

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Nishat Hospitality (Private) Limited ('company') as at June 30, 2015 and the related profit and loss account, statement of changes in equity and cash flow statement together with the notes forming part thereof, for the year then ended 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 our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- (a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;



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A. F. FERGUSON & CO.

- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of changes in equity and cash flow statement together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2015 and of the loss, changes in equity and its cash flows for the year then ended; and
- (d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).


Chartered Accountants

Lahore, September 23, 2015

Engagement Partner: Muhammad Masood

NISHAT HOSPITALITY (PRIVATE) LIMITED
BALANCE SHEET AS AT JUNE 30, 2015

	Note	2015 Rupees	2014 Rupees	Note	2015 Rupees	2014 Rupees
EQUITY AND LIABILITIES						
SHARE CAPITAL AND RESERVES						
Authorised share capital 120,000,000 (2014 : 120,000,000) ordinary shares of Rs 10 each		1,200,000,000	1,200,000,000			
Issued, subscribed and paid up share capital 119,999,901 (2014 : 119,999,901) ordinary shares of Rs 10 each	5	1,199,999,010	1,199,999,010			
Accumulated loss		(173,630,552)	(93,014,588)			
		1,026,368,458	1,106,984,422			
NON - CURRENT LIABILITIES						
Deferred income tax liabilities	6	-	-			
CURRENT LIABILITIES						
Trade and other payables	7	47,266,296	235,229,095			
Short term borrowings - unsecured	8	359,768,750	193,867,240			
Accrued finance cost	9	249,867	806,078			
		407,284,913	429,902,413			
CONTINGENCIES AND COMMITMENTS						
	10	-	-			
		1,433,653,371	1,536,886,835			
ASSETS						
NON-CURRENT ASSETS						
Property, plant and equipment	11	1,274,992,360	1,397,460,898			
Intangible assets	12	14,677,589	18,570,685			
Long term deposits		1,077,500	1,064,500			
Deferred income tax assets	6	60,330,820	17,389,662			
		1,351,078,269	1,434,485,745			
CURRENT ASSETS						
Stores and spares	13	6,181,455	6,063,135			
Stock-in-trade	14	1,277,657	1,363,931			
Trade debts		24,931,411	14,930,386			
Income tax recoverable		18,123,155	17,049,384			
Advances, deposits, prepayments and other receivables	15	25,758,929	55,208,229			
Cash and bank balances	16	6,302,495	7,786,025			
		82,575,102	102,401,090			
		1,433,653,371	1,536,886,835			

The annexed notes 1 to 33 form an integral part of these financial statements.

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Saeed Khan
Chief Executive


Director

NISHAT HOSPITALITY (PRIVATE) LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 Rupees	2014 Rupees
Revenue	17	265,473,728	52,210,602
Cost of sales and services	18	<u>(309,243,473)</u>	<u>(130,140,780)</u>
Gross profit		(43,769,745)	(77,930,178)
Administrative expenses	19	(55,812,564)	(24,021,682)
Other income	20	<u>827,527</u>	<u>137,130</u>
Loss from operations		(98,754,782)	(101,814,730)
Finance cost	21	<u>(22,145,409)</u>	<u>(2,452,457)</u>
Loss before taxation		(120,900,191)	(104,267,187)
Taxation	22	40,284,227	17,552,589
Loss after taxation		<u>(80,615,964)</u>	<u>(86,714,598)</u>
Loss per share - basic and diluted	23	<u>(0.67)</u>	<u>(0.99)</u>

The annexed notes 1 to 33 form an integral part of these financial statements.

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Chief Executive


Director

NISHAT HOSPITALITY (PRIVATE) LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2015

	2015 Rupees	2014 Rupees
Loss for the year	(80,615,964)	(86,714,598)
Other comprehensive income	-	-
Total comprehensive loss for the year	<u>(80,615,964)</u>	<u>(86,714,598)</u>

The annexed notes 1 to 33 form an integral part of these financial statements.



Chief Executive



Director

NISHAT HOSPITALITY (PRIVATE) LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 Rupees	2014 Rupees
Cash flows from operating activities			
Cash (used in) / generated from operations	24	(114,689,435)	82,499,211
Finance cost paid		(22,701,620)	(1,646,379)
Income tax paid		(3,730,702)	(14,141,294)
Net cash (used in) / generated from operating activities		(141,121,757)	66,711,538
Cash flows from investing activities			
Purchases of property, plant and equipment		(27,090,283)	(951,967,970)
Proceeds from sale of property, plant and equipment		840,000	-
Purchases of intangible assets		-	(19,956,591)
Security deposit paid		(13,000)	(250,000)
Net cash used in investing activities		(26,263,283)	(972,174,561)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		-	713,822,910
Proceeds from short term borrowings - net		165,901,510	193,867,240
Net cash inflow from financing activities		165,901,510	907,690,150
Net decrease / increase in cash and cash equivalents		(1,483,530)	2,227,127
Cash and cash equivalents at the beginning of the year		7,786,025	5,558,898
Cash and cash equivalents at the end of the year	25	6,302,495	7,786,025

The annexed notes 1 to 33 form an integral part of these financial statements.


Chief Executive


Director

NISHAT HOSPITALITY (PRIVATE) LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2015

	Rupees		
	Share capital	Accumulated loss	Total
Balance as on July 01, 2013	486,176,100	(6,299,990)	479,876,110
Loss for the year	-	(86,714,598)	(86,714,598)
Other comprehensive income for the year	-	-	-
Total comprehensive loss for the year	-	(86,714,598)	(86,714,598)
Ordinary shares issued against cash	713,822,910	-	713,822,910
Total contributions by and distributions to owners of the Company	713,822,910	-	713,822,910
Balance as on June 30, 2014	1,199,999,010	(93,014,588)	1,106,984,422
Loss for the year	-	(80,615,964)	(80,615,964)
Other comprehensive income for the year	-	-	-
Total comprehensive loss for the year	-	(80,615,964)	(80,615,964)
Balance as on June 30, 2015	<u>1,199,999,010</u>	<u>(173,630,552)</u>	<u>1,026,368,458</u>

The annexed notes 1 to 33 form an integral part of these financial statements.

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Quao N. Hant
Chief Executive

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Director

NISHAT HOSPITALITY (PRIVATE) LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
JUNE 30, 2015

1. The Company and its operations

Nishat Hospitality (Private) Limited ('the Company') was incorporated in Pakistan on July 01, 2011 as a private limited company under the Companies Ordinance, 1984. It is a wholly owned subsidiary of Nishat Mills Limited, a listed company. The address of the registered office of the Company is 1-B Aziz Avenue, Canal Bank, Gulberg V, Lahore. The principal activity of the Company is to carry on the business of hotel, cafes, restaurants and lodging or apartment houses, bakers and confectioners in Pakistan and outside Pakistan.

2. Basis of preparation

2.1 These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 (the 'Ordinance') and the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by Institute of Chartered Accountants of Pakistan as are notified under the Ordinance, provisions of and directives issued under the Ordinance. Wherever the requirements of the Ordinance or directives issued by Securities and Exchange Commission of Pakistan differ with the requirements of IFRS or IFAS, the requirements of the Ordinance or the requirements of the said directives prevail.

2.2 Initial application of standards, amendments or an interpretation to existing standards

The following amendments to existing standards have been published that are applicable to the Company's financial statements covering annual periods, beginning on or after the following dates:

2.2.1 Standards, amendments to published standards and interpretations that are effective in the current year and are relevant to the Company

Certain standards, amendments and interpretations to approved accounting standards are effective for accounting periods beginning on or after July 1, 2014 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements.

2.2.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

There are certain standards, amendments to the approved accounting standards and interpretations that are mandatory for the Company's accounting periods beginning on or after July 1, 2015 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements.

3. Basis of measurement

These financial statements have been prepared under the historical cost convention.

3.1 Critical accounting estimates and judgments

The Company's significant accounting policies are stated in note 4. Not all of these significant policies require the management to make difficult, subjective or complex judgments or estimates. The following is intended to provide an understanding of the policies the management considers critical because of their complexity, judgment of estimation involved in their application and their impact on these financial statements. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These judgments involve assumptions or estimates in respect of future events and the actual results may differ from these estimates. The areas involving higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

(a) Useful lives, patterns of economic benefits and impairments

Estimates with respect to residual values and useful lives and pattern of flow of economic benefits are based on the analysis of the management of the Company. Further, the Company reviews the value of assets for possible impairment on an annual basis. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment, with a corresponding effect on the depreciation charge and impairment.

(b) Taxation

The company takes into account the current income tax law and the decisions taken by appellate authorities. Instances where the company's view differs from the view taken by the income tax department at the assessment stage and where the company considers that its views on items of material nature are in accordance with the law, the amounts are shown as contingent liabilities.

4. Significant accounting policies

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

4.1 Taxation

Current

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised.

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Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

4.2 Property, plant and equipment

Property, plant and equipment except freehold land and capital work-in-progress are stated at cost less accumulated depreciation and accumulated impairment losses (if any). Cost of property, plant and equipment consists of historical cost, borrowing cost pertaining to erection / construction period of qualifying assets and other directly attributable costs of bringing the asset to working condition. Freehold land and capital work-in-progress are stated at cost less any recognized impairment loss.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to profit and loss account during the period in which they are incurred.

Depreciation on all property, plant and equipment is charged to the profit and loss account on the reducing balance method, except for crockery which is being depreciated using the straight line method, so as to write off the historical cost of such assets over its estimated useful life at annual rates mentioned in note 11.1 after taking into account their residual values.

An item of property, plant and equipment is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in the profit and loss account in the year the asset is de-recognized.

4.3 Capital work-in-progress

Capital work-in-progress is stated at cost less any identified impairment loss. All expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to operating fixed assets as and when these assets are available for use.

4.4 Major spare parts and stand-by equipment

Major spare parts and stand-by equipment qualify as property, plant and equipment when an entity expects to use them during more than one year. Transfers are made to operating assets category as and when such items are available for use.

4.5 Intangible assets

Amortisation on additions to intangible assets is charged from the date when the asset is acquired or capitalised upto the date when the asset is de-recognized.

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The Company assesses at each balance sheet date whether there is any indication that intangible assets may be impaired. If such an indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying amounts exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognised, the amortisation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

4.6 Trade debts

Trade debts are carried at original invoice value less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

4.7 Stores and spares

Usable stores and spares are valued principally at lower of weighted average cost and net realizable value, while items considered obsolete are carried at nil value. Items in transit are valued at cost comprising invoice value plus other charges paid thereon.

Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessary to be incurred in order to make a sale.

4.8 Stock-in-trade

Stock-in-trade is valued at lower of weighted average cost and net realizable value. Items in transit are valued at cost comprising invoice value plus other charges paid thereon.

Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessary to be incurred in order to make a sale.

4.9 Borrowings

Borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, these are stated at amortised cost with any difference between proceeds (net of transaction costs) and redemption value being recognised in the profit and loss over the period of the borrowings on an effective interest rate basis.

Finance costs are accounted for on an accrual basis and are shown as accrued finance cost to the extent of the amount remaining unpaid.

Borrowings are classified as a current liability unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

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4.10 Financial instruments

Financial instruments carried on the balance sheet include investments, deposits, trade debts, loans and advances, other receivables, bank balances, long-term financing, liabilities against assets subject to finance lease, short-term borrowings, accrued mark-up and trade and other payables, etc. Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of instrument. Initial recognition is made at fair value plus transaction costs directly attributable to acquisition, except for "financial instruments at fair value through profit or loss" which are initially measured at fair value.

Financial assets are de-recognized when the Company loses control of the contractual rights that comprise the financial asset. The Company loses such control if it realizes the rights to benefits specified in contract, the rights expire or the Company surrenders those rights. Financial liabilities are de-recognized when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on subsequent measurement (except available for sale investments) and de-recognition is charged to the profit or loss currently.

4.11 Impairment

(a) Financial assets

A financial asset is considered to be impaired if objective evidence indicate that one or more events had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as a difference between its carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of available for sale financial asset is calculated with reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

(b) Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit and loss account.

4.12 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements when there is a legal enforceable right to set off and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

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4.13 Trade and other payables

Liabilities for trade and other amounts payable are initially recognized at fair value, which is normally the transaction cost.

4.14 Provisions

Provisions are recognized when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

4.15 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at bank on current, saving and deposit accounts and other short term highly liquid instruments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

4.16 Revenue recognition

Revenue is generally recognized as services are performed. Hotel revenue primarily represents room rentals and other ancillary service charges.

4.17 Foreign currency transactions and translation

These financial statements are presented in Pak Rupees, which is the Company's functional currency. All monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date, while the transactions in foreign currencies during the year are initially recorded in functional currency at the rates of exchange prevailing at the transaction date. All non-monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined. Exchange gains and losses are recorded in the profit and loss account.

5. Issued, subscribed and paid up share capital

2015	2014		2015	2014
Number of shares			Rupees	Rupees
		Ordinary shares of Rs 10 each fully paid		
<u>119,999,901</u>	<u>119,999,901</u>	in cash	<u>1,199,999,010</u>	<u>1,199,999,010</u>

The holding company, Nishat Mills Limited, holds 119,999,898 ordinary shares of the Company as at June 30, 2015 (2014: 119,999,898).

	2015 Rupees	2014 Rupees
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6. Deferred taxation

The (asset) / liability for deferred taxation comprises temporary differences relating to:

Deferred tax liability

Accelerated tax depreciation	114,101,459	142,934,170
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Deferred tax asset

Unabsorbed tax losses and tax credits	(174,432,279)	(160,323,832)
	<u>(60,330,820)</u>	<u>(17,389,662)</u>

6.1 Deferred tax asset on tax losses available for carry forward and those representing minimum tax paid available for carry forward u/s 113 of the income tax ordinance, 2001 are recognized to the extent that the realisation of related tax benefits through future taxable profits is probable. The Company has not recognized deferred tax assets of Rs 8,974,956 (2014: Rs 18,176,284) in respect of business losses and Rs 2,925,948 (2014: Rs 269,018) in respect of minimum tax paid and available for carry forward u/s 113 of the Income Tax Ordinance, 2001, as sufficient tax profits would not be available to set these off in the foreseeable future. Minimum tax paid u/s 113 aggregating to Rs 154,465, Rs 114,553 and Rs 2,656,931, would not be available for carry forward against future tax liabilities subsequent to tax years 2017, 2018 and 2020, respectively. Tax loss amounting to Rs 29,916,519, will expire in 2020.

	2015 Rupees	2014 Rupees
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7. Trade and other payables

Trade creditors	34,745,038	181,315,862
Franchise fee payable	1,183,126	792,648
Retention money payable	4,923,748	41,914,919
Accrued liabilities	4,045,193	7,847,521
Due to related party - the holding company	89,496	89,496
Due to statutory authorities	2,273,697	2,373,657
Due to provincial authorities - bed tax	-	888,994
Advances from customers	5,998	5,998
	<u>47,266,296</u>	<u>235,229,095</u>

7.1 This amount is payable to related party Nishat Mills Limited, the holding company, on account of reimbursement of expenses.

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8. This represents short term loan acquired from Nishat Mills Limited - the holding company. The amount is repayable on March 25, 2016. The effective rate of markup charged during the year on the outstanding balance ranges from 4.81% to 6.13% per annum.

9. This represents accrued finance charges on the short term loan acquired from Nishat Mills Limited, the holding company.

10. Contingencies and commitments

10.1 Contingencies

(i) The Company has issued letter of guarantees of Rs 1,084,877 (2014: 1,806,000) in favour of Director, Excise and Taxation, Karachi under the order of Sindh High Court in respect of the suit filed for levy of infrastructure cess.

(ii) Post dated cheques furnished by the Company in favour of the Collector of Customs to cover import levies against imports aggregating to Rs 2,945,455 (2014: 2,945,455).

10.2 Commitments

The amount of future payments to Nishat Mills Limited, the holding company, under leave and licence agreement and the period in which these payments will become due are as follows:

	2015 Rupees	2014 Rupees
Not later than one year	15,146,780	13,769,800
Later than one year and not later than five years	101,719,866	92,472,607
Later than five years - cannot be determined due to unspecified period of the agreement	-	-
	<u>116,866,646</u>	<u>106,242,407</u>

11. Property, plant and equipment

Operating fixed assets	- note 11.1	1,272,975,112	1,395,835,055
Major spare parts and stand-by equipment		<u>2,017,248</u>	<u>1,625,843</u>
		<u>1,274,992,360</u>	<u>1,397,460,898</u>

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11.1 Operating fixed assets

	Land	Building	Plant and machinery	Electric installation	Office equipment	Furniture, fixture and fittings	Computers	Vehicles	Kitchen equipments	Crockery	Total
COST											
Balance as at July 01, 2013	-	-	-	-	-	49,250	256,513	2,545,914	-	-	2,851,677
Transferred from CWIP	-	946,503,578	-	197,834,868	-	-	-	-	-	-	1,144,338,446
Additions during the year	19,129,036	946,503,578	125,265,085	197,834,868	10,251,042	92,175,853	10,377,754	7,477,213	18,100,364	14,658,540	297,434,887
Balance as at June 30, 2014	19,129,036	1,943,007,156	125,265,085	395,669,736	10,251,042	92,225,103	10,634,267	10,023,127	18,100,364	14,658,540	1,444,625,010
Balance as at July 01, 2014	19,129,036	946,503,578	125,265,085	197,834,868	10,251,042	92,225,103	10,634,267	10,023,127	18,100,364	14,658,540	1,444,625,010
Additions during the year	-	13,274,338	2,950,697	3,890,976	267,378	4,643,728	750,988	908,423	12,350	-	26,698,878
Deletions during the year	-	-	(1,746,572)	-	-	-	-	(902,578)	-	-	(2,649,150)
Balance as at June 30, 2015	19,129,036	959,777,916	126,469,210	201,725,844	10,518,420	96,868,831	11,385,255	10,028,972	18,112,714	14,658,540	1,468,674,738
DEPRECIATION											
Balance as at July 01, 2013	-	-	-	-	-	6,503	72,811	33,480	-	-	112,794
Charge for the year	-	30,454,612	4,118,731	6,110,509	254,033	2,942,447	1,008,951	944,692	1,209,997	1,633,189	48,677,161
Balance as at June 30, 2014	-	30,454,612	4,118,731	6,110,509	254,033	2,948,950	1,081,762	978,172	1,209,997	1,633,189	48,789,955
Balance as at July 01, 2014	-	30,454,612	4,118,731	6,110,509	254,033	2,948,950	1,081,762	978,172	1,209,997	1,633,189	48,789,955
Charge for the year	-	92,549,622	12,214,877	19,482,297	1,022,101	9,355,080	3,010,067	1,840,845	3,379,738	4,298,365	147,152,992
On deletions during the year	-	-	(58,379)	-	-	-	-	(184,942)	-	-	(243,321)
Balance as at June 30, 2015	-	123,004,234	16,275,229	25,592,806	1,276,134	12,304,030	4,091,829	2,634,075	4,589,735	5,931,554	195,699,626
Book value as at June 30, 2015	19,129,036	836,773,682	110,193,981	176,133,038	9,242,286	84,564,801	7,293,426	7,394,897	13,522,979	8,726,986	1,272,975,112
Book value as at June 30, 2014	19,129,036	916,048,966	121,146,354	191,724,359	9,997,009	89,276,153	9,552,505	9,044,955	16,890,367	13,025,351	1,395,835,055
Annual depreciation rate	-	10%	10%	10%	10%	10%	30%	20%	20%	33%	

11.1.1 The depreciation charge for the year has been allocated as follows:
 Cost of sales
 Administrative expenses

	June 30 2015	June 30 2014
	132,437,693	43,809,445
	14,715,299	4,867,716
	147,152,992	48,677,161

11.2

Particulars of assets	Sold to	Cost	2015			mode of disposal	
			Accumulated depreciation	Book value	Sale proceeds		
Vehicle	Khurram Motors	902,578	184,942	717,636	840,000	122,364	Negotiation
Plant and Machinery	Captive Airce	1,746,572	58,379	1,688,193	1,746,572	58,379	Return to supplier
		2,649,150	243,321	2,405,829	2,586,572	180,743	

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	Franchise fee	Computer software Rupees	Total
12. Intangible assets			
COST			
Balance as at July 01, 2013	9,834,735	9,630,743	19,465,478
Additions during the year	-	-	-
Balance as at June 30, 2014	<u>9,834,735</u>	<u>9,630,743</u>	<u>19,465,478</u>
Balance as at July 01, 2014	9,834,735	9,630,743	19,465,478
Additions during the year	-	-	-
Balance as at June 30, 2015	<u>9,834,735</u>	<u>9,630,743</u>	<u>19,465,478</u>
AMORTIZATION			
Balance as at July 01, 2013	264,056	630,737	894,793
Additions during the year	-	-	-
Balance as at June 30, 2014	<u>264,056</u>	<u>630,737</u>	<u>894,793</u>
Balance as at July 01, 2014	264,056	630,737	894,793
Charge for the year	1,966,947	1,926,149	3,893,096
Balance as at June 30, 2015	<u>2,231,003</u>	<u>2,556,886</u>	<u>4,787,889</u>
Written down value as at June 30, 2014	<u><u>9,570,679</u></u>	<u><u>9,000,006</u></u>	<u><u>18,570,685</u></u>
Written down value as at June 30, 2015	<u><u>7,603,732</u></u>	<u><u>7,073,857</u></u>	<u><u>14,677,589</u></u>
Annual amortization rate %	<u><u>20</u></u>	<u><u>20</u></u>	

13. This represents food and beverage items.

14. Trade debts - unsecured

These are considered good and are interest free. Trade debts include the following amounts due from related parties:

	2015 Rupees	2014 Rupees
Nishat Mills Limited - the holding company	831,065	464,134
MCB Bank Limited - an associate company	1,315,774	165,222
Nishat Hotel & Properties Limited - an associate company	1,574,045	1,374,905
Lalpir Power Limited - an associate company	1,883	133,469
Nishat Power Limited - an associate company	29,580	-
Adamjee Insurance Company Limited - an associate company	83,781	-
D.G. Khan Cement Company Limited - an associate company	74,722	238,716
	<u><u>3,910,850</u></u>	<u><u>2,376,446</u></u>

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Ageing analysis of the amounts due from related parties is as follows:

	1 to 3 months Rupees	More than 3 months Rupees	2015 Rupees
Nishat Mills Limited - the holding company	499,909	331,156	831,065
MCB Bank Limited - an associate company	814,260	501,514	1,315,774
Nishat Hotel & Properties Limited - an associate company	477,391	1,096,654	1,574,045
Lalpir Power Limited - an associate company		1,883	1,883
Nishat Power Limited - an associate company	-	29,580	29,580
Adamjee Insurance Company Limited - an associate company	83,781	-	83,781
D.G. Khan Cement Company Limited - an associate company	74722	-	74722
	<u>1,950,063</u>	<u>1,960,787</u>	<u>3,910,850</u>

2015 Rupees	2014 Rupees
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15. Advances, deposits, prepayments and other receivables

Advances - considered good			
- To employees	- note 15.1	484,050	427,696
- To suppliers		13,588,636	16,660,566
		14,072,686	17,088,262
Prepayments	- note 15.2	2,203,257	691,049
Balances with statutory authorities - sales tax (considered good)			
- Sales tax		9,150,524	37,317,161
- Excise duty		331,462	110,757
		9,481,986	37,427,918
Other receivables - considered good		1,000	1,000
		<u>25,758,929</u>	<u>55,208,229</u>

15.1 Included in advances to employees is an amount due from executives of Rs 59,943 (2014: 36,990).

15.2 Included in prepayments is an amount due from Security General Insurance Company Limited - an associate company of Rs 525,760 (2014: 378,788).

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		2015 Rupees	2014 Rupees
16.	Cash and bank balances		
At bank on:			
- Current accounts	- note 16.1	4,076,362	7,591,125
- Saving account	- note 16.2	1,810,473	8,113
		<u>5,886,835</u>	<u>7,599,238</u>
Cash in hand		415,660	186,787
		<u>6,302,495</u>	<u>7,786,025</u>

16.1 Included in current accounts is an amount of deposit with MCB Bank Limited - an associate company of Rs 3,890,107 (2014: 4,303,436).

16.2 Profit on balance in saving account ranged from 4.5% to 7% (2014: 6.5%) per annum.

		2015 Rupees	2014 Rupees
17.	Revenue		
Room rent		226,914,465	50,203,499
Services	- note 17.1	81,376,758	14,020,693
	- note 17.2	308,291,223	64,224,192
Less:	Sales tax	(42,817,495)	(8,807,615)
	Bed tax	-	(3,205,975)
		(42,817,495)	(12,013,590)
		<u>265,473,728</u>	<u>52,210,602</u>

17.1 This represents the revenue from providing laundry, food services, sale of minibar items and other ancillary services.

17.2 These include sales and services provided to the following related parties:

	2015 Rupees	2014 Rupees
Nishat Mills Limited - the holding company	2,862,617	601,688
D.G. Khan Cement Company Limited - an associate company	1,189,332	238,716
MCB Bank Limited - an associate company	3,616,602	170,092
Lalpir Power Limited - an associate company	1,360,445	149,366
Nishat Dairy (Private) Limited - an associate company	315,046	-
Nishat Hotels & Properties Limited - an associate company	2,389,922	1,560,702
Nishat Linen (Private) Limited - an associate company	57,362	-
Nishat Power Limited - an associate company	233,723	-
Adamjee Insurance Company Limited - an associate company	604,143	-
Pakgen Power Limited - an associate company	323,988	-
	<u>12,953,180</u>	<u>2,720,564</u>

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18.	Cost of sales and services		2015 Rupees	2014 Rupees
	Salaries, wages and other benefits	- note 18.1	48,780,186	25,704,758
	Fuel, electricity and gas		40,907,068	20,662,124
	Food and beverage cost		32,087,874	8,335,911
	SPA cost		800,628	1,586,617
	Uniform cost		1,101,439	914,398
	Decoration expenses		996,629	165,800
	Royalty		9,784,371	1,889,163
	Guest transportation charges		457,336	56,680
	Guest supplies		7,723,902	1,939,829
	Entertainment		18,633	16,597
	Newspapers and journals		388,897	86,541
	Rent	- note 18.2	12,392,820	11,271,187
	Laundry and dry cleaning		244,047	143,661
	Cleaning supplies		4,029,192	1,495,854
	Communication charges		2,883,478	590,717
	Traveling and conveyance		2,996,413	3,313,997
	Printing and stationary		953,651	1,343,396
	Repair and maintenance		3,581,776	2,657,882
	Depreciation on property, plant and equipment	- note 11.1.1	132,437,693	43,809,445
	Amortisation of intangible assets	- note 12	3,893,096	894,793
	Insurance		1,815,338	897,570
	Computer supplies		16,842	29,400
	Miscellaneous expenses		952,164	2,334,460
			<u>309,243,473</u>	<u>130,140,780</u>

18.1 Salaries, wages and other benefits include provident fund contribution of Rs 1,770,853 (2014: Rs 359,760) by the Company.

18.2 This represents expense against use of leave and licence of land of Nishat Mills Limited, the holding company.

19.	Administrative expenses		2015 Rupees	2014 Rupees
	Salaries, wages and other benefits	- note 19.1	26,930,672	8,299,552
	Fees and subscription		838,979	1,845,375
	Printing and stationery		343,207	78,877
	Auditor's remuneration	- note 19.2	612,545	533,185
	Rent, rates and taxes	- note 19.3	4,195,894	1,389,313
	Entertainment		37,651	223,605
	Traveling and conveyance		1,308,069	985,379
	Repair and maintenance		183,214	225,625
	Advertisement		4,412,350	2,300,946
	Legal and professional charges		1,128,100	1,527,970
	Depreciation on property, plant and equipment	- note 11.1.1	14,715,299	4,867,716
	Postage and telegram		15,823	1,250
	Communication charges		238,791	79,595
	Insurance		210,372	135,091
	Computer supplies		536,973	942,633
	Miscellaneous expenses		104,625	585,570
			<u>55,812,564</u>	<u>24,021,682</u>

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19.1 Salaries, wages and other benefits include provident fund contribution of Rs 1,112,897 (2014: Rs 247,120) by the Company.

	2015 Rupees	2014 Rupees
19.2 Auditor's remuneration		
Audit fee	575,000	500,000
Out of pocket expenses	37,545	33,185
	<u>612,545</u>	<u>533,185</u>

19.3 Includes expense of Rs 1,371,494 (2014: Rs 1,248,813) against use of leave and licence of land of Nishat Mills Limited, the holding company.

	2015 Rupees	2014 Rupees
20. Other income		
Income from financial assets		
Income on saving accounts	110,938	68,038
Exchange gain	297,090	-
	<u>408,028</u>	<u>68,038</u>

Income from non-financial assets		
Scrap sales	219,324	68,792
Profit on disposal of property, plant and equipment - note 11.2	180,743	-
Miscellaneous	19,432	300
	<u>419,499</u>	<u>69,092</u>
	<u>827,527</u>	<u>137,130</u>

21. Finance cost		
Mark-up on short term finance	19,703,275	1,934,757
Bank charges	2,442,134	517,700
	<u>22,145,409</u>	<u>2,452,457</u>

22. Taxation		
Current - for the year	2,656,931	-
Deferred	(42,941,158)	(17,552,589)
	<u>(40,284,227)</u>	<u>(17,552,589)</u>

	2015 % age	2014 % age
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22.1 Tax charge reconciliation		
Numerical reconciliation between the average effective tax rate and the applicable tax rate		
Applicable tax rate	33.00	34.00
Tax effect of amounts that are:		
- Tax losses for which no deferred tax asset has been recognized	8.36	(17.84)
- Effect of change in tax rate	(5.81)	0.47
- Others	(0.03)	0.20
- Minimum tax for which no deferred tax asset has been recognized	(2.20)	-
	<u>0.32</u>	<u>(17.17)</u>
Average effective tax rate	<u>33.32</u>	<u>16.83</u>

22.2 In view of the available income tax loss, the provision for current taxation represents tax under section 113 'Minimum tax on income of certain persons'. Tax under 'Minimum tax' is available for carry forward and adjustment for five tax years immediately succeeding the tax year for which the amount was paid.

For the purposes of current taxation, the tax losses available for carry forward as at June 30, 2015 is estimated approximately at Rs 611,357,448 (2014: Rs 518,518,575). Based on prudence principle, deferred tax asset as at June 30, 2015 to the extent of 29,916,519 (2014: 60,587,614) has not been recognized in these financial statements.

		2015	2014
23.	Loss per share		
23.1	Loss per share - basic		
Loss for the year	Rupees	(80,615,964)	(86,714,598)
Weighted average number of ordinary shares	Number	119,999,901	87,589,504
Loss per share - basic	Rupees	(0.67)	(0.99)

23.2 Loss per share - diluted

A diluted loss per share has not been presented as the Company does not have any convertible instruments in issue as at June 30, 2015 and June 30, 2014 which would have any effect on the loss per share if the option to convert is exercised.

		2015	2014
		Rupees	Rupees
24.	Cash generated from operations		
Loss before tax for the year		(120,900,191)	(104,267,187)
Adjustment for non cash charges and other items:			
- Depreciation on property, plant and equipment		147,152,992	48,677,161
- Amortization on intangible assets		3,893,096	1,385,906
- Finance cost		22,145,409	2,452,457
- Gain on disposal		(180,743)	-
Profit / Loss before working capital changes		52,110,563	(51,751,663)
Effect on cash flow due to working capital changes:			
- Increase in trade debts		(10,001,025)	(10,348,193)
- Increase in stores and spares		(118,320)	(6,063,135)
- Decrease / (increase) in stock-in-trade		86,274	(1,363,931)
- Decrease / (increase) in advances, deposits, prepayments and other receivables		29,449,300	(49,833,454)
- (Decrease) / Increase in trade and other payables		(186,216,227)	201,859,587
		(166,799,998)	134,250,874
		(114,689,435)	82,499,211

25. Cash and cash equivalents

Cash and bank balances

<u>6,302,495</u>	<u>7,786,025</u>
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26. Remuneration of Chief Executive, Directors and Executives

26.1 The aggregate amount charged in the financial statements for the year for remuneration, including certain benefits, to the Chief Executive, Directors and Executives of the Company are as follows:

	2015		
	Rupees		
	Chief Executive	Directors	Executives
Short term employee benefits			
Managerial remuneration	-	-	7,854,933
Housing rent	-	-	2,332,915
Medical expenses	-	-	886,644
Bonus	-	-	-
Adhoc allowance	-	-	21,000
Meal allowance	-	-	-
Cost of living allowance	-	-	24,000
Special allowance	-	-	24,000
Utilities	-	-	785,494
	-	-	11,928,986
Post employment benefits			
Contribution to provident fund	-	-	750,494
	-	-	12,679,480
Number of persons	1	3	10

	2014		
	Rupees		
	Chief Executive	Directors	Executives
Short term employee benefits			
Managerial remuneration	-	-	5,286,377
Housing rent	-	-	1,471,962
Medical expenses	-	-	528,717
Bonus	-	-	-
Adhoc allowance	-	-	39,649
Meal allowance	-	-	-
Cost of living allowance	-	-	34,693
Special allowance	-	-	39,649
Utilities	-	-	528,717
	-	-	7,929,764
Post employment benefits			
Contribution to provident fund	-	-	509,268
	-	-	8,439,032
Number of persons	1	3	10

The Company also provides the executives with company maintained cars.

27. Transactions with related parties

The related parties comprise the parent company, associated undertakings, other related parties, key management personnel and post employment benefit plans. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and due to related parties are shown under receivables and payables and remuneration of the key management personnel is disclosed in note 26. Other significant transactions with related parties are as follows:

		2015	2014
		Rupees	Rupees
Relationship with the Company	Nature of transaction		
i. Holding company	Subscription of issued capital	-	713,822,910
	Short term borrowings	165,901,510	193,867,240
	Markup paid on short term borrowings	20,259,486	1,128,679
	Reimbursement of expenses to the compar	-	236,573
	Purchase of goods and services	14,703,855	12,717,438
	Sale of services	2,862,617	601,688
ii. Associated companies	Purchase of goods and services	3,619,967	4,067,120
	Sale of services	10,090,563	2,118,876
iii. Post employment benefit plans	Expense charged in respect of retirement benefit plans - Provident Fund	2,883,750	982,505

		2015	2014
28. Capacity			
	Nishat Suites - Average occupancy % age	73	42
	Total rooms available during the year	22,265	8,186

29. Number of employees

Total number of employees as at June 30	<u>173</u>	<u>169</u>
Average number of employees during the year	<u>172</u>	<u>93</u>

		2015	2014
		Rupees	Rupees
30. Provident fund			
(i)	Size of the Fund	6,893,435	2,618,070
(ii)	Cost of investments made	6,756,374	2,245,197
(iv)	Fair value of investments - note 30.1	6,812,618	2,283,423
(iii)	Percentage of investments made	99%	87%

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30.1 The breakup of fair value of investments is:

	2015		2014	
	Rupees	% age	Rupees	% age
Special account in a scheduled bank	6,812,618	100%	2,283,423	100%

The figures for 2015 are based on the un-audited financial statements of the Provident Fund. Investments out of Provident Fund have been made in accordance with the provisions of section 227 of the Ordinance and the rules formulated for this purpose.

31. Financial risk management

31.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by the Company's Board of Directors (the Board). The Board has provided 'Risk Management Policy' covering specific areas such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity. All treasury related transactions are carried out within the parameters of this policy.

The Company's overall risk management procedures to minimise the potential adverse effects of financial market on the Company's performance are as follows:

(a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company is exposed to three types of market risk: currency risk, other price risk and interest rate risk.

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The Company's foreign exchange risk exposure is limited to the outstanding foreign currency commitments at any balance sheet date.

(ii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to equity price risk as it does not have any investment in equity securities.

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(iii) Interest rate risk

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

	2015 Rupees	2014 Rupees
Fixed rate instruments:		
Financial assets		
Bank balances - saving account	<u>1,810,473</u>	<u>8,113</u>
Financial liabilities		
Accrued finance cost	<u>249,867</u>	<u>806,078</u>
Net exposure	<u>1,560,606</u>	<u>(797,965)</u>

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk arises primarily from advances against capital work in progress, trade debtors, other receivables and deposits with banks. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2015 Rupees	2014 Rupees
Long term deposit	1,077,500	1,064,500
Trade debts - unsecured	24,931,411	14,930,386
Advances, deposits, prepayments and other receivables	14,073,686	17,089,262
Bank balances	<u>5,886,835</u>	<u>7,599,238</u>
	<u>44,891,932</u>	<u>39,618,886</u>

The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. The Company believes that it is not exposed to major concentration of credit risk.

The credit quality of Company's bank balances can be assessed with reference to external credit ratings as follows:

	Rating <u>Short term</u> <u>Long term</u>	Rating <u>Agency</u>	2015 Rupees	2014 Rupees
MCB Bank Limited	Λ1+	AAA	3,890,107	4,303,436
National Bank of Pakistan	Λ1+	AAA	1,237	1,060,467
Bank Alfalah Limited	Λ1+	AA	<u>1,995,491</u>	<u>2,235,335</u>
			<u>5,886,835</u>	<u>7,599,238</u>

(c) **Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

	Carrying amount Rupees	Less than one year Rupees	More than one year Rupees
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The following are the contractual maturities of financial liabilities:

At June 30, 2015

Accrued finance cost	249,867	249,867	-
Trade and other payables	47,266,296	47,266,296	-
Short term borrowings - unsecured	359,768,750	359,768,750	-
	<u>407,284,913</u>	<u>407,284,913</u>	<u>-</u>

At June 30, 2014

Accrued finance cost	806,078	806,078	-
Trade and other payables	235,229,095	235,229,095	-
Short term borrowings - unsecured	193,867,240	193,867,240	-
	<u>429,902,413</u>	<u>429,902,413</u>	<u>-</u>

31.2 Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

31.3 Financial instruments by categories

	Loans and receivables	
	2015	2014
	Rupees	Rupees

Assets as per balance sheet

Long term deposit	1,077,500	1,064,500
Trade debtors	24,931,411	14,930,386
Advances, deposits and other receivables	14,073,686	17,089,262
Cash and bank balances	6,302,495	7,786,025
	<u>45,307,592</u>	<u>39,805,673</u>

	Financial liabilities at amortised cost	
	2015	2014
	Rupees	Rupees

Liabilities as per balance sheet

Accrued finance cost	249,867	806,078
Trade and other payables	47,266,296	235,229,095
Short term borrowings - unsecured	359,768,750	193,867,240
	<u>407,284,913</u>	<u>429,902,413</u>

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31.4 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. As the Company is a wholly equity financed company, capital comprises all components of equity (shares capital and accumulating losses) as mentioned on the face of balance sheet, and is raised as required, through the approval of the Board of Directors.

32. Date of authorisation for issue

These financial statements were authorised for issue on September 23rd, 2015 by the Board of Directors of the Company.

33. Corresponding figures

Corresponding figures have been re-arranged and re-classified wherever necessary, for the purposes of comparison. Significant re-arrangements made are as follows:

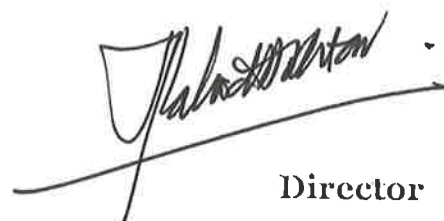
Rupees

Advertisement classified from 'Cost of sales and services' to 'Administration expenses'	2,109,411
Mini bar cost has been classified from 'Mini bar cost' to 'Food and beverage cost'	40,158

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Chief Executive



Director