

## **PACE (PAKISTAN) LIMITED**

### **CONDENSED QUARTERLY ACCOUNTS (UN-AUDITED)**

**FOR THE PERIOD ENDED  
SEPTEMBER 30, 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

<b>Board of Directors</b>	Sheikh Sulieman Ahmed Said Al-Hoqani (Chairman) Salmaan Taseer (Chief Executive Officer) Aamna Taseer Shahbaz Ali Taseer Abid Raza Jamal Said Al-Ojaili Mahmood Ali Athar Imran Saeed Chaudhry
<b>Chief Financial Officer</b>	Imran Hafeez
<b>Audit Committee</b>	Aamna Taseer (Chairperson) Shahbaz Ali Taseer Shehryar Ali Taseer
<b>Company Secretary</b>	Ahmad Bilal
<b>Auditors</b>	A.F. Ferguson & Co. Chartered Accountants
<b>Legal Advisers</b>	M/s Imtiaz Siddiqui & Associates Advocates & Attorney's
<b>Bankers</b>	Allied Bank Limited Al-Barka Islamic Bank Limited Askari Bank Limited Islamic Banking Bank Alfalah Limited Bank Al-Habib Limited Emirates Global Islamic Bank Limited Faysal Bank Limited Habib Bank Limited KASB Bank Limited MCB Bank Limited National Bank of Pakistan Pak Iran Joint Investment Company Limited Soneri Bank Limited Standard Chartered Bank (Pakistan) Limited The Bank of Punjab The Hongkong and Shanghai Banking Corporation Limited
<b>Registrar and Shares Transfer Office</b>	THK Associates (Pvt.) Limited Ground Floor, State Life Building- 3 Dr. Ziauddin Ahmed Road, Karachi  (021) 111 000 322
<b>Registered Office &amp; Head Office</b>	103-C/II, Gulberg-III Lahore, Pakistan  (042) 35757591-4 Fax: (042) 35757590, 35877920

## DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors of Pace (Pakistan) Limited ("the Company or "Pace") take pleasure in presenting to its shareholders the un-audited financial statements of the Company for the first quarter September 30, 2010

### Operating Results

Company incurred a loss before tax of PKR 106.7 million during the quarter ended September 30, 2010. The comparison of the un-audited results for the first quarter ended September 30, 2010 with corresponding period of the previous financial year is as under:

	Rupees in '000'	
	Jul-Sep 2010	Jul-Sep 2009
Sales	227,958	128,430
Gross Profit	33,432	22,755
Other operating income	2,796	187,778
Net (Loss) / Profit before tax	(106,746)	105,137
(Loss) / earnings per share (PKR)	(0.39)	0.32
(Loss) / earnings per share - Diluted (PKR)	(0.39)	0.27

During the current period sales have shown considerable improvement compared with the corresponding period last year. However, despite increase in sales company suffered a loss which is primarily attributable to increase in administrative expenses and finance cost during the quarter as compared to the corresponding period due to cessation of capitalization of expenses on completion of Model Town Project. In addition to this, the revenue against sale of commercial properties, which were classified as investment properties during the past years have yielded lower margins as major portion of profits on the said properties have already been recognized in profit and loss statement of relevant periods therefore, considerably reducing the current period margins. Moreover, decrease in other operating income during the current quarter is attributable to the exchange gain arising on the foreign currency convertible bonds during the corresponding period.

However, improvement in prices and new sales were noticed during the first quarter of current financial year. Management expects that if the recovery process which has been noticed recently would continue in future, then the company would show improvement in the coming financial years.

During the quarter ended September 30, 2010 the company successfully completed the modification in redemption schedule of its term finance certificates (TFC), under which the company is allowed one year six months grace period along with an extension of four years in the tenor of TFC and consequently, the remaining tenor of TFC shall be six and a half years effective from August 15, 2010. This modification was duly approved by majority of TFC holders holding certificates in aggregate of 51.73%, through extraordinary resolutions 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'. As a result current liability of the Company has been reduced by PKR 499.6 million.

The Board of Directors has recommended members of the Company to approve a special resolution for divestment / disposal of equity investment in subsidiaries namely Pace Woodlands (Pvt.) Limited (PWL) and Pace Gujrat (Pvt.) Limited (PGL) as published in the Annual Report 2010. Both the subsidiaries were incorporated for undertaking specific projects jointly with the owners of the properties identified for the required projects, since the projects undertaken have successfully been completed and Company's share of revenues and returns relating to respective project of each subsidiary has been realized, therefore the Directors have recommended divestment / disposal of equity investment in PWL and PGL, as in the current commercial environment this divestment is a sensible decision given that there is currently no other project in the pipeline for both the companies.

### Board of Directors

There is no 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

### General

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

For and on behalf of the Board of Directors

Lahore  
October 29, 2010

Salmaan Taseer  
Chief Executive Officer

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## PACE (PAKISTAN) LIMITED CONDENSED INTERIM BALANCE SHEET (UN-AUDITED) AS AT SEPTEMBER 30, 2010

Note	September 30, 2010	June 30, 2010	
	(Rupees in thousand)		
<b>EQUITY &amp; LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
Authorised capital 600,000,000 (June 2010: 600,000,000) ordinary shares of Rs 10 each	<u>6,000,000</u>	<u>6,000,000</u>	
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	312,460	354,359	
Unappropriated profit	<u>3,276,033</u>	<u>3,343,021</u>	
	<b>6,377,259</b>	<b>6,486,146</b>	
<b>NON-CURRENT LIABILITIES</b>			
Long term finances - secured	5	756,563	756,563
Redeemable capital - secured (non-participatory)	6	1,498,800	999,200
Liabilities against assets subject to finance lease		28,082	32,514
Foreign currency convertible bonds - unsecured	7	1,198,090	1,176,425
Deferred liabilities		89,112	88,236
Advances against sale of property		58,421	44,255
Deferred income		31,944	36,736
		<u>3,661,012</u>	<u>3,133,929</u>
<b>CURRENT LIABILITIES</b>			
Current portion of long term liabilities		108,486	606,894
Short term finances - secured		100,000	100,000
Creditors, accrued and other liabilities		201,443	232,393
		<u>409,929</u>	<u>939,287</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	8		
		<u>10,448,200</u>	<u>10,559,362</u>

The annexed notes 1 to 15 form an integral part of this condensed interim financial statements.

LAHORE

CHIEF EXECUTIVE

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**PACE (PAKISTAN) LIMITED  
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2010**

ASSETS	Note	September	June
		30, 2010	30, 2010
(Rupees in thousand)			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	542,586	550,444
Intangible assets		9,138	9,372
Assets subject to finance lease		48,155	53,791
Capital work in progress		6,672	6,672
Investment property	10	4,813,935	4,935,576
Investments	11	1,150,138	1,150,139
Long term advances and deposits		25,979	25,979
Advance against purchase of property - unsecured		570,774	567,357
		<u>7,167,377</u>	<u>7,299,330</u>
<b>CURRENT ASSETS</b>			
Stock-in-trade		1,108,707	1,088,554
Trade debts - unsecured		1,686,952	1,651,599
Advances, deposits, prepayments and other receivables		396,894	343,228
Cash and bank balances		88,270	176,651
		<u>3,280,823</u>	<u>3,260,032</u>
		<u>10,448,200</u>	<u>10,559,362</u>

DIRECTOR

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	July to September	
	2010	2009
(Rupees in thousand)		
Sales	227,958	128,430
Cost of sales	(194,526)	(105,675)
<b>Gross profit</b>	<b>33,432</b>	<b>22,755</b>
Administrative and selling expenses	(59,663)	(23,480)
Other operating income	2,796	187,778
<b>(Loss) / profit from operations</b>	<b>(23,435)</b>	<b>187,053</b>
Finance costs	(83,311)	(81,916)
<b>(Loss) / profit before tax</b>	<b>(106,746)</b>	<b>105,137</b>
Taxation	(2,140)	(28,219)
<b>(Loss) / profit for the period</b>	<b>(108,886)</b>	<b>76,918</b>
<b>Other comprehensive (loss) / income</b>		
Changes in fair value of available for sale investment	(1)	2
<b>Total comprehensive (loss) / income for the period</b>	<b>(108,887)</b>	<b>76,920</b>
(Loss) / earnings per share attributable to ordinary shareholders		
- basic	Rupees (0.39)	0.32
- diluted	Rupees (0.39)	0.27

The effect of the conversion of the Foreign currency convertible bonds into ordinary shares is anti-dilutive for the current period, accordingly the diluted EPS is restricted to the basic EPS.

The annexed notes 1 to 15 form an integral part of this condensed interim financial statements.

LAHORE

CHIEF EXECUTIVE

DIRECTOR

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**PACE (PAKISTAN) LIMITED  
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2010**

Note	July to September	
	2010	2009
(Rupees in thousand)		
<b>Cash flows from operating activities</b>		
Cash from/ (used in) operations	14 39,882	(79,680)
Net increase in advances against sale of property	14,166	21,890
Finance cost paid	(134,451)	(120,384)
Gratuity and leave encashment paid	(164)	(1,839)
Taxes paid	(2,644)	(3,006)
<b>Net cash used in operating activities</b>	<b>(83,211)</b>	<b>(183,019)</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	-	(4,481)
Disposal of investment property	-	4,001
Proceeds from sale of property, plant and equipment	730	1,796
Markup received	-	7,566
<b>Net cash from investing activities</b>	<b>730</b>	<b>8,882</b>
<b>Cash flows from financing activities</b>		
Repayment of redeemable capital	-	(300)
Repayment of long term finances	-	(11,376)
(Repayment)/availment of finance lease liabilities	(5,900)	354
<b>Net cash used in financing activities</b>	<b>(5,900)</b>	<b>(11,322)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(88,381)</b>	<b>(185,459)</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>176,651</b>	<b>340,692</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>88,270</b>	<b>155,233</b>

The annexed notes 1 to 15 form an integral part of this condensed interim financial statements.

LAHORE

CHIEF EXECUTIVE

DIRECTOR

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**PACE (PAKISTAN) LIMITED  
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2010**

	Share capital	Share premium	Revaluation reserve for investment property	Reserve for changes in fair value of investments	Un-appropriated profit	Total
<b>Balance as on June 30, 2009</b>	2,328,220	75,229	94,202	(4)	2,696,752	5,194,399
<b>Total Comprehensive income for the period</b>	-	-	-	-	76,918	76,918
Profit for the period	-	-	-	-	2	2
Other comprehensive income	-	-	-	-	76,918	76,920
Issue of ordinary shares	92,109	-	-	-	-	92,109
Premium on conversion of FCCB	-	39,607	-	-	-	39,607
<b>Balance as on September 30, 2009</b>	2,420,329	114,836	94,202	(2)	2,773,670	5,403,035
<b>Total Comprehensive income for the period</b>	-	-	-	-	556,246	556,246
Profit for the period	-	-	-	(1)	-	(1)
Other comprehensive loss	-	-	-	(1)	556,246	556,245
Issue of ordinary shares	368,437	-	-	-	-	368,437
Premium on conversion of FCCB	-	158,429	-	-	-	158,429
Transfer of reserve relating to sale of investment property	-	-	(13,105)	-	13,105	-
<b>Balance as on June 30, 2010</b>	2,788,766	273,265	81,097	(3)	3,343,021	6,486,146
<b>Total Comprehensive income for the period</b>	-	-	-	-	(108,886)	(108,886)
Loss for the period	-	-	-	-	(1)	(1)
Other comprehensive loss	-	-	-	-	(108,886)	(108,887)
Transfer of reserve relating to sale of investment property	-	-	(41,898)	-	41,898	-
<b>Balance as on September 30, 2010</b>	2,788,766	273,265	39,199	(4)	3,276,033	6,377,259

The annexed notes 1 to 15 form an integral part of this condensed interim financial statements.

LAHORE

CHIEF EXECUTIVE

DIRECTOR

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**PACE (PAKISTAN) LIMITED**  
**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM**  
**FINANCIAL STATEMENTS FOR THE QUARTER ENDED**  
**SEPTEMBER 30, 2010 (UN-AUDITED)**

**1. Legal status and activities**

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 in accordance with the requirements of the Code of Corporate Governance promulgated by SECP.

**3. Significant accounting policies**

The accounting policies adopted for the preparation of these condensed interim financial statements 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.

**4. Taxation**

The provision for taxation for the quarter ended September 30, 2010 has been made on an estimated basis.

	<b>Unaudited September 30, 2010</b>	<b>Audited June 30, 2010</b>
	<b>(Rupees in thousand)</b>	

**5. Long term finances - secured**

Opening balance	<b>836,563</b>	11,376
Add: Musharika finance obtained	-	400,000
Soneri Bank - demand finance	-	36,563
Syndicate term finance facility	-	400,000
	<b>836,563</b>	847,939
Less: Repayment during the period	-	11,376
	<b>836,563</b>	836,563
Less: Current portion shown under current liabilities	<b>80,000</b>	80,000
	<b>756,563</b>	756,563

Note	<b>Unaudited September 30, 2010</b>	<b>Audited June 30, 2010</b>
	<b>(Rupees in thousand)</b>	

**6. Redeemable capital - secured (non-participatory)**

Opening balance	<b>1,498,800</b>	1,499,400
Less: Redeemed during the period	-	600
	<b>1,498,800</b>	1,498,800
Less: Current portion shown under current liabilities	6.1	499,600
	<b>1,498,800</b>	999,200

**6.1 Restructuring of term finance certificate**

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 resolutions 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 year in the tenor of TFC issue and consequently, the remaining tenor of TFC shall be six and a half years effective from August 15, 2010. As a result current liability of the company have been reduced by Rs. 499.6 million.

	<b>Unaudited September 30, 2010</b>	<b>Audited June 30, 2010</b>
	<b>(Rupees in thousand)</b>	

**7. Foreign currency convertible bonds - unsecured**

Opening balance as at July 1	<b>1,181,561</b>	1,911,567
Converted into equity shares	-	(658,581)
Markup accrued for the period	<b>18,804</b>	40,870
	<b>1,200,365</b>	1,293,856
Markup paid during the period	-	(10,679)
Exchange loss / (gain) for the period	<b>5,522</b>	(101,616)
	<b>1,205,887</b>	1,181,561
Less: Current portion shown under current liabilities	<b>7,797</b>	5,136
	<b>1,198,090</b>	1,176,425

**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

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

	Note	Unaudited September 30, 2010 (Rupees in thousand)	Audited June 30, 2010
Not later than one year		1,781	1,738
Later than one year and not later than five years		9,093	8,872
Later than five years		8,564	9,264
		<u>19,438</u>	<u>19,874</u>

## 9. Property, plant and equipment

Opening book value		550,444	474,065
Add: Additions during the period	9.1	-	123,190
Add: Transfers from assets subject to finance lease	9.1	-	-
		-	123,190
Less: Transfers to investment property / stock-in-trade (at book value)		-	-
		<u>550,444</u>	<u>597,255</u>
Less: Disposals during the period (at book value)		465	4,026
Less: Depreciation charged during the period		7,393	42,785
		<u>7,858</u>	<u>46,811</u>
Closing book value		<u>542,586</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
Vehicles	-	8,418
	-	<u>123,190</u>

## 10. Investment property

Opening fair value	4,935,576	4,103,602
Add: Additions to cost during the period		
- Direct additions	-	146,297
- Transfers from stock in trade	12,639	345,288
- Transfers to stock in trade	(134,280)	(300,439)
- Disposals during the period	-	(68,996)
Closing value before revaluation	<u>4,813,935</u>	<u>4,225,752</u>
Add: Fair value gain recognised during the period	-	709,824
Closing value after revaluation	<u>4,813,935</u>	<u>4,935,576</u>

## 11. Investments

Equity instruments of:			
- subsidiaries - unquoted	11.1	55	55
- associated undertakings - unquoted	11.2	1,150,081	1,150,081
Available for sale - quoted	11.3	2	3
		<u>1,150,138</u>	<u>1,150,139</u>

Note

Unaudited  
September  
30, 2010  
(Rupees in thousand)

Audited  
June  
30, 2010

## 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 Gujrat (Private) Limited 2,450 (June 2010: 2,450) fully paid ordinary shares of Rs 10 each	25	25
	<u>55</u>	<u>55</u>

## 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	11.3.1	(4)	(3)
		<u>2</u>	<u>3</u>

### 11.3.1 Cumulative fair value gain

As at July 1		(3)	(4)
Fair value (loss) / gain during the period		(1)	1
		<u>(4)</u>	<u>(3)</u>

Quarter ended

September  
30, 2010

September  
30, 2009

(Rupees in thousand)

## 12. Transactions with related parties

Relationship with the Company	Nature of transaction		
i. Subsidiaries	Short term advances given	-	15,161
	Mark up income	-	6,718
	Purchase of goods & services	1,653	-
ii. Associates	Advance against purchase of property	-	62,326
	Mark up income	-	1,813
	Guarantee commission	375	1,125
	Sales of goods and services	1,500	-
iii. Key management personnel	Short term employee benefits	1,202	1,120
	Post Employment Benefits	903	832
	Advances	1,198	496



### 13. Operating Segments

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".

Mark-up on loans for general purposes are capitalised on the basis of weighted average interest rate and cost incurred. Mark-up on specific loans is being capitalised completely to the relevant real-estate project.

	(Rupees in thousand)							
	Real estate		Investment properties		Others		Total	
	Quarter ended September 30, 2010	September 30, 2009	Quarter ended September 30, 2010	September 30, 2009	Quarter ended September 30, 2010	September 30, 2009	Quarter ended September 30, 2010	September 30, 2009
<b>13.2 Segment results</b>								
Segment revenue	10,000	65,563	160,511	28,194	57,447	34,673	227,958	128,430
Segment expenses								
- Cost of sales	(7,200)	(52,139)	(137,647)	-	(6,992)	(8,323)	(151,839)	(60,462)
- Stores operating expenses	(1,873)	(9,232)	(20,057)	(12,238)	(20,757)	(23,743)	(42,687)	(45,213)
Gross profit	927	4,192	2,807	15,956	29,698	2,607	33,432	22,755
Segment results	927	4,192	2,807	15,956	29,698	2,607	33,432	22,755
Administrative and selling expenses							(59,663)	(23,480)
Other operating income							2,796	187,778
Finance costs							(83,311)	(81,916)
<b>(Loss) / profit before tax</b>							(106,746)	105,137
Taxation							(2,140)	(28,219)
<b>(Loss) / profit for the period</b>							(108,886)	76,918

	Quarter ended	
	September 30, 2010	September 30, 2009
(Rupees in thousand)		
<b>14. Cash generated from / (used in) operations</b>		
Profit before tax	(106,746)	105,137
Adjustments for:		
- Depreciation on property, plant and equipment	7,393	7,570
- Depreciation on assets subject to finance lease	5,645	5,062
- Amortisation on intangible assets	234	249
- Amortisation of deferred income	(4,792)	(4,611)
- Gain on sale of property, plant and equipment	(265)	(589)
- Markup Income	-	(14,284)
- Finance costs	83,312	81,916
- Exchange loss / (gain) on foreign currency convertible bonds	5,522	(172,905)
- Provision for gratuity and leave encashment	2,379	3,381
<b>Profit before working capital changes</b>	<b>(7,317)</b>	<b>10,926</b>
Effect on cash flow due to working capital changes		
- Decrease in stock-in-trade	134,000	27,626
- (Increase)/ decrease in trade debts	(35,353)	42,579
- Decrease in due from related parties	-	(15,162)
- Increase in advance against purchase of property	(3,417)	(62,326)
- Increase in advances, deposits prepayments and other receivables	(52,163)	(74,489)
- Increase/ (decrease) in creditors, accrued and other liabilities	4,132	(8,834)
	47,199	(90,606)
	<u>39,882</u>	<u>(79,680)</u>

**15. Date of authorization for issue**

This condensed interim financial statements was authorised for issue on October 29, 2010 by the Board of Directors of the Company.

**PACE (PAKISTAN) GROUP**

**CONDENSED CONSOLIDATED  
QUARTERLY FINANCIAL ACCOUNTS  
(UN-AUDITED)**

**FOR THE PERIOD ENDED  
SEPTEMBER 30, 2010**

## DIRECTORS' REPORT TO THE SHAREHOLDERS

The Board of Directors of Pace (Pakistan) Limited ("the group") is pleased to present un-audited consolidated financial statements of the group for the first quarter September 30, 2010.

### Operating Results

Following are the comparative financial results of the group for the first Quarter September 30, 2010:

	Rupees in '000'	
	Jul-Sep 2010	Jul-Sep 2009
Sales	227,958	128,430
Gross Profit	32,984	22,755
Other operating income	3,726	184,159
Net (Loss) / Profit before tax	(122,137)	87,657
(Loss) / earnings per share (PKR)	(0.43)	0.29
(Loss) / earnings per share - Diluted (PKR)	(0.43)	0.22

During the current period sales have shown considerable improvement compared with the corresponding period last year. However, despite increase in sales group suffered a loss which is primarily attributable to increase in administrative expenses and finance cost during the quarter as compared to the corresponding period due to cessation of capitalization of expenses on completion of Model Town Project. In addition to this, the revenue against sale of commercial properties, which were classified as investment properties during the past years have yielded lower margins as major portion of profits on the said properties have already been recognized in profit and loss statement of relevant periods therefore, considerably reducing the current period margins. Moreover, decrease in other operating income during the current quarter is attributable to the exchange gain arising on the foreign currency convertible bonds during the corresponding period.

However, improvement in prices and new sales were noticed during the first quarter of current financial year. Management expects that if the recovery process which has been noticed recently would continue in future, then the group would show improvement in the coming financial years.

During the quarter ended September 30, 2010 the group successfully completed the modification in redemption schedule of its term finance certificates (TFC), under which the group is allowed one year six months grace period along with an extension of four years in the tenor of TFC and consequently, the remaining tenor of TFC shall be six and a half years effective from August 15, 2010. This modification was duly approved by majority of TFC holders holding certificates in aggregate of 51.73%, through extraordinary resolutions passed in writing. Consequent to the approval of TFC holder's addendum to the trust deed was executed between the group and trustee 'IGI Investment Bank Limited'. As a result current liability of the group has been reduced by PKR 499.6 million.

### Pace Woodlands (Pvt.) Limited ("PWL")

The main objective of the company is to construct, develop and manage the housing society. The project is located at Bedian Road, Lahore Cantonment near Defence Housing Authority, Lahore comprising of 160 villas which have already been completed and delivered.

### Pace Gujrat (Pvt.) Limited ("PGL")

Pace Gujrat (Pvt.) Limited was incorporated as Private Limited Company in July 2005 and acquired land of 15 Kanal and 8 Marlas at GT Road, Gujrat from Services Industries Textile Limited ("Services Industries") for the purpose of development of its project including a shopping mall, a hotel/restaurant and banquet hall. However as per decision of the shareholders taken in their meeting held on March 15, 2008, the company sold out the entire land and under construction shopping mall.

For and on behalf of the Board of Directors

Lahore  
October 29, 2010

**Salmaan Taseer**  
Chief Executive Officer

## PACE (PAKISTAN) GROUP CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (UN-AUDITED) AS AT SEPTEMBER 30, 2010

EQUITY AND LIABILITIES	Note	September 30, 2010	June 30, 2010
(Rupees in thousand)			
<b>CAPITAL AND RESERVES</b>			
Authorised capital			
600,000,000 (June 2010: 600,000,000) ordinary shares of Rs 10 each		<u>6,000,000</u>	<u>6,000,000</u>
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		669,541	686,090
Unappropriated profit		<u>4,066,013</u>	<u>4,142,326</u>
		<u>7,524,320</u>	<u>7,617,182</u>
<b>NON-CONTROLLING INTEREST</b>		<u>(12,157)</u>	<u>(10,154)</u>
		<u>7,512,163</u>	<u>7,607,028</u>
<b>NON-CURRENT LIABILITIES</b>			
Long term finances			
- secured	5	756,563	756,563
- unsecured		97,608	82,328
Redeemable capital - secured (non-participatory)	6	1,498,800	999,200
Liabilities against assets subject to finance lease		28,081	32,514
Foreign currency convertible bonds - unsecured	7	1,198,089	1,176,425
Deferred liabilities		89,113	88,236
Advances against sale of property		58,421	44,255
Deferred income		31,944	36,736
		<u>3,758,619</u>	<u>3,216,257</u>
<b>CURRENT LIABILITIES</b>			
Current portion of long term liabilities		129,486	638,394
Finances under mark-up arrangements		134,458	135,958
Creditors, accrued and other liabilities		253,573	284,119
Taxation		5,533	5,533
		<u>523,050</u>	<u>1,064,004</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	8		
		<u>11,793,832</u>	<u>11,887,289</u>

The annexed notes 1 to 17 form an integral part of this condensed interim financial statements.

LAHORE

CHIEF EXECUTIVE

**PACE (PAKISTAN) GROUP  
CONDENSED CONSOLIDATED INTERIM PROFIT AND LOSS  
ACCOUNT (UN-AUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2010**

ASSETS	Note	September	June
		30, 2010	30, 2010
(Rupees in thousand)			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	542,586	550,444
Intangible assets		9,138	9,372
Assets subject to finance lease		48,155	53,791
Capital work in progress		6,672	6,672
Investment property	10	4,913,935	5,035,576
Investments	11	2,282,563	2,264,671
Long term advances and deposits		25,979	25,979
Advance against purchase of property - unsecured		570,774	567,357
		<u>8,399,802</u>	<u>8,513,862</u>
<b>CURRENT ASSETS</b>			
Stock-in-trade		1,131,276	1,111,571
Trade debts - unsecured		1,749,698	1,714,345
Due from related parties - unsecured	12	16,444	15,750
Advances, deposits, prepayments and other receivables		407,919	354,256
Cash and bank balances		88,693	177,505
		<u>3,394,031</u>	<u>3,373,427</u>
		<u>11,793,832</u>	<u>11,887,289</u>

DIRECTOR

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	July to September	
	2010	2009
(Rupees in thousand)		
Sales	227,958	128,430
Cost of sales	(194,974)	(105,675)
<b>Gross profit</b>	<b>32,984</b>	<b>22,755</b>
Administrative and selling expenses	(59,663)	(23,528)
Other operating income	3,726	184,159
<b>(Loss) / profit from operations</b>	<b>(22,953)</b>	<b>183,386</b>
Finance costs	(87,661)	(100,000)
Share of (loss)/profit of associates	(11,523)	4,271
<b>(Loss) / profit before tax</b>	<b>(122,137)</b>	<b>87,657</b>
<b>Taxation</b>		
- Group	(2,140)	(28,219)
- Associates	4,063	(1,098)
<b>(Loss) / profit for the period</b>	<b>(120,214)</b>	<b>58,340</b>
<b>Other comprehensive (loss) / income</b>		
Changes in fair value of available for sale investment	(1)	2
Share in capital reserve of associates	25,350	-
<b>Total other comprehensive income</b>	<b>25,349</b>	<b>2</b>
<b>Total comprehensive (loss) / income</b>	<b>(94,865)</b>	<b>58,342</b>
<b>Attributable to:</b>		
Equity holders of the parent	(92,862)	69,061
Non-controlling interest	(2,003)	(10,719)
	<u>(94,865)</u>	<u>58,342</u>
(Loss) / earnings per share attributable to ordinary shareholders		
- basic	<b>Rupees (0.43)</b>	<b>0.29</b>
- diluted	<b>Rupees (0.43)</b>	<b>0.22</b>

The effect of the conversion of the Foreign currency convertible bonds into ordinary shares is anti-dilutive for the current period, accordingly the diluted EPS is restricted to the basic EPS.

The annexed notes 1 to 17 form an integral part of this condensed interim financial statements.

LAHORE

CHIEF EXECUTIVE

DIRECTOR

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**PACE (PAKISTAN) GROUP  
CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT  
(UN-AUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2010**

	Note	July to September	
		2010	2009
(Rupees in thousand)			
<b>Cash flows from operating activities</b>			
Cash generated from/(used in) operations	16	41,257	(63,065)
Net increase in advances against sale of property		14,166	21,890
Finance cost paid		(138,398)	(128,758)
Gratuity and leave encashment paid		(165)	(1,839)
Taxes paid		(3,783)	(3,006)
<b>Net cash used in operating activities</b>		<b>(86,923)</b>	<b>(174,778)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		-	(4,481)
Disposal of investment property		-	4,001
Proceeds from sale of property, plant and equipment		730	1,796
Markup received		-	8,265
<b>Net cash from investing activities</b>		<b>730</b>	<b>9,581</b>
<b>Cash flows from financing activities</b>			
Proceed from long term finances		15,280	-
Repayment of redeemable capital		-	(300)
Repayment of long term finances		(10,500)	(20,376)
(Repayment)/availment of finance lease liabilities		(5,900)	355
<b>Net cash used in financing activities</b>		<b>(1,120)</b>	<b>(20,321)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(87,313)</b>	<b>(185,518)</b>
<b>Cash and cash equivalents at beginning of the period</b>		<b>41,547</b>	<b>306,271</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>(45,766)</b>	<b>120,753</b>

The annexed notes 1 to 17 form an integral part of this condensed interim financial statements.

LAHORE

CHIEF EXECUTIVE

DIRECTOR

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**PACE (PAKISTAN) GROUP  
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2010**

	Attributable to equity holders of the parent					Non-controlling interest	Total equity
	Share capital	Share premium	Revaluation reserve for investment property	Reserve for changes in fair value of investments of associates	Share in capital reserves of associates		
Balance as on June 30, 2009 as restated	2,328,220	75,229	94,202	(4)	218,326	30,286	5,759,048
Total Comprehensive income for the period	-	-	-	2	-	69,059	58,340
Profit for the period	-	-	-	-	-	2	(10,719)
Other comprehensive income	-	-	-	2	-	69,061	(10,719)
Issue of ordinary shares	92,109	-	-	-	-	92,109	92,109
Premium on conversion of FCCB	-	39,607	-	-	-	39,607	39,607
Balance as on September 30, 2009	2,420,329	114,836	94,202	(2)	218,326	19,547	5,949,106
Total Comprehensive income for the period	-	-	-	(1)	-	1,047,353	(29,701)
Profit for the period	-	-	-	(1)	-	113,405	113,404
Other comprehensive (loss) / income	-	-	-	(1)	113,405	1,047,353	(29,701)
Issue of ordinary shares	388,437	-	-	-	-	388,437	388,437
Premium on conversion of FCCB	-	158,429	(13,105)	-	-	158,429	158,429
Transfer to retained earnings on disposal of investment property	-	-	-	-	-	13,105	-
Balance as on June 30, 2010	2,788,766	273,265	81,097	(9)	331,731	4,142,326	7,617,182
Total Comprehensive income for the period	-	-	-	-	-	4,142,326	(10,154)
Loss for the period	-	-	-	-	-	(118,211)	(118,211)
Other comprehensive (loss) / income	-	-	-	(1)	-	25,350	25,349
Transfer to retained earnings on disposal of investment property	-	-	(41,898)	(1)	-	(92,862)	(92,862)
Balance as on September 30, 2010	2,788,766	273,265	39,199	(4)	357,081	4,069,013	7,524,320

The annexed notes 1 to 17 form an integral part of this condensed interim financial statements.

LAHORE

CHIEF EXECUTIVE

DIRECTOR

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**PACE (PAKISTAN) LIMITED**  
**NOTES TO AND FORMING PART OF THE CONDENSED**  
**CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE**  
**QUARTER ENDED SEPTEMBER 30, 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. The subsidiary commenced its operations in March, 2008.

**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 (SECP) 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 in accordance with the requirements of the Code of Corporate Governance promulgated by SECP.

**3. Significant accounting policies**

The accounting policies adopted for the preparation of these condensed interim financial statements 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.

**4. Taxation**

The provision for taxation for the quarter ended September 30, 2010 has been made on an estimated basis.

Note	Unaudited September 30, 2010	Audited June 30, 2010
	(Rupees in thousand)	

**5. Long term finances - secured**

Opening balance	868,063	36,375
Add: Finance obtained	-	831,688
	<u>868,063</u>	<u>868,063</u>
Less: Repayment during the period	10,500	-
	<u>857,563</u>	<u>868,063</u>
Less: Current portion shown under current liabilities	101,000	111,500
	<u>756,563</u>	<u>756,563</u>

**6. Redeemable capital - secured (non-participatory)**

Opening balance	1,498,800	1,499,400
Less: Redeemed during the period	-	600
	<u>1,498,800</u>	<u>1,498,800</u>
Less: Current portion shown under current liabilities	6.1 -	499,600
	<u>1,498,800</u>	<u>999,200</u>

**6.1 Restructuring of term finance certificate**

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 resolutions passed in writing. Consequent to the approval of TFC holder's addendum to the trust deed was executed 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 year in the tenor of TFC issue and consequently, the remaining tenor of TFC shall be six and a half years effective from August 15, 2010. As a result current liability of the Group have been reduced by Rs. 499.6 million.

Unaudited September 30, 2010	Audited June 30, 2010
(Rupees in thousand)	

**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	18,804	40,870
	<u>1,200,365</u>	<u>1,293,856</u>
Markup paid during the period	-	(10,679)
Exchange loss / (gain) for the period	5,522	(101,616)
Less: Current portion shown under current liabilities	7,797	5,136
	<u>1,198,089</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: Rs. 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:

	Note	Unaudited September 30, 2010 (Rupees in thousand)	Audited June 30, 2010
Not later than one year		1,781	1,738
Later than one year and not later than five years		9,093	8,872
Later than five years		8,564	9,264
		<u>19,438</u>	<u>19,874</u>

## 9. Property, plant and equipment

Opening book value		550,444	474,066
Add: Additions during the period	9.1	-	114,772
Add: Transfers from assets subject to finance lease	9.1	-	8,418
		-	123,190
Less: Transfers to investment property / stock-in-trade (at book value)		-	-
		<u>550,444</u>	<u>597,256</u>
Less: Disposals during the period (at book value)		465	4,026
Less: Depreciation charged during the period		7,393	42,785
		<u>7,858</u>	<u>46,812</u>
Closing book value		<u>542,586</u>	<u>550,444</u>

Note	Unaudited September 30, 2010 (Rupees in thousand)	Audited June 30, 2010
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## 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
Vehicles	-	8,418
	<u>-</u>	<u>123,190</u>

## 10. Investment 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	12,639	345,288
- Transfers to stock in trade	(134,280)	(300,439)
- Disposals during the period	-	(246,092)
	<u>4,913,935</u>	<u>4,320,203</u>
Closing value before revaluation	4,913,935	4,320,203
Add: Fair value gain recognised during the period	-	715,737
Closing value after revaluation	<u>4,913,935</u>	<u>5,035,576</u>

## 11. Investments

Equity instruments of:			
- associated undertakings - unquoted	11.1	2,282,561	2,264,668
Available for sale - quoted	11.2	2	3
		<u>2,282,563</u>	<u>2,264,671</u>

### 11.1 Associated undertakings - unquoted

Pace Barka Properties Limited 115,000,000 (June 2010: 115,000,000) fully paid ordinary shares of Rs 10 each	11.1.1	2,282,381	2,264,488
Pace Super Mall (Private) Limited 18,000 (June 2010: 18,000) fully paid ordinary shares of Rs 10 each		180	180
		<u>2,282,561</u>	<u>2,264,668</u>

	Unaudited September 30, 2010	Audited June 30, 2010 Restated
	<u>2,282,563</u>	<u>2,264,671</u>
<b>(Rupees in thousand)</b>		

### 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	1,114,587	490,451
	<u>2,264,488</u>	<u>1,640,352</u>
Share of movement in reserves during the year	25,353	113,405

Note	Unaudited September 30, 2010	Audited June 30, 2010 Restated
	(Rupees in thousand)	
Share of profit for the Period		
- before taxation	(11,523)	(10,054)
- provision for taxation	4,063	30,236
- Profit on increase in investment in associate	-	490,549
	(7,460)	510,731
	<u>2,282,381</u>	<u>2,264,488</u>

#### 11.2 Available for sale - quoted

At cost	6	6
Add: Cumulative fair value loss	(4)	(3)
	<u>2</u>	<u>3</u>

#### 11.2.1 Cumulative fair value gain

	Unaudited September 30, 2010	Audited June 30, 2010
As at July 1	(3)	(4)
Fair value (loss) / gain during the period	(1)	1
	<u>(4)</u>	<u>(3)</u>

#### 12. Due from related parties - unsecured

##### Associates

Pace Super Mall (Private) Limited	<u>16,444</u>	<u>15,750</u>
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#### 13. Transactions with related parties

Relationship with the Company	Nature of transaction	Unaudited September 30, 2010	Unaudited September 30, 2009
i. Associates	Purchase of goods & services	1,653	-
	Mark up income	-	1,813
	Guarantee commission	375	1,125
	Sales of goods and services	1,500	-
	Advance against purchase of property	-	62,326
ii. Key management personnel	Short term employee benefits	1,202	1,120
	Post Employment Benefits	903	832
	Advances	1,198	496

	(Rupees in thousand)					
	Real estate		Investment properties		Others	Total
	Quarter ended	Quarter ended	Quarter ended	Quarter ended	Quarter ended	Quarter ended
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
<b>14.2 Segment results</b>						
Segment revenue	10,000	65,563	160,511	28,194	57,447	34,673
Segment expenses						
- Cost of sales	(7,200)	(52,139)	(137,647)	-	(6,992)	(8,323)
- Stores operating expenses	(1,873)	(9,232)	(20,057)	(12,238)	(21,205)	(23,743)
Gross profit	927	4,192	2,807	15,956	29,250	2,607
Segment results	<u>927</u>	<u>4,192</u>	<u>2,807</u>	<u>15,956</u>	<u>29,250</u>	<u>2,607</u>
Administrative and selling expenses						
Other operating income						
Finance costs						
Share of (loss)/profit of associates						
<b>(Loss) / profit before tax</b>						
<b>Taxation</b>						
Group						
Associates						
<b>(Loss) / profit for the period</b>						



#### 14. Operating Segments

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 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".

Mark-up on loans for general purposes are capitalised on the basis of weighted average interest rate and cost incurred. Mark-up on specific loans is being capitalised completely to the relevant real-estate project.

Quarter ended	
September 30, 2010	September 30, 2009
(Rupees in thousand)	

#### 15. Cash generated from / (used in) operations

(Loss) / profit before tax	(122,137)	87,657
Adjustments for:		
- Depreciation on property, plant and equipment	7,393	7,570
- Depreciation on assets subject to finance lease	5,645	5,062
- Amortisation on intangible assets	234	249
- Amortisation of deferred income	(4,792)	(4,612)
- Gain on sale of property, plant and equipment	(265)	(589)
- Markup Income	-	(10,665)
- Finance costs	87,661	100,000
- Exchange loss / (gain) on foreign currency convertible bonds	5,522	(172,905)
- Share of profit of associate	11,523	(4,271)
- Provision for gratuity and leave encashment	2,379	3,381
<b>(Loss) / profit before working capital changes</b>	<b>(6,837)</b>	<b>10,877</b>

Quarter ended	
September 30, 2010	September 30, 2009
(Rupees in thousand)	

Effect on cash flow due to working capital changes

- Decrease in stock-in-trade	134,449	27,626
- (Increase) / decrease in trade debts	(35,353)	44,079
- Increase in due from related parties	(694)	-
- Increase in advance against purchase of property	(3,417)	(62,326)
- Increase in advances, deposits	-	-
prepayments and other receivables	(51,021)	(74,489)
- Increase / (decrease) in creditors, accrued and other liabilities	4,130	(8,832)
	<b>48,094</b>	<b>(73,942)</b>
	<b>41,257</b>	<b>(63,065)</b>

#### 16. Detail of subsidiaries

Name of the subsidiaries	Accounting period end	Percentage of holding	Country of incorporation
Pace Woodlands (Private) Limited	30-Sep-10	52%	Pakistan
Pace Gujrat (Private) Limited	30-Sep-10	100%	Pakistan

#### 17. Date of authorization for issue

This condensed interim financial statements was authorised for issue on October 29, 2010 by the Board of Directors of the Group.

LAHORE

CHIEF EXECUTIVE

DIRECTOR