

THE INVESTORS ARE ADVISED IN THEIR OWN INTEREST TO CAREFULLY READ THE CONTENTS OF THE PROSPECTUS IN PARTICULAR THE RISK FACTORS MENTIONED IN PARA 4.4, BEFORE MAKING ANY INVESTMENT DECISION

P R O S P E C T U S

For Public Offer of Term Finance Certificates of PKR 200 Million out of
Total Issue of PKR 700 Million

by



PAKISTAN SERVICES LIMITED

Rated

"A-" (A – Minus)

By JCR-VIS Credit Rating Company Limited

**PUBLIC SUBSCRIPTION ON
NOVEMBER 11, 2003 & NOVEMBER 12, 2003
DURING BANKING HOURS**

Date of Publication of this Prospectus is October 30, 2003

LEAD ADVISOR



National Bank of Pakistan

JOINT ARRANGERS



Aqeel Karim Dhedhi Securities (Pvt.) Ltd.



Union Bank Ltd.

Underwritten by

National Bank of Pakistan
Aqeel Karim Dhedhi Securities (Pvt.) Ltd.
Invest Capital & Securities (Pvt.) Ltd.

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GLOSSARY OF TERMS

Advisor and Arrangers	NBP, Union Bank, AKD
AKD	Aqeel Karim Dhedhi Securities (Pvt) Limited
CDC	Commonwealth Development Corporation / Central Depository Company of Pakistan Limited
CDS	Central Depository System
DEG	Deutsche Investitions-Und Entwicklungsgesellschaft mbH
FY	Financial Year (July-June)
HHL	Hashwani Hotels Limited
IATA	International Air Transport Association
ITAT	Income Tax Appellate Tribunal
JCR	Japan Credit Rating Agency
Joint Arrangers	Union Bank, AKD
Lead Advisor	NBP
LSE	Lahore Stock Exchange (Guarantee) Limited
NBP	National Bank of Pakistan
NGO	Non Governmental Organization
NIT	National Investment Trust
PC	Pearl Continental
PCH	Pearl Continental Hotel
PKR	Pakistan Rupee
PLHCL	Pak Libya Holding Company (Private) Limited
PSL	Pakistan Services Limited
PTTL	Pearl Tours and Travels (Private) Limited
SBP	State Bank of Pakistan
SECP	Securities and Exchange Commission of Pakistan
TATL	Trans Air Travels (Private) Limited
TFC	Term Finance Certificate (s)
The Ordinance	The Companies Ordinance, 1984
Union Bank	Union Bank Limited
VIS	Vital Information Services

**PART
1****APPROVALS, CONSENT AND LISTING ON THE STOCK EXCHANGE****1.1 APPROVAL OF THE SECURITIES & EXCHANGE COMMISSION OF PAKISTAN**

Approval of the Securities and Exchange Commission of Pakistan as required under Section 57(1) of the Companies Ordinance, 1984 ('the Ordinance') has been obtained for the issue, circulation, and publication of this Prospectus. **It must be distinctly understood that in giving this approval, the Securities and Exchange Commission of Pakistan does not take any responsibility for the financial soundness of any scheme or for the correctness of any of the statements made or opinions expressed with regard to them.**

1.2 CLEARANCE OF THE PROSPECTUS BY THE LAHORE STOCK EXCHANGE

The Prospectus for the issue of Term Finance Certificates (TFCs) has been cleared by the Lahore Stock Exchange (Guarantee) Limited in accordance with the requirements under its Listing Regulations. **While clearing the Prospectus, the Lahore Stock Exchange does not guarantee the correctness of the Prospectus nor the ability of the Company to redeem the TFCs.**

1.3 FILING OF THE PROSPECTUS AND OTHER DOCUMENTS WITH THE REGISTRAR OF COMPANIES

The Company has delivered to the Registrar of Companies, Karachi, as required under Sections 57(3) and (4) of the Ordinance, a copy of this Prospectus signed by all the Directors of the Company together with the following documents attached thereto:

- a) A letter dated October 15, 2003 from Taseer Hadi Khalid & Company, Chartered Accountants, consenting to the issue of the Prospectus which contains in Part 5 certain statements and reports issued by them as experts (for which consent has not been withdrawn);
- b) Copies of contracts mentioned in Part 8 of the Prospectus;
- c) Written confirmations of the Auditors, Legal Advisor and Bankers to the Issue mentioned in the Prospectus consenting to act in their respective capacities, as required under Section 57(5) of the Companies Ordinance, 1984; and
- d) Consent of Directors and Chief Executive of the Company to their respective appointments being made and their having been named or described as such Directors and Chief Executive in this Prospectus and the Company has filed written confirmations of such consents, as required under Section 184 of the Companies Ordinance, 1984.

1.4 LISTING ON THE LAHORE STOCK EXCHANGE

Application has been made to the Lahore Stock Exchange (Guarantee) Limited (LSE) for permission to deal in and for quotation of the TFCs of the Company. If, for any reason, the application for listing is not accepted by the LSE, the Company undertakes to publish immediately in the press a notice to that effect and thereafter to refund the subscription money to the applicants without any surcharge as required under the provisions of Section 71 of the Ordinance.

**PART
2****TERM FINANCE CERTIFICATES AND RELATED MATTERS****2.1 THE TFC ISSUE**

The total issue consists of Rs. 700 million to be issued in the form of secured, rated and listed Term Finance Certificates ("TFCs") being instrument of redeemable capital under the Companies Ordinance, 1984. The TFCs are being issued for a tenor of five (5) years. The total amount of Rs. 700 million comprises of private placement ("Pre-IPO") of Rs. 500 million and initial public offering ("IPO") of Rs. 200 million. The list of investors in the Private Placement is shown below:

Table 1

Private Placement		Rupees
1	National Bank of Pakistan	167,000,000
2	Union Bank Ltd.	167,000,000
3	Aqeel Karim Dhedhi Securities (Pvt.) Ltd.	50,000,000
4	Faysal Bank Limited	46,000,000
5	Dawood Leasing Company Limited	30,000,000
6	Security Leasing Company Limited	20,000,000
7	Pakistan Income Fund	20,000,000
Sub-total		500,000,000
Offered to General Public		200,000,000
Total Issue		700,000,000

The TFCs to be offered to the general public will be in sets of ten (10) TFCs, each set having an aggregate face value of Rs. 5,000/- or in multiples of Rs. 5,000/-. The TFCs offered to Pre-IPO investors will be in sets of ten (10) TFCs with each set having an aggregate face value of Rs. 100,000/- or in multiples of Rs. 100,000/-. A Certification of holding of Term Finance Certificates will accompany every set of TFCs. The redemption value of each TFC shall be specified on the TFC itself. For more details on redemption of TFCs, refer to Section 2.12.

The investors under Private Placement have committed the respective amounts mentioned above and will subscribe to the TFCs at least three (3) days before the opening of the subscription. Details of the Private Investors' agreements are given in section 8.10.

2.2 OPENING AND CLOSING OF SUBSCRIPTION LIST

THE SUBSCRIPTION LIST WILL OPEN FOR TWO DAYS AT THE COMMENCEMENT OF BANKING HOURS ON NOVEMBER 11, 2003 AND WILL CLOSE AT THE END OF BANKING HOURS ON NOVEMBER 12, 2003.

2.3 INVESTOR ELIGIBILITY

All individuals being Pakistani residents and nationals, provident, pension/gratuity funds/trusts (subject to the terms of the trust deed), and corporate entities (to the extent permitted by their constitutive or corporate documents, as the case may be) and non-residents (who make payment of the issue price in compliance with the regulations of the State Bank of Pakistan) are allowed to subscribe to the TFCs offered to the general public.

2.4 BASIS OF ALLOTMENT OF TFCs

- a. The minimum amount of application for subscription of TFCs is Rs. 5,000/-.

- b. **Fictitious and multiple (i.e. more than one) applications are prohibited and such applicants' money shall be liable to confiscation under Section 18A of the Securities and Exchange Ordinance, 1969.**
- c. Application for TFCs below the total value of Rs. 5,000/- shall not be entertained.
- d. Application must be made for one TFC of face value of Rs. 5,000/-, or in multiples of Rs. 5,000/- only.
- e. If the TFCs to be issued to the general public are sufficient for the purpose to accommodate all the applications, all applications shall be accommodated.
- f. If the issue is oversubscribed in terms of number of applications and amount, the TFCs will be allotted by conducting computer balloting in the presence of representatives of LSE.
- g. If the issue is oversubscribed in terms of amount only, than all applications shall be accommodated initially for TFCs of worth Rs. 5,000 each and the balance TFCs shall be allotted on pro-rata basis to all applicants who applied for TFCs in multiples of Rs. 5,000.
- h. Allotment of TFCs will be subject to scrutiny of applications for subscription.

2.5 REFUND OF MONEY TO UNSUCCESSFUL APPLICANTS

The Company shall take a decision within ten (10) days of the closure of the subscription list as to which applications have been accepted or are successful and refund the money in cases of unaccepted or unsuccessful applications within ten (10) days of the date of such decision as required under the provisions of Section 71 of the Companies Ordinance, 1984.

As per sub-section (2) of Section 71 of the said Ordinance, if refund is not made within the time specified, the Directors of the Company shall be jointly and severally liable to repay the money with surcharge at the rate of one and a half percent, for every month or part thereof from the expiration of the fifteenth day and, in addition, to a fine not exceeding Rs. 5,000/- (Rupees Five Thousand only) and, in case of continuing offence, to a further fine not exceeding Rs. 100/- (Rupees One Hundred Only) for every day after the said fifteenth day on which the default continues.

Provided that a Director shall not be liable if he proves that the default in making the refund was not due to any misconduct or negligence on his part.

2.6 MINIMUM SUBSCRIPTION

The minimum subscription on which the Directors will proceed to allot TFCs is the total amount of the present issue i.e. Rs. 700 million.

2.7 ISSUE & DISPATCH OF TFCs

The Company shall issue TFCs to the successful applicants within thirty (30) days of the closing of subscription list in compliance with the requirement of LSE. TFCs will be issued either in scripless form (in the Central Depository System - CDS) or in the shape of physical scrips on the basis of option exercised by the successful applicants. TFCs in physical scrips shall be dispatched to Bankers to the Issue for onward delivery to successful applicants, whereas scripless TFCs shall be directly credited through book entries into the respective CDS accounts of allottees maintained with the Central Depository Company of Pakistan Limited (CDC). The TFCs issued directly for induction in the CDS, without the issuance of physical certificates and the TFCs scrips (with the terms and conditions) shall be subject to the terms and conditions for the issuance of the TFCs specified in the Trust Deed.

The successful applicants who opt for issuance of TFCs in scripless form in the CDS should fill in the relevant columns of the Application Form. In order to exercise the scripless option, the applicant should also have a CDS account at the time of subscription date.

If the Company makes default in compliance with the requirements of the Listing Regulations, it will pay to the LSE a penalty of Rs. 500 (Rupees Five Hundred) per day during which the default continues. The LSE may also notify the fact of such default and the name of the Company by notice and also by publication in the Ready Board Quotation.

2.8 TRANSFER OF TFCs

- **Physical Scrips:**

TFCs shall be transferred as provided in the Companies Ordinance, 1984. Transfer of TFCs will be subject to payment of the applicable stamp duty levied by the Provincial Government. Stamp duty on initial issuance will be borne by the Company while stamp duty on subsequent transfers will be on account of the TFC holders.

- **Transfer under book entry system:**

TFCs will be declared as eligible security through the "CDS" of "CDC". Stamp duty on initial issuance will be borne by the Company and subsequent transfer shall be made in accordance with the Central Depositories Act, 1997 and the Central Depository Company of Pakistan Limited Regulations.

2.9 TFCs ISSUED IN PRECEDING YEARS

In 1991, Company had entered into an agreement with Pak Libya Holding Company (Pvt.) Limited (PLHCL) whereby the Company had been sanctioned an amount of Rs. 100.00 million by way of Long Term Local Currency Finance through the issue of Term Finance Certificates (TFCs) to meet the project cost of a five-star resort hotel at Bhurban, Muree which was repayable by January 2004. The said TFCs issue has been prepaid in full in July 2003.

2.10 PRINCIPAL PURPOSE FOR THE USE OF SUBSCRIPTION MONEY

The proceeds of the TFC issue will be utilised to restructure the balance sheet of the Company by re-profiling its existing debt and to finance the Company's permanent working capital requirements. Following are the details of the outstanding debt as per audited accounts for the year ended 30 June 2003:

Name of Lender		Line of Credit	Mark up Rate (%) p.a.	Outstanding Balance (Rs in M)
Long Term				
1	DEG	Foreign currency loan	11.50	106.312
2	Pak Libya Holding Co. (Pvt) Ltd	Term Loan	15.00	24.785
3	National Bank of Pakistan	Term Loan	10.50	300.000
4	Union Bank Limited	Bridge Finance *	9.50	200.000
5	ORIX Leasing	Lease Finance	18.50	1.049
6	ORIX Leasing	Lease Finance	18.50	0.381
7	ORIX Leasing	Lease Finance	18.00	1.015
8	ORIX Leasing	Lease Finance	17.50	7.236
9	ORIX Leasing	Lease Finance	16.00	6.791
10	ORIX Leasing	Lease Finance	13.50	16.153
11	ORIX Leasing	Lease Finance	13.00	15.382
12	ORIX Leasing	Lease Finance	13.00	0.670
13	ORIX Leasing	Lease Finance	13.00	1.115
14	ORIX Leasing	Lease Finance	10.00	0.739
15	ORIX Leasing /NDLC	Lease Finance	17.50	16.323
16	Network Leasing Corporation Ltd.	Lease Finance	17.75	13.290
17	Paramount Leasing Ltd.	Lease Finance	18.00	3.171
18	Paramount Leasing Ltd.	Lease Finance	16.75	11.432
19	NDLC	Lease Finance	18.60	20.658
20	Al-Zamin Leasing Modaraba	Lease Finance	17.50	0.321
21	Dawood Leasing Co. Ltd	Lease Finance	18.50	1.599
22	Saudi Pak Leasing Co. Ltd.	Lease Finance	17.02	18.922
23	Saudi Pak Leasing Co. Ltd.	Lease Finance	15.20	11.996
24	Grays Leasing Ltd	Lease Finance	15.00	13.122
TOTAL				792.462
* TFC Convertible Loan				

2.11 REGISTERED INSTRUMENT

TFCs will be in registered form and the Company shall maintain or cause to be maintained a Register of TFC holders.

2.12 REDEMPTION OF TFCs

A register of the TFCs holders will be maintained or caused to be maintained by the Company. The register of TFC holders will be closed for a period of 14 days prior to the redemption of each TFC. Each TFC will be redeemed on its due date through the dispatch of a crossed cheque to the registered holder of the TFC. Thus, the TFC holder will not need to physically go to the counters of any specific bank in order to have the TFC redeemed. The terms of redemption of each TFC is as follows:

- Redemption:** Principal redemption will take place in seven (7) equal semi-annual installments and will commence from the 24th month of the Date of Public Subscription after a grace period of 18 months.
- Profit:** Base Rate ("R") + 2.25% p.a. subject to a Floor and Cap
- Profit Payment:** Profit will be payable semi-annually in arrears on the outstanding principal amount. The first such payment will fall due 6 months from the date of public subscription.
- Floor:** 9.75% p.a. (applicable throughout the life of the issue)
- Cap:** 13.75% p.a. (applicable throughout the life of the issue)

"R" is the Base Rate defined as the State Bank of Pakistan ("SBP") Discount Rate. (Currently the SBP's discount rate is 7.5%). The Base Rate will be set for the first redemption on the date of publication of the prospectus in the newspapers, and for subsequent redemptions, on the last working day before the commencement of the semi-annual period for which the mark-up is being calculated.

The redemption schedule for TFCs with an aggregate face value of Rs. 5,000/- at maximum and minimum expected profit payment is as follows:

Month	Principal Redemption	Maximum Expected Profit 13.75% p.a.	Deduction of Zakat @ 2.5% (if applicable)	Deduction of Withholding Tax @ 10.00%	Total Redemption in case of Maximum Profit	Principal Outstanding
0						5,000.00
6	1.00	343.75	0.03	34.38	310.35	4,999.00
12	1.00	343.68	0.03	34.37	310.29	4,998.00
18	1.00	343.61	0.03	34.36	310.23	4,997.00
24	713.86	343.54	17.85	34.35	1,005.20	4,283.14
30	713.86	294.47	17.85	29.45	961.03	3,569.29
36	713.86	245.39	17.85	24.54	916.86	2,855.43
42	713.86	196.31	17.85	19.63	872.69	2,141.57
48	713.86	147.23	17.85	14.72	828.52	1,427.71
54	713.86	98.16	17.85	9.82	784.35	713.86
60	713.86	49.08	17.85	4.91	740.18	0.00

Month	Principal Redemption	Minimum Expected Profit 9.75% p.a.	Deduction of Zakat @ 2.5% (if applicable)	Deduction of Withholding Tax @ 10.00%	Total Redemption in case of Minimum Profit	Principal Outstanding
0						5,000.00
6	1.00	243.75	0.03	24.38	220.35	4,999.00
12	1.00	243.70	0.03	24.37	220.31	4,998.00
18	1.00	243.65	0.03	24.37	220.26	4,997.00
24	713.86	243.60	17.85	24.36	915.25	4,283.14
30	713.86	208.80	17.85	20.88	883.93	3,569.29
36	713.86	174.00	17.85	17.40	852.61	2,855.43
42	713.86	139.20	17.85	13.92	821.29	2,141.57
48	713.86	104.40	17.85	10.44	789.97	1,427.71
54	713.86	69.60	17.85	6.96	758.65	713.86
60	713.86	34.80	17.85	3.48	727.33	0.00

Notes:

- The above redemption schedules include deduction of Zakat and Withholding tax. For applicability of these please refer to Section 2.15 & 2.17 below, respectively.
- The above redemption schedules may be subject to Income Tax. For its applicability, please refer to section 2.16 below.
- If at any time during the tenor of the issue, the SBP Discount Rate ceases to exist, the Trustee on behalf of the investors may in consultation with PSL decide on an alternative basis for determination of the Base Rate and the corresponding profit mark-up thereon. However, the Floor and the Cap for the expected profit of 9.75% and 13.75% respectively, shall remain the same throughout the tenor of the issue.

2.13 CALL OPTION

The Issuer will have an option to redeem in full or part (hereinafter referred to as "Call Option" and "Partial Call Option", as detailed below) the outstanding amount of the TFCs in terms of the clauses described below. The Call Option or Partial Call Option will be exercisable anytime after the 30th month from the date of public subscription, exercisable only on the semi-annual redemption dates, at sixty (60) days notice at a premium of 0.25% of the outstanding face value.

The Call Option or the Partial Call Option may be exercised by the Issuer upon giving to the TFC Holders and the Trustee not less than sixty days notice in writing, to redeem on a following Redemption Date (falling after the expiry of at least sixty days notice period) (the "Option Redemption Date") all of the then outstanding TFCs or a portion of the then outstanding TFCs by payment of the amount(s) calculated in accordance with the provisions of the clauses 2.13.1 and 2.13.2 below in case of Call Option and Partial Call Option respectively. The option will expire if not exercised during the said period.

2.13.1 In case of Call Option

In case of the exercise of the Call Option, the Issuer will pay (a) the Redemption Amount of the scrip of the TFC maturing for payment on the Option Redemption Date, and (b) the outstanding Issue Price allocated to the then outstanding TFCs (excluding the TFC scrip for which payment of the Redemption Amount will be made).

2.13.2 In case of Partial Call Option

In case of Partial Call Option, the TFCs shall be redeemed from each TFC Holder on pro rata basis (based on the total number of Sets of TFCs held by such TFC Holder). The actual number of Sets of TFCs so redeemable from each of the TFC Holders shall be determined by rounding off the amount payable in respect of early redemption (redemption through exercising the Call Option or Partial Call Option) of such TFCs to the closest Rs. 5,000.

The notice for the exercise of the Partial Call Option above shall specify the portion of the outstanding Issue Price intended to be redeemed ("Partial Redemption Amount"). The Issuer will pay on the Option Redemption Date (a) the Redemption Amount of the scrip of the TFC maturing for payment on the Option Redemption Date, and (b) the Partial Redemption Amount.

Any notice of Call Option or Partial Call Option, once issued shall be irrevocable. In case of any dispute as to the amounts payable by the Issuer to the TFC Holders upon exercise of Call Option or Partial Call Option, the determination of the Trustee in this regard, save for manifest error, shall be final and binding on the Issuer and the respective TFC Holders.

TFCs redeemed in full or in part upon exercise of the Call Option or Partial Call Option to the extent of such redemption, may neither be subsequently re-issued nor any of the TFC Holder shall be obliged to re-purchase any of such redeemed TFCs or part thereof (as the case may be).

Note: The Investors should note that despite the right to exercise the Call Option by the Issuer, they shall have no right to exercise Put Option i.e. to surrender TFCs to the Issuer for redemption before maturity.

2.14 REDEMPTION RESERVES

No redemption reserve is being created for redemption of TFCs. However, the Issuer has arranged and assigned a Stand-By Letter of Credit for each forthcoming Principal and Profit installment, the amount of which will be subject to a cap of Rs. 148.125 million. The Stand-By Letter of Credit will remain in effect throughout the tenor of the TFC Issue. For details regarding the standby Letter of Credit please refer to Section 6.1.

2.15 DEDUCTION OF ZAKAT

Zakat is deductible in case of TFCs held by Muslim citizens of Pakistan, except where a statutory declaration of exemption is filed, and in case of certain non-corporate entities such as Trusts, Funds, (subject to being qualified for non-deduction of zakat in terms of the Zakat and Ushr Ordinance, 1980). Zakat shall be deducted at the time of redemption on the principal amount of the TFC or on the market value based on the closing rate on the LSE on the first day of Ramazan, whichever is lower, at 2.5% on such date as the concerned TFC becomes due for redemption in a Zakat year.

2.16 INCOME TAX

Any income derived from the Term Finance Certificates shall be subject to income tax in accordance with Income Tax Ordinance, 2001, against which investors are able to claim deduction of related expenditures incurred to earn such income.

2.17 DEDUCTION OF WITHHOLDING TAX

The Company is required to withhold tax currently at the rate of 10% from profit payments of all investors except companies. The tax deducted shall not be deemed to be final income tax liability and the subject income would be taxed at the applicable rate to such persons. Investors shall also be entitled to claim deductions on related expenditures incurred to earn such income. However the investors should refer to the Income Tax Rules & Regulations including any exemptions on them to assess the tax incidence on their investment.

2.18 EXEMPTION FROM CAPITAL GAINS

Capital gains derived from the sale of listed TFCs are presently not liable to income tax, pursuant to Clause (110) of Part 1 of the Second Schedule of the new Income Tax Ordinance, 2001. In order to provide incentive to the Capital Market, exemption from tax on Capital Gains is presently available upto tax year 2005.

2.19 MARKET LIQUIDITY

TFCs will be listed on the LSE. In view of the offer to the general public, there will be adequate liquidity in the market.

**PART
3****UNDERWRITING, COMMISSIONS, BROKERAGE AND
OTHER EXPENSES TO THE ISSUE****3.1 UNDERWRITING**

The present Public Issue of TFCs of Rs. 200 million has been fully underwritten as follows:

Underwriter	Amount (Rs)
National Bank of Pakistan	67,000,000
Invest Capital & Securities (Private) Limited	67,000,000
Aqeel Karim Dhedhi Securities (Pvt.) Limited	66,000,000
Total	200,000,000

If and to the extent that the TFCs offered to the general public shall not have been subscribed and paid for in full by the closing date, the Underwriters shall within 15 days of being called upon by the Company to do so, subscribe or procure subscribers to subscribe and pay in readily available funds in full for such TFCs in accordance with their underwriting commitments.

3.2 NON-PROVISION OF THE CERTIFICATE BY THE UNDERWRITERS

Certificate by the Underwriters as required under clause 30-B of section 2 of second schedule of the Companies Ordinance, 1984 has not been provided. The said clause stipulates that an Underwriter shall certify that to the best of his knowledge, information and belief, the prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by the prospectus.

3.3 NO BUY-BACK / RE-PURCHASE AGREEMENT

The Underwriters have not entered into any buy-back/re-purchase agreement with the Company or any other person in respect of the public offer. Also, neither sponsors of the Company nor any associated person has entered into any buy-back/re-purchase agreement with the Underwriters.

3.4 UNDERWRITING COMMISSION

The Underwriters will be paid a commission of 0.25% of the total amount underwritten. No additional commission will be payable to the Underwriters in respect of the TFCs actually taken up by them by virtue of their respective underwriting commitments.

3.5 COMMISSION TO THE BANKERS TO THE ISSUE

A commission at the rate of 0.25 % of the amount collected in respect of successful applications will be paid to the Bankers to the Issue for services to be rendered by them in connection with the public offer. No Commission shall be paid to the banker in respect of the TFCs actually taken up by the underwriters by virtue of their underwriting commitments.

3.6 BROKERAGE

For the Public Offer, the Company will pay brokerage to the Members of the Stock Exchange at the rate of 0.25 % of the value of TFCs actually sold through them. No Commission shall be paid in respect of the TFCs actually taken up by the underwriters by virtue of their underwriting commitments.

3.7 EXPENSES OF THE ISSUE

The initial expenses of the issue paid or payable by the Company inclusive of commission to the Bankers to the Issue and brokerage to the Members of the Stock Exchanges etc., are estimated not to exceed Rs. 9,432,000/-. The details of the expenses of the issue are as under:

Expenses Category		Rate	Amount (Rs)
<i>Expenses Related to the Public Issue – Rs. 200 million</i>			
1.	Commission to the Bankers to the Issue*	0.25%	500,000
2.	Brokerage to the Members of Stock Exchanges*	0.25%	500,000
3.	Underwriting Commission*	0.25%	500,000
<i>Expenses related to the Total Issue – Rs. 700 million</i>			
1.	Stamp Duty*	0.15%	1,050,000
2.	Rating Fee		525,000
3.	Securities & Exchange Commission of Pakistan processing fee		25,000
4.	Listing fee of the Lahore Stock Exchange – Initial		350,000
	Annual		37,000
5.	CDC Fee		75,000
6.	Trustee	0.035%	245,000
7.	Advisory and Arrangement Fee		4,800,000
8.	Other expenses (i.e. Legal, computer services, advertising, printing of stationery and contingencies)		825,000
TOTAL			9,432,000

*Represents maximum expenses related to the issue.

**PART
4****HISTORY AND PROSPECTS****4.1 THE COMPANY**

Pakistan Services Limited ("PSL") was incorporated in 1958 as a Public Limited Company and is quoted on Karachi Stock Exchange since 1964. The primary business of PSL is hospitality. It initially operated under the management of Inter Continental Hotel, however when Hashoo Group acquired PSL in 1985 it changed the name of the Hotels to Pearl Continental Hotels and became the largest and oldest five star hotel chain of Pakistan.

Pearl Continental Hotels, beside in-house reservation network, are also linked to have international exposure and overseas reservation network.

Since takeover by the Hashoo Group, "four Pearls" have undergone extensive renovation and refurbishment. New management concepts and intensive training programs have also been introduced. Another prestigious "Pearl" has been added, at a picturesque hill resort operating as Pearl Continental Hotel, Bhurban with the total cost of over Rs. 550 million in 1990-91.

In 1996 Pakistan Services Limited completed a US\$ 50 million expansion program of Pearl Continental Lahore in which IFC, CDC and DEG had invested about Rs.1 billion through foreign currency loan and equity. The expansion comprised of 300 additional rooms, a new atrium lobby, banquet and conventional hall, dining facilities, enhanced sport and fitness facilities, a new shopping arcade and a car parking structure.

In 2001, PSL has acquired the franchise of "Destinations of the world" for Pakistan region, creating an augmentation to its well defined and managed disposition in the tourism & hospitality sectors in Pakistan. The new venture is designed to captivate and focus on in-bound and out-bound Consolidation and Wholesales and is designed to introduce destinations to local tour operators, travel agencies and direct corporate customers.

Pearl Continental Hotel, Karachi

Pearl Continental Hotel, Karachi is a member of the 'Leading Hotels of the World' and the premier choice of business and leisure travelers. The hotel is ideally located only fifteen kilometres away from the airport, situated in the heart of the commercial centre. It provides excellent business and conference facilities and easy access to shopping centres of the city. The 300 comfortable and luxurious guestrooms and suites provide guests with all modern amenities. The Executive Floor, with its exclusive ambience allows the businessmen to relax, unwind and take a break from the mundane activities of the day. Each room opens with an encoded key card and has the added luxury of a dedicated Butler, to attend to the guest's needs.

For a choice of cuisine, the restaurants offer a variety of Pakistani, Chinese, Japanese, Thai and Continental specialities. Chandni-offering Pakistani Cuisine, Sakura (Japanese restaurant) and "The Jason's Steak House offer imported meat and sea food grilled exotically at lunch and dinner, the rooftop restaurants, gives a glorious view of the city by day and night, whereas, Marco Polo the flagship restaurant for fine dining experience while Demitasse and Grapevine for snacks and beverages. Thai Restaurant "The Royal Elephant" offered mouth-watering traditional Thai cuisine.

The Ballroom, Shalimar, Kohinoor, Mahnoor and picturesque pool offer ample space for seminars, conferences and wedding parties for up to 3000 guests.

At the Health Club, guests can enjoy a vigorous aerobic workout or relax in the Jacuzzi or steam bath. A temperature controlled outdoor swimming pool, three air-conditioned squash courts and a tennis court is located on premises for those who enjoy energetic exercise.

New Nortel (Meridian) digital telephone systems, the latest and most advance telecommunication system has been installed at PCH-Karachi.

Pearl Continental Hotel, Lahore

In the city of graceful mosques, imposing fortresses, and historic bazaars, Pearl Continental Hotel, Lahore is located at the most prestigious financial, business and commercial avenue, Shahrah-e-Quaid-e-Azam.

The introduction of the grandiose project, "The Atrium Wing", is the addition of large banquet facilities measuring up to 7600 sq. ft. along with 300 Deluxe Rooms, including 28 Business Suites and 2 Presidential suites, to the existing 200 rooms property. Expertise and luxuries have been gathered from all over the world to make it a venue of international business activities. Each room opens with an encoded key card and has the added luxury of a dedicated Butler, to attend to the guest's needs. The rooms are also fully equipped with all modern gadgets such as Data Port, Electronic in-room Safe and a personal mini bar.

Bukhara is the hotel's speciality restaurant, renowned for its fine barbecue delicacies and ethnic atmosphere. Marco Polo is highly recommended for superb Pakistani and Continental dishes, whereas Nadia Tea Lounge serves Tea menu and Coffee. The Steak House located in Business Club for steaks and a la carte, while Tai Pan is the place to sample regional Chinese dishes and a state of art Thai Restaurant for those who love Thai food. At Dumpukht Mughlai cuisine are served at lunch and dinner.

The Atrium Wing's Convention Centre can hold Conferences & Banquets for up to 2000 guests, while the hotel's full fledged Business Centre features two fully equipped board rooms and three private offices. The guests can spend time at the hotel's fitness centre or shop at "Pavilion", the hotel's impressive shopping arcade.

New Nortel (Meridian) digital telephone systems, the latest and most advance telecommunication system has been installed.

Pearl Continental Hotel, Rawalpindi

Islamabad airport, which serves the twin cities, is a ten minutes drive from Rawalpindi's only deluxe hotel, the Pearl Continental and in close proximity to archaeological sites in Taxila, historical monuments and hill stations.

The hotel has 200 comfortable guestrooms and suites and features an Executive Floor with a private lounge, where breakfast is served in privacy and snacks are available round the clock. Modern day facilities include direct dial local, national and international dialing, cable TV, Heating and Air conditioning. Electronic safe with a self-setting code and Computer controlled electronic door locks are also installed.

The restaurants have acquired an excellent reputation for the quality and variety of their menus. The Bukhara Restaurant offers a variety of traditional barbecue dishes and at Tai Pan, sumptuous Chinese cuisine is served in an elegant setting. Pakistani and Continental food is served at the Marco Polo.

Tastefully refurbished, our conference and banquet facilities can cater from small meetings, to royal banquet of 650 to 1500 people, in the halls and the vast Eastern and Western lush green gardens. The new conference facilities have state of the art audio visual aids. Recreational facilities include a heated swimming pool, tennis and badminton courts, an exercise room and large lawns for jogging enthusiasts.

Pearl Continental Hotel, Peshawar

Situated between the old and new Peshawar on Khyber Road, Pearl Continental Hotel is just two kilometres from the airport and overlooks the famous Peshawar golf course and the impressive Bala Hisar Fort.

The Hotel, with its 150 rooms and suites provides modern facilities and comfort with traditional hospitality and excels in its cuisine and banquets. The Khushal Hall can accommodate up to 500 people and can be subdivided into smaller rooms, while the Tatara Room on the fifth floor has a seating capacity of 100 people for meetings and small banquets. The Marco Polo, located in the main lobby, is open 24 hours, serving 3 meals a day.

Both Continental and Pakistani cuisine is served in the Marco Polo restaurant, whereas Tai Pan has become the premier choice for Chinese food in Peshawar.

The Health Club, heated swimming pool and badminton court are there to help one unwind after a long day at work or sightseeing.

There is a plan for the addition of 166 rooms to the PC Peshawar to serve the increasing need of the journalists, contractors, diplomats and businessmen who might be concerned with the rebuilding of Afghanistan. This project is expected to cost around Rs. 520m. The structure of the extension has already been built, which is the most time-consuming phase. The rest will be set up quickly when demand is ascertained.

Pearl Continental Hotel, Bhurban

In Bhurban, Pearl Continental Hotel is nestled in the midst of natural grandeur at an elevation of over 2000 meters. The hotel, set against a breathtaking backdrop of the Kashmir Valley at the foothills of the Himalayas, is a seventy-minute scenic drive from Islamabad.

The hotel provides 200 elegantly furnished rooms, including 16 suites, with private terraces. It offers complete health facilities with swimming pool, squash and tennis courts and a well-equipped gym with spa, Jacuzzi, sauna and steam bath. Guests can enjoy outdoor activities from trekking to horse riding or a good game of golf at the adjacent nine-hole golf course. Fascinating and delightful day trips can be made to nearby Murree, Patriata, Nathiagali or even Muzaffarabad, the capital of Azad Kashmir.

The restaurants include the Nadia Lounge, which offers its guests local and continental cuisine, along with a spectacular view of the mountains and valleys. The hotel also features an amphitheatre with a seating capacity of 1000 people, which is regularly used for open air shows.

With its superb Conference and Banquet facilities, the hotel is the perfect location for vacations, business meetings and conferences.

4.2 BUSINESS STRATEGY

PSL is the largest independent hotel management company in Pakistan, based on rooms under management. As of June 30th, 2003, PSL owned and managed 5 hotels containing 1,306 rooms.

PSL's business strategy is to manage the renovation, repositioning and operations of each property according to a business plan specifically tailored to the characteristics of the property and its market.

The management believes concentrating on the upscale, full-service sector of the hotel industry. The sector in which PSL has kept its focus is amongst the most attractive sectors available in today's current hospitality market. This sector is attractive for several reasons. First, these hotels appeal to a wide variety of customers, thus reducing the risk of decreasing demand from any particular customer group. Secondly, such hotels have particular appeal to both business executives and upscale leisure travelers and customers who are generally less price sensitive than travelers who use limited-service hotels. Finally, full-service hotels require a greater depth of management expertise than limited-service hotels, backed with superior management skills thus providing a significant competitive advantage in the operation.

PSL continues to capitalize on its hospitality management experience and expertise by continuing to improve the operating performance of the hotels under management. The senior management team with an average of more than 10 years of hospitality industry experience has successfully managed hotels in all segments of the hotel/lodging industry. Principle operating objectives continue to analyze each hotel as a unique property in order to generate higher revenues per available room, increase average daily rate, and increase net operating income while providing hotel guests with high quality service and value.

Business Segments

PSL operates primarily within following significant segments of the hospitality industry:

- Hospitality Management
- Corporate Housing

PSL's properties are located throughout Pakistan, including most major metropolitan areas and rapidly growing secondary cities. PSL's properties are operated under nationally recognized brand name of Pearl Continental while the core business strategy remains to manage the renovations, repositioning and operations of each property according to a business plan specifically tailored to the characteristics of the property and its market.

Expansion Strategy

PSL anticipates that it will continue to expand its portfolio by attempting to identify properties and markets with economic, demographic and supply dynamics favorable to hotel operators. PSL through its extensive due diligence process identifies those expansion targets where it can selectively make capital improvements. In order to evaluate the relative merits of each investment opportunity, senior management and individual operations teams create detailed plans covering all areas of renovation and operation. These plans serve as the basis for PSL's expansion decisions and guide subsequent renovation and operating plans.

Market Criteria

Economic Growth: PSL focuses on metropolitan areas that are approaching or have already entered periods of economic growth. Such areas generally show above average growth in the business community as measured by job formation rates, population growth rates, tourism and convention activity, local commercial real estate occupancy, and retail sales volume. Markets that exhibit these characteristics typically have strong demand for hotel facilities and services.

Location and Market Appeal: PSL targets to operate hotels that are situated near both business and leisure centers that generate a broad base of demand for hotel accommodations and facilities. The confluence of nearby business and leisure centers enables the company to attract both weekday business travelers and weekend leisure guests. Attracting a balanced mix of business, group and leisure guests to the hotels helps to maintain stable occupancy rates and high average daily rates.

Size and Facilities: PSL operates hotels that contain 200-500 guest rooms and include accommodations and facilities that are capable of being made attractive to key demand segments such as business, group and leisure travelers. These facilities typically include large, upscale guest rooms, food and beverage facilities, extensive meeting and banquet space, and amenities such as health clubs, swimming pools and adequate parking.

Potential Performance Improvements: PSL adds a competitive advantage to the industry and has been successful in managing hotels by continuously renovating and repositioning itself within the industry, particularly in the backdrop of situations with varying levels of service, room rates and market segmentation.

PSL's principal operating objectives are to generate higher revenue per available room and to increase net operating income while providing PSL's guests with high-quality service and value. PSL believes that skilled management is the most critical element in maximizing revenue and cash flows.

4.3 OPERATING STRATEGY

The corporate headquarters carry out financing and investment activities and provide services to support as well as monitor PSL's on-site hotel operating executives. Each of PSL's executive departments, including Hotel Operations, Sales and Marketing, Human Resources, Food and Beverage, Technical Services, Information Technology, Development, Legal, Tax and Finance, is headed by an executive with significant experience in that area.

Key elements of the management programs include the following:

Comprehensive Budgeting and Monitoring

The operating strategy begins with an integrated budget planning process that is implemented by individual on-site managers and monitored by the Company's corporate staff. Management sets targets for cost and revenue categories at each of the properties based on historical operating performance, planned renovations, operational efficiencies and local market conditions. On-site managers coordinate with the corporate staff to ensure that such targets are made realistic. Through effective and timely use of comprehensive financial information and reporting systems, PSL is able to monitor actual performance and rapidly adjust prices, staffing levels and sales efforts to take advantage of changes in the market and to improve its yield.

Targeted Sales and Marketing

PSL employs a systematic approach toward identifying and targeting segments of demand for each of its hotel property in order to maximize market penetration. Executives at the corporate headquarters divide such segments into smaller sub-segments and develop narrowly tailored marketing plans to suit each segment. Active on site marketing programs are developed and implemented, while the sales teams are recruited locally and receive incentive-based compensation bonuses.

The company also intends to continue an advertising program designed to enhance the Pearl Continental name both inside and outside the flexible accommodation services industry and broaden its client base. In addition, PSL promotes its brand name by advertising in publications and through periodic mail and telemarketing campaigns.

Strategic Capital Improvements

PSL plans upgrading and renovations primarily to enhance its property's appeal to targeted market segments, thereby attracting new customers and generating increased revenue and cash flows while Capital spending decisions are based on both strategic needs and potential rate of return on a given capital investment.

Emphasis on Food and Beverage

Popular food and beverage ideas are a critical component in the overall success of a hospitality property. To improve profitability of its hotel operations and enhance customer satisfaction, PSL utilizes food and beverage operations to create local awareness of its hotel facilities. The company is committed to competing for patrons with restaurants and catering establishments by offering high-quality restaurants that garner positive reviews and strong local and/or national reputations. PSL has engaged food and beverage experts to develop several proprietary restaurant concepts. Popular food concepts strengthen PSL's ability to attract business travelers and group meetings and improve the name recognition of its properties.

Commitment to Service and Value

The company is dedicated to providing exceptional service and value to its customers on a consistent basis. It conducts extensive employee training programs to ensure personalized service at the highest levels. Programs have been created and implemented to ensure the effectiveness and uniformity of employee training. The practice of tracking customer comments, through the recording of guest comment cards and the direct solicitation, during check-in and check-out, of guest opinions regarding specific items, allows investment in services and amenities where they are most effective. Focus on these areas has enabled PSL to attract lucrative group business.

Distinct Management Culture

The company boasts a distinct management culture that stresses creativity and loyalty. PSL believes in realistic solutions to problems, and innovation is always encouraged. Incentive programs and awards have been established to encourage managers to seek new ways of increasing revenues and operating cash flow. Individual general managers work closely with the corporate staff and they along with their employees are rewarded for achieving operating target and financial goals.

Computerized Reporting Systems

PSL monitors the operating and financial performance of its hotel properties by employing computerized reporting systems at each of the 5 hotel properties. Management Information Systems have been fully integrated for utilization of daily reporting. PSL efficiently uses its systems to track each hotel property's daily occupancy, average daily rates, food and beverage and revenue from rooms at all times.

Growth through National Accounts

PSL believes that there is substantial growth potential for its hotels through national accounts. Currently PSL customers include a significant number of large national companies who utilize hotel services in a limited but loyal manner. The company plans to maximize sales to those existing corporate clients and obtain new clients through a national sales and marketing program, which promotes the Pearl Continental brand and highlights all issues of clients lodging on a daily basis.

4.4 RISK FACTORS

In making the investment decision, the investors may take into consideration the following material risks:

Regulatory risk

Changes in the regulatory framework may affect the profitability of PSL.

Profit rate/Inflation risk

The investor is subject to profit rate risk for the tenor of the instrument. Fluctuations in the profit rates and underlying inflation may affect the yield to the investor. However, the proposed TFC instrument is structured with a floating rate in order to mitigate/alleviate this concern.

Liquidity risk

By investing in a TFC, the investor takes the risk that he/she may not be able to sell the TFC without adversely affecting the price. Keeping in view that institutional credibility, in the case of the market makers, support to the instrument may be provided in the secondary market trading.

Reinvestment risk

Investors in fixed income securities face the risk that the interest rate, at which the interim cash flows can be reinvested, will fall and the investor may not have suitable avenues for investing interim cash flows.

Business risk

The primary business of PSL is hospitality. The hotel industry, being largely dependent upon the business activities and to some extent on tourist activity, has been under a lot of stress in the past decade in Pakistan. Business activity in Pakistan has overall remained sluggish. Tourism also has never been properly emphasized, including development of tourist spots and proper infrastructure despite the presence of great beauty and culture in Pakistan. The risk is however, mitigated due to the presence of PSL in all the major cities of Pakistan, focus on corporate clients, promotion of a range of business activities, improvement in the industry fundamentals, continuous renovation, opening of new restaurants and extensive promotion schemes.

Financial Projection Risk

The financial projections as given in the Information Memorandum dated August 2003, have been prepared by the Company on the assumption that current market conditions continue to prevail. Any unforeseen events have not been taken into account. The investors assume the risk that due to any unforeseen events actual results may differ.

Call Option Risk

The investors should assume that in case the Issuer exercises the Call Option they may not have suitable avenues for reinvesting the repaid amount.

Note: It is stated that all material risk factors have been disclosed and that nothing has been concealed with respect to this Issue.

**PART
5****FINANCIAL INFORMATION & CREDIT RATING REPORT****5.1 AUDITORS' CERTIFICATE UNDER SECTION 53(1) READ WITH CLAUSE 28(1) AND 28(3) OF SECTION 2 OF THE PART 1 OF THE SECOND SCHEDULE OF THE COMPANIES ORDINANCE, 1984.**

The Board of Directors
Pakistan Services Limited
A-9, Muhammad Ali Bogra Road
Bath Island
Karachi

15 October 2003

Our ref KA-ZS-403

Dear Sirs,

Certificate under section 53(1) read with clause 28(1) and 28(3) of section 2 of the part I of the Second Schedule of the Companies Ordinance, 1984.

We have examined the audited accounts of Pakistan Services Limited ("the Company") for the year ended 30 June 2003 and we certify that in accordance with section 53(1) read with clauses 28(1) and 28(3) of Section 2 of Part 1 of the Second Schedule to the Companies Ordinance, 1984, the assets, liabilities and shareholders' equity of Pakistan Services Limited (PSL) and the PSL group as at 30 June 2003 and the profit & loss accounts of Pakistan Services Limited and the group for the years ended 30 June 1999 to 30 June 2003 are given in the following paragraphs.

The PSL group comprises the following companies:

- Pakistan Services Limited (holding company).
- Pearl Tours and Travels (Private) Limited (subsidiary company).
- Trans Air Travels (Private) Limited (subsidiary company).
- Pearl Continental Hotels (Private) Limited (subsidiary company).
- Bhurban Resorts (Private) Limited (subsidiary company).

Pakistan Services Limited and Subsidiary Companies
Summary of Assets and Liabilities
As at 30 June 2003

	Pakistan Services limited ("holding company")	Consolidated
	30 June 2003 (Audited)	
	(Rupees in '000)	
Tangible fixed assets		
Operating fixed assets – at cost / revaluation less accumulated depreciation	4,781,576	4,818,286
Capital work in progress – at cost	59,196	59,196
	4,840,772	4,877,482
Long term investments – at cost	15,000	–
Long term deposits	19,600	24,721
Current assets		
Stock in trade – food and beverages	21,484	21,484
Stores and spare parts	56,446	56,446
Trade debts – unsecured, considered good	124,332	143,469
Advances, deposits, prepayments, investments and other receivables	365,840	350,824
Cash and bank balances	157,803	167,558
	725,905	739,781
	5,601,277	5,641,984

	Pakistan Services limited ("holding company")	Consolidated
	30 June 2003 (Audited) (Rupees in '000)	
Share capital and reserves		
Authorized share capital 50,000,000 Ordinary shares of Rs. 10 each	500,000	500,000
Issued, subscribed and paid-up share capital	295,675	295,675
Share premium	298,991	298,991
General reserve	100,000	100,000
Unappropriated profit	105,280	112,960
	504,271	511,951
	799,946	807,626
Surplus on revaluation of fixed assets	3,066,890	3,066,890
Long term loans – secured	535,437	535,437
Liabilities against assets subject to finance lease –secured	101,700	109,049
Deferred liabilities and long term deposits	265,682	267,606
Current Liabilities		
Current maturities	155,325	162,706
Finance under mark-up arrangements–secured	6,111	6,111
Creditors, accrued expenses & other liabilities	551,744	563,527
Provision for taxation	116,968	121,558
Unclaimed dividend	1,474	1,474
	831,622	855,376
	5,601,277	5,641,984
Contingencies and Commitment		
Claims not acknowledged as debts	26,949	26,949
Guarantees including on behalf of subsidiary companies	96,848	117,029
Commitments for capital expenditure	19,500	19,500

Pakistan Services Limited
Profit and Loss Account
For the years ended 30 June 1999 to 30 June 2003

	Year ended 30 June 2003	Year ended 30 June 2002	Year ended 30 June 2001 (Audited)	Year ended 30 June 2000	Year ended 30 June 1999
(Rupees in '000)					
Sales and services	1,932,122	1,932,684	1,885,497	1,562,000	1,467,080
Cost of sales and services	1,352,238	1,316,884	1,263,593	1,120,841	1,054,196
Gross profit	579,884	615,800	621,904	441,159	412,884
Administrative, selling and general expenses	389,427	359,876	326,322	313,651	275,910
Operating profit	190,457	255,924	295,582	127,508	136,974
Financial charges	141,682	172,646	278,860	264,210	280,570
Other income	(17,894)	(67,909)	(15,516)	(63,387)	(82,568)
	123,788	104,737	263,344	200,823	198,002
Profit / (loss) before tax	66,669	151,187	32,238	(73,315)	(61,028)
Provision for taxation					
– Current year	9,750	9,864	9,505	8,126	7,750
– Prior year	24,030	9,232	–	(40,988)	326
– Deferred	–	47,200	17,044	–	(8,000)
	33,780	66,296	26,549	(32,862)	76
Net profit / (loss) after taxation before adjustment	32,889	84,891	5,689	(40,453)	(61,104)
Adjustment to reflect prior year's tax charge in the relevant year	24,030	9,232	–	(44,044)	(2,792)
Profit after taxation and adjustment	56,919	94,123	5,689	(84,497)	(63,896)

Pakistan Services Limited
Consolidated Profit and Loss Account
For the years ended 30 June 1999 to 30 June 2003

	Year ended 30 June 2003	Year ended 30 June 2002	Year ended 30 June 2001 (Audited)	Year ended 30 June 2000	Year ended 30 June 1999
(Rupees in '000)					
Sales and services	1,968,766	1,986,006	1,922,196	1,607,102	1,515,861
Cost of sales and services	1,355,167	1,311,744	1,262,773	1,130,737	1,054,618
Gross profit	613,599	674,262	659,423	476,365	461,243
Administrative, selling and general expenses	425,463	416,463	358,214	342,504	318,184
Operating profit	188,136	257,799	301,209	133,861	143,059
Financial charges	144,384	176,063	282,224	268,487	283,153
Other income	(23,370)	(70,998)	(18,280)	(60,217)	(86,011)
	121,014	105,065	263,944	208,270	197,142
Profit / (loss) before tax	67,122	152,734	37,265	(74,409)	(54,083)
Provision for taxation					
– Current year	10,063	11,681	13,249	9,558	8,073
– Prior year	22,725	12,273	596	(40,999)	438
– Deferred	800	47,200	17,044	(1,276)	(8,000)
	33,588	71,154	30,889	(32,717)	511
Net profit / (loss) after taxation before adjustment	33,534	81,580	6,376	(41,692)	(54,594)
Adjustment to reflect prior year's tax charge in the relevant year	22,725	12,273	(33)	(45,135)	(3,388)
Profit after taxation and adjustment	56,259	93,853	6,343	(86,827)	(57,982)

We further report that:

- i) No dividends were paid by the Company from 30 June 1999 to 30 June 2003. However, during the year ended 30 June 2001 the Company issued bonus shares amounting to Rs.26.88 million for the year ended 30 June 2000.
- ii) No accounts of the Company have been audited by us subsequent to the audit of the accounts for the year ended 30 June 2003.

Comparative figures have been rearranged wherever necessary.

We give below significant disclosures in the notes to the consolidated financial statements of the Group for the year ended 30 June 2003:

1 Provision for taxation

The income tax assessments of the holding company have been finalised upto and including the assessment year 2000 – 2001 (income year ended 30 June 2000). Certain appeals are pending with the Commissioner of Income Tax (Appeals) and Income Tax Appellate Tribunal (ITAT). In case of adverse decisions, additional tax liability of Rs. 126.74 million would arise. Provision against the above additional liability has not been made by the company as in computing the taxable income, the Income Tax Department has disallowed certain expenses and made arbitrary additions to the income of the company. The company is confident that decision would ultimately be in its favour.

2 DISCONTINUING OPERATIONS (SUBSIDIARY COMPANIES)

Pursuant to a Board Resolution passed on 30 August 2003, the Board of Directors have proposed to dispose off investments in Pearl Tours and Travels (Private) Limited (PTTL) and Trans Air Travels (Private) Limited (TATL) amounting to Rs. 5 million and Rs. 4 million respectively. It is expected that this transaction would be completed in the financial year 2003-2004. As per the Directors' Report to the financial statements for the year ended 30 June 2003, the proposed disposal of above-mentioned subsidiaries is being made to enable the company to concentrate fully on the core business instead of dividing attention to the less paying ventures and to improve the liquidity of the holding company.

Details of these subsidiary companies are as follows:

	PTTL		TOTAL	
	2003	2002	2003	2002
	(Rupees in '000)			
Total assets	67,550	52,366	31,784	27,367
Total liabilities	(43,467)	(32,160)	(43,117)	(35,334)
Net assets / (liabilities)	24,083	20,206	(11,333)	(7,967)
Gross revenue	55,232	58,710	11,149	11,646
Total expense	(52,601)	(52,439)	(13,469)	(15,593)
Profit / (loss) before tax	2,631	6,271	(2,320)	(3,947)
Provision for taxation	1,246	(3,800)	(1,046)	(970)
Profit / (loss) after taxation	3,877	2,471	(3,366)	(4,917)
Cash flows attributable to:				
– operating activities	8,061	8,798	(2,095)	(2,399)
– investing activities	4,725	(5,995)	(173)	(395)
– financing activities	(11,253)	(7,955)	1,500	5,000

Yours faithfully,

Sd/-

Taseer Hadi Khalid & Co.
Chartered Accountants

The Board of Directors
Pakistan Services Limited
A-9, Muhammad Ali Bogra Road
Bath Island
Karachi

15 October, 2003

Our ref. KA-ZS-404

Dear Sirs,

Break up value of ordinary shares

As requested, we confirm that the break-up value of ordinary shares of Rs. 10 each of Pakistan Services Limited, based on the audited financial statements for the year ended 30 June 2003 is as under:

Break up value excluding surplus on revaluation of fixed assets

	(Rupees in '000)
Issued, subscribed and paid-up capital	295,675
Share premium	298,991
General reserves	100,000
Unappropriated profit	105,280
	<u>799,946</u>
	(Number)
Number of shares	<u>29,567,428</u>
	(Rupees)
Break-up value per share	<u>27.05</u>

Break up value including surplus on revaluation of fixed assets

	(Rupees in '000)
Issued, subscribed and paid-up capital	295,675
Share premium	298,991
General reserves	100,000
Unappropriated profit	105,280
Surplus on revaluation of fixed assets	3,066,890
	<u>3,866,836</u>
	(Number)
Number of shares	<u>29,567,428</u>
	(Rupees)
Break-up value per share	<u>130.78</u>

Yours faithfully,

Sd/-

**Taseer Hadi Khalid & Co.
Chartered Accountants**

5.2 AUDITORS' CERTIFICATE ON ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL OF THE COMPANY

The Board of Directors
Pakistan services Limited
A-9, Muhammad Ali Bogra Road,
Bath Island, Karachi.

15 October, 2003

Our ref. KA-ZS-406

Dear Sirs

We have verified from the books and records of the Company that the issued, subscribed and paid-up capital as at 30 June 2003 was Rs. 295.675 million comprising the following:

No. of Shares	Particulars	(Rupees in '000)
25,672,620	Ordinary shares of Rupees 10 each fully paid up in cash	256,726
362,100	Ordinary shares of Rupees 10 each fully paid for consideration other than cash.	3,621
3,532,708	Ordinary shares of Rupees 10 each issued as bonus shares	35,328
<u>29,567,428</u>		<u>295,675</u>

Yours faithfully,

Sd/-

Taseer Hadi Khalid & Co.
Chartered Accountants

5.3 DEFERRED TAXATION

As on June 30, 2003, the Company had a credit balance of Rs. 64.244 million on account of Deferred Taxation.

5.4 CREDIT RATING BY INDEPENDENT RATING AGENCY

September 30, 2003

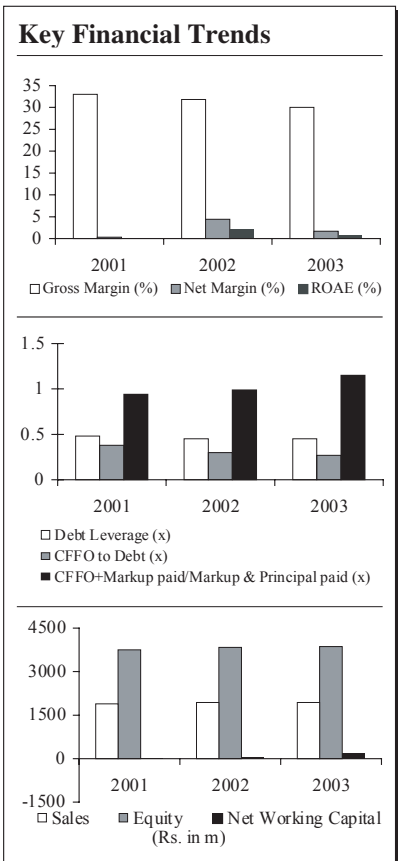
PAKISTAN SERVICES LIMITED

Chairman: Mr. Sadruddin Hashwani; Chief Executive: Mr. Murtaza Hashwani

Analysts: Kiran Lakhwani, CFA
Sadaf Shabbir
Khurram Sadiq

Category	Latest	Previous
TFCs -1	A-	A- *
Rs 700m	Sep. 24, '03	Apr. 01, '03
Outlook	Stable	Stable
	Sep. 24, '03	Apr. 01, '03

* Preliminary



Rating Rationale

- Pakistan Services Limited (PSL) owns and operates the Pearl Continental (PC) hotel chain, which is one of the leading 5-star hotel chains. PC-Karachi is a member of "The Leading Hotels of the World", a US based hotel association, which adds to its franchise value.
- Continuous culture of innovation with introduction of new products to boost revenues from both room and food and beverage sales as well as maintain diversification in the sources of revenues.
- Weak profitability, however, has exhibited a turnaround with net profits since FY2001 after four consecutive years of losses.
- The proposed TFC issue targets debt re-profiling to improve the company's liquidity position with reduction in maturity mismatch of funds. The structure of the issue provides an additional source of comfort to the investor.

Capital Structure & Liquidity

Total assets amounted to Rs. 5,601.28m at the end of FY2003 with investment in fixed assets, pertaining mainly to the hotel properties, comprising around 86% of total assets. Shareholders' equity amounted to Rs. 3,866.84m mainly consisting of Rs. 3,066.89m surplus on revaluation of land conducted in FY1999. Excluding the revaluation surplus, growth in total equity has been impeded in the previous five years due to losses suffered during FY1997-2000; however, the profitability position has improved since then with increased sales level and improved gross margins.

The debt-leverage of 0.45x at the end of FY2003 has remained low from 2.79x at the end of FY1998 after which the company received the benefit of land revaluation. The gearing ratio stood lower at 0.20x and the gap reflects the substantial amount of non-interest liabilities comprising mainly accrued creditors etc. The current ratio has remained below 1.0x during the past five years due to the high level of short-term borrowings. PSL plans to issue TFCs amounting to Rs 700m in FY2004 for the purpose of debt re-profiling to ease the pressure on the current ratio and on the cash flows arising from high debt servicing requirements. PSL's total borrowings amounted to Rs. 792.46m at the end of FY2003, slightly reduced from the previous year, including new long term financing of Rs. 300m from National Bank of Pakistan for the expansion of PC-Peshawar and Rs. 200m from Union Bank Limited which is convertible into TFCs.

Cashflows have remained weak over the past five years due to weak profitability and overdues against local and foreign currency loans were also reported during FY1998-2002, which were, however, subsequently cleared. The cashflow coverage to debt servicing requirement was registered above 1.0x in FY2003 for the first time in the past five years due to lower debt maturities.

Rating Issues

- Demand for the services of the hotel industry is linked with the business and economic activity in the country. The former has been tepid in the past five years and the latter suffers from the low international image and unpredictable law and order situation locally.

Overview of the Institution

PSL was incorporated in 1958 as a public limited company and was listed on the Karachi Stock Exchange in 1964. The primary business of the company is hospitality. It initially operated the franchise of Inter Continental Hotel, however, it discontinued the franchise when the Hashoo Group acquired PSL in 1985 and now operates the PC chain of hotels, which has become one of the largest 5-star hotel chains in Pakistan with hotels in five locations. [JCR-VIS](#)

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Corporate Profile & Fundamentals

The Hashoo group is Pakistan's largest hotel owners and operators with major shareholding in both PSL and Hashwani Hotels Limited (HHL) operating the two Marriott Hotels (Karachi and Islamabad), franchise of the international hotel chain. The group has holding in 31 companies in diverse fields such as information technology, construction and property, food products, oil and gas, trading, travel and tourism, pharmaceutical, porcelain tableware and insurance along with the hotel industry.

PSL's five PC hotels are in Karachi (PCHK), Lahore (PCHL), Rawalpindi (PCHR), Peshawar (PCHP), and Bhurban (PCHB). PCHK has the privilege of being a member of "The Leading Hotels of the World". The management vision is to build PC as the premier hotel chain in Pakistan and increase its franchise value by providing excellent services and surpassing customers expectations through continuous innovation and investment. Going forward, the management plans to sell franchises under the PC franchise, which will expand the network to generate greater brand recognition as well as earn fee-based income.

There are seven directors on PSL's Board of Directors, of which six are from the Hashoo Group and one from the CDC Group Plc. Four directors are working directors. The Chairman of the Board of Directors is Mr. Sadruddin Hashwani who has decades of experience in multifarious fields. His son, Mr. Murtaza Hashwani, has been the Chief Executive since 1998. Mr. Mansoor Akbar Ali is the Executive Director and Company Secretary. He is a Cost and Management Accountant (FCMA) and LLB and has seventeen years of association with the Hashoo Group. Mr. Shiraz Noordin is the Chief Financial Officer and Deputy Executive Director. He is a FCA, FCMA, MBA and holds a diploma in banking from Institute of Bankers in Pakistan. He is also FCIS, MA and LLB and has six years of association with the Hashoo Group.

PSL operates from its two offices in Karachi and Islamabad. Core functions like finance, marketing and human resources (HR) are common to both offices. Other support functions like engineering and projects, events and information technology (IT) are divided between the two offices. Each property has its own distinct management setup to manage daily operations. Training is done in-house as well as at the Hashoo Hotels Training School in Bhurban. The budgeting function is performed quite comprehensively at PSL and is carried out separately for each property. The targets are compared with actual performance on a monthly basis. Thorough comparison to budgets is emphasized in the quarterly board meetings.

Internal Controls & Information Technology

The internal audit department conducts quarterly routine audits of the hotels. The audit committee was formed in July 2001 and meets at least once every quarter. It comprises the Chairman and two other directors. The committee reviews quarterly performance and monitors compliance with the suggestions of the external auditors which are KPMG Taseer Hadi Khalid & Company.

The management information systems, including data backup procedures, in place at PSL are adequate. Most of the programs are made in-house and improvements are carried out on an ongoing basis. All hotels are interconnected with each other via intranet which facilitates reservations and gathering of accounting data. All PC hotels have a central reservation system.

Plans to further enhance information systems are in the pipeline to take place over a span of two years. The accounting software, Foxpro, will be replaced by a better database like Oracle Financials. Other planned enhancements are online reservations, international video-conferencing facilities, video-on-demand and a call center. The company has now shifted to Digital Subscriber Line which is the fastest available Internet connectivity and can broadcast a greater variety of entertainment channels. Some modules of the Property Management System have already been implemented e.g. the Pearl Front Office System which will integrate hotel operations like the front desk, reservations, housekeeping, and back-office functions.

Industry Overview

The hotel industry in Pakistan has been under a lot of stress in the past three decades due to the low economic and business activity, deteriorating law and order situation in the country and the austerity drives launched by the different governments. Tourism, also, has never been properly emphasized, including development of tourist spots and proper infrastructure despite the presence of great beauty and culture in Pakistan. Pakistan's international image has suffered following the tensions with India and in the aftermath of the September 11, 2001 events leading to the Afghan war and the subsequent terrorist activities in the country. Tourism and foreign investment in Pakistan have suffered accordingly as it led to the exodus of both expatriates and the international travelers out of Pakistan.

The 5-star hotels operate in the upscale and mid-priced segment of the industry and the status is determined by the Department of Tourist Services, Government of Pakistan. There are presently six 5-star hotel chains operating in Pakistan. Two Marriotts and five PC hotels are operated by the Hashoo group while the others are Serena (Islamabad, Quetta, Gilgit, Swat and Faisalabad), Sheraton (Karachi), Avari (Karachi and Lahore) and Regent Plaza (Karachi). As far as market share in the 5-star segment is concerned, PC Lahore dominates in its domain while PC Peshawar faces negligible competition since there are no other 5-star hotels there. Serena Islamabad, inaugurated in 2002, is a new competitor for PC in the Rawalpindi/Islamabad region.

The focus of the hotel industry is on corporate clients and marketing is strongly directed towards multinationals and local businessmen. There is more emphasis now on revenues from food and beverage along with room rentals for increased sales. New restaurants opened recently and extensive promotion schemes and events being organized are initiatives in this regard.

FY2002 was an exceptionally difficult year for the hospitality industry due to the turbulent world politics arising from post September 11 events leading to the Afghan war and the subsequent terrorist activities in the country. However, the geo-political situation resulted in extraordinary occupancy for PCHP due to the influx of the local & foreign journalists, delegates and diplomats resulting in increased ADRs as well, which supported PSL's revenue stream.

Financial Analysis

Occupancy & Average Daily Rate (ADR)

Hotel	# of Rooms Available	Occupancy 2002 (%)	Occupancy 2003 (%)
PC Lahore	485	47	62
PC Karachi	290	55	56
PC Rawalpindi	193	52	56
PC Bhurban	190	55	62
PC Peshawar	148	75	49
Overall	1,306	54	58

The last expansion undertaken by the company was the PCHL-atrium wing in 1997 and now renovation and extension of the PCHP is being carried out with the addition of 166 rooms to serve the need of the journalists, contractors, diplomats and businessmen who might be concerned with the rebuilding of Afghanistan. This project is expected to cost around Rs. 520m and the rooms are expected to be fully operative by FY2005.

While occupancy increased in FY2003, Revenue Per Available Room (RevPAR), which takes into account both occupancy and the ADR, reduced because of the decline in ADRs. Occupancy and ADR were impacted by the receding of the extraordinary demand created by the Afghan war while PCHL, PCHP and PCHR won an exclusive contract for lodging of PIA's cabin and cockpit crew.

	1999	2000	2001	2002	2003
RevPAR (Rs.)	1,530	1,630	1,916	1,883	1,766
ADR (Rs.)	2,517	2,686	3,040	3,560	3,038
Occupancy	61%	61%	63%	54%	58%

Asset Quality

The capex strategy is to continuously invest in refurbishment of rooms and restaurants and costs around Rs. 100m per year on average for all properties. However, actual expenditure depends upon cash availability. At PCHK, four floors are being revamped currently with premium priced deluxe rooms and added facilities for the executive cadre including Internet connectivity, better décor and improved entertainment and communication facilities. Additionally, new wings and restaurants are added on demand. PC has recently launched authentic specialty restaurants like Sakura (Japanese), Royal Elephant (Thai) and The Steak House, which cater to connoisseurs seeking authentic cuisine.

The hotel industry generally operates on low inventory levels and at the end of FY2003, PSL held food and beverage inventories of Rs. 21.48m and stores, spares and loose tools of Rs. 56.45m. Trade debts have generally ranged around 6-8% of sales during the past five years and the provisioning and write-offs are decided on a case-to-case basis by the executive committee.

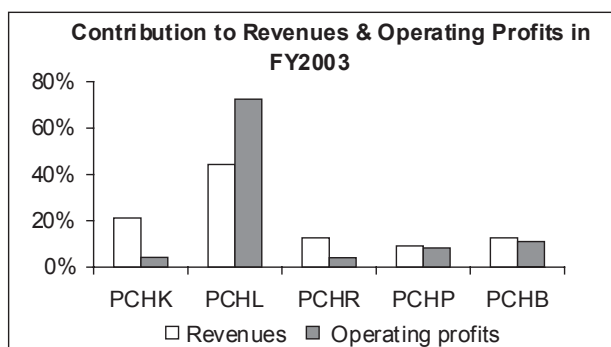
PSL does not have an established strategy to build its investment portfolio. PSL's total investments amounted to Rs. 29m at the end of FY2003 in four wholly owned subsidiary companies. The company is now planning to dispose off investments in two of these: Pearl Tours and Travels (Private) Ltd. and Trans Air Travels (Private) Ltd. with a total investment of Rs. 14m. Shareholder's approval is now awaited for the final decision.

The other two subsidiaries are not operational yet and are incurring minimal expenditure and their purpose is to handle future business of franchising and operating resorts.

Subsidiary Companies Amount in Rupees	Breakup Value	Total Investment	Net Income / (Loss)
Pearl Continental Hotels (Pvt.) Ltd.	12.37	5m	(0.012m)
Bhurban Resorts (Pvt.) Ltd.	12.51	10m	(0.003m)

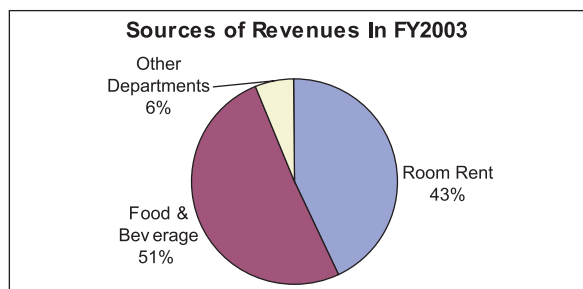
Profitability

The chart below shows that the contribution of each hotel to gross revenue does not necessarily translate into a corresponding contribution to the overall operating profit because of different cost structure for each hotel. For instance, PCHK's employee cost is higher as compared to those of other properties due to higher competition for labor in Karachi. In FY2002, PCHP's contribution to revenues was also significant due to the high occupancy in that year.

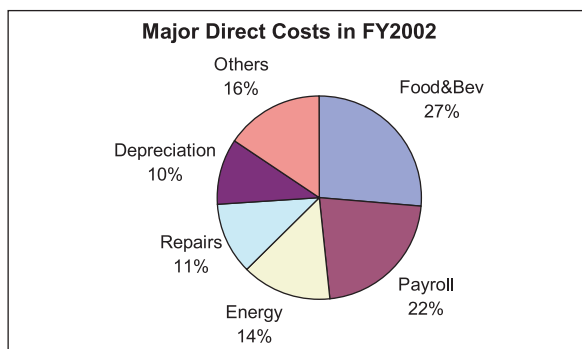


PSL had incurred losses in the years FY1997-2000, attributed mainly to high depreciation and financial cost of setting up a new wing in PCHL in FY1997. Unfortunately, by the time the new wing was operational, the economy and particularly the lodging industry were in a slump.

During the past five years, growth in total revenues was low, apart from FY2001 when there was a change in the pricing policy to emphasize on quality of service rather than to compete on pricing. FY2002 was an exceptional year for the hotel industry due to the impact of the Afghan war. However, despite overall poor market conditions, PSL was able to capitalize upon the opportunity in Peshawar as media traffic to Afghanistan increased which improved the total revenues and gross profits.



Generally, revenues from room rent have exceeded that of food and beverages. However, this trend changed during FY2003 with healthy growth in food and beverage sales which supported revenue decline from room rentals and other services. The growth came due to the combined impact of the increased revenues from the new restaurants, airline catering contract with PIA and the lifting of the ban from dinners on wedding occasions. Overall, the net sales of PSL during FY2003 remained nearly stable at Rs. 1,932.12m from the previous year's level at slightly reduced gross margin of 30.01%.



Operating expenses increased by 8.21% and constituted 20% of sales in FY2003, while financial charges declined due to the matured high cost long-term loans, while new borrowings are being secured at the prevailing low interest rates. The net profit level earned in FY2003 was Rs. 32.89m (FY2002: Rs. 84.89m), with ROAE dropping to 0.85% (FY2002: 2.24%). The profitability position of the company requires improvement in order to achieve internal growth and generate returns to shareholders. The last cash dividend was declared in FY1993 while a 10% bonus dividend was given in FY2000.

Funding

PSL's total debt has been declining during the past five years amounting to Rs. 792.46m at the end of FY2003. Previously three foreign currency loans were taken for the expansion of PCHL. Some overdues were reported on these loans during FY1998-2002 due to liquidity problems. However, these were cleared and during FY2003, two loans have been paid off and the third by DEG, now outstanding at Rs. 106.31m, was rescheduled for another two years without any change in the terms of the loan. Three equal biannual payments were outstanding at the year-end with the last payment to be made on 15 November 2004.

The local currency loan from Muslim Commercial Bank Limited of Rs. 14m was repaid during the year, clearing the previous overdues. Redeemable TFCs from Pak Libya Holding Company of Rs. 24.79m, which were repayable by January 2004, have been prepaid in full in July 2003.

Two long-term local currency loans are currently outstanding. The management has taken a loan of Rs. 300m in June 2003 from National Bank of Pakistan to finance the expansion of the PCHP. The tenor of the loan is six years with an initial twelve months grace period on principal repayment. The management has also obtained TFC convertible loan of Rs 200m from Union Bank Limited.

Structure of the Proposed TFC Issue

PSL plans to raise long-term funding through TFCs of Rs 700m to re-profile its existing debt to improve liquidity position. The tenor of the loan is five years with eighteen months grace period on principal repayments, which will be in equal semi-annual installments. The annual coupon rate will be the Discount Rate + 2.25% with a floor of 9.75% and a ceiling at 13.75%. The security would be a first equitable mortgage on all immovable assets of PCHK and a first pari passu charge by way of hypothecation over all current and future movable assets of PCHK with 25% margin. There is a call option with the issuer to redeem the issue in part or full on installment dates from the 30th month till the last redemption date with a premium of 0.25% on the outstanding principal. There is a sixty days notice before exercising this option.

The structure also provides for an irrevocable Standby Letter of Credit (SBLC) to safeguard the investors, with a cap of Rs. 148.125m to cover the maximum amount of installment payment. The security for the SBLC shall initially be the PCHK's account with Union Bank Limited which would be escrowed in favor of the Agent specified under the 'Collection Account Agreement' through which all sales receivables of PCHK will be routed. However, later the PCHL's account with National Bank of Pakistan will be escrowed through which all sales receivables, apart from the credit card sales, will be routed and the PCHK's account will be released. This change will happen after DEG vacates its charge on the PCHL's sales expected by November 2004 after pay-off of the outstanding liabilities.

If the SBLC were called, either in full or in part as the case may be, control of the Escrow Account shall be transferred to the Agent. The Agent shall utilize the amount captured in the collection account to restore the SBLC by making equal monthly deductions to recover the amount called under the SBLC, during the immediately following five months. If the cashflows in the Escrow Account are insufficient to restore the SBLC, PSL may top it up through other resources otherwise it will be considered technical default. Subsequently, the control of the Escrow Account will revert to PSL and the structure would continue for the remaining tenor of the TFC issue.

Projections FY2003-2010

Room occupancy and ADR is projected to gradually increase to 69% and Rs. 3,915 respectively in FY2010 based on management's expectations of improvement in the law and order situation and economic activity. Hence, revenues growth is projected accordingly. Financial expenses are also expected to decrease with on-going repayments and no fresh borrowings during the period. Net profit is projected to grow to Rs. 197.68m in FY2010 with ROAE expected to go up gradually to 4.32%. The management has also projected dividend returns to shareholders from FY2008.

The pressure on the current ratio is eased with the injection of TFC issue funds. Growth in total equity is low with moderate levels of profit and heavy dividend payouts after FY2008. Debt leverage is projected to gradually decrease to 0.26x at the end of FY2010 as the TFC issue is fully redeemed in FY2008 and the company does not project any other major funding.

Cashflow coverage of debt improves significantly after the TFC issue has been fully redeemed in FY2008. The DCF debt-coverage is projected to stay above the level of 1.10x for the tenor of the proposed TFCs.

**PART
6****TRUSTEE AND SECURITY****6.1 THE SECURITY**

As per the terms and conditions of the security trust deed, the TFCs will be secured by way of first equitable mortgage on all immovable assets of Pearl Continental Hotel Karachi with the 25% Margin and First Pari Passu charge by way of Hypothecation over all current and future moveable assets of Pearl Continental Hotel, Karachi with 25% margin;

In addition to the underlying security, the Issuer has arranged a Stand-By Letter of Credit for each forthcoming Principal and Profit installment, the amount of which will be subject to a cap of Rs. 148.125 Million, from Financial Institutions having a credit rating of "A minus" or above. The Stand-By Letter of Credit will remain in effect throughout the tenor of the TFC Issue.

Before the Disbursement Date, Pearl Continental Hotel Karachi's Bank Account at Union Bank Limited's Al-Rahim Towers Branch, shall be escrowed in favour of the issuer of Stand-By Letter of Credit ("Escrow Account") under irrevocable instructions to the said bank. If the Stand-By Letter of Credit is invoked, either in full or in part, the issuer shall immediately transfer the control of the Escrow Account to the issuer of Stand-By Letter of Credit. The Issuer shall undertake that all sales, including credit card sales of Pearl Continental Hotel Karachi shall be routed exclusively through Pearl Continental Hotel Karachi's bank account with Union Bank Limited's Al-Rahim Towers Branch(Escrow Account). In case of any shortfall in payment of installment to investors, the Stand-By Letter of Credit shall be utilized, in part or in full to make payment to the TFC investors.

The Collection Agent bank shall recover the amount utilized from the Stand-By Letter of Credit by making equal monthly deductions from the Escrow Account during the immediately following five months and the balance shall be passed on to PSL. This Escrow Account will remain in place until the amount disbursed under the Stand-By Letter of Credit has been recovered in full.

The Issuer shall undertake to provide for Early Amortization of the entire outstanding principal and profit amount should the balance in the Escrow Account at the time of each monthly installment deduction is found to be insufficient to recover one fifth of the amount utilized from the Stand-By Letter of Credit. In case the issuer violates the condition whereby all sales including credit card sales of Pearl Continental Hotel Karachi shall be routed exclusively through Union Bank Limited's Al-Rahim Towers Branch, the move shall be construed as an event of default and the Trustee shall immediately activate Early Amortization. Upon Early Amortization trigger, all proceeds of the Escrow Account shall be utilized to pay-off the TFC liability.

The issuer shall also create a ranking charge in favour of the issuer of Stand-By Letter of Credit on all sales excluding credit card sales of Pearl Continental Hotel Lahore. The issuer shall further undertake that upon the vacation of the charge by DEG on Pearl Continental Hotel Lahore, this ranking charge shall be upgraded to a First Pari-Passu charge and that Pearl Continental Hotel Lahore's bank account with National Bank of Pakistan shall be escrowed in favour of the issuer of Stand-By Letter of Credit whereby all sales excluding credit card sales of Pearl Continental Hotel Lahore shall be routed exclusively through this account. This collection account arrangement shall be governed by the same terms and conditions including Early Amortization as applicable on the Pearl Continental Hotel Karachi-Union Bank Limited structure. Moreover PSL shall agree not to re-profile the loan from DEG so as to ensure the timely vacation of latter's charge on Pearl Continental Hotel Lahore.

Once the ranking charge in favour of the issuer of Stand-By Letter of Credit on all sales excluding credit card sales of Pearl Continental Hotel Lahore has been upgraded to a First Pari-Passu charge and the escrow account arrangement involving Pearl Continental Hotel Lahore's bank account with National Bank of Pakistan is in place to the satisfaction of all parties concerned, the charge on Pearl Continental Hotel Karachi's receivables in favour of the issuer of Stand-By Letter of Credit will be vacated.

6.2 THE TRUSTEE

In order to secure the interests of the TFC holder, Union Bank Limited (Union Bank), has been appointed as Trustee for the issue. The Issuer shall pay to the Trustee, fees at the rate of 0.035% per annum on the principal amount outstanding with respect to the TFCs. The fee shall be payable at the beginning of each year commencing from the date of signing of the Trust Deed and on subsequent anniversary thereof.

As per the terms of the Trust Deed executed between the Company and the Trustee, the Trustee will ensure the following:

- The terms and conditions of the Security Documents are adhered to; and
- The interests of the TFC holders are safeguarded by taking actions that it deems necessary (as prescribed by the Trust Deed) in the event of any breach of terms and conditions of the TFC instrument, the Trust Deed and the Security Documents by the Company.

6.3 THE TRUST DEED

The Trust Deed dated September 8, 2003, executed between the Company and Union Bank specifies the rights and obligations of the Trustee. In the event of the Company defaulting on any of its obligations under the terms of the TFC Investor Agreement or the Trust Deed or the Security documents, the Trustee may enforce PSL's obligations in accordance with the terms of the Trust Deed. The proceeds of any such enforcement shall be distributed to the TFC holders at the time on a pari passu basis in proportion to the amounts owed to them pursuant to the TFCs.

6.4 EVENTS OF DEFAULT

The terms and conditions of the Trust Deed will govern the events of default. In the event that the Trustee is notified of such an event of default, the Trustee may enforce PSL's obligations in accordance with the terms of the Trust Deed. Events of default may include:

- a) If the Issuer fails to redeem any TFC on the respective Redemption Date(s) thereof and such default is not rectified within seven (7) Business days of such Redemption Date.
- b) Default made by Issuer in the performance of its obligation under or as incorporated by reference into this Trust Deed other than under Sub-Clause (a) above, and such default continues for more than thirty (30) days after written notice is received by the Issuer from the Trustee.

**PART
7****MANAGEMENT OF THE COMPANY****7.1 MANAGEMENT INFORMATION**

The Company's affairs are governed by a Board of Directors which currently consists of the Chairman, the Chief Executive and five directors. The Chief Executive Officer has over all responsibility for the Company's strategic direction, government relations & to manage the portfolio of business and functions.

7.2 BOARD OF DIRECTORS

Following are the names of the directors along with their offices and directorship in other companies:

Director Name	Address	Description	Directorship in other Companies
Mr. Sadruddin Hashwani S/o (Late) Hussain Hashwani	House No. 1, Street -62, Sector F-6/3 Islamabad	Chairman	<ul style="list-style-type: none"> • Bhurban Resorts (Pvt) Ltd • Gelcaps (Pakistan) Ltd • Hassan Ali & Co.(Pvt) Ltd • Hassan Ali (Grains) (Pvt) Ltd • Hashwani Sales & Services (Pvt) Ltd • Hashwani Hotels Ltd • Hashoo Holdings Ltd • Hashoo (Pvt) Ltd • Hashoo International (Pvt) Ltd • Noor Properties (Pvt) Ltd • New Jublee Insurance Co. Ltd • OPI Gas (Pvt) Ltd • Orient Petroleum Inc • Pearl Continental Hotels (Pvt) Ltd • Pearl Tours & Travels (Pvt) Ltd • Trans-Air Travels (Pvt) Ltd • Zaver Petroleum Corporation Ltd • Zaver Chemicals Ltd • Zaver Mining Co. (Pvt) Ltd • Zaver Power (Pvt) Ltd • Zaver Oils Ltd

Director Name	Address	Description	Directorship in other Companies
Mr. Murtaza Hashwani S/o Mr. Sadruddin Hashwani	House No. 1, Street 62, Sector F-6/3 Islamabad	Chief Executive	<ul style="list-style-type: none"> • Continental Foods (Pvt) Ltd • Genesis Trading (Pvt) Ltd • Hashoo Holdings (Pvt) Ltd • Global Drillings Co. (Pvt) Ltd • Nadia Estates (Pvt) Ltd • Net 21 (Pvt) Ltd • Data & Card Technologies Pak (Pvt) Ltd • OPI Gas (Pvt) Ltd • Zaver Petroleum Corp. Ltd • Zaver Chemicals Ltd • Zaver Mining Co. (Pvt) Ltd • Trans-Air Travels (Pvt) Ltd • Zaver Power (Pvt) Ltd • Bhurban Resorts (Pvt) Ltd • Pearl Continental Hotels (Pvt) Ltd • Pearl Tours & Travels (Pvt) Ltd • Zaver Oils Ltd • Hashwani Hotels Ltd
Ms. Sarah Hashwani D/o Mr. Sadruddin Hashwani	House No. 1, Street -62, Sector F-6/3 Islamabad	Director	<ul style="list-style-type: none"> • Trans-Air Travels (Pvt.) Ltd.
Mr. Vazir Ali F. Mohammad S/o (Late) Fakir Mohammad	D-35-1/B, Block-7, Kehkashan, Clifton, Karachi	Director	<ul style="list-style-type: none"> • Associated Builders (Pvt) Ltd • Bagh-e-Korangi (Pvt) Ltd • Bagh-e-Landhi Properties (Pvt) Ltd • Exide (Pakistan) Ltd • Gelcaps (Pakistan) Ltd • Hashwani Hotels Ltd • Hashwani Sales & Services (Pvt) Ltd • Hashoo Holdings (Pvt) Ltd • Hashoo (Pvt) Ltd • Murtaza Const. Corp. (Pvt) Ltd • Noor Properties (Pvt) Ltd • Nadia Estates (Pvt) Ltd • Zaver Chemicals Ltd • Zaver Petroleum Corporation Ltd

Director Name	Address	Description	Directorship in other Companies
Mr. Mansoor Akbar Ali S/o Mr. Akbar Ali	502, Al Amode Apartments, Plot G-3, Block 8, Clifton, Karachi	Director	<ul style="list-style-type: none"> • Associated Builders (Pvt) Ltd. • Bagh-e-Korangi (Pvt) Ltd • Bagh-e-Landhi Properties (Pvt) Ltd • Bhurban Resorts (Pvt) Ltd. • Gelcaps (Pakistan) Ltd • Murtaza Const. Corp. (Pvt) Ltd • Noor Properties (Pvt) Ltd • Pearl Tours & Travels (Pvt) Ltd. • Pearl Continental Hotels (Pvt) Ltd • Trans-Air Travels (Pvt) Ltd
Mr. Shiraz Noordin S/o (Late) Noordin Janmohammad	B-14/193, Al-Madina, Garden East Karachi	Director	<ul style="list-style-type: none"> • Trans-Air Travels (Pvt) Ltd • Bhurban Resorts (Pvt) Ltd • Pearl Continental Hotels (Pvt) Ltd • Pearl Tours & Travels (Pvt) Ltd • Hashoo Holdings (Pvt) Ltd • Hashoo (Pvt) Ltd • Hashwani Sales & Services (Pvt) Ltd • Murtaza Const. Corp. (Pvt) Ltd • Zaver Chemicals Ltd
Mr. Muhammad Raza Mirza S/o Javed Saeed Mirza	Nominee CDC Capital Partner	Director	<ul style="list-style-type: none"> • Crescent Leasing Corporation • Fauji Cement Company Ltd. • International Housing Finance • Security Leasing Corporation.

7.3 OVERDUE LOANS

There are no overdue loans (local and foreign currency) on the Company.

7.4 POWERS OF DIRECTORS

As required under Section 196 of the Companies Ordinance, 1984, the entire control and management of the Company is vested with its board of directors who may exercise all such powers of the Company as are not required by the Companies Ordinance, 1984 or the Articles of Association of the Company, or by a special resolution to be exercised by the Company in the General Meeting of the share holders.

7.5 PROFILE OF THE CHIEF EXECUTIVE OFFICER

Mr. Murtaza Hashwani took over as Chief Executive Officer in 1998. He holds Bachelors degree in Business Management from Santa Monica, Los Angeles, USA and has completed various courses on Management. He has extensive experience of managing diversified portfolio of businesses including Food and Beverages, Hotel business, Pharmaceuticals, Oil and Gas and Information Technology. He also holds directorships in other group companies.

No compensation is payable to him for loss of office.

7.6 PROFILE OF THE COMPANY SECRETARY

Mr. Mansoor Akber Ali is the Company Secretary as well as Executive Director. He is a Cost and Management Accountant (FCMA) and LLB and has eighteen years of association with the Hashoo Group. His initial assignments in the group were that of Accounts, Finance and Taxation. In 1992 he became Company Secretary and later on in 1997 promoted as Executive Director and was also taken on the Board of PSL in 1999. He is also holding directorships in other group companies.

Mr. Mansoor is not being paid any managerial remuneration for holding the office of Company Secretary. No compensation is payable to him for loss of office.

7.7 NUMBER OF DIRECTORS

There shall be not less than seven directors of the Company. The directors shall, fix the numbers of directors of the Company not later than thirty five (35) days before the commencing of the general meeting at which directors are to be elected, and the number so fixed shall not be changed except with the prior approval of a General Meeting of the Company. At present the board consists of seven (7) directors.

7.8 QUALIFICATION OF DIRECTORS

The qualification of a director shall be holding of at least 2500 shares in his own name unless the provision to Section 187(h) of the Ordinance applies to such Director.

7.9 REMUNERATION OF DIRECTORS

Remuneration payable to Directors for attending a Board Meeting shall not exceed Rs. 500/- or such other sum as may be approved by the Directors, subject to the prevailing laws, rules and regulations. A Director, including the Chairman, who performs extra services or a full time director shall receive such remuneration (whether by way of salary, commission, participation in profits, allowances, perquisites, etc., or partly in one way and partly in another) as the Board of Directors may fix from time to time. The Directors may also pay to any Director all such reasonable expenses as he may incur in attending and returning from meetings of Directors or Committee of Directors or which he may otherwise incur in or about the business of the Company.

7.10 AMOUNT OF BENEFITS PAID TO PROMOTERS OR OFFICERS DURING LAST TWO YEARS

No amount or benefit has been paid or given within the last two years or is intended to be paid or given to any promoter or officer of the Company otherwise than as remuneration for services rendered as whole time executives of the Company.

7.11 INTEREST OF DIRECTORS

The Directors may be deemed to be interested to the extent of fees payable to them for attending board meetings. The Directors performing whole time service for the Company may also be deemed to be interested in the remuneration payable to them by the Company. The Directors may also be deemed to be interested to the extent of any shares held by each of them in the Company and/or the TFCs applied for and allotted to them through the public offering.

7.12 INTEREST OF DIRECTORS IN PROPERTY ACQUIRED BY THE COMPANY

None of the Directors of the Company had or has any interest in any property acquired by the Company within the last two years or proposed to be acquired by the Company.

7.13 BORROWING POWER

The Directors may from time to time at their discretion borrow and secure the payment of any sum or sums of money for the purposes of the Company, and may themselves lend to the Company on security or otherwise subject to the provisions of the Ordinance.

7.14 ELECTION OF DIRECTORS

The Directors shall comply with the provisions of Section 174 to 178, 180 and 184 of the Companies Ordinance, 1984 relating to the election of Directors and matters ancillary thereto.

The date of last election of Directors was March 29, 2002.

7.15 VOTING RIGHTS

The TFCs shall not carry any voting rights.

**PART
8****MISCELLANEOUS INFORMATION**

8.1 REGISTERED OFFICE/HEAD OFFICE	A-9, Mohammad Ali Bogra Road Bath Island, Karachi Tel: 92 21 587 2941-4 Fax: 92 21 587 9872-3
8.2 Bankers of the Company	<ul style="list-style-type: none"> • Habib Bank Limited • Muslim Commercial Bank Limited • National Bank of Pakistan • PICIC Commercial Bank Limited • Union Bank Limited • Saudi Pak Commercial Bank Limited
8.3 BANKERS TO THE ISSUE	<ul style="list-style-type: none"> • United Bank Limited • National Bank of Pakistan • Union Bank Limited • Faysal Bank Limited
8.4 AUDITORS	Taseer Hadi Khalid & Company Chartered Accountants First Floor, Sheikh Sultan Trust Building No. 2 Beaumont Road, Karachi 75530
8.5 LEGAL ADVISOR	Liaquat Merchant & Associates
8.6 LEGAL ADVISOR TO THE ISSUE	Mandviwalla & Zafar
8.7 LEAD ADVISOR TO THE ISSUE	National Bank of Pakistan Investment Banking, CIBG Head Office, I.I.Chundrigar Road Karachi Tel: 921 2865 Fax: 921 2257
8.8 JOINT ARRANGERS	<ul style="list-style-type: none"> • Aqeel Karim Dhedhi Securities (Pvt) Ltd 6th Floor, Continental Trade Centre Block 8, Clifton Karachi Tel: 586 3512, 111 253 253 Fax: 586 7992 • Union Bank Limited 5th Floor, New Jubilee Insurance House I.I.Chundrigar Road Karachi Tel: 243 4072 Fax: 242 1203
8.9 COMPUTER BALLOTTER	<ul style="list-style-type: none"> • Technology Trade (Pvt.) Limited 1st Floor, WestLand Trade Centre, Opposite Flyover, Shaheed-i-Millat Road Karachi Tel: 4313205- 4072 Fax: 4313207

8.10 MATERIAL CONTRACTS

- TFC Investor Agreements:

Name of Institutions	Amount (Rs.)	Date
National Bank of Pakistan	167,000,000	8/9/03
Union Bank Limited	167,000,000	8/9/03
Faysal Bank Limited	46,000,000	8/9/03
Aqeel Karim Dhedhi Securities (Pvt.) Limited.	50,000,000	8/9/03
Dawood Leasing Company Limited	30,000,000	8/9/03
Pakistan Income Fund.	20,000,000	8/9/03
Security Leasing Company Limited.	20,000,000	8/9/03
Total Private Placement	500,000,000	

- TFC underwriting Agreements:

Underwriter	Amount (Rs)	Date
National Bank of Pakistan	67,000,000	8/9/03
Invest Capital & Securities (Private) Limited	67,000,000	8/9/03
Aqeel Karim Dhedhi Securities (Pvt.) Limited	66,000,000	8/9/03
Total	200,000,000	

- Trust Deed Agreement dated September 8, 2003 executed between the Company and Union Bank
- Memorandum Confirming Deposit of Title Deeds in favor of the Union Bank.
- Letter of Hypothecation, Collection Account Agreement, Letter of Credit facility executed between the company and Union Bank.
- Information Memorandum dated August 2003.
- Credit Rating report by JCR-VIS dated September 30, 2003.

8.11 INSPECTION OF DOCUMENTS AND CONTRACTS

Copies of the Memorandum and Articles of Association, the Auditor's Certificates, the Trust Deed, the Memorandum of Deposit of Title Deeds, the Letter of hypothecation, Collection Account Agreement, Letter of Credit facility executed between the company and Union Bank.

Copies of agreements referred to in this Prospectus, Information Memorandum dated August 2003 and Credit Rating Report may be inspected during usual business hours on any working day at the registered office of the Company from the date of publication of this Prospectus until the closing of the subscription list.

8.12 LEGAL PROCEEDINGS

The Company is not involved in any pending significant legal proceedings except those of a routine nature associated with its normal business activities.

8.13 PROFIT CAPITALISATION

Since Public Listing of the Company in 1964, the Company has periodically, upto 30 June 2003 issued 3,532,708 Ordinary Shares of Rs. 10 each as fully paid bonus shares.

8.14 REVALUATION OF FIXED ASSETS

As on June 30, 1999, Company's properties comprising freehold and leasehold lands having cost of Rs. 57.66 million were revalued under the existing use basis. These revaluations had resulted in a cumulative surplus of Rs. 3,066.89 million which

has been included in the book value of fixed assets and credited to a surplus on revaluation of fixed assets account. These valuations were carried out by M/s. Daruvala & Co., Architects and Engineers (an independent valuer).

8.15 INDEMNITY

Clause 121 of the Articles of Association of the Company provides that:

Save and except so far as the provisions of this Article shall be avoided by any provision of the Ordinance, the Directors, Auditors, Secretary and other officers for the time being of the Company and the Trustees (if any) for the time being acting in relation to any of the affairs of the Company, and their respective executors or administrators, shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their or any of their executors or administrators, shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices or trusts except such (if any) as they shall incur or sustain through their own willful neglect or default respectively, and none of them shall be answerable for the acts, receipts, neglects or defaults of any other of them, or for joining in any receipt for the sake of conformity, or for any bankers or other persons with whom any moneys or effects of the Company shall be lodged or deposited for safe custody, or for the insufficiency or deficiency of any security upon which any moneys of the Company shall be placed out or invested, or for any other loss, misfortune or damage which may happen in the execution of their respective offices or trusts, or in relation thereto except the same shall happen by or through their own willful neglect or default respectively.

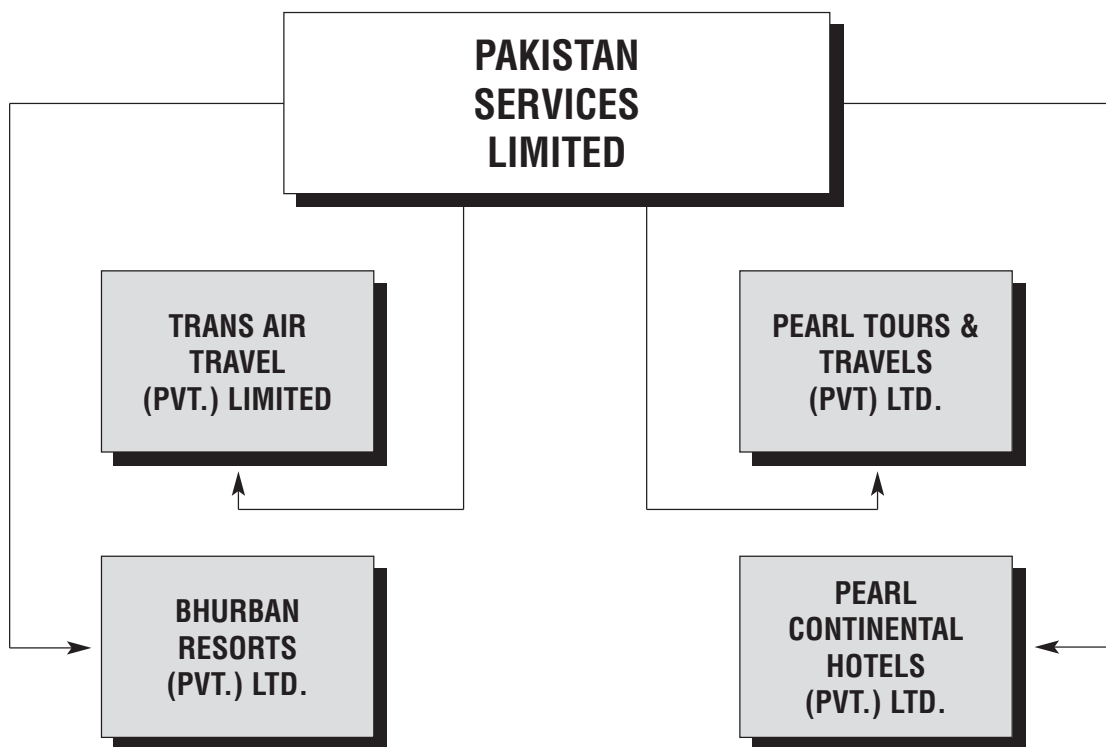
8.16 MEMORANDUM OF ASSOCIATION

The Memorandum of Association, interalia, contains the objects for which the Company was incorporated and the business which the Company is authorized to undertake. A copy of the Memorandum of Association is annexed to this Prospectus and is being published with all issues hereof except those released as newspaper advertisements.

8.17 VENDORS

The Company has no vendors in terms of Clause 12 of Section 1 of Part 1 of the Second Schedule of the Companies Ordinance, 1984.

8.18 SUBSIDIARY COMPANIES



Bhurban Resorts (Pvt.) Ltd.

Bhurban Resorts (Private) Limited was incorporated on 14 December 1994 in Karachi, Pakistan, as a private limited company in Pakistan under the Companies Ordinance, 1984. The company has not yet commenced its commercial operation. Its principal activity will be to build, construct, lease, erect and operate hotels, resorts and allied facilities in Pakistan. The company is a wholly owned subsidiary of Pakistan Services Limited.

Trans Air Travels (Pvt.) Ltd.

Trans Air Travels (Private) Limited was incorporated in Karachi, Pakistan on 4 April 1984 as a private limited company under the Companies Act, 1913(now Companies Ordinance, 1984).The principal activity of the company is to deal in travel related work and to act as a travel agency for the booking of airline tickets for domestic and international routes. Except for the Rawalpindi branch of the company, branches at Karachi, Lahore and Islamabad are IATA approved travel agency offices. The company is a wholly owned subsidiary of Pakistan Services Limited.

Pearl Tours & Travels (Pvt) Ltd.

Pearl Tours & Travels (Private) Limited was incorporated on 30 May 1993 in Karachi, Pakistan, as a private limited company under the Companies Ordinance, 1984. The principal activity of the company is to operate rent-a-car business, arrangement of tour packages and to act as the Passengers Sales Agent of Pakistan International Airlines. The company is a wholly owned subsidiary of Pakistan Services Limited.

Pearl Continental Hotels (Pvt.) Ltd.

Pearl Continental Hotels (Private) Limited was incorporated on 25 March 1989 in Karachi, Pakistan as a private limited company under the Companies Ordinance, 1984. The Company was not engaged in any business operations. Its principal activity will be to construct, operate and manage hotels. The company is a wholly owned subsidiary of Pakistan Services Limited.

8.19 INVESTMENT IN ASSOCIATED COMPANIES

There is no investment in associated Companies as per audited accounts of June 30, 2003, except for the following wholly owned subsidiaries:

- Bhurban Resorts (Pvt.) Ltd.
- Trans Air Travels (Pvt.) Ltd
- Pearl Tours & Travels (Pvt) Ltd
- Pearl Continental Hotels (Pvt.) Ltd

**PART
9****APPLICATION AND ALLOTMENT INSTRUCTIONS**

1. Name(s) and address(es) must be written in full, in block letters, in English and should not be abbreviated. ALL APPLICATIONS MUST BEAR THE SIGNATURE AND ADDRESS CORRESPONDING WITH THAT RECORD WITH THE BANK IN THE APPLICANT'S ACCOUNT. IN CASE OF DIFFERENCE OF SIGNATURE(S) WITH THE BANK AND ON THE NATIONAL IDENTITY CARD/PASPORT (IN CASE OF OVERSEASE PAKISTANI) BOTH SIGNATURE SHOULD BE AFFIXED ON THE APPLICATION FORM.
2. APPLICATION MUST BE MADE ON PRINTED FORM OF PAKISTAN SERVICES LIMITED OR LEGIBLE PHOTOCOPY THEREOF.
3. The applicants opting for scripless form of security are required to complete the relevant sections of the application. In case of discrepancy between the information provided in the application form and the information already held by CDS, the Company reserves the right to issue the TFCs in physical form.
4. An attested copy of the National Identity Card/Passport (in case of overseas Pakistanis) should invariably be enclosed and the number indicated against the name(s) of the applicant(s), except in case of application filed by the Investment Corporation of Pakistan on behalf of its account holders/investors. Copy of the National Identity Card/Passport can be attested by any Federal/Provincial Government Gazetted Officer, Councillor, Bank Manager, Oath Commissioner and Head Master of High School etc. Original Identity Card, along with one attested photocopy, must be produced for verification to the branch at the time of presenting an application. The attested photocopy will, after verification, be retained by the Branch along with the application.
5. Application for TFCs must not be made for less than the aggregate face value of Rs. 5,000/- or in multiples of Rs. 5,000/- only. TFCs will be issued as a set of ten (10) individual certificates.
6. (I) Subscription money must be paid by cheque drawn on the applicant's own account.
(II) Only one application will be accepted against each account. In case of joint accounts, one application will be accepted in the name of each of the joint account holders. No application will be accepted in the name of a person shown as a minor in the records of the bank.
7. Copies of the Prospectus and application forms can be obtained from the members of the Lahore Stock Exchange (Guarantee) Limited, the Advisor and Arrangers to the issue, the Bankers to the Issue and their designated branches and the Registered/Head Office of the Company.
8. Remittance for the full amount must accompany each application and must be forwarded to any one of the Bankers to the Issue named in the Prospectus. Payment should be in the form of cheques or drafts drawn payable to one of the Bankers to the Issue "**A/C PAKISTAN SERVICES LIMITED**" and crossed "**A/C Payee Only**" and must be drawn on a bank in the same town as the bank to which the application form has been sent.
9. Applications are not to be made by minors and persons of unsound mind. Applications made by companies and corporate bodies must be accompanied by a copy of their Memorandum and Articles of Association or equivalent instrument. Where applications are made by virtue of power of attorney, then the same must be lodged with the application. Application by foreign nationals and non-resident companies, except in the case of branches in Pakistan of foreign banks, shall be accepted subject to existing laws and provided the subscription amount is paid by means of a remittance through banking channels or through other means permitted by the State Bank of Pakistan.
10. Joint application from more than four persons will not be accepted. In the case of joint applications each party must sign the application form and submit copies of their attested National Identity Cards/Passport (in the case of overseas Pakistanis). The TFCs will be dispatched to the person whose name appears first on the application form while in case of CDS, it will be credited to the respective CDS account and where any amount is refundable, in whole or in part, the same will be refunded by cheque by post, or through the bank where the application was lodged to the person named first on the application form without interest, profit or return.

11. Banking companies are not allowed to make applications for TFCs of the aggregate face value of Rs. 5,000 on account of their constituents except in the case of overseas Pakistanis. Such applications will be made by the subscriber himself, complete in all respects and shall be certified by the Bank Manager as provided in the application form. TFCs in respect of such applications shall be issued in the name of the applicant and sent to the postal address(es) stated in the application or the address of the bank through which the application was tendered while in case of CDS, it will be credited to the respective CDS account. These will not be issued in the name of the aforesaid banking companies.
12. Applications for TFCs above the nominal value of Rs. 5,000 may be made by the banks on behalf of their constituents, but must contain all the information in respect of each constituent on the application form. All such applications made by the Banks must also be certified by the Bank Manager concerned as provided in the application form. TFCs in respect of such applications will be issued in the name of the banks on account of the constituent and the relevant TFCs and advice for refunds will be sent to the bank concerned.
13. No receipt will be issued for the payment made with the application but an acknowledgement will be forwarded in due course either by issuance of TFCs for the full or partial amounts applied for or by return of the money paid with the application. The Bankers to the Issue will issue provisional acknowledgement for applications lodged with them. No interest or profit will be payable in respect of the refunded amount.
14. It would be permissible for a bank to refund subscription money to unsuccessful applicants having an account in their bank by crediting such account instead of remitting the same by cheque, payorder or bank draft. Applicants, therefore, should not fail to give their bank account number.
15. Allotment shall be in accordance with the instructions of the Securities and Exchange Commission of Pakistan.
16. Applications will be subject to pre ballot as well as post ballot scrutiny. Applications, which do not meet the above requirements, or applications, which are incomplete, will be rejected. Subscription money in respect of rejected applications shall not be refunded without the approval of the Securities and Exchange Commission of Pakistan.
17. In case of application made by a banker or recognized stock exchange member, the banker or member shall obtain the certificate from the applicant(s) in terms of Paragraph 3 of the application form and forward the same in original to the Company with the application.
18. Making of any false statement in the application or willfully embodying incorrect information therein will make the applicant or the bank liable to legal action.
19. **BASIS OF ALLOTMENT OF TFCs**
 - a. The minimum amount of application for subscription of TFCs is Rs. 5,000/-.
 - b. **Fictitious and multiple (i.e. more than one) applications are prohibited and such applicants' money shall be liable to confiscation under Section 18A of the Securities and Exchange Ordinance, 1969.**
 - c. Application for TFCs below the total value of Rs. 5,000/- shall not be entertained.
 - d. Application must be made for one TFC of face value of Rs. 5,000/-, or in multiple of Rs. 5,000/- only.
 - e. If the TFCs to be issued to the general public are sufficient for the purpose to accommodate all the applications, all applications shall be accommodated.
 - f. If the issue is oversubscribed in terms of number of applications and amount, the TFCs will be allotted by conducting computer balloting in the presence of representatives of LSE.
 - g. If the issue is oversubscribed in terms of amount only, than all applications shall be accommodated initially for TFCs of worth Rs. 5,000 each and the balance TFCs shall be allotted on pro-rata basis to all applicants who applied for TFCs in multiple of Rs. 5,000.
 - h. Allotment of TFCs will be subject to scrutiny of applications for subscription.

20. CODE OF OCCUPATION

01	BUSINESS
02	BUSINESS EXECUTIVE
03	SERVICE
04	HOUSEWIFE
05	HOUSEHOLD
06	PROFESSIONAL
07	STUDENT
08	AGRICULTURIST
09	INDUSTRIALIST
10	OTHERS

21. BANKERS TO THE ISSUE

Bank Code No.	Bankers to the Issue
01	United Bank Limited
02	National Bank of Pakistan
03	Union Bank Limited
04	Faysal Bank Limited

**PART
10****SIGNATORIES TO THE PROSPECTUS**

1. **Mr. Sadruddin Hashwani** Sd/-
2. **Mr. Murtaza Hashwani** Sd/-
3. **Ms. Sarah Hashwani** Sd/-
4. **Mr. Vazir Ali F. Mohammad** Sd/-
5. **Mr. Mansoor Akbar Ali** Sd/-
6. **Mr. Shiraz Noordin** Sd/-
7. **Mr. Mohammad Raza Mirza** Sd/-

Dated : **September 2003**

Place : **Karachi / Islamabad**

Witness : Sd/-

Mr. Mansoor Akbar Ali
Company Secretary
N.I.C. No. 512-49-028822
Address: 502, Al Amode Apartments, Plot G-3, Block 8, Clifton, Karachi

Sd/-

Syed Masud Arif
NIC No. 42201-7848672-9
Address: E-80, Block E, Gulshan-e-Jamal, Karachi

THE COMPANIES ORDINANCE, 1984
Company Limited by Shares
MEMORANDUM OF ASSOCIATION
OF
PAKISTAN SERVICES LIMITED

1. The name of the Company is PAKISTAN SERVICES LIMITED.
1. The registered office of the Company will be situated in the Pro-vince of Sind.
2. The objects of the Company are the following:
 - (1) TO ERECT, complete and exploit a Hotel to be erected at Karachi and to be known as HOTEL KARACHI INTERCONTINENTAL in accord-ance with and upon the terms and conditions prescribed in two Agreements which have already been prepared and expressed to be made between the Company of the One Part and Intercontinental Hotels Corporation of the Other Part, copy whereof has for the purposes of identification been subs-cribed by Mr. N. J. D. Williams, Solicitor of the Supreme Court of England.
 - (2) TO CARRY on the business of hotel, restaurant, cafe, tavern, beer-house, refreshment-room and lodging-house keepers, licensed victuallers, wine, beer, and spirit _merchants, brewers, maltsters, distillors, importers and manufacturers of aerated, mineral and artificial waters and other drinks, purveyors, caterers for public amusements generally, proprietors of motor and other vehicles, garage proprietors, levey-stable keepers, job-masters, farmers, dairymen, ice merchants, importers and brokers of foods, live and dead stocks, and local and foreign produce of all descriptions, hair-dressers, perfumers, chemists, proprietors of clubs, baths, dressing-rooms, laundries, reading, writing and newspaper rooms, libraries, grounds, and places of amusement, recreations, sport, entertainment, and instruction of all kinds, tobacco and cigar merchants, agents for railway, air lines, and shipping companies, and carriers, theatrical and opera-box office proprietors, entrepreneurs and general agents, and any other business which can be conveniently carried on in connection therewith.
 - (3) TO ENTER into arrangements and agreements with lodgers, guests, passengers, firms, companies or their representatives for providing board and lodging on daily, monthly or periodical terms and to fix rates for the accommodation of lodgers, guests, or passengers.
 - (4) TO DEAL in all kinds of goods or general merchandise and all other articles, allied with the hotel trade.
 - (5) TO UNDERTAKE and execute any contracts involving the supply or use of any food-stuffs, or drinks to any Clubs, parties, associations, festive groups, or individuals.
 - (6) TO CONSTRUCT and operate theatres, cinemas, swimming or bathing-pools, pontoons, baths, tennis, squash, and badminton courts, and generally to make provision for any athletic or health activities.
 - (7) TO CARRY on the business of Proprietors and Managers of thea-tres, cinemas, picture houses, concert halls, revues, cabarets, pantomimes, spectacular pieces, promenade and other concerts and other musical and dramatic performances and entertainments.
 - (8) TO CARRY on the business of steam and general laundry and dry-cleaners.
 - (9) TO CARRY on the business of bakers, confectioners, pastry cooks and makers of sweetmeats.
 - (10) TO MAINTAIN and establish shops, arcades, and other facilities and to carry on all or any of the business of drapers, silk mercers, furries haberdashers, hosiers, importers and wholesale and retail dealers of and in textile fabrics of all kinds, milliners, dress-makers, tailors, hatters, clothiers, outfitters, golvers, lace manufacturers, and wholesale and retail dealers of leather goods, household furniture, ironmongory, turnery and other house-hold fittings and utensils, ornaments, jewellery, plated goods, stationery and fancy goods, dealers in provisions, drugs, chemicals, perfumery, soaps and other articles and commodities of personal and household

use and consumption, or as required for adornment, recreation, and amusement, and generally of and in all manufactured goods, materials, provisions and produce.

- (11) TO RECEIVE money, valuables, and goods and materials of all kinds on deposit for safe custody.
- (12) TO CARRY on business as tourist agents and contractors and to facilitate and to provide for tourists and travellers or promote the provision of conveniences of all kinds in the way of through tickets, circular tickets, sleeping cars or berths, reserved places, hotel and lodging accommodation, guides, safe deposits, inquiry bureaus, baggage transport and otherwise.
- (13) TO CARRY on business as transport agents, insurance agents, and bakers.
- (14) TO PROVIDE halls and other suitable rooms, buildings, and places and to permit the same or any part thereof to be used on such terms as the Company may think fit, for any purpose, public or private and in particular for public meetings, exhibitions, concerts, lectures, dinners, theatrical performances and other entertainments.
- (15) TO CARRY on the business of manufacturers, exporters, or importers generally.
- (16) TO SEARCH for and purchase or otherwise acquire from any Government, State, or Authority any concessions, grants, decrees, rights, powers and privileges whatsoever which may seem to the Company capable of being turned to account.
- (17) TO ACQUIRE and undertake the whole or any part of the business property and liabilities of any person or company carrying on any business which the Company is authorised to carry on or possessed of property suitable for the purposes of this Company.
- (18) TO BUY, sell or deal in shares, stocks, debentures, securities, bonds, lands, buildings, and all kinds of property real and personal, and to build houses, flats, hotels, offices, guest-houses, shops, garages and quarters, and/or to repair, develop, improve, complete and maintain as required such buildings, etc., for the purposes of carrying on the business of the Company or as investment of the funds of the Company and for that purpose to develop and turn to account any land in which the Company is interested and in particular by laying out and preparing the same for building purposes, constructing, altering, pulling down, maintaining, fitting up, and improving buildings and by painting, paving, draining, cultivating, letting on building lease or building agreement and by advancing money to and entering into contracts and arrangement of all kinds with builders, tenants and others.
- (19) TO BUY, sell, convert, lease, let or hire, and deal in any or all the above, either for cash, barter, credit, or for immediate or future delivery or possession.
- (20) TO APPOINT representatives or agents and constitute agencies of the Company in any part of the world.
- (21) TO AMALGAMATE with any other company having objects altogether or in part similar to those of this Company, and to enter into partnership or any arrangement for sharing profits, union of interest, co-operation, joint adventure, reciprocal concession or otherwise with any person or company carrying on or engaged in, or about to carry on or engage in, any business or transaction which this Company is authorised to carry on or directly or indirectly to benefit this Company.
- (22) TO TAKE or otherwise acquire and hold shares in any other company having objects altogether or in part similar to those of this Company or carrying on any business capable of being conducted so as directly or indirectly to benefit this Company.
- (23) TO PROMOTE any company or companies for the purpose of acquiring all or any of the property rights and liabilities of this Company or for any other purpose which may seem directly or indirectly calculated to benefit this Company.
- (24) TO INVEST and deal with the funds of this Company not immediately required in Government or other securities or shares in joint stock companies of any kind or in any other manner as may be thought proper and to vary or deal in such investments.

- (25) TO LEND money to any persons or companies and on such terms as may be deemed expedient and in particular to customers and others having dealings with the Company and to guarantee the performance of contracts by any such persons or companies.
- (26) TO DRAW, make, accept, endorse, discount, execute, and issue cheques, promissory notes, bills of exchange, bills of lading, warrants, debentures and other negotiable or transferable instruments.
- (27) TO UNDERTAKE and execute any trusts the undertaking whereof may seem desirable and either gratuitously or otherwise.
- (28) TO SELL or dispose of the undertaking of the Company or and in particular for shares, debentures or securities, of any other company having objects altogether or in part similar to those of this Company, and to distribute the assets in specie.
- (29) TO DO all or any of the above things as principals, agents, co-signors, consignees, contractors, trustees or otherwise, and by or through trustees agents or otherwise and either alone or in conjunction with others.
- (30) TO ACT as Managing Agents of other companies.
- (31) TO PURCHASE or by any other means acquire and protect, pro-long and renew, whether in Pakistan or elsewhere, any patent rights, inventions, licences, trade marks, protections, and concessions which may appear likely to be advantageous or useful to the Company and turn to account and to manufacture under or grant licences or privileges in respect of the same and to spend money in experimenting upon and testing and improving or seeking to improve any patents, inventions or rights which the Company may acquire or propose to acquire.
- (32) TO CARRY on any other business (industrial, agricultural, trading, manufacturing, constructional, commercial, or otherwise) which may seem to the Company capable of being conveniently carried on in connection with any of the objects herein contained or otherwise calculated directly or indirectly to render any of the Company's properties or rights for the time being profitable and also to acquire, promote, aid, foster, subsidise or acquire interests in any industry or undertaking in any country or countries whatsoever.
- (33) TO PAY all costs, charges and expenses of and incidental to the promotion, formation, registration and establishment of the Company and the issue of its capital including any underwriting or other commission, broker's fees and charges in connection therewith and to remunerate (by cash or other assets or by the allotment of fully or partly paid shares or by a call or option on shares, debentures, debenture-stock or securities of this or any other company or in any other manner whether out of the Company's capital or profits or otherwise) any person or persons for services rendered or to be rendered in introducing any property or business to the Company or in placing or assisting to place or guaranteeing the subscription of any shares, debentures, debenture-stock or other securities of the Company or for any other reason which the Company may think proper.
- (34) TO BORROW or raise money or to receive money on deposit at interest or otherwise in such manner as the Company may think fit and in particular by the issue of debentures or debenture-stock perpetual or otherwise including debentures or debenture-stock convertible into shares of this or any other Company or perpetual annuities and as security for any such money so borrowed, raised, or received, to mortgage, pledge or charge the whole or any part of the property, assets or revenue of the Company present or future including its uncalled capital by special assignment or otherwise or to transfer or convey the same absolutely or in trust and to give the lenders power of sale and other powers as may seem expedient and to purchase, redeem or pay off any such securities.
- (35) TO CREATE any Depreciation Fund, Reserve Fund, Sinking Fund, Insurance Fund, or any other Special Fund, whether for depreciation, or for repairing, improving, extending or maintaining any of the property of the Company, or for any other purpose conducive to the interests of the Company.
- (36) TO PLACE, to reserve or to distribute as dividends or bonus amongst the members or otherwise to apply as the Company may, from time to time, think fit, any moneys received by way of premium or shares or debentures issued at premium by the Company and any moneys received in respect of dividends accrued on

forfeited shares and moneys arising from the sale by the Company of forfeited shares or from unclaimed dividends or from any other reserves.

- (37) TO DISTRIBUTE any of the property of the Company amongst the members in specie or in kind.
- (38) TO UNDERTAKE the payment of all rents and the performance of all covenants, conditions, and agreements contained in and reserved by any lease that may be granted or assigned to, or be otherwise acquired by the Company, and to purchase the reversion and reversions or otherwise acquire the title to all or any part of the leasehold lands and buildings for the time being the property or in the possession of the Company.
- (39) TO PROVIDE for the welfare of persons employed or formerly employed by the Company or any predecessors in business of the Company including Directors and ex-Directors and the families of such persons by grants of money or other aid by the creation of a provident or pension fund or otherwise as the Company shall think fit.
- (40) TO SUBSCRIBE to or otherwise aid benevolent, charitable, national or other institutions, or objects of a public character, or which have any moral or other claims to support of aid by the Company by reason of the locality of its operations or otherwise.
- (41) TO DO all other things as may be thought incidental or conducive to the attainment of any of the above objects.
- (42) TO DO all or any of the above things and such other things as are incidental or may be thought conducive to the attainment of the above objects or any of them, in any part of the world, and as principals, agents, contractors, importers, exporters, trustees, or otherwise, and by or through trustees, agents, or otherwise and either alone or in conjunction with others.

AND IT IS HEREBY DECLARED that the word "Company" in this clause shall be deemed to include any partnership or other body of persons, whether incorporated or not, and whether domiciled in Pakistan, or else-where, and the intention is that the objects specified in each paragraph of this clause shall, except where otherwise expressed in such paragraph be independent main objects and shall, in no wise, be limited or restricted by reference to or inference from the terms of other paragraphs or the name of the Company, and it is hereby further declared that the company shall have power, by an Extraordinary Resolution passed in that behalf, to introduce and carry on any other kind of business not hereinbefore specially defined.

4. The liability of the members is limited.
5. THE SHARE CAPITAL of the Company is Rs. 500,000,000 divided into 50,000,000 Shares of Rs. 10/- each.
6. The Shares in the capital of the Company for the time being, whether original or increased, may be divided into several classes with any preferential, deferred, qualified or other special rights, privileges, conditions or description attached thereto, whether in regard to the dividend, voting, return of the capital, or otherwise with power also to decrease or increase the face value of the shares or sub-divide or amalgamate such shares.
7. If and when the capital of the Company is divided into shares of various classes, the rights of such class may be varied, modified, affected and/or surrendered as provided by the Articles of Association of the Company.

WE THE UNDERSIGNED several persons whose names and addresses are subscribed are desirous of being formed into a company in pursuance of this Memorandum of Association and we respectively agree to take the number of shares in the capital of the Company set opposite to our respective names.

Names, Addresses and Description of Subscribers	Number of shares taken by each Subscriber	Witness
M.L. DAYTON, Hotel Metropole, Karachi, Executive Intercontinental Hotels Corporation.	– one –	
A.G. MIRZA, 37, Islamabad, Karachi, Company Secretary.	– one –	
J.F.C. GALLAHER, Finlay House, Karachi, Solicitor.	– one –	
E.A. NOMANI, Finlay House, Karachi, Pleader.	– one –	S. H. ZAIDI, Finlay House, Karachi. Pleader.
E. VAZ, Finlay House, Karachi, Service.	– one –	
RAFIUDDIN AHMED, Finlay House, Karachi, Advocate.	– one –	
NOOR MOHAMMAD, Finlay House, Karachi, Pleader.	– one –	

DATED AT KARACHI THIS 6TH DAY OF DECEMBER 1958.

PAKISTAN SERVICES LIMITED
APPLICATION FOR TERM FINANCE CERTIFICATES
FOR PAKISTANI INVESTORS
Subscription date during Banking hours on November 11, 2003 and November 12, 2003
(Please see overleaf for instructions)

Pakistan Services Limited
A-9 Mohammad Ali Bogra Road
Bath Island
KARACHI

For the application opting for credit to their
Account in the Central Depository Company
of Pakistan Limited.

For Company's Use Only

(Refer to instruction No. 3 on the reverse hereof)
(Please fill in any one of the applicable Category)

CDC PARTICIPANT ID	SUB-ACCOUNT NO	CDC PARTICIPANT ID	GROUP ACCOUNT NO	CDC INVESTOR A/C SERVICES ID	CDC INVESTOR A/C NO
CDC PARTICIPANT NAME					

For Brokers	Broker's Stamp
	Broker's Code

Gentlemen,

- I/we enclose the sum of Rs. _____ being the amount payable for _____ set(s) of TFCs of the aggregate face value of Rs. _____ each per TFC of Pakistan Services Limited on account of subscription money.
- I/We apply for and request you to allot me/us the above number of TFCs for the face value indicated above and I/We agree to accept the same or any smaller number that may be allotted to me/us upon the terms of the Company's offer document and subject to the Memorandum and Articles of Association of the Company and I/We authorise you to place my/our name(s) on the register of TFC holders of the Company as the holder(s) of the TFCs allotted to me/us pursuant to this application and to send Term Finance Certificates in respect thereof and/or a Cheque in respect of any application money refundable by post at my/our risk to the first address written below, or to the Bank through which I/We tendered this application.
- I/WE DECLARE THAT:
 - I AM/WE ARE NATIONAL (S) OF PAKISTAN AND RESIDENT(S) / NON RESIDENTS IN PAKISTAN
 - I AM/WE ARE NOT MINOR (S)
 - I/WE HAVE NOT MADE NOR HAVE I/WE INSTRUCTED ANY OTHER PERSON(S)/INSTITUTION(S) TO MAKE ANY OTHER APPLICATION(S) IN MY/OUR NAME(S) OR IN THE NAME OF ANY OTHER PERSON ON MY/OUR BEHALF OR IN ANY FICTITIOUS NAME
 - I/WE AGREE TO ABIDE BY THE INSTRUCTIONS PRINTED OVERLEAF AND IN CASE OF ANY INFORMATION GIVEN HEREIN BEING INCORRECT I/WE UNDERSTAND THAT I/WE SHALL NOT BE ENTITLED TO THE ALLOTMENT OF TFCs.

Yours faithfully,

(a) _____ (b) _____ (c) _____ (d) _____ Signature(s)

- FULL NAME(S) & ADDRESS(ES) MUST BE WRITTEN IN BLOCK LETTERS. PLEASE ALSO INDICATE MR./MISS/MRS. BEFORE THE NAME (S) IN CASE OF DIFFERENCE OF SIGNATURE(S) WITH THE BANK AND ON NIC, BOTH SIGNATURES SHOULD BE AFFIXED ON THIS FORM

For Bankers to the issue	Banker's Stamp	
	Bank Code	Branch Code
	Bank serial No.	
	No. of TFCs Applied for	

(a) Name in Full (Mr/Miss/Mrs.)	Father's/Husband's Name	Banker's Name Address & Account No.	Tick Whether Muslim or Non-Muslim	Muslim	Non-Muslim	Address	NIC No	OCCUPATION CODE
FOR JOINT HOLDERS								
(b) Name in Full (Mr/Miss/Mrs.)	Father's/Husband's Name	Banker's Name Address & Account No.	Tick Whether Muslim or Non-Muslim	Muslim	Non-Muslim	Address	NIC No	OCCUPATION CODE
(c) Name in Full (Mr/Miss/Mrs.)	Father's/Husband's Name	Banker's Name Address & Account No.	Tick Whether Muslim or Non-Muslim	Muslim	Non-Muslim	Address	NIC No	OCCUPATION CODE
(d) Name in Full (Mr/Miss/Mrs.)	Father's/Husband's Name	Banker's Name Address & Account No.	Tick Whether Muslim or Non-Muslim	Muslim	Non-Muslim	Address	NIC No	OCCUPATION CODE

PLEASE INDICATE THE APPLICABLE CODE NUMBER OF OCCUPATION AS PER OVERLEAF

(TO BE FILLED IN BY THE APPLICANT'S BANKER)

I, _____ Manager of _____ (the "Bank") certify that the Bank has not advanced any money for the purpose of this application/has advanced Rs. _____ for the purpose of this application and that to the best of my knowledge and belief, the declaration of or on behalf of the applicant contained in sub-paragraph (iii) of paragraph 3 above is correct.

MANAGER'S SIGNATURE

SPECIMEN SIGNATURE (S) OF APPLICANTS OR OF THE BANKER OR BROKER ON BEHALF OF THE APPLICANT(S)
(THIS WILL NOT BE SIGNED BY THE BANKER IF THE APPLICATION IS FOR TFCs OF THE FACE VALUE OF Rs. 5,000)

NAME(S) IN BLOCK LETTERS	SPECIMEN SIGNATURE(S)
(a) Mr./Mrs./Miss	(a)
(b) Mr./Mrs./Miss	(b)
(c) Mr./Mrs./Miss	(c)
(d) Mr./Mrs./Miss	(d)

Banker's provisional acknowledgment of application for TFCs of Pakistan Services Limited
Received from _____ an application for _____ Set(s) of TFCs of the aggregate face value of Rs. _____

Name of Bank	Branch Code	Serial No.

Signature & Rubber Stamp of Receiving Bank

IMPORTANT: This slip must be retained by the Applicant

APPLICATION AND ALLOTMENT INSTRUCTIONS

1. Name(s) and address(es) must be written in full, in block letters, in English and should not be abbreviated. ALL APPLICATIONS MUST BEAR THE SIGNATURE AND ADDRESS CORRESPONDING WITH THAT RECORD WITH THE BANK IN THE APPLICANT'S ACCOUNT. IN CASE OF DIFFERENCE OF SIGNATURE(S) WITH THE BANK AND ON THE NATIONAL IDENTITY CARD/PASPORT (IN CASE OF OVERSEAS PAKISTANI) BOTH SIGNATURE SHOULD BE AFFIXED ON THE APPLICATION FORM.
2. APPLICATION MUST BE MADE ON PRINTED FORM OF PAKISATN SERVICES LIMITED OR LEGIBLE PHOTOCOPY THEREOF.
3. The applicants opting for scrippless form of security are required to complete the relevant sections of the application. In case of discrepancy between the information provided in the application form and the information already held by CDS, the Company reserves the right to issue the TFCs in physical form.
4. An attested copy of the National Identity Card/Passport (in case of overseas Pakistanis) should invariably be enclosed and the number indicated against the name(s) of the applicant(s), except in case of application filed by the Investment Corporation of Pakistan on behalf of its account holders/investors. Copy of the National Identity Card/Passport can be attested by any Federal/Provincial Government Gazetted Officer, Councillor, Bank Manager, Oath Commissioner and Head Master of High School etc. Original Identity Card, along with one attested photocopy, must be produced for verification to the branch at the time of presenting an application. The attested photocopy will, after verification, be retained by the Branch along with the application.
5. Application for TFCs must not be made for less than the aggregate face value of Rs. 5,000/- or in multiples of Rs. 5,000/- only. TFCs will be issued as a set of ten (10) individual certificates.
6. (I) Subscription money must be paid by cheque drawn on the applicant's own account.
(II) Only one application will be accepted against each account. In case of joint accounts, one application will be accepted in the name of each of the joint account holders. No application will be accepted in the name of a person shown as a minor in the records of the bank.
7. Copies of the Prospectus and application forms can be obtained from the members of the Lahore Stock Exchange (Guarantee) Limited, the Advisor and Arrangers to the issue, the Bankers to the Issue and their designated branches and the Registered/Head Office of the Company.
8. Remittance for the full amount must accompany each application and must be forwarded to any one of the Bankers to the Issue named in the Prospectus. Payment should be in the form of cheques or drafts drawn payable to one of the Bankers to the Issue "**A/C PAKISTAN SERVICES LIMITED**" and crossed "**A/C Payee Only**" and must be drawn on a bank in the same town as the bank to which the application form has been sent.
9. Applications are not to be made by minors and persons of unsound mind. Applications made by companies and corporate bodies must be accompanied by a copy of their Memorandum and Articles of Association or equivalent instrument. Where applications are made by virtue of power of attorney, then the same must be lodged with the application. Application by foreign nationals and non-resident companies, except in the case of branches in Pakistan of foreign banks, shall be accepted subject to existing laws and provided the subscription amount is paid by means of a remittance through banking channels or through other means permitted by the State Bank of Pakistan.
10. Joint application from more than four persons will not be accepted. In the case of joint applications each party must sign the application form and submit copies of their attested National Identity Cards/Passport (in the case of overseas Pakistanis). The TFCs will be dispatched to the person whose name appears first on the application form while in case of CDS, it will be credited to the respective CDS account and where any amount is refundable, in whole or in part, the same will be refunded by cheque by post, or through the bank where the application was lodged to the person named first on the application form without interest, profit or return.
11. Banking companies are not allowed to make applications for TFCs of the aggregate face value of Rs. 5,000 on account of their constituents except in the case of overseas Pakistanis. Such applications will be made by the subscriber himself, complete in all respects and shall be certified by the Bank Manager as provided in the application form. TFCs in respect of such applications shall be issued in the name of the applicant and sent to the postal address(es) stated in the application or the address of the bank through which the application was tendered while in case of CDS, it will be credited to the respective CDS account. These will not be issued in the name of the aforesaid banking companies.
12. Applications for TFCs above the nominal value of Rs. 5,000 may be made by the banks on behalf of their constituents, but must contain all the information in respect of each constituent on the application form. All such applications made by the Banks must also be certified by the Bank Manager concerned as provided in the application form. TFCs in respect of such applications will be issued in the name of the constituent and the relevant TFCs and advice for refunds will be sent to the bank concerned.
13. No receipt will be issued for the payment made with the application but an acknowledgement will be forwarded in due course either by issuance of TFCs for the full or partial amounts applied for or by return of the money paid with the application. The Bankers to the Issue will issue provisional acknowledgement for applications lodged with them. No interest or profit will be payable in respect of the refunded amount.
14. It would be permissible for a bank to refund subscription money to unsuccessful applicants having an account in their bank by crediting such account instead of remitting the same by cheque, payorder or bank draft. Applicants, therefore, should not fail to give their bank account number.
15. Allotment shall be in accordance with the instructions of the Securities and Exchange Commission of Pakistan.
16. Applications will be subject to pre ballot as well as post ballot scrutiny. Applications, which do not meet the above requirements, or applications, which are incomplete, will be rejected. Subscription money in respect of rejected applications shall not be refunded without the approval of the Securities and Exchange Commission of Pakistan.
17. In case of application made by a banker or recognized stock exchange member, the banker or member shall obtain the certificate from the applicant(s) in terms of Paragraph 3 of the application form and forward the same in original to the Company with the application.
18. Making of any false statement in the application or willfully embodying incorrect information therein will make the applicant or the bank liable to legal action.
19. **BASIS OF ALLOTMENT OF TFCs**
 - a. The minimum amount of application for subscription of TFCs is Rs. 5,000/-.
 - b. **Fictitious and multiple (i.e. more than one) applications are prohibited and such applicants' money shall be liable to confiscation under Section 18A of the Securities and Exchange Ordinance, 1969.**
 - c. Application for TFCs below the total value of Rs. 5,000/- shall not be entertained.
 - d. Application must be made for one TFC of face value of Rs. 5,000/-, or in multiple of Rs. 5,000/- only.
 - e. If the TFCs to be issued to the general public are sufficient for the purpose to accommodate all the applications, all applications shall be accommodated.
 - f. If the issue is oversubscribed in terms of number of applications and amount, the TFCs will be allotted by conducting computer balloting in the presence of representatives of LSE.
 - g. If the issue is oversubscribed in terms of amount only, then all applications shall be accommodated initially for TFCs of worth Rs. 5,000 each and the balance TFCs shall be allotted on pro-rata basis to all applicants who applied for TFCs in multiple of Rs. 5,000.
 - h. Allotment of TFCs will be subject to scrutiny of applications for subscription.

20. CODE OF OCCUPATION

01 BUSINESS	02 BUSINESS EXECUTIVE
03 SERVICE	04 HOUSEWIFE
05 HOUSEHOLD	06 PROFESSIONAL
07 STUDENT	08 AGRICULTURIST
09 INDUSTRIALIST	10 OTHERS

21. BANKERS TO THE ISSUE

Bank Code No.	Bankers to the Issue
01	United Bank Limited
02	National Bank of Pakistan
03	Union Bank Limited
04	Faysal Bank Limited