

PACE (PAKISTAN) LIMITED

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

SEPTEMBER 30, 2008

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) 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	Mohammad Noaman Adil
Auditors	A.F. Ferguson & Co. Chartered Accountants
Legal Advisers	Imtiaz Siddiqui & Associates Advocates and Attorneys
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 Office/Head Office	103-C/II, Gulberg-III Lahore, Pakistan ☎ (042) 5757591-4 Fax: (042) 5757590, 5877920

DIRECTORS' REPORT TO THE SHAREHOLDERS

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, 2008.

Operating Results

The Company has performed well during the first quarter even though the national economy is passing through a very critical phase, comparison of the unaudited results for the quarter ended September 30, 2008 as against September 30, 2007 is as follows:

	Rupees in '000'	
	Jul-Sep 2008	Jul-Sep 2007
Gross Profit	72,789	6,553
Increase in fair value of investment property	462,897	41,080
Other operating income	43,140	25,858
Profit before tax	212,179	27,410
Earnings per share basic (PKR)	0.85	0.14
Earnings per share diluted (PKR)	0.75	-

Gross and net profit margins for the first Quarter of current financial year have shown stability relative to the year end results however the results as compared to the same period last year have shown considerable increase. Increase in margins is primarily attributable to recording of revenue against the sales of Pace towers, extended investing activities and revenue enhancement strategies successfully applied by the management. During the quarter under review soft opening of the Gujrat and fortress project was held in the last days of Ramzan where as the full-fledged commercial operations will be formally inaugurated in the first week of November 2008.

Keeping in view the challenging business environment owing to international financial crisis, bearish trend in real estate industry and inflationary pressures management of your company is constantly reviewing and changing its business policies and strategies and is ready to overcome any hindrance in its growth, however under the circumstances the management is more keen in consolidating its present position of market leader rather than pursuing its aggressive expansion plans.

Future Outlook

In line with its envisaged financial plan the management of your Company is in the process of raising funds through issue of securities on Dubai Financial Market ("DFM") subject to required necessary corporate and regulatory approvals. Funds raised will be utilized in accordance with the Company's business plans.

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, 2008.

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, 2008

Salmaan Taseer

Chief Executive Officer

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PACE (PAKISTAN) LIMITED
CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)
AS AT SEPTEMBER 30, 2008

Note	September 30, 2008	June 30, 2008
(Rupees in thousand)		
CAPITAL AND RESERVES		
Authorized capital 600,000,000 (June 30, 2008: 600,000,000) shares of Rs 10 each	<u>6,000,000</u>	<u>6,000,000</u>
Issued, subscribed and paid up capital 220,465,538 (June 30, 2008: 220,465,538) ordinary shares of Rs 10 each	2,204,656	2,204,656
Share deposit money	588	882
Reserves	117,248	117,254
Unappropriated profit	<u>2,424,632</u>	<u>2,237,914</u>
	4,747,124	4,560,706
NON-CURRENT LIABILITIES		
Long term finances - secured	-	11,051
5 Redeemable Capital-secured (non-participatory)	1,499,100	1,499,400
Liabilities against assets subject to finance lease	8,101	9,001
Deferred liabilities	111,802	108,923
Advances against sale of property	189,120	330,424
	1,808,123	1,958,799
CURRENT LIABILITIES		
Current maturity of long term liabilities	52,773	44,843
Foreign currency convertible bonds-unsecured	2,048,188	1,758,565
Creditors, accrued and other liabilities	130,302	238,209
Taxation	18,105	-
	2,249,368	2,041,617
CONTINGENCIES AND COMMITMENTS		
6	-	-
	<u>8,804,615</u>	<u>8,561,122</u>

The annexed notes 1 to 15 form an integral part of these financial statements.

LAHORE

CHIEF EXECUTIVE

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PACE (PAKISTAN) LIMITED
PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2008

	July to September	
	2008	2007
	(Rupees in thousand)	
Sales	196,804	28,092
Cost of sales	(112,732)	(11,429)
Stores operating expenses	(11,283)	(10,110)
Gross profit	72,789	6,553
Administration and selling expenses	(24,704)	(24,693)
Changes in fair value of investment property	462,897	41,080
Other operating income	43,140	25,858
Other operating expenses	(258,074)	-
Profit from operations	296,048	48,798
Finance costs	(83,869)	(21,388)
Profit before tax	212,179	27,410
Taxation	(25,461)	3,432
Profit for the period	186,718	30,842
Earnings per share		
- Basic	Rupees 0.85	0.14
- Diluted	Rupees 0.75	-

The annexed notes 1 to 15 form an integral part of these financial statements.

LAHORE:

CHIEF EXECUTIVE

DIRECTOR

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Note	September	June
	30, 2008	30, 2008
	(Rupees in thousand)	
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	7 459,203	434,385
Intangible assets	10,396	10,543
Assets subject to finance lease	19,068	18,385
Capital Work in progress	47,603	47,603
Investment property	4,086,723	3,580,870
Investments	8 600,242	600,248
Long term advances and deposits	29,974	29,879
Long term loans-unsecured	9 142,003	142,003
	5,395,212	4,863,916

CURRENT ASSETS

Stock-in-trade	1,183,788	1,189,809
Trade debts - unsecured	912,430	974,764
Due from related parties - unsecured	10 119,763	132,975
Advance against purchase of property-unsecured	-	5,000
Advances, deposits, prepayments and other receivables	243,236	79,778
Cash and bank balances	950,186	1,314,880
	3,409,403	3,697,206
	8,804,615	8,561,122

DIRECTOR

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PACE (PAKISTAN) LIMITED
CASH FLOW STATEMENT (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2008

	Note	July to September	
		2008	2007
(Rupees in thousand)			
Cash flows from operating activities			
Cash used in operations	13	(98,651)	(191,119)
(Decrease)/increase in Advance against sale of property		(141,304)	28,861
Finance costs paid		(90,466)	(3,807)
Gratuity and leave encashment paid		(451)	(158)
Taxes paid		(3,557)	(1,402)
Net cash used in operating activities		(334,429)	(167,625)
Cash flows from investing activities			
Purchase of property, plant, equipments		(34,305)	(9,439)
Additions in investment property		(42,956)	(9,370)
Investments made during the period		-	(150,000)
Net increase in long term advances and deposits		(95)	(546)
Disbursement of loan to related parties		-	(19,995)
Markup received		51,706	15,268
Net cash used in investing activities		(25,650)	(174,082)
Cash flows from financing activities			
Proceed from advance against issue of redeemable capital		-	1,125,000
Repayment of redeemable capital		(300)	-
Surrender of share deposit money to SECP		(294)	-
Repayment of long term finances		(3,773)	(94,500)
Repayment of finance lease liabilities		(248)	(1,021)
Net cash (used)/ from financing activities		(4,615)	1,029,479
Net (decrease)/increase in cash and cash equivalents		(364,694)	687,772
Cash and cash equivalents at the beginning of the period		1,314,880	307,943
Cash and cash equivalents at the end of the period	14	950,186	995,715

The annexed notes 1 to 15 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, 2008

	(Rupees in thousand)						
	Share Capital	Share Deposit Money	Share Premium	Revaluation reserve for investment property	Reserve for changes in fair value of investments	Unappropriated profit	Total
Balance as on June 30, 2007	2,204,650	1,260	1,002	116,244	20,916	830,944	3,175,016
Gain in fair value of investment	-	-	-	-	4,233	-	4,233
Profit for the period	-	-	-	-	-	30,842	30,842
Balance as on September 30, 2007	2,204,650	1,260	1,002	116,244	25,149	861,786	3,210,091
Issue of ordinary shares	5	(7)	2	-	-	-	-
Bonus shares issued during the period	1	-	(1)	-	-	-	-
Transferred to profit and loss account on disposal of shares in Worldcall Telecom Limited	-	-	-	-	(20,906)	-	(20,906)
Loss in fair value of investment	-	-	-	-	(4,236)	-	(4,236)
Share deposit money surrendered to SECP	-	(371)	-	-	-	-	(371)
Profit for the period	-	-	-	-	-	1,376,128	1,376,128
Balance as on June 30, 2008	2,204,656	882	1,003	116,244	7	2,237,914	4,560,706
Share deposit money surrendered to SECP	-	(294)	-	-	-	-	(294)
Loss in fair value of investment	-	-	-	-	(6)	-	(6)
Profit for the period	-	-	-	-	-	186,718	186,718
Balance as on September 30, 2008	2,204,656	588	1,003	116,244	1	2,424,632	4,747,124

The annexed notes 1 to 15 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, 2008

1. This condensed interim financial information is un-audited and is being submitted to the shareholders as required by section 245 of the Companies Ordinance, 1984 and the listing regulation of the Karachi and Lahore Stock exchanges.
2. This condensed interim financial information has been prepared in accordance with the requirement of the accounting standard (IAS) 34 "interim financial reporting". They do not include all the information required for full annual financial statement, and this condensed interim financial information should be read in conjunction with the financial statements of the company for the year ended June 30, 2008.
3. The accounting policies adopted for the preparation of this 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, 2008.
4. The provision for taxation for the period ended September 30, 2008 has been made on an estimated basis.

	September 30, 2008	June 30, 2008
	(Rupees in thousand)	

5. Long term finances - secured

Opening balance	48,658	154,500
Add: Disbursement during the period	-	-
	48,658	154,500
Less: Repayment during the period	3,773	105,842
	44,885	48,658
Less: Current portion shown under current liabilities	44,885	37,607
	-	11,051
	-	-

6. Contingencies and commitments

6.1 Contingencies

- (i) Claims against the company not acknowledged as debts Rs 21.644 million (June 2008: 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 2008: 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 2008: 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 has filed appeal before CIT (A) which was rejected. The Company has filed appeal in Income Tax Appellate Tribunal Lahore "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.

6.2 Commitments

- (i) Letters of credit for capital expenditure amounting to Rs Nil (June 2008: Rs 3.161 million).

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

	September 30, 2008	June 30, 2008
	(Rupees in thousand)	
Not later than one year	1,520	1,436
Later than one year and not later than five years	7,760	7,332
Later than five years	12,772	14,121
	22,052	22,889
	-	-

7. Property, plant and equipment

Opening book value		434,385	245,759
Add: Additions during the period/year	7.1	32,711	209,543
		467,096	455,302
Less: Disposals during the period/year (at book value)		-	2,639
Depreciation charged during the period/year		7,893	18,278
		7,893	20,917
		459,203	434,385

7.1 Following is the detail of additions during the period/year

Freehold land		-	3,380
Building on freehold land		17,443	39,536
Building on leasehold land		895	134,225
Plant and machinery		6,377	4,828
Electrical equipment		7,213	11,827
Furniture and fixtures		539	6,787
Computers		123	4,183
Others		121	4,777
		32,711	209,543

8. Investments

Equity instruments of:			
- subsidiaries-unquoted	8.1	55	55
- associated undertakings-unquoted	8.2	600,180	600,180
- available for sales-quoted	8.3	7	13
		600,242	600,248

8.1 Subsidiaries-unquoted

Pace Woodlands (Private) Limited 3,000 (June 30, 2008: 3,000) fully paid ordinary shares of Rs 10 each		30	30
Pace Gujrat (Private) Limited 2,450 (June 30, 2008: 2,450) fully paid ordinary shares of Rs 10 each		25	25
		55	55

8.2 Associated undertakings-unquoted

Pace Barka Properties Limited 60,000,000 (June 30, 2008: 60,000,000) fully paid ordinary shares of Rs 10 each		600,000	600,000
Pace Supermall (Private) Limited 18,000 (June 30, 2008: 18,000) fully paid ordinary shares of Rs 10 each		180	180
		600,180	600,180

8.3 Available for sale-quoted

Cost		6	6
Add: Fair value adjustment	8.3.1	1	7
		7	13

	September 30, 2008 (Rupees in thousand)	June 30, 2008
8.3.1 Cumulative fair value gain		
As at July 1	7	20,916
Fair value loss during the period/year	(6)	(3)
Transfer to profit and loss account	-	(20,906)
	<u>1</u>	<u>7</u>
9. Long term loans -unsecured		
These represent loans given to the following related parties:		
Subsidiaries		
Pace Woodlands (Private) Limited	100,900	100,900
Associated undertakings		
Media Times Limited	41,103	41,103
	<u>142,003</u>	<u>142,003</u>
10. Due from related parties- unsecured		
Subsidiaries		
Pace Woodlands (Private) Limited	82,406	91,420
Pace Gujrat (Private) Limited	36,162	41,555
	<u>118,568</u>	<u>132,975</u>
Associated undertakings		
Pace Barka Properties Limited	1,195	-
	<u>119,763</u>	<u>132,975</u>
	<u>July to September 2008</u>	<u>2007</u>
11. Related party transactions		
i. Subsidiaries		
Loans disbursed	-	20,000
Short term advance	2,710	781
Short term advance received back	8,550	-
Purchase of goods and services	22,500	-
Mark up income	8,934	9,202
ii. Associates		
Sales of goods and services	8,448	-
Mark up income	1,595	1,595
Commission income	1,125	1,125
Short term advance given	70	427
iii. Key management personnel		
Short term employee benefits	2,688	1,674
	<u>September 30, 2008</u>	<u>June 30, 2008</u>
	<u>(Rupees in thousand)</u>	
Period end balances		
Long term loan to related parties	142,003	142,003
Receivable from related parties	678,115	592,443
Payable to related parties	19,449	51,643

	(Rupees in thousand)							
	Real estate sales		Investment properties		Others		Total	
	Quarter ended September 30, 2008	September 30, 2007	Quarter ended September 30, 2008	September 30, 2007	Quarter ended September 30, 2008	September 30, 2007	Quarter ended September 30, 2008	September 30, 2007
Segment revenue	177,313	15,530	15,961	9,189	3,530	3,373	196,804	28,092
Segment expenses								
- Cost of sales	(111,229)	(11,020)	-	-	(1,503)	(409)	(112,732)	(11,429)
- Stores operating expenses	-	-	(10,213)	(8,511)	(1,070)	(1,599)	(11,283)	(10,110)
Gross profit	66,084	4,510	5,748	678	957	1,365	72,789	6,553
- Changes in fair value of investment property	-	-	462,897	41,080	-	-	462,897	41,080
Segment results	<u>66,084</u>	<u>4,510</u>	<u>468,645</u>	<u>41,758</u>	<u>957</u>	<u>1,365</u>	<u>535,686</u>	<u>47,633</u>
Administration and selling expenses							(24,704)	(24,693)
Other operating income							43,140	25,858
Finance costs							(83,869)	(21,388)
Other operating expenses							(258,074)	-
Profit before tax							<u>212,179</u>	<u>27,410</u>
Taxation							(25,461)	3,432
Profit for the period							<u>186,718</u>	<u>30,842</u>

July to September
2008 **2007**
(Rupees in thousand)

13. Cash used in operations

Profit before taxation	212,179	27,410
Add/(less) adjustment for non-cash charges and other items:		
Depreciation on:		
- property, plant and equipment	7,893	3,489
- assets subject to finance lease	912	713
Amortisation on :		
- intangible assets	146	32
Provision for gratuity and leave encashment	2,879	1,905
markup income	(43,140)	(25,858)
Change in fair value of investment property	(462,897)	(41,080)
Exchange loss on foreign currency convertible bonds	257,854	-
Finance costs	83,869	21,388
Profit before working capital changes	59,695	(12,001)
Effect on cash flow due to working capital changes:		
- Decrease/(increase) in stock-in-trade	7,869	(96,045)
- Decrease in trade debts	62,334	8,900
- Decrease/(increase) in due from related parties	4,646	(2,546)
- Decrease in advance against purchase of property	5,000	15,000
- Increase in advances, deposits prepayments and other receivables	(167,257)	(93,275)
- Decrease in creditors, accrued and other liabilities	(70,938)	(11,152)
	(158,346)	(179,118)
	(98,651)	(191,119)

September **June**
30, 2008 **30, 2008**
(Rupees in thousand)

14. Cash and cash equivalents

Cash and bank balances	950,186	1,314,880
	950,186	1,314,880

15. Date of authorisation

These financial statements were authorised for issue on October 30, 2008 by the Board of Directors of the Company.

CHIEF EXECUTIVE

DIRECTOR

PACE (PAKISTAN) GROUP

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

SEPTEMBER 30, 2008

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Board of Directors of Pace (Pakistan) Limited is pleased to present unaudited consolidated accounts of the Group for the quarter ended September 30, 2008.

Financial overview

Following are the comparative financial results for the quarter ended September 30, 2008 and September 30, 2007;

	Rupees in '000'	
	Jul - Sep 2008	Jul - Sep 2007
Gross Profit	72,789	6,553
Increase in fair value of investment property	462,897	41,080
Other operating income	36,220	16,656
Profit before tax	205,259	18,208
Earnings per share basic (PKR)	0.81	0.10
Earnings per share diluted (PKR)	0.72	-

Subsidiaries

Pace Woodlands (Pvt) Limited

The main objective of the company is to construct, develop and manage the housing society. The company has started construction work on already secured land on Bedian Road, Lahore Cantonment near Defence Housing Authority, Lahore. Beside land development activities, houses construction activities are at full swing. Structure work on almost all the houses nearing completion.

Pace (Pakistan) Limited ("Pace") is in the process of acquiring the project (houses) developed and constructed by PWL in light of increased expected benefit to Pace by directly employing its sales strategy and brand name rather through PWL. This acquisition of houses of PWL and the direct association of Pace's brand are expected to help boost the sales of houses.

Pace Gujrat (Pvt) Limited

Pace Gujrat Limited was incorporated as Private Limited Company in July 2005, after the complete sale of its shopping mall project and open land the company is identifying/working on new ventures to be executed.

For and on behalf of the Board of Directors

Lahore
October 30, 2008

Salmaan Taseer
Chief Executive Officer

PACE (PAKISTAN) GROUP CONSOLIDATED CONDENSED INTERIM BALANCE SHEET (UN-AUDITED) AS AT SEPTEMBER 30, 2008

Note	September 30, 2008	June 30, 2008
	(Rupees in thousand)	
CAPITAL AND RESERVES		
Authorized capital 600,000,000 (June 30, 2008: 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 220,465,538 (June 30, 2008: 220,465,538) ordinary shares of Rs 10 each	2,204,656	2,204,656
Share deposit money	588	882
Reserves	117,248	117,254
Unappropriated profit	<u>2,300,623</u>	<u>2,122,322</u>
	4,623,115	4,445,114
Minority interest	27	27
NON-CURRENT LIABILITIES		
Long term finances		
-Secured	57,375	78,926
-unsecured	202,730	186,730
Redeemable capital-secured (non-participatory)	1,499,100	1,499,400
Liabilities against assets subject to finance lease	8,101	9,001
Deferred liabilities	111,802	108,923
Advances against sale of property	190,820	330,424
	<u>2,069,928</u>	<u>2,213,404</u>
CURRENT LIABILITIES		
Current maturity of long term finances - secured	79,398	60,968
Foreign currency convertible bonds-unsecured	2,048,188	1,758,565
Finances under mark-up arrangements-secured	35,011	30,284
Creditors, accrued and other liabilities	200,438	302,838
Taxation	23,223	3,719
	<u>2,386,258</u>	<u>2,156,374</u>
CONTINGENCIES AND COMMITMENTS		
	-	-
	<u>9,079,328</u>	<u>8,814,919</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, 2008

	July to September 2008 2007	
	(Rupees in thousand)	
Sales	196,804	28,092
Cost of sales	(112,732)	(11,429)
Stores operating expenses	(11,283)	(10,110)
Gross profit	72,789	6,553
Administration and selling expenses	(24,704)	(24,693)
Changes in fair value of investment property	462,897	41,080
Other operating income	36,220	16,656
Other operating expenses	(258,074)	-
Profit from operations	289,128	39,596
Finance costs	(83,869)	(21,388)
Profit before tax	205,259	18,208
Taxation	(26,958)	3,432
Profit for the period	178,301	21,640
Earnings per share		
- Basic	Rupees 0.81	0.10
- Diluted	Rupees 0.72	-

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

LAHORE:

CHIEF EXECUTIVE

DIRECTOR

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Note	September 30, 2008	June 30, 2008
	(Rupees in thousand)	
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	7 459,203	434,385
Intangible assets	10,396	10,543
Assets subject to finance lease	19,068	18,385
Capital work in progress	80,497	80,497
Investment property	4,083,004	3,580,870
Investments	8 600,187	600,193
Long term advances and deposits	29,974	29,879
Long term loans-unsecured	9 80,074	80,074
	5,362,403	4,834,826

CURRENT ASSETS

Stock-in-trade	1,553,707	1,548,449
Trade debts - unsecured	912,430	974,764
Due from related parties - unsecured	10,035	6,959
Advances, deposits, prepayments and other receivables	290,420	128,187
Cash and bank balances	950,333	1,321,734
	3,716,925	3,980,093
	9,079,328	8,814,919

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**PACE (PAKISTAN) GROUP
CONSOLIDATED CASH FLOW STATEMENT (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2008**

	Note	July to September 2008		2007
		(Rupees in thousand)		
Cash flows from operating activities				
Cash used in operations	13	(109,769)	(214,073)	
(Decrease)/ increase in Advance against sale of property		(139,604)	30,622	
Finance costs paid		(94,817)	(1,857)	
Gratuity and leave encashment paid		(451)	(158)	
Taxes paid		(3,574)	(1,402)	
Net cash used in operating activities		(348,215)	(186,868)	
Cash flows from investing activities				
Purchase of property, plant, equipment		(34,305)	(9,439)	
Additions in investment property		(39,237)	(9,370)	
Investments made during the period		-	(150,000)	
Net increase in long term advances and deposits		(95)	(546)	
Mark up received		34,339	15,268	
Net cash used in investing activities		(39,298)	(154,087)	
Cash flows from financing activities				
Surrender of share deposit money to SECP		(294)	-	
Proceed from advance against issue of redeemable capital		-	1,125,000	
Repayments of redeemable capital		(300)	-	
Proceeds from long term finances		16,000	-	
Repayment of long term finances		(3,773)	(94,700)	
Repayment of finance lease liabilities		(248)	(1,021)	
Net cash from financing activities		11,385	1,029,279	
Net (decrease)/increase in cash and cash equivalents		(376,128)	688,324	
Cash and cash equivalents at the beginning of the period		1,291,450	278,185	
Cash and cash equivalents at the end of the period	14	915,322	966,509	

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

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**PACE (PAKISTAN) GROUP
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2008**

	Attributable to equity holders of the parent						Minority Interest	Total Equity
	Share Capital	Share Deposit Money	Share Premium	Revaluation reserve for investment property	Reserve for changes in fair value of investments	Unappropriated profit		
Balance as on June 30, 2007	2,204,650	1,260	1,002	116,244	20,916	738,337	27	3,082,436
Gain in fair value of investment	-	-	-	-	4,233	-	-	4,233
Profit for the period	-	-	-	-	-	21,640	-	21,640
Balance as on September 30, 2007	2,204,650	1,260	1,002	116,244	25,149	759,977	27	3,108,309
Issue of ordinary shares	5	(7)	2	-	-	-	-	-
Bonus shares issued during the period	1	-	(1)	-	-	-	-	-
Transferred to profit and loss account on disposal of shares in Worldcall Telecom Limited	-	-	-	-	(20,906)	-	-	(20,906)
Loss in fair value of investment	-	-	-	-	(4,236)	-	-	(4,236)
Share deposit money surrendered to SECP	-	(371)	-	-	-	(371)	-	(371)
Profit for the period	-	882	1,003	116,244	-	1,362,345	-	1,362,345
Balance as on June 30, 2008	2,204,656	(294)	1,003	116,244	7	2,122,322	27	4,445,114
Share deposit money surrendered to SECP	-	-	-	-	-	-	-	(294)
Loss in fair value of investment	-	-	-	-	(6)	-	-	(6)
Profit for the period	-	-	-	-	-	178,301	-	178,301
Balance as on September 30, 2008	2,204,656	588	1,003	116,244	1	2,300,623	27	4,623,142

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

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PACE (PAKISTAN) GROUP
SELECTED NOTES TO THE CONSOLIDATED FINANCIAL
STATEMENTS (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2008

- This condensed interim financial information is un-audited and is being submitted to the shareholders as required by section 245 of the Companies Ordinance, 1984 and the listing regulation of the Karachi and Lahore stock exchanges.
- The accounting policies adopted for the preparation of this Consolidated 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, 2008.
- This consolidated condensed interim financial information has been prepared in accordance with the requirement of the accounting standard (IAS) 34 "interim financial reporting". They do not include all the information required for full annual financial statement, and this condensed interim financial information should be read in conjunction with the financial statements of the Group for the year ended June 30, 2008.
- The provision for taxation for the quarter ended September 30, 2008 has been made on an estimate basis.

	September 30, 2008	June 30, 2008
	(Rupees in thousand)	
5. Long term finances - secured		
Opening balance	132,658	214,500
Add: Disbursement during the period	-	84,000
	<u>132,658</u>	<u>298,500</u>
Less: Repayment during the period	3,773	165,842
	<u>128,885</u>	<u>132,658</u>
Less: Current portion shown under current liabilities	71,510	53,732
	<u>57,375</u>	<u>78,926</u>

6. Contingencies and commitments

6.1 Contingencies

- Claims against the Group not acknowledged as debts Rs 21.644 million (June 2008: Rs 21.644 million).
- 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 2008: Rs 900 million) as per the approval of shareholders through the special resolution dated July 29, 2006.
- A penalty of Rs. 3.87 million (June 2008: 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 has filed appeal before CIT (A) which was rejected. The Group has filed appeal in Income Tax Appellate Tribunal Lahore "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.

6.2 Commitments

- Letters of credit for capital expenditure amounting to Rs Nil (June 2008: Rs 3.161 million).
- The Group has entered into an agreement with Worldcall Telecom Limited, a related party, for installation and maintenance of dark fiber, broadband telephony and interactive vigilance system at Group properties for an aggregate amount of Rs 12.138 million.
- The amount of future payments under operating leases and the period in which these payments will become due are as follows:

	Note	September 30, 2008	June 30, 2008
(Rupees in thousand)			
Not later than one year		1,520	1,436
Later than one year and not later than five years		7,760	7,332
Later than five years		12,772	14,121
		<u>22,052</u>	<u>22,889</u>

7. Property, plant and equipment

Opening book value		434,385	245,759
Add: Additions during the period/year	7.1	32,711	209,543
		<u>467,096</u>	<u>455,302</u>
Less: Disposals during the period/year (at book value)		-	2,639
Depreciation charged during the period/year		7,893	18,278
		<u>7,893</u>	<u>20,917</u>
		<u>459,203</u>	<u>434,385</u>

7.1 Following is the detail of additions during the period/year

Freehold land		-	3,380
Building on freehold land		17,443	39,536
Building on leasehold land		895	134,225
Plant and machinery		6,377	4,828
Electrical equipment		7,213	11,827
Furniture and fixtures		539	6,787
Computers		123	4,183
Others		121	4,777
		<u>32,711</u>	<u>209,543</u>

8. Investments

Equity instruments of:			
- Associated undertakings-unquoted	8.1	600,180	600,180
- Available for sales-quoted	8.2	7	13
		<u>600,187</u>	<u>600,193</u>

8.1 Associated undertakings-unquoted

Pace Barka Properties Limited 60,000,000 (June 30, 2008: 60,000,000) fully paid ordinary shares of Rs 10 each		600,000	600,000
Pace Supermall (Private) Limited 18,000 (June 30, 2008: 18,000) fully paid ordinary shares of Rs 10 each		180	180
		<u>600,180</u>	<u>600,180</u>

	Note	September 30, 2008 (Rupees in thousand)	June 30, 2008
8.2 Available for sale-quoted			
Cost		6	6
Add: Fair value adjustment	8.2.1	1	7
		<u>7</u>	<u>13</u>
8.2.1 Cumulative fair value gain			
As at July 1		7	20,916
Fair value loss during the period/year		(6)	(3)
Transfer to profit and loss account		-	(20,906)
		<u>1</u>	<u>7</u>
9. Long term loans -unsecured			
These represent loans given to the following related parties:			
Media Times Limited		41,103	41,103
Pace Supermall (Private) Limited		38,971	38,971
		<u>80,074</u>	<u>80,074</u>
10. Due from related parties -unsecured			
Pace Barka Properties Limited		1,195	-
Pace Supermall (Private) Limited		8,840	6,959
		<u>10,035</u>	<u>6,959</u>
11. Related party transactions			
i. Associates			
Sales of goods and services		8,448	-
Loan Received		16,000	-
Short term advance given		70	427
Mark up income		3,476	3,199
Commission income		1,125	1,125
Markup expenses		7,717	5,471
ii. Key management personnel			
Short term employee benefits		2,688	1,674
Period end balances			
Long term loan to related parties		80,074	80,074
Receivable from related parties		603,437	501,478
Payable to related parties		237,790	246,267

	(Rupees in thousand)							
	Real estate sales		Investment properties		Others		Total	
	Quarter ended September 30, 2008	September 30, 2007	Quarter ended September 30, 2008	September 30, 2007	Quarter ended September 30, 2008	September 30, 2007	Quarter ended September 30, 2007	
Segment revenue	177,313	15,530	15,961	9,189	3,530	3,373	196,804	28,092
Segment expenses								
- Cost of sales	(111,229)	(11,020)	-	-	(1,503)	(409)	(112,732)	(11,429)
- Stores operating expenses	-	-	(10,213)	(8,511)	(1,070)	(1,599)	(11,283)	(10,110)
Gross profit	66,084	4,510	5,748	678	957	1,365	72,789	6,553
- Changes in fair value of investment property	-	-	462,897	41,080	-	-	462,897	41,080
Segment results	<u>66,084</u>	<u>4,510</u>	<u>468,645</u>	<u>41,758</u>	<u>957</u>	<u>1,365</u>	<u>535,686</u>	<u>47,633</u>
Administration and selling expenses							(24,704)	(24,693)
Other operating income							36,220	16,656
Finance costs							(83,869)	(21,388)
Other operating expenses							(258,074)	-
Profit before tax							<u>205,259</u>	<u>18,208</u>
Taxation							(26,958)	3,432
Profit for the period							<u>178,301</u>	<u>21,640</u>

	July to September	
	2008	2007
	(Rupees in thousand)	
13. Cash used in operations		
Profit before taxation	205,259	18,208
Add/(less) adjustment for non-cash charges and other items:		
Depreciation on:		
- property, plant and equipment	7,893	3,489
- assets subject to finance lease	912	713
Amortisation on :		
- intangible assets	146	32
Provision for gratuity and leave encashment	2,879	1,905
Markup income	(36,220)	(16,656)
Change in fair value of investment property	(462,897)	(41,080)
Exchange loss on foreign currency convertible bonds	257,854	-
Finance costs	83,869	21,388
Profit before working capital changes	59,695	(12,001)
Effect on cash flow due to working capital changes:		
- Decrease/(increase) in stock-in-trade	9,285	(108,603)
- Decrease in trade debts	62,334	8,900
- Increase in due from related parties	(1,195)	(3,362)
- Decrease in advance against purchase of property	-	15,000
- Increase in advances, deposits prepayments and other receivables	(166,113)	(98,008)
- Decrease in creditors, accrued and other liabilities	(73,775)	(15,999)
	(169,464)	(202,072)
	(109,769)	(214,073)

September	June
30, 2008	30, 2008
(Rupees in thousand)	

14. Cash and cash equivalents		
Finances under mark-up arrangements - secured	(35,011)	(30,284)
Cash and bank balances	950,333	1,321,734
	915,322	1,291,450

15. Date of authorisation

These financial statements were authorised for issue on October 30, 2008 by the Board of Directors of the Company.

16. Detail of subsidiaries

Following subsidiary companies have been consolidated in the financial statements of the parent company:

Name of the subsidiaries	Accounting period end	percentage of holding	country of incorporation
Pace Woodlands (Pvt) Limited	30-Sep-08	52%	Pakistan
Pace Gujrat (Pvt) Limited	30-Sep-08	100%	Pakistan

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