

PACE (PAKISTAN) LIMITED

**CONDENSED QUARTERLY ACCOUNTS
(Un-Audited)**

SEPTEMBER 30, 2007

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.

Contents

Page Five

Company information

Page Six

Directors' report

Page Eight

Balance sheet

Page Ten

Profit & loss account

Page Eleven

Cash flow statement

Page Twelve

Statement of changes in equity

Page Thirteen

Notes to the accounts

Page Seventeen

Consolidated accounts

COMPANY INFORMATION

Board of Directors	Sheikh Sulieman Ahmed Said Al-Hoqani (Chairman) Salmaan Taseer (Chief Executive Officer) Aamna Taseer Sardar Ali Wattoo Abid Raza Jamal Said Al-Ojaili Mahmood Ali Athar Imran Saeed Chaudhry
Chief Financial Officer	Muhammad Musharaf Khan
Audit Committee	Aamna Taseer (Chairperson) Sardar Ali Wattoo Abid Raza
Company Secretary	Moeen Arshad
Auditors	A.F. Ferguson & Co. Chartered Accountants
Legal Advisers	Imtiaz Siddiqui & Associates Advocates and Attorneys
	Bankers Allied Bank Limited Askari Bank Limited Bank Alfalah Limited Faysal Bank Limited Habib Bank Limited KASB Bank Limited Habib Metropolitan Bank Limited ABN Amro Bank Limited Soneri Bank Limited Standard Chartered Bank (Pakistan) Limited The Bank of Punjab
Registrar and Shares Transfer Office	THK Associates (Pvt.) Limited Ground Floor, State Life Building- 3 Dr. Ziauddin Ahmed Road, Karachi ☎ (021) 111 000 322, 5689021
Registered Office/Head Office	103-C/II, Gulberg-III Lahore, Pakistan ☎ (042) 5757591-4 Fax: (042) 5757590, 5877920

DIRECTORS' REPORT

The Directors of Pace (Pakistan) Limited ("the Company or "Pace") take pleasure in presenting to its shareholders, first quarter's report together with the un-audited financial statements of the Company for the period ended September 30, 2007.

Operating Results

The Company has performed well during the first quarter, comparison of the un-audited results for the quarter ended September 30, 2007 as against September 30, 2006 is as follows:

	Rupees in '000'	
	Jul-Sep 2007	Jul-Sep 2006
Trading Profit	6,553	7,775
Increase in fair value of investment property	41,080	-
Investment income	25,858	30,261
Profit before tax	27,410	5,724
Earnings per share (PKR)	0.14	0.04

Gross and net profit margins for the first Quarter of current financial year have shown increase as compared to the same period last year. Increase in margins is primarily attributable to recording of revenue against Gujranwala project sales, extended investing activities and revenue enhancement strategies successfully applied by the management. During the quarter under review soft opening of the Gujranwala project was made in the last days of Ramzan where as the commercial operations will be formally inaugurated in the last week of November 2007.

Term Finance Certificates

TFCs would be secured obligation of the Company and will be listed on Lahore Stock Exchange (Guarantee) Limited. It will carry mark up 3% above the six months KIBOR with no cap or floor. TFCs have been offered to and taken up by pre IPO investors in an amount of PKR 1,125 million whereas PKR 375 million are being offered to the general public. The Company has already received Pre IPO portion of PKR 1,125 million. Approvals from the relevant authorities have been received and TFCs will be issued in due course of time.

Foreign Currency Convertible Bonds

FCCBs would be unsecured obligations of the Company which can be converted in to Ordinary Shares of the Company upon exercise of conversion right by the bondholders. In case, bondholders do not exercise their right to convert, the debt will be payable at the expiry of 5 years term, this proposed issue will give company the access to lower cost funds on very

low interest rates. After approval of the share holders in extraordinary general meeting held on September 03, 2007 in principle approval from SBP and approval from SECP has also been received whereas approval from Central Board of Revenue / Ministry of Finance is in Process.

Future Outlook

After successful completion of Gujranwala project the Company is looking forward to achieve its long term goal of nationwide expansion and for this purpose the Company has planned to develop two projects in Karachi which includes a Pace signature shopping mall (project to be developed by the company itself) and a mixed use project through a separate entity namely Pace Karachi Multiuse (Pvt.) Limited. The aforesaid projects will be financed by the above said issue of TFCs and FCCBs.

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, 2007.

General

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

For and on behalf of the Board of Directors

Lahore
October 30, 2007

Salmaan Taseer
Chief Executive Officer

PACE (PAKISTAN) LIMITED BALANCE SHEET (UN-AUDITED) AS AT SEPTEMBER 30, 2007

Note	September 30, 2007	June 30, 2007
(Rupees in thousand)		
CAPITAL AND RESERVES		
	4,000,000	2,300,000
Authorized capital 400,000,000 (June 30, 2007: 230,000,000) ordinary shares of Rs 10 each		
Issued, subscribed and paid up capital 220,464,951 (June 30, 2007: 220,464,951) ordinary shares of Rs 10 each	2,204,650	2,204,650
Share deposit money	1,260	1,260
Reserves	142,395	138,162
Unappropriated profit	861,786	830,944
	3,210,091	3,175,016
NON-CURRENT LIABILITIES		
Long term loans - secured	45,000	48,750
Advance against issue of term finance certificates-secured	1,125,000	-
Liabilities against assets subject to finance lease	9,268	6,044
Deferred liabilities	57,442	59,239
Advances against sale of property	307,204	278,343
	1,543,914	392,376
CURRENT LIABILITIES		
Current portion of long term loans - secured	15,000	105,750
Current portion of liabilities against assets subject to finance lease	4,737	3,518
Creditors, accrued and other liabilities	133,697	127,427
Provision for taxation	340	1,472
	153,774	238,167
CONTINGENCIES AND COMMITMENTS		
	4,907,779	3,805,559

The annexed notes 1 to 14 form an integral part of these financial statements.

PACE (PAKISTAN) LIMITED
PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2007

	July to September	
	2007	2006
	(Rupees in thousand)	
Sales	28,092	54,284
Cost of sales	<u>(21,539)</u>	(46,509)
Gross profit	6,553	7,775
Administration and selling expenses	<u>(24,693)</u>	(10,004)
Changes in fair value of investment property	41,080	-
Other operating income	<u>25,858</u>	30,261
Profit from operations	48,798	28,032
Finance costs	<u>(21,388)</u>	(22,176)
Other charges	-	(132)
Profit before tax	27,410	5,724
Taxation	<u>3,432</u>	(97)
Profit for the period	<u>30,842</u>	<u>5,627</u>
Earnings per share		
- basic and diluted	Rupees	
	<u>0.14</u>	<u>0.04</u>

The annexed notes 1 to 14 form an integral part of these financial statements.

LAHORE:

CHIEF EXECUTIVE

DIRECTOR

10

Note	September 30, 2007	June 30, 2007
	(Rupees in thousand)	
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	8 251,632	245,759
Intangible assets	1,250	1,282
Assets subject to finance lease	15,475	10,647
Investment property	1,468,497	1,418,047
Investments	9 337,514	333,282
Long term deposits and deferred cost	2,478	1,932
Long term loans to subsidiaries and associated undertakings- unsecured	10 <u>202,114</u>	<u>182,119</u>
	<u>2,278,960</u>	<u>2,193,068</u>

CURRENT ASSETS

Stock-in-trade	847,453	751,408
Trade debts - unsecured	301,606	310,506
Due from subsidiaries and associated undertakings - unsecured	98,212	85,076
Advance against purchase of property - unsecured	26,600	41,600
Short Term Investment	150,000	-
Advances, deposits, prepayments and other receivables	209,233	115,958
Cash and bank balances	995,715	307,943
	<u>2,628,819</u>	<u>1,612,491</u>
	<u>4,907,779</u>	<u>3,805,559</u>

DIRECTOR

09

PACE (PAKISTAN) LIMITED
CASH FLOW STATEMENT (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2007

	Note	July to September	
		2007	2006
(Rupees in thousand)			
Cash flow from operating activities			
Cash generated from operations	13	(191,119)	(499,469)
Advance against sale of property		28,861	64,696
Finance costs paid		(3,807)	(11,001)
Payment of gratuity and leave encashment		(158)	(189)
Taxes paid		(1,402)	(133)
Net cash from operating activities		(167,625)	(446,096)
Cash flow from investing activities			
Fixed capital expenditure		(9,439)	(523)
Additions in investment property		(9,370)	-
Investments made during the period		(150,000)	-
Net (increase) in Long term deposits and deferred cost		(546)	-
Repayment / (disbursement) of loan from/to subsidiaries and associated undertakings		(19,995)	(7,795)
Interest received		15,268	617
Net cash used in investing activities		(174,082)	(7,701)
Cash flow from financing activities			
Proceeds from issue of share capital		-	622,499
Payment of expenses on issue of share capital		-	(18,369)
Proceeds from long term loan		-	82,000
Proceeds advance against issue of term finance certificates		1,125,000	-
Repayment of long term loans		(94,500)	(30,000)
Repayment of finance lease liabilities		(1,021)	(888)
Net cash from financing activities		1,029,479	655,242
Net increase in cash and cash equivalents		687,772	201,445
Cash and cash equivalents at the beginning of the period		307,943	(503,783)
Cash and cash equivalents at the end of the period		995,715	(302,338)

The annexed notes 1 to 14 form an integral part of these financial statements.

LAHORE

CHIEF EXECUTIVE

DIRECTOR

PACE (PAKISTAN) LIMITED
STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2007

	Share Capital	Share Deposit Money	Share Premium	Revaluation reserve for investment property	Reserve for changes in fair value of investments	Accumulated profit	Total
Balance as at June 30, 2006	1,040,836	-	-	116,244	1,885	330,801	1,489,766
Receipt of share deposit money	-	622,499	-	-	-	-	622,499
Issue of ordinary shares	444,642	(622,499)	177,857	-	-	-	-
Net profit for the period	-	-	-	-	3,347	5,627	5,627
Gain in fair value of investment	-	-	-	116,244	5,232	336,428	2,121,239
Balance as at September 30, 2006	1,485,478	-	177,857	116,244	5,232	336,428	2,121,239
Receipt of share deposit money	-	548,408	-	-	-	-	548,408
Issue of ordinary shares	390,820	(547,148)	156,328	-	-	-	-
Cost on issue of ordinary shares	-	-	(4,831)	-	-	-	(4,831)
Issue of Bonus shares	328,352	-	(328,352)	-	-	-	-
Gain in fair value of investment	-	-	-	-	15,684	-	15,684
Net profit for the period	-	-	-	-	-	494,516	494,516
Balance as at June 30, 2007	2,204,650	1,260	1,002	116,244	20,916	830,944	3,175,016
Net profit for the period	-	-	-	-	4,233	30,842	30,842
Gain in fair value of investment	-	1,260	1,002	116,244	25,149	861,786	4,233
Balance as at September 30, 2007	2,204,650	1,260	1,002	116,244	25,149	861,786	3,210,091

The annexed notes 1 to 14 form an integral part of these financial statements.

LAHORE

CHIEF EXECUTIVE

DIRECTOR

PACE (PAKISTAN) LIMITED
SELECTED NOTES TO THE FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2007

1. These financial statements are un-audited and are being submitted to the shareholders as required by section 245 of the Companies Ordinance, 1984.
2. The accounting policies adopted for the preparation of these quarterly financial statements are the same as those applied in the preparation of preceding annual financial statements of the company for the year ended June 30, 2007.
3. These financial statements have been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 "Interim Financial Reporting".
4. The provision for taxation for the period ended September 30, 2007 has been made on an estimated basis.

	September 30, 2007	June 30, 2007
	(Rupees in thousand)	
5. Long term loans - secured		
Opening balance	154,500	216,000
Add: Disbursement during the period	-	85,000
	<u>154,500</u>	<u>301,000</u>
Less: Repayment during the period	94,500	146,500
	<u>60,000</u>	<u>154,500</u>
Less: Current portion shown under current liabilities	15,000	105,750
	<u>45,000</u>	<u>48,750</u>

6. TFCs have been offered and taken by Pre IPO investors in an amount of PKR 1,125 million whereas PKR 375 million will be offered to the general public. The company has already received Pre IPO portion of PKR 1,125 million. Approvals from relevant authorities are already in place and TFCs will be issued in due course of time.

7. Contingencies and commitments

7.1 Contingencies

There is no change in contingencies since the preceding annual financial statements of the company for the year ended June 30, 2007, except for release of bank guarantee amounting to Rs.60 million issued in favour of Karachi Port Trust.

7.2 Commitments - Nil

	September 30, 2007	June 30, 2007
	(Rupees in thousand)	
8. Property, plant and equipment		
Opening book value	245,759	271,835
Add: Additions during the period/year	8.1 9,362	85,872
Transfers to stock-in-trade / investment property	-	(101,261)
	<u>255,121</u>	<u>256,446</u>
Depreciation charged during the period/year	3,489	10,687
	<u>3,489</u>	<u>10,687</u>
	<u>251,632</u>	<u>245,759</u>

	Note	September 30, 2007	June 30, 2007
		(Rupees in thousand)	
8.1	Following is the detail of additions during the period/year		
	Freehold land		14,959
	Building on freehold land	-	37,256
	Plant and machinery	-	8,573
	Electrical equipment	7,918	9,457
	Office equipment and appliances	-	455
	Furniture and fixtures	1,006	1,595
	Computers	399	2,435
	Vehicles	39	11,142
		<u>9,362</u>	<u>85,872</u>

9. Investments

Equity instruments of subsidiaries		300,235	300,235
Available for sale	9.1	37,279	33,047
		<u>337,514</u>	<u>333,282</u>

9.1 Available for sale

Cost		12,131	12,131
Add: Fair value adjustment		25,148	20,916
		<u>37,279</u>	<u>33,047</u>

10. Long term Loans to subsidiaries and associated undertakings-unsecured

Subsidiaries

Pace Woodlands (Private) Limited		100,900	100,900
Pace Gujrat (Private) Limited		60,111	40,116
Associated undertakings			
Media Times Limited		41,103	41,103
		<u>202,114</u>	<u>182,119</u>

July to September

2007 2006
(Rupees in thousand)

11. Related party transactions

Short term advances	1,208	359,015
Mark-up income on balances with related parties	10,797	29,644
Long term loans paid	20,000	6,300
Guarantee commission	1,125	-
Key management personnel compensation	1,674	1,476

	September 30, 2007	June 30, 2007
	(Rupees in thousand)	
Period end balance		
Receivable from related parties	300,326	267,195
Payable to related parties	1,500	4,500

(Rupees in thousand)

12. Segment information Rupees in thousand

	Real estate sales		Investment properties		Others		Total	
	September 2007	September 2006	September 2007	September 2006	September 2007	September 2006	September 2007	September 2006
Segment revenue	15,530	43,672	9,189	8,351	3,373	2,261	28,092	54,284
Segment expenses								
- Cost of sales	(11,020)	(39,765)	-	-	(409)	(388)	(11,429)	(40,153)
- Stores operating expenses	-	-	(10,110)	(6,356)	-	-	(10,110)	(6,356)
Gross profit	4,510	3,907	(921)	1,995	2,964	1,873	6,553	7,775
- Changes in fair value of investment property	-	-	41,080	-	-	-	41,080	-
Segment results	4,510	3,907	40,159	1,995	2,964	1,873	47,633	7,775
Administration and selling expenses							(24,693)	(10,004)
Other operating income							25,858	30,261
Finance costs							(21,388)	(22,176)
Other charges							-	(132)
Profit before taxation							27,410	5,724
Taxation							3,432	(97)
Profit for the year							30,842	5,627
12.1 Segment assets								
Unallocated assets	1,298,737	1,168,830	1,472,681	1,422,542	-	-	2,771,418	2,591,372
12.2 Segment liabilities								
Unallocated liabilities	373,479	362,211	6,480	5,889	-	-	379,959	368,100
12.3 Capital expenditure								
Unallocated	-	-	-	-	-	-	14,903	90,681
12.4 Depreciation/Amortisation								
Unallocated	-	-	-	-	-	-	4,233	13,138
							4,233	13,138

15

13. Cash generated from operations

	July to September	
	2007	2006
	(Rupees in thousand)	
Profit before taxation	27,410	5,724
Add/(less) adjustment for non-cash charges and other items:		
Depreciation on:		
- property, plant and equipment	3,489	3,172
- assets subject to finance lease	713	615
Amortisation on:		
- intangible assets	32	36
Provision for gratuity and leave encashment	1,905	-
Interest income	(25,858)	(30,878)
Change in fair value of investment property	(41,080)	-
Finance cost	21,388	22,176
Profit before working capital changes	(12,001)	845
Effect on cash flow due to working capital changes:		
- (Increase)/decrease in stock-in-trade	(96,045)	(56,894)
- Decrease/(Increase) in trade debts	8,900	(11,565)
- (Increase) in due from subsidiaries and associated undertakings	(2,546)	(355,568)
- Decrease in advance against purchase of property	15,000	-
- (Increase) in advances, deposits prepayments and other receivables	(93,275)	(44,261)
- (Decrease) in creditors, accrued and other liabilities	(11,152)	(32,026)
	(179,118)	(500,314)
	(191,119)	(499,469)

14. Date of authorisation

These financial statements were authorised for issue on October 30, 2007 by the Board of Directors of the Company.

CHIEF EXECUTIVE

DIRECTOR

16

PACE (PAKISTAN) GROUP

**CONDENSED CONSOLIDATED
QUARTERLY ACCOUNTS
(Un-Audited)**

SEPTEMBER 30, 2007

DIRECTORS' REPORT

The Board of Directors of Pace (Pakistan) Limited is pleased to present unaudited consolidated accounts of the Group for the quarter ended September 30, 2007.

Financial overview

Following are the comparative financial results for the quarter ended September 30, 2007 and September 30, 2006;

	Rupees in '000'	
	Jul - Sep 2007	Jul - Sep 2006
Sales	28,092	54,284
Gross profit	6,553	7,775
Net profit / (loss)	21,640	(22,522)
Net Assets	3,108	3,082
Unappropriated profits & reserves	902,372	876,499
Earnings per Share (PKR)	0.1	(0.14)

Subsidiaries

Pace Woodlands (Pvt) Limited

The main objective of the company is to construct, develop and manage a housing society. The company has secured land on Bedian Road, Lahore Cantonment near Defence for establishing the housing scheme. During the quarter submission drawings have been approved and sanctioned by the Lahore Development Authority. Beside land development activities are at full swing, contract for the civil and structural work are in the final stage of negotiation and the work is expected to start shortly where as booking of sales will be launched shortly.

Pace Gujrat (Pvt) Limited

The company is developing a shopping mall in the city of Gujrat on GT road near Service Industries Textile Limited. After the completion of excavation and allied works civil work on the project is at full swing, with respect to sales, the company has already launched the successful booking of shops and kiosks and has received a confirm booking for considerable number of shops and kiosks.

For and on behalf of the Board of Directors

Lahore
October 30, 2007

Salmaan Taseer
Chief Executive Officer

PACE (PAKISTAN) GROUP CONSOLIDATED BALANCE SHEET (UN-AUDITED) AS AT SEPTEMBER 30, 2007

Note	September 30, 2007	June 30, 2007
(Rupees in thousand)		
CAPITAL AND RESERVES		
Authorized capital 400,000,000 (June 30, 2007: 230,000,000) ordinary shares of Rs 10 each	<u>4,000,000</u>	<u>2,300,000</u>
Issued, subscribed and paid up capital 220,464,951 (June 30, 2007: 220,464,951) ordinary shares of Rs 10 each	2,204,650	2,204,650
Share Deposit Money	1,260	1,260
Reserves	142,395	138,162
Unappropriated profit	<u>759,977</u>	<u>738,337</u>
	<u>3,108,282</u>	<u>3,082,409</u>
Minority Interest	27	27
NON-CURRENT LIABILITIES		
Long term loans		
- Secured	5 105,000	108,750
- Unsecured	173,380	173,580
Advance against issue of term finance certificates-secured	6 1,125,000	
Liabilities against assets subject to finance lease	9,268	6,044
Deferred liabilities	57,442	59,239
Advances against sale of property	323,842	293,220
	<u>1,793,932</u>	<u>640,833</u>
CURRENT LIABILITIES		
Current maturity of long term loans - secured	15,000	105,750
Current maturity of liabilities against assets subject to finance lease	4,737	3,518
Finances under mark up arrangements - secured	29,590	29,998
Creditors, accrued and other liabilities	164,237	160,866
Provision for taxation	340	1,472
	<u>213,904</u>	<u>301,604</u>
CONTINGENCIES AND COMMITMENTS	7	
	<u>5,116,145</u>	<u>4,024,873</u>

The annexed notes 1 to 16 form an integral part of these financial statements.

LAHORE

CHIEF EXECUTIVE

**PACE (PAKISTAN) GROUP
CONSOLIDATED PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2007**

	Note	September 30, 2007 (Rupees in thousand)	June 30, 2007
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	8	251,632	245,759
Intangible assets		1,250	1,282
Assets subject to finance lease		15,475	10,647
Investment property		1,468,497	1,418,047
Investments	9	337,459	333,227
Long term deposits and deferred cost		2,478	1,932
Long term loans to associated undertakings- unsecured	10	80,074	80,074
		<u>2,156,865</u>	<u>2,090,968</u>

CURRENT ASSETS

Stock-in-trade	1,252,258	1,143,655
Trade debts - unsecured	301,606	310,506
Short term investment	150,000	-
Due from associated undertakings	5,492	742
Advance against purchase of property	21,600	36,600
Advances, deposits, prepayments and other receivables	232,225	134,219
Cash and bank balances	996,099	308,183
	<u>2,959,280</u>	<u>1,933,905</u>
	<u>5,116,145</u>	<u>4,024,873</u>

DIRECTOR

	July to September 2007	2006
	<u>(Rupees in thousand)</u>	
Sales	28,092	54,284
Cost of sales	(21,539)	(46,509)
Gross profit	<u>6,553</u>	<u>7,775</u>
Administration and selling expenses	(24,693)	(10,004)
Changes in fair value of investment property	41,080	-
Other operating income	16,656	2,112
Profit from operations	<u>39,596</u>	<u>(117)</u>
Finance costs	(21,388)	(22,176)
Other charges	-	(132)
Profit before tax	<u>18,208</u>	<u>(22,425)</u>
Taxation	3,432	(97)
Profit for the period	<u>21,640</u>	<u>(22,522)</u>
Earnings per share		
- basic and diluted	Rupees <u>0.10</u>	<u>(0.14)</u>

The annexed notes 1 to 16 form an integral part of these financial statements.

LAHORE:

CHIEF EXECUTIVE

DIRECTOR

**PACE (PAKISTAN) GROUP
CONSOLIDATED CASH FLOW STATEMENT (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2007**

	Note	July to September 2007	2006
(Rupees in thousand)			
Cash flow from operating activities			
Cash generated from operations	13	(214,073)	(523,528)
Advance against sale of property		30,622	65,462
Finance costs paid		(1,857)	(9,954)
Payment of gratuity and leave encashment		(158)	(189)
Taxes paid		(1,402)	(133)
Net cash from operating activities		(186,868)	(468,342)
Cash flow from investing activities			
Fixed capital expenditure		(9,439)	(523)
Additions in investment property		(9,370)	-
Investments made during the period		(150,000)	-
Net (increase)/decrease in Long term deposits and deferred cost		(546)	5
Repayment / (disbursement) of loan to associated undertaking		-	(7,795)
Interest received		15,268	617
Net cash used in investing activities		(154,087)	(7,696)
Cash flow from financing activities			
Proceeds from issue of share capital		-	622,499
Payment against cost of issue of shares		-	(18,369)
Proceed advance against issue of term finance certificates		1,125,000	-
Proceeds from long term loans		-	82,440
Repayment of long term loans		(94,700)	(30,000)
Repayment of finance lease liabilities		(1,021)	(888)
Net cash from financing activities		1,029,279	655,682
Net (decrease)/increase in cash and cash equivalents		688,324	179,644
Cash and cash equivalents at the beginning of the period		278,185	(439,316)
Cash and cash equivalents at the end of the period	14	966,509	(259,672)

The annexed notes 1 to 16 form an integral part of these financial statements.

LAHORE

CHIEF EXECUTIVE

DIRECTOR

23

**PACE (PAKISTAN) GROUP
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2007**

	Share Capital	Share Deposit Money	Share Premium	Revaluation reserve for investment property	Reserve for changes in fair value of investments	Accumulated profit/(loss)	Total
Rupees in thousand							
Balance as at June 30, 2006	1,040,836	280,245	-	116,244	1,885	289,702	1,728,912
Receipt of share deposit money	-	622,499	-	-	-	-	622,499
Issue of ordinary shares	444,642	(622,499)	177,857	-	-	-	-
Net (loss) for the period	-	-	-	-	-	(22,522)	(22,522)
Gain in fair value of investment	-	-	-	-	3,347	-	3,347
Balance as at September 30, 2006	1,485,478	280,245	177,857	116,244	5,232	267,180	2,332,236
Share deposit money received	-	548,408	-	-	-	-	548,408
Issue of ordinary shares	390,820	(547,148)	156,328	-	-	-	-
Cost on issue of ordinary shares	-	-	(4,831)	-	-	-	(4,831)
Effect of relinquishment of control on subsidiaries	-	(280,245)	(328,352)	-	-	-	(280,245)
Issue of bonus shares	328,352	-	-	-	-	-	-
Net profit for the period	-	-	-	-	15,684	471,157	471,157
Gain in fair value of investments	-	-	-	-	20,916	-	15,684
Balance as on June 30, 2007	2,204,650	1,260	1,002	116,244	20,916	738,337	3,082,409
Net profit for the period	-	-	-	-	4,233	21,640	21,640
Gain in fair value of investments	-	-	-	-	25,149	4,233	4,233
Balance as at September 30, 2007	2,204,650	1,260	1,002	116,244	25,149	759,977	3,108,282

The annexed notes 1 to 16 form an integral part of these financial statements.

LAHORE

CHIEF EXECUTIVE

DIRECTOR

24

**PACE (PAKISTAN) GROUP
SELECTED NOTES TO THE CONSOLIDATED FINANCIAL
STATEMENTS (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2007**

- These financial statements are un-audited and are being submitted to the shareholders as required by section 245 of the Companies Ordinance, 1984.
- The accounting policies adopted for the preparation of these quarterly financial statements are the same as those applied in the preparation of preceding annual financial statements of the Company for the year ended June 30, 2007.
- These financial statements have been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 "Interim Financial Reporting".
- The provision for taxation for the quarter ended September 30, 2007 has been made on an estimate basis.

	September 30, 2007	June 30, 2007
	(Rupees in thousand)	
5. Long term loans - secured		
Opening balance-secured	214,500	216,000
Add: Disbursement during the period	-	145,000
	<u>214,500</u>	<u>361,000</u>
Less: Repayment during the period	94,500	146,500
	<u>120,000</u>	<u>214,500</u>
Less: Current portion shown under current liabilities	15,000	105,750
	<u>105,000</u>	<u>108,750</u>

- TFCs have been offered and taken by Pre IPO investors in an amount of PKR 1,125 million whereas PKR 375 million will be offered to the general public. The company has already received Pre IPO portion of PKR 1,125 million. Approvals from relevant authorities are already in place and TFCs will be issued in due course of time.

7. Contingencies and commitments

7.1 Contingencies

There is no change in contingencies since the preceding annual financial statements of the company for the year ended June 30, 2007, except for release of bank guarantee amounting to Rs.60 million issued in favour of Karachi Port Trust.

7.2 Commitments - Nil

	Note	September 30, 2007	June 30, 2007
		(Rupees in thousand)	
8. Property, plant and equipment			
Opening book value		245,759	271,835
Add: Additions during the period/year	8.1	9,362	85,872
Transfers to investment property/stock-in-trade		-	(101,261)
		<u>255,121</u>	<u>256,446</u>
Depreciation charged during the period/year		<u>3,489</u>	<u>10,687</u>
		<u>3,489</u>	<u>10,687</u>
		<u>251,632</u>	<u>245,759</u>

Note	September 30, 2007	June 30, 2007
------	-----------------------	------------------

(Rupees in thousand)

8.1 Following is the detail of additions during the period

Freehold land		14,959
Building on freehold land	-	37,256
Plant and machinery	-	8,573
Electrical equipment	7,918	9,457
Office equipment and appliances	-	455
Furniture and fixtures	1,006	1,595
Computers	399	2,435
Vehicles	39	11,142
	<u>9,362</u>	<u>85,872</u>

9. Investments

Equity instruments of associated company		300,180	300,180
Available for sale	9.1	37,279	33,047
		<u>337,459</u>	<u>333,227</u>

9.1 Available for sale

Cost	12,131	12,131
Add: Fair value adjustment	25,148	20,916
	<u>37,279</u>	<u>33,047</u>

10. Long term Loans to associated undertakings-unsecured

Media Times Limited	41,103	41,103
Pace Supermall (Private) Limited	38,971	38,971
	<u>80,074</u>	<u>80,074</u>

July to September

2007 2006
(Rupees in thousand)

11. Related party transactions

Short term advances	427	-
Mark-up income on balances with related parties	3,199	1,495
Markup Expenses	5,471	2,422
Long term loans	-	6,740
Guarantee commission	1,125	-
Key management personnel compensation	1,674	1,476

Period end balance

Receivable from related parties	85,566	80,816
Payable to related parties	174,880	178,080

(Rupees in thousand)

12. Segment information Rupees in thousand

	Real estate sales		Investment properties		Others		Total	
	September 2007	September 2006	September 2007	September 2006	September 2007	September 2006	September 2007	September 2006
Segment revenue	15,530	43,672	9,189	8,351	3,373	2,261	28,092	54,284
Segment expenses								
- Cost of sales	(11,020)	(39,765)	-	-	(409)	(388)	(11,429)	(40,153)
- Stores operating expenses	-	-	(10,110)	(6,356)	-	-	(10,110)	(6,356)
Gross profit	4,510	3,907	(921)	1,995	2,964	1,873	6,553	7,775
- Changes in fair value of investment property	-	-	41,080	-	-	-	41,080	-
Segment results	4,510	3,907	40,159	1,995	2,964	1,873	47,633	7,775
Administration and selling expenses								
Other operating income							(24,693)	(10,004)
Finance costs							16,656	2,112
Other charges							(21,388)	(22,176)
Profit before taxation							-	(132)
Taxation							18,208	(22,425)
Profit for the year							3,432	(97)
							21,640	(22,522)
12.1 Segment assets								
Unallocated assets	1,698,542	1,566,072	1,472,681	1,422,542	-	-	3,171,223	2,988,614
							1,944,922	1,036,259
							5,116,145	4,024,873
12.2 Segment liabilities								
Unallocated liabilities	390,117	380,541	6,480	5,889	-	-	396,597	386,430
							1,611,266	556,034
							2,007,863	942,464
12.3 Capital expenditure								
Unallocated	-	-	-	-	-	-	14,903	90,681
							14,903	90,681
12.4 Depreciation/Amortisation								
Unallocated	-	-	-	-	-	-	4,233	13,138
							4,233	13,138

27

13. Cash generated from operations

	July to September	
	2007	2006
	(Rupees in thousand)	
Profit before taxation	18,208	(22,425)
Add/(less) adjustment for non-cash charges and other items:		
Depreciation on:		
- property, plant and equipment	3,489	3,172
- assets subject to finance lease	713	615
Amortisation on:		
- intangible assets	32	36
Provision for gratuity and leave encashment	1,905	-
Interest income	(16,656)	(2,112)
Change in fair value of investment property	(41,080)	-
Finance cost	21,388	22,176

Profit before working capital changes**(12,001)** 1,462

Effect on cash flow due to working capital changes:

- (Increase) in stock-in-trade	(108,603)	(413,935)
- Decrease/(increase) in trade debts	8,900	(11,565)
- (Increase)/decrease in due from associated undertakings	(3,362)	2,830
- Decrease in advance against purchase of property	15,000	-
- (Increase) in advances, deposits prepayments and other receivables	(98,008)	(75,283)
- (Decrease) in creditors, accrued and other liabilities	(15,999)	(27,037)
	(202,072)	(524,990)
	(214,073)	(523,528)

September 30, 2007 June 30, 2007
(Rupees in thousand)

14. Cash and cash equivalents

Finances under mark-up arrangements - secured	(29,590)	(29,998)
Cash and bank balances	996,099	308,183
	966,509	278,185

15. Date of authorisation

These financial statements were authorised for issue on October 30, 2007 by the Board of Directors of the Company.

16. Detail of subsidiaries

Name of the subsidiaries	Accounting period end	percentage of holding	country of incorporation
Pace Woodlands (Private) Limited	30-09-2007	52%	Pakistan
Pace Gujrat (Private) Limited	30-09-2007	100%	Pakistan

CHIEF EXECUTIVE

DIRECTOR

28