

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.

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 Muzaaffarabad; comprising 1,436 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
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.hashoogroup.com>
<http://www.hashoogroup.com.pk>
<http://www.hashoogroup.biz>
<http://www.hashoogroup.info>
<http://www.hashoo.info>

Share Registrar

Technology Trade (Private) Limited
Dagia House, 241-C, Block-2,
PECHS Off: Shahrah-e-Quaideen, Karachi.

DIRECTORS' REPORT

Dear Members

The Board of Directors of Pakistan Services Limited takes pleasure in presenting the un-audited condensed interim financial information together with the un-audited condensed interim consolidated financial information of the Company for the quarter ended 30 September 2010.

Overview

Pakistan's economy continuing a grim scenario further deteriorated due to devastating floods flashed in August this year. This caused loss of precious lives, destruction of properties, infrastructure, agriculture and livestock worth several billion US dollars. All this resulted in intensifying the economic woes coupled with energy crises, law & order, security issues and hyper inflation.

Owing to the prevailing stiff competitive environment, besides combating other challenges, we in order to ensure a comparative advantage are compelled to continually enhance the hotel security system which on the one hand is increasing cost of doing business and on the other hand squeezing the earning margins. Another overwhelming contributor to the operational cost is the surging cost of energy. In addition to this, our hotels are required to generate their own electricity because of prolonged load-shedding hours which adversely affects our operational cost.

Amid prevailing poor economic environment coupled with issues cited supra, your company not only managed to maintain its performance of the corresponding quarter of last year but fairly surpassed it during the quarter under review.

Revenues in the quarter under review registered an increase of Rs.118 million thereby enabling your Company to achieve profit (before tax and loss on re-measurement of listed securities) of Rs.124 million as compared to Rs.42 million of the comparative quarter of the last year. The disappointing performance of stock market caused to record unrealized loss of Rs.22 million during the quarter under review as against unrealized gain of Rs.27 million of the corresponding quarter of last year. Despite this, the operational efficiency resulted in making the bottom-line numbers look relatively better as the Company was able to record profit after tax of Rs.59 million during the quarter under report as against that of Rs.52 million registered in the corresponding quarter of last year.

Glimpse of Performance:

	For the three months ended 30 September	
	2010	2009
	(Rupees '000)	
Sales and services-net	<u>1,089,902</u>	<u>971,843</u>
Gross profit	<u>376,231</u>	<u>283,919</u>
Profit before taxation	<u>102,427</u>	<u>69,299</u>
Profit after taxation	<u>59,166</u>	<u>51,919</u>
Earnings per share (Rupees)	<u>1.82</u>	<u>1.60</u>

Rooms Revenue

During the quarter under report, Rooms Revenue (exclusive of GST) was recorded at Rs.450 million as against Rs.388 million of the comparative quarter of last year, registering an increase by Rs.62 million. This favorable impact was due to slight recovery in rooms occupancy and the Average Daily Room Rate (ADR) from 43 percent to 45 percent and Rs.7,390 to Rs.7,569, respectively as compared to the corresponding quarter of the preceding year.

Food & Beverage Revenue

Food & Beverage Revenue (exclusive of GST) during the quarter under report was recorded at Rs.567 million as compared to Rs.517 million achieved in the corresponding quarter of last year, reflecting a modest growth of about 10 percent.

Other Related Services, Shop License Fee & Tour Division

Business from these minor revenue generating segments for the quarter under review was recorded (exclusive of GST) at Rs.73 million as compared to Rs.41 million of the corresponding quarter of last year. Comparative growth in rooms occupancy contributed to the increase in the revenue of this Division.

Future Prospects

Global efforts and contribution for alleviating miseries of the flood victims and rebuilding economy of the county augurs well for economic growth in the near future and one can expect that the economy will revive. In addition, your Company expects to secure decent business from overseas relief delegations and NGOs engaged in the rehabilitation work across the country. We have already succeeded in securing a fair share of business from this unique opportunity and also continuing in exerting our best efforts in this respect.

The Company by virtue of a vigorous BMR program is making its operations more cost efficient and it will certainly result in making itself competitive in the market. We are also hopeful that our able team with diversified experience and commitment will successfully deliver promising results during the remaining period of the current year.

Consolidated Results

The consolidated revenues of your Company for the quarter under report stood at Rs.1,113 million as against Rs.997 million of the corresponding quarter of last year. It shows an increase of nearly Rs.116 million.

Change in Board of Directors

The composition of the Board of Directors has changed during the quarter under review. Mr. Shiraz Noordin, Ms. Shahzia Hashwani and Mr. Masood Hashim have resigned and Mr. Bashir Ahmed, Mr. Rolf Richard Bauer and Mr. Mansoor Akbar Ali filled the casual vacancies of the Directors of the Company. Disclosure pursuant to Section 218 of the Companies Ordinance 1984, already circulated to the members, is attached to this report.

Acknowledgement

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

For and on behalf of the Board of Directors

M. A. Bawany
Director

Islamabad: 28 October 2010



CONDENSED INTERIM BALANCE SHEET
AS AT 30 SEPTEMBER 2010

	Un-audited Note 30 September 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>648,762</u>	<u>589,596</u>
	<u>2,843,428</u>	<u>2,784,262</u>
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	20,007,770	20,007,770
NON CURRENT LIABILITIES		
Long term financing	4 18,000	36,000
Long term deposits	51,376	50,426
Deferred liabilities	<u>362,900</u>	<u>364,810</u>
	432,276	451,236
CURRENT LIABILITIES		
Trade and other payables	<u>1,313,669</u>	<u>1,219,783</u>
Markup payable	31,513	25,849
Short term borrowings	957,604	888,088
Current portion of long term financing	72,000	72,000
Provision for taxation	<u>54,300</u>	<u>29,225</u>
	<u>2,429,086</u>	<u>2,234,945</u>
	<u>25,712,560</u>	<u>25,478,213</u>

CONTINGENCIES AND COMMITMENTS

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

Statement under section 241(2) of the Companies Ordinance, 1984

The Chief Executive for the time being is not in Pakistan. As such this condensed interim financial information, as approved by the Board of Directors, has been signed by two Directors.

NON CURRENT ASSETS

	Un-audited Note 30 September 2010	Audited 30 June 2010
	(Rupees'000)	
Property, plant and equipment	6 21,954,968	21,972,632
Advance for capital expenditure	7 920,768	758,289
Investment property	45,000	45,000
Long term investments	1,161,155	1,065,455
Advance for equity investment	8 53,100	95,700
Long term deposits	<u>4,789</u>	<u>3,526</u>
	<u>24,139,780</u>	<u>23,940,602</u>

CURRENT ASSETS

Stores, spare parts and loose tools	93,610	83,954
Stock in trade - food and beverages	63,090	44,435
Trade debts	285,776	297,459
Advances	79,470	76,726
Trade deposits and prepayments	46,984	23,913
Interest accrued	66,622	47,472
Other receivables	55,681	50,314
Other financial assets	820,134	841,941
Cash and bank balances	<u>61,413</u>	<u>71,397</u>
	<u>1,572,780</u>	<u>1,537,611</u>
	<u>25,712,560</u>	<u>25,478,213</u>

M.A.Bawany
Director

Muhammad Rafique
Director

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2010

	Note	Three months ended 30 September	
		2010	2009
(Rupees'000)			
Sales and services - net	9	1,089,902	971,843
Cost of sales and services	10	<u>(713,671)</u>	<u>(687,924)</u>
Gross profit		376,231	283,919
Administrative expenses		(244,992)	(230,556)
Other operating expenses		(21,808)	-
Other operating income		33,368	57,395
Finance cost		<u>(40,372)</u>	<u>(41,459)</u>
Profit before taxation		102,427	69,299
Taxation		(43,261)	(17,380)
Profit for the period		<u>59,166</u>	<u>51,919</u>
Earnings per share - basic and diluted (Rupees)	11	<u>1.82</u>	<u>1.60</u>

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Statement under section 241(2) of the Companies Ordinance, 1984

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M.A.Bawany
Director

Muhammad Rafique
Director

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2010

	Three months ended 30 September	
	2010	2009
(Rupees'000)		
Profit for the period	59,166	51,919
Other comprehensive income for the period	-	-
Total comprehensive income for the period	<u>59,166</u>	<u>51,919</u>

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

Statement under section 241(2) of the Companies Ordinance, 1984

The Chief Executive for the time being is not in Pakistan. As such this condensed interim financial information, as approved by the Board of Directors, has been signed by two Directors.

M.A.Bawany
Director

Muhammad Rafique
Director

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2010

	Three months ended 30 September	
	2010	2009
	(Rupees'000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	102,427	69,299
Adjustments for:		
Depreciation	55,207	62,149
Gain on disposal of property, plant and equipment	-	(608)
Provision for staff retirement benefit - gratuity	9,278	8,414
Provision for doubtful debts	1,711	2,159
Return on bank deposits, letters of placements and certificates of investments	(20,079)	(21,012)
Finance cost	40,372	41,459
Dividend income	(678)	(525)
Unrealised loss/ (gain) on remeasurement of investments to fair value	21,808	(26,927)
	<u>210,046</u>	<u>134,408</u>
Working capital changes (Increase)/ decrease in current assets		
Stores, spare parts and loose tools	(9,656)	604
Stock in trade - food and beverages	(18,655)	(6,051)
Trade debts	9,972	(23,916)
Advances	(2,744)	(14,091)
Trade deposits and prepayments	(23,071)	(17,151)
Other receivables	(5,367)	45,942
Increase in current liabilities		
Trade and other payables	93,885	5,320
Cash generated from/ (used in) operations	44,364	(9,343)
Staff retirement benefit - gratuity paid	(2,280)	(6,490)
Income tax paid	(27,093)	(22,436)
Finance cost paid	(34,708)	(40,533)
Net cash from operating activities	<u>190,329</u>	<u>55,606</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	(37,543)	(14,947)
Additions to advance for capital expenditure	(162,479)	(2,380)
Proceeds from disposal of property, plant and equipment	-	2,039
Advance for equity investment	(53,100)	-
Dividend income received	678	525
Receipt of return on bank deposits, letters of placements and certificates of investments	929	759
Decrease in long term deposits	(314)	300
Net cash used in investing activities	<u>(251,829)</u>	<u>(13,704)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long term financing	(18,000)	(18,000)
Net cash used in financing activities	<u>(18,000)</u>	<u>(18,000)</u>
Net (decrease)/ increase in cash and cash equivalents	(79,500)	23,902
Cash and cash equivalents at beginning of the period	(816,691)	(195,621)
Cash and cash equivalents at end of the period	<u>(896,191)</u>	<u>(171,719)</u>
CASH AND CASH EQUIVALENTS		
Cash and bank balances	61,413	97,726
Running finance	(957,604)	(769,445)
Certificates of investments	-	500,000
	<u>(896,191)</u>	<u>(171,719)</u>

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

Statement under section 241(2) of the Companies Ordinance, 1984

The Chief Executive for the time being is not in Pakistan. As such this condensed interim financial information, as approved by the Board of Directors, has been signed by two Directors.

M.A.Bawany
Director

Muhammad Rafique
Director

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2010

	Revenue reserves				
	Share capital	Capital reserve share premium	General reserve	Unappropriated profit	Total equity
	(Rupees'000)				
Balance as at 01 July 2009	325,242	269,424	1,600,000	161,664	2,356,330
<i>Changes in equity for the period ended 30 September 2009</i>					
Total comprehensive income for the period					
Profit for the period	-	-	-	51,919	51,919
Total comprehensive income for the period	-	-	-	51,919	51,919
Balance as at 30 September 2009	<u>325,242</u>	<u>269,424</u>	<u>1,600,000</u>	<u>213,583</u>	<u>2,408,249</u>
Balance as at 01 July 2010	325,242	269,424	1,600,000	589,596	2,784,262
<i>Changes in equity for the period ended 30 September 2010</i>					
Total comprehensive income for the period					
Profit for the period	-	-	-	59,166	59,166
Total comprehensive income for the period	-	-	-	59,166	59,166
Balance as at 30 September 2010	<u>325,242</u>	<u>269,424</u>	<u>1,600,000</u>	<u>648,762</u>	<u>2,843,428</u>

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

Statement under section 241(2) of the Companies Ordinance, 1984

The Chief Executive for the time being is not in Pakistan. As such this condensed interim financial information, as approved by the Board of Directors, has been signed by two Directors.

M.A.Bawany
Director

Muhammad Rafique
Director

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2010**

1. STATUS AND NATURE OF BUSINESS

Pakistan Services Limited (the Company) was incorporated in 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 & Kashmir. The Company's registered office is situated at 3rd Floor, Saudi Pak Tower, 61/A, Jinnah Avenue, Islamabad.

2. BASIS OF PREPARATION

This condensed interim financial information of the Company for the three months period ended 30 September 2010 has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984 and are being submitted to the members as required under section 245 of the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed. This does not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements of the Company for the year ended 30 June 2010. Comparative figures of the balance sheet are extracted from the audited annual financial statements for the year ended 30 June 2010, whereas comparative profit and loss account, statement of comprehensive income, statement of changes in equity and cash flow statement are stated from unaudited condensed interim financial information for the three months period ended 30 September 2009.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

	Un-audited	Audited
	30 September	30 June
	2010	2010
	(Rupees'000)	

4. LONG TERM FINANCING

Balance at beginning of the period/ year	108,000	180,000
Repayments during the period/ year	<u>(18,000)</u>	<u>(72,000)</u>
Balance at end of the period/ year including current maturity	90,000	108,000
Current maturity	<u>(72,000)</u>	<u>(72,000)</u>
Balance at the end of the period/ year	<u>18,000</u>	<u>36,000</u>

5. CONTINGENCIES AND COMMITMENTS

5.1 Contingencies

Contingencies are the same as disclosed in the annual financial statements for the year ended 30 June 2010.

	Un-audited	Audited
	30 September	30 June
	2010	2010
	(Rupees'000)	

5.1.1 Guarantees

	<u>69,343</u>	<u>69,343</u>
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5.2 Commitments

5.2.1 Commitments for capital expenditure

	<u>40,138</u>	<u>40,138</u>
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This includes commitments for acquisition of land in Gwadar and in addition the Company will pay the differential amount against Malir Delta land on the value assessed, as determined by the Land Regularisation Committee of Government of Sindh.

	Un-audited	Audited
	30 September	30 June
	2010	2010
	(Rupees'000)	

6. PROPERTY, PLANT AND EQUIPMENT

Carrying value at beginning of the period/ year	21,972,632	10,720,517
Additions during the period/ year	37,543	122,260
Revaluation during the period/ year	-	11,382,916
Disposals/ adjustments during the period/ year	-	(6,818)
Depreciation charge for the period/ year	<u>(55,207)</u>	<u>(246,243)</u>
Carrying value at end of the period/ year	<u>21,954,968</u>	<u>21,972,632</u>

7. ADVANCE FOR CAPITAL EXPENDITURE

Purchase of land	7.1	626,820	626,820
Purchase of apartment		40,509	40,509
Malir Delta land		84,000	84,000
Part payment for purchase of property, plant & equipment	7.2	<u>169,439</u>	<u>6,960</u>
		<u>920,768</u>	<u>758,289</u>

7.1 This represents amount paid as advance to M/s Associated Builders (Private) Limited, a related party, for purchase of 7.29 acres of land in Gwadar.

7.2 This includes part payment to M/s Hashwani Hotels Limited, a related party, for purchase of hotel property in Lahore.

8. ADVANCE FOR EQUITY INVESTMENT

This represents advance given to M/s Musafa International (Private) Limited (wholly owned subsidiary company) during the period for issuance of 531,000 ordinary shares of Rs. 100/- each.

Three months ended 30 September

	2010	2009
	(Rupees'000)	
9. SALES AND SERVICES - net		
Rooms	531,271	456,503
Food and beverages	660,345	599,616
Other related services	82,023	76,430
Shop license fees	1,610	1,628
	<u>1,275,249</u>	<u>1,134,177</u>
Discounts and commissions	(3,502)	(4,642)
Sales tax	(181,845)	(157,692)
	<u>1,089,902</u>	<u>971,843</u>
10. COST OF SALES AND SERVICES		
Food and beverages		
Balance at beginning of the period	44,435	42,867
Purchases during the period	226,668	190,391
	<u>271,103</u>	<u>233,258</u>
Balance at end of the period	(63,090)	(48,918)
Consumption during the period	<u>208,013</u>	<u>184,340</u>
Direct expenses		
Salaries, wages and benefits	170,228	152,061
Heat, light and power	127,726	120,017
Repairs and maintenance	67,398	94,904
Depreciation	49,687	55,934
Guest supplies	26,188	25,437
Linen, china and glassware	26,257	24,076
Communication and other related services	12,126	10,337
Banquet and decoration	13,715	10,193
Transportation	2,825	2,151
Uniforms	4,408	4,335
Music and entertainment	1,943	1,844
Others	3,157	2,295
	<u>713,671</u>	<u>687,924</u>
11. EARNINGS PER SHARE		
Profit for the period (Rupees '000)	<u>59,166</u>	<u>51,919</u>
Weighted average number of ordinary shares (Numbers)	<u>32,524,170</u>	<u>32,524,170</u>
Earnings per share- basic (Rupees)	<u>1.82</u>	<u>1.60</u>

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

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 Company. Transactions with related parties are as follows:

	Three months ended 30 September	
	2010	2009
	(Rupees'000)	
Transactions with subsidiary companies		
Sales	193	38
Services provided	320	244
Services availed	7,099	5,851
Advance for equity investment	53,100	-
Transactions with associates		
Sales	871	668
Services provided	634	2,614
Services availed	10,466	17,902
Purchases	26,410	19,110
Purchase of air tickets	2,057	2,191
Purchase of property, plant and equipment	1,017	2,725
Insurance premium paid	-	6,688
Contribution to the defined contribution plan	4,421	4,113
Part payment for purchase of hotel property	161,000	-
Transactions with key management personnel		
Remuneration and allowances	12,094	6,845

13. 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 28 October 2010.

STATEMENT UNDER SECTION 241(2) OF THE COMPANIES ORDINANCE, 1984

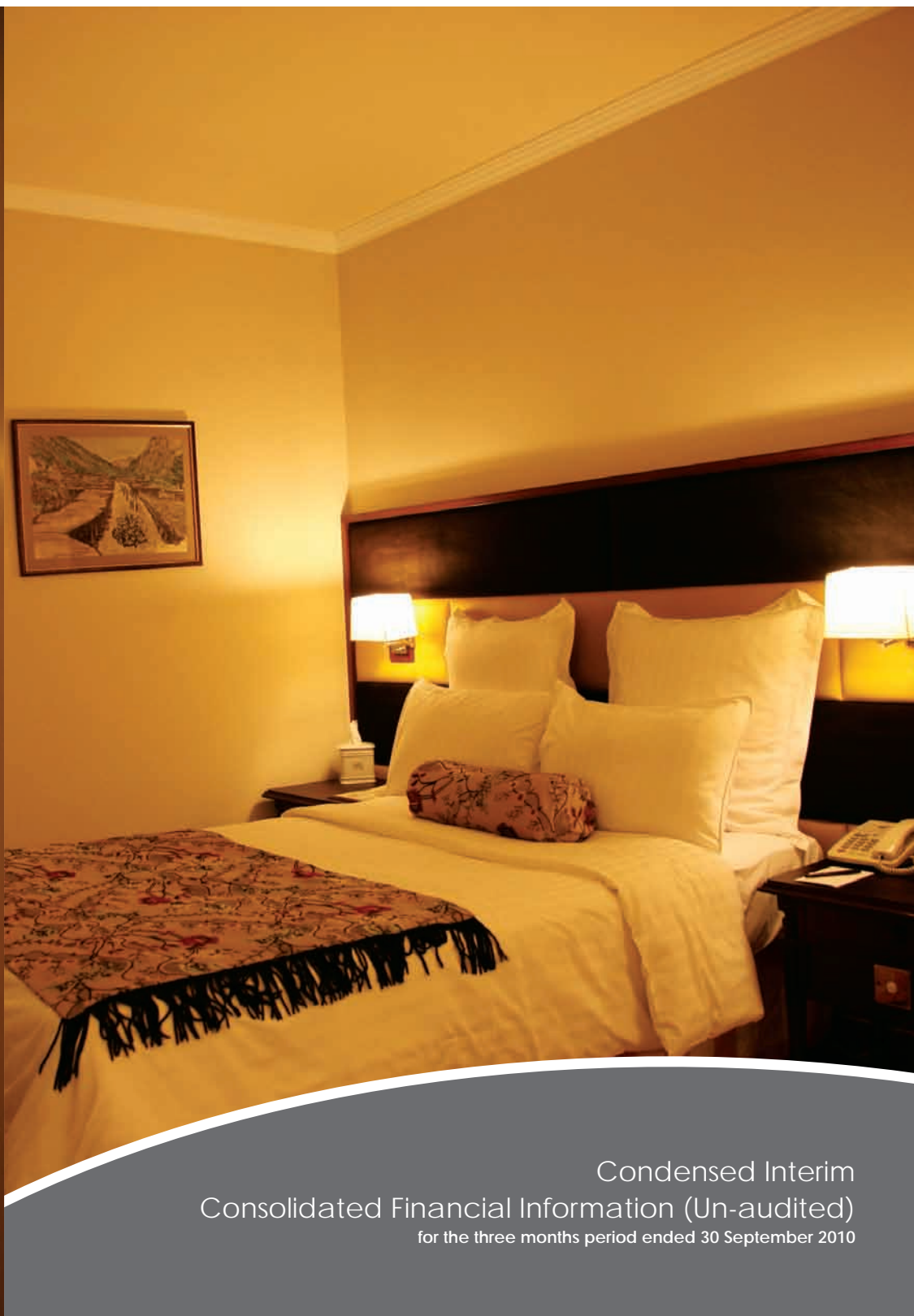
The Chief Executive for the time being is not in Pakistan. As such this condensed interim financial information, as approved by the Board of Directors, has been signed by two Directors.

M.A.Bawany
Director

Muhammad Rafique
Director



PEARL-CONTINENTAL HOTEL, PESHAWAR



Condensed Interim
Consolidated Financial Information (Un-audited)
for the three months period ended 30 September 2010

CONDENSED INTERIM CONSOLIDATED BALANCE SHEET
AS AT 30 SEPTEMBER 2010

	Note	Un-audited 30 September 2010	Audited 30 June 2010
SHARE CAPITAL AND RESERVES			
(Rupees'000)			
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		2,103,863	2,098,189
Unappropriated profit		<u>528,503</u>	<u>453,984</u>
		<u>2,957,608</u>	<u>2,877,415</u>
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT		20,007,770	20,007,770
NON CURRENT LIABILITIES			
Long term financing	4	<u>18,000</u>	36,000
Liabilities against assets subject to finance lease	5	<u>18,365</u>	21,803
Long term deposits		51,376	50,426
Deferred liabilities		<u>494,437</u>	<u>488,657</u>
		<u>582,178</u>	596,886
CURRENT LIABILITIES			
Trade and other payables		<u>1,335,422</u>	1,240,018
Markup payable		31,513	25,849
Short term borrowings		957,604	888,088
Current portion of long term financing		87,137	88,671
Provision for taxation		<u>39,030</u>	<u>14,464</u>
		<u>2,450,706</u>	2,257,090
		<u>25,998,262</u>	<u>25,739,161</u>

CONTINGENCIES AND COMMITMENTS

6

The annexed notes 1 to 12 form an integral part of this condensed interim consolidated financial information.

Statement under section 241(2) of the Companies Ordinance, 1984

The Chief Executive of the Parent Company for the time being is not in Pakistan. As such this condensed interim consolidated financial information, as approved by the Board of Directors, has been signed by two Directors.

	Note	Un-audited 30 September 2010	Audited 30 June 2010
NON CURRENT ASSETS			
(Rupees'000)			
Property, plant and equipment	7	<u>22,267,764</u>	22,277,858
Advance for capital expenditure	8	<u>975,696</u>	766,494
Investment property		45,000	45,000
Long term investments		1,450,276	1,444,122
Long term deposits		<u>9,438</u>	<u>8,175</u>
		<u>24,748,174</u>	<u>24,541,649</u>
CURRENT ASSETS			
Stores, spare parts and loose tools		<u>93,610</u>	83,954
Stock in trade - food and beverages		<u>63,090</u>	44,435
Trade debts		<u>299,989</u>	312,699
Advances		<u>80,950</u>	77,741
Trade deposits and prepayments		<u>48,457</u>	25,149
Interest accrued		<u>66,687</u>	47,472
Other receivables		<u>26,957</u>	22,393
Other financial assets		<u>484,194</u>	483,741
Cash and bank balances		<u>86,154</u>	<u>99,928</u>
		<u>1,250,088</u>	1,197,512
		<u>25,998,262</u>	<u>25,739,161</u>

M.A.Bawany
Director

Muhammad Rafique
Director

CONDENSED INTERIM CONSOLIDATED PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2010

	Note	Three months ended 30 September	
		2010 (Rupees'000)	2009
Sales and services - net	9	1,112,757	997,270
Cost of sales and services	10	<u>(724,608)</u>	<u>(694,243)</u>
Gross profit		388,149	303,027
Administrative expenses		<u>(256,007)</u>	<u>(251,804)</u>
Other operating income		34,935	37,651
Finance cost		<u>(41,674)</u>	<u>(42,409)</u>
		125,403	46,465
Share of loss in associated companies		<u>(2,575)</u>	<u>(14,733)</u>
Profit before taxation		122,828	31,732
Taxation		<u>(48,309)</u>	<u>(17,859)</u>
Profit for the period		<u><u>74,519</u></u>	<u><u>13,873</u></u>

The annexed notes 1 to 12 form an integral part of this condensed interim consolidated financial information.

Statement under section 241(2) of the Companies Ordinance, 1984

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M.A.Bawany
Director

Muhammad Rafique
Director

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2010

	Three months ended 30 September	
	2010 (Rupees'000)	2009
Profit for the period	74,519	13,873
Other comprehensive income for the period		
Exchange gain on translation of long term investments	8,730	29,100
Income tax on other comprehensive income	<u>(3,056)</u>	<u>(10,185)</u>
Other comprehensive income for the period-net of tax	5,674	18,915
Total comprehensive income for the period	<u><u>80,193</u></u>	<u><u>32,788</u></u>

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Statement under section 241(2) of the Companies Ordinance, 1984

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M.A.Bawany
Director

Muhammad Rafique
Director

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (UN-AUDITED)
FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2010

CASH FLOWS FROM OPERATING ACTIVITIES	Three months ended 30 September	
	2010	2009
	(Rupees'000)	
Profit before taxation	122,828	31,732
Adjustments for:		
Depreciation	58,553	65,154
Gain on disposal of property, plant and equipment	-	(1,147)
Provision for staff retirement benefit - gratuity	9,278	8,414
Provision for doubtful debts	1,711	2,159
Return on bank deposits, letters of placements and certificates of investments	(20,625)	(21,781)
Share of loss of associates companies	2,575	14,733
Finance cost	41,674	42,409
Dividend income	(678)	(525)
Unrealised gain on remeasurement of investments to fair value	(453)	(1,627)
	<u>214,863</u>	<u>139,521</u>
Working capital changes (Increase)/ decrease in current assets		
Stores, spare parts and loose tools	(9,656)	2,219
Stock in trade - food and beverages	(18,655)	(6,051)
Trade debts	10,999	(24,369)
Advances	(3,209)	13,496
Trade deposits and prepayments	(23,308)	(17,260)
Other receivables	(4,564)	46,056
Increase in current liabilities		
Trade and other payables	95,602	6,212
Cash generated from operations	<u>47,209</u>	<u>20,303</u>
Staff retirement benefit - gratuity paid	(2,280)	(6,490)
Income tax paid	(28,014)	(23,010)
Finance cost paid	(36,010)	(41,483)
Net cash from operating activities	<u>195,768</u>	<u>88,841</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	(48,654)	(50,118)
Additions to advance for capital expenditure	(209,202)	(21,855)
Proceeds from disposal of property, plant and equipment	-	4,070
Dividend income received	678	525
Receipt of return on bank deposits, letters of placements and certificates of investments	1,406	1,277
Decrease in long term deposits	(314)	(1,731)
Net cash used in investing activities	<u>(256,086)</u>	<u>(67,832)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long term financing	(18,000)	(18,000)
Repayment of lease liability	(4,972)	(3,206)
Net cash used in financing activities	<u>(22,972)</u>	<u>(21,206)</u>
Net decrease in cash and cash equivalents	(83,290)	(197)
Cash and cash equivalents at beginning of the period	(788,160)	(144,222)
Cash and cash equivalents at end of the period	<u>(871,450)</u>	<u>(144,419)</u>
CASH AND CASH EQUIVALENTS		
Cash and bank balances	86,154	125,026
Running finance	(957,604)	(769,445)
Certificates of investments	-	500,000
	<u>(871,450)</u>	<u>(144,419)</u>

The annexed notes 1 to 12 form an integral part of this condensed interim consolidated financial information.

Statement under section 241(2) of the Companies Ordinance, 1984

The Chief Executive of the Parent Company for the time being is not in Pakistan. As such this condensed interim consolidated financial information, as approved by the Board of Directors, has been signed by two Directors.

M.A.Bawany
Director

Muhammad Rafique
Director

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2010

	Share capital	Capital reserve share premium	Revenue reserves			Total equity
			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
<i>Changes in equity for the period ended 30 September 2009</i>						
Total comprehensive income for the period						
Profit for the period	-	-	-	-	13,873	13,873
Exchange gain on translation of long term investments - net of tax	-	-	-	18,915	-	18,915
Total comprehensive income for the period	-	-	-	18,915	13,873	32,788
Balance as at 30 September 2009	<u>325,242</u>	<u>269,424</u>	<u>1,600,000</u>	<u>220,122</u>	<u>92,758</u>	<u>2,507,546</u>
Balance as at 01 July 2010	325,242	269,424	1,600,000	228,765	453,984	2,877,415
<i>Changes in equity for the period ended 30 September 2010</i>						
Total comprehensive income for the period						
Profit for the period	-	-	-	-	74,519	74,519
Exchange gain on translation of long term investments - net of tax	-	-	-	5,674	-	5,674
Total comprehensive income for the period	-	-	-	5,674	74,519	80,193
Balance as at 30 September 2010	<u>325,242</u>	<u>269,424</u>	<u>1,600,000</u>	<u>234,439</u>	<u>528,503</u>	<u>2,957,608</u>

The annexed notes 1 to 12 form an integral part of this condensed interim consolidated financial information.

Statement under section 241(2) of the Companies Ordinance, 1984

The Chief Executive of the Parent Company for the time being is not in Pakistan. As such this condensed interim consolidated financial information, has approved by the Board of Directors, as been signed by two Directors.

M.A.Bawany
Director

Muhammad Rafique
Director

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION (UN-AUDITED)
FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2010**

1. THE GROUP AND ITS OPERATIONS

Pakistan Services Limited (the Parent Company) was incorporated in 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 & 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

This condensed interim consolidated financial information of the group for three months period ended 30 September 2010 has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984 and are being submitted to the members as required under section 245 of the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed. This does not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statement of the Company for the year ended 30 June 2010. Comparative figures of the consolidated balance sheet are extracted from the audited annual consolidated financial statements for the year ended 30 June 2010, whereas consolidated comparative profit and loss account, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows are stated from unaudited condensed interim consolidated financial information for the three months period ended 30 September 2009.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Un-audited
30 September
2010
(Rupees'000)

Audited
30 June
2010

4. LONG TERM FINANCING

Balance at beginning of the period/ year	108,000	180,000
Repayments during the period/ year	<u>(18,000)</u>	<u>(72,000)</u>
Balance at end of the period/ year including current maturity	90,000	108,000
	<u>(72,000)</u>	<u>(72,000)</u>
Balance at the end of the period/ year	<u>18,000</u>	<u>36,000</u>

5. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Present value of minimum lease payments:

Balance as at beginning of the period/ year	38,474	19,493
Assets acquired during the period/ year	-	40,620
Repayments made during the period/ year	<u>(4,972)</u>	<u>(21,639)</u>
	33,502	38,474
Current maturity	<u>(15,137)</u>	<u>(16,671)</u>
Balance as at end of the period/ year	<u>18,365</u>	<u>21,803</u>

6. CONTINGENCIES AND COMMITMENTS

6.1 Contingencies

Contingencies are the same as disclosed in the annual audited consolidated financial statements for the year ended 30 June 2010.

Un-audited
30 September
2010
(Rupees'000)

Audited
30 June
2010

6.1.1 Guarantees

69,978 69,978

6.2 Commitments

6.2.1 Commitments for capital expenditure

103,441 105,764

This includes commitments for acquisition of land in Gwadar and in addition the Parent Company will pay the differential amount against Malir Delta land on the value assessed, as determined by the Land Regularisation Committee of Government of Sindh.

7. PROPERTY, PLANT AND EQUIPMENT

	Un-audited 30 September 2010			Audited 30 June 2010		
	Owned assets	Leased assets	Total	Owned assets	Leased assets	Total
	(Rupees'000)					
Carrying value at beginning of the period/ year	22,219,109	58,749	22,277,858	10,831,283	29,536	10,860,819
Additions during the period/ year	48,654	-	48,654	265,644	40,620	306,264
Revaluation during the period/ year	-	-	-	11,382,916	-	11,382,916
Disposals/ adjustments during the period/ year	(195)	-	(195)	(5,010)	(1,896)	(6,906)
Depreciation charge for the period/ year	(56,349)	(2,204)	(58,553)	(255,724)	(9,511)	(265,235)
Carrying value at end of the period/ year	<u>22,211,219</u>	<u>56,545</u>	<u>22,267,764</u>	<u>22,219,109</u>	<u>58,749</u>	<u>22,277,858</u>

	Un-audited	Audited
	Note	
	30 September	30 June
	2010	2010
	(Rupees'000)	

8. ADVANCE FOR CAPITAL EXPENDITURE

Purchase of land	8.1	626,820	626,820
Purchase of apartment		40,509	40,509
Malir Delta land		84,000	84,000
Part payment for purchase of property, plant & equipment	8.2	169,439	6,960
Others		54,928	8,205
		<u>975,696</u>	<u>766,494</u>

8.1 This represents amount paid as advance to M/s Associated Builders (Private) Limited, a related party, for purchase of 7.29 acres of land in Gwadar.

8.2 This includes part payment to M/s Hashwani Hotels Limited, a related party, for purchase of hotel property in Lahore.

Three months ended 30 September

2010 2009

(Rupees'000)

9. SALES AND SERVICES - net

Rooms	530,951	456,259
Food and beverages	660,152	599,578
Other related services	86,859	85,956
Vehicle rental	18,532	16,183
Shop license fees	1,610	1,628
	<u>1,298,104</u>	<u>1,159,604</u>
Discounts and commissions	(3,502)	(4,642)
Sales tax	(181,845)	(157,692)
	<u>1,112,757</u>	<u>997,270</u>

10. COST OF SALES AND SERVICES

Food and beverages

Balance at beginning of the period	44,435	42,867
Purchases during the period	226,475	190,354
	<u>270,910</u>	<u>233,221</u>
Balance at end of the period	(63,090)	(48,918)
Consumption during the period	<u>207,820</u>	<u>184,303</u>

Direct expenses

Salaries, wages and benefits	170,228	152,061
Heat, light and power	127,726	120,017
Repairs and maintenance	67,398	94,904
Depreciation	52,695	55,934
Guest supplies	26,188	25,437
Linen, china and glassware	26,257	24,076
Communication and other related services	12,126	10,337
Banquet and decoration	13,715	10,193
Transportation	886	541
Uniforms	4,408	4,335
Music and entertainment	1,943	1,844
Hotel booking	570	1,275
Others	12,648	8,986
	<u>724,608</u>	<u>694,243</u>

11. 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:

	Three months ended 30 September	
	2010	2009
	(Rupees'000)	
Transactions with associates		
Sales	1,004	668
Services provided	2,207	8,847
Services availed	10,604	19,068
Purchases	26,410	19,110
Purchase of air tickets	4,424	3,555
Purchase of property, plant and equipment	1,017	2,725
Insurance expense paid	-	6,688
Contribution to the defined contribution plan	4,421	4,113
Part payment for purchase of hotel property	161,000	-
Transactions with key management personnel		
Remuneration and allowances	12,094	6,845

12. 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 28 October 2010.

STATEMENT UNDER SECTION 241(2) OF THE COMPANIES ORDINANCE, 1984

The Chief Executive of the Parent Company for the time being is not in Pakistan. As such this condensed interim consolidated financial information, as approved by the Board of Directors, has been signed by two Directors.

M.A.Bawany
Director

Muhammad Rafique
Director