

PACE (PAKISTAN) LIMITED

**HALF YEARLY ACCOUNTS
(Un-Audited)**

DECEMBER 31, 2010

VISION

Our vision is to build a future wherein the Pace Group is a household name across the country and is known worldwide for development and marketing of a fine living as well as shopping environment with highest quality and unmatched value-for-money.

OUR PRINCIPLES

We are a Real Estate Development Company committed to achieving the highest industry standards and personal integrity in dealing with our customers, clients, professionals, employees, and the communities we work in.

MISSION STATEMENT

Formed in 1992, Pace Pakistan's principal mandate is to acquire, develop, sale and manage real estate assets located in major urban environments where real estate demands have increased sharply due to lifestyle changes.

This increased demand together with the real estate expertise from Pace defines the vision and the road map for the company's future. Pace has and will continue to pursue residential, commercial and mixed-use transactions based on these principles with always an eye on strong community relations and integrity.

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COMPANY INFORMATION

Board of Directors	Sheikh Sulieman Ahmed Said Al-Hoqani (Chairman) Aamna Taseer (Chief Executive Officer) Shahbaz Ali Taseer Shehryar Ali Taseer Shehribano Taseer Jamal Said Al-Ojaili Mahmood Ali Athar Imran Saeed Chaudhry
Chief Financial Officer	Imran Hafeez
Audit Committee	Shehryar Ali Taseer (Chairman) Shahbaz Ali Taseer Shehribano Taseer
Company Secretary	Ahmad Bilal
Auditors	A.F. Ferguson & Co. Chartered Accountants
Legal Advisers	M/s Imtiaz Siddique & Associates
Bankers	Allied Bank Limited Arif Habib Bank Limited Bank Alfalah Limited Bank Al-Habib Limited Emirates Global Islamic Bank Limited Faysal Bank Limited Habib Bank Limited Soneri Bank Limited Standard Chartered Bank (Pakistan) Limited The Bank of Punjab The Hongkong and Shanghai Banking Corporation Limited The Royal Bank of Scotland
Registrar and Shares Transfer Office	THK Associates (Pvt.) Limited Ground Floor, State Life Building- 3 Dr. Ziauddin Ahmed Road, Karachi ☎ (021) 111 000 322
Registered / Head Office	103-C/II, Gulberg-III Lahore, Pakistan ☎ (042) 35757591-4 Fax: (042) 35757590, 35877920

DIRECTORS' REPORT

The Board of Directors of Pace (Pakistan) Limited ("the Company") take pleasure in presenting to its shareholders the un-audited reviewed financial statements of the Company for the quarter and half year ended December 31, 2010.

Operating Results

The economic conditions in general and specific to real estate sector remained depressed during the first half of the financial year under review. In addition to the market conditions management of the Company took a strategic decision of cancelling the properties of PKR 94 million relating to the clients not been able to service their installments in order to sell those properties at better rates and terms. Sales of PKR 143.9 million appearing in the financial statements have been reported after taking the effect of these cancellations and the actual gross sales achieved by the company during the first half of the financial year under review amounts to PKR 237.9 million. Major decrease in gross margin is primarily due to the fact that properties sold during the first half were already carried at fair value in the books and sale of these properties resulted in realization of previously unrealized gain rather than having direct positive effect on gross margins. Increase in administrative expenses is primarily due to the addition of expenses of newly operational wing of model town extension mall for which discount on service charges has also been given to make it operationally successful and also due to the sharp increase in electricity cost in addition to these factors additional expenses have also been incurred on renovation of existing malls for improving the efficiency and keeping the services up to mark.

Un-audited results for the quarter and six months ended December 31, 2010 with respective corresponding periods is as under:

	Rupees in '000'			
	For the 2nd Quarter		Cumulative	
	Oct-Dec 2010	Oct-Dec 2009	Jul-Dec 2010	Jul-Dec 2009
Gross (Loss)/Profit	(121,229)	69,944	(87,797)	92,699
(Decrease)/Increase in fair value of investment property	(349,600)	104,795	(349,600)	104,795
Other operating income	11,946	-	14,742	169,729
Net (Loss)/Profit before tax	(706,242)	88,791	(812,988)	193,928
(Loss) / Earnings per share (PKR)	(2.10)	0.43	(2.42)	0.75
(Loss) / Earnings per share-Diluted (PKR)	(1.65)	0.40	(1.92)	0.67

Board of Directors

The Board of Directors expresses their heartfelt condolences over the tragic assassination of Mr. Salmaan Taseer; Chief Executive Officer of the Company. The Board of Directors also wish to place on record their acknowledgment for the unprecedented stewardship and business acumen of the late CEO and admired his work both for raising the businesses and also his social services for the people at large.

The unfortunate demise of Mr. Salmaan Taseer has also lead to a change in the composition of the Board of Directors since last reported in the annual report of the Company for the year ended June 30, 2010. Miss. Shehribano Taseer has been appointed as a director in place of Mr. Salmaan Taseer whereas Mrs. Aamna Taseer has been appointed as CEO of the Company, on the similar terms and conditions as applicable to the previous CEO.

General

The Board of Directors also wishes to express its gratefulness to the shareholders for their continued support and to all their employees for their ongoing dedication and commitment to the Company.

For and on behalf of the Board of Directors

Lahore
February 26, 2011

Aamna Taseer
Chief Executive Officer

AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim balance sheet of Pace (Pakistan) Limited as at December 31, 2010 and the related condensed interim profit and loss account, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the accounts for the half year then ended (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed interim profit and loss account for the quarters ended December 31, 2009 and 2010 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2010.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as of and for the half year ended December 31, 2010 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Lahore
February 26, 2011

A.F. FERGUSON & CO.
CHARTERED ACCOUNTANTS
MUHAMMAD MASOOD

PACE (PAKISTAN) LIMITED CONDENSED INTERIM BALANCE SHEET (UN-AUDITED) AS AT DECEMBER 31, 2010

		December	June
		31, 2010	30, 2010
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised capital			
600,000,000 (June 2010: 600,000,000) ordinary shares of Rs 10 each		6,000,000	6,000,000
Issued, subscribed and paid up capital			
278,876,604 (June 2010: 278,876,604) ordinary shares of Rs 10 each		2,788,766	2,788,766
Reserves		273,262	354,359
Unappropriated profit		2,749,611	3,343,021
		5,811,639	6,486,146
NON-CURRENT LIABILITIES			
Long term finances - secured	5	565,141	756,563
Redeemable capital - secured (non-participatory)	6	1,497,900	999,200
Liabilities against assets subject to finance lease		23,673	32,514
Foreign currency convertible bonds - unsecured	7	1,213,032	1,176,425
Deferred liabilities		30,223	88,236
Advances against sale of property		66,211	44,255
Deferred income		27,153	36,736
		3,423,333	3,133,929
CURRENT LIABILITIES			
Current portion of long term liabilities		340,703	606,894
Short term finances - secured		100,000	100,000
Creditors, accrued and other liabilities		264,801	232,393
		705,504	939,287
CONTINGENCIES AND COMMITMENTS			
	8	9,940,476	10,559,362

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.

LAHORE

CHIEF EXECUTIVE

ASSETS

Notes	December 31, 2010	June 30, 2010
	(Rupees in thousand)	

NON-CURRENT ASSETS

Property, plant and equipment	9	533,748	550,444
Intangible assets		9,090	9,372
Assets subject to finance lease		39,879	53,791
Capital work in progress		6,672	6,672
Investment property	10	4,399,331	4,935,576
Investments	11	1,150,139	1,150,139
Long term advances and deposits		25,611	25,979
Advance against purchase of property - unsecured		600,746	567,357
Deferred taxation		85,000	-
		6,850,216	7,299,330

CURRENT ASSETS

Stock-in-trade	1,139,768	1,088,554
Trade debts - unsecured	1,536,484	1,651,599
Advances, deposits, prepayments and other receivables	350,093	343,228
Cash and bank balances	63,915	176,651
	3,090,260	3,260,032

9,940,476	10,559,362
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DIRECTOR

PACE (PAKISTAN) LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2010

	Quarter ended		Half year ended	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
	(Rupees in thousand)			

Sales	(83,986)	630,506	143,972	758,936
Cost of sales	(37,243)	(560,562)	(231,769)	(666,237)
Gross (loss) / profit	(121,229)	69,944	(87,797)	92,699
Administrative and selling expenses	(76,939)	(48,968)	(136,602)	(72,448)
Changes in fair value of investment property	(349,600)	104,795	(349,600)	104,795
Other operating income	11,946	-	14,742	169,729
Other charges	(4,141)	(29,546)	(4,141)	(11,497)
(Loss) / profit from operations	(539,963)	96,225	(563,398)	283,278
Finance costs	(166,279)	(7,434)	(249,590)	(89,350)
(Loss) / profit before tax	(706,242)	88,791	(812,988)	193,928
Taxation	140,621	26,719	138,481	(1,500)
(Loss) / profit for the period	(565,621)	115,510	(674,507)	192,428

Other comprehensive income / (loss)

- (Loss) / gain in fair value of available for sale investment	-	(1)	-	1
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Total comprehensive (loss) / income for the period

(565,621)	115,509	(674,507)	192,429
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(Loss) / earnings per share attributable to ordinary shareholders

- basic	Rupees	(2.10)	0.43	(2.42)	0.75
- diluted	Rupees	(1.65)	0.40	(1.92)	0.67

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.

LAHORE:

CHIEF EXECUTIVE

DIRECTOR

PACE (PAKISTAN) LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2010

		Half year ended	
	Note	December 31, 2010 (Rupees in thousand)	December 31, 2009
Cash flows from operating activities			
Cash (used in) / generated from operations	14	(55,621)	112,142
Net increase in advances against sale of property		21,956	56,169
Finance cost paid		(189,618)	(150,913)
Gratuity and leave encashment paid		(1,487)	(6,215)
Taxes paid		(4,950)	(5,711)
Net cash (used in) / generated from operating activities		(229,720)	5,472
Cash flows from investing activities			
Purchase of property, plant and equipment		-	(272)
Proceeds from sale of property, plant and equipment		3,475	3,590
Proceeds from sale of investment property		86,330	3,350
Decrease in long term advances and deposits		368	306
Investment in equity instrument of Pace Barka Properties Limited		-	(549,901)
Proceeds of loans to subsidiaries		-	41,103
Markup received		2,443	3,169
Net cash generated from / (used in) investing activities		92,616	(498,655)
Cash flows from financing activities			
Proceeds from long term finances		40,000	400,000
Proceeds from short term finances		-	100,000
Repayment of redeemable capital		-	(300)
Repayment of long term finances		(4,570)	(11,375)
Repayment of finance lease liabilities		(11,062)	(10,605)
Net cash from financing activities		24,368	477,720
Net decrease in cash and cash equivalents		(112,736)	(15,463)
Cash and cash equivalents at beginning of the period		176,651	340,692
Cash and cash equivalents at the end of the period		63,915	325,229

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.

LAHORE

CHIEF EXECUTIVE

DIRECTOR

PACE (PAKISTAN) LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2010

	(Rupees in thousand)				
	Share Capital	Share Premium	Revaluation reserve for investment property	Reserve for changes in fair value of investments	Un-appropriated profit
Balance as on June 30, 2009	2,328,220	75,229	94,202	(4)	2,696,752
Total Comprehensive income for the half year ended December 31, 2009	-	-	-	1	192,428
Issue of ordinary shares	460,546	198,036	-	-	658,582
Balance as on December 31, 2009	2,788,766	273,265	94,202	(3)	2,889,180
Total comprehensive income for the half year ended June 30, 2010	-	-	-	-	440,736
Transfer of reserve relating to sale of investment property	-	-	(13,105)	-	13,105
Balance as on June 30, 2010	2,788,766	273,265	81,097	(3)	3,343,021
Total comprehensive loss for the half year ended December 31, 2010	-	-	-	-	(674,507)
Transfer of reserve relating to sale of investment property	-	-	(81,097)	-	81,097
Balance as on December 31, 2010	2,788,766	273,265	-	(3)	2,749,611
					5,811,639

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.

LAHORE

CHIEF EXECUTIVE

DIRECTOR

PACE (PAKISTAN) LIMITED **NOTES TO AND FORMING PART OF THE CONDENSED INTERIM** **FINANCIAL INFORMATION FOR THE QUARTER AND HALF YEAR** **ENDED DECEMBER 31, 2010 (UN-AUDITED)**

1. The Company and its operations

Pace (Pakistan) Limited ('the Company') is a public limited Company incorporated in Pakistan and listed on Karachi and Lahore Stock Exchanges. The object of the Company is to build, acquire, manage and sell condominiums, departmental stores, shopping plazas, super markets, utility stores, housing societies and to carry out commercial, industrial and other related activities in and out of Pakistan.

2. Statement of compliance

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

The disclosures made in these condensed interim financial information have, however, been limited based on the requirements of the International Accounting Standard 34, Interim Financial Reporting. These condensed interim financial statements are unaudited but have been reviewed by the external auditors in accordance with the requirements of the Code of Corporate Governance promulgated by SECP.

3. Significant accounting policies

Except as described below, the accounting policies adopted for the preparation of these condensed interim financial information are the same as those applied in the preparation of preceding annual published financial statements of the Company for the year ended June 30, 2010.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning July 01, 2010. However, the adoption of these new standards and amendments to standards did not have any significant impact on the financial information of the company:

IAS 32 (Amendment); 'Classification of right issues'
IAS 39 (Amendment); 'Cash flow hedge accounting'
IFRIC 19, 'Extinguishing financial liabilities with equity instruments'

The following amendments and interpretations to existing standards have been published and are mandatory for the company's accounting periods beginning on or after July 1, 2011 or later periods, but the company has not early adopted them:

- IFRS 9, 'Financial Instruments', issued in December 2009. This addresses the classification and measurement of financial assets and is likely to affect the company's accounting for its financial assets. The standard is not applicable until July 1, 2013 but is available for early adoption. IFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss. The company has not yet decided when to adopt IFRS 9.

- Revised IAS 24, 'Related Party Disclosures', issued in November 2009. It supersedes IAS 24,

'Related Party Disclosures', issued in 2003. The revised IAS 24 is required to be applied from July 1, 2011. Earlier application, in whole or in part, is permitted.

- 'Prepayments of a minimum funding requirement' (Amendments to IFRIC 14), issued in November 2009. The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct the problem. The amendments are effective for annual periods beginning July 1, 2011. Earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented.

There are a number of minor amendments in other IFRS and IAS which are part of annual improvement project published in April 2009 and improvements to International Financial Reporting Standards 2010, issued in May 2010 (not addressed above). These amendments are unlikely to have any impact on the company's financial statements and therefore have not been analyzed in detail.

4. Taxation

The provision for taxation for the half year ended December 31, 2010 has been made on an estimated basis.

Un-Audited December 31, 2010 (Rupees in thousand)	Audited June 30, 2010
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5. Long term finances - secured

Opening balance	836,563	11,376
Add: Term finance obtained	40,000	836,563
	876,563	847,939
Less: Repayment during the period	4,570	11,376
	871,993	836,563
Less: Current portion shown under current liabilities	306,852	80,000
	565,141	756,563

6. Redeemable capital - secured (non-participatory)

Opening balance	1,498,800	1,498,800
Less: Redeemed during the period	-	-
	1,498,800	1,498,800
Less: Current portion shown under current liabilities - note 6.1	900	499,600
	1,497,900	999,200

6.1 Restructuring of term finance certificates

The Company successfully completed the restructuring of its term finance certificates. Restructuring was duly approved by majority of TFC holders holding certificates in aggregate of 51.73 %, through extraordinary resolution passed in writing. Consequent to the approval of TFC holder's addendum to the trust deed was executed between the Company and trustee 'IGI Investment Bank Limited' under which the Company is allowed one year six months grace period along with an extension of four years in the tenure of TFC issue and consequently, the remaining tenure of TFC shall be six and a half years effective from August 15, 2010. As a result current liability of the Company has been reduced by Rs. 499.6 million.

	Un-Audited December 31, 2010 (Rupees in thousand)	Audited June 30, 2010
7. Foreign currency convertible bonds - unsecured		
Opening balance as at July 1	1,181,561	1,911,567
Converted into equity shares	-	(658,581)
Markup accrued for the period	38,954	40,870
	<u>1,220,515</u>	<u>1,293,856</u>
Markup paid during the period	-	(10,679)
Exchange loss / (gain) for the period	4,141	(101,616)
	<u>1,224,656</u>	<u>1,181,561</u>
Less: Current portion shown under current liabilities	11,624	5,136
	<u>1,213,032</u>	<u>1,176,425</u>

8. Contingencies and commitments

8.1 Contingencies

- (i) Claims against the Company not acknowledged as debts Rs 21.644 million (June 2010: Rs 21.644 million).
- (ii) Corporate guarantee on behalf of Pace Barka Properties Limited, a related party, in favour of The Bank of Punjab, amounting to Rs 900 million (June 2010: Rs 900 million) as per the approval of shareholders through the special resolution dated July 29, 2006.
- (iii) A penalty of Rs 3.87 million (June 2010: Rs 3.87 million), for an alleged non-filing of Wealth Tax returns for assessment years 1996-97 to 1998-99, has been imposed vide order dated 4th September, 2007 by the Wealth Tax Officer. The Company filed appeal before CIT (A) for cancellation of the order. After the dismissal of appeal by CIT(A), the Company has filed appeal in ITAT against the order of CIT(A).

Pending the outcome of the appeal the amount has not been provided as management is of the opinion that there are meritorious grounds that the ultimate decision would be in its favour.

8.2 Commitments

- (i) The amount of future payments under operating leases and the period in which these payments will become due are as follows:

	Un-Audited December 31, 2010 (Rupees in thousand)	Audited June 30, 2010
Not later than one year	1,825	1,738
Later than one year and not later than five years	9,315	8,872
Later than five years	7,864	9,264
	<u>19,004</u>	<u>19,874</u>

	Un-Audited December 31, 2010 (Rupees in thousand)	Audited June 30, 2010
9. Property, plant and equipment		
Opening book value	550,444	474,066
Add: Additions during the period - note 9.1	-	114,772
Add: Transfers from assets subject to finance lease (at book value)	4,293	4,359
	<u>4,293</u>	<u>119,131</u>
	<u>554,737</u>	<u>593,197</u>
Less: Disposals during the period (at book value)	1,836	4,027
Less: Depreciation charged during the period	19,153	38,726
	<u>20,989</u>	<u>42,753</u>
Closing book value	<u>533,748</u>	<u>550,444</u>

9.1 Following is the detail of additions and transfers during the period

Freehold land	-	61,593
Buildings on freehold land	-	50,970
Electrical equipment	-	1,937
Furniture and fixtures	-	46
Computers	-	226
	<u>-</u>	<u>114,772</u>

10. Investment property

Opening fair value	4,935,576	4,103,602
Add: Additions to cost during the period		
- Direct additions	-	146,297
- Transfer from stock-in-trade	12,639	345,288
- Transfers to stock in trade	(116,304)	(300,439)
- Disposals during the period	(86,330)	(68,996)
Closing value before revaluation	<u>4,745,581</u>	<u>4,225,752</u>
Add: Fair value (loss) / gain recognised during the period	(346,250)	709,824
Closing value after revaluation	<u>4,399,331</u>	<u>4,935,576</u>

11. Investments

Equity instruments of:		
- subsidiaries - unquoted - note 11.1	55	55
- associated undertakings - unquoted - note 11.2	1,150,081	1,150,081
Available for sale - quoted - note 11.3	3	3
	<u>1,150,139</u>	<u>1,150,139</u>

11.1 Subsidiaries - unquoted

Pace Woodlands (Private) Limited 3,000 (June 2010: 3,000) fully paid ordinary shares of Rs 10 each	30	30
Pace Gujarat (Private) Limited 2,450 (June 2010: 2,450) fully paid ordinary shares of Rs 10 each	<u>25</u>	<u>25</u>
	<u>55</u>	<u>55</u>

	Un-Audited December 31, 2010 (Rupees in thousand)	Audited June 30, 2010
11.2 Associated undertakings - unquoted		
Pace Barka Properties Limited 115,000,000 (June 2010: 115,000,000) fully paid ordinary shares of Rs 10 each	1,149,901	1,149,901
Pace Super Mall (Private) Limited 18,000 (June 2010: 18,000) fully paid ordinary shares of Rs 10 each	180	180
	<u>1,150,081</u>	<u>1,150,081</u>
11.3 Available for sale - quoted		
At cost	6	6
Add: Cumulative fair value loss - note 11.3.1	(3)	(3)
	<u>3</u>	<u>3</u>
11.3.1 Cumulative fair value (loss) / gain		
As at July 1	(3)	(4)
Fair value loss during the period	-	1
	<u>(3)</u>	<u>(3)</u>
12. Transactions with related parties		
	Half year ended	
	December 31, 2010	December 31, 2009
	(Rupees in thousand)	
Relationship with the Company Nature of transaction		
i. Subsidiaries		
Short term advances given	-	30,048
Mark up income	-	14,307
ii. Associates		
Purchase of goods & services	7,749	133,895
Investment in equity instruments	-	549,901
Loans repayments received	-	41,103
Mark up income	-	3,169
Sales of goods and services	3,300	244,618
Advance against purchase of property	36,127	81,380
Short term advance given	-	31,246
Guarantee Commission Income	750	2,250
Disposal of vehicles	2,824	-
iii. Key management personnel		
Short term employee benefits	10,912	16,889
Termination Benefits	475	1,366
Post Employment Benefits	1,901	490
Advances	2,232	5,595
	Un-Audited December 31, 2010 (Rupees in thousand)	Audited June 30, 2010
Period end balances		
Receivable from related parties	1,093,803	1,178,006
Payable to related parties	437	863

13. Operating Segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, is a committee comprising of the Chief Executive Officer, Group Director Finance, Chief Operating Officer and the Chief Financial Officer.

Management monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Operating segments are reported in a manner consistent with internal reporting provided to the Chief Operating Decision Maker (CODM). Segment performance is generally evaluated based on certain key performance indicators including business volume, gross profit and reduction in operating costs.

Segment results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. CODM assesses the performance of the operating segments based on a measure of gross profit and segment assets. Unallocated items include corporate assets and liabilities.

The Management has determined the operating segments based on the reports reviewed by the CODM that are used to make strategic and business decisions.

13.1 For management purposes, the activities of the Company are organised into business units based on the nature of activities:

(a) Real Estate

This segment relates to the sale of land, condominiums, shops/counters and villas. This also includes sale of Pace Woodlands, Pace Towers and Model Town Extension on percentage of completion basis.

(b) Investment Properties

The segment relates to the properties held to earn rentals or for capital appreciation or for both.

(c) Others

Businesses that individually do not meet the criteria of a reportable segment as per IFRS - 8, "Operating Segments"

(Rupees in thousand)

	Real estate						Investment properties						Others						Total					
	Quarter ended			Six months ended			Quarter ended			Six months ended			Quarter ended			Six months ended			Quarter ended			Six months ended		
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
13.2 Segment results																								
Segment revenue	(83,670)	321,752	(73,670)	387,315	(25,499)	294,378	135,012	294,378	25,183	14,376	82,630	77,243	(83,986)	630,506	143,972	758,936								
Segment expenses																								
- Cost of sales	(8,696)	(236,719)	(15,896)	(288,858)	91,572	(259,342)	(46,075)	(259,342)	1,033	(3,246)	(5,959)	(11,568)	83,909	(499,307)	(67,930)	(559,768)								
- Stores operating expenses	(7,509)	-	(9,382)	-	(86,171)	(25,610)	(106,228)	(28,042)	(27,472)	(35,645)	(48,229)	(78,427)	(121,152)	(61,255)	(163,839)	(106,469)								
Gross profit	(99,875)	85,033	(98,948)	98,457	(20,098)	9,426	(17,291)	6,994	(1,256)	(24,515)	28,442	(12,752)	(121,229)	69,944	(87,797)	92,699								
- Changes in fair value of investment property	-	-	-	-	(349,600)	104,795	(349,600)	104,795	-	-	-	-	(349,600)	104,795	(349,600)	104,795								
Segment results	(99,875)	85,033	(98,948)	98,457	(369,698)	114,221	(366,891)	111,789	(1,256)	(24,515)	28,442	(12,752)	(470,829)	174,739	(437,397)	197,494								
Administrative and selling expenses																								
Other operating income																								
Finance costs																								
Other operating expenses																								
Profit before tax																								
Taxation																								
(Loss)/profit for the period																								

Half year ended
December 31, 2010 **December 31, 2009**
(Rupees in thousand)

14. Cash used in operations

(Loss) / profit before tax **(812,988)** 193,928

Adjustments for:

- Depreciation on property, plant and equipment	19,153	18,934
- Depreciation on assets subject to finance lease	11,011	11,401
- Amortisation on intangible assets	282	289
- Amortisation of deferred income	(9,583)	(9,584)
- Gain on sale of property, plant and equipment	(1,639)	(1,274)
- Loss on sale of investment property	230,880	650
- Markup Income	(2,088)	(17,476)
- Changes in fair value of investment property	115,370	(104,795)
- Finance costs	249,590	89,350
- Liabilities written back	-	(936)
- Exchange loss / (gain) on foreign currency convertible bonds	4,141	(119,003)
- Provision for doubtful receivables	23,650	-
- Provision for gratuity and leave encashment	3,905	6,056

(Loss) / profit before working capital changes **(168,316)** 67,540

Effect on cash flow due to working capital changes

- Decrease in stock-in-trade	52,451	338,200
- Decrease in trade debts	91,465	50,041
- Increase in due from related parties	-	(30,048)
- Increase in advance against purchase of property	(33,389)	(81,380)
- Increase in advances, deposits prepayments and other receivables	(3,790)	(215,451)
- Increase / (decrease) in creditors, accrued and other liabilities	5,958	(16,760)
	112,695	44,602
	(55,621)	112,142

15. Date of authorization for issue

This condensed interim financial information was authorised for issue on February 26, 2011 by the Board of Directors of the Company.

16. Corresponding figures

In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', the condensed interim balance sheet and condensed interim statement of changes in equity have been compared with the balances of annual audited financial statements of preceding financial year, whereas, the condensed interim profit and loss account, condensed interim statement of comprehensive income and condensed interim cash flow statement have been compared with the balances of comparable period of immediately preceding financial year.

Corresponding figures have been re-arranged, wherever necessary, for the purposes of comparison. Significant re-arrangement made is as follows:

PACE (PAKISTAN) GROUP

**CONSOLIDATED HALF YEARLY
ACCOUNTS
(Un-Audited)**

DECEMBER 31, 2010

DIRECTORS' REPORT

The Board of Directors of Pace (Pakistan) Limited ("the group") take pleasure in presenting to its shareholders the un-audited reviewed financial statements of the Group for the quarter and half year ended December 31, 2010.

Operating Results

The economic conditions in general and specific to real estate sector remained depressed during the first half of the financial year under review. In addition to the market conditions management of the company took a strategic decision of cancelling the properties of PKR 94 million relating to the clients not been able to service their installments in order to sell those properties at better rates and terms. Sales of PKR 143.9 million appearing in the financial statements have been reported after taking the effect of these cancellations and the actual gross sales achieved by the company during the first half of the financial year under review amounts to PKR 237.9 million. Major decrease in gross margin is primarily due to the fact that properties sold during the first half were already carried at fair value in the books and sale of these properties resulted in realization of previously unrealized gain rather than having direct positive effect on gross margins. Increase in administrative expenses is primarily due to the addition of expenses of newly operational wing of model town extension mall for which discount on service charges has also been given to make it operationally successful and also due to the sharp increase in electricity cost in addition to these factors additional expenses have also been incurred on renovation of existing malls for improving the efficiency and keeping the services up to mark.

Un-audited results for the quarter and six months ended December 31, 2010 with respective corresponding periods is as under:

	Rupees in '000'			
	For the 2nd Quarter		Cumulative	
	Oct-Dec 2010	Oct-Dec 2009	Jul-Dec 2010	Jul-Dec 2009
Gross (Loss)/Profit	(112,042)	69,344	(79,058)	92,099
(Decrease)/Increase in fair value of investment property	(303,771)	104,795	(303,771)	104,795
Other operating income	12,411	-	16,137	160,334
Net (Loss)/Profit before tax	(760,767)	554,701	(882,904)	642,358
(Loss) / Earnings per share (PKR)	(2.20)	0.43	(2.63)	0.75
(Loss) / Earnings per share-Diluted (PKR)	(1.66)	0.40	(2.09)	0.67

Disposal of Subsidiaries

The shareholders of the PACE Pakistan Limited have approved a special resolution for divestment / disposal of equity investments in subsidiaries namely PACE Woodlands (Private) Limited (PWL) and PACE Gujrat (Private) Limited (PGL) in the Annual General Meeting held on October 30, 2010 as recommended by the Board of Directors.

Both the subsidiaries were incorporated for specific projects jointly with the owners of the properties identified for the required projects and the projects undertaken have successfully been completed and share of revenues and returns relating to respective project of each subsidiary has been realized and no other project is in the pipeline for both the companies. The divestment / disposal transaction shall be executed as soon as an appropriate buyer will be available.

For and on behalf of the Board of Directors

Lahore
February 26, 2011

Aamna Taseer
Chief Executive Officer

PACE (PAKISTAN) GROUP CONSOLIDATED CONDENSED INTERIM BALANCE SHEET (UN-AUDITED) AS AT DECEMBER 31, 2010

EQUITY AND LIABILITIES		Notes	December 31, 2010	June 30, 2010
		(Rupees in thousand)		
CAPITAL AND RESERVES				
Authorised capital				
600,000,000 (June 2010: 600,000,000) ordinary shares of Rs 10 each			6,000,000	6,000,000
Issued, subscribed and paid up capital				
278,876,604 (June 2010: 278,876,604) ordinary shares of Rs 10 each			2,788,766	2,788,766
Reserves			631,206	686,090
Unappropriated profit			3,489,716	4,142,326
			6,909,688	7,617,182
			(15,266)	(10,154)
			6,894,422	7,607,028
NON-CONTROLLING INTEREST				
NON-CURRENT LIABILITIES				
Long term finances				
- secured	5	565,141	756,563	
- unsecured		82,328	82,328	
Redeemable capital - secured (non-participatory)	6	1,497,900	999,200	
Liabilities against assets subject to finance lease		23,673	32,514	
Foreign currency convertible bonds - unsecured	7	1,213,032	1,176,425	
Deferred liabilities		30,223	88,236	
Advances against sale of property		66,211	44,255	
Deferred income		27,153	36,736	
		3,505,661	3,216,257	
CURRENT LIABILITIES				
Current portion of long term liabilities		361,705	638,394	
Finances under mark-up arrangements		130,457	135,958	
Creditors, accrued and other liabilities		324,258	284,119	
Taxation		5,534	5,533	
		821,954	1,064,004	
CONTINGENCIES AND COMMITMENTS				
	8			
		11,222,037	11,887,289	

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

LAHORE

CHIEF EXECUTIVE

ASSETS

Notes	December 31, 2010	June 30, 2010
	(Rupees in thousand)	

NON-CURRENT ASSETS

Property, plant and equipment	9	533,748	550,444
Intangible assets		9,090	9,372
Assets subject to finance lease		39,879	53,791
Capital work in progress		6,672	6,672
Investment property	10	4,499,331	5,035,576
Investments	11	2,181,260	2,264,671
Long term advances and deposits		25,611	25,979
Advance against purchase of property - unsecured		600,746	567,357
Deferred taxation		85,000	-
		<u>7,981,337</u>	<u>8,513,862</u>

CURRENT ASSETS

Stock-in-trade		1,217,353	1,111,571
Trade debts - unsecured		1,580,348	1,714,345
Due from related parties - unsecured	12	17,139	15,750
Advances, deposits, prepayments and other receivables		361,119	354,256
Cash and bank balances		64,741	177,505
		<u>3,240,700</u>	<u>3,373,427</u>

<u>11,222,037</u>	<u>11,887,289</u>
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DIRECTOR

PACE (PAKISTAN) GROUP
CONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS
ACCOUNT (UN-AUDITED)
FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2010

	Quarter ended December 31, 2010		Half year ended December 31, 2010	
	2010	2009	2010	2009
	(Rupees in thousand)			
Sales	(83,986)	630,506	143,972	758,936
Cost of sales	(28,056)	(561,162)	(223,030)	(666,837)
Gross (loss)/profit	(112,042)	69,344	(79,058)	92,099
Administrative and selling expenses	(76,939)	(49,066)	(136,602)	(72,594)
Changes in fair value of investment property	(303,771)	104,795	(303,771)	104,795
Other operating income	12,411	-	16,137	160,334
Other charges	(4,141)	(35,322)	(4,141)	(11,497)
(Loss) / Profit from operations	(484,482)	89,751	(507,435)	273,137
Finance costs	(167,468)	(11,350)	(255,129)	(111,350)
Share of profit of associates	(108,817)	476,300	(120,340)	480,571
(Loss) / Profit before tax	(760,767)	554,701	(882,904)	642,358
Taxation				
- Group	140,621	26,719	138,481	(1,500)
- Associates	6,653	5,649	10,716	4,551
(Loss) / Profit for the period	(613,493)	587,069	(733,707)	645,409
Other comprehensive (loss) / income				
- (Loss) / gain in fair value of available for sale investment	1	-	-	1
- Share in capital reserves of associates	863	-	26,213	(30,402)
Total other comprehensive (loss)	864	-	26,213	(30,401)
Total comprehensive income / (loss) for the period	(612,629)	587,069	(707,494)	615,008
Attributable to:				
Owners of the parent	(609,520)	587,069	(702,382)	630,730
Minority interests	(3,109)	-	(5,112)	(15,722)
	<u>(612,629)</u>	<u>587,069</u>	<u>(707,494)</u>	<u>615,008</u>
(Loss)/earnings per share attributable to ordinary shareholders				
- basic Rupees	<u>(2.20)</u>	<u>0.43</u>	<u>(2.63)</u>	<u>0.75</u>
- diluted Rupees	<u>(1.66)</u>	<u>0.40</u>	<u>(2.09)</u>	<u>0.67</u>

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

LAHORE:

CHIEF EXECUTIVE

DIRECTOR

**PACE (PAKISTAN) GROUP
CONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT
(UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2010**

Note	Half year ended	
	December 31, 2010	December 31, 2009
	(Rupees in thousand)	
Cash flows from operating activities		
Cash used in operations	15 (36,834)	307,997
Net increase in advances against sale of property	21,956	56,169
Finance cost paid	(192,432)	(168,562)
Gratuity and leave encashment paid	(1,487)	(6,215)
Taxes paid	(4,950)	(1,159)
Net cash (used in)/ generated from operating activities	(213,747)	188,230
Cash flows from investing activities		
Purchase of property, plant and equipment	-	(272)
Proceeds from sale of property, plant and equipment	3,475	3,590
Proceeds from sale of investment property	86,330	3,350
Decrease in long term advances and deposits	368	306
Investment in equity instrument of Pace Barka Properties Limited	-	(549,901)
Proceeds of loans to subsidiaries	-	41,103
Markup received	2,443	3,169
Net cash generated from/(used in) investing activities	92,616	(498,655)
Cash flows from financing activities		
Proceeds of long term finances	40,000	467,624
Repayment of redeemable capital	-	(300)
Repayment of long term finances	(15,070)	(161,730)
Repayment of short term finances	(5,501)	46
Repayment of finance lease liabilities	(11,062)	(10,605)
Net cash generated from financing activities	8,367	295,035
Net decrease in cash and cash equivalents	(112,764)	(15,390)
Cash and cash equivalents at beginning of the period	177,505	341,282
Cash and cash equivalents at the end of the period	64,741	325,892

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

LAHORE

CHIEF EXECUTIVE

DIRECTOR

**PACE (PAKISTAN) GROUP
CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2010**

	Attributable to equity holders of the parent					(Rupees in thousand) Non-controlling Interest	Total Equity
	Share Capital	Share Premium	Share investment property	Revaluation reserve for changes in fair value of investments	Share in capital reserves of associates		
Balance as on June 30, 2009	2,328,220	75,229	94,202	(4)	218,326	30,266	5,759,048
Total Comprehensive income for the period							
Profit for the period	-	-	-	-	661,131	(15,722)	645,409
Other comprehensive loss for the period	-	-	-	1	(30,401)	-	(30,401)
	-	-	-	1	661,131	(15,722)	615,008
Issue of ordinary shares	460,546	198,036	-	-	-	-	658,582
Balance as on December 31, 2009	2,788,766	273,265	94,202	(3)	187,924	14,544	7,032,638
Total Comprehensive income for the period							
Profit for the period	-	-	-	-	455,281	(24,698)	430,583
Other comprehensive income for the period	-	-	-	-	143,807	-	143,807
	-	-	-	-	455,281	(24,698)	574,390
Transfer of reserve relating to sale of investment property	-	-	(13,105)	-	-	-	-
Balance as on June 30, 2010	2,788,766	273,265	81,097	(3)	331,731	(10,154)	7,607,028
Total Comprehensive income for the period							
Loss for the period	-	-	-	-	(733,707)	(5,112)	(738,819)
Other comprehensive (loss)/income for the period	-	-	(81,097)	-	81,097	-	26,213
	-	-	(81,097)	-	(652,610)	(5,112)	(712,606)
Balance as on December 31, 2010	2,788,766	273,265	-	(3)	357,944	(15,266)	6,894,422

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

LAHORE

CHIEF EXECUTIVE

DIRECTOR

PACE (PAKISTAN) GROUP **NOTES TO AND FORMING PART OF THE CONDENSED INTERIM** **FINANCIAL INFORMATION FOR THE QUARTER AND HALF YEAR** **ENDED DECEMBER 31, 2010 (UN-AUDITED)**

1. Legal status and nature of business

1.1 Constitution and ownership

The consolidated condensed financial statements of the Pace (Pakistan) Group comprise of the financial statements of:

Pace (Pakistan) Limited

Pace (Pakistan) Limited (the "holding company") is a public limited company incorporated in Pakistan and listed on Karachi and Lahore Stock Exchanges. The object of the Company is to build, acquire, manage and sell condominiums, departmental stores, shopping plazas, super markets, utility stores, housing societies and to carry out commercial, industrial and other related activities in and out of Pakistan.

Pace Gujrat (Private) Limited

Pace Gujrat (Private) Limited (a subsidiary) was incorporated on July 8, 2005 as a private limited company under Companies Ordinance, 1984. The object of the company is to acquire by purchase or otherwise land and plots and to sell or construct, lease, hire and manage buildings, shopping malls, super markets, utility stores, plazas, shopping arcades etc. It is a wholly owned company of Pace (Pakistan) Limited.

Pace Woodlands (Private) Limited

Pace Woodlands (Private) Limited (a subsidiary) was incorporated on July 27, 2004 as a private limited company under Companies Ordinance, 1984. The object of the company is to acquire by purchase or otherwise land and plots and to sell or construct, lease, hire and manage buildings, shopping malls, super markets, utility stores, plazas, shopping arcades etc.

1.2 Activities of the group

The object of the group is to build, acquire, manage and sell condominiums, departmental stores, shopping plazas, super markets, utility stores, housing societies and to carry out commercial, industrial and other related activities in and out of Pakistan.

2. Statement of compliance

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

The disclosures made in these condensed interim financial information have, however, been limited based on the requirements of the International Accounting Standard 34, Interim Financial Reporting.

These condensed interim financial statements are unaudited but have been reviewed by the external auditors in accordance with the requirements of the Code of Corporate Governance promulgated by SECP.

3. Significant accounting policies

Except as described below, the accounting policies adopted for the preparation of these condensed interim financial information are the same as those applied in the preparation of preceding annual published financial statements of the Group for the year ended June 30, 2010.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning July 01, 2010. However, the adoption of these new standards and amendments to standards did not have any significant impact on the financial information of the group:

IAS 32 (Amendment); 'Classification of right issues'
IAS 39 (Amendment); 'Cash flow hedge accounting'
IFRIC 19, 'Extinguishing financial liabilities with equity instruments'

The following amendments and interpretations to existing standards have been published and are mandatory for the company's accounting periods beginning on or after July 1, 2011 or later periods, but the group has not early adopted them:

- IFRS 9, 'Financial Instruments', issued in December 2009. This addresses the classification and measurement of financial assets and is likely to affect the group's accounting for its financial assets. The standard is not applicable until July 1, 2013 but is available for early adoption. IFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss. The group has not yet decided when to adopt IFRS 9.

- Revised IAS 24, 'Related Party Disclosures', issued in November 2009. It supersedes IAS 24, 'Related Party Disclosures', issued in 2003. The revised IAS 24 is required to be applied from July 1, 2011. Earlier application, in whole or in part, is permitted.

- 'Prepayments of a minimum funding requirement' (Amendments to IFRIC 14), issued in November 2009. The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct the problem. The amendments are effective for annual periods beginning July 1, 2011. Earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented.

There are a number of minor amendments in other IFRS and IAS which are part of annual improvement project published in April 2009 and improvements to International Financial Reporting Standards 2010, issued in May 2010 (not addressed above). These amendments are unlikely to have any impact on the group's financial statements and therefore have not been analyzed in detail.

4. Taxation

The provision for taxation for the half year ended December 31, 2010 has been made on an estimated basis.

	Un-Audited December 31, 2010 (Rupees in thousand)	Audited June 30, 2010
5. Long term finances - secured		
Opening balance	868,063	84,876
Add: Term finance obtained	40,000	836,563
	<u>908,063</u>	<u>921,439</u>
Less: Repayment during the period	15,070	53,376
	<u>892,993</u>	<u>868,063</u>
Less: Current portion shown under current liabilities	327,852	111,500
	<u>565,141</u>	<u>756,563</u>

6. Redeemable capital - secured (non-participatory)

Opening balance	1,498,800	1,498,800
Less: Redeemed during the period	-	-
	<u>1,498,800</u>	<u>1,498,800</u>
Less: Current portion shown under current liabilities - note 6.1	900	499,600
	<u>1,497,900</u>	<u>999,200</u>

6.1 Restructuring of term finance certificates

The Group successfully completed the restructuring of its term finance certificates. Restructuring was duly approved by majority of TFC holders holding certificates in aggregate of 51.73 %, through extraordinary resolution passed in writing. Consequent to the approval of TFC holder's addendum to the trust deed was excuted between the Group and trustee 'IGI Investment Bank Limited' under which the Group is allowed one year six months grace period along with an extension of four years in the tenure of TFC issue and consequently, the remaining tenure of TFC shall be six and a half years effective from August 15, 2010. As a result current liability of the Group has been reduced by Rs. 499.6 million.

	Un-Audited December 31, 2010 (Rupees in thousand)	Audited June 30, 2010
7. Foreign currency convertible bonds - unsecured		
Opening balance as at July 1	1,181,561	1,911,567
Converted into equity shares	-	(658,581)
Markup accrued for the period	38,954	40,870
	<u>1,220,515</u>	<u>1,293,856</u>
Markup paid during the period	-	(10,679)
Exchange (loss) / gain for the period	4,141	(101,616)
	<u>1,224,656</u>	<u>1,181,561</u>
Less: Current portion shown under current liabilities	11,624	5,136
	<u>1,213,032</u>	<u>1,176,425</u>

8. Contingencies and commitments

8.1 Contingencies

- (i) Claims against the group not acknowledged as debts Rs 21.644 million (June 2010: Rs 21.644 million).
- (ii) Corporate guarantee on behalf of Pace Barka Properties Limited, a related party, in favour of The Bank of Punjab, amounting to Rs 900 million (June 2010: Rs 900 million) as per the approval of shareholders through the special resolution dated July 29, 2006.

- (iii) A penalty of Rs 3.87 million (June 2010: Rs 3.87 million), for an alleged non-filing of Wealth Tax returns for assessment years 1996-97 to 1998-99, has been imposed vide order dated 4th September, 2007 by the Wealth Tax Officer. The Group filed appeal before CIT (A) for cancellation of the order. After the dismissal of appeal by CIT (A), the Group has filed appeal in ITAT against the order of CIT (A).

Pending the outcome of the appeal the amount has not been provided as management is of the opinion that there are meritorious grounds that the ultimate decision would be in its favour.

8.2 Commitments

- (i) The Group entered into an agreement with Worldcall Telecom Limited (WTL) for Rs 12.138 million (June 2010: 12.138 million) to provide dark optical fibre services (installation and maintenance) for a period of twenty years on the existing WTL metro optical fibre network.
- (ii) The amount of future payments under operating leases and the period in which these payments will become due are as follows:

	Un-Audited December 31, 2010 (Rupees in thousand)	Audited June 30, 2010
Not later than one year	1,825	1,738
Later than one year and not later than five years	9,315	8,872
Later than five years	7,864	9,264
	<u>19,004</u>	<u>19,874</u>

9. Property, plant and equipment

Opening book value	550,444	474,066
Add: Additions during the period - note 9.1	-	114,772
Add: Transfers from assets subject to finance lease	4,293	4,359
	<u>4,293</u>	<u>119,131</u>
	<u>554,737</u>	<u>593,197</u>
Less: Disposals during the period (at book value)	1,836	4,027
Less: Depreciation charged during the period	19,153	38,726
	<u>20,989</u>	<u>42,753</u>
Closing book value	<u>533,748</u>	<u>550,444</u>

9.1 Following is the detail of additions and transfers during the period

Freehold land	-	61,593
Buildings on freehold land	-	50,970
Electrical equipment	-	1,937
Furniture and fixtures	-	46
Computers	-	226
	<u>-</u>	<u>114,772</u>

10. Investments Property

Opening fair value	5,035,576	4,375,149
Add: Additions to cost during the period		
- Direct additions	-	146,297
- Transfers from stock in trade and property, plant and equipment	12,639	345,288
- Transfers to stock in trade	(116,304)	(300,439)
- Disposals during the period	(86,330)	(246,092)
Closing value before revaluation	<u>4,845,581</u>	<u>4,320,203</u>

		Un-Audited December 31, 2010 (Rupees in thousand)	Audited June 30, 2010
Add: Fair value gain recognised during the period		(346,250)	715,373
Closing value after revaluation		<u>4,499,331</u>	<u>5,035,576</u>
11. Investments			
Equity instruments of:			
- associated undertakings - unquoted	- note 11.1	2,181,257	2,264,668
Available for sale - quoted	- note 11.2	<u>3</u>	<u>3</u>
		<u>2,181,260</u>	<u>2,264,671</u>
11.1 Associated undertakings - unquoted			
Pace Barka Properties Limited	- note 11.1.1	2,181,077	2,264,488
115,000,000 (June 2010: 115,000,000) fully paid ordinary shares of Rs 10 each			
Pace Super Mall (Private) Limited		180	180
18,000 (June 2010: 18,000) fully paid ordinary shares of Rs 10 each			
		<u>2,181,257</u>	<u>2,264,668</u>
11.1.1 Pace Barka Properties Limited			
Cost		1,149,901	1,149,901
Brought forward amounts of post acquisition reserves and profits and negative goodwill recognized directly in profit and loss account		<u>1,114,587</u>	<u>490,451</u>
		<u>2,264,488</u>	<u>1,640,352</u>
Share of movement in reserves during the year		26,213	113,405
Share of loss for the period			
- before taxation		(120,340)	(10,054)
- provision for taxation		10,716	30,236
- Profit on increase in investment in associate		-	490,549
		<u>(109,624)</u>	<u>510,731</u>
Balance as on June 30		<u>2,181,077</u>	<u>2,264,488</u>
11.2 Available for sale - quoted			
At cost		6	6
Less: Cumulative fair value loss	11.2.1	(3)	(3)
		<u>3</u>	<u>3</u>
11.2.1 Cumulative fair value gain			
As at July 1		(3)	(4)
Fair value gain during the period		-	1
		<u>(3)</u>	<u>(3)</u>

		Un-Audited December 31, 2010 (Rupees in thousand)	Audited June 30, 2010
12. Due from related parties - unsecured			
Due from related party	- note 12.1	<u>17,139</u>	<u>15,750</u>
12.1 These advances are considered good and carry mark-up at the rate ranging from 16.5% to 17.5% per annum (June 2010: 16.5% to 17.5%).			
		Half year ended	
		December 31, 2010	December 31, 2009
		(Rupees in thousand)	
13. Transactions with related parties			
Relationship with the Company	Nature of transaction		
i. Associates	Purchase of goods & services	7,749	133,895
	Investment in equity instruments	-	549,901
	Loans repayments received	-	41,103
	Mark up income	1,389	8,074
	Mark up expenses	-	7,427
	Sales of goods and services	3,300	244,618
	Advance against purchase of property	36,127	81,380
	Guarantee Commission Income	750	2,250
	Disposal of vehicles	2,824	-
ii. Key management personnel	Short term employee benefits	10,912	16,889
	Termination Benefits	475	1,366
	Post Employment Benefits	1,901	490
	Advances	2,232	5,595
		Un-Audited December 31, 2010 (Rupees in thousand)	Audited June 30, 2010
Period end balances			
Long term loans to related parties		-	-
Receivable from related parties		1,093,803	1,178,006
Payable to related parties		437	863

14. Operating Segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, is a committee comprising of the Chief Executive Officer, Group Director Finance, Chief Operating Officer and the Chief Financial Officer.

Management monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Operating segments are reported in a manner consistent with internal reporting provided to the Chief Operating Decision Maker (CODM). Segment performance is generally evaluated based on certain key performance indicators including business volume, gross profit and reduction in operating costs.

Segment results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. CODM assesses the performance of the operating segments based on a measure of gross profit and segment assets. Unallocated items include corporate assets and liabilities.

The Management has determined the operating segments based on the reports reviewed by the CODM that are used to make strategic and business decisions.

14.1 For management purposes, the activities of the group are organised into business units based on the nature of activities:

(a) Real Estate

This segment relates to the sale of land, condominiums, shops/counters and villas. This also includes sale of Pace Woodlands, Pace Towers and Model Town Extension on percentage of completion basis.

(b) Investment Properties

The segment relates to the properties held to earn rentals or for capital appreciation or for both.

(c) Others

Businesses that individually do not meet the criteria of a reportable segment as per IFRS - 8, "Operating Segments".

	(Rupees in thousand)											
	Real estate			Investment properties			Others			Total		
	Quarter ended	Six months ended	December	Quarter ended	Six months ended	December	Quarter ended	Six months ended	December	Quarter ended	Six months ended	December
	31, 2010	31, 2009	31, 2010	31, 2009	31, 2010	31, 2009	31, 2010	31, 2009	31, 2010	31, 2009	31, 2010	31, 2009
14.2 Segment results												
Segment revenue	(83,670)	321,752	(73,670)	387,315	(25,499)	294,378	135,012	294,378	25,183	14,376	82,630	77,243
Segment expenses												
- Cost of sales	43	(236,719)	(7,157)	(288,858)	91,572	(259,342)	(46,075)	(259,342)	1,033	(3,846)	(5,959)	(12,168)
- Stores operating expenses	(7,509)	-	(9,382)	-	(86,171)	(25,610)	(106,228)	(28,042)	(27,024)	(35,645)	(48,229)	(78,427)
Gross profit	(91,136)	85,033	(90,209)	98,457	(20,098)	9,426	(17,291)	6,994	(808)	(25,115)	28,442	(13,352)
- Changes in fair value of investment property	-	-	-	-	(303,771)	104,795	(303,771)	104,795	-	-	-	-
Segment results	(91,136)	85,033	(90,209)	98,457	(323,869)	114,221	(321,062)	111,789	(808)	(25,115)	28,442	(13,352)
Administrative and selling expenses												
Other operating income												
Finance costs												
Other operating expenses												
Share of Loss/Profit of associate												
(Loss) / Profit before tax												
Taxation												
(Loss) / Profit for the period												

15. Cash used in operations

	Half year ended	
	December 31, 2010	December 31, 2009
	(Rupees in thousand)	
(Loss) / Profit before tax	(882,904)	642,358
Adjustments for:		
- Depreciation on property, plant and equipment	19,153	18,934
- Depreciation on assets subject to finance lease	11,011	11,401
- Amortisation on intangible assets	282	289
- Amortisation of deferred income	(9,583)	(9,584)
- Gain on sale of property, plant and equipment	(1,639)	(1,274)
- Loss on sale of investment property	-	650
- Markup Income	(2,088)	(3,169)
- Changes in fair value of investment property	303,771	(104,795)
- Finance costs	255,129	111,350
- Liabilities written back	-	(936)
- Exchange loss/(gain) on foreign currency convertible bonds	4,141	(119,003)
- Share of loss/(profit) of associate	120,340	(485,122)
- Provision for gratuity and leave encashment	3,905	6,056
- Provision for doubtful receivables	23,650	-
Profit/(loss) before working capital changes	(154,832)	67,155
Effect on cash flow due to working capital changes		
- Decrease in stock-in-trade	52,451	338,801
- Decrease in trade debts	110,347	230,798
- Increase in due from related parties	(1,389)	(4,905)
- Increase in advance against purchase of property	(33,389)	(81,380)
- Increase in advances, deposits prepayments and other receivables	(3,790)	(225,552)
- Decrease in creditors, accrued and other liabilities	(6,232)	(16,920)
	117,998	240,842
	(36,834)	307,997

16. Detail of subsidiaries

Name of the subsidiaries	Accounting period end	Percentage of holding	Country of incorporation
Pace Woodlands (Private) Limited	31-Dec-10	52%	Pakistan
Pace Gujrat (Private) Limited	31-Dec-10	100%	Pakistan

17. Date of authorization for issue

This condensed interim financial information was authorised for issue on February 26, 2011 by the Board of Directors of the Company.

18. Corresponding figures

In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', the condensed interim balance sheet and condensed interim statement of changes in equity have been compared with the balances of annual audited financial statements of preceding financial year, whereas, the condensed interim profit and loss account, condensed interim statement of comprehensive income and condensed interim cash flow statement have been compared with the balances of comparable period of immediately preceding financial year.

Corresponding figures have been re-arranged, wherever necessary, for the purposes of comparison. However, no significant re-arrangement have been made:

LAHORE

CHIEF EXECUTIVE

DIRECTOR