

**PACE (PAKISTAN) LIMITED**

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

**31 DECEMBER 2006**

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## COMPANY INFORMATION

<b>Board of Directors</b>	Sulieaman Ahmed Said Al-Hoqani (Chairman) Salmaan Taseer (Chief Executive Officer) Aamna Taseer Sardar Ali Wattoo Abid Raza Jamal Said Al-Ojail Mahmood Ali Athar Imran Saeed Chaudhry
<b>Chief Financial Officer</b>	Muhammad Musharaf Khan
<b>Audit Committee</b>	Aamna Taseer (Chairman) Sardar Ali Wattoo Abid Raza
<b>Company Secretary</b>	Moeen Arshad
<b>Auditors</b>	A.F. Ferguson & Co. Chartered Accountants
<b>Legal Advisers</b>	Imtiaz Siddiqui & Associates Advocates and Attorneys
<b>Bankers</b>	Allied Bank Limited Askari Commercial Bank Limited Bank Alfalah Limited Faysal Bank Limited Habib Bank Limited Prime Commercial Bank Limited Standard Chartered Bank (Pakistan) Limited The Bank of Punjab
<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, 5689021
<b>Registered Office/Head Office</b>	103-C/II, Gulberg-III Lahore, Pakistan ☎ (042) 5757591-4 Fax: (042) 5757590, 5877920

## DIRECTORS' REVIEW

The Directors of Pace (Pakistan) Limited ("the Company or "Pace") take pleasure in presenting to its shareholders, half yearly report together with the financial statements of the Company for the period ended December 31, 2006. These un-audited financial statements have been reviewed by the external auditors.

### Operating Results

By the grace of Almighty Allah, Pace has successfully completed another shopping mall in Lahore on MM Alam Road, the busiest commercial area in town. Official opening on commercial level is planned in first half of March this year, which will further help boost business in the mall and result increasing confidence and loyalty of our customers, employees and general public in Pace Management team. Moreover, 4<sup>th</sup> floor at Pace Gulberg shopping mall, which was redesigned, renovated and sold during the last year, has also gone operational during the period.

The comparison of the results for the six months ended December 31, 2006 as against December 31, 2005 is as follows:

	Jul-Dec 2006 Rupees	Jul-Dec 2005 Rupees
Gross profit	14,093	5,049
Increase in fair value of investment property	121,136	33,393
Investment income	68,139	16,252
Profit from operations	181,968	36,920
Profit before tax	121,483	35,543
Earning per share	PKR 0.91	PKR 0.57

The Company has considerably improved its gross and net profit margins as compared to the same period last year. Increase in margins is primarily attributable to recovery and consolidation in real estate market, extended investing activities and cost reduction strategies applied by the management. The Company continued investing in new, lucrative and profitable projects therefore; a major chunk of profit after tax is ascribed to investment income which over the period has increased by more than 400%. During the period fair value of investment property has considerably increased due to start of operations at MM Alam Road and 4<sup>th</sup> floor, Pace Gulberg, which has contributed almost 66% to the profit from operations.

### Initial Public Offer

The Company has issued 83.747 million ordinary shares of PKR 10/- each at a premium of PKR 4 per share. Millennium Global High Yield Fund Ltd ("Millennium") subscribed 44.3 million shares whereas rest was offered to the general public including one million shares to the employees of the Company. IPO of the Company was heavily over subscribed. The Company has allotted 83.545 million ordinary shares to the shareholders against the present issue whereas share capital of the Company has formally been listed on both Lahore and Karachi stock exchanges during the current month.

### Issuance of Bonus Shares

The Board of directors of the company in their meeting held on February 26, 2007 has recommended issuing bonus shares in proportion of 17.5 bonus shares for every 100 ordinary shares held, out of the premium received against the IPO, under Section 83 of the Companies Ordinance, 1984.

### Future Outlook

After successful start of operations at M. M. Alam Road project the Company is looking forward to completing and handing over the possession of shops/counters at Gujranwala project to the buyers/owners. Finishing and electric work is under process at the project whereas elevators and escalators have already been ordered. The project is expected to be completed by mid this year. Pace Gujranwala will provide the people of Gujranwala and allied cities the unique experience of shopping in the relaxed and secured environment which is one of the specialties of 'Pace' shopping malls. The Company's long term goals are to expand nationwide and provide its facilities to people all over Pakistan for which the company is ideally placed with its solid experience and resources. As part of its expansion policy, the Company has purchased land in Model Town adjacent to its existing project for extension purposes. The extension project is contemplated to be launched soon after completion of legal as well as engineering formalities.

### Board of Directors

During the period the Board appointed Mr. Mahmood Ali Athar, as a nominee Director of Millennium and Mrs. Amna Taseer was appointed as Director of the Company in place of Mian Ehsan-ul-Haq, outgoing Director.

### 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  
February 26, 2007

Salmaan Taseer  
Chief Executive Officer

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## REVIEW REPORT TO THE MEMBERS

We have reviewed the annexed balance sheet of **Pace (Pakistan) Limited** as at December 31, 2006, and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, (here-in-after referred to as the "financial statements"), for the half year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our review. The figures of the profit and loss account for the quarters ended December 31, 2005 and 2006 and the notes forming part thereof have not been reviewed as we are required to review only the cumulative figures for the half year ended December 31, 2006.

We conducted our review in accordance with the International Standard on Review Engagements 2400. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of the Company's personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the annexed financial statements are not presented fairly, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

Lahore  
February 26, 2007

A.F. FERGUSON & CO.  
CHARTERED ACCOUNTANTS

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**PACE (PAKISTAN) LIMITED**  
**BALANCE SHEET (UN-AUDITED)**  
**AS AT DECEMBER 31, 2006**

	December 31, 2006	June 30, 2006
Note	(Rupees in thousand)	
<b>CAPITAL AND RESERVES</b>		
Authorized capital 230,000,000 (June 30, 2006: 115,000,000) ordinary shares of Rs 10 each	<u>2,300,000</u>	<u>1,150,000</u>
Issued, subscribed and paid up capital 148,547,746 (June 30, 2006: 104,083,558) ordinary shares of Rs 10 each	1,485,478	1,040,836
Reserves	292,514	118,129
Unappropriated profit	<u>452,075</u>	<u>330,801</u>
	<u>2,230,067</u>	<u>1,489,766</u>
<b>NON-CURRENT LIABILITIES</b>		
Long term loans - secured	111,187	94,500
Liabilities against assets subject to finance lease	6,107	8,100
Deferred liabilities	8,748	7,238
Advances against sale of property	<u>294,540</u>	<u>231,071</u>
	420,582	340,909
<b>CURRENT LIABILITIES</b>		
Current maturity of long term loans - secured	129,813	121,500
Current maturity of liabilities against assets subject to finance lease	3,374	3,276
Finances under mark up arrangements - secured	635,023	528,780
Creditors, accrued and other liabilities	137,845	152,103
Provision for taxation	313	2,555
	<u>906,368</u>	<u>808,214</u>
<b>CONTINGENCIES AND COMMITMENTS</b>		
	-	-
	<u>3,557,017</u>	<u>2,638,889</u>

**ASSETS**

**NON-CURRENT ASSETS**

	December 31, 2006	June 30, 2006
Note	(Rupees in thousand)	
Property, plant and equipment	259,567	271,835
Intangible assets	1,353	1,424
Assets subject to finance lease	11,135	12,208
Investment property	898,534	776,534
Investments	317,070	314,251
Long term deposits and deferred cost	2,496	5,536
Long term loans to subsidiaries and associated undertakings- unsecured	242,854	246,554
Deferred taxation	<u>2,508</u>	<u>2,000</u>
	<u>1,735,517</u>	<u>1,630,342</u>

**CURRENT ASSETS**

	December 31, 2006	June 30, 2006
Stock-in-trade	784,224	507,271
Trade debts - unsecured	41,184	71,430
Due from subsidiaries and associated undertakings - unsecured	733,110	318,234
Advance against purchase of property	15,000	15,000
Advances, deposits, prepayments and other receivables	84,502	71,615
Cash and bank balances	<u>163,480</u>	<u>24,997</u>
	<u>1,821,500</u>	<u>1,008,547</u>
	<u>3,557,017</u>	<u>2,638,889</u>

The annexed notes 1 to 17 form an integral part of these financial statements.

**PACE (PAKISTAN) LIMITED**  
**PROFIT AND LOSS ACCOUNT (UN-AUDITED)**  
**FOR THE HALF YEAR ENDED DECEMBER 31, 2006**

	October to December		July to December	
	2006	2005	2006	2005
	(Rupees in thousand)		(Rupees in thousand)	
Sales	21,033	128,136	75,317	147,444
Cost of sales	(14,715)	(121,834)	(61,224)	(142,395)
<b>Gross profit</b>	<b>6,318</b>	<b>6,302</b>	<b>14,093</b>	<b>5,049</b>
Administration and selling expenses	(11,396)	(12,910)	(21,400)	(17,774)
Changes in fair value of investment property	121,136	33,393	121,136	33,393
Other operating income	37,878	15,557	68,139	16,252
<b>Profit from operations</b>	<b>153,936</b>	<b>42,342</b>	<b>181,968</b>	<b>36,920</b>
Finance costs	(23,755)	(244)	(45,931)	(408)
Other charges	(14,422)	(959)	(14,554)	(969)
<b>Profit before tax</b>	<b>115,759</b>	<b>41,139</b>	<b>121,483</b>	<b>35,543</b>
Taxation	(112)	24,098	(209)	24,144
<b>Profit for the period</b>	<b>115,647</b>	<b>65,237</b>	<b>121,274</b>	<b>59,687</b>
Earnings per share				
- basic and diluted	<b>Rupees 0.97</b>	0.63	<b>0.91</b>	0.57

The annexed notes 1 to 17 form an integral part of these financial statements.

LAHORE:

CHIEF EXECUTIVE

DIRECTOR

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**PACE (PAKISTAN) LIMITED**  
**CASH FLOW STATEMENT (UN-AUDITED)**  
**FOR THE HALF YEAR ENDED DECEMBER 31, 2005**

	July to December	
	2006	2005
	(Rupees in thousand)	
<b>Cash flow from operating activities</b>		
Cash generated from operations	13	(607,526)
Advance against sale of property		63,469
Finance costs paid		(31,804)
Payment of gratuity and leave encashment		(359)
Taxes paid		(2,958)
<b>Net cash from operating activities</b>		<b>(579,178)</b>
		115,842
<b>Cash flows from investing activities</b>		
Fixed capital expenditure		(10,046)
Additions in investment property		(864)
Investments made during the year		-
Net decrease in long term loans and deposits		(1,496)
Repayment / (disbursement) of loan to subsidiaries		3,040
Interest received		1,644
		3,700
		4,430
<b>Net cash used in investing activities</b>		<b>260</b>
		(70,949)
<b>Cash flows from financing activities</b>		
Proceeds from issue of share capital		622,499
Payment of expenses on issue of share capital		(34,446)
Proceeds from long term loans		85,000
Repayment of long term loans		(60,000)
Repayment of finance lease liabilities		(1,895)
		(3,697)
<b>Net cash from financing activities</b>		<b>611,158</b>
		13,303
<b>Net increase in cash and cash equivalents</b>		<b>32,240</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>(503,783)</b>
		24,845
<b>Cash and cash equivalents at the end of the period</b>	14	<b>(471,543)</b>
		83,041

The annexed notes 1 to 17 form an integral part of these financial statements.

LAHORE

CHIEF EXECUTIVE

DIRECTOR

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**PACE (PAKISTAN) LIMITED  
STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2006**

	Share Capital	Share Premium	Revaluation reserve for investment property	Reserve for changes in fair value of investments	Accumulated profit	Total
<b>Balance as on June 30, 2005</b>	776,743	-	109,197	-	267,926	1,153,866
Issue of bonus shares	264,093	-	-	-	(264,093)	-
Gain on transfer from property, plant and equipment	-	-	7,047	-	-	7,047
Gain in fair value of investments classified as 'available for sale'	-	-	-	1,885	-	1,885
Net profit for the period	-	-	-	-	59,687	59,687
<b>Balance as on December 31, 2005</b>	1,040,836	-	116,244	1,885	63,520	1,222,485
Net profit for the period	-	-	-	-	267,281	267,281
<b>Balance as on June 30, 2006</b>	1,040,836	-	116,244	1,885	330,801	1,489,766
Issue of ordinary shares	444,642	177,857	-	-	-	622,499
Cost on issue of shares	-	(6,291)	-	-	-	(6,291)
Gain in fair value of investments classified as 'available for sale'	-	-	-	2,819	-	2,819
Net profit for the period	-	-	-	-	121,274	121,274
<b>Balance as on December 31, 2006</b>	1,485,478	171,566	116,244	4,704	452,075	2,230,067

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The annexed notes 1 to 17 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 HALF YEAR ENDED DECEMBER 31, 2006**

- 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 half yearly 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, 2006.
- These financial statements have been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 "Interim Financial Reporting" and have been reviewed by the auditors as required by the Code of Corporate Governance.
- The provision for taxation for the half year ended December 31, 2006 has been made on an estimated basis.

	December 31, 2006	June 30, 2006
	(Rupees in thousand)	
<b>5. Long term loans - secured</b>		
Opening balance	216,000	197,500
Add: Disbursement during the period	85,000	68,000
	<u>301,000</u>	<u>265,500</u>
Less: Repayment during the period	60,000	49,500
	<u>241,000</u>	<u>216,000</u>
Less: Current portion shown under current liabilities	129,813	121,500
	<u>111,187</u>	<u>94,500</u>

**6. Finances under mark up arrangements-secured**

The company has obtained a short term loan of Rs 600 million from the Bank of Punjab to provide an unsecured bridge finance facility of equal amount to its subsidiary company, Pace Barka Properties Limited, included in 'Due from subsidiary and associated undertakings-considered good' as referred to in note 11. The facility is secured by first charge amounting to Rs 629.550 million on the land and building of Pace Gulberg Project, Main Boulevard, Lahore.

**7. Contingencies and commitments**

**7.1 Contingencies**

There is no change in contingencies from the preceding annual financial statements of the company for the year ended June 30, 2006.

**7.2 Commitments - Nil**

**8. Property, plant and equipment**

Note	December 31, 2006	June 30, 2006
	(Rupees in thousand)	
Opening book value	271,835	260,903
Add: Additions during the period	9,958	62,244
Transfers to stock-in-trade / investment property	(15,250)	(15,581)
	<u>266,543</u>	<u>307,566</u>
Less: Disposals during the period (at book value)	-	22,905
Depreciation charged during the period	6,976	12,826
	<u>6,976</u>	<u>35,731</u>
	<u>259,567</u>	<u>271,835</u>

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	Note	December 31, 2006 (Rupees in thousand)	June 30, 2006
<b>8.1</b>	Following is the detail of additions during the period		
Freehold land		-	25,659
Building on freehold land		119	12,061
Plant and machinery		106	2,093
Electrical equipment		5,010	17,544
Office equipment and appliances		-	491
Furniture and fixtures		243	691
Computers		1,060	1,017
Vehicles		3,420	2,688
		<u>9,958</u>	<u>62,244</u>
<b>9. Investments</b>			
Equity instruments of subsidiaries	9.1	45	245
Available for sale	9.2	16,835	14,016
Advance against purchase of ordinary shares		299,990	299,990
		<u>317,070</u>	<u>314,251</u>
<b>9.1 Equity instrument of subsidiaries-unquoted</b>			
<b>Subsidiaries</b>			
Pace Woodlands (Private) Limited 3,000 (June 30, 2006: 3,000) fully paid ordinary shares of Rs 10 each		30	30
Pace Barka properties Limited 1,000 (June 30, 2006: 1,000) fully paid ordinary shares of Rs 10 each		10	10
Pace Gujrat (Private) Limited 2,450 (June 30, 2006: 2,450) fully paid ordinary shares of Rs 10 each		25	25
Pace Supermall (Private) Limited 18,000 (June 30, 2006: 18,000) fully paid ordinary shares of Rs 10 each		180	180
		<u>245</u>	<u>245</u>
<b>9.2 Available for sale</b>			
Cost		12,131	12,131
Add: Fair value adjustment		4,704	1,885
		<u>16,835</u>	<u>14,016</u>
<b>10. Long term loans to subsidiaries and associated undertakings-unsecured</b>			
<b>Subsidiaries</b>			
Pace Woodlands (Private) Limited		100,900	100,900
Pace Supermall (Private) Limited		25,973	25,973
Pace Gujrat (Private) Limited		71,364	81,364
<b>Associated undertakings</b>			
Media Times (Private) Limited		44,617	38,317
		<u>242,854</u>	<u>246,554</u>
<b>11. Due from subsidiaries and associated undertakings-unsecured</b>			
Pace Woodlands (Private) Limited - subsidiary		59,381	47,783
Pace Supermall (Private) Limited - subsidiary		14,890	9,940
Pace Gujrat (Private) Limited - subsidiary		9,536	3,116
Pace Barka Properties Limited - subsidiary		648,173	255,677

	December 31, 2006 (Rupees in thousand)	June 30, 2006
Media Times (Private) Limited - associated undertaking	-	1,335
World press (Pvt) Limited - associated undertaking	383	383
Total Media Ltd (Business Plus) - associated undertaking	374	-
World Call Telecom Limited - associated undertaking	373	-
	<u>733,110</u>	<u>318,234</u>
<b>July to December</b>		
	2006	2005
<b>(Rupees in thousand)</b>		
<b>12. Related party transactions</b>		
Purchase of goods and services	-	8,389
Purchases of property, plant and equipment	-	232
Short term advances	371,863	2,370
Advance against purchase of property	-	15,000
Mark-up income on balances with related parties	63,700	19,002
Long term loans	6,300	-
Investment	-	25,442
Key management personnel compensation	2,925	2,041
	<b>December 31, 2006</b>	<b>June 30, 2006</b>
<b>(Rupees in thousand)</b>		
<b>Period end balances</b>		
Receivable from related parties	975,964	582,788
Payable to related parties	1,698	1,678
	<b>July to December</b>	
	2006	2005
<b>(Rupees in thousand)</b>		
<b>13. Cash generated from operations</b>		
Profit before taxation	121,483	35,543
Add/(less) adjustment for non-cash charges and other items:		
Depreciation on:		
- property, plant and equipment	6,976	6,752
- assets subject to finance lease	1,161	827
Amortisation on:		
- deferred income	-	(34)
- intangible assets	71	79
Provision for gratuity and leave encashment	1,509	1,189
Interest income	(68,130)	(16,218)
Change in fair value of investment property	(121,136)	(33,393)
Cost transferred to inventory	15,250	-
Cost transferred to investment property	-	(3,677)
Cost on issue of share capital	14,422	-
Finance cost	45,931	408
	<u>17,537</u>	<u>(8,524)</u>
<b>Profit before working capital changes</b>		
Effect on cash flow due to working capital changes:		
- (Increase)/decrease in stock-in-trade	(276,953)	9,284
- Decrease in trade debts	30,246	53,489
- (Increase)/decrease in due from associated undertakings	(351,176)	14,690
- Increase in advance against purchase of property	-	(95,091)
- Decrease/(increase) in advances, deposits prepayments and other receivables	846	(20,115)
- (Decrease)/increase in creditors, accrued and other liabilities	(28,026)	1,576
	<u>(625,063)</u>	<u>(36,167)</u>
	<u>(607,526)</u>	<u>(44,691)</u>



December 31, 2006 (Rupees in thousand)	June 30, 2006
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**14. Cash and cash equivalents**

Finances under mark-up arrangements - secured	(635,023)	(528,780)
Cash and bank balances	<u>163,480</u>	<u>24,997</u>
	<u>(471,543)</u>	<u>(503,783)</u>

**15. Date of authorisation**

These financial statements were authorised for issue on February 26, 2007 by the Board of Directors of the company.

**16. Events after the balance sheet date**

Subsequent to December 31, 2006, the company has issued upto 39,285,500 ordinary shares of Rs 10 each at a premium of Rs 4 per share in lieu of its listing at the Karachi and Lahore stock exchanges.

The board of directors in its meeting held on February 26, 2007 has recommended to issue bonus shares in proportion of 17.5 bonus shares (June 30, 2006: Nil) for every 100 ordinary shares held.

**17. Corresponding figures**

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purposes of comparison. Significant re-arrangements made are as follow ;

**(Rupees in  
thousand)**

Licensee income classified as sales	13,273
Operating expenses classified as cost of sales	16,240
Advertisement and miscellaneous income classified as sales instead of other income	5,550

The above figures have been rearranged as the reclassification made is considered more appropriate for purposes of presentation.

**PACE (PAKISTAN) GROUP**

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

**DECEMBER 31, 2006**

**DIRECTORS' REVIEW**

The Board of Directors of Pace (Pakistan) Limited is pleased to present unaudited consolidated accounts of the group for the period ended December 31, 2006.

**Financial overview**

Following are the comparative financial results for the periods ended December 31, 2006 and December 31, 2005.

	<b>2006 Rupees in million</b>	<b>2005 Rupees in million</b>
Sales	75	147
Gross profit	14	5
Net profit	61	51
Net Assets	2,709	1,729
Free reserves	643	408
Earnings per Share (PKR)	0.45	0.49

**Pace Supermall (Pvt.) Limited**

The Company has acquired twin plots measuring total of 5 Kanals, 18 Marlas opposite Rahat Bakery on Main Aziz Bhatti Road near Fortress stadium for the construction of double storey business units. Permissions from the relevant authorities have been applied for and construction activities will be started as soon as the permissions are in place.

**Pace Woodlands (Pvt.) Limited**

The company has secured land measuring approximately 160 kanals on Bedian Road, Lahore Cantt for establishing the housing society. Necessary permissions have already been applied for. Besides, land development activities have been started and will be completed in due course of time.

**Pace Gujrat (Pvt.) Limited**

The company has acquired land measuring 15 Kanals and 8 Marlas for construction of a shopping mall and a three star hotel in the city of Gujrat. Shopping mall will be completed in the first phase whereas hotel will be built in the second phase after completion of the mall. Contracts for civil and structure works of mall have been awarded whereas excavation and allied works is almost complete.

**Pace Barka Properties Limited**

The company is building a mix use complex consisting of a five star hotel under the brand name of 'Hyatt Regency', apartment buildings and a shopping mall near Allama Iqbal International Airport, Lahore on land area measuring approximately 40 Kanals and 14 Marlas. Development work on the project has already been started under supervision and consultation of world renowned consultants, architects and designers. Concrete work has been started whereas excavation work is almost complete.

For and on behalf of the Board of Directors

**Lahore**  
February 26, 2007

**Salmaan Taseer**  
Chief Executive Officer

**PACE (PAKISTAN) GROUP**  
**CONSOLIDATED BALANCE SHEET (UN-AUDITED)**  
**AS AT DECEMBER 31, 2006**

Note	<u>December 31, 2006</u>	<u>June 30, 2006</u>
	(Rupees in thousand)	
<b>CAPITAL AND RESERVES</b>		
Authorized capital 230,000,000 (June 30, 2006: 115,000,000) ordinary shares of Rs 10 each	<u>2,300,000</u>	<u>1,150,000</u>
Issued, subscribed and paid up capital 148,547,746 (June 30, 2006: 104,083,558) ordinary shares of Rs 10 each	<u>1,485,478</u>	<u>1,040,836</u>
Share deposit money	580,245	280,245
Reserves	292,514	118,129
Unappropriated profit	<u>350,343</u>	<u>289,702</u>
	<u>2,708,580</u>	<u>1,728,912</u>
Minority Interest	295	295
<b>NON-CURRENT LIABILITIES</b>		
Long term loans :		
- Secured	111,187	94,500
- Unsecured	186,394	184,643
Liabilities against assets subject to finance lease	6,107	8,100
Deferred liabilities	8,746	7,238
Advances against sale of property	<u>325,700</u>	<u>232,071</u>
	<u>638,134</u>	<u>526,552</u>
<b>CURRENT LIABILITIES</b>		
Current maturity of long term loans - secured	129,813	121,500
Current maturity of liabilities against assets subject to finance lease	3,374	3,276
Finances under mark up arrangements - secured	645,023	528,780
Creditors, accrued and other liabilities	186,740	190,684
Provision for taxation	313	2,555
	<u>965,263</u>	<u>846,795</u>
<b>CONTINGENCIES AND COMMITMENTS</b>		
	-	-
	<u>4,312,272</u>	<u>3,102,554</u>

**ASSETS**

**NON-CURRENT ASSETS**

Note	<u>December 31, 2006</u>	<u>June 30, 2006</u>
	(Rupees in thousand)	
Property, plant and equipment	8 259,567	271,835
Intangible assets	1,353	1,424
Assets subject to finance lease	11,135	12,208
Investment property	898,534	776,534
Investments	9 16,835	14,016
Long term deposits and deferred cost	3,503	6,176
Long term loans to associated undertakings- unsecured	10 44,617	38,317
Deferred taxation	<u>2,508</u>	<u>2,000</u>
	<u>1,238,052</u>	<u>1,122,512</u>

**CURRENT ASSETS**

Note	<u>December 31, 2006</u>	<u>June 30, 2006</u>
	(Rupees in thousand)	
Stock-in-trade	2,482,503	1,744,033
Trade debts - unsecured	41,183	71,430
Due from associated undertakings - unsecured	1,130	1,718
Advances, deposits, prepayments and other receivables	299,602	73,397
Cash and bank balances	249,802	89,464
	<u>3,074,220</u>	<u>1,980,042</u>
	<u>4,312,272</u>	<u>3,102,554</u>

The annexed notes 1 to 18 form an integral part of these financial statements.

**PACE (PAKISTAN) GROUP  
CONSOLIDATED PROFIT AND LOSS ACCOUNT (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2006**

	October to December		July to December	
	2006	2005	2006	2005
	(Rupees in thousand)		(Rupees in thousand)	
Sales	21,033	128,136	75,317	147,444
Cost of sales	(14,715)	(121,834)	(61,224)	(142,395)
<b>Gross profit</b>	<b>6,318</b>	<b>6,302</b>	<b>14,093</b>	<b>5,049</b>
Administration and selling expenses	(11,396)	(12,910)	(21,400)	(17,774)
Changes in fair value of investment property	121,136	33,393	121,136	33,393
Other operating income	5,394	6,440	7,506	7,135
<b>Profit from operations</b>	<b>121,452</b>	<b>33,225</b>	<b>121,335</b>	<b>27,803</b>
Finance costs	(23,755)	(244)	(45,931)	(408)
Other charges	(14,422)	(959)	(14,554)	(969)
<b>Profit before tax</b>	<b>83,275</b>	<b>32,022</b>	<b>60,850</b>	<b>26,426</b>
Taxation	(112)	24,098	(209)	24,144
<b>Profit for the period</b>	<b>83,163</b>	<b>56,120</b>	<b>60,641</b>	<b>50,570</b>
Earnings per share				
- basic and diluted	<b>Rupees</b> 0.70	0.54	0.45	0.49

The annexed notes 1 to 18 form an integral part of these financial statements.

LAHORE:

CHIEF EXECUTIVE

DIRECTOR

**PACE (PAKISTAN) GROUP  
CONSOLIDATED CASH FLOW STATEMENT (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2006**

	July to December	
	2006	2005
	(Rupees in thousand)	
<b>Cash flows from operating activities</b>		
Cash generated from operations	13	(918,763)
Advance against sale of property		93,629
Finance cost paid		(30,256)
Payment of gratuity and leave encashment		(359)
Taxes paid		(2,958)
<b>Net cash from operating activities</b>		<b>(858,707)</b>
<b>Cash flows from investing activities</b>		
Fixed capital expenditure		(10,046)
Additions in investment property		(864)
Investments made during the year		-
Net decrease in long term loans and deposits		2,673
Repayment / (disbursement) of loan to associated undertakings		(6,300)
Interest received		4,430
<b>Net cash used in investing activities</b>		<b>(10,107)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of share capital		922,499
Payment of expenses on issue of share capital		(34,446)
Proceeds from long term loans		86,751
Repayment of long term loans		(60,000)
Repayment of finance lease liabilities		(1,895)
<b>Net cash from financing activities</b>		<b>912,909</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>44,095</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>(439,316)</b>
<b>Cash and cash equivalents at the end of the period</b>	14	<b>(395,221)</b>

The annexed notes 1 to 18 form an integral part of these financial statements.

LAHORE

CHIEF EXECUTIVE

DIRECTOR

**PACE (PAKISTAN) GROUP  
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2006**

	Share Capital	Share deposit money	Share Premium	Revaluation reserve for investment property	Reserve for changes in fair value of investments	Accumulated profit	Total
<b>Balance as on June 30, 2005</b>	776,743	-	-	109,197	-	254,179	1,140,119
Issue of bonus shares	264,093	-	-	-	-	(264,093)	-
Gain on transfer from property, plant and equipment	-	-	-	-	-	-	-
Gain in fair value of investments	-	-	-	-	-	-	-
Net profit for the period	-	-	-	-	-	50,570	50,570
<b>Balance as on December 31, 2005</b>	1,040,836	-	-	109,197	-	40,656	1,190,689
Net profit for the period	-	-	-	-	-	249,046	249,046
Gain on transfer from property, plant and equipment	-	-	-	7,047	-	-	7,047
Gain in fair value of investments	-	-	-	1885	-	-	1,885
Share deposit money	-	280,245	-	-	-	-	280,245
<b>Balance as on June 30, 2006</b>	1,040,836	280,245	-	116,244	1,885	289,702	1,728,912
Issue of ordinary shares	444,642	-	177,857	-	-	-	622,499
Share deposit money	-	300,000	-	-	-	-	300,000
Cost of issue of shares	-	-	(6,291)	-	-	-	(6,291)
Fair value gain during the period	-	-	-	-	2,819	-	2,819
Net profit for the period	-	-	-	-	-	60,641	60,641
<b>Balance as on December 31, 2006</b>	1,485,478	580,245	171,566	116,244	4,704	350,343	2,708,580

The annexed notes 1 to 18 form an integral part of these financial statements.

LAHORE

CHIEF EXECUTIVE

DIRECTOR

**PACE (PAKISTAN) GROUP  
SELECTED NOTES TO THE CONSOLIDATED FINANCIAL  
STATEMENTS (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2006**

1. These financial statements are being presented in accordance with the requirements of International Accounting Standard "34" 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 half yearly consolidated financial statements are the same as those applied in the preparation of preceding annual financial statements of the Group for the year ended June 30, 2006.

**3. Basis of consolidation**

The consolidated financial statements include the accounts of the Pace (Pakistan) Limited and its subsidiaries Pace Woodlands (Pvt) Limited, Pace Supermall (Pvt) Limited, Pace Gujrat (Pvt) Limited, Pace Barka Properties Limited. All material inter-company balances, transactions and resulting unrealized profits/losses have been eliminated.

4. The provision for taxation for the half year ended December 31, 2006 has been made on an estimated basis.

**5. Long term loans - secured**

	December 31, 2006	June 30, 2005
	<b>(Rupees in thousand)</b>	
Opening balance	216,000	197,500
Add: Disbursement during the period	85,000	68,000
	<u>301,000</u>	<u>265,500</u>
Less: Repayment during the period	60,000	49,500
	<u>241,000</u>	<u>216,000</u>
Less: Current portion shown under current liabilities	129,813	121,500
	<u>111,187</u>	<u>94,500</u>

**6. Finances under mark up arrangements-secured**

The Group has availed a facility of short term loan from The Bank of Punjab for an amount of Rs.600 million (June 30, 2006 : Rs 467.2 million). The rate of mark-up is Rs. 0.345 per thousand per diem and is payable on quarterly basis. The facility is secured by first charge amounting to Rs. 954 million on the land of Pace Supermall (Pvt) Limited & land and building of Pace Gulberg Project, Main Boulevard, Lahore.

**7. Contingencies and commitments**

There is no change in contingencies and commitments from the preceding annual financial statements for the year ended June 30, 2006.

**8. Property, plant and equipment**

	Note	December 31, 2006	June 30, 2006
		<b>(Rupees in thousand)</b>	
Opening book value		271,835	260,903
Add: Additions during the period	8.1	9,958	62,244
Transfers to inventory / investment property		(15,250)	(15,581)
		<u>266,543</u>	<u>307,566</u>
Less: Disposals during the period (at book value)		-	22,905
Depreciation charged during the period		6,976	12,826
		<u>6,976</u>	<u>35,731</u>
		<u>259,567</u>	<u>271,835</u>

	Note	December	June
		31, 2006	30, 2006
		(Rupees in thousand)	
<b>8.1</b>	Following is the detail of additions during the period		
	Freehold land	-	25,659
	Building on freehold land	119	12,061
	Plant and machinery	106	2,093
	Electrical equipment	5,010	17,544
	Office equipment and appliances	-	491
	Furniture and fixtures	243	691
	Computers	1,060	1,017
	Vehicles	3,420	2,688
		<u>9,958</u>	<u>62,244</u>
<b>9. Investments</b>			
	Available for sale	9.1	16,835
			<u>14,016</u>
			<u>16,835</u>
<b>9.1 Available for sale</b>			
	Cost	12,131	12,131
	Add: Fair value adjustment	4,704	1,885
		<u>16,835</u>	<u>14,016</u>
<b>10. Long term loans to associated undertakings-unsecured</b>			
	Media Times (Private) Limited	44,617	38,317
<b>11. Due from associated undertakings-unsecured</b>			
	Media Times (Private) Limited	-	1,335
	World press (Pvt) Limited	383	383
	Total Media Ltd (Business Plus)	374	-
	World Call Telecom Limited	373	-
		<u>1,130</u>	<u>1,718</u>
<b>12. Related party transactions</b>			
	Purchases of goods and services	-	8,389
	Purchases of property, plant and equipment	-	232
	Short term advances	-	1,200
	Advance against purchase of property	-	10,000
	Mark-up income on balances with related parties	3,065	1,537
	Mark-up expense on balances with related parties	4,876	6,515
	Long term loans received	1,751	-
	Long term loans paid	6,300	25,442
	Advance against issue of shares	300,000	-
	Key management personnel compensation	2,925	2,041
		<b>December</b>	<b>June</b>
		<b>31, 2006</b>	<b>30, 2006</b>
		<b>(Rupees in thousand)</b>	
<b>Period end balances</b>			
	Receivable from related parties	1,130	1,718
	Payable to related parties	2,663	1,984

	July to December		
	2006	2005	
(Rupees in thousand)			
<b>13. Cash generated from operations</b>			
Profit before taxation	60,850	26,426	
Add/(less) adjustment for non-cash charges and other items:			
Depreciation on:			
- property, plant and equipment	6,976	6,752	
- assets subject to finance lease	1,161	827	
Amortisation on :			
- deferred income	-	(34)	
- intangible assets	71	79	
Provision for gratuity and leave encashment	1,509	1,189	
Interest income	(7,506)	(7,101)	
Change in fair value of investment property	(121,136)	(33,393)	
Cost transferred to inventory	15,250	-	
Cost transferred to investment property	-	(3,677)	
Cost on issue of share capital	14,422	-	
Finance cost	45,931	408	
	<u>17,528</u>	<u>(8,524)</u>	
<b>Profit before working capital changes</b>			
Effect on cash flow due to working capital changes:			
- (Increase)/decrease in stock-in-trade	(738,470)	13,997	
- Decrease in trade debts	30,247	53,489	
- (Increase)/decrease in due from associated undertakings	3,651	10,736	
- (Increase) in advance against purchase of property	-	(90,091)	
- (Increase) in advances, deposits			
prepayments and other receivables	(212,470)	(20,083)	
- (Decrease)/increase in creditors, accrued and other liabilities	(19,249)	1,446	
	<u>(936,291)</u>	<u>(30,506)</u>	
	<u>(918,763)</u>	<u>(39,030)</u>	
<b>14. Cash and cash equivalents</b>			
Finances under mark-up arrangements - secured	(645,023)	(528,780)	
Cash and bank balances	249,802	89,464	
	<u>(395,221)</u>	<u>(439,316)</u>	
<b>15. Detail of subsidiaries</b>			
<b>Name of the subsidiaries</b>	<b>Accounting period end</b>	<b>Percentage of holding</b>	<b>Country of incorporation</b>
Pace Woodlands (Pvt) Limited	31-12-2006	60%	Pakistan
Pace Gujrat (Pvt) Limited	31-12-2006	100%	Pakistan
Pace Barka Properties Limited	31-12-2006	67%	Pakistan
Pace Supermall (Pvt) Limited	31-12-2006	40%	Pakistan
<b>16. Date of authorisation</b>			
These financial statements were authorised for issue on February 26, 2007 by the Board of Directors of the Group.			
<b>17. Post balance sheet events</b>			
Subsequent to December 31, 2006, the company has issued upto 39,285,500 ordinary shares of Rs 10 each at a premium of Rs 4 per share in lieu of its listing at the Karachi and Lahore stock exchanges.			

The board of directors of Pace (Pakistan) Limited in its meeting held on February 26, 2007 has recommended to issue bonus shares in proportion of 17.5 bonus shares (June 30, 2006: Nil) for every 100 ordinary shares held.

**18. Corresponding figures**

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purposes of comparison. Significant re-arrangements made are as follow ;

	<b>(Rupees in thousand)</b>
Licensee income classified as sales	13,273
Operating expenses classified as cost of sales	16,240
Advertisement and miscellaneous income classified as sales instead of other income	5,550

The above figures have been rearranged as the reclassification made is considered more appropriate for purposes of presentation.