NISHAT HOSPITALITY (PRIVATE) LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF NISHAT HOSPITALITY (PRIVATE) LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Nishat Hospitality (Private) Limited (the Company), which comprise the statement of financial position as at June 30, 2018, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the 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 statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the 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 June 30, 2018 and of the profit and other 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 *Auditor's Responsibilities for the Audit of the 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.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 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 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 auditor's report to the related disclosures in the 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 auditor's 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

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 statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the 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).

A F Ferguson & Co.

Chartered Accountants

Lahore, September 10, 2018

Engagement Partner: Muhammad Masood

NISHAT HOSPITALITY (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital			
120,000,000 (2017 : 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 (2017 : 119,999,901) ordinary shares of Rs 10 each	5	1,199,999,010	1,199,999,010
Accumulated loss		(171,030,547)	(174,458,397)
		1,028,968,463	1,025,540,613
NON - CURRENT LIABILITIES			
Accumulating compensated absences	6	2,447,059	3,240,594
CURRENT LIABILITIES			
Trade and other payables	7	21,509,517	21,015,595
Short term borrowings - unsecured	8	130,000,000	150,000,000
Accrued finance cost	9	369,699	351,370
		151,879,216	171,366,965
CONTINGENCIES AND COMMITMENTS	10		
		1,183,294,738	1,200,148,172

	Note	2018 Rupees	2017 Rupees
ASSETS			
NON - CURRENT ASSETS			
Property, plant and equipment	11	975,209,457	1,039,190,171
Intangible assets	12	6,201,910	11,696,000
Long term loan to an executive	13	848,664	-
Long term deposits		1,064,500	1,077,500
Deferred taxation	14	42,090,238	62,710,970
		1,025,414,769	1,114,674,641
CURRENT ASSETS			
Stores and spares		10,826,684	9,941,341
Stock-in-trade	15	791,687	1,089,945
Trade debts	16	30,963,422	37,766,512
Income tax recoverable		16,830,757	16,234,491
Advances, deposits, prepayments and other receivables	17	8,076,364	7,166,901
Cash and bank balances	18	90,391,055	13,274,341
		157,879,969	85,473,531
		1,183,294,738	1,200,148,172

The annexed notes 1 to 35 form an integral part of these financial statements.

Chief Executive

Director

NISHAT HOSPITALITY (PRIVATE) LIMITED

STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees
Revenue	19	353,737,744	365,723,468
Cost of sales and services	20	(267,086,081)	(277,752,100)
Gross profit		86,651,663	87,971,368
Administrative expenses	21	(47,994,179)	(49,634,879)
Other income	22	1,980,318	1,925,852
		40,637,802	40,262,341
Finance cost	23	(7,399,763)	(9,792,818)
Profit before taxation		33,238,039	30,469,523
Taxation	24	(29,810,189)	(20,301,752)
Profit after taxation		3,427,850	10,167,771
Earnings per share - basic and diluted	25	0.03	0.08

The annexed notes 1 to 35 form an integral part of these financial statements.

Chief Executive

Director

NISHAT HOSPITALITY (PRIVATE) LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2018

	2018 Rupees	2017 Rupees
Profit for the year	3,427,850	10,167,771
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss	-	-
Items that will not be reclassified subsequently to profit or loss	-	-
Total comprehensive income for the year	3,427,850	10,167,771

The annexed notes 1 to 35 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, 2018

	Rupees		
	Share capital	Accumulated loss	Total
Balance as on July 01, 2016	1,199,999,010	(184,626,168)	1,015,372,842
Profit for the year	-	10,167,771	10,167,771
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	10,167,771	10,167,771
Balance as on June 30, 2017	1,199,999,010	(174,458,397)	1,025,540,613
Profit for the year	-	3,427,850	3,427,850
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	3,427,850	3,427,850
Balance as on June 30, 2018	1,199,999,010	(171,030,547)	1,028,968,463

The annexed notes 1 to 35 form an integral part of these financial statements.

Chief Executive

Director

NISHAT HOSPITALITY (PRIVATE) LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees
Cash flows from operating activities			
Cash generated from operations	26	158,364,605	158,003,232
Retirement benefits paid		(733,613)	(258,390)
Finance cost paid		(7,381,434)	(10,159,048)
Income tax paid		(9,785,723)	(6,783,320)
Net cash generated from operating activities		140,463,835	140,802,474
Cash flows from investing activities			
Purchase of property, plant and equipment		(41,656,651)	(5,683,580)
Proceeds from sale of property, plant and equipment		-	1,561,300
Redemption of long term security deposits		13,000	-
Long term loan to an executive - net		(1,703,470)	-
Net cash used in investing activities		(43,347,121)	(4,122,280)
Cash flows from financing activities			
Repayment of short term borrowings - net		(20,000,000)	(142,000,000)
Net cash used in financing activities		(20,000,000)	(142,000,000)
Net increase / (decrease) in cash and cash equivalents		77,116,714	(5,319,806)
Cash and cash equivalents at the beginning of the year		13,274,341	18,594,147
Cash and cash equivalents at the end of the year		90,391,055	13,274,341

The annexed notes 1 to 35 form an integral part of these financial statements.

Chief Executive

Director

NISHAT HOSPITALITY (PRIVATE) LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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 (now the Companies Act, 2017 and hereinafter referred to as the 'Act'). 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 business place of the Company is sitauted at 9-A, Mian Mehmood Ali Kasuri Road, Gulberg-III, Lahore.The principal activity of the Company is to carry on the business of hotel, cafes, restaurants and bakers and confectioners.

2. Basis of preparation

2.1 These 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) issued by the International Accounting Standards Board as notified under the Act and provisions of and directives issued under the Act. Where provisions and directives issued under the Act differ from the IFRS, the provisions and directives issued under the Act have been followed.

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 July 01, 2017 but are considered not to be relevant or to have any significant effect on the Company's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in these financial statements, except for the following:

- International Accounting Standard ('IAS') 7, 'Cash flow statements: Disclosure initiative' (effective for periods beginning on or after January 1, 2017). This amendment requires disclosure to explain changes in liabilities for which cash flows have been, or will be classified as financing activities in the statement of cash flows. The amendment only covers statement of financial position items for which cash flows are classified as financing activities. In case other items are included within the reconciliation, the changes in liabilities arising from financing activities will be identified separately. A reconciliation of the opening to closing balance is not specifically required but instead the information can be provided in other ways. In the first year of adoption, comparative information need not be provided. The Company's current accounting treatment is already in line with the requirements of this standard.

- - IAS 12 'Income taxes' (Amendment), on recognition of deferred tax assets for unrealised losses. These amendments on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments clarify the existing guidance under IAS 12. They do not change the underlying principles for the recognition of deferred tax assets. Further, there are no debt instruments measured at fair value. The Company's current accounting treatment is already in line with the requirements of this standard.

The Companies Act, 2017 (the Act) has also brought certain changes with regard to preparation and presentation of financial statements of the company. These changes also include change in nomenclature of primary statements, etc.

Further, the disclosure requirements contained in the fourth schedule to the Act have been revised, resulting in the:

- Elimination of duplicative disclosures with the IFRS disclosure requirements; and
- Incorporation of significant additional disclosures.

Keeping in view of the above, the presentation of these financial statements has been realigned with the provisions contained in the Act. The application of the Act, however, does not have any impact in the recognition and measurement of the amounts included in these financial statements of the Company.

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 accounting standards and interpretations that are mandatory for the Company's accounting periods beginning on or after July 1, 2018 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, except for the following:

- IFRS 9, 'Financial instruments': This standard has been notified by the Securities and Exchange Commission of Pakistan ('SECP') to be effective for annual periods beginning on or after July 1, 2018. This standard replaces the guidance in IAS 39, 'Financial instruments: Recognition and measurement'. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model. The Company is yet to assess the full impact of the standard.

- IFRS 15, 'Revenue from contracts with customers': This standard has been notified by the SECP to be effective for annual periods beginning on or after July 1, 2018. This standard deals with revenue recognition and establishes principles for reporting useful information to users of the financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18, 'Revenue', and IAS 11, 'Construction contracts', and related interpretations. The Company is yet to assess the full impact of the standard.

- IFRS 16, 'Leases': This standard has been notified by the SECP to be effective for periods beginning on or after January 1, 2019. This standard replaces the current guidance in IAS 17, 'Leases' and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on statement of financial position) and an operating lease (off statement of financial position). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. It is unlikely that the standard will have any significant impact on the Company's financial statements.

- Amendments to IAS 19, 'Employee benefits' on plan amendment, curtailment or settlement', (effective for periods beginning on or after January 1, 2019). These amendments require an entity to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling. It is unlikely that the amendment will have any significant impact on the Company's financial statements.

- IFRIC 22, 'Foreign currency transactions and advance consideration' (effective for periods beginning on or after January 1, 2018). This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice. It is unlikely that the interpretation will have any significant impact on the Company's financial statements.

- IFRIC 23, 'Uncertainty over income tax treatments': (effective for periods beginning on or after 1 January 2019). This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRIC explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. The IFRIC applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. The Company is yet to assess the full impact of the interpretation.

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 to these financial statements. Not all of these significant policies require the management to make difficult, subjective or complex judgment 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 which have been explained as follows:

(a) Useful lives and residual values of property, plant and equipment

The Company reviews the useful lives of property, plant and equipment on regular basis. Any change in estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment.

(b) Provision for 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.

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.

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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.

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 statement of profit or loss, 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

4.2.1 Operating fixed assets

Operating fixed assets except freehold land are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at cost less any identified impairment loss.

Depreciation on operating fixed assets is charged to statement of profit or loss on the straight line method so as to write off the cost of an asset over its estimated useful life at the annual rates mentioned in note 11.1 after taking into account their residual values.

The assets' residual values and useful lives are reviewed, at each financial year end, and adjusted if impact on depreciation is significant. The company's estimate of the residual value of its operating fixed assets as at June 30, 2018, has not required any adjustment as its impact is considered insignificant.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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 included in the statement of profit or loss during the period in which they are incurred.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

4.2.2 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.

4.2.3 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.

4.3 Intangible assets

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 statement of profit or loss. 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 amortization charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

4.4 Trade debts

Trade debts and other receivables are recognized initially at invoice value, which approximates fair value, and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade debts and other receivables is established when there is objective evidence that the company will not be able to collect all the amount due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade debt is impaired. The provision is recognized in the statement of profit or loss. When a trade debt is uncollectible, it is written off against the provision. Subsequent recoveries of amounts previously written off are credited to the statement of profit or loss.

4.5 Employee retirement benefits

(a) Defined contribution plan - Provident Fund

There is an approved contributory provident fund for all permanent employees. Equal monthly contributions are made by the Company and the employees to the fund at the rate of 9.5% of basic salary.

(b) Accumulating compensated absences

The Company provides for accumulating compensated absences when the employees render services that increase their entitlement to future compensated absences in accordance with the the terms of employment. Under the terms, all employees are entitled to 25 days leave per year. Unavailed leaves for each year can be carried forward for 2 years and utilized at any time by all employees up to the accumulated balance. Provisions are made annually on the basis of unavailed accumulated leaves. The benefit is calculated with reference to last drawn salary and accumulated leave balances of the employees. The management is of the view that actuarial valuation will not result in any material adjustment to these financial statements. The liability has been accounted for on the basis that all employees leave at the balance sheet date.

Retirement benefits are payable to staff on completion of prescribed qualifying period of service under these schemes.

4.6 Stores and spares

Stores and spares are valued principally at lower of weighted average cost and net realizable value except for items in transit which are stated at invoice value plus other charges paid thereon. Provision in stores and spares is made for slow moving and obsolete items. Items considered unusable are written off against the provision.

4.7 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.

Provision is made in these financial statements for obsolete and slow moving stock-in-trade based on management's estimate. Items considered unusable are written off against the provision.

4.8 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.

4.9 Financial instruments

4.9.1 Classification

The company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available-for-sale and held to maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at the time of initial recognition.

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets if expected to be settled within twelve months, otherwise, they are classified as non current.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the balance sheet date, which are classified as non-current assets. Loans and receivables comprise loans, advances, deposits and other receivables and cash and cash equivalents in the balance sheet.

c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investments within twelve months from the balance sheet date.

d) Held to maturity

Financial assets with fixed or determinable payments and fixed maturity, where management has the intention and ability to hold till maturity are classified as held to maturity and are stated at amortized cost.

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4.9.2 Recognition and measurement

All financial assets are recognized at the time when the company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of investments are recognized on trade-date – the date on which the company commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the statement of profit or loss. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortized cost using the effective interest rate method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of profit or loss in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the statement of profit or loss as part of other income when the company's right to receive payments is established.

Changes in the fair value of securities classified as available-for-sale are recognized in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the statement of profit or loss as gains and losses from investment securities. Interest on available-for-sale securities calculated using the effective interest method is recognized in the statement of profit or loss. Dividends on available-for-sale equity instruments are recognized in the statement of profit or loss when the company's right to receive payments is established.

The fair values of quoted investments are based on current prices. If the market for a financial asset is not active (and for unlisted securities), the company measures the investments at cost less impairment in value, if any.

The company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial asset is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss is removed from equity and recognized in the statement of profit or loss. Impairment losses recognized in the statement of profit or loss on equity instruments are not reversed through the statement of profit or loss. Impairment testing of trade debts and other receivables is described in note 4.4.

4.9.3 Financial liabilities

All financial liabilities are recognized at the time when the company becomes a party to the contractual provisions of the instrument.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognized in the statement of profit or loss.

4.10 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

4.11 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.

4.12 Trade and other payables

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

4.13 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.

4.14 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.

4.15 Borrowing costs

Borrowing costs are recognized as an expense in the period in which they are incurred except where such costs are directly attributable to the acquisition, construction or production of a qualifying asset in which case such costs are capitalized as part of the cost of the asset up to the date of commissioning of the related asset.

4.16 Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable on the following basis:

Revenue is generally recognized as services are performed. Hotel revenue primarily represents room rentals and other ancillary service charges. Income on bank deposits is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return.

4.17 Leases

The company is the lessee:

4.17.1 Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss, unless it is included in the carrying amount of another asset, on a straight line basis over the lease term.

4.18 Foreign currency transactions and translation

a) 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). The financial statements are presented in Pak Rupees, which is the company's functional and presentation currency.

b) Transactions and balances

Foreign currency transactions are translated into Pak Rupees using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of profit or loss.

5. Issued, subscribed and paid up share capital

2018	2017		2018	2017
Number of shares			Rupees	Rupees
119,999,901	119,999,901	Ordinary shares of Rs 10 each fully paid in cash	1,199,999,010	1,199,999,010

Nishat Mills Limited, a related party (parent company), holds 119,999,898 ordinary shares of the Company as at June 30, 2018 (2017: 119,999,898).

	2018 Rupees	2017 Rupees
6. Accumulating compensated absences		

The movement in accumulating compensated absences for the year is as follows:

	2018	2017
Opening balance	3,240,594	2,736,208
Provision during the year	(59,922)	762,776
	3,180,672	3,498,984
Less: Payments made during the year	(733,613)	(258,390)
Closing balance	2,447,059	3,240,594

7. Trade and other payables

		2018	2017
Trade creditors	- note 7.1	14,894,952	12,608,411
Franchise fee payable		873,101	1,063,565
Accrued liabilities		2,688,990	2,496,194
Due to related party - the parent company	- note 7.2	89,496	89,496
Due to statutory authorities		1,959,057	2,029,835
Advances from customers		1,003,921	2,728,094
		21,509,517	21,015,595

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7.1 Trade creditors include amounts due to Nishat Hotels and Properties Limited, a related party (group company) amounting to Rs 2,247,639 (2017: Nil), which is also the maximum aggregate amount due to it at the end of any month during the year.

7.2 This amount is payable to related party Nishat Millls Limited, a related party (parent company), on account of reimbursement of expenses, which is also the maximum aggregate amount due to it at the end of any month during the year.

8. This represents short term borrowings acquired from Nishat Mills Limited, a related party (parent company). The amount is repayable on March 25, 2019. The markup charged during the year on the outstanding balance ranges from 2.43% to 3.98% (2017: 2.33% to 3.03%) per annum.

9. This represents accrued finance charges on the short term loan acquired from Nishat Mills Limited, a related party (parent company).

10. Contingencies and commitments

10.1 Contingencies

The Company has issued letter of guarantees of Rs 1,084,877 (2017: Rs 1,084,877) 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.

10.2 Commitments

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

	2018 Rupees	2017 Rupees
Not later than one year	20,160,364	18,327,604
Later than one year and not later than five years	135,389,072	123,081,039
Later than five years - cannot be determined due to unspecified period of the agreement	-	-
	155,549,436	141,408,643

11. Property, plant and equipment

Operating fixed assets	- note 11.1	959,864,204	1,037,147,585
Capital work in progress	- note 11.2	12,450,203	-
Major spare parts and stand by equipment	- note 11.3	2,895,050	2,042,586
		975,209,457	1,039,190,171

11.1 Operating fixed assets

	Land	Building	Plant and machinery	Electric installations	Office equipment	Furniture, fixture and fittings	Computers	Vehicles	Kitchen equipments	Crockery	Total
	(Rupees)										
	- note 11.1.1										
COST											
Balance as at July 01, 2016	19,129,036	960,428,054	129,708,811	207,216,038	10,751,584	95,804,641	11,405,755	10,028,972	17,993,962	14,658,540	1,477,125,393
Additions during the year	-	4,349,204	713,609	392,556	-	-	32,298	-	297,600	-	5,785,267
Deletions during the year	-	(698,551)	-	-	-	-	-	(906,452)	-	-	(1,605,003)
Balance as at June 30, 2017	19,129,036	964,078,707	130,422,420	207,608,594	10,751,584	95,804,641	11,438,053	9,122,520	18,291,562	14,658,540	1,481,305,657
Balance as at July 01, 2017	19,129,036	964,078,707	130,422,420	207,608,594	10,751,584	95,804,641	11,438,053	9,122,520	18,291,562	14,658,540	1,481,305,657
Additions during the year	-	12,251,214	2,140,734	4,659,086	-	7,899,262	-	-	1,403,689	-	28,353,985
Deletions during the year	-	-	-	-	-	-	-	-	-	-	-
Balance as at June 30, 2018	19,129,036	976,329,921	132,563,154	212,267,680	10,751,584	103,703,903	11,438,053	9,122,520	19,695,251	14,658,540	1,509,659,642
DEPRECIATION											
Balance as at July 01, 2016	-	206,740,776	27,537,926	43,721,005	2,205,779	20,551,052	6,283,453	4,113,054	7,257,429	8,811,459	327,221,933
Charge for the year	-	75,751,789	10,256,788	16,368,188	854,581	7,525,359	1,542,372	1,151,128	2,152,362	1,929,536	117,532,103
On deletions during the year	-	(154,330)	-	-	-	-	-	(441,634)	-	-	(595,964)
Balance as at June 30, 2017	-	282,338,235	37,794,714	60,089,193	3,060,360	28,076,411	7,825,825	4,822,548	9,409,791	10,740,995	444,158,072
Balance as at July 01, 2017	-	282,338,235	37,794,714	60,089,193	3,060,360	28,076,411	7,825,825	4,822,548	9,409,791	10,740,996	444,158,073
Charge for the year - note 11.1.2	-	68,463,622	9,340,945	14,920,804	769,122	6,901,763	1,083,668	859,994	2,004,657	1,292,790	105,637,365
On deletions during the year	-	-	-	-	-	-	-	-	-	-	-
Balance as at June 30, 2018	-	350,801,857	47,135,659	75,009,997	3,829,482	34,978,174	8,909,493	5,682,542	11,414,448	12,033,786	549,795,438
Book value as at June 30, 2018	19,129,036	625,528,064	85,427,495	137,257,683	6,922,102	68,725,729	2,528,560	3,439,978	8,280,803	2,624,754	959,864,204
Book value as at June 30, 2017	19,129,036	681,740,472	92,627,706	147,519,401	7,691,224	67,728,230	3,612,228	4,299,972	8,881,771	3,917,545	1,037,147,585
Annual depreciation rate	-	10%	10%	10%	10%	10%	30%	20%	20%	33%	

11.1.1 This represents the land measuring 3,550 square feet, situated at 93, A- III, Gulberg III having a covered area of 2,250 square feet, purchased for the residence of employees.

11.1.2 The depreciation charge for the year has been allocated as follows:

		June 30 2018	June 30 2017
		Rupees	
Cost of sales and services	- note 20	95,073,628	105,778,893
Administrative expenses	- note 21	10,563,737	11,753,210
		105,637,365	117,532,103

11.1.3 Detail of operating fixed assets, exceeding the book value of Rs 500,000, disposed off during the year is as follows:

No operating fixed assets were disposed off during the year.

Particulars of assets	Sold to	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain on disposal	Mode of disposal
		2017					
Building	Security General Insurance Company Limited	698,551	154,330	544,221	1,050,000	505,779	Insurance claim
Vehicle	Nishat Hotels and Properties Limited	906,452	441,634	464,818	511,300	46,482	Transfer
		1,605,003	595,964	1,009,039	1,561,300	552,261	

11.1.4 All assets classified in operating fixed assets are in the name of the company and in company's possession and control.

	2018 Rupees	2017 Rupees

11.2 Capital work in progress

	2018 Rupees	2017 Rupees
Building on leasehold land	12,035,769	-
Unallocated expenses	414,434	-
	12,450,203	-

11.2.1 The reconciliation of the carrying amount is as follows:

	2018 Rupees	2017 Rupees
Opening balance	-	-
Additions during the year	19,114,065	
	19,114,065	-
Transfers during the year	(6,663,862)	-
Closing balance	12,450,203	-

11.3 Major spare parts and stand by equipment

	2018 Rupees	2017 Rupees
Opening balance	2,042,586	2,144,273
Additions during the year	13,130,207	844,294
	15,172,793	2,988,567
Transferred to operating fixed assets	(12,277,743)	(847,889)
Charged to consumption	-	(98,092)
Closing balance	2,895,050	2,042,586

12. Intangible assets

		Franchise fee	Computer software Rupees	Total
COST				
Balance as at July 01, 2016		9,834,735	17,635,713	27,470,448
Additions during the year		-	-	-
Balance as at June 30, 2017		9,834,735	17,635,713	27,470,448
Balance as at July 01, 2017		9,834,735	17,635,713	27,470,448
Additions during the year		-	-	-
Balance as at June 30, 2018		9,834,735	17,635,713	27,470,448
AMORTIZATION				
Balance as at July 01, 2016		4,197,950	6,082,408	10,280,358
Charge for the year		1,966,947	3,527,143	5,494,090
Balance as at June 30, 2017		6,164,897	9,609,551	15,774,448
Balance as at July 01, 2017		6,164,897	9,609,551	15,774,448
Charge for the year	- note 20	1,966,947	3,527,143	5,494,090
Balance as at June 30, 2018		8,131,844	13,136,694	21,268,538
Written down value as at June 30, 2018		**1,702,891**	**4,499,019**	**6,201,910**
Written down value as at June 30, 2017		**3,669,838**	**8,026,162**	**11,696,000**
Annual amortization rate		**20%**	**20%**	

Amortization charge during the year has been allocated to administrative expenses.

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13. Long term loan to an executive		2018 Rupees	2017 Rupees
Considered good:			
Long term loan to an executive		1,247,471	-
Less: Current portion of long term loan to an executive shown under current assets	- note 17	(398,807)	-
		848,664	-

13.1 The reconciliation of the carrying amount is as follows:

Opening balance	-	-
Add: Disbursements during the year	2,000,000	-
Less: Loss on initial recognition	(594,164)	-
Add: Income earned during the year	138,165	-
Less: Repayments during the year	(296,530)	-
	1,247,471	-
Less: Current portion of long term loan to an executive shown under current asse	(398,807)	-
Closing balance	848,664	-

13.2 Long term loan to an executive represents an interest free loan provided on special approval of the Chief Executive Officer of the Company, to the chef, for acquiring a car. The loan is repayable in three years in equal monthly installments commencing from February 2018. The maximum amount of loan outstanding at any time during the year was Rs 2,000,000 (June 30, 2017: Nil). The title of the car is in name of the Company as a security against the loan.

14. Deferred taxation

14.1 Defered tax is calculated on temporary differences under the statement of financial position liability method.

The movement is as follows:

	2018 Rupees	2017 Rupees
Opening deferred tax	62,710,970	75,099,897
Charged to the statement of profit and loss	(20,620,732)	(12,388,927)
Closing deferred tax	42,090,238	62,710,970

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

Deferred tax liability		
Accelerated tax depreciation	79,346,079	98,361,719
Deferred tax asset		
Deferred liabilities - accumulating compensated absences	(776,430)	(972,178)
Unabsorbed tax losses and tax credits	(120,659,887)	(160,100,511)
	(42,090,238)	(62,710,970)

14.1 Deferred tax asset on tax losses available for carry forward and those representing minimum tax paid available for carry forward u/s 113 and 153 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 asset of Rs 26,324,121 (2017: Rs 17,249,217) in respect of minimum tax paid and available for carry forward u/s 113 and 153 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 and 153 aggregating to Rs 2,654,737, Rs 6,567,103,Rs. 7,912,825 and Rs. 9,189,457 would not be available for carry forward against future tax liabilities subsequent to tax years , 2020, 2021,2022 and 2023 respectively.

14.2 Under the Finance Act 2018, a change in corporate tax rate from 30% to 29% was enacted for tax yer 2019. The said tax rate was gradually decrease by 1% over a period of four years. Therefore, the deferrred tax assets and liabilities have been recognised accordingly using the applicable rate.

15. This represents food and beverage items.

16. Trade debts - unsecured

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

	2018 Rupees	2017 Rupees
Nishat Mills Limited - parent company	-	-
MCB Bank Limited - due to common directorship	107,201	1,090,734
Nishat Hotels & Properties Limited - group company	-	1,003,143
Lalpir Power Limited - group company	-	98,355
Nishat Chunian Limited - due to common directorship	38,355	-
Nishat Power Limited - group company	-	253,769
Nishat Linen (Pvt) Limited - group company	50,112	-
Nishat Dairy (Pvt) Limited - group company	-	-
Hyundai Nishat Motor (Pvt) Limited - group company	-	1,033,178
Pakistan Aviators and Aviation (Pvt) Limited - due to common directorship	-	-
Pakgen Power Limited - group company	-	45,120
Adamjee Insurance Company Limited - due to common directorship	65,162	101,282
Adamjee Life Assurance Company Limited - due to common directorship	56,783	147,035
D.G. Khan Cement Company Limited - group company	92,799	545,942
	410,412	4,318,558

Ageing analysis of the amounts due from related parties and maximum aggregate balance outstanding at any given time in a year is as follows:

	1 to 3 months	More than 3 months	Total	Maximum balance
	Rupees			
Nishat Mills Limited - parent company	-	-	-	456,004
MCB Bank Limited - due to common directorship	107,201	-	107,201	2,874,958
Nishat Hotels & Properties Limited - group company	-	-	-	1,150,145
Lalpir Power Limited - group company	-	-	-	119,869
Nishat Chunian Limited - due to common directorship	38,355	-	38,355	38,353
Nishat Power Limited - group company	-	-	-	307,133
Nishat Linen (Pvt) Limited - group company	50,112	-	50,112	136,555
Nishat Dairy (Pvt) Limited - group company	-	-	-	-
Hyundai Nishat Motor (Pvt) Limited - group company	-	-	-	73,080
Pakistan Aviators and Aviation (Pvt) Limited - due to common directorship	-	-	-	-
Pakgen Power Limited - group company	-	-	-	19,023
Adamjee Insurance Company Limited - due to common directorship	65,162	-	65,162	134,646
Adamjee Life Assurance Company Limited - due to common directorship	56,783	-	56,783	140,070
D.G. Khan Cement Company Limited - group company	92,799	-	92,799	611,835
	410,412	-	410,412	

Ageing analysis of the amounts due from related parties and maximum aggregate balance outstanding at any given time in during the last year is as follows:

	1 to 3 months	More than 3 months	Total	Maximum balance
		Rupees		
Nishat Mills Limited - parent company	-	-	-	987,140
MCB Bank Limited - due to common directorship	-	1,090,734	1,090,734	2,093,829
Nishat Hotels & Properties Limited - group company	954,521	48,622	1,003,143	2,464,639
Lalpir Power Limited - group company	38,750	59,605	98,355	436,275
Nishat Power Limited - group company	84,089	169,680	253,769	735,170
Hyundai Nishat Motor (Pvt) Limited - group company	1,033,178	-	1,033,178	1,033,178
Pakgen Power Limited - group company	45,120	-	45,120	361,800
Adamjee Insurance Company Limited - due to common directorship	33,784	67,498	101,282	249,281
Adamjee Life Assurance Company Limited - due to common directorship	48,794	98,241	147,035	244,693
D.G. Khan Cement Company Limited - group company	545,942	-	545,942	599,812
	2,784,178	1,534,380	4,318,558	

		2018 Rupees	2017 Rupees
17. Advances, deposits, prepayments and other receivables			
Advances - considered good			
- To employees	- note 17.1	256,280	249,607
- To suppliers		3,135,051	2,411,772
		3,391,331	2,661,379
Current portion of long term loan to an executive	- note 13	398,807	-
Prepayments	- note 17.2	1,258,724	2,119,305
Balances with statutory authorities - sales tax (considered good)			
- Sales tax		2,380,268	2,054,416
- Excise duty		636,234	320,801
		3,016,502	2,375,217
Other receivables - considered good		11,000	11,000
		8,076,364	7,166,901

17.1 Included in advances to employees is an amount due from an executive amounting nil (2017: Rs 10,000).

17.2 Included in prepayments is an amount due from Security General Insurance Company Limited, a related party (due to common directorship) of Rs 508,831 (2017: Rs 546,147) and Adamjee Life Assurance Limited, a related party (due to common directorship) of nil (2017: Rs 54,886).

		2018 Rupees	2017 Rupees
18. Cash and bank balances			
Balance at bank in:			
- Current accounts	- note 18.1	87,738,311	10,752,009
- Saving account	- note 18.2	2,008,588	1,941,006
		89,746,899	12,693,015
Cash in hand		644,156	581,326
		90,391,055	13,274,341

18.1 Included in current accounts is an amount of deposit with MCB Bank Limited - a related party (due to common directorship) of Rs 86,558,846 (2017: Rs 8,587,734).

18.2 The balance in saving account bears markup at 3.40% (2017: 3.15%) per annum.

			2018 Rupees	2017 Rupees
19. Revenue				
Room rent		- note 19.1	337,344,978	343,995,081
Services		- note 19.2	73,277,120	80,598,263
			410,622,098	424,593,344
Less:	Sales tax		56,884,354	58,869,876
			353,737,744	365,723,468

19.1 This includes revenue from providing laundry, food services, sale of minibar items and other ancillary services.

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

	2018 Rupees	2017 Rupees
Nishat Mills Limited - parent company	851,649	1,494,114
D.G. Khan Cement Company Limited - group company	1,109,714	1,711,470
MCB Bank Limited - due to common directorship	3,715,784	1,803,611
Lalpir Power Limited - group company	199,497	618,678
Nishat Dairy (Pvt) Limited - group company	-	289,432
Nishat Hotels & Properties Limited - group company	225,261	1,340,999
Nishat Linen (Pvt) Limited - group company	304,361	66,178
Nishat Power Limited - group company	336,095	699,441
Hyundai Nishat Motor (Pvt) Limited - group company	73,292	1,033,178
Adamjee Insurance Company Limited - due to common directorship	363,125	164,645
Adamjee Life Assurance Company Limited - due to common directorship	367,682	704,580
Nishat Chunian Limited - due to common directorship	38,355	236,380
Pakgen Power Limited - group company	35,728	361,800
	7,620,543	10,524,506

20. Cost of sales and services		**2018 Rupees**	**2017 Rupees**
Salaries, wages and other benefits	- note 20.1	51,985,997	49,153,874
Fuel, electricity and gas		27,859,285	28,456,551
Food and beverage cost		26,870,607	30,605,511
License Fee		1,248,616	1,222,487
Uniform cost		319,129	295,802
Decoration expenses		684,945	1,327,406
Royalty	- note 20.2	14,540,783	14,828,683
Guest transportation charges		997,879	776,546
Guest supplies		7,572,087	5,230,325
Newspapers and journals		440,432	432,772
Advertisement and business promotion		3,713,657	3,873,848
Rent	- note 20.3	16,494,845	14,995,312
Laundry and dry cleaning		218,759	272,300
Cleaning supplies		2,822,327	2,960,617
Communication charges		2,456,316	2,688,659
Traveling and conveyance		170,985	194,440
Printing and stationary		786,319	769,034
Repair and maintenance		5,037,912	5,974,607
Depreciation on property, plant and equipment	- note 11.1.2	95,073,628	105,778,893
Amortisation of intangible assets	- note 12	5,494,090	5,494,090
Insurance		2,161,128	2,259,390
Miscellaneous expenses		136,355	160,953
		267,086,081	277,752,100

20.1 Salaries, wages and other benefits includes Rs 1,768,271 (2017: Rs 2,257,880) and nil (2017: Rs 419,527), in respect of provident fund contribution by the Company and provision for compensated absences respectively.

20.2 This represents the amount of Royalty being paid to Saint James's Club Limited, London.

20.3 This represents expense against use of leave and license of land of Nishat Mills Limited, a related party (parent company).

21. Administrative expenses		**2018 Rupees**	**2017 Rupees**
Salaries, wages and other benefits	- note 21.1	30,131,275	29,240,443
Fees and subscription		44,600	44,600
Printing and stationery		203,230	169,360
Auditor's remuneration	- note 21.2	2,026,781	1,178,894
Rent, rates and taxes	- note 21.3	2,940,514	4,659,311
Entertainment		100,600	127,999
Traveling and conveyance		30,427	7,550
Repair and maintenance		773,382	1,110,410
Legal and professional charges		410,958	652,993
Depreciation on property, plant and equipment	- note 11.1.1	10,563,737	11,753,210
Postage and telegram		44,777	40,204
Communication charges		28,510	50,269
Insurance		86,153	146,656
Computer supplies		122,570	226,402
Miscellaneous expenses		486,665	226,578
		47,994,179	49,634,879

21.1 Salaries, wages and other benefits includes Rs 1,839,191 (2017: Rs 1,356,045) and nil (2017: Rs 343,249), in respect of provident fund contribution by the Company and provision for compensated absences respectively.

		2018 Rupees	2017 Rupees
21.2 Auditor's remuneration			
Audit fee		744,453	695,750
Out of pocket expenses		104,978	65,190
Other assurance and certificates charges		1,177,350	417,954
		2,026,781	1,178,894

21.3 Includes expense of Rs 1,832,760 (2017: Rs 1,666,146) against use of leave and licence of land of Nishat Mills Limited, a related party (parent company).

		2018 Rupees	2017 Rupees
22. Other income			
Income from financial assets			
Income on saving account		75,485	70,694
Income from long term loan to an executive		138,165	-
Exchange gain		412,932	260,306
		626,582	331,000
Income from non-financial assets			
Scrap sales		688,785	233,994
Liabilities written back		-	162,584
Profit on disposal of property, plant and equipment	- note 11.2	-	552,261
Miscellaneous		664,951	646,013
		1,353,736	1,594,852
		1,980,318	1,925,852
23. Finance cost			
Markup on short term borrowings	- note 23.1	4,202,230	5,793,269
Bank charges		3,197,533	3,999,549
		7,399,763	9,792,818

23.1. This represents markup on short term borrowings acquired from Nishat Mills Limited - a related party (parent company).

	2018 Rupees	2017 Rupees
24. Taxation		
Current:		
- for the year	9,189,457	7,912,825
- prior year	-	-
	9,189,457	7,912,825
Deferred	20,620,732	12,388,927
	29,810,189	20,301,752

	2018 Rupees	2017 Rupees
24.1 Tax charge reconciliation		
Numerical reconciliation between the average effective tax rate and the applicable tax rate		
Applicable tax rate	30.00	31.00
Tax effect of amounts that are:		
- Effect of change in tax rate	32.75	(1.01)
- Change in prior year's tax	(0.53)	10.50
- Minimum tax for which no deferred tax asset has been recognized	27.65	25.97
- Others	(0.18)	0.17
	59.69	35.63
Average effective tax rate	89.69	66.63

24.2 In view of the available income tax loss, the provision for current taxation represents tax under section 153 '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, 2018 are estimated approximately at Rs 482,639,546 (2017: Rs 533,668,369).

24.3 Management assessment on sufficiency of provision for income taxes

	2017	2016	2015
Tax assessed as per most recent tax assessment	6,471,211	5,357,436	2,654,737
Provision in accounts for income tax	7,912,825	6,567,103	2,654,737

The tax assessed as per most recent tax assessment for the year 2017 and 2016 is based on "deemed assessment" as per income tax return filed for the respective years.

As at June 30, 2018, as per the treatments adopted in tax returns filed that are based on the applicable tax laws and decisions of appellate authorities on similar matters, the provision in accounts for income tax is sufficient as there are strong grounds that the said treatments are likely to be accepted by the tax authorities.

25. Earnings per share

25.1 Earnings per share - basic

Earnings for the year	**Rupees**	3,427,850	10,167,771
Weighted average number of ordinary shares	**Number**	119,999,901	119,999,901
Earnings per share - basic	**Rupees**	0.03	0.08

25.2 Earnings per share - diluted

A diluted profit per share has not been presented as the Company does not have any convertible instruments in issue as at June 30, 2018 and June 30, 2017 which would have any effect on the earnings per share if the option to convert is exercised.

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	2018 Rupees	2017 Rupees

26. Cash generated from operations

	2018 Rupees	2017 Rupees
Profit before taxation	33,238,039	30,469,523
Adjustment for non-cash charges and other items:		
- Depreciation on property, plant and equipment	105,637,365	117,532,103
- Amortization on intangible assets	5,494,090	5,494,090
- Provision for accumulated compensated absences	-	762,776
- Liabilities written back	(59,922)	(162,584)
- Loss on initial recognition of long term loan to executive	594,164	-
- Income on long term loan to executive	(138,165)	-
- Finance cost	7,399,763	9,792,818
- Gain on disposal	-	(552,261)
Profit before working capital changes	152,165,334	163,336,465
Effect on cash flow due to working capital changes:		
- Decrease/ (Increase) in trade debts	6,803,090	(6,255,560)
- Increase in stores and spares	(885,343)	(1,145,018)
- Decrease in stock-in-trade	298,258	190,662
- (Increase)/ Decrease in advances, deposits, prepayments and other receivables	(510,656)	725,360
		-
- Increase in trade and other payables	493,922	1,151,323
	6,199,271	(5,333,233)
	158,364,605	158,003,232

27. Remuneration of Chief Executive, Directors and Executives

27.1 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:

	2018		
	Rupees		
	Chief Executive	Directors	Executives
Short term employee benefits			
Managerial remuneration	-	-	4,670,660
Housing rent	-	-	1,380,504
Medical expenses	-	-	805,172
Bonus	-	-	565,000
Adhoc allowance	-	-	7,200
Meal allowance	-	-	-
Cost of living allowance	-	-	6,300
Special allowance	-	-	7,200
Utilities	-	-	467,068
	-	-	7,909,104
Post employment benefits			
Contribution to provident fund	-	-	445,004
Other long term benefits			
Accumulating compensated absences	-	-	-
	-	-	8,354,108
Number of persons	1	3	3

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	2017		
	Rupees		
	Chief Executive	Directors	Executives *
Short term employee benefits			
Managerial remuneration	-	-	9,112,401
Housing rent	-	-	2,700,950
Medical expenses	-	-	1,488,042
Bonus	-	-	1,000,000
Adhoc allowance	-	-	11,400
Meal allowance	-	-	-
Cost of living allowance	-	-	9,975
Special allowance	-	-	11,400
Utilities	-	-	911,237
	-	-	15,245,405
Post employment benefits			
Contribution to provident fund	-	-	799,816
Other long term benefits			
Accumulating compensated absences	-	-	811,012
	-	-	16,856,233
Number of persons	1	3	5

** Comparative figures have been restated to reflect changes in the definition of executive as per the Companies Act, 2017.*

The Company also provides certain executives with company maintained cars.

28. Transactions with related parties

The related parties include the parent company, group companies, related parties on the basis of common directorship, key management personnel and post employment benefit plans. The Company in the normal course of business carries out transactions with various related parties. Details of related parties (with whom the Company has transacted) alongwith relationship and transactions with related parties , other than those which have been disclosed elsewhere in these finacial statements, are as follows:

		2018 Rupees	2017 Rupees
Relationship with the Company	**Nature of transaction**		
i. Parent company	Repayments of short term borrowings	20,000,000	142,000,000
	Markup paid on short term borrowings	4,183,901	6,159,499
	Purchase of goods and services	18,327,605	16,661,458
	Sale of services	851,649	1,494,114
ii. Other related parties	Purchase of goods and services	6,454,849	4,366,176
	Sale of services	6,768,894	9,030,392
iii. Post employment benefit plans	Expense charged in respect of retirement benefit plans - Provident Fund	3,607,462	3,613,925

29. Capacity

		2018	2017
Nishat Suites - Average occupancy	% age	75	79
Total rooms available during the year		22,570	22,326

30. Number of employees

	2018	2017
Total number of employees as at June 30	169	168
Average number of employees during the year	169	174

31. Provident fund

			2018 Rupees	2017 Rupees
(i)	Size of the Fund		17,600,169	17,664,969
(ii)	Cost of investments made		16,469,211	17,055,305
(iii)	Fair value of investments	- note 31.1	16,469,211	17,055,305
(iv)	Percentage of investments made		94%	97%

31.1 The breakup of fair value of investments is:

	2018		2017	
	Rupees	% age of size of fund	Rupees	% age of size of fund
Investment in Listed Debt Securities	-	-	-	-
Investment in Listed Equity Securities	-	-	-	-
Investment in Listed Debt Collective Investment Schemes	1,109,428	6%	16,586,346	94%
Investment in Listed Equity Collective Investment Schemes	14,855,431	84%	2,031	0%
Investment in Government Securities	-	-	-	-
Bank Balances	504,352	3%	466,928	3%
	16,469,211	94%	17,055,305	97%

The figures for 2018 are based on the unaudited draft financial statements of the Provident Fund. The investments out of the Provident Fund have been made in accordance with the provisions of section 218 of the Act and the Employees' Provident Fund (Investment in Listed Securities) Rules, 2016 ('Rules') formulated for this purpose except for:

- Investment in listed collective investment schemes in excess of 50% of the size of the fund.

- Investment in listed equity collective investment scheme in excess of 30% of the size of the fund.

- Aggregate investment in any single listed equity collective investment scheme in excess of 10% of the size of the fund.

However, as per S.R.O 770(1)/2016 dated August 17, 2016, a transition period of 2 years from the date of the said S.R.O has been granted to bring all the investments of the provident fund in conformity with the provisions of the above Rules.

32. Financial risk management

32.1 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.

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.

(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.

(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.

	2018 Rupees	2017 Rupees
Fixed rate instruments:		
Financial assets		
Bank balances - saving account	2,008,588	1,941,006
Financial liabilities	-	-
Net exposure	2,008,588	1,941,006
Floating rate instruments:		
Financial assets	-	-
Financial liabilities		
Short term borrowings	130,000,000	150,000,000
Net exposure	130,000,000	150,000,000

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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 rate at the balance sheet date would not affect profit or loss of the Company.

Cash flow sensitivity analysis for floating rate instruments

If interest rates on floating rate financial instruments, at the year end date, fluctuate by 1% higher/lower with all other variables held constant, pre tax profit for the year would have been Rs 1,301,000 (2017: Rs 1,500,847) lower/higher, mainly as a result of higher/lower interest expense on floating rate instruments.

(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:

	2018 Rupees	2017 Rupees
Long term deposit	1,064,500	1,077,500
Long term loan to executive	848,664	-
Trade debts - unsecured	30,963,422	37,766,512
Advances, deposits, prepayments and other receivables	409,807	11,000
Bank balances	89,746,899	12,693,015
	123,033,292	51,548,027

The Company's exposure to credit risk is limited to the carrying amount of unsecured trade receivables and bank balances. The ageing analysis of trade receivables balances is as follows:

	2018 Rupees	2017 Rupees
Past due but not impaired:		
1 to 90 days	11,986,489	14,891,051
91 to 180 days	6,521,929	8,160,897
181 to 270 days	6,704,448	8,737,999
above 270 days	5,750,556	5,976,565
	30,963,422	37,766,512

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

	Rating		Rating	2018	2017
	Short term	Long term	Agency	Rupees	Rupees
MCB Bank Limited	A1+	AAA	PACRA	86,558,846	8,586,834
National Bank of Pakistan	A1+	AAA	PACRA	1,156,767	2,091,132
Bank Alfalah Limited	A1+	AA+	PACRA	2,031,286	2,015,049
				89,746,899	12,693,015

(c) Liquidity risk

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

The following are the contractual maturities of financial liabilities:

	Carrying amount Rupees	Less than one year Rupees	More than one year Rupees
At June 30, 2018			
Accrued finance cost	369,699	369,699	-
Trade and other payables	21,509,517	21,509,517	-
Short term borrowings - unsecured	130,000,000	130,000,000	-
	151,879,216	151,879,216	-
At June 30, 2017			
Accrued finance cost	351,370	351,370	-
Trade and other payables	16,489,566	16,489,566	-
Short term borrowings - unsecured	150,000,000	150,000,000	-
	166,840,936	166,840,936	-

32.2 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.

32.3 Financial instruments by categories

	Available-for-sale	Assets at fair value through profit or loss	Held to maturity	Loans and receivables	Total
			Rupees		
As at June 30, 2018					
Assets as per balance sheet					
Long term deposit	-	-	-	1,064,500	1,064,500
Long term loans and advances	-	-	-	848,664	848,664
Trade debtors	-	-	-	30,963,422	30,963,422
Advances, deposits and other receivables	-	-	-	409,807	409,807
Cash and bank balances	-	-	-	90,391,055	90,391,055
	-	-	-	123,677,448	123,677,448

	Available-for-sale	Assets at fair value through profit or loss	Held to maturity	Loans and receivables	Total
			Rupees		
As at June 30, 2017					
Assets as per balance sheet					
Long term deposit	-	-	-	1,077,500	1,077,500
Long term loans and advances	-	-	-	-	-
Trade debtors	-	-	-	37,766,512	37,766,512
Advances, deposits and other receivables	-	-	-	2,672,379	2,672,379
Cash and bank balances	-	-	-	13,274,341	13,274,341
	-	-	-	54,790,732	54,790,732

Liabilities as per balance sheet	Financial liabilities at amortised cost	
	2018 **Rupees**	**2017** **Rupees**
Accrued finance cost	369,699	351,370
Trade and other payables	21,509,517	16,489,566
Short term borrowings - unsecured	130,000,000	150,000,000
	151,879,216	166,840,936

32.4 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.

33. Summary of significant transactions and events

The provisions of the forth schedule to the Companies Act, 2017 became applicable to the Company for the first time in the preparation of these financial statements as detailed in note 2.2.1.

34. Date of authorisation for issue

These financial statements were authorised for issue on September 10th, 2018 by the Board of Directors of the Company.

35. Corresponding figures

The forth schedule to the Act has introduced certain presentation and classification requirements for the elements of financial statements. The preparation and presentation of these financial statements for the year ended June 30, 2018 is in accordance with the requirements in Act. Accordingly, the corresponding figures have been rearranged and reclassified, wherever necessary, to comply with the requirements of the Act. Such rearrangements and reclassifications made during the year are, however not significant, except for the following:

	Rupees
Business promotion expenses classified from 'Administrative expenses' to 'Cost of sales and services'	3,873,848

Chief Executive

Director