



Pearl-Continental
HOTELS & RESORTS



Condensed Interim
Financial Information (Unaudited)
for the six months period ended December 31, 2010



PAKISTAN SERVICES LTD.



Pearl Continental Hotel, Bhurban

Vision Statement

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

Mission Statement

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

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

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

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

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



PEARL-CONTINENTAL HOTEL, PESHAWAR

Corporate Profile/ Information

Pearl Continental Hotels, a chain owned and operated by Pakistan Services Limited ("the Company"), sets the international standards for quality hotel accommodation in South Asia. The Company manages 6 luxury hotels at Karachi, Lahore, Rawalpindi, Peshawar, Bhurban and Muzaffarabad; comprising 1,402 rooms with registered office in Islamabad, Pakistan.

BOARD OF DIRECTORS

Mr. Sadruddin Hashwani Chairman
Mr. Murtaza Hashwani Chief Executive Officer
Ms. Sarah Hashwani
Mr. M. A. Bawany
Mr. Mansoor Akbar Ali
Syed Sajid Ali
Mr. Muhammad Rafique
Mr. Rolf Richard Bauer
Mr. Bashir Ahmed

AUDIT COMMITTEE

Mr. Sadruddin Hashwani
Ms. Sarah Hashwani
Mr. Mansoor Akbar Ali
Syed Sajid Ali

COMPENSATION COMMITTEE

Mr. Sadruddin Hashwani
Mr. Murtaza Hashwani
Mr. M. A. Bawany

HUMAN RESOURCE & RECRUITMENT COMMITTEE

Mr. Sadruddin Hashwani
Mr. Murtaza Hashwani
Mr. M. A. Bawany
Mr. Bashir Ahmed

CHIEF FINANCIAL OFFICER

Mr. Muhammad Rafique

COMPANY SECRETARY

Mr. Mansoor Khan

AUDITORS

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

LEGAL ADVISOR

M/s Liaquat Merchant & Associates

BANKERS

Allied Bank Limited
Habib Bank Limited
JS Bank Limited
KASB Bank Limited
mybank Limited
NIB Bank Limited
National Bank of Pakistan
Silkbank Limited
Soneri Bank Limited
The Bank of Khyber
United Bank Limited

REGISTERED OFFICE

3rd Floor, Saudi Pak Tower, 61/A,
Jinnah Avenue, Islamabad.
Tel: 0092-51-2800148
Fax: 0092-51-2800063
<http://www.pchotels.com>
<http://www.pchotels.biz>
<http://www.pchotels.com.pk>
<http://www.pearlcontinental.biz>
<http://www.pearlcontinental.com.pk>
<http://www.hashoogroup.com>
<http://www.hashoogroup.com.pk>
<http://www.hashoogroup.biz>
<http://www.hashoogroup.info>
<http://www.hashoo.info>

SHARE REGISTRAR

M/s Technology Trade (Private) Limited.
Dagja House, 241-C, Block-2, PECHS,
Off Shahrah-e-Quaideen, Karachi.

Directors' Report

Dear Members

The Board of Directors of Pakistan Services Limited ("PSL" or "the Company") takes pleasure in presenting the unaudited condensed interim financial information of the Company for the six months period ended on 31 December 2010 along with the Auditors' review report thereon, as required under the Code of Corporate Governance.

Overview

The national economy continues to show signs of recovery despite the fact that the country is still reeling from the aftermath of unprecedented floods of 2010. The Government is addressing the issues of shortages of electrical energy and gas, which do directly impact on our economy. The price structure of all sources of energy - petroleum products, gas and electricity is in the process of upward revision due to gradual withdrawal of Government subsidies. The security situation shows signs of stability, but sporadic terrorism incidents are still there. The situation has remained more or less stable in terms of visitors from abroad with slight increase in numbers especially of those connected with activities and events within the country. We expect that the conditions will further improve for the hotel trade and it will once again flourish with economic growth and political stability. Our goal is to maintain high occupancy with the best possible Average Daily Room Rate (ADRR).

Our continual programme designed for non-stop improvement of hotel properties is a hallmark feature of your Company. The goal is to gain competitive edge through product excellence in comparison with others in the industry. During the reviewing period, we have added more rooms in the terrorist-struck property of PC Hotel, Peshawar and now it offers 70 guestrooms for sale. Your Company is working on the reconstruction of the damaged portion of the building and on completion of this project the number of rooms in PC Hotel, Peshawar will reach to its full capacity. The modernization and renovation projects are also in the planning/implementation stage at the PC Hotel, Bhurban and PC Hotels, Rawalpindi, Lahore and Karachi. In order to enhance security measures PC Hotels Bhurban and Muzaffarabad have been provided with new security machines, whereas other hotel properties were already equipped with these machines. Safety and solar shield films, first to hold the flight of glass fragments in case of any likely untoward event and second to cut down the heat load due to solar heating, is under installation on the glass panels of all the PC Hotels of your Company.

The hard work and competence of our team is showing remarkable results and the Company continue to remain healthy in the face of seemingly insurmountable odds. Thanks to the composite impact of our initiatives and despite the difficulties the hotel industry is experiencing at present, your Company managed to perform fairly well in comparison to the corresponding period of last year. The Company's performance is more powerful depiction of its success than the mere words as is borne out from the following paragraphs.

The total revenues in the period under review registered an increase of Rs. 416 million thereby enabling your Company to achieve profit (before tax and loss on re-measurement of listed securities) of Rs. 383 million as compared to Rs. 155 million earned in the last comparative period. Performance of the stock market remained dull throughout the period under review, which marginally impacted the profitability in the shape of unrealized loss of

Rs. 0.323 million as against unrealized gain of Rs. 39 million booked in the corresponding period of last year. Thus due to strict energy conservation measures, (energy being major contributor in operational cost) and other steps like reduction in human resource and marginal recovery of hospitality market, the Company achieved encouraging bottom-line numbers and ended up with profit after tax of Rs. 251 million during the period under review as against Rs. 139 million of the corresponding period of last year.

Glimpse of Performance:

	For the six months period ended 31 December	
	2010	2009
	(Rupees '000)	
Sales and services-net	<u>2,404,791</u>	<u>1,988,340</u>
Gross profit	<u>939,206</u>	<u>639,599</u>
Profit before taxation	<u>382,843</u>	<u>193,965</u>
Profit after taxation	<u>251,350</u>	<u>139,096</u>
Earnings per share (Rupees)	<u>7.73</u>	<u>4.28</u>

Rooms Revenue

During the six months period under review, Rooms Revenue (exclusive of GST) of Rs. 1,011 million surpassed by Rs. 211 million as compared to the corresponding period of last year. This positive impact was due to moderate recovery in the Rooms Occupancy and the ADRR which in the reviewing period (as compared to the corresponding period of the last year) jumped from 45 percent to 51 percent and Rs. 7,222 to Rs. 7,552 respectively.

Food & Beverages Revenue

Food & Beverages Revenue (exclusive of GST) during the period under review was recorded at Rs. 1,253 million as compared to Rs. 1,051 million of the corresponding six months period of last year, reflecting growth of about 19%.

Other Related Services, Shop License Fees & Tour Division

Revenue (exclusive of GST) generated by these minor segments during the period under review stood at Rs. 141 million as compared to Rs.137 million of the corresponding period of last year.

Future Prospects

We, at Pakistan Services Limited have correctly determined that the fight will have to be on the two fronts: (1) Marketing and (2) Cost cutting. Our marketing & sales department is relentlessly pursuing new techniques to get the maximum share of shrunken hospitality industry business at present; and our cost-cutting experts are devising new techniques and methodologies to curtail the cost of operations.

In line with long term growth and cost-cutting strategy, the Company is also pursuing a well thought Balancing Modernization and Replacement (BMR) programme. Some examples are efficient HVAC systems, energy-saving electrical drives, specially designed power economizer units for heavy electrical motors, use of energy-saving lamps including the latest LED technology lamps, computer-assisted automation including Human Resource Management. Again the aim is to remain current with the modern machines and equipments for highest performance efficiency and guest satisfaction. We are confident that with our competent and exceptionally committed team we will successfully weather the storm and come out triumphant with new experience and determined resolve to do even better in the remaining period of the current financial year and for the years to come. We know the nerve centres of successful business operation. The fact is that the tight business conditions have made us more innovative and resourceful and proven the age old idiom "Necessity is the Mother of Invention".

Consolidated Results

The consolidated revenues of your Company for the six months period under report stood at Rs. 2,459 million as against Rs. 2,036 million of the corresponding period of last year; this shows 21% growth by registering an increase of nearly Rs. 423 million.

Acknowledgement

On behalf of the Board, I wish to express my profound appreciation to the entire team of Pakistan Services Limited, our bankers, the valued guests, the worthy shareholders as well as all other stakeholders for their well placed confidence in the Company and their unflinching support.

For and on behalf of the Board of Directors

Murtaza Hashwani
Chief Executive

Dubai: 20 February 2011

Auditors' Report to Members on Review of Interim Financial Information

Introduction

We have reviewed the accompanying condensed interim balance sheet of Pakistan Services Limited ("the Company") as at 31 December 2010, and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the accounts for the six months period then ended (the interim financial information).

Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

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

Conclusion

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

The figures for the three months period ended 31 December 2010, in the condensed interim profit and loss account and condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

Islamabad: 20 February 2011

**KPMG Taseer Hadi & Co.
Chartered Accountants
Engagement Partner: Riaz Pesnani**



PEARL-CONTINENTAL HOTEL, RAWALPINDI



Condensed Interim
Financial Information (Unaudited)
for the six months period ended 31 December 2010

Condensed Interim Balance Sheet as at 31 December 2010

	Note	Unaudited 31 December 2010	Audited 30 June 2010
(Rupees'000)			
SHARE CAPITAL AND RESERVES			
Authorised share capital 50,000,000 (30 June 2010: 50,000,000) ordinary shares of Rs. 10 each		<u>500,000</u>	<u>500,000</u>
Issued, subscribed and paid up share capital		325,242	325,242
Reserves		1,869,424	1,869,424
Unappropriated profit		<u>840,946</u>	<u>589,596</u>
		3,035,612	2,784,262
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT		20,007,770	20,007,770
NON CURRENT LIABILITIES			
Long term financing	4	-	36,000
Long term deposits		51,420	50,426
Deferred liabilities		359,572	364,810
		410,992	451,236
CURRENT LIABILITIES			
Trade and other payables		1,306,922	1,219,783
Markup payable		36,677	25,849
Short term borrowings	5	938,514	888,088
Current portion of long term financing	4	72,000	72,000
Provision for taxation		60,960	29,225
		2,415,073	2,234,945
		<u>25,869,447</u>	<u>25,478,213</u>
CONTINGENCIES AND COMMITMENTS	6		

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.

	Note	Unaudited 31 December 2010	Audited 30 June 2010
(Rupees'000)			
NON CURRENT ASSETS			
Property, plant and equipment	7	21,943,935	21,972,632
Advance for capital expenditure	8	1,009,557	758,289
Investment property		45,000	45,000
Long term investments		1,161,155	1,065,455
Advance for equity investment	9	67,000	95,700
Long term deposits		4,784	3,526
		24,231,431	23,940,602
CURRENT ASSETS			
Stores, spare parts and loose tools		88,670	83,954
Stock in trade - food and beverages		59,725	44,435
Trade debts		349,208	297,459
Advances		73,602	76,726
Trade deposits and prepayments		44,125	23,913
Interest accrued		50,849	47,472
Other receivables		46,942	50,314
Other financial assets		841,619	841,941
Cash and bank balances		83,276	71,397
		1,638,016	1,537,611
		25,869,447	25,478,213

Murtaza Hashwani
Chief Executive

M. A. Bawany
Director

**Condensed Interim Profit and Loss Account (Unaudited)
for the six months period ended 31 December 2010**

	Note	Three months ended 31 December		Six months ended 31 December	
		2010	2009	2010	2009
(Rupees'000)					
Sales and services - net	10	1,314,889	1,016,497	2,404,791	1,988,340
Cost of sales and services	11	(751,914)	(660,817)	(1,465,585)	(1,348,741)
Gross profit		562,975	355,680	939,206	639,599
Administrative expenses		(280,245)	(238,523)	(525,237)	(469,079)
Other operating expenses		(9,258)	(4,530)	(9,581)	(4,530)
Other operating income		56,066	55,477	67,949	112,872
Finance cost		(49,122)	(43,438)	(89,494)	(84,897)
Profit before taxation		280,416	124,666	382,843	193,965
Taxation		(88,232)	(37,489)	(131,493)	(54,869)
Profit for the period		192,184	87,177	251,350	139,096
Earnings per share - basic and diluted (Rupees)	12	5.91	2.68	7.73	4.28

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.

Murtaza Hashwani
Chief Executive

M. A. Bawany
Director

**Condensed Interim Statement of Comprehensive Income (Unaudited)
for the six months period ended 31 December 2010**

	Three months ended 31 December		Six months ended 31 December	
	2010	2009	2010	2009
	(Rupees'000)			
Profit for the period	192,184	87,177	251,350	139,096
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	<u>192,184</u>	<u>87,177</u>	<u>251,350</u>	<u>139,096</u>

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.

Murtaza Hashwani
Chief Executive

M. A. Bawany
Director

Condensed Interim Cash Flow Statement (Unaudited) for the six months period ended 31 December 2010

	Six months ended 31 December	
	2010	2009
	(Rupees'000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	382,843	193,965
Adjustments for:		
Depreciation	110,927	124,344
Gain on disposal of property, plant and equipment		(745)
Provision for staff retirement benefit - gratuity	20,644	16,299
Provision for doubtful debts	4,726	4,712
Return on bank deposits, letters of placements and certificates of investments	(39,829)	(41,199)
Finance cost	89,494	84,897
Dividend income	(740)	(550)
Unrealised loss/ (gain) on remeasurement of investments to fair value	323	(38,761)
Exchange (gain)/ loss - net	(817)	3,610
	567,571	346,572
Working capital changes (Increase)/ decrease in current assets		
Stores, spare parts and loose tools	(4,716)	4,696
Stock in trade - food and beverages	(15,290)	831
Trade debts	(56,475)	(41,874)
Advances	3,124	(5,497)
Trade deposits and prepayments	(20,212)	(5,987)
Other receivables	3,372	56,188
Increase/ (decrease) in current liabilities		
Trade and other payables	87,139	(110,575)
Cash used in operations	(3,058)	(102,218)
Staff retirement benefit - gratuity paid	(6,882)	(24,472)
Income tax paid	(118,759)	(88,552)
Finance cost paid	(78,666)	(78,611)
Net cash from operating activities	360,206	52,719
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	(75,898)	(37,155)
Additions to advance for capital expenditure	(257,600)	(7,149)
Proceeds from disposal of property, plant and equipment	-	2,664
Advance for equity investment	(67,000)	(30,000)
Dividend income received	740	550
Receipts of return on bank deposits, letters of placements and certificates of investments	36,452	42,945
Payments of long term deposits	(264)	(936)
Net cash used in investing activities	(363,570)	(29,081)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of long term financing	(36,000)	(36,000)
Net cash used in financing activities	(36,000)	(36,000)
Net decrease in cash and cash equivalents	(39,364)	(12,362)
Cash and cash equivalents at beginning of the period	(816,691)	(195,621)
Exchange gain/ (loss) - net	817	(3,610)
Cash and cash equivalents at end of the period	(855,238)	(211,593)
CASH AND CASH EQUIVALENTS		
Cash and bank balances	83,276	76,775
Short term borrowings	(938,514)	(788,368)
Certificates of investments	-	500,000
	(855,238)	(211,593)

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.

Murtaza Hashwani
Chief Executive

M. A. Bawany
Director

Condensed Interim Statement of Changes in Equity (Unaudited) for the six months period ended 31 December 2010

	Share capital	Capital reserve Share premium	Revenue reserves		Total equity
			General reserve	Unappropriated profit	
(Rupees'000)					
Balance as at 01 July 2009	325,242	269,424	1,600,000	161,664	2,356,330
Changes in equity for the period ended 31 December 2009					
Total comprehensive income for the period					
Profit for the period	-	-	-	139,096	139,096
Total comprehensive income for the period	-	-	-	139,096	139,096
Balance as at 31 December 2009	325,242	269,424	1,600,000	300,760	2,495,426
Balance as at 01 July 2010	325,242	269,424	1,600,000	589,596	2,784,262
Changes in equity for the period ended 31 December 2010					
Total comprehensive income for the period					
Profit for the period	-	-	-	251,350	251,350
Total comprehensive income for the period	-	-	-	251,350	251,350
Balance as at 31 December 2010	325,242	269,424	1,600,000	840,946	3,035,612

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.

Murtaza Hashwani
Chief Executive

M. A. Bawany
Director

Notes to the Condensed Interim Financial Information (Unaudited) for the six months period ended 31 December 2010

1. STATUS AND NATURE OF BUSINESS

Pakistan Services Limited ("the Company") was incorporated on 06 December 1958 in Karachi, Pakistan under the Companies Act, 1913 (now Companies Ordinance, 1984) as a public limited company and is quoted on Karachi Stock Exchange (Guarantee) Limited. The Company is principally engaged in hotel business and owns and operates the chain of Pearl Continental Hotels in Pakistan and Azad Jammu and Kashmir. The Company's registered office is situated at 3rd Floor, Saudi Pak Tower, 61/A, Jinnah Avenue, Islamabad.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

This condensed interim financial information has been prepared in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. The disclosures in the condensed interim financial information do not include the information reported for full annual financial statements and should therefore be read in conjunction with the financial statements for the year ended 30 June 2010. Comparative balance sheet is extracted from audited annual financial statements as of 30 June 2010, whereas comparative profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity are stated from unaudited condensed interim financial information for the six months period ended 31 December 2009.

The condensed interim financial information is unaudited and is being submitted to the members as required under Section 245 of the Companies Ordinance, 1984.

This condensed interim financial information is separate financial information of the Company in which investments in subsidiaries and associates are accounted for on the basis of direct equity interest rather than on the basis of reported results. Condensed interim consolidated financial information is prepared separately.

3. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The accounting policies and estimates applied by the Company for the preparation of this condensed interim financial information are the same as those applied by the Company in preparation of audited annual financial statements for the year ended 30 June 2010.

4. LONG TERM FINANCING

During the six months period ended 31 December 2010, the Company made repayments towards principal loan outstanding amounting to Rs. 36 million (31 December 2009: Rs. 36 million), whereas repayments of Rs. 72 million (31 December 2009: Rs. 72 million) are due within next twelve months.

**Notes to the Condensed Interim Financial Information (Unaudited)
for the six months period ended 31 December 2010**

	Unaudited 31 December 2010	Audited 30 June 2010
	(Rupees'000)	
5. SHORT TERM BORROWINGS		
Running finance from banking companies		
National Bank of Pakistan	631,783	638,205
Habib Bank Limited	206,917	155,823
Soneri Bank Limited	99,814	94,060
	<u>938,514</u>	<u>888,088</u>

The markup rates, securities offered and facility limits for these short term borrowings are the same as disclosed in the audited annual financial statements of the Company for the year ended 30 June 2010.

6. CONTINGENCIES AND COMMITMENTS

6.1 Contingencies

Contingencies are the same as disclosed in the audited annual financial statements of the Company for the year ended 30 June 2010, except for the guarantees as disclosed below:

	Unaudited 31 December 2010	Audited 30 June 2010
	(Rupees'000)	
6.1.1 Guarantees	<u>76,366</u>	<u>69,343</u>
6.2 Commitments		
6.2.1 Commitments for capital expenditure	<u>104,538</u>	<u>40,138</u>

7. PROPERTY, PLANT AND EQUIPMENT

During the six months period ended 31 December 2010, the Company acquired property, plant and equipment aggregating Rs. 82.230 million (31 December 2009: Rs. 60.796 million) and the property, plant and equipment with carrying value of Rs. Nil (31 December 2009: Rs. 1.918 million) were disposed off during the same period.

**Notes to the Condensed Interim Financial Information (Unaudited)
for the six months period ended 31 December 2010**

	Unaudited Note 31 December 2010	Audited 30 June 2010
	(Rupees'000)	
8. ADVANCE FOR CAPITAL EXPENDITURE		
Purchase of land	626,820	626,820
Purchase of apartment	40,509	40,509
Malir Delta land	84,000	84,000
Part payment for purchase of investment property 8.1	257,600	-
Advance for purchase of equipment	628	6,960
	<u>1,009,557</u>	<u>758,289</u>

8.1 This represents part payment to M/s Hashwani Hotels Limited, a related party, for purchase of an investment property.

9. ADVANCE FOR EQUITY INVESTMENT

During the six months period ended 31 December 2010, the Company made payments of Rs. 67 million for issuance of 670,000 ordinary shares of Rs. 100 each whereas Rs. 95.700 million were transferred to long term investments pursuant to issuance of 957,000 shares of Rs. 100 each.

	Three months ended 31 December		Six months ended 31 December	
	2010	2009	2010	2009
	(Rupees'000)			
10. SALES AND SERVICES - net				
Rooms	672,149	483,587	1,203,420	940,090
Food and beverages	806,809	624,137	1,467,154	1,223,753
Other related services	76,907	77,097	158,930	153,527
Shop license fees	1,642	1,637	3,252	3,265
	<u>1,557,507</u>	<u>1,186,458</u>	<u>2,832,756</u>	<u>2,320,635</u>
Discounts and commissions	(3,692)	(2,286)	(7,194)	(6,928)
Sales tax	(238,926)	(167,675)	(420,771)	(325,367)
	<u>1,314,889</u>	<u>1,016,497</u>	<u>2,404,791</u>	<u>1,988,340</u>

**Notes to the Condensed Interim Financial Information (Unaudited)
for the six months period ended 31 December 2010**

	Three months ended		Six months ended	
	31 December		31 December	
	2010	2009	2010	2009
	(Rupees'000)			
11. COST OF SALES AND SERVICES				
Food and beverages				
Balance at beginning of the period	63,090	48,918	44,435	42,867
Purchases during the period	254,152	192,004	480,820	382,395
	317,242	240,922	525,255	425,262
Balance at end of the period	(59,725)	(42,036)	(59,725)	(42,036)
Consumption during the period	257,517	198,886	465,530	383,226
Direct expenses				
Salaries, wages and benefits	172,517	149,732	342,745	301,793
Heat, light and power	102,584	94,162	230,310	214,179
Repairs and maintenance	81,009	85,125	148,407	180,029
Depreciation	50,148	55,976	99,835	111,910
Guest supplies	30,452	23,996	56,640	49,433
Linen, china and glassware	23,432	19,511	49,689	43,587
Communication and other related services	13,708	10,738	25,834	21,075
Banquet and decoration	7,720	11,512	21,435	21,705
Transportation	5,706	3,900	8,531	6,051
Uniforms	4,451	3,881	8,859	8,216
Music and entertainment	1,156	1,718	3,099	3,562
Others	1,514	1,680	4,671	3,975
	751,914	660,817	1,465,585	1,348,741
	Three months ended		Six months ended	
	31 December		31 December	
	2010	2009	2010	2009
12. EARNINGS PER SHARE				
Profit for the period (Rupees '000)	192,184	87,177	251,350	139,096
Weighted average number of ordinary shares (Numbers)	32,524,170	32,524,170	32,524,170	32,524,170
Earnings per share - basic (Rupees)	5.91	2.68	7.73	4.28

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

Notes to the Condensed Interim Financial Information (Unaudited) for the six months period ended 31 December 2010

13. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated companies, directors and close family members, companies with common directorship, executives, key management personnel, major shareholders and staff retirement fund of the Company. Transactions with related parties are as follows:

	Six months ended 31 December	
	2010	2009
	(Rupees'000)	
Transactions with subsidiary companies		
Sales	274	149
Services provided	536	324
Services availed	15,910	12,000
Advance for equity investment	67,000	30,000
Transactions with associates		
Sales	1,262	3,158
Services provided	2,915	4,096
Services availed	20,165	12,742
Purchases	61,898	35,105
Purchase of air tickets	6,454	7,263
Purchase of property, plant and equipment	1,223	3,084
Insurance claims received	-	56,278
Contribution to the defined contribution plan	9,140	8,187
Part payment for purchase of investment property	257,600	-
Donation	16,000	-
Transactions with key management personnel		
Remuneration and allowances	24,928	13,691

14. DATE OF AUTHORISATION FOR ISSUE

This unaudited condensed interim financial information was authorised for issue by the Board of Directors of the Company in their meeting held on 20 February 2011.

Murtaza Hashwani
Chief Executive

M. A. Bawany
Director



Condensed Interim Consolidated
Financial Information (Unaudited)
for the six months period ended 31 December 2010

Condensed Interim Consolidated Balance Sheet as at 31 December 2010

	Note	Unaudited 31 December 2010	Audited 30 June 2010
(Rupees'000)			
SHARE CAPITAL AND RESERVES			
Authorised share capital 50,000,000 (30 June 2010: 50,000,000) ordinary shares of Rs. 10 each		<u>500,000</u>	<u>500,000</u>
Issued, subscribed and paid up share capital		325,242	325,242
Reserves		2,101,026	2,098,189
Unappropriated profit		<u>692,283</u>	<u>453,984</u>
		3,118,551	2,877,415
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT		20,007,770	20,007,770
NON CURRENT LIABILITIES			
Long term financing	4	-	36,000
Liabilities against assets subject to finance lease	5	18,574	21,803
Long term deposits		51,420	50,426
Deferred liabilities		<u>491,537</u>	<u>488,657</u>
		561,531	596,886
CURRENT LIABILITIES			
Trade and other payables		<u>1,329,811</u>	1,240,018
Markup payable		36,677	25,849
Short term borrowings	6	938,514	888,088
Current portion of long term financing		86,538	88,671
Provision for taxation		<u>44,876</u>	<u>14,464</u>
		2,436,416	2,257,090
		<u>26,124,268</u>	<u>25,739,161</u>
CONTINGENCIES AND COMMITMENTS	7		

The annexed notes 1 to 13 form an integral part of this condensed interim consolidated financial information.

	Note	Unaudited 31 December 2010	Audited 30 June 2010
(Rupees'000)			
NON CURRENT ASSETS			
Property, plant and equipment	8	22,263,046	22,277,858
Advance for capital expenditure	9	1,073,120	766,494
Investment property		45,000	45,000
Long term investments		1,436,853	1,444,122
Long term deposits		10,963	8,175
		24,828,982	24,541,649
CURRENT ASSETS			
Stores, spare parts and loose tools		88,670	83,954
Stock in trade - food and beverages		59,725	44,435
Trade debts		363,289	312,699
Advances		74,945	77,741
Trade deposits and prepayments		45,746	25,149
Interest accrued		51,181	47,472
Other receivables		18,331	22,393
Other financial assets		485,639	483,741
Cash and bank balances		107,760	99,928
		1,295,286	1,197,512
		26,124,268	25,739,161

Murtaza Hashwani
Chief Executive

M. A. Bawany
Director

**Condensed Interim Consolidated Profit and Loss Account (Unaudited)
for the six months period ended 31 December 2010**

	Note	Three months ended 31 December		Six months ended 31 December	
		2010	2009	2010	2009
(Rupees'000)					
Sales and services - net	10	1,345,900	1,039,172	2,458,657	2,036,442
Cost of sales and services	11	(767,801)	(661,369)	(1,492,409)	(1,355,612)
Gross profit		578,099	377,803	966,248	680,830
Administrative expenses		(292,108)	(258,577)	(548,115)	(510,381)
Other operating expenses		(9,258)	(4,530)	(9,258)	(4,530)
Other operating income		37,164	46,394	72,099	84,045
Finance cost		(50,329)	(45,283)	(92,003)	(87,692)
		263,568	115,807	388,971	162,272
Share of (loss)/ gain in associated companies		(9,058)	24,016	(11,633)	9,283
Profit before taxation		254,510	139,823	377,338	171,555
Taxation		(90,730)	(38,616)	(139,039)	(56,475)
Profit for the period		163,780	101,207	238,299	115,080

The annexed notes 1 to 13 form an integral part of this condensed interim consolidated financial information.

Murtaza Hashwani
Chief Executive

M. A. Bawany
Director

**Condensed Interim Consolidated Statement of
Comprehensive Income (Unaudited)
for the six months period ended 31 December 2010**

	Three months ended 31 December		Six months ended 31 December	
	2010	2009	2010	2009
	(Rupees'000)			
Profit for the period	163,780	101,207	238,299	115,080
Other comprehensive income for the period				
Exchange gain on translation of long term investments	(4,365)	14,550	4,365	43,650
Income tax on other comprehensive income	1,528	(5,093)	(1,528)	(15,278)
Other comprehensive income for the period	(2,837)	9,457	2,837	28,372
Total comprehensive income for the period	160,943	110,664	241,136	143,452

The annexed notes 1 to 13 form an integral part of this condensed interim consolidated financial information.

Murtaza Hashwani
Chief Executive

M. A. Bawany
Director

Condensed Interim Consolidated Cash Flow Statement (Unaudited) for the six months period ended 31 December 2010

	Six months ended 31 December	
	2010	2009
	(Rupees'000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	377,338	171,555
Adjustments for:		
Depreciation	117,719	131,431
Gain on disposal of property, plant and equipment	(637)	(3,282)
Provision for staff retirement benefit - gratuity	20,644	16,299
Provision for doubtful debts	4,726	4,712
Return on bank deposits, letters of placements and certificates of investments	(40,975)	(43,086)
Share of loss/ (gain) of associated companies	11,633	(9,282)
Finance cost	92,003	87,692
Dividend income	(740)	(550)
Unrealised gain on remeasurement of investments to fair value	(1,898)	(1,312)
Exchange (gain)/ loss - net	(812)	3,593
	<u>579,001</u>	<u>357,770</u>
Working capital changes (Increase)/ decrease in current assets		
Stores, spare parts and loose tools	(4,716)	6,311
Stock in trade - food and beverages	(15,290)	831
Trade debts	(55,316)	(43,697)
Advances	2,796	28,162
Trade deposits and prepayments	(20,597)	(6,581)
Other receivables	4,062	48,051
Increase/ (decrease) in current liabilities		
Trade and other payables	89,793	(105,039)
Cash generated from/ (used in) operations	<u>732</u>	<u>(71,962)</u>
Staff retirement benefit - gratuity paid	(6,882)	(24,471)
Income tax paid	(121,036)	(91,835)
Finance cost paid	(81,175)	(81,406)
Net cash from operating activities	<u>370,640</u>	<u>88,096</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	(98,981)	(105,114)
Additions to advance for capital expenditure	(306,626)	(27,009)
Proceeds from disposal of property, plant and equipment	1,811	9,050
Dividend income received	740	550
Receipts of return on bank deposits, letters of placements and certificates of investments	37,266	44,800
Payments of long term deposits	(1,794)	(2,966)
Net cash used in investing activities	<u>(367,584)</u>	<u>(80,689)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of long term financing	(36,000)	(36,000)
Repayments of lease liability	(10,462)	(7,757)
Net cash used in financing activities	<u>(46,462)</u>	<u>(43,757)</u>
Net decrease in cash and cash equivalents	<u>(43,406)</u>	<u>(36,350)</u>
Cash and cash equivalents at beginning of the period	(788,160)	(144,222)
Exchange gain/ (loss) - net	812	(3,593)
Cash and cash equivalents at end of the period	<u>(830,754)</u>	<u>(184,165)</u>
CASH AND CASH EQUIVALENTS		
Cash and bank balances	107,760	104,203
Short term borrowings	(938,514)	(788,368)
Certificates of investments	-	500,000
	<u>(830,754)</u>	<u>(184,165)</u>

The annexed notes 1 to 13 form an integral part of this condensed interim consolidated financial information.

Murtaza Hashwani
Chief Executive

M. A. Bawany
Director

Condensed Interim Consolidated Statement of Changes in Equity (Unaudited) for the six months period ended 31 December 2010

Share capital	Capital reserve	Revenue reserves			Total equity
	Share premium	General reserve	Exchange gain on translation of long term investments	Unappropriated profit	

(Rupees'000)

Balance as at 01 July 2009 325,242 269,424 1,600,000 201,207 78,885 2,474,758

Changes in equity for the period ended 31 December 2009

Total comprehensive income for the period

Profit for the period	-	-	-	-	115,080	115,080
Exchange gain on translation of long term investments - net of tax	-	-	-	28,372	-	28,372
Total comprehensive income for the period	-	-	-	28,372	115,080	143,452

Balance as at 31 December 2009 325,242 269,424 1,600,000 229,579 193,965 2,618,210

Balance as at 01 July 2010 325,242 269,424 1,600,000 228,765 453,984 2,877,415

Changes in equity for the period ended 31 December 2010

Total comprehensive income for the period

Profit for the period	-	-	-	-	238,299	238,299
Exchange gain on translation of long term investments - net of tax	-	-	-	2,837	-	2,837
Total comprehensive income for the period	-	-	-	2,837	238,299	241,136

Balance as at 31 December 2010 325,242 269,424 1,600,000 231,602 692,283 3,118,551

The annexed notes 1 to 13 form an integral part of this condensed interim consolidated financial information.

Murtaza Hashwani
Chief Executive

M. A. Bawany
Director

Notes to the Condensed Interim Consolidated Financial Information (Unaudited) for the six months period ended 31 December 2010

1. THE GROUP AND ITS OPERATIONS

Pakistan Services Limited ("the Parent Company") was incorporated on 06 December 1958 in Karachi, Pakistan under the Companies Act, 1913 (now Companies Ordinance, 1984) as a public limited company and is quoted on Karachi Stock Exchange (Guarantee) Limited. The Parent Company is principally engaged in hotel business and owns and operates the chain of Pearl Continental Hotels in Pakistan and Azad Jammu and Kashmir. The Parent Company's registered office is situated at 3rd Floor, Saudi Pak Tower, 61/A, Jinnah Avenue, Islamabad.

- 1.1 This condensed interim consolidated financial information includes the condensed interim financial information of the Parent Company and the following Subsidiary Companies together constituting "the group":

Subsidiary Companies	Nature of business	Holding
Pearl Tours and Travels (Private) Limited	Rent a car, tour packages and travel related work	100%
Pearl Continental Hotels (Private) Limited	Non-operational	100%
Bhurban Resorts (Private) Limited	Non-operational	100%
Musafa International (Private) Limited	Project management	100%

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

This condensed interim consolidated financial information of the group has been prepared in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. The disclosures in the condensed interim consolidated financial information do not include the information reported for full annual consolidated financial statements and should therefore be read in conjunction with the audited annual consolidated financial statements for the year ended 30 June 2010. Comparative consolidated balance sheet is extracted from audited annual consolidated financial statements as of 30 June 2010, whereas comparative consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity are stated from unaudited condensed interim consolidated financial information for the six months period ended 31 December 2009.

The condensed interim consolidated financial information is unaudited and is being submitted to the members as required under Section 245 of the Companies Ordinance, 1984.

**Notes to the Condensed Interim Consolidated
Financial Information (Unaudited)
for the six months period ended 31 December 2010**

3. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The accounting policies and estimates applied by the group for the preparation of this condensed interim consolidated financial information are the same as those applied by the group in preparation of audited annual consolidated financial statements for the year ended 30 June 2010.

4. LONG TERM FINANCING

During the six months period ended 31 December 2010 the Parent Company made repayments towards principal loan outstanding amounting to Rs. 36 million (31 December 2009: Rs. 36 million), whereas repayments of Rs. 72 million (31 December 2009: Rs. 72 million) are due within next twelve months.

	Unaudited 31 December 2010	Audited 30 June 2010
	(Rupees'000)	
5. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		
Present value of minimum lease payments		
Balance as at beginning of the period	38,474	19,493
Assets acquired during the period	5,100	40,620
Repayments made during the period	(10,462)	(21,639)
	33,112	38,474
Current maturity	(14,538)	(16,671)
Balance as at end of the period	18,574	21,803
6. SHORT TERM BORROWINGS		
Running finance from banking companies		
National Bank of Pakistan	631,783	638,205
Habib Bank Limited	206,917	155,823
Soneri Bank Limited	99,814	94,060
	938,514	888,088

The markup rates, securities offered and facility limits for these short term borrowings are the same as disclosed in the audited annual consolidated financial statements of the Parent Company for the year ended 30 June 2010.

**Notes to the Condensed Interim Consolidated
Financial Information (Unaudited)
for the six months period ended 31 December 2010**

7. CONTINGENCIES AND COMMITMENTS

7.1 Contingencies

Contingencies are the same as disclosed in the audited annual financial statements of the group for the year ended 30 June 2010, except for the guarantees as disclosed below:

	Unaudited 31 December 2010 (Rupees'000)	Audited 30 June 2010
7.1.1 Guarantees	<u>77,001</u>	<u>69,978</u>
7.2 Commitments		
7.2.1 Commitments for capital expenditure	<u>162,975</u>	<u>105,764</u>

8. PROPERTY, PLANT AND EQUIPMENT

During the six months period ended 31 December 2010, the group acquired property, plant and equipment aggregating owned Rs. 98.981 million; leased Rs. 5.100 million (31 December 2009 owned: Rs. 128.755 million; leased Rs. 40.620 million) and the property, plant and equipment with carrying value of owned Rs. 1.174 million; leased Rs. Nil (31 December 2009 owned: Rs. 3.872 million; leased Rs. 1.896 million) were disposed off during the same period.

	Note	Unaudited 31 December 2010 (Rupees'000)	Audited 30 June 2010
9. ADVANCE FOR CAPITAL EXPENDITURE			
Purchase of land		626,820	626,820
Purchase of apartment		40,509	40,509
Malir Delta land		84,000	84,000
Part payment for purchase of investment property	9.1	257,600	-
Others		64,191	15,165
		<u>1,073,120</u>	<u>766,494</u>

9.1 This represents part payment to M/s Hashwani Hotels Limited, a related party, for purchase of an investment property.

**Notes to the Condensed Interim Consolidated
Financial Information (Unaudited)
for the six months period ended 31 December 2010**

	Three months ended		Six months ended	
	31 December	31 December	31 December	31 December
	2010	2009	2010	2009
	(Rupees'000)			
10. SALES AND SERVICES - net				
Rooms	671,933	483,507	1,202,884	939,766
Food and beverages	806,728	624,026	1,466,880	1,223,604
Other related services	86,800	85,728	173,659	171,684
Vehicles rental	21,415	14,235	39,947	30,418
Shop license fees	1,642	1,637	3,252	3,265
	<u>1,588,518</u>	<u>1,209,133</u>	<u>2,886,622</u>	<u>2,368,737</u>
Discounts and commissions	(3,692)	(2,286)	(7,194)	(6,928)
Sales tax	(238,926)	(167,675)	(420,771)	(325,367)
	<u>1,345,900</u>	<u>1,039,172</u>	<u>2,458,657</u>	<u>2,036,442</u>
11. COST OF SALES AND SERVICES				
Food and beverages				
Balance at beginning of the period	63,090	48,918	44,435	42,867
Purchases during the period	254,071	191,892	480,546	382,246
	<u>317,161</u>	<u>240,810</u>	<u>524,981</u>	<u>425,113</u>
Balance at end of the period	(59,725)	(42,036)	(59,725)	(42,036)
Consumption during the period	<u>257,436</u>	<u>198,774</u>	<u>465,256</u>	<u>383,077</u>
Direct expenses				
Salaries, wages and benefits	172,517	149,732	342,745	301,793
Heat, light and power	102,584	94,162	230,310	214,179
Repairs and maintenance	81,009	85,125	148,407	180,029
Depreciation	53,253	55,976	105,948	111,910
Guest supplies	30,452	23,996	56,640	49,433
Linen, china and glassware	23,432	19,511	49,689	43,587
Communication and other related services	13,708	10,738	25,834	21,075
Banquet and decoration	7,720	11,512	21,435	21,705
Transportation	4,897	2,709	5,783	3,250
Uniforms	4,451	3,881	8,859	8,216
Music and entertainment	1,156	1,718	3,099	3,562
Hotel booking	3,718	2,851	4,288	4,126
Others	11,468	684	24,116	9,670
	<u>767,801</u>	<u>661,369</u>	<u>1,492,409</u>	<u>1,355,612</u>

Notes to the Condensed Interim Consolidated Financial Information (Unaudited) for the six months period ended 31 December 2010

12. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated companies, directors and close family members, companies with common directorship, executives, key management personnel, major shareholders and staff retirement fund of the group. Transactions with related parties are as follows:

	Six months ended 31 December	
	2010	2009
	(Rupees'000)	
Transactions with associates		
Sales	1,504	3,158
Services provided	6,257	6,924
Services availed	23,204	13,316
Purchases	61,898	35,105
Purchase of air tickets	6,417	16,920
Purchase of property, plant and equipment	1,223	3,084
Insurance claims received	-	56,278
Contribution to the defined contribution plan	9,140	8,187
Part payment for purchase of investment property	257,600	-
Donation	16,000	-
Transactions with key management personnel		
Remuneration and allowances	24,928	13,691

13. DATE OF AUTHORISATION FOR ISSUE

This unaudited condensed interim consolidated financial information was authorised for issue by the Board of Directors of the Parent Company in their meeting held on 20 February 2011.

Murtaza Hashwani
Chief Executive

M. A. Bawany
Director

BUKHARA





3rd floor, Saudi Pak Tower,
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