-90 days past due | 50.0% | 38,755 | 19,378 | No |
| 91-150 days past due | 40.7% | 34,040 | 13,851 | No |
| 151 days and above | 96.9% | 231,416 | 224,142 | No |
| | | 863,500 | 306,317 | |

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

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

| | 2020 | 2019 |
|---|---------------|---------|
| | [Rupees '000] | |
| Balance at 01 July | 306,317 | 194,118 |
| Adjustment on initial application of IFRS 9 | - | 90,742 |
| Balance at 01 July under IFRS 9 | 306,317 | 284,860 |
| Remeasurement of loss allowance | 112,872 | 21,457 |
| Balance as at 30 June | 419,189 | 306,317 |

ii Long term deposits

The Group held long term deposits of Rs. 33.66 million as at 30 June 2020 (2019: Rs. 57.55 million). These long term deposits are held with the Government agencies and financial institutions which are rated AA+ , based on PACRA and JCR - VIS ratings.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

iii Short term advances

The Group held short term advances of Rs. 91.32 million as at 30 June 2020 [2019: Rs. 148.37 million]. These short term advances are recoverable from the , employees, related parties and suppliers of goods and services.

Impairment on short term advances has been measured on 12 month expected loss basis and reflect the short maturities of the exposures. The Group considers that its short term advances have low credit risk based on recovery of these advances from related parties, contractors and from the final settlement of employees in case of default .

iv Trade deposit and other receivables

The Group held trade deposit and other receivables of Rs. 105.89 million as at 30 June 2020 [2019: Rs. 83.62 million].

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

v Short term investments

The Group held short term investments of Rs. 640.523 million as at 30 June 2020 [2019: Rs. 1,106.82 million]. These short term investments are held with the banks which are rated A1+ to AAA based on PACRA and JCR - VIS ratings.

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

vi Cash at bank

The Group held cash at bank of Rs. 418.821 million as at 30 June 2020 [2019: Rs. 296.282 million]. These balances are held with the banks which are rated A+1 to A-2 based on PACRA and JCR - VIS ratings.

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

43.5 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, prudent fund management practices and the ability to close out market positions due to dynamic nature of the business. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

There were no defaults on loans payable during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

The maturity profile of the Group's financial liabilities based on the contractual amounts is as follows:

| | | Carrying amount | Contractual cash flows | Maturity up to one year | Maturity after one year and up to five years |
|--|------|--------------------|---------------------------|----------------------------|---|
| | Note | [Rupees' 000] | | | |
| 2020 | | | | | |
| Loans and borrowings | 8 | 13,884,747 | 17,147,030 | 5,762,077 | 11,384,953 |
| Lease liabilities | 8 | 359,084 | 775,055 | 140,981 | 634,074 |
| Trade and other payables | 13 | 2,332,462 | 2,332,462 | 2,332,462 | - |
| Short term borrowings | 12 | 3,040,614 | 3,040,614 | 3,040,614 | - |
| Unclaimed dividend | | 9,242 | 9,242 | 9,242 | - |
| Unpaid dividend | | 1,528 | 1,528 | 1,528 | - |
| | | <u>19,627,677</u> | <u>23,305,931</u> | <u>11,286,904</u> | <u>12,019,027</u> |
| 2019 | | | | | |
| Long term financing | 8 | 14,355,833 | 18,809,909 | 4,312,115 | 14,497,794 |
| Liabilities against diminishing musharaka facility | 8 | 94,844 | 111,896 | 42,114 | 69,782 |
| Trade and other payables | 13 | 1,440,109 | 1,440,109 | 1,440,109 | - |
| Markup payable | | 380,054 | 380,054 | 380,054 | - |
| Short term borrowings | 12 | 1,264,583 | 1,264,583 | 1,264,583 | - |
| Unclaimed dividend | | 9,242 | 9,242 | 9,242 | - |
| Unpaid dividend | | 1,528 | 1,528 | 1,528 | - |
| | | <u>17,546,193</u> | <u>22,017,321</u> | <u>7,449,745</u> | <u>14,567,576</u> |

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

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

43.6 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. The Group is exposed to currency risk and interest rates only.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

Foreign Currency risk

The PKR is the functional currency of the Group and, as a result, currency exposures arise from transactions and balances in currencies other than PKR. The Group's potential foreign currency exposure comprise:

Transactional exposure in respect of non functional currency monetary items

Monetary items, including financial assets and liabilities, denominated in currencies other than the functional currency of the Group are periodically restated to PKR equivalent, and the associated gain or loss is taken to the profit or loss. The foreign currency risk related to monetary items is managed as part of the risk management strategy.

Transactional exposure in respect of non functional currency expenditure and revenues

Certain operating and capital expenditure is incurred by the Group in currencies other than the functional currency. Certain sales revenue is earned in currencies other than the functional currency of the Group. These currency risks are managed as part of overall risk management strategy. The Group does not enter into forward exchange contracts.

Exposure to forex risk on year end monetary balances:

| | 2020 | | 2019 | |
|--------------|--------------|----------|---------------|----------|
| | [Rupees'000] | USD' 000 | [Rupees' 000] | USD' 000 |
| Bank Balance | 2,129 | 12.63 | 2,255 | 13.75 |

The following significant exchange rate applied during the year:

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

Foreign Currency Sensitivity Analysis

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

| | 2020 | 2019 |
|-------------------------|--------------|-------|
| | [Rupees'000] | |
| Increase in 5% USD rate | 106 | 113 |
| Decrease in 5% USD rate | [106] | [113] |

Interest rate risk

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

Exposure to interest rate risk:

| | 2020 | 2019 | 2020 | 2019 |
|----------------------------------|----------------------------|--------------|---------------|--------------|
| | Effective interest rates % | | [Rupees' 000] | |
| Variable rate instruments | | | | |
| Financial assets | 0.25 to 11.30 | 0.25 to 10.3 | 393,962 | 1,218,327 |
| Variable rate instruments | | | | |
| Financial assets | - | - | - | - |
| | KIBOR + | KIBOR + | - | - |
| Financial liabilities | 0.6 to 1.95 | 0.6 to 1.95 | [16,675,734] | [15,715,260] |

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not effect statement of profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / [decreased] equity / profit and loss by Rs. 162.818 million [2019: Rs. 154.46 million]. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2019.

Other market price risk

The primary goal of the Group's investment strategy is to maximize investment returns on surplus funds. The Group adopts a policy of ensuring to minimize its price risk by investing in securities having sound market performance. Certain investments are designated as held for trading because their performance is actively monitored and these are managed on a fair value basis. Equity price risk arises from investments at fair value through profit and loss.

Sensitivity analysis – equity price risk

For quoted investments classified as held for trading, a 100 basis point increase in market price at reporting date would have increased profit or loss by Rs. 0.05 million [2019: Rs. 0.06 million] thousand; an equal change in the opposite direction would have decreased profit or loss by the same amount. The analysis is performed on the same basis for 2018 and assumes that all other variables remain the same.

| | Level 1 | Level 2 | Level 3 |
|---|---------------|---------|---------|
| | [Rupees '000] | | |
| Assets carried at fair value | | | |
| 2020 | | | |
| Financial assets at fair value | | | |
| through profit or loss - held for trading | 5,399 | - | - |
| 2019 | | | |
| Financial assets at fair value | | | |
| through profit or loss - held for trading | 6,095 | - | - |

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

44 APPLICATION OF IFRIC INTERPRETATION 12 - SERVICE CONCESSION ARRANGEMENTS

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

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

45 CAPACITY

| | Note | No. of lettable rooms | | Average occupancy | |
|------------------------------|------|-----------------------|------|-------------------|------|
| | | 2020 | 2019 | 2020 | 2019 |
| Pearl Continental Hotel | | | | % | % |
| - Karachi | | 286 | 286 | 55 | 72 |
| - Lahore | | 607 | 607 | 52 | 59 |
| - Rawalpindi | | 193 | 193 | 44 | 56 |
| - Peshawar | | 148 | 148 | 42 | 46 |
| - Bhurban | | 190 | 190 | 50 | 64 |
| - Muzaffarabad | | 102 | 102 | 25 | 44 |
| - Hotel One The Mall, Lahore | 45 | 32 | 32 | 58 | 62 |

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

46 NUMBER OF EMPLOYEES

| | 2020 | 2019 |
|---|-------|-------|
| Number of employees at the year end | 2,677 | 3,450 |
| Average number of employees during the year | 3,213 | 3,578 |

47 EMPLOYEES' PROVIDENT FUND

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

48 IMPACT OF COVID-19 ON THE FINANCIAL STATEMENTS

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

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

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

The Group's recognized revenue of Rs. 921 million during the last quarter of the year as compared to Rs. 2,403 million in the corresponding period of previous year. The decline is attributed mainly to temporary close-down of operations. There is no impact of COVID-19 on the carrying amounts of assets and liabilities.

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

49 CORRESPONDING FIGURES

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

| Description of item | Reclassified from | Reclassified to | Amount [Rupees'000] |
|-----------------------------|--|-------------------------|------------------------|
| Commission on room bookings | Discounts and commission | Cost of Sales- others | 79,821 |
| Un-earned income | Trade and other payables | Contract liabilities | 124,170 |
| Franchise fee | Administrative expenses - Franchise fee | - Cost of Sales- others | 9,569 |
| Lease finance facilities | Loans and borrowings | Lease liabilities | 94,844 |

50 DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorized for issue by the Board of Directors of the Parent Company in its meeting held on 30 September, 2020.



M.A. Bawany
Director



Shakir Abu Bakar
Director



Javed Iqbal
Chief Financial Officer



Dear Shareholder,

ELECTRONIC PAYMENT OF CASH DIVIDENDS

Pursuant to Section-242 of the Companies Act, 2017 and Companies [Distribution of Dividends] Regulations, 2017 issued by the Securities and Exchange Commission of Pakistan [SECP], it is mandatory for a listed company to pay cash dividends to its shareholders only through electronic mode directly in the bank accounts of the shareholders.

In this connection, it is necessary to provide complete bank mandate detail including IBAN number to credit the proceeds of the future dividends into your bank account. You are therefore required to provide complete bank mandate details with IBAN otherwise future dividend may be withheld.

The Shareholders, who are holding physical shares are requested to submit e-dividend mandate form by filling the attached format and send it to Company's Share Registrar at the following address:

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

The CDC shareholders must submit their e-dividend mandate form details to Investor Account Services or to their brokers where shares are placed electronically.

Electronic Dividend Mandate Form is attached with Printed Annual Report and also placed on Company's website www.psl.com.pk.

For any query/ problem/information, the investors may contact the company's Share Registrar at the above phone numbers, email address.

Yours faithfully,

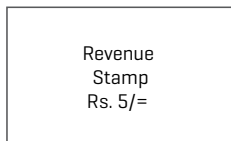
for Pakistan Services Limited

Mansoor Khan
Company Secretary

PAKISTAN SERVICES LIMITED
FORM OF PROXY

I / We _____
_____ of _____ being a member of Pakistan Services Limited hereby
appoint Mr./Ms./M/s. _____ of _____
_____ failing whom Mr./Ms./M/s. _____
of _____ as my proxy to attend and act for me, and on my behalf, at the Annual General Meeting of
the Company to be held on Wednesday, October 28, 2020 at 11:00 a.m. at Islamabad Marriott Hotel, and any adjournment
thereof.

Dated this _____ day of _____ 2020.



Specimen Signature of Proxy

Folio No. _____

Participant I.D. No. _____

Sub Account No. _____

Signature of Shareholder

Specimen Signature of Alternate Proxy

Folio No. _____

Participant I.D. No. _____

Sub Account No. _____

Folio No. _____

Participant I.D. No. _____

8b Account No. _____

Note:

- i] If a member is unable to attend the Meeting, he / she may appoint another member as his / her proxy and send this form to Pakistan Services Limited, 1st Floor, NESPAK House, Sector G-5/2, Islamabad to reach not less than 48 hours before the time appointed for holding the meeting.
- ii] Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- iii] The proxy shall produce his original CNIC or original passport at the time of the meeting.
- iv] In case of corporate entity, the Board of Directors' Resolution / Power of Attorney with specimen signature shall be submitted [unless it has been provided earlier] along with proxy form to the Company.

پاکستان سروسز لمیٹڈ

پراکسی فارم

اختتام سال 30 جون 2020

میں/ہم سکھ
بحیثیت ممبر (رکن) پاکستان سروسز لمیٹڈ بذریعہ ہذا مسمیٰ/مسماۃ
..... سکھ:
یا ان کی غیر حاضری کی صورت میں متبادل مسمیٰ / مسماۃ سکھ
کو اپنا پراکسی مقرر کرتا/کرتی ہوں جو کہ میری/ہماری عدم موجودگی
کی صورت میں کمپنی کے سالانہ اجلاس عام جو کہ بروز بدھ مورخہ 28 اکتوبر 2020 کو اسلام آباد میرٹ ہوٹل میں
منعقد ہوگا یا التواء کی صورت میں حاضر ہو کر میری/ہماری نمائندگی کرے۔

مورخہ بروز 2020

پراکسی کے دستخط کا نمونہ

پانچ روپے مالیت کی ریونیو ٹکٹ

فولیو نمبر
سی ڈی سی پارٹسینٹ آئی ڈی نمبر
ذیلی اکاؤنٹ نمبر

ممبر (رکن) کا دستخط متبادل پراکسی کے دستخط کا نمونہ
فولیو نمبر فولیو نمبر
سی ڈی سی پارٹسینٹ آئی ڈی نمبر سی ڈی سی پارٹسینٹ آئی ڈی نمبر
ذیلی اکاؤنٹ نمبر ذیلی اکاؤنٹ نمبر

نوٹ:

- اگر کوئی ممبر اجلاس میں حاضر ہونے سے قاصر ہے تو وہ اپنا پراکسی تعینات کرنے کا مجاز ہے اور فارم ہذا کو اجلاس کے انعقاد کے لئے مقررہ وقت سے کم از کم 84 گھنٹے پہلے تک پاکستان سروسز لمیٹڈ واقع پہلی منزل، نیسپاک ہاؤس، سیکٹر G-5/2 اسلام آباد میں جمع کرادے
- پراکسی فارم کے ہمراہ قومی شناختی کارڈ یا پاسپورٹ کی مصدقہ نقول بھی منسلک کرنا ہوں گی۔
- اجلاس کے وقت پراکسی کو اپنا اصلی شناختی کارڈ یا پاسپورٹ پیش کرنا ہوگا۔
- کمپنی ہونے کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد / مختار نامہ بشمول نمونہ دستخط (بشرطیکہ پہلے سے کمپنی کو فراہم نہ کیا گیا ہو) پراکسی فارم کے ساتھ جمع کرنا ہوگا۔



Phone: 021-111-000-322 E-mail: sfc@thk.com.pk

- | | | |
|----|---------------------------------------|--|
| A) | IBAN Number (24 Digit): | PK37 HABB 0000 0700 3333 9999 [example] |
| B) | E-mail investor account services CDC: | ias-khi@cdcpak.com [example] |
| C) | Independent Share Registrar: | Mail@t tpl.com.pk [example] |
| D) | CDC Participant: | in case of a sub account with any of the broker participant, kindly convey information to your broker participant. |



Pearl-Continental Hotel, Muzaffarabad



PAKISTAN SERVICES LTD.

1st floor, NESPAK House, Sector G-3/2, Islamabad
Tel: +92-51-2272800-8, Fax: +92-51-2878636

OWNERS AND OPERATORS OF



Pearl-Continental
HOTELS & RESORTS

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