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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FINANCIAL STATEMENTS

FOR THE YEAR ENDED
JUNE 30, 2007

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

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 16th Annual General Meeting of the Shareholders of Pace (Pakistan) Limited ("the Company") will be held on 31 October 2007 at 11:30 a.m. at the Registered Office of the Company, 103-C/II, Gulberg-III, Lahore, to transact the following business:

1. To confirm the minutes of Extraordinary General Meeting held on 03 September 2007;

2. To receive, consider and adopt the financial statements of the Company for the year ended 30 June 2007 together with the Directors' and Auditors' reports thereon;

3. To approve the Interim bonus shares @ 17.5% issued and allotted on 16 April 2007 by the Company which shall be considered as final bonus;

4. To appoint the Auditors of the Company for the year ending 30 June 2008 and to fix their remuneration;

By order of the Board

Lahore
10 October 2007

Moeen Arshad
Company Secretary

Notes:

1) The Members Register will remain closed from 24 October 2007 to 31 October 2007 (both days inclusive). Transfer received at THK Associates (Pvt.) Limited, Ground Floor, State Life Building No. 3, Dr. Ziauddin Ahmad Road, Karachi the Registrar and Shares Transfer Office of the Company, by the close of business on 23 October 2007 will be treated in time.

2) A member eligible to attend and vote at the meeting may appoint another member as proxy to attend and vote in the meeting. Proxies in order to be effective must be received by the company at the Registered Office not later than 48 hours before the time for holding the meeting.

3) In order to be valid, an instrument of proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney, must be deposited at the registered office of the company, 103-C/II, Gulberg-III, Lahore, not less than 48 hours before the time of the meeting.

4) a) Individual beneficial owners of CDC entitled to attend and vote at the meeting must bring his/her participant ID and account/sub-account number along with original NIC or passport to authenticate his/her identity. In case of Corporate entity, resolution of the Board of Directors/Power of attorney with specimen signatures of nominees shall be produced (unless provided earlier) at the time of meeting.

   b) For appointing of proxies, the individual beneficial owners of CDC shall submit the proxy form as per above requirement along with participant ID and account/sub-account number together with attested copy of their NIC or Passport. The proxy form shall be witnessed by two witnesses with their names, addresses and NIC numbers. The proxy shall produce his/her original NIC or Passport at the time of meeting. In case of Corporate entity, resolution of the Board of Director/Power of attorney along with specimen signatures shall be submitted (unless submitted earlier) along with the proxy form.

5) Members are requested to notify any change in their registered address immediately.

DIRECTORS' REPORT

The Directors of your company are pleased to present their report together with the audited accounts of the Company for the year ended June 30, 2007

General Economic Over view

Pakistan's economy continues to gain traction as it experiences the longest spell of its strongest growth in years. The outcomes of the outgoing fiscal year indicate that Pakistan's upbeat economic momentum remains on track. Economic growth accelerates to 7.0 percent in 2006-07 at the back of robust growth in agriculture, manufacturing, real estate and services. Pakistan's economy continues to perform impressively and its economic fundamentals have gained further strength in the fiscal year 2006-07. The per capita income in dollar terms has grown at an average rate of 13 percent per annum during the last five years, rising from US$ 586 in 2002-03 to US$ 925 in 2006-07. Real per capita GDP is also an important indicator of the general well being of the people in the country. Real per capita GDP grew by 5.2 percent in 2006-07 and 5.5 percent on average during the last four years. Investment is another key determinant of economic growth. During the fiscal year 2006-07, the real gross fixed capital formation (real investment) grew by 20.6 percent as against 17.6 percent last year. Over the last three years, real fixed investment grew at an average rate of 17.3 percent. As percentage of GDP, total investment reached new heights touching 23 percent in 2006-07 increasing from 21.7 percent last year.

The economic growth of such a pace for reasonably long period is bound to create jobs and therefore reduce unemployment and poverty in addition to this the role of remittances in reducing poverty has also been acknowledged. Increase in employment and remittances allow families to maintain or increase expenditure on basic consumption, housing, education, and small business formation.

All the above factors have eased the liquidity constraints of their beneficiaries, allowing them to increase consumption of both durables and non-durables, on education and health care, and on real estate.

Company Performance Review

Financial year under review remained full of successful activities as the management of your company not only successfully attracted foreign equity investment of USD 10.3 million but also successfully completed the listing of your company's share on the Lahore and Karachi stock exchanges on February 26, 2007 thereby generating further equity investment of PKR 550 million from general public, in addition to this your company's business progressed smoothly during the financial year under review and as per our business plan we have successfully completed yet another shopping mall, Pace Gujranwala, and handed over the possession of shops / counters to the owners. The owners are now in the process of decorating their shops as per their own requirements, soon the shopping mall will be inaugurated officially. Besides, commercial operations of Pace shopping Mall at M.M. Alam Road have also been started. The construction activities on Pace towers are at full swing and submission drawings of Model Town Extension Project have also been submitted to the Lahore Development Authority, construction work on the project is expected to start soon.

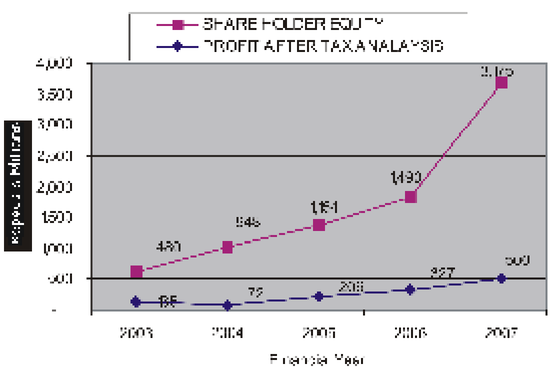
Your company has been able to enhance its financial performance despite of unprecedented increase in the input prices of basic raw material such as increase in steel prices is approximately 22 percent to 28 percent, crush and sand prices increased approximately by 20 percent to 25 percent as compared to last year whereas cement prices kept on fluctuating during the entire financial year. All these factors presented the management with great challenges, in order to meet those challenges and to subdue the impact of increasing prices management took proactive stance and managed to minimize the negative impact on the profitability of the project. The cost price overruns were managed by increasing the output yield i.e. increase in the salable areas, which was achieved by improvements in project's layout plan in consultation with consultants and by purposefully shifting the sales towards the completion of the project in order to reap the benefit of price rise in the property, historically prices upsurge as the construction activity nears completion, however this advantage in sales can only be achieved by an efficient cash flow planning and management. Major deviations in the current years result as compare to last year are explained here under:

During the financial year under review your company earned the net profit after tax of PKR 500.14 million as compared to last year's profit of PKR 326.97 million which shows an increase of PKR 173.17 million. The increase in profit is mainly attributable to completion of Gujranwala shopping mall and recording of related revenue and costs. The gross profit margin increased by approximately 16% which is primarily due to the effect of cost control and improved yield in terms of usable area with reference to covered area as a result of learning curve effect and hiring of highly qualified and competent architects and consultants.

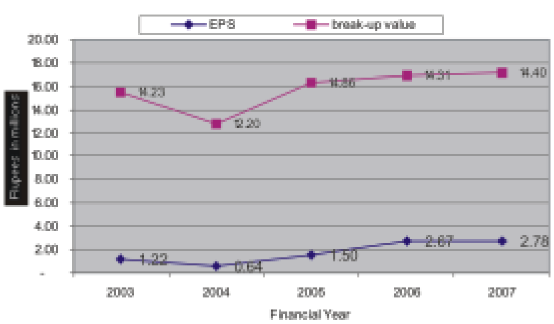
Financial Position and EPS

Description	2007 Rupees in Million	2006 Rupees in Million
Net Assets	3,175	1,490
Reserves	969	448
Long term debts	155	216
Cash and bank	308	25
EPS PKR	2.78	2.67

Equity and Profitability historical analysis



Break-Up value and EPS historical analysis



Business Risks and Challenges

The company is aware of the challenges posed by the increasing competition and is taking all possible measures to meet these challenges. New competitors, not only local investors but also foreign investors bringing huge foreign investments are entering the construction industry resulting in increased competition.

Another challenge for the entire construction industry is to achieve the quality of construction that can be matched with the international standards of construction. During the year under review Honorable Supreme Court of Pakistan formed a committee headed by Honorable Justice Mr. Justice (R) Riaz Kiani to ensure the quality of construction for the high rise buildings and by the Grace of Allah and sheer commitment of our management team combining with the efforts of our construction consultants Pace towers turned out to be the first building in Lahore to get the approval of the committee for continuing the construction without any penalty.

In order to sustain rapid growth to commensurate with profit is a challenge requiring the achievement of clearly defined performance objectives at all levels in the company. To achieve those objectives we are in the continuous process of reviewing our business strategy and motivating staff to achieve pre defined business objectives and performance.

Safety, Security, Health and Environment (SSHE)

Pace (Pakistan) Limited is committed to demonstrate its strongest commitment to all aspects of Safety, Security, Health and Environment linked to its business operations.

- Ensuring the implementation of health assessment and work monitoring programs and provision of work place security to employees and contractual labor.
- Provision of secured shopping environment for its customers.
- Minimizing environmental impact as much as practically possible and to ensure environmental protection the company obtains No Objection Certificate from Environmental Protection Authority for all new projects prior to submitting the submission drawings to LDA. For the purpose of reducing negative impacts on the environment the company pays special attention at the time of planning new projects which includes proper placement of air-conditioning system and generators to avoid noise pollution proper mechanism of sewerage and disposal of waste products and provision of adequate parking space.

Contribution to economy

Your company has entered in the 15th year of its incorporation in 2007. All the way during these years the company has been a responsible corporate citizen. In the difficult times when the fire broke out, the company fulfilled its responsibilities towards its stakeholders and afterwards it has helped in creating additional employment in the country and has introduced altogether new concept of luxury shopping malls equipped with all types of facilities. Your company has always discharged its full tax and other obligations towards the regulatory authorities and government.

Human Resource

The principle of equal opportunity is core to our HR policies and we at Pace (Pakistan) Limited are committed to motivate staff by upgrading their skills to equip all employees for their job performance and support them to realize their optimum potential.

The Board would also like to congratulate employees of the company for achieving desired business growth during the year. This has been a result of consistent effort from all the staff and rightly gives them an immense feeling of pride to be a part of team.

Future Outlook

The real estate sector has presented itself as a lucrative investment area and an opportunity for investors interested in high growth returns. With well over 7 years of project management experience, the company in this scenario, is well on its way to establishing its creditability and expertise and is fast becoming a house hold name and a landmark not only in the city of Lahore but all over Pakistan. Pace's recognized brand name, long lasting experience, customer / investors' trust and marketing skills has distinguished it from others, giving a substantive advantage over any potential players in the market.

The company is ideally placed to expand with its solid experience and resources, investment in financially and operationally viable projects like Pace Towers, Gujranwala shopping mall, M.M Alam Road shopping mall (direct projects), Pace Woodlands, Pace Super mall, Gujrat shopping mall and Pace Barka mixed use complex (through associates/subsidiaries).

After successful completion of Gujranwala Project, the company is looking forward for the start of commercial operations of Gujranwala project shortly.

In addition to current projects, company will be indulging in an aggressive expansion plan to target otherwise less populated cities all over Pakistan. The idea here is that because the PACE brand name is recognized, opening up PACE malls and offices/apartments will be a fairly unproblematic task. PACE is already in the process of planning and blueprinting future projects and wishes to open its shopping mall outlets in the following cities

- PACE Karachi
- PACE Faisalabad
- PACE Sialkot
- PACE Multan
- PACE Peshawar
- PACE Quetta

The company's long term goals are to expand nationwide, and provide its facilities not only in the province of Punjab, but all over Pakistan.

In line with its goals and to increase its profitability in the future years, the company now intends to develop two projects in Karachi including a Pace signature shopping mall (a project to be done entirely by the company) and a mixed use project, through a separate entity namely Pace Karachi Multiuse (Pvt.) Limited, in line with its envisaged financial plans. To finance the aforesaid projects, the company intends to issue Foreign Currency Convertible Bonds ("FCCBs") amounting to USD 25 million in the international market and Term Finance Certificates ("TFCs") amounting to PKR 1,500 million in the local market.

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 and taken 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. TFCs will be issued in due course of time after approvals from the SECP as approved from LSE is already in place.

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 access to Pace to lower cost funds on very nominal interest of only 1% per annum for 5 years payable in arrears, the principal of the Bonds will accrete at 5.5% per annum compounded semi annually accretive. This transaction shall help Pace to emerge as one of the largest Real Estate developers in Pakistan. Any other debt would have required a huge servicing cost (around 14% (based on the current market rate) plus margin to cover for un-secured obligations).

After approval of the share holders in extraordinary general meeting held on September 03, 2007 in principle approval from SBP has also been received whereas approvals from Ministry of Finance and Securities and Exchange Commission of Pakistan are in process.

Bonus Shares

During the financial year under review the company issued Bonus shares to its share holders, in proportion of 17.5 bonus shares for every 100 ordinary shares held. The Directors of the company recommended these bonus shares out of the share premium account in their meeting held on February 26, 2007 and were subsequently approved by the share holders in their meeting held on March 30, 2007 and were allotted accordingly.

Auditors

The present auditors M/s A.F Ferguson & Co., Chartered Accountants retire and offer themselves for reappointment. The Board of Directors has recommended their reappointment as auditors of the company for the year ending June 30, 2008, at a fee to be mutually agreed.

Board of Directors

Since last report for 2006, following changes occurred in the composition of the Board:

During the year Mr. Mahmood Ali Ather was appointed as nominee director of 'Millennium Global High Yield Fund', a UK based hedge fund which invested USD 10.3 million as pre-IPO investor.

04 Meetings of Board of Directors were held during the period from July 2006 to June 30, 2007. Attendance by each Director is as under:

Directors	Meetings Attended
Salmaan Taseer	4
Aamna Taseer	4
Sheikh Sulieman Ahmed Said Al Hoqani	3
Sardar Ali Wattoo	4
Jamal Said Al-Ojaili	1
Abid Raza	3
Imran Saeed Chaudhry	2
Mahmood Ali Athar	1

The Directors who could not attend the meeting were duly granted leave by the Board on their request.

Audit Committee

An Audit Committee of the Board has been in existence since the listing of the company on Lahore and Karachi Stock exchanges, which comprises of two non-executive directors (including its Chairperson) and one executive director.

During the year two meetings of the Committee were held. The Committee has its terms of reference which were determined by the Board of Directors in accordance with the guidelines provided in the Listing Regulations.

Audit committee comprises of

Aamna Taseer	Chairperson
Abid Raza	Member
Sardar Ali Wattoo	Member

Statement of Compliance in accordance with the Code of Corporate Governance ("CCG")

1. The financial statements together with the notes thereon have been drawn up by the management in conformity with the Companies Ordinance, 1984. These statements present fairly the company's state of affairs, the result of its operations, cash flow and changes in equity.

2. Proper books of accounts of the Company have been maintained.

3. Appropriate accounting policies have been consistently applied in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment.

4. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements.

5. The system of internal control is sound in design and has been effectively implemented and monitored.

6. There are no significant doubts upon the Company's ability to continue as a going concern.

7. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

8. The key financial data of six years is summarized in the report.

9. The Company has followed the best practices of corporate governance, as detailed in the Listing Regulations of Stock Exchanges, wherever possible and is in the process of complying with all the remaining regulations.

Trading of Directors

During the financial year, the trading in shares of the Company by the directors', CEO, CFO, Company Secretary and their spouses and any minor children (if any) is given in annexure-1.

Pattern of Shareholding

The Pattern of shareholding as on June 30, 2007 as required u/s 236 of the Companies Ordinance, 1984 and listing regulations are enclosed.

For and on behalf of the
Board of Directors

Aamna Taseer
Director

Sardar Ali Wattoo
Director

Lahore:
October 06, 2007

Annexure-1

TRADING BY BOARD MEMBERS, COMPANY SECRETARY, CFO AND THEIR SPOUSE & IF ANY MINOR CHILDREN

	Opening balance as on 01-07-2006	Purchase	Bonus	Sale	balance as on 30-06-2007
Directors					
Salmaan Taseer **(CEO)**	500	-	87	-	587
Aamna Taseer	500	-	87	-	587
Sardar Ali Wattoo	500	-	87	-	587
Sulieman Ahmed Said Al-Hoqani	24,992,048	100,000	4,373,608	-	29,465,656
Jamal Said Al-Ojaili	500	-	87	-	587
Abid Raza	500	-	87	-	587
Imran Saeed Chaudhry	4,361,662	-	763,290	-	5,124,952
Mahmood Ali Athar	500	-	87	-	587
Spouses	-		-	-	-
Minor Children	-		-	-	-
Chief Financial Officer					
Muhammad Musharaf Khan	-	-	-	-	-
Company Secretary					
Moeen Arshad	-	-	-	-	-

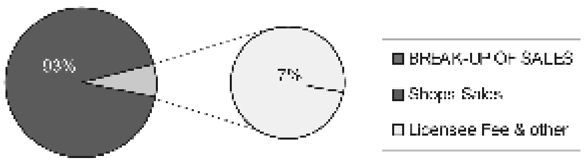
KEY OPERATING AND FINANCIAL INDICATORS

KEY INDICATORS **Rupees in Thousands**

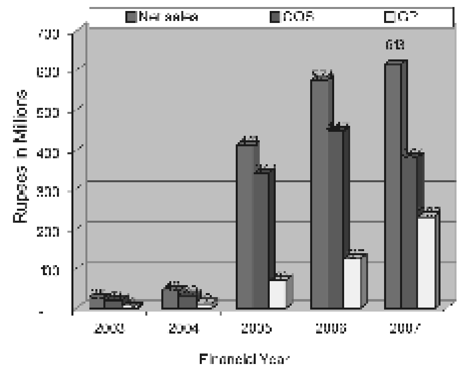
		2002	2003	2004	2005	2006	2007
Operating result							
Net Sales		20,144	25,328	42,246	410,925	573,676	**612,651**
Gross profit		3,786	6,229	12,125	69,900	126,744	**231,500**
Profit from operation		35,883	39,117	89,639	273,602	351,356	**708,901**
Profit before tax		20,218	33,718	82,359	271,437	345,023	**550,958**
Profit after tax		20,067	134,811	71,933	206,055	326,968	**500,143**
Financial Position							
Shareholder's equity		262,746	480,344	947,811	1,153,866	1,489,766	**3,175,016**
Property,plant & Equipment		162,367	235,474	226,525	260,903	271,835	**245,759**
Net current assets		(103,832)	(31,864)	601,673	662,273	200,333	**1,374,324**
Profitability							
Gross profit	%	18.79	24.59	28.70	17.01	22.09	**37.79**
Operating profit	%	178.13	154.44	212.18	66.58	61.25	**115.71**
Profit before tax	%	100.37	133.13	194.95	66.06	60.14	**89.93**
Profit after tax	%	99.62	532.26	170.27	50.14	57.00	**81.64**
Performance							
Fixed assets turnover	Times	0.12	0.11	0.19	1.58	2.11	**2.49**
Return on equity	%	11.05	36.28	10.07	19.61	24.74	**21.44**
Return on capital employed	%	10.78	35.43	8.98	15.71	19.54	**18.53**
Liquidity							
Current	Times	0.47	0.62	7.80	5.23	1.25	**6.77**
Quick	Times	0.47	0.62	1.58	1.49	0.62	**3.62**
Valuation							
Earning per share	Rs	0.18	1.22	0.64	1.50	2.67	**2.78**
Break up vale per share	Rs	7.79	14.23	12.20	14.86	14.31	**14.40**

PERFORMANCE AT A GLANCE

SALES ANAYLSIS FOR THE FINANCIAL YEAR UNDER REVIEW

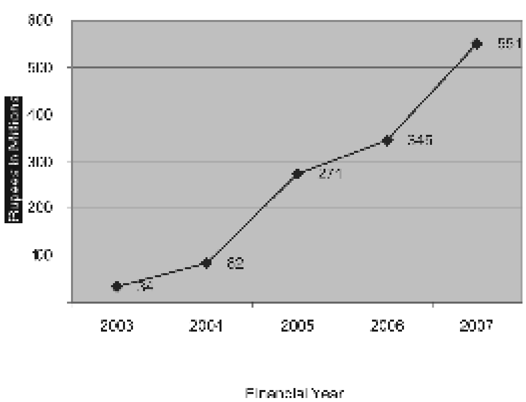


NET SALES, COS & GROSS PROFIT

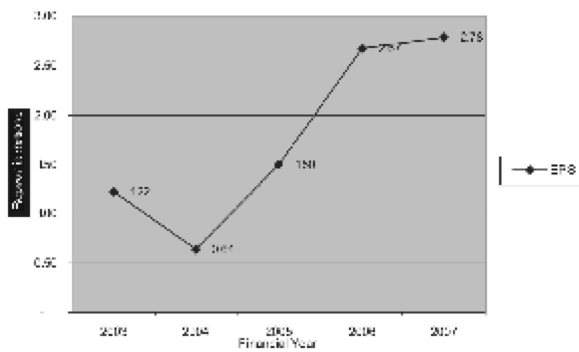


HISTORCIAL TRENDS

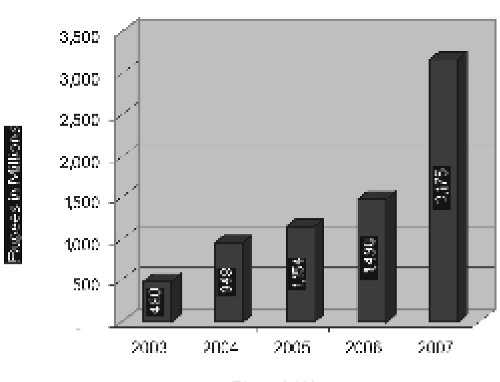
PROFIT BEFORE TAX



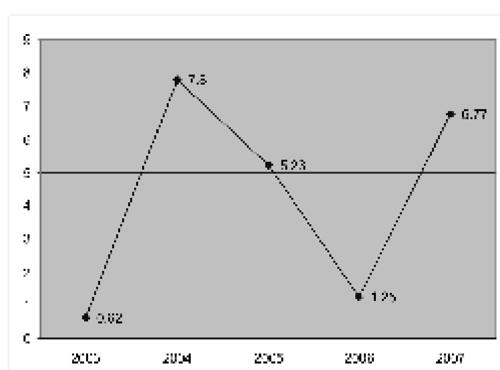
EARNINGS PER SHARE



SHARE HOLDERS' EQUITY



CURRENT RATIO



STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES ON TRANSFER PRICING FOR THE YEAR ENDED JUNE 30, 2007

The Company has fully complied with the best practices on Transfer Pricing as contained in the listing regulations of Stock Exchanges where the Company is listed.

For and on behalf of the Board

Lahore	**Aamna Taseer**	**Sardar Ali Wattoo**
October 06, 2007	Director	Director

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2007

This statement is being presented to comply with the Code of Corporate Governance contained in listing regulations of Karachi Stock Exchange (Guarantee) Limited and Lahore Stock Exchange (Guarantee) Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1) The board of directors comprise of eight directors. The Company encourages representation of independent non-executive directors on its board. At present the board includes at least 2 independent non-executive directors.

2) The Company Secretary to confirm on behalf of Directors that none of them is serving as a director in more than ten listed companies, including this Company.

3) All the resident directors of the Company are registered as taxpayers and none of them has convicted by a Court of competent jurisdiction as a defaulter in payment of any loan to a banking company, a Development Financial Institution (DFI) or a Non Banking Financial Institution (NBFI). No one is a member of Stock Exchange.

4) All casual vacancies occurring in the Board were filed up by the directors within 30 days thereof.

5) The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the Company.

6) The board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7) All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the board.

8) The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9) The Board arranged orientation courses for its directors during the year to apprise them of their duties and responsibilities.

10) The Board has approved appointment of Company Secretary including remuneration and terms and conditions of employment, as determined by the CEO.

11) The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

12) The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

13) The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding

14) The Company has complied with all the corporate and financial reporting requirements of the Code.

15) The Board has formed an audit committee. At present the committee includes three non-executive directors including the chairman of the committee.

16) Three meetings of the audit committee were held prior to approval of half yearly, nine months and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

17) The Board has set-up an effective internal audit function having suitable qualified and experienced personnel who are conversant with the policies and procedures of the Company.

18) The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.

19) The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

20) We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board

Lahore	**Aamna Taseer**	**Sardar Ali Wattoo**
October 06, 2007	Director	Director

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the statement of compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **Pace (Pakistan) Limited** to comply with the Listing Regulations No 37 of the Karachi Stock Exchange and Chapter XIII of the Lahore Stock Exchange, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the statement of compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control system sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention, which causes us to believe that the statement of compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2007.

Lahore:
October 6, 2007

A.F. Ferguson & Co.
Chartered Accountants

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Pace (Pakistan) Limited** as at June 30, 2007 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

b) in our opinion:

   i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

   ii) the expenditure incurred during the year was for the purpose of the Company's business; and

   iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2007 and of the profit, its cash flows and changes in equity for the year then ended; and

d) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Lahore:
October 6, 2007

A.F. Ferguson & Co.
Chartered Accountants

BALANCE SHEET
AS AT JUNE 30, 2007

	Note	2007	2006
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised capital			
230,000,000 (2006: 115,000,000) ordinary			
shares of Rs 10 each		**2,300,000**	1,150,000
Issued, subscribed and paid up capital			
220,464,951 (2006: 104,083,558) ordinary			
shares of Rs 10 each	5	**2,204,650**	1,040,836
Share deposit money		**1,260**	-
Reserves		**138,162**	118,129
Unappropriated profit		**830,944**	330,801
		3,175,016	1,489,766
NON-CURRENT LIABILITIES			
Long term loans - secured	6	**48,750**	94,500
Liabilities against assets subject to finance lease	7	**6,044**	8,100
Deferred liabilities	8	**59,239**	7,238
Advances against sale of property	9	**278,343**	231,071
		392,376	340,909
CURRENT LIABILITIES			
Current portion of long term loans - secured	6	**105,750**	121,500
Current portion of liabilities against assets subject to finance lease	7	**3,518**	3,276
Finances under mark up arrangements - secured	10	**-**	528,780
Creditors, accrued and other liabilities	11	**127,427**	152,103
Provision for taxation		**1,472**	2,555
		238,167	808,214
CONTINGENCIES AND COMMITMENTS	12	**-**	-
		3,805,559	2,638,889

Aamna Taseer
Director

	Note	2007	2006
		(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	13	**245,759**	271,835
Intangible assets	14	**1,282**	1,424
Assets subject to finance lease	15	**10,647**	12,208
Investment property	16	**1,418,047**	776,534
Investments	17	**333,282**	314,251
Long term deposits and deferred costs	18	**1,932**	5,536
Long term loans - unsecured	19	**182,119**	246,554
Deferred taxation	20	**-**	2,000
		2,193,068	1,630,342
CURRENT ASSETS			
Stock-in-trade	21	**751,408**	507,271
Trade debts - unsecured	22	**310,506**	71,430
Due from related parties - unsecured	23	**85,076**	318,234
Advance against purchase of property - unsecured	24	**41,600**	15,000
Advances, deposits, prepayments and other receivables	25	**115,958**	71,615
Cash and bank balances	26	**307,943**	24,997
		1,612,491	1,008,547
		3,805,559	2,638,889

The annexed notes from 1 to 44 form an integral part of these financial statements.

Statement under section 241 (2) of the Companies Ordinance, 1984

In the absence of Mr. Salman Taseer, the Chief Executive Officer of the company who is for the time being not in Pakistan, the balance sheet, profit and loss account, cash flow statement, statement of changes in equity and notes forming part thereof have been signed by the following Directors.

Sardar Ali Wattoo
Director

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2007

		Note	2007	2006
			(Rupees in thousand)	
Sales		27	**612,651**	573,676
Cost of sales		28	**(350,833)**	(419,352)
Stores operating expenses		29	**(30,318)**	(27,580)
Gross profit			**231,500**	126,744
Administration and selling expenses		30	**(77,667)**	(38,141)
Changes in fair value of investment property		16	**405,499**	225,322
Other operating income		31	**149,569**	37,431
Profit from operations			**708,901**	351,356
Finance costs		32	**(92,536)**	(1,229)
Other charges		33	**(65,407)**	(5,104)
Profit before tax			**550,958**	345,023
Taxation		34	**(50,815)**	(18,055)
Profit for the year			**500,143**	326,968
Earnings per share - basic and diluted	Rupees	40	**2.78**	2.67

The annexed notes from 1 to 44 form an integral part of these financial statements.

Statement under section 241 (2) of the Companies Ordinance, 1984

In the absence of Mr. Salmaan Taseer, the Chief Executive Officer of the company who is for the time being not in Pakistan, the balance sheet, profit and loss account, cash flow statement, statement of changes in equity and notes forming part thereof have been signed by the following Directors.

Aamna Taseer
Director

Sardar Ali Wattoo
Director

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2007

	Note	2007	2006
		(Rupees in thousand)	
Cash flow from operating activities			
Cash used in operations	36	**(368,077)**	(101,168)
Net increase in advances against sale of property		**47,272**	31,700
Finance costs paid		**(95,355)**	(29,955)
Gratuity and leave encashment paid		**(618)**	-
Taxes paid		**(4,898)**	(660)
Net cash outflow from operating activities		**(421,676)**	(100,083)
Cash flow from investing activities			
Purchase of property, plant and equipment		**(21,051)**	(10,055)
Additions in investment property		**(43,260)**	-
Investments made		**-**	(312,156)
Proceeds from sale of property, plant and equipment		**-**	45
Net decrease/(increase) in long term deposits		**3,604**	(1,942)
Loans advanced to related parties		**(7,297)**	(119,501)
Repayment of loans by related parties		**71,732**	-
Mark up received		**126,890**	1,579
Net cash inflow/(outflow) from investing activities		**130,618**	(442,030)
Cash flow from financing activities			
Receipt of share deposit money		**1,170,907**	-
Proceeds from long term loans		**85,000**	68,000
Repayment of long term loans		**(146,500)**	(49,500)
Repayment of finance lease liability		**(6,623)**	(5,015)
Net cash inflow from financing activities		**1,102,784**	13,485
Net increase/(decrease) in cash and cash equivalents		**811,726**	(528,628)
Cash and cash equivalents at the beginning of the year		**(503,783)**	24,845
Cash and cash equivalents at the end of the year	37	**307,943**	(503,783)

The annexed notes from 1 to 44 form an integral part of these financial statements.

Statement under section 241 (2) of the Companies Ordinance, 1984

In the absence of Mr. Salmaan Taseer, the Chief Executive Officer of the company who is for the time being not in Pakistan, the balance sheet, profit and loss account, cash flow statement, statement of changes in equity and notes forming part thereof have been signed by the following Directors.

Aamna Taseer
Director

Sardar Ali Wattoo
Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2007

(Rupees in thousand)

	Share capital	Share deposit money	Share premium	Revaluation reserve for investment property	Reserve for issue of bonus shares	Reserve for changes in fair value of investments	Accumulated profit	Total
Balance as at June 30, 2005 as previously reported	776,743	-	-	109,197	264,093	-	3,833	1,153,866
Effect of change in accounting policy								
Transfer to reserve for issue of bonus shares	-	-	-	-	(264,093)	-	264,093	-
Balance as at June 30, 2005 - restated	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 investment	-	-	-	-	-	1,885	-	1,885
Profit for the year	-	-	-	-	-	-	326,968	326,968
Balance as at June 30, 2006	1,040,836	-	-	116,244	-	1,885	330,801	1,489,766
Receipt of share deposit money	-	1,170,907	-	-	-	-	-	1,170,907
Issue of ordinary shares	835,462	(1,169,647)	334,185	-	-	-	-	-
Cost on issue of ordinary shares	-	-	(4,831)	-	-	-	-	(4,831)
Bonus shares issued during the year	328,352	-	(328,352)	-	-	-	-	-
Gain in fair value of investment	-	-	-	-	-	19,031	-	19,031
Profit for the year	-	-	-	-	-	-	500,143	500,143
Balance as at June 30, 2007	2,204,650	1,260	1,002	116,244	-	20,916	830,944	3,175,016

The annexed notes 1 to 44 form an integral part of these financial statements.

Statement under section 241 (2) of the Companies Ordinance, 1984

In the absence of Mr. Salmaan Taseer, the Chief Executive Officer of the company who is for the time being not in Pakistan, the balance sheet, profit and loss account, cash flow statement, statement of changes in equity and notes forming part thereof have been signed by the following Directors.

Aamna Taseer
Director

Sardar Ali Wattoo
Director

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

1. Legal status and nature of business

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

2. Statement of compliance

2.1 Basis of preparation

These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 and International Accounting Standards (IASs) as applicable in Pakistan. Approved Accounting Standards comprise of such IASs as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives take precedence.

2.2 Standards, interpretations and amendments to published approved accounting standards

2.2.1 Amendments to published standards effective in 2006

IAS 19 (Amendment) - 'Employees Benefits' is mandatory for company's accounting period beginning on July 1, 2006. Its adoption by the company only impacts the format and extent of disclosures presented in the financial statements.

2.2.2 Amendments to published standards not yet effective

Certain amendments to IAS 1 'Presentation of financial statements' - Capital Disclosure have been published that are applicable to the company's financial statements covering annual periods, beginning on or after July 01, 2007. Adoption of these amendments would impact the nature and extent of disclosures made in the future financial statements of the company.

3. Basis of measurement

These financial statements have been prepared under the historical cost convention except for revaluation of investment property and certain financial instruments at fair value and recognition of certain employee retirement benefits at present value.

The company's significant accounting policies are stated in note 4. Not all of these significant accounting policies require management to make difficult, subjective or complex judgments or estimates. The following is intended to provide an understanding of the policies that management considers critical because of the complexity, judgment of estimation involved in their application and their impact on these financial statements. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These judgments involve assumptions or estimates in respect of future events and the actual results may differ from these estimates.

a) Retirement benefits

The company uses the valuation performed by an independent actuary as the present value of its retirement benefit obligations. The valuation is based on assumptions as mentioned in note 4.5

b) Stock-in-trade

Stock-in-trade is carried at the lower of cost and net realisable value. The net realisable value is assessed by the company having regard to the budgeted cost of completion, estimated selling price and knowledge of recent comparable transactions.

c) Investment property valuation

The company normally uses the valuation performed by independent valuers as the fair value of its investment properties. The valuers make reference to market evidence of transaction prices for similar properties.

4. Significant accounting policies

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

4.1 Taxation

Current

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the period if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the period for such years.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the profit & loss account, except in the case of items credited or charged to equity in which case it is included in equity.

4.2 Property, plant and equipment

Property, plant and equipment except freehold land and capital work-in-progress are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land and capital work-in-progress are stated at cost less any identified impairment loss. Cost in relation to certain plant and machinery signifies historical cost and interest, mark-up etc. as referred to in note 4.11.

Depreciation on all property, plant and equipment is charged to profit on the reducing balance method so as to write off the cost of an asset over its estimated useful life at the following annual rates:

Building	5%
Plant and machinery	10%
Electrical equipment	10%
Office equipment	10%

Furniture and fixtures	10%
Computers	33%
Vehicles	20%

The assets' residual values and useful lives are reviewed, at each reporting date, and adjusted if impact on depreciation is significant.

Depreciation on additions to property, plant and equipment is charged from the month in which an asset is acquired or capitalised while no depreciation is charged for the month in which the asset is disposed off.

The company assesses at each balance sheet date whether there is any indication that property, plant and equipment may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in income currently. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognised, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to income during the period in which they are incurred.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognised as an income or expense.

4.3 Intangible assets

Intangible assets represent the cost of computer software acquired and are stated at cost less accumulated amortization and any identified impairment loss.

Amortization is charged to income on the reducing balance method so as to write off the cost of an asset over its estimated useful life. Amortization on additions is charged from the month in which an asset is acquired or capitalised while no amortisation is charged for the month in which the asset is disposed off. Amortization is being charged at the annual rate of 10%.

The company assesses at each balance sheet date whether there is any indication that intangible asset may be impaired. If such indication exists, the carrying amount of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in income currently. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognised, the amortisation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

4.4 Leases

The company is the lessee:

Finance leases

Leases where the company has substantially all the risks and rewards of ownership are classified as finance leases. Assets subject to finance lease are initially recognised at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets. Subsequently these assets are stated at cost less accumulated depreciation and any identified impairment loss.

The related rental obligations, net off finance charges, are included in liabilities against assets subject to finance lease. The liabilities are classified as current and long term depending upon the timing of the payment.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the balance outstanding. The interest element of the rental is charged to profit over the lease term.

Gain on sale and lease back transaction is treated as deferred income and is amortized over the lease term. Assets acquired under a finance lease are depreciated over the useful life of the asset on reducing balance method at the following rates:

Vehicles	20%

Depreciation of leased assets is charged to profit. Depreciation on additions to leased assets is charged from the month in which an asset is acquired while no depreciation is charged for the month in which the asset is disposed off.

Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net off any incentives received from the lessor) are charged to profit on a straight-line basis over the lease term.

4.5 Employee retirement benefits

The main features of the schemes operated by the company for its employees are as follows:

(a) The company operates an unfunded gratuity scheme for all employees according to the terms of employment, subject to a minimum qualifying period of service. Annual provision is made on the basis of actuarial valuation to cover obligations under the scheme for all employees eligible to gratuity benefits.

The latest actuarial valuation for gratuity scheme was carried out as at June 30, 2007. Projected Unit Credit Method, using the following significant assumptions is used for valuation of the scheme:

- Discount rate 10 percent per annum
- Expected rate of increase in salary level 9 percent per annum

The company's policy with regard to experience gains and losses is to follow minimum recommended approach under IAS 19.

(b) The company provides for accumulating compensated absences when the employees render service that increase their entitlement to future compensated absences. Under the rules all employees are entitled to 20 days leave per year respectively. Unutilized leaves can be accumulated upto unlimited amount. Unutilized leaves can be used at any time by all employees, subject to the company's approval.

Provisions are made annually to cover the obligation for accumulating compensated absences based on actuarial valuation and are charged to income.

The latest actuarial valuation was carried out as at June 30, 2007. Projected Unit Credit Method, using the following significant assumptions is used for valuation of accumulating compensated absences:

- Discount rate 10 percent per annum
- Expected rate of increase in salary level 9 percent per annum
- Expected mortality rate — EFU 61-66 mortality table adjusted for company's experience

- Expected withdrawal and early retirement rate — Based on experience
- Average number of leaves accumulated per annum by employees — 8 days

Experience gains and losses arising during the year are recognized immediately in accordance with the provisions of IAS-19.

Retirement benefits are payable to staff on completion of prescribed qualifying period of service under these schemes.

4.6 Investment property

Property held to earn rentals or for capital appreciation or for both is classified as investment property. Investment property comprises freehold land and buildings on freehold land. Investment property is carried at fair value.

The investment property of the company has been valued by independent professionally qualified valuers as at June 30, 2007. The fair value of the investment property is based on active market prices.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference between the carrying amount and the fair value of this item at the date of transfer is recognised in the equity as a revaluation reserve for investment property. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the profit & loss account. Upon the disposal of such investment property, any surplus previously recorded in equity is transferred to retained earnings, the transfer is not made through the profit & loss account.

If an investment property becomes owner-occupied or stock in trade, it is reclassified as property, plant and equipment or stock in trade and its fair value at the date of reclassification becomes its cost for accounting purposes for subsequent recording.

4.7 Investments

Investments in equity instruments of subsidiaries and associated undertakings

Investments in equity instruments of subsidiaries and associated undertakings where the company has control or significant influence are measured at cost.

Available for sale

Investments in associated undertakings where the company does not have significant influence that are intended to be held for an indefinite period of time or may be sold in response to the need for liquidity are classified as available for sale. Subsequent to initial recognition at cost, these investments are remeasured at fair value, unless fair value cannot be reliably measured. Unrealised gains and losses arising from the changes in the fair value are included in fair value reserve in the period in which they arise.

The company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss, is removed from equity and recognized in the profit & loss account. Impairment losses recognized in the profit & loss account on equity instruments are not reversed through the profit & loss account.

4.8 Stock-in-trade

Shops and commercial buildings available for future sale are classified as stock-in-trade. These are carried at the lower of cost and net realisable value. Work-in-process comprises of shops and commercial buildings in the process of construction. Cost in relation to work-in-process, completed commercial buildings and shops comprises of proportionate cost of land, cost of direct materials, labour and appropriate overheads. Cost in relation to shops transferred from investment property is the fair value of the shops on the date of transfer and any subsequent expenditures incurred thereon.

Net realisable value signifies the estimated selling price in the ordinary course of business less costs necessary to be incurred in order to make the sale.

4.9 Foreign currencies

All monetary assets and liabilities in foreign currencies are translated into Rupees at exchange rates prevailing at the balance sheet date. Transactions in foreign currencies are translated into Rupees at the spot rate. All non-monetary items are translated into Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined.

Gains and losses on translation are included in income currently.

4.10 Revenue recognition

Revenue from restaurant sales is recognised on dispatch/delivery of goods to the customers.

Licensee fee is charged on the basis of area leased out or respective gross turnover achieved by the principals who operate from Pace premises under agreements.

Revenue from sale of commercial buildings and shops/counters is recorded when agreement to sell is made, the possession is handed over to the buyer and no future economic benefit is expected from such commercial buildings and shops/counters.

4.11 Borrowing costs

Mark up, interest and other charges on long term and short term borrowings are capitalized up to the date of commissioning of the qualifying assets, acquired out of the proceeds of such long term loans. All other mark up, interest and other charges are charged to profit.

4.12 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. Business segments are the primary reporting format and the company is organised into three business segments:

- Real estate sale - development and sales of commercial buildings and shops
- Investment properties - properties held to earn rentals or for capital appreciation or for both
- Others - businesses that individually do not meet the criteria of a reportable segment as per IAS 14 - Segment Reporting

A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments. The company mainly operates in one economic environment, hence there are no geographical segments.

4.13 Financial instruments

Financial assets and financial liabilities are recognised at the time when the company becomes a party to the contractual provisions of the instrument and derecognised when the company loses control of contractual rights that comprise the financial assets and in the case of financial liability when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of financial assets and financial liabilities is included in the profit and loss account currently.

The financial instruments carried on the balance sheet include long term deposits, receivables, cash and cash equivalents, long term loans, liabilities against assets subject to finance lease, long term payables, finances under mark up arrangements and creditors, accrued and other liabilities. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

4.14 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the financial statements only when there is a legally enforceable right to set off the recognised amount and the company intends either to settle on a net basis or to realise the asset and to settle the liabilities simultaneously.

4.15 Trade debts

Trade debts are carried at original invoice amount less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

4.16 Creditors, accruals and provisions

Liabilities for creditors and other amounts payable are carried at cost, which is the fair value of the consideration to be paid in the future for the goods and/or services received, whether or not billed to the company.

Provisions are recognized when the company has a present legal or constructive obligation as a result of past events, it is probable will result in an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

4.17 Borrowings

Loans and borrowings are recorded at the proceeds received. In subsequent periods, borrowings are stated at amortised cost using the effective yield method. Finance cost is accounted for on an accrual basis and is included in creditors, accrued and other liabilities to the extent of the amount remaining unpaid.

4.18 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, demand deposits, other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value, and finances under mark up arrangements. In the balance sheet, finances under mark up arrangements are included in current liabilities.

5. Issued, subscribed and paid up capital

2007	2006		2007	2006
(Number of shares)			(Rupees in thousand)	
143,295,647	59,749,459	Ordinary shares of Rs 10 each fully paid in cash	1,432,957	597,495
77,169,304	44,334,099	Ordinary shares of Rs 10 each issued as fully paid bonus shares	771,693	443,341
220,464,951	104,083,558		2,204,650	1,040,836

First Capital Securities Corporation Limited and Worldcall Telecom Limited, associated undertakings, hold 32,849,907 (2006: 35,956,868) and 6,959,290 (2006: 5,922,800) ordinary shares of the company respectively.

	Note	2007	2006
		(Rupees in thousand)	
6. Long term loans - secured			
Standard Chartered Bank (Pakistan) Limited	6.1	**-**	58,500
Standard Chartered Bank (Pakistan) Limited - Syndicate	6.2	**94,500**	157,500
Faysal Bank Limited- term morabaha	6.3	**60,000**	-
		154,500	216,000
Less: Current portion shown under current liabilities		**105,750**	121,500
		48,750	94,500

6.1 The loan has been repaid during the year.

6.2 Standard Chartered Bank (Pakistan) Limited - Syndicate

Terms of repayment

Standard Chartered Bank Syndicate loan consists of PICIC Commercial Bank, The Bank of Khyber, The Bank of Punjab and Standard Chartered Bank (Pakistan) Limited. The balance is payable in three equal quarterly installments ending on February 26, 2008. Mark up is computed at average 6 months KIBOR plus 3.5% and is payable quarterly. In the event the company fails to pay the balances as per the financing arrangement, additional markup is to be computed at the rate of 2 % per annum on the balances unpaid.

Security

The loan is secured by first charge on land and buildings situated in Pace Model Town, 38, 38A and 39 sector P, Model Town Link Road, Lahore and Pace MM Alam, 96/B-1 MM Alam Road Gulberg III, Lahore amounting to Rs 362.66 million.

6.3 Faysal Bank Limited- term morabaha

Terms of repayment

The balance is payable in eight unequal quarterly installments ending August 22, 2009. Mark up is computed at average 6 months KIBOR plus 4% and is payable quarterly. In the event the company fails to pay the balances as per the morabaha arrangement, additional markup is to be computed at the rate of 2 % per annum on the balances unpaid.

Security

The loan is secured by first charge on land and buildings in Pace Towers, 27 H Gulberg II, Lahore amounting to Rs 300 million.

	Note	2007	2006
		(Rupees in thousand)	

7. Liabilities against assets subject to finance lease

Present value of minimum lease payments	**9,562**	11,376
Less: Current portion shown under current liabilities	**3,518**	3,276
	6,044	8,100

The minimum lease payments have been discounted at an implicit interest rate ranging from 9.6% to 13.95% to arrive at their present value. The lessee has the option to purchase the assets after the expiry of the lease term. Taxes, repairs and insurance costs are to be borne by the lessee. The liability is partly secured by a deposit of Rs 1.931 million (2006: Rs 2.496 million). Commitments in respect of lease arrangements executed by the company are as follows:

(Rupees in thousand)

	Minimum lease payments	Finance charge not due	Present value of lease liability 2007	Present value of lease liability 2006
Not later than one year	4,317	799	**3,518**	3,276
Later than one year and not later than five years	6,498	454	**6,044**	8,100
	10,815	1,253	**9,562**	11,376

	Note	2007	2006
		(Rupees in thousand)	

8. Deferred liabilities

These are composed of :

	Note	2007	2006
Deferred taxation	8.1	**45,000**	-
Staff gratuity	8.2	**13,210**	6,526
Leave encashment	8.3	**1,029**	712
		59,239	7,238

8.1 Deferred taxation

The liability for deferred taxation comprises temporary differences relating to:

	2007	2006
Accelerated tax depreciation	**95,826**	-
Employee retirement benefits	**(4,984)**	-
Deferred cost	**(921)**	-
Unused tax losses and minimum tax	**(44,921)**	-
	45,000	-

8.2 Staff gratuity

The amounts recognised in the balance sheet are as follows:

	2007	2006
Present value of defined benefit obligation	**14,919**	7,193
Unrecognised experience losses	**(1,709)**	(667)
Liability as at June 30	**13,210**	6,526

	2007	2006
	(Rupees in thousand)	
Liability as at July 1	**6,526**	4,144
Charge to profit and loss account	**7,198**	2,757
Benefits paid	**(514)**	(375)
Liability as at June 30	**13,210**	6,526

The movement in the present value of defined benefit obligation is as follows:

	2007	2006
Present value of defined benefit obligation as at July 1	**7,193**	4,279
Service cost	**6,550**	2,372
Interest cost	**648**	385
Benefits paid	**(514)**	(374)
Experience loss	**1,042**	531
Present value of defined benefit obligation as at June 30	**14,919**	7,193

The present value of defined benefit obligation, the fair value of plan assets and the surplus or deficit of gratuity fund is as follows:

	2007	2006	2005	2004
		(Rupees in thousands)		
As at June 30				
Present value of defined benefit obligation	**14,919**	7,193	4,279	2,992
Fair value of plan assets	**-**	-	-	-
Deficit	**(14,919)**	(7,193)	(4,279)	(2,992)
Experience adjustment on obligation	**14%**	12%	5%	-

8.3 Leave encashment

	2007	2006
	(Rupees in thousand)	

The amounts recognised in the balance sheet are as follows:

	2007	2006
Liability as at July 1	**712**	594
Charge to profit and loss account	**421**	260
Benefits paid	**(104)**	(142)
Liability as at June 30	**1,029**	712

9. Advances against sale of property

This represents advances received from various parties against sale of shops and commercial buildings of:

	2007	2006
Pace Towers project, 27-H Gulberg II, Lahore	**278,343**	186,346
Pace Gulberg project, Main Boulevard, Lahore	**-**	211
Pace Gujranwala project	**-**	44,514
	278,343	231,071

	Note	2007	2006
		(Rupees in thousand)	
10. Finances under mark up arrangements - secured			
Running finance		-	53,880
Short term loan	10.1	-	467,200
Morabaha financing	10.2	-	7,700
		-	528,780

10.1 The loan has been repaid during the year.

10.2 Morabaha financing

The company has obtained morabaha financing facility from Faysal Bank Limited for an amount of Rs 60 million (2006: Rs 30 million). The rate of mark up is Re 0.3907 per thousand per diem. The facility is secured by first charge on land and buildings in Pace Towers, 27 H Gulberg II, Lahore amounting to Rs 300 million as referred to in note 6.3.

	Note	2007	2006
		(Rupees in thousand)	
11. Creditors, accrued and other liabilities			
Trade creditors		**8,927**	13,578
Licensees/concessionaires payable		**4,036**	3,809
Accrued liabilities		**11,416**	11,341
Interest accrued on finances under mark up arrangements - secured		**3,923**	6,742
Licensee security deposits		**5,889**	5,911
Payable to contractors	11.1	**68,310**	81,410
Due to associated undertakings		**4,500**	1,678
Retention money		**15,558**	18,479
Others		**4,868**	9,155
		127,427	152,103

11.1 Payable to contractors include Rs 43.306 million (2006: Rs 52.899 million) due to an associated undertaking.

12. Contingencies and commitments

12.1 Contingencies

(i) Claims against the company not acknowledged as debts Rs 21.644 million (2006: Rs 21.644 million).

(ii) Bank guarantee amounting to Rs 60 million (2006: Rs Nil) in favour of Karachi Port Trust against the bid of Port Shopping District in Karachi.

(iii) Corporate guarantee on behalf of Pace Barka Properties Limited, an associated undertaking, in favour of The Bank of Punjab, amounting to Rs 900 million (2006: Rs Nil) as per the approval of shareholders through the special resolution dated July 29, 2006.

12.2 Commitments

(i) Letters of credit other than capital expenditure amounting to Rs 5.757 million (2006: Rs Nil).

(ii) Letters of credit for capital expenditure amounting to Rs 1.43 million (2006: Rs Nil).

(iii) The company has entered into an agreement to purchase a piece of land measuring 52 Kanals situated at Mouza Bhubtian, Raiwind Road Lahore, for an aggregate amount of Rs 286 million out of which Rs 15 million have been paid in advance.

13 Property, plant and equipment

	Cost as at June 30, 2006	Additions/ transfers/ (deletions)	Transfer to investment property/ stock-in-trade	Cost as at June 30, 2007	Accumulated depreciation as at June 30, 2006	Depreciation charge for the year	Transfer to investment property/ stock-in-trade	Accumulated depreciation as at June 30, 2007	Book value as at June 30, 2007
Freehold land *	77,690	14,959	(1,989)	90,660	-	-	-	-	90,660
Leasehold land **									
Buildings on freehold land	171,135	37,256	(136,264)	72,127	45,539	1,919	(38,298)	9,160	62,967
Plant and machinery	60,587	8,573	(1,306)	67,854	25,849	3,092	-	28,941	38,913
Electrical equipment	21,701	9,457	-	31,158	2,859	2,268	-	5,127	26,031
Office equipment and appliances	10,967	455	-	11,422	2,557	845	-	3,402	8,020
Furniture and fixtures	2,754	1,595	-	4,349	817	263	-	1,080	3,269
Computers	2,069	2,435	-	4,504	908	830	-	1,738	2,766
Vehicles	4,887	11,142	-	16,029	1,426	1,470	-	2,896	13,133
2007	351,790	85,872 -	(139,559)	298,103	79,955	10,687 -	(38,298)	52,344	245,759
2006	331,463	62,244 (22,917)	(19,000)	351,790	70,560	12,826 (12)	(3,419)	79,955	271,835

* Freehold land represents the uncovered area of Main Boulevard Project, MM Alam Road Project, Model Town Link Road Project and Gujranwala Project, which is not saleable in the ordinary course of business.

** Leasehold land represents a piece of land transferred in the name of the company by the Ministry of Defence, measuring 20,354 square yards situated at Survey No. 131/A, Airport Road, near Allama Iqbal International Airport, Lahore Cantt. The company secured the bid for the said piece of land on behalf of Pace Barka Properties Limited (PBPL), an associated undertaking, since at the time of bidding PBPL was in the process of incorporation. Subsequent to the bidding, payment was made by PBPL but the Ministry of Defence refused to transfer the said piece of land in the name of PBPL as it was not the original bidder, therefore the legal ownership has been transferred in the name of the company. Consequently, to avoid additional transaction costs relating to transfer of legal ownership, the company has entered into an agreement with PBPL, whereby the possession of the land and its beneficial ownership has been transferred to PBPL through an Irrevocable General Power of Attorney dated May 15, 2007.

13.1 The depreciation charge for the year has been allocated as follows:

	Note	2007	2006
		(Rupees in thousand)	
Stores operating expenses	29	**6,960**	8,573
Administration and selling expenses	30	**3,727**	4,253
		10,687	12,826

13.2 Vehicles having book value of Rs 1.352 million (2006: Rs 0.670 million) are not in the possession of the company and are held by World Call Telecom Limited and Media times, associated undertakings, as at June 30, 2007.

14 Intangible assets

(Rupees in thousand)

	Cost as at June 30, 2006	Additions/ (deletions)	Cost as at June 30, 2007	Accumulated amortisation as at June 30, 2006	Amortisation charge for the year	Accumulated amortisation as at June 30, 2007	Book value as at June 30, 2007
Softwares	2,878	-	2,878	1,454	142	1,596	1,282
2007	2,878	-	2,878	1,454	142	1,596	1,282
2006	2,878	-	2,878	1,296	158	1,454	1,424

14.1 The amortisation charge for the year has been charged to administration and selling expenses as referred to in note 30.

15. Assets subject to finance lease

	Cost as at June 30, 2006	Additions/ (transfers)	Cost as at June 30, 2007	Accumulated depreciation as at June 30, 2006	depreciation charge for the year/(transfers)	Accumulated depreciation as at June 30, 2007	Book value as at June 30, 2007
Vehicles	15,872	4,809 (6,930)	13,751	3,664	2,309 (2,869)	3,104	10,647
2007	15,872	4,809 (6,930)	13,751	3,664	2,309 (2,869)	3,104	10,647
2006	30,954	6,668 (21,750)	15,872	8,472	1,087 (5,895)	3,664	12,208

15.1 The depreciation charge for the year has been charged to administration and selling expenses as referred to in note 30.

15.2 Vehicles having book value of Rs Nil (2006: Rs 1.037 million) are not in the possession of the company and are held by associated undertakings, as at June 30, 2007.

	Note	2007	2006
		(Rupees in thousand)	
16. Investment property			
Balance as at July 1		**776,534**	420,300
Additions to cost during the year:			
- Transfer from stock-in-trade		**178,828**	118,235
- Transfer from property, plant and equipment		**13,926**	12,677
- Purchase of assets classified as 'investment property'		**43,260**	-
Fair value gain transferred to profit and loss account		**405,499**	225,322
Balance as at June 30		**1,418,047**	776,534

17. Investments

	Note	2007	2006
Equity instruments of:			
- subsidiaries - unquoted	17.1	**55**	245
- associated undertakings - unquoted	17.2	**300,180**	-
Available for sale - quoted	17.3	**33,047**	14,016
Advance against purchase of ordinary shares	17.4	**-**	299,990
		333,282	314,251

17.1. Subsidiaries - unquoted

	Note	2007	2006
Pace Woodlands (Private) Limited 3,000 (2006: 3,000) fully paid ordinary shares of Rs 10 each		**30**	30
Pace Gujrat (Private) Limited 2,450 (2006: 2,450) fully paid ordinary shares of Rs 10 each		**25**	25
Pace Barka Properties Limited Nil (2006: 1,000) fully paid ordinary shares of Rs 10 each		**-**	10
Pace Super Mall (Private) Limited Nil (2006: 18,000) fully paid ordinary shares of Rs 10 each	17.2.1	**-**	180
		55	245

17.2 Associated undertakings - unquoted

	Note	2007	2006
Pace Barka Properties Limited 30,000,000 (2006: 1,000) fully paid ordinary shares of Rs 10 each		**300,000**	-
Pace Super Mall (Private) Limited 18,000 (2006: Nil) fully paid ordinary shares of Rs 10 each	17.2.1	**180**	-
		300,180	-

17.2.1 The shareholders of Pace Super Mall (Private) Limited (PSML) through an agreement dated June 30, 2007 have decided to terminate the management control agreement dated January 5, 2006. In accordance with the provisions of the said management control agreement the company had control over the financial and operating policies of PSML by virtue of power to cast the majority of votes at meetings of board of directors. Consequent to the said termination the company has relinquished its control over the financial and operating policies of PSML. However, the company retains significant influence over the financial and operating policies of PSML.

17.3 This represents 1,800,912 (2006: 1,566,012) fully paid ordinary shares of Rs 10 each of Worldcall Telecom Limited, an associated undertaking under the Companies Ordinance, 1984. However, for the purpose of measurement, it has been classified as available for sale investment as the company does not have significant influence over its operations.

17.4 An advance of Rs 299.99 million was given to Pace Barka Properties Limited, an associated undertaking, for issue of ordinary shares against which the company has received 29.999 million ordinary shares of Rs 10 each during the year.

	Note	2007	2006
		(Rupees in thousand)	
18. Long term deposits and deferred costs			
Security deposits		**1,932**	2,496
Deferred costs		**-**	3,040
		1,932	5,536
19. Long term loans - unsecured			
These represent loans given to the following related parties:			
Subsidiaries			
Pace Woodlands (Private) Limited		**100,900**	100,900
Pace Super Mall (Private) Limited		**-**	25,973
Pace Gujrat (Private) Limited		**40,116**	81,364
		141,016	208,237
Associated undertaking			
Media Times (Private) Limited		**41,103**	38,317
		182,119	246,554

19.1 These loans carry mark up at the rate ranging from 14.44% to 15.40% per annum.

	Note	2007	2006
20. Deferred taxation			
Deferred tax comprises temporary differences relating to:			
Accelerated tax depreciation		**-**	(52,937)
Deferred liabilities		**-**	1,439
Deferred cost		**-**	2,533
Unused tax losses and minimum tax		**-**	50,965
		-	2,000
21. Stock-in-trade			
Commercial buildings and shops			
Work in process	21.1	**682,305**	413,649
Shops		**68,281**	93,264
		750,586	506,913
Restaurant and stores inventory		**822**	358
		751,408	507,271

21.1 Included in work in process are borrowing costs of Rs 27.117 million (2006: Rs 18.681 million)

22. These are unsecured and are considered good

	Note	2007	2006
		(Rupees in thousand)	
23. Due from related parties - unsecured			
Subsidiaries			
Pace Woodlands (Private) Limited		**72,727**	47,783
Pace Super Mall (Private) Limited		**-**	9,940
Pace Gujrat (Private) Limited		**11,786**	3,116
Pace Barka Properties Limited		**-**	255,677
		84,513	316,516
Associated Undertakings			
Pace Barka Properties Limited		**563**	-
World Press (Private) Limited		**-**	383
Media Times (Private) Limited		**-**	1,335
		563	1,718
		85,076	318,234

23.1 These advances are considered good and carry mark up at the rate ranging from 14.44% to 15.40% per annum

	Note	2007	2006
		(Rupees in '000)	
24. Advance against purchase of property - unsecured			
Related parties	24.1	**26,600**	15,000
Others		**15,000**	-
		41,600	15,000
24.1 Related parties			
Subsidiaries			
Pace Woodlands (Private) Limited		**5,000**	5,000
Pace Super Mall (Private) Limited		**-**	10,000
		5,000	15,000
Associated Undertaking			
Pace Super Mall (Private) Limited		**21,600**	-
		26,600	15,000

These relate to normal business of the company and are interest free.

	Note	2007	2006
25. Advances, deposits, prepayments and other receivables			
Advances - considered good			
- to employees		**9,581**	3,287
- to suppliers	25.1	**10,522**	3,584
Security deposits		**3,176**	2,274
Prepayments		**3,497**	2,835
Advances to contractors	25.2	**65,316**	50,561
Others - considered good		**23,866**	9,074
		115,958	71,615

25.1 Advances to suppliers include Rs Nil (2006: Rs 0.137 million) due from World Press (Private) Limited, an associated undertaking.

25.2 Advances to contractors include Rs 62.044 million (2006: Rs Nil) due from Trident Construct (Private) Limited, an associated undertaking. This relates to normal business of the company and is interest free.

26. Cash and bank balances

	Note	2007	2006
		(Rupees in thousand)	
At banks			
- on saving accounts	26.1	**279,687**	953
- on current accounts		**28,122**	23,658
		307,809	24,611
In hand including credit card sales Rs 0.134 million (2006: Rs 0.062 million)		**134**	386
		307,943	24,997

26.1 Included in these are total restricted funds of Rs 60 million (2006: Rs Nil) held by banks under lien as margin against letters of guarantee. The balances in saving accounts bear mark up which ranges from 0.25% to 10% per annum.

27. Sales

	Note	2007	2006
		(Rupees in thousand)	
Shops and commercial buildings		**570,934**	543,915
Licensee fee		**25,944**	26,186
Restaurant		**3,346**	1,146
Display advertisements and miscellaneous income		**12,427**	9,953
		612,651	581,200
Less: Sale returns		**-**	5,634
Less: Commission		**-**	1,890
		-	7,524
		612,651	573,676

28. Cost of sales

	Note	2007	2006
Shops and commercial buildings sold	28.1	**349,373**	418,779
Materials consumed at restaurant		**1,460**	573
		350,833	419,352

28.1 Shops and commercial buildings sold

	2007	2006
Opening work in process	**413,649**	468,433
Project development cost	**832,641**	495,507
Closing work in process	**(682,305)**	(413,649)
Cost of shops and commercial buildings constructed	**563,985**	550,291
Less: Cost transferred to:		
- property, plant and equipment	**(60,767)**	(36,333)
- investment property	**(178,828)**	(118,235)
	(239,595)	(154,568)
	324,390	395,723
Opening inventory of shops	**93,264**	116,320
Closing inventory of shops	**(68,281)**	(93,264)
	24,983	23,056
	349,373	418,779

	Note	2007	2006
		(Rupees in thousand)	

29. Stores operating expenses

	Note	2007	2006
Salaries, wages and benefits	29.1	**13,902**	10,498
Rent, rates and taxes		**50**	45
Insurance		**1,495**	1,122
Fuel and power		**5,429**	5,635
Depreciation on property, plant and equipment	13.1	**6,960**	8,573
Repairs and maintenance		**1,358**	1,021
Janitorial and security charges		**901**	651
Others		**223**	35
		30,318	27,580

29.1 Salaries, wages and other benefits

Salaries, wages and other benefits include following in respect of gratuity:

	2007	2006
Current service cost	**2,773**	949
Interest cost	**274**	154
	3,047	1,103

30. Administration and selling expenses

	Note	2007	2006
Salaries, wages and benefits	30.1	**33,438**	11,102
Traveling and conveyance		**2,694**	2,012
Rent, rates and taxes		**3,678**	2,817
Insurance		**1,178**	273
Printing and stationery		**1,088**	549
Repairs and maintenance		**3,988**	1,079
Motor vehicles running		**5,371**	2,284
Communications		**3,046**	2,217
Advertising and sales promotion		**6,620**	2,570
Depreciation on:			
- property, plant and equipment	13.1	**3,727**	4,253
- assets subject to finance lease	15.1	**2,309**	1,087
Amortisation on intangible assets	14.1	**142**	158
Auditors' remuneration	30.2	**800**	830
Legal and professional		**2,953**	2,228
Advances written off		**1,711**	1,242
Other expenses		**4,924**	3,440
		77,667	38,141

30.1 Salaries, wages and other benefits

Salaries, wages and other benefits include following in respect of gratuity:

	2007	2006
Current service cost	**3,778**	1,423
Interest cost	**373**	231
	4,151	1,654

	Note	2007	2006
		(Rupees in thousand)	

30.2 Auditors' remuneration

The charges for auditors' remuneration includes the following in respect of auditors' services for:

Statutory audit		**550**	350
Certification and sundry services		**75**	480
Half yearly review		**175**	-
		800	830

31. Other operating income

Income from financial assets			
Mark up on bank accounts		**18,909**	1,579
Mark up on balances with related parties		**130,097**	35,818
Others		**563**	-
Income for non-financial assets			
Amortisation of deferred income		**-**	34
		149,569	37,431

32. Finance costs

Mark up on finances under mark up arrangements - secured		**91,322**	307
Mark up on finance lease		**817**	781
Bank charges		**397**	141
		92,536	1,229

33. Other charges

Loss on derecognition of investments classified as 'available for sale'		**-**	3,850
Loss on sale of property, plant and equipment		**-**	8
Donations	33.1	**148**	1,246
Expenses incurred in respect of:			
- issue of term finance certificates - issued subsequent to the balance sheet date	43	**7,984**	-
- initial public offering and listing of ordinary shares		**55,775**	-
Others		**1,500**	-
		65,407	5,104

33.1 None of the directors and their spouses had any interest in any of the donees during the year.

34. Taxation

	2007	2006
	(Rupees in thousand)	
For the year		
- Current	**3,815**	3,055
- Deferred	**46,252**	42,093
	50,067	45,148
Prior years - Deferred	**748**	(27,093)
	50,815	18,055

In view of the available tax losses, the current tax provision represents the minimum tax on turnover for the year due under section 113 of the Income Tax Ordinance, 2001. For the purposes of current taxation, the tax losses available for carry forward as at June 30, 2007 are estimated at approximately Rs 101.948 million (2006: Rs 141.168 million) .

34.1 Tax charge reconciliation

Numerical reconciliation between the average effective tax rate and the applicable tax rate.

	2007	2006
	%	%
Applicable tax rate	**35.00**	37.00
Tax effect of amounts that are:		
- Not chargeable to tax	**(26.32)**	(24.59)
- Not deductible for tax purposes	**-**	0.86
Effect of change in prior years' tax	**0.13**	(7.84)
Effect of change in tax rate	**-**	(0.06)
Effect of rounding off	**0.41**	(0.13)
	(25.78)	(31.76)
Average effective tax rate charged to profit and loss account	**9.22**	5.24

35. Remuneration of Chief Executive, Directors and Executives

The aggregate amount charged in the financial statements for the year for remuneration to chief executive and directors is Rs Nil (2006: Rs Nil).

The aggregate amount charged in the financial statements for the year for remuneration, including certain benefits, to the executives of the company are as follows:

	Executives	
	2007	2006
	(Rupees in thousand)	
Short term employee benefits		
Managerial remuneration	**6,230**	1,842
Housing	**2,492**	737
Utilities	**1,043**	328
Bonus	**223**	-
Medical expenses	**186**	108
Fuel expenses	**1,711**	670
Post employment benefits	**2,875**	545
	14,760	4,230

	Chief Executive		Directors		Executives	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**
Number of persons	1	1	8	7	10	3

The company also provides its executives and one director with free transport.

	Note	2007	2006
		(Rupees in thousand)	
36. Cash generated from operations			
Profit before tax		**550,958**	345,023
Add/(less) adjustment for non-cash charges and other items:			
Depreciation on:			
- property, plant and equipment	13.1	**10,687**	12,826
- assets subject to finance	15.1	**2,309**	1,087
Amortisation on:			
- deferred income		**-**	(34)
- intangible assets	14.1	**142**	158
Loss on disposal of property, plant and equipment		**-**	8
Provision for retirement benefits		**7,619**	3,017
Mark up income		**(149,569)**	(37,397)
Change in fair value of investment property		**(405,499)**	(225,322)
Cost transferred to investment property		**-**	(3,677)
Finance costs		**92,536**	1,229
Advances written off		**1,711**	1,242
Profit before working capital changes		**110,894**	98,160
Effect on cash flow due to working capital changes:			
Increase in stock-in-trade		**(396,390)**	(11,549)
Increase in debtors		**(239,076)**	(3,260)
Decrease/(increase) in due from related parties		**255,837**	(249,353)
(Increase)/decrease in advance against purchase of property		**(26,600)**	16,500
Increase in advances, deposits, prepayments and other receivables		**(46,054)**	(39,081)
(Decrease)/increase in creditors, accrued and other liabilities		**(26,688)**	87,415
		(478,971)	(199,328)
		(368,077)	(101,168)
37. Cash and cash equivalents			
Cash and bank balances	26	**307,943**	24,997
Finances under mark up arrangements	10	**-**	(528,780)
		307,943	(503,783)

38. Segment information

(Rupees in thousand)

	Real estate sales		Investment properties		Others		Total	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
Segment revenue	570,934	536,391	31,807	30,475	9,910	6,810	612,651	573,676
Segment expenses								
- Cost of sales	(349,373)	(418,779)	-	-	(1,460)	(573)	(350,833)	(419,352)
- Stores operating expenses	-	-	(30,318)	(27,580)	-	-	(30,318)	(27,580)
Gross profit	221,561	117,612	1,489	2,895	8,450	6,237	231,500	126,744
- Changes in fair value of investment property	-	-	405,499	225,322	-	-	405,499	225,322
Segment results	221,561	117,612	406,988	228,217	8,450	6,237	636,999	352,066
Administration and selling expenses							(77,667)	(38,141)
Other operating income							149,569	37,431
Finance costs							(92,536)	(1,229)
Other charges							(65,407)	(5,104)
Profit before taxation							**550,958**	**345,023**
Taxation							(50,815)	(18,055)
Profit for the year							**500,143**	**326,968**
38.1 Segment assets	1,168,830	644,262	1,422,542	776,534	-	-	2,591,372	1,420,796
Unallocated assets							1,214,187	1,218,093
							3,805,559	2,638,889
38.2 Segment liabilities	362,211	330,960	5,889	5,911	-	-	368,100	336,871
Unallocated liabilities							262,443	812,252
							630,543	1,149,123
38.3 Capital expenditure	-	-	-	-	-	-	-	-
Unallocated							90,681	68,912
							90,681	68,912
38.4 Depreciation/Amortization	-	-	-	-	-	-	-	-
Unallocated							13,138	14,071
							13,138	14,071

39. Financial assets and liabilities

(Rupees in thousand)

	Interest / mark up bearing			Non interest/mark up bearing			Total		Credit Risk	
	Maturity upto one year	Maturity after one years	Sub total	Maturity upto one year	Maturity after one year	Sub total	2007	2006	2007	2006
Financial assets										
On balance sheet										
Investmemtns - available for sale	-	-	-	-	33,047	33,047	33,047	14,016	33,047	14,016
Long term deposits	-	-	-	-	1,932	1,932	1,932	5,536	1,932	5,536
Long term loan	-	182,119	182,119	-	-	-	182,119	246,554	182,119	246,554
Trade debts	-	-	-	310,506	-	310,506	310,506	71,430	310,506	71,430
Due from related parties	85,076	-	85,076	-	-	-	85,076	318,234	85,076	318,234
Advances, deposits and prepayments										
- Advances to employees	-	-	-	9,581	-	9,581	9,581	3,287	9,581	3,287
- Security deposits	-	-	-	3,176	-	3,176	3,176	2,274	3,176	2,274
- Others	-	-	-	23,866	-	23,866	23,866	9,074	23,866	9,074
Cash and bank balances	279,687	-	279,687	28,256	-	28,256	307,943	24,997	307,809	24,611
	364,763	182,119	546,882	375,385	34,979	410,364	957,246	695,402	957,112	695,016
Off balance sheet	-	-	-	-	-	-	-	-	-	-
Total	364,763	182,119	546,882	375,385	34,979	410,364	957,246	695,402	957,112	695,016
Financial liabilities										
On balance sheet										
Long term loans	105,750	48,750	154,500	-	-	-	154,500	216,000		
Liabilities against assets subject to finance lease	3,518	6,044	9,562	-	-	-	9,562	11,376		
Finances under mark up arrangements	-	-	-	-	-	-	-	528,780		
Creditors, accrued and other liabilities	-	-	-	127,427	-	127,427	127,427	152,103		
	109,268	54,794	164,062	127,427	-	127,427	291,489	908,259		
Off balance sheet										
Guarantees	-	-	-	960,000	-	960,000	960,000	-		
Letters of credit other than for capital expenditure	-	-	-	5,757	-	5,757	5,757	-		
Letters of credit for capital expenditure	-	-	-	1,430	-	1,430	1,430	-		
Commitment for purchase of land	-	-	-	271,000	-	271,000	271,000	-		
	-	-	-	1,238,187	-	1,238,187	1,238,187	-		
Total	109,268	54,794	164,062	1,365,614	-	1,365,614	1,529,676	908,259		
On balance sheet gap	255,495	127,325	382,820	247,958	34,979	282,937	665,757	(212,857)		
Off balance sheet gap	-	-	-	(1,238,187)	-	(1,238,187)	(1,238,187)	-		

The effective interest/mark-up rates for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.

39.1 Financial risk management objectives

The company's activities expose it to a variety of financial risks including the effects of changes in market interest rates, credit risks and liquidity risks associated with various financial assets and financial liabilities as referred to in note 39, and cash flow risk associated with accrued interests in respect of borrowings.

The company finances its operations through equity, borrowings and management of working capital with a view to maintaining a reasonable mix between the various sources of finance to minimize risk.

Taken as a whole, risk arising from the company's financial instruments is limited as there is no significant exposure to market risk in respect of such instruments.

(a) Concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. The company's credit risk is primarily attributable to its trade debts and its balances at banks. The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. Out of the total financial assets of Rs 957.246 million (2006: Rs 695.402 million) financial assets which are subject to credit risk amount to Rs 957.112 million (2006: Rs 695.016 million). The company believes it is not exposed to significant concentration of credit risk.

(b) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The company is not exposed to currency risk.

(c) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The company usually borrows funds at fixed and market based rates and as such the risk is minimized.

(d) Liquidity risk

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. The company follows an effective cash management and planning policy to ensure availability of funds and to take appropriate measures for new requirements.

39.2 Fair value of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

40. Earnings per share

40.1 Basic earnings per share

		2007	2006
Profit for the year	**Rupees in thousand**	500,143	326,968
Weighted average number of ordinary shares outstanding during the year	**Number in thousand**	180,146	122,451
Earnings per share	**Rupees**	2.78	2.67

40.2 Diluted earnings per share

There is no dilution effect on the basic earnings per share of the company as the company has no such commitments.

41. Transactions with related parties

The company carries out transactions with subsidiaries and associated undertakings in the normal course of business. Amounts due from and due to related parties are shown under receivables and payables. Other significant transactions with related parties are as follows:

		2007	2006
		(Rupees in thousand)	
Relationship with the company	**Nature of transactions**		
i. Subsidiaries	Investment	**-**	35
	Loan repayments received	**41,247**	-
	Loans disbursed	**11,823**	81,364
	Short term advances	**2,802**	267,291
	Mark up income	**35,140**	31,018
	Advance against purchase of shares	**-**	299,990
	Advance against purchase of property	**-**	15,000
ii. Associates	Purchase of goods & services	**218,331**	99,376
	Purchase of property, plant and equipment	**-**	232
	Loan repayments received	**719,724**	-
	Loans disbursed	**438,682**	38,200
	Mark up income	**94,957**	4,800
	Guarantee commission	**563**	-
	Advance against purchase of property	**11,600**	-
iii. Key management personnel	Short term employee benefits	**5,904**	4,143

All transactions with related parties have been carried out on commercial terms and conditions.

42. Date of authorisation

These financial statements were authorised for issue on October 06, 2007 by the board of directors of the company.

43. Events after the balance sheet date

Subsequent to June 30, 2007, the company has received subscription money towards 225,000 term finance certificates of Rs 5,000 each, to be issued to private investors.

44. Corresponding figures

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

	(Rupees in thousand)
Licensee income classified as sales	**26,186**
Operating expenses classified as stores operating expenses	**27,580**
Advertisement and miscellaneous income classified as sales instead of other income	**9,953**

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

Statement under section 241 (2) of the Companies Ordinance, 1984

In the absence of Mr. Salmaan Taseer, the Chief Executive Officer of the company who is for the time being not in Pakistan, the balance sheet, profit and loss account, cash flow statement, statement of changes in equity and notes forming part thereof have been signed by the following Directors.

Aamna Taseer
Director

Sardar Ali Wattoo
Director

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED
JUNE 30, 2007

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of **Pace (Pakistan) Limited** and its subsidiary companies as at June 30, 2007 and the related consolidated profit and loss account, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinion on the financial statements of Pace (Pakistan) Limited except for the financial statements of its subsidiary companies, Pace Woodlands (Private) Limited and Pace Gujrat (Private) Limited, which were audited by other firms of auditors whose reports have been furnished to us and our opinion, in so far as it relates to the amounts included for such companies is based solely on the reports of such other auditors. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of Pace (Pakistan) Limited and its Subsidiary Companies as at June 30, 2007 and the results of their operations for the year then ended.

Lahore:
October 6, 2007

A.F. Ferguson & Co.
Chartered Accountants

DIRECTORS' REPORT

The Board of Directors of Pace (Pakistan) Limited is pleased to present audited consolidated accounts of the Group for the year ended June 30, 2007.

Financial overview

During the year under review the Group registered an increase of PKR 39 million in sales and a substantial increase of approximately 50% in profit after tax.

Following are the comparative financial results for the year 2006 and 2007

	Rupees in million	
Description	**2007**	2006
Sales	**613**	574
Gross profit	**232**	127
Profit before tax	**499**	318
Profit after tax	**449**	300
Earnings per Share	**2.49**	2.45

Financial Position

	Rupees in million	
Description	**2007**	2006
Net Assets	**3,082.41**	1,728.91
Reserves	**876.49**	407.82
Long term Debts	**388.08**	400.64
Cash and Bank	**308.18**	89.46

Relinquishment of control over subsidiaries

The Group relinquished its control over the financial and operating policies of Pace Super Mall (Private) Limited (PSML) and Pace Barka Properties Limited (PBPL) at June 30, 2007. However, the Group has retained its investments in equity instruments of PSML and PBPL. In the financial statements this investment is now classified as investments in associates as the Group retains significant influence over the financial and operating policies of the said entities. Hence, the Group has consolidated the results of the operations of the PSML and PBPL uptil the date of relinquishment of control, however, assets and liabilities have not been consolidated in the Group financial statements as the control did not exist as at June 30, 2007.

Pace Supermall (Pvt) Limited

Pace Supermall (Private) Limited was the subsidiary of Pace (Pakistan) Limited by virtue of a management control agreement between shareholders of PSML dated January 05, 2006, however the shareholders of PSML through an agreement dated June 30, 2007 have decided to terminate the management control agreement. Consequent to the said termination the Group has relinquished its control over the financial and operating policies of PSML. However, the Group retains significant influence over the financial and operating policies of PSML. With respect to the project development permission from relevant authorities is in process and construction activity will be started as soon as the permissions are in place.

Pace Barka Properties Limited

The Group's control over the financial and operating policies of PBPL was relinquished consequent to the issue of further shares by PBPL, However, the Group retains significant influence over the financial and operating policies of PBPL as it still holds 22% of the voting rights in PBPL. With respect to the project development after the completion of excavation and allied work construction work is at full swing under the supervision of world renowned architects, consultants and designers. Pace Barka is in its expansion plan and is under the process of raising its equity by way of Pre-IPO subject to completion of necessary corporate and regulartory formalities.

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. Submission drawings have been submitted and expected to be released shortly by LDA. Besides, land development activities are at full swing and booking of sales will be launched after the approval of submission drawings.

Pace Gujrat (Pvt) Limited

The company has acquired land 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 mall. Contracts for construction of shopping mall have been awarded. 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 confirmed booking for considerable number of shops and kiosks.

For and on behalf of the
Board of Directors

Aamna Taseer
Director

Sardar Ali Wattoo
Director

Lahore:
October 06, 2007

CONSOLIDATED BALANCE SHEET
AS AT JUNE 30, 2007

	Note	2007	2006
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised capital			
230,000,000 (2006: 115,000,000) ordinary shares of Rs 10 each		**2,300,000**	1,150,000
Issued, subscribed and paid up capital			
220,464,951 (2006: 104,083,558) ordinary shares of Rs 10 each	6	**2,204,650**	1,040,836
Share deposit money		**1,260**	280,245
Reserves		**138,162**	118,129
Unappropriated profit		**738,337**	289,702
		3,082,409	1,728,912
MINORITY INTEREST		**27**	295
		3,082,436	1,729,207
NON-CURRENT LIABILITIES			
Long term loans			
- secured	7	**108,750**	94,500
- unsecured	8	**173,580**	184,643
Liabilities against assets subject to finance lease	9	**6,044**	8,100
Deferred liabilities	10	**59,239**	7,238
Advances against sale of property	11	**293,220**	232,071
		640,833	526,552
CURRENT LIABILITIES			
Current portion of long term loans - secured	7	**105,750**	121,500
Current portion of liabilities against assets subject to finance lease	9	**3,518**	3,276
Finances under mark up arrangements - secured	12	**29,998**	528,780
Creditors, accrued and other liabilities	13	**160,866**	190,684
Provision for taxation		**1,472**	2,555
		301,604	846,795
CONTINGENCIES AND COMMITMENTS	14	**-**	-
		4,024,873	3,102,554

Aamna Taseer
Director

	Note	2007	2006
		(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	15	**245,759**	271,835
Capital work in progress		**-**	256,629
Intangible assets	16	**1,282**	1,424
Assets subject to finance lease	17	**10,647**	12,208
Investment property	18	**1,418,047**	776,534
Investments	19	**333,227**	14,016
Long term deposits and deferred costs	20	**1,932**	6,176
Long term loans - unsecured	21	**80,074**	38,319
Deferred taxation	22	**-**	2,000
		2,090,968	1,379,141
CURRENT ASSETS			
Stock-in-trade	23	**1,143,655**	1,487,404
Trade debts - unsecured	24	**310,506**	71,430
Due from related parties - unsecured	25	**742**	1,718
Advance against purchase of property - unsecured	26	**36,600**	-
Advances, deposits, prepayments and other receivables	27	**134,219**	73,397
Cash and bank balances	28	**308,183**	89,464
		1,933,905	1,723,413
		4,024,873	3,102,554

The annexed notes from 1 to 47 form an integral part of these financial statements.

Statement under section 241 (2) of the Companies Ordinance, 1984

In the absence of Mr. Salmaan Taseer, the Chief Executive Officer of the company who is for the time being not in Pakistan, the balance sheet, profit and loss account, cash flow statement, statement of changes in equity and notes forming part thereof have been signed by the following Directors.

Sardar Ali Wattoo
Director

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2007

		Note	2007	2006
			(Rupees in thousand)	
Sales		29	**612,651**	573,676
Cost of sales		30	**(350,833)**	(419,352)
Stores operating expenses		31	**(30,318)**	(27,580)
Gross profit			**231,500**	126,744
Administration and selling expenses		32	**(77,667)**	(38,141)
Changes in fair value of investment property		18	**405,499**	225,322
Other operating income		33	**98,061**	10,079
Profit from operations			**657,393**	324,004
Finance costs		34	**(92,536)**	(1,229)
Other charges		35	**(65,407)**	(5,104)
Profit before tax			**499,450**	317,671
Taxation		36	**(50,815)**	(18,055)
Profit for the year			**448,635**	299,616
Earnings per share - basic and diluted	Rupees	42	**2.49**	2.45

The annexed notes from 1 to 47 form an integral part of these financial statements.

Statement under section 241 (2) of the Companies Ordinance, 1984

In the absence of Mr. Salmaan Taseer, the Chief Executive Officer of the company who is for the time being not in Pakistan, the balance sheet, profit and loss account, cash flow statement, statement of changes in equity and notes forming part thereof have been signed by the following Directors.

Aamna Taseer
Director

Sardar Ali Wattoo
Director

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2007

	Note	2007	2006
		(Rupees in thousand)	
Cash flow from operating activities			
Cash used in operations	38	**(1,339,599)**	(579,650)
Net increase in advances against sale of property		**398,128**	14,200
Finance costs paid		**(93,003)**	(20,302)
Gratuity and leave encashment paid		**(618)**	-
Taxes paid		**(4,898)**	(660)
Net cash outflow from operating activities		**(1,039,990)**	(586,412)
Cash flow from investing activities			
Purchase of property, plant and equipment		**(347,403)**	(10,055)
Additions in investment property		**(43,260)**	-
Investments made		**-**	(11,951)
Proceeds from sale of property, plant and equipment		**-**	45
Net decrease/(increase) in long term deposits		**2,278**	(2,450)
Disposal of shares in subsidiary		**-**	18
Net cash on (relinquishment)/acquisition of control in subsidiaries		**(632,126)**	2,364
Loan to subsidiaries		**(2,784)**	(12,166)
Mark up received		**25,189**	1,579
Net cash outflow from investing activities		**(998,106)**	(32,616)
Cash flow from financing activities			
Receipt of share deposit money		**1,947,336**	176,164
Net receipt/(payment) of long term loans		**811,271**	(16,319)
Repayment of finance lease liability		**(3,010)**	(5,015)
Net cash inflow from financing activities		**2,755,597**	154,830
Net increase/(decrease) in cash and cash equivalents		**717,501**	(464,198)
Cash and cash equivalents at the beginning of the year		**(439,316)**	24,882
Cash and cash equivalents at the end of the year	39	**278,185**	(439,316)

The annexed notes from 1 to 47 form an integral part of these financial statements.

Statement under section 241 (2) of the Companies Ordinance, 1984

In the absence of Mr. Salmaan Taseer, the Chief Executive Officer of the company who is for the time being not in Pakistan, the balance sheet, profit and loss account, cash flow statement, statement of changes in equity and notes forming part thereof have been signed by the following Directors.

Aamna Taseer
Director

Sardar Ali Wattoo
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2007

(Rupees in thousand)

	Share capital	Share deposit money	Share premium	Revaluation reserve for investment property	Reserve for issue of bonus shares	Reserve for changes in fair value of investments	Accumulated profit	Total
Balance as at June 30, 2005 as previously reported	776,743	-	-	109,197	264,093	-	3,833	1,153,866
Effect of change in accounting policy								
Transfer to reserve for issue of bonus shares	-	-	-	-	(264,093)	-	264,093	-
Effect of prior period error	-	-	-	-	-	-	(13,747)	(13,747)
Balance as at June 30, 2005 - restated	776,743	-	-	109,197	-	-	254,179	1,140,119
Issue of bonus shares	264,093	-	-	-	-	-	(264,093)	-
Share deposit money received	-	280,245	-	-	-	-	-	280,245
Gain on transfer from property, plant and equipment	-	-	-	7,047	-	-	-	7,047
Gain in fair value of investment	-	-	-	-	-	1,885	-	1,885
Profit for the year	-	-	-	-	-	-	299,616	299,616
Balance as at June 30, 2006	1,040,836	280,245	-	116,244	-	1,885	289,702	1,728,912
Share deposit money received	-	1,170,907	-	-	-	-	-	1,170,907
Issue of ordinary shares	835,462	(1,169,647)	334,185	-	-	-	-	-
Effect of relinquishment of control on sbusidiaries	-	(280,245)	-	-	-	-	-	(280,245)
Cost on issue of ordinary shares	-	-	(4,831)	-	-	-	-	(4,831)
Issue of bonus shares	328,352	-	(328,352)	-	-	-	-	-
Gain in fair value of investment	-	-	-	-	-	19,031	-	19,031
Profit for the year	-	-	-	-	-	-	448,635	448,635
Balance as at June 30, 2007	2,204,650	1,260	1,002	116,244	-	20,916	738,337	3,082,409

The annexed notes from 1 to 47 form an integral part of these financial statements.

Statement under section 241 (2) of the Companies Ordinance, 1984

In the absence of Mr. Salmaan Taseer, the Chief Executive Officer of the company who is for the time being not in Pakistan, the balance sheet, profit and loss account, cash flow statement, statement of changes in equity and notes forming part thereof have been signed by the following Directors.

Aamna Taseer
Director

Sardar Ali Wattoo
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

1. Legal status and nature of business

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

2. Statement of compliance

2.1 Basis of preparation

These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 and International Accounting Standards (IASs) as applicable in Pakistan. Approved Accounting Standards comprise of such IASs as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives take precedence.

2.2 Standards, interpretations and amendments to published approved accounting standards

2.2.1 Amendments to published standards effective in 2006

IAS 19 (Amendment) - 'Employees Benefits' is mandatory for Group's accounting period beginning on July 1, 2006. Its adoption by the company only impacts the format and extent of disclosures presented in the financial statements.

2.2.2 Amendments to published standards not yet effective

Certain amendments to IAS 1 'Presentation of financial statements' - Capital Disclosure have been published that are applicable to the Group's financial statements covering annual periods, beginning on or after July 01, 2007. Adoption of these amendments would impact the nature and extent of disclosures made in the future financial statements of the Group.

3. Basis of measurement

These financial statements have been prepared under the historical cost convention except for revaluation of investment property and certain financial instruments at fair value and recognition of certain employee retirement benefits at present value.

The Group's significant accounting policies are stated in note 5. Not all of these significant accounting policies require management to make difficult, subjective or complex judgments or estimates. The following is intended to provide an understanding of the policies that management considers critical because of the complexity, judgment of estimation involved in their application and their impact on these financial statements. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These judgments involve assumptions or estimates in respect of future events and the actual results may differ from these estimates.

a) Retirement benefits

The Group uses the valuation performed by an independent actuary as the present value of its retirement benefit obligations. The valuation is based on assumptions as mentioned in note 5.7

b) Stock-in-trade

Stock-in-trade is carried at the lower of cost and net realisable value. The net realisable value is assessed by the Group having regard to the budgeted cost of completion, estimated selling price and knowledge of recent comparable transactions.

c) Investment property valuation

The Group normally uses the valuation performed by independent valuers as the fair value of its investment properties. The valuers make reference to market evidence of transaction prices for similar properties.

4. Principles of consolidation

The consolidated financial statements include Pace (Pakistan) Limited and all companies in which it directly or indirectly controls, beneficially owns or holds more than 50% of the voting securities or otherwise has power to elect and appoint more than 50% of its directors. Subsidiaries are consolidated as from the date of acquisition using the purchase method. Under this method, the cost of an acquisition is measured at the fair value of assets given, equity instruments issued and liabilities assumed at the date of the exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of cost of acquisition over the fair value of the group's share of the identifiable net assets is recorded as goodwill. If the cost of acquisition is less than the fair value of net assets of the subsidiary acquired, the difference is recognized directly in profit and loss account.

Intercompany transactions, balances and unrealized gains on transactions between Group companies are eliminated. Details of the subsidiaries are given in note 44. Investments in associated companies, where the Group has significant influence, are accounted for by the equity method.

Minority interests are that part of the net results of operations and of net assets of subsidiaries attributable to interests which are not owned by the parent company.

5. Significant accounting policies

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

5.1 Taxation

Current

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the period if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the period for such years.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the profit & loss account, except in the case of items credited or charged to equity in which case it is included in equity.

Provision is not made for taxation which would become payable if retained profits of subsidiaries were distributed to the parent company, as it is not the intention to distribute more than the dividends, the tax on which is included in the financial statements.

5.2 Property, plant and equipment

Property, plant and equipment except freehold land and capital work-in-progress are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land and capital work-in-progress are stated at cost less any identified impairment loss. Cost in relation to certain plant and machinery signifies historical cost and interest, mark-up etc. as referred to in note 5.12.

Depreciation on all property, plant and equipment is charged to profit on the reducing balance method so as to write off the cost of an asset over its estimated useful life at the following annual rates:

Building	5%
Plant and machinery	10%
Electrical equipment	10%
Office equipment	10%
Furniture and fixtures	10%
Computers	33%
Vehicles	20%

The assets' residual values and useful lives are reviewed, at each reporting date, and adjusted if impact on depreciation is significant.

Depreciation on additions to property, plant and equipment is charged from the month in which an asset is acquired or capitalised while no depreciation is charged for the month in which the asset is disposed off.

The Group assesses at each balance sheet date whether there is any indication that property, plant and equipment may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in income currently. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognised, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to income during the period in which they are incurred.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognised as an income or expense.

5.3 Capital work in progress

Capital work in progress is stated at cost less any identified impairment loss.

5.4 Intangible assets

Intangible assets represent the cost of computer software acquired and are stated at cost less accumulated amortization and any identified impairment loss.

Amortization is charged to income on the reducing balance method so as to write off the cost of an asset over its estimated useful life. Amortization on additions is charged from the month in which an asset is acquired or capitalised while no amortisation is charged for the month in which the asset is disposed off. Amortization is being charged at the annual rate of 10%.

The Group assesses at each balance sheet date whether there is any indication that intangible asset may be impaired. If such indication exists, the carrying amount of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in income currently. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognised, the amortisation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

5.5 Investment property

Property held to earn rentals or for capital appreciation or for both is classified as investment property. Investment property comprises freehold land and buildings on freehold land. Investment property is carried at fair value.

The investment property of the Group has been valued by independent professionally qualified valuers as at June 30, 2007. The fair value of the investment property is based on active market prices.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference between the carrying amount and the fair value of this item at the date of transfer is recognised in the equity as a revaluation reserve for investment property. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the profit and loss account. Upon the disposal of such investment property, any surplus previously recorded in equity is transferred to retained earnings, the transfer is not made through the profit and loss account.

If an investment property becomes owner-occupied or stock-in-trade, it is reclassified as property, plant and equipment or stock-in-trade and its fair value at the date of reclassification becomes its cost for accounting purposes for subsequent recording.

5.6 Leases

The Group is the lessee:

Finance leases

Leases where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Assets subject to finance lease are initially recognised at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets. Subsequently these assets are stated at cost less accumulated depreciation and any identified impairment loss.

The related rental obligations, net of finance charges, are included in liabilities against assets subject to finance lease. The liabilities are classified as current and long term depending upon the timing of the payment.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the balance outstanding. The interest element of the rental is charged to profit over the lease term.

Gain on sale and lease back transaction is treated as deferred income and is amortized over the lease term.

Assets acquired under a finance lease are depreciated over the useful life of the asset on reducing balance method at the following rates:

Vehicles	20%

Depreciation of leased assets is charged to profit. Depreciation on additions to leased assets is charged from the month in which an asset is acquired while no depreciation is charged for the month in which the asset is disposed off.

Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net off any incentives received from the lessor) are charged to profit on a straight-line basis over the lease term.

5.7 Employee retirement benefits

The main features of the schemes operated by the Group for its employees are as follows:

(a) The Group operates an unfunded gratuity scheme for all employees according to the terms of employment, subject to a minimum qualifying period of service. Annual provision is made on the basis of actuarial valuation to cover obligations under the scheme for all employees eligible to gratuity benefits.

The latest actuarial valuation for gratuity scheme was carried out as at June 30, 2007. Projected Unit Credit Method, using the following significant assumptions is used for valuation of the scheme:

- Discount rate 10 percent per annum
- Expected rate of increase in salary level 9 percent per annum

The Group's policy with regard to experience gains and losses is to follow minimum recommended approach under IAS 19.

(b) The Group provides for accumulating compensated absences when the employees render service that increase their entitlement to future compensated absences. Under the rules all employees are entitled to 20 days leave per year respectively. Unutilized leaves can be accumulated upto unlimited amount. Unutilized leaves can be used at any time by all employees, subject to the Group's approval.

Provisions are made annually to cover the obligation for accumulating compensated absences based on actuarial valuation and are charged to income.

The latest actuarial valuation was carried out as at June 30, 2007. Projected Unit Credit Method, using the following significant assumptions is used for valuation of accumulating compensated absences:

- Discount rate 10 percent per annum	
- Expected rate of increase in salary level 9 percent per annum	
- Expected mortality rate	EFU 61-66 mortality table adjusted for Group's experience
- Expected withdrawal and early retirement rate	Based on experience
- Average number of leaves accumulated per annum by employees	8 days

Experience gains and losses arising during the year are recognized immediately in accordance with the provisions of IAS-19.

Retirement benefits are payable to staff on completion of prescribed qualifying period of service under these schemes.

5.8 Investments

Investments in equity instruments of associated undertakings

Associates are all entities over which the Group has significant influence but not control. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net off any accumulated impairment loss) identified on acquisition. The Group's share of its associates' post-acquisition profits or losses is recognised in the profit and loss account, and its share of post acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Available for sale

Investments in associated undertakings where the Group does not have significant influence that are intended to be held for an indefinite period of time or may be sold in response to the need for liquidity are classified as available for sale. Subsequent to initial recognition at cost, these investments are remeasured at fair value, unless fair value cannot be reliably measured. Unrealised gains and losses arising from the changes in the fair value are included in fair value reserve in the period in which they arise.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, is removed from equity and recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account.

5.9 Stock-in-trade

Shops and commercial buildings available for future sale are classified as stock-in-trade. These are carried at the lower of cost and net realisable value. Work-in-process comprises of shops and commercial buildings in the process of construction. Cost in relation to work-in-process, completed commercial buildings and shops comprises of proportionate cost of land, cost of direct materials, labour and appropriate overheads. Cost in relation to shops transferred from investment property is the fair value of the shops on the date of transfer and any subsequent expenditures incurred thereon.

Net realisable value signifies the estimated selling price in the ordinary course of business less costs necessary to be incurred in order to make the sale.

5.10 Foreign currencies

All monetary assets and liabilities in foreign currencies are translated into Rupees at exchange rates prevailing at the balance sheet date. Transactions in foreign currencies are translated into Rupees at the spot rate. All non-monetary items are translated into Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined.

Gains and losses on translation are included in income currently.

5.11 Revenue recognition

Revenue from restaurant sales is recognised on dispatch/delivery of goods to the customers.

Licensee fee is charged on the basis of area leased out or respective gross turnover achieved by the principals who operate from Pace premises under agreements.

Revenue from sale of commercial buildings and shops/counters is recorded when agreement to sell is made, the possession is handed over to the buyer and no future economic benefit is expected from such commercial buildings and shops/counters.

5.12 Borrowing costs

Mark up, interest and other charges on long term and short term borrowings are capitalized up to the date of commissioning of the qualifying assets, acquired out of the proceeds of such long term loans. All other mark up, interest and other charges are charged to profit.

5.13 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. Business segments are the primary reporting format and the Group is organised into three business segments:

- Real estate sale - development and sales of commercial buildings and shops
- Investment properties - properties held to earn rentals or for capital appreciation or for both
- Others - businesses that individually do not meet the criteria of a reportable segment as per IAS 14 - Segment Reporting

A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments. The Group mainly operates in one economic environment, hence there are no geographical segments.

5.14 Financial instruments

Financial assets and financial liabilities are recognised at the time when the Group becomes a party to the contractual provisions of the instrument and derecognised when the Group loses control of contractual rights that comprise the financial assets and in the case of financial liability when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of financial assets and financial liabilities is included in the profit and loss account currently.

The financial instruments carried on the balance sheet include long term deposits, receivables, cash and cash equivalents, long term loans, liabilities against assets subject to finance lease, long term payables, finances under mark up arrangements and creditors, accrued and other liabilities. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

5.15 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the financial statements only when there is a legally enforceable right to set off the recognised amount and the Group intends either to settle on a net basis or to realise the asset and to settle the liabilities simultaneously.

5.16 Trade debts

Trade debts are carried at original invoice amount less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

5.17 Creditors, accruals and provisions

Liabilities for creditors and other amounts payable are carried at cost, which is the fair value of the consideration to be paid in the future for the goods and/or services received, whether or not billed to the Group.

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable will result in an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

5.18 Borrowings

Loans and borrowings are recorded at the proceeds received. In subsequent periods, borrowings are stated at amortised cost using the effective yield method. Finance cost is accounted for on an accrual basis and is included in creditors, accrued and other liabilities to the extent of the amount remaining unpaid.

5.19 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, demand deposits, other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value, and finances under mark up arrangements. In the balance sheet, finances under mark up arrangements are included in current liabilities.

6. Issued, subscribed and paid up capital

2007	2006		2007	2006
(Number of shares)			(Rupees in thousand)	
143,295,647	59,749,459	Ordinary shares of Rs 10 each fully paid in cash	**1,432,957**	597,495
77,169,304	44,334,099	Ordinary shares of Rs 10 each issued as fully paid bonus shares	**771,693**	443,341
220,464,951	104,083,558		**2,204,650**	1,040,836

First Capital Securities Corporation Limited and Worldcall Telecom Limited, associated undertakings, hold 32,849,907 (2006: 35,956,868) and 6,959,290 (2006: 5,922,800) ordinary shares of the Group respectively.

7. Long term loans - secured

	Note	2007	2006
		(Rupees in thousand)	
Standard Chartered Bank (Pakistan) Limited	7.1	**-**	58,500
Standard Chartered Bank (Pakistan) Limited - Syndicate	7.2	**94,500**	157,500
Faysal Bank Limited- term morabaha	7.3	**60,000**	-
The Bank of Punjab - term finance	7.4	**60,000**	-
		214,500	216,000
Less: Current portion shown under current liabilities		**105,750**	121,500
		108,750	94,500

7.1 The loan has been repaid during the year.

7.2 Standard Chartered Bank (Pakistan) Limited - Syndicate

Terms of repayment

Standard Chartered Bank Syndicate loan consists of PICIC Commercial Bank, The Bank of Khyber, The Bank of Punjab and Standard Chartered Bank (Pakistan) Limited. The balance is payable in three equal quarterly installments ending on February 26, 2008. Mark up is computed at average 6 months KIBOR plus 3.5% and is payable quarterly. In the event the Group fails to pay the balances as per the financing arrangement, additional markup is to be computed at the rate of 2 % per annum on the balances unpaid.

Security

The loan is secured by first charge on land and buildings situated in Pace Model Town, 38, 38A and 39 sector P, Model Town Link Road, Lahore and Pace MM Alam, 96/B-1 MM Alam Road Gulberg III, Lahore amounting to Rs 362.66 million.

7.3 Faysal Bank Limited- term morabaha

Terms of repayment

The balance is payable in eight unequal quarterly installments ending August 22, 2009. Mark up is computed at average 6 months KIBOR plus 4% and is payable quarterly. In the event the Group fails to pay the balances as per the morabaha arrangement, additional markup is to be computed at the rate of 2 % per annum on the balances unpaid.

Security

The loan is secured by first charge on land and buildings in Pace Towers, 27 H Gulberg II, Lahore amounting to Rs 300 million.

7.4 The Bank of Punjab - term finance

Terms of repayment

The balance is payable in eight equal quarterly installments commencing July 15, 2008. Mark up is computed at average 3 months KIBOR plus 3.5% and is payable quarterly.

Security

The loan is secured by first charge on the land measuring 15 kanals and 8 marlas located at mouza Adowal G.T road Gujrat and present and future current and fixed assets of the Group, Pace Gujrat Project, amounting to Rs 127.512 million.

	2007	2006
	(Rupees in thousand)	
8. Long term loans - unsecured		
Pace Woodlands (Private) Limited	**116,730**	89,500
Pace Gujrat (Private) Limited	**56,850**	51,460
Pace Super Mall (Private) Limited	**-**	43,683
	173,580	184,643

This represents loan from sponsors and related parties of the subsidiary companies. These carry markup at the rate ranging from 12% to 16% per annum.

	2007	2006
	(Rupees in thousand)	

9. Liabilities against assets subject to finance lease

	2007	2006
Present value of minimum lease payments	**9,562**	11,376
Less: Current portion shown under current liabilities	**3,518**	3,276
	6,044	8,100

The minimum lease payments have been discounted at an implicit interest rate ranging from 9.6% to 13.95% to arrive at their present value. The lessee has the option to purchase the assets after the expiry of the lease term. Taxes, repairs and insurance costs are to be borne by the lessee. The liability is partly secured by a deposit of Rs 1.931 million (2006: Rs 2.496 million). Commitments in respect of lease arrangements executed by the Group are as follows:

(Rupees in thousand)

	Minimum lease payments	Finance charge not due	Present value of lease liability	
			2007	2006
Not later than one year	4,317	799	**3,518**	3,276
Later than one year and not later than five years	6,498	454	**6,044**	8,100
	10,815	1,253	**9,562**	11,376

10. Deferred liabilities

These are composed of :

	Note	2007	2006
		(Rupees in thousand)	
Deferred taxation	10.1	**45,000**	-
Staff gratuity	10.2	**13,210**	6,526
Leave encashment	10.3	**1,029**	712
		59,239	7,238

10.1 Deferred taxation

The liability for deferred taxation comprises temporary differences relating to:

	2007	2006
Accelerated tax depreciation	**95,826**	-
Employee retirement benefits	**(4,984)**	-
Deferred cost	**(921)**	-
Unused tax losses and minimum tax	**(44,921)**	-
	45,000	-

10.2 Staff gratuity

The amounts recognised in the balance sheet are as follows:

	2007	2006
Present value of defined benefit obligation	**14,919**	7,193
Unrecognised experience losses	**(1,709)**	(667)
Liability as at June 30	**13,210**	6,526

	Note	2007	2006
		(Rupees in thousand)	
Liability as at July 1		**6,526**	4,144
Charge to profit and loss account		**7,198**	2,757
Benefits paid		**(514)**	(375)
Liability as at June 30		**13,210**	6,526

The movement in the present value of defined benefit obligation is as follows:

Present value of defined benefit obligation as at July 1	**7,193**	4,279
Service cost	**6,550**	2,372
Interest cost	**648**	385
Benefits paid	**(514)**	(374)
Experience loss	**1,042**	531
Present value of defined benefit obligation as at June 30	**14,919**	7,193

The present value of defined benefit obligation, the fair value of plan assets and the surplus or deficit of gratuity fund is as follows:

	2007	2006	2005	2004
		(Rupees in thousands)		
As at June 30				
Present value of defined benefit obligation	**14,919**	7,193	4,279	2,992
Fair value of plan assets	**-**	-	-	-
Deficit	**(14,919)**	(7,193)	(4,279)	(2,992)
Experience adjustment on obligation	**14%**	12%	5%	-

10.3 Leave encashment

The amounts recognised in the balance sheet are as follows:

	2007	2006
	(Rupees in thousand)	
Liability as at July 1	**712**	594
Charge to profit and loss account	**421**	260
Benefits paid	**(104)**	(142)
Liability as at June 30	**1,029**	712

	Note	2007	2006
		(Rupees in thousand)	

11. Advances against sale of property

This represents advances received from various parties against sale of shops and commercial buildings of:

Pace Towers project, 27-H Gulberg II, Lahore		**278,343**	186,346
Pace Gujrat project		**14,877**	-
Pace Gulberg project, Main Boulevard, Lahore		**-**	211
Pace Gujranwala project		**-**	44,514
Pace Super Mall project		**-**	1,000
		293,220	232,071

12. Finances under mark up arrangements - secured

Running finance	12.1	**29,998**	53,880
Short term loan	12.2	**-**	467,200
Morabaha financing	12.3	**-**	7,700
		29,998	528,780

12.1 Running finance

Short term running finance available from The Bank of Punjab under markup arrangements amounts to Rs 30 million (2006: Rs 45 million). The rate of markup is 3 months average KIBOR plus 3.75 % per annum. The facility is secured by first charge on land measuring 15 kanals and 8 marlas located at mouza Adowal G.T road Gujrat and present and future current and fixed assets of the Group, Pace Gujrat Project, amounting to Rs 127.512 million as referred to in note 7.4.

12.2 The loan has been repaid during the year.

12.3 Morabaha financing

The Group has obtained morabaha financing facility from Faysal Bank Limited for an amount of Rs 60 million (2006: Rs 30 million). The rate of mark up is Re 0.3907 per thousand per diem. The facility is secured by first charge on land and buildings in Pace Towers, 27 H Gulberg II, Lahore amounting to Rs 300 million as referred to in note 7.3.

	Note	2007	2006
		(Rupees in thousand)	

13. Creditors, accrued and other liabilities

Trade creditors		**8,927**	17,474
Licensees/concessionaires payable		**4,036**	3,809
Accrued liabilities		**11,416**	11,772
Interest accrued on finances under mark up arrangements - secured		**11,334**	39,297
Licensee security deposits		**5,889**	5,911
Tax deducted at source		-	2,069
Payable to contractors	13.1	**71,754**	82,724
Due to associated undertakings	13.2	**4,500**	1,984
Retention money		**15,558**	18,479
Others	13.3	**27,452**	7,165
		160,866	190,684

13.1 Payable to contractors include Rs 43.306 million (2006: Rs 52.899 million) due to an associated undertaking. This relates to normal business of the Group and is interest free.

13.2 These relate to normal business of the Group and are interest free.

13.3 Others include Rs 22.487 million (2006: Rs Nil) reprsenting Group's share of unrealised mark up on balances with associates, which are being accounted for using the equity method of accounting. The associates have included this mark up in the cost of qualifying assets and the same will be realised upon the sale or use of the said assets in the normal course of business.

14. Contingencies and commitments

14.1 Contingencies

(i) Claims against the Group not acknowledged as debts Rs 21.644 million (2006: Rs 21.644 million).

(ii) Bank guarantee amounting to Rs 60 million (2006: Rs Nil) in favour of Karachi Port Trust against the bid of Port Shopping District in Karachi.

(iii) Corporate guarantee on behalf of Pace Barka Properties Limited, an associated undertaking, in favour of The Bank of Punjab, amounting to Rs 900 million (2006: Rs Nil) as per the approval of shareholders through the special resolution dated July 29, 2006.

14.2 Commitments

(i) Letters of credit other than capital expenditure amounting to Rs 5.757 million (2006: Rs Nil).

(ii) Letters of credit for capital expenditure amounting to Rs 1.43 million (2006: Rs Nil).

(iii) The Group has entered into an agreement to purchase a piece of land measuring 52 Kanals situated at Mouza Bhubtian, Raiwind Road Lahore, for an aggregate amount of Rs 286 million out of which Rs 15 million have been paid in advance.

(Rupees in thousand)

15. Property, plant and equipment

	Cost as at June 30, 2006	Additions/ transfers/ (deletions)	Transfer to investment property/ stock-in-trade	Cost as at June 30, 2007	Accumulated depreciation as at June 30, 2006	Depreciation charge for the year	Transfer to investment property/ stock-in-trade	Accumulated depreciation as at June 30, 2007	Book value as at June 30, 2007
Freehold land *	77,690	14,959	(1,989)	90,660	-	-	-	-	90,660
Leasehold land **									
Buildings on freehold land	171,135	37,256	(136,264)	72,127	45,539	1,919	(38,298)	9,160	62,967
Plant and machinery	60,587	8,573	(1,306)	67,854	25,849	3,092	-	28,941	38,913
Electrical equipment	21,701	9,457	-	31,158	2,859	2,268	-	5,127	26,031
Office equipment and appliances	10,967	455	-	11,422	2,557	845	-	3,402	8,020
Furniture and fixtures	2,754	1,595	-	4,349	817	263	-	1,080	3,269
Computers	2,069	2,435	-	4,504	908	830	-	1,738	2,766
Vehicles	4,887	11,142	-	16,029	1,426	1,470	-	2,896	13,133
2007	351,790	85,872 -	(139,559)	298,103	79,955	10,687 -	(38,298)	52,344	245,759
2006	331,463	62,244 (22,917)	(19,000)	351,790	70,560	12,826 (12)	(3,419)	79,955	271,835

* Freehold land represents the uncovered area of Main Boulevard Project, MM Alam Road Project, Model Town Link Road Project and Gujranwala Project, which is not saleable in the ordinary course of business.

** Leasehold land represents a piece of land transferred in the name of the Group by the Ministry of Defence, measuring 20,354 square yards situated at Survey No. 131/A, Airport Road, near Allama Iqbal International Airport, Lahore Cantt. The Group secured the bid for the said piece of land on behalf of Pace Barka Properties Limited (PBPL), an associated undertaking, since at the time of bidding PBPL was in the process of incorporation. Subsequent to the bidding, payment was made by PBPL but the Ministry of Defence refused to transferred the said piece of land in the name of PBPL as it was not the original bidder,therefore the legal ownership has been transferred in the name of the Group, Consequently, to avoid additional transaction costs relating to transfer of leagal ownership, the Group has entered into an agreement with PBPL, whereby the possession of the land and its beneficial ownership has been transferred to PBPL through an Irrevocable General Power of Attorney dated May 15, 2007.

15.1 The depreciation charge for the year has been allocated as follows:

	Note	2007	2006
		(Rupees in thousand)	
Stores operating expenses	31	**6,960**	8,573
Administration and selling expenses	32	**3,727**	4,253
		10,687	12,826

15.2 Vehicles having book value of Rs 1.352 million (2006: Rs 0.670 million) are not in the possession of the Group and are held by World Call Telecom Limited and Media times, associated undertakings, as at June 30, 2007.

16 Intangible assets

(Rupees in thousand)

	Cost as at June 30, 2006	Additions/ (deletions)	Cost as at June 30, 2007	Accumulated amortisation as at June 30, 2006	Amortisation charge for the year	Accumulated amortisation as at June 30, 2007	Book value as at June 30, 2007
Softwares	2,878	-	2,878	1,454	142	1,596	1,282
2007	2,878	-	2,878	1,454	142	1,596	1,282
2006	2,878	-	2,878	1,296	158	1,454	1,424

16.1 The amortisation charge for the year has been charged to administration and selling expenses as referred to in note 32.

17. Assets subject to finance lease

	Cost as at June 30, 2006	Additions/ (transfers)	Cost as at June 30, 2007	Accumulated depreciation as at June 30, 2006	Depreciation charge for the year/(transfers)	Accumulated depreciation as at June 30, 2007	Book value as at June 30, 2007
Vehicles	15,872	4,809	13,751	3,664	2,309	3,104	10,647
		(6,930)			(2,869)		
2007	15,872	4,809	13,751	3,664	2,309	3,104	10,647
		(6,930)			(2,869)		
2006	30,954	6,668	15,872	8,472	1,087	3,664	12,208
		(21,750)			(5,895)		

17.1 The depreciation charge for the year has been charged to administration and selling expenses as referred to in note 32.

17.2 Vehicles having book value of Rs Nil (2006: Rs 1.037 million) are not in the possession of the Group and are held by associated undertakings, as at June 30, 2007.

	Note	2007	2006
		(Rupees in thousand)	
18. Investment property			
Balance as at July 1		**776,534**	420,300
Additions to cost during the year:			
- Transfer from stock-in-trade		**178,828**	118,235
- Transfer from property, plant and equipment		**13,926**	12,677
- Purchase of assets classified as 'investment property'		**43,260**	-
Fair value gain transferred to profit and loss account		**405,499**	225,322
Balance as at June 30		**1,418,047**	776,534

19. Investments

	Note	2007	2006
Equity instruments of:			
- associated undertakings - unquoted	19.1	**300,180**	-
Available for sale - quoted	19.2	**33,047**	14,016
		333,227	14,016

19.1 Associated undertakings - unquoted

	Note	2007	2006
Pace Barka Properties Limited 30,000,000 (2006: Nil) fully paid ordinary shares of Rs 10 each		**300,000**	-
Pace Super Mall (Private) Limited 18,000 (2006: Nil) fully paid ordinary shares of Rs 10 each	19.1.1	**180**	-
		300,180	-

19.1.1 The shareholders of Pace Super Mall (Private) Limited (PSML) through an agreement dated June 30, 2007 have decided to terminate the management control agreement dated January 5, 2006. In accordance with the provisions of the said management control agreement the Group had control over the financial and operating policies of PSML by virtue of power to cast the majority of votes at meetings of board of directors. Consequent to the said termination the Group has relinquished its control over the financial and operating policies of PSML. However, the Group retains significant influence over the financial and operating policies of PSML.

19.1.2 The Group's share of the assets, liabilities and result of its associates, all of which are incorporated in Pakistan are as follows:

(Rupees in thousand)

Name	Percentage interest held	Assets	Liabilities	Revenues	Profit/(loss)
June 30, 2007					
Pace Barka Properties Limited	22%	2,618,710	1,262,011	-	-
Pace Super Mall (Private) Limited	40%	122,073	121,623	-	-
		2,740,783	1,383,634	-	-

19.2 This represents 1,800,912 (2006: 1,566,012) fully paid ordinary shares of Rs 10 each of Worldcall Telecom Limited, an associated undertaking under the Companies Ordinance, 1984. However, for the purpose of measurement, it has been classified as available for sale investment as the Group does not have significant influence over its operations.

	Note	2007	2006
		(Rupees in thousand)	

20. Long term deposits and deferred costs

Security deposits		**1,932**	2,496
Deferred costs		**-**	3,680
		1,932	6,176

21. Long term loans - unsecured

These represent loans given to the following related parties:

Associated undertaking			
Media Times (Private) Limited		**41,103**	38,319
Pace Super Mall (Private) Limited		**38,971**	-
		80,074	38,319

21.1 These loans carry mark up at the rate ranging from 14.44% to 16.25% per annum.

22. Deferred taxation

Deferred tax comprises temporary differences relating to:

Accelerated tax depreciation		**-**	(52,937)
Deferred liabilities		**-**	1,439
Deferred cost		**-**	2,533
Unused tax losses and minimum tax		**-**	50,965
		-	2,000

23. Stock-in-trade

Commercial buildings and shops			
Work in process	23.1	**1,074,552**	1,393,782
Shops		**68,281**	93,264
		1,142,833	1,487,046
Restaurant and stores inventory		**822**	358
		1,143,655	1,487,404

23.1 Included in work in process are borrowing costs of Rs 36.729 million (2006: Rs 68.550 million)

24. These are unsecured and are considered good

	2007	2006
	(Rupees in thousand)	

25. Due from related parties - unsecured

Associated Undertakings		
Pace Barka Properties Limited	**563**	-
Pace Super Mall (Private) Limited	**179**	-
World Press (Private) Limited	**-**	383
Media Times (Private) Limited	**-**	1,335
	742	1,718

25.1 These advances are considered good and carry mark up at the rate ranging from 14.44% to 15.40% per annum.

	Note	2007	2006
		(Rupees in thousand)	
26. Advance against purchase of property - unsecured			
Related parties	26.1	**21,600**	-
Others		**15,000**	-
		36,600	-

26.1 This represents advance given to Pace Super Mall (Private) Limited, an associated undertaking and relates to normal business of the Group and is interest free.

		2007	2006
		(Rupees in thousand)	
27. Advances, deposits, prepayments and other receivables			
Advances - considered good			
- to employees		**10,661**	3,987
- to suppliers	27.1	**16,358**	3,584
Security deposits		**3,193**	2,291
Prepayments		**3,497**	3,635
Advances to contractors	27.2	**76,616**	50,561
Others - considered good		**23,894**	9,339
		134,219	73,397

27.1 Advances to suppliers include Rs Nil (2006: Rs 0.137 million) due from World Press (Private) Limited, an associated undertaking.

27.2 Advances to contractors include Rs 62.044 million (2006: Rs 25.689 million) due from Trident Construct (Private) Limited, an associated undertaking. This relates to normal business of the Group and is interest free.

	Note	2007	2006
		(Rupees in thousand)	
28. Cash and bank balances			
At banks			
- on saving accounts	28.1	**279,912**	65,129
- on current accounts		**28,137**	23,928
		308,049	89,057
In hand including credit card sales Rs 0.134 million (2006: Rs 0.062 million)		**134**	407
		308,183	89,464

28.1 Included in these are total restricted funds of Rs 60 million (2006: Rs Nil) held by banks under lien as margin against letters of guarantee. The balances in saving accounts bear mark up which ranges from 0.25% to 10% per annum.

	Note	2007	2006
		(Rupees in thousand)	
29. Sales			
Shops and commercial buildings		**570,934**	543,915
Licensee fee		**25,944**	26,186
Restaurant		**3,346**	1,146
Display advertisements and miscellaneous income		**12,427**	9,953
		612,651	581,200
Less: Sale returns		**-**	5,634
Less: Commission		**-**	1,890
		-	7,524
		612,651	573,676
30. Cost of sales			
Shops and commercial buildings sold	30.1	**349,373**	418,779
Materials consumed at restaurant		**1,460**	573
		350,833	419,352
30.1 Shops and commercial buildings sold			
Opening work in process		**1,393,782**	679,571
Less: work in process of subsidiaries on which control was relinquished during the year		**(620,683)**	-
		773,099	679,571
Project development cost		**865,438**	1,264,502
Closing work in process		**(1,074,552)**	(1,393,782)
Cost of shops and commercial buildings constructed		**563,985**	550,291
Less: Cost transferred to:			
- property, plant and equipment		**(60,767)**	(36,333)
- investment property		**(178,828)**	(118,235)
		(239,595)	(154,568)
		324,390	395,723
Opening inventory of shops		**93,264**	116,320
Closing inventory of shops		**(68,281)**	(93,264)
		24,983	23,056
		349,373	418,779
31. Stores operating expenses			
Salaries, wages and benefits	31.1	**13,902**	10,498
Rent, rates and taxes		**50**	45
Insurance		**1,495**	1,122
Fuel and power		**5,429**	5,635
Depreciation on property, plant and equipment	15.1	**6,960**	8,573
Repairs and maintenance		**1,358**	1,021
Janitorial and security charges		**901**	651
Others		**223**	35
		30,318	27,580

	Note	2007	2006
		(Rupees in thousand)	

31.1 Salaries, wages and other benefits

Salaries, wages and other benefits include following in respect of gratuity:

Current service cost		**2,773**	949
Interest cost		**274**	154
		3,047	1,103

32. Administration and selling expenses

	Note	2007	2006
Salaries, wages and benefits	32.1	**33,438**	11,102
Traveling and conveyance		**2,694**	2,012
Rent, rates and taxes		**3,678**	2,817
Insurance		**1,178**	273
Printing and stationery		**1,088**	549
Repairs and maintenance		**3,988**	1,079
Motor vehicles running		**5,371**	2,284
Communications		**3,046**	2,217
Advertising and sales promotion		**6,620**	2,570
Depreciation on:			
- property, plant and equipment	15.1	**3,727**	4,253
- assets subject to finance lease	17.1	**2,309**	1,087
Amortisation on intangible assets	16.1	**142**	158
Auditors' remuneration	32.2	**800**	830
Legal and professional		**2,953**	2,228
Advances written off		**1,711**	1,242
Other expenses		**4,924**	3,440
		77,667	38,141

32.1 Salaries, wages and other benefits

Salaries, wages and other benefits include following in respect of gratuity:

Current service cost		**3,778**	1,423
Interest cost		**373**	231
		4,151	1,654

32.2 Auditors' remuneration

The charges for auditors' remuneration includes the following in respect of auditors' services for:

Statutory audit		**550**	350
Certification and sundry services		**75**	480
Half yearly review		**175**	-
		800	830

	Note	2007	2006
		(Rupees in thousand)	
33. Other operating income			
Income from financial assets			
Mark up on bank accounts		**18,909**	1,579
Mark up on balances with related parties		**78,589**	8,466
Others		**563**	-
Income for non-financial assets			
Amortisation of deferred income		**-**	34
		98,061	10,079
34. Finance costs			
Mark up on finances under mark up arrangements - secured		**91,322**	307
Mark up on finance lease		**817**	781
Bank charges		**397**	141
		92,536	1,229
35. Other charges			
Loss on derecognition of investments classified as 'available for sale'		**-**	3,850
Loss on sale of property, plant and equipment		**-**	8
Donations	35.1	**148**	1,246
Expenses incurred in respect of:			
- issue of term finance certificates - issued subsequent to the balance sheet date	46	**7,984**	-
- initial public offering and listing of ordinary shares		**55,775**	-
Others		**1,500**	-
		65,407	5,104

35.1 None of the directors and their spouses had any interest in any of the donees during the year.

		2007	2006
36. Taxation			
For the year			
- Current		**3,815**	3,055
- Deferred		**46,252**	42,093
		50,067	45,148
Prior years - Deferred		**748**	(27,093)
		50,815	18,055

In view of the available tax losses, the current tax provision represents the minimum tax on turnover for the year due under section 113 of the Income Tax Ordinance, 2001. For the purposes of current taxation, the tax losses available for carry forward as at June 30, 2007 are estimated at approximately Rs 101.948 million (2006: Rs 141.168 million) .

	2007 %	2006 %

36.1 Tax charge reconciliation

Numerical reconciliation between the average effective tax rate and the applicable tax rate.

	2007 %	2006 %
Applicable tax rate	**35.00**	37.00
Tax effect of amounts that are:		
- Not chargeable to tax	**(26.32)**	(24.59)
- Not deductible for tax purposes	**0.95**	1.30
Effect of change in prior years' tax	**0.13**	(7.84)
Effect of change in tax rate	**-**	(0.06)
Effect of rounding off	**0.41**	(0.13)
	(24.83)	(31.32)
Average effective tax rate charged to profit and loss account	**10.17**	5.68

37. Remuneration of Chief Executive, Directors and Executives

The aggregate amount charged in the financial statements for the year for remuneration to chief executive and directors is Rs Nil (2006: Rs Nil).

The aggregate amount charged in the financial statements for the year for remuneration, including certain benefits, to the executives of the Group are as follows:

	Executives	
	2007	2006
	(Rupees in thousands)	
Short term employee benefits		
Managerial remuneration	**6,230**	1,842
Housing	**2,492**	737
Utilities	**1,043**	328
Bonus	**223**	-
Medical expenses	**186**	108
Fuel expenses	**1,711**	670
Post employment benefits	**2,875**	545
	14,760	4,230

	Chief Executive		Directors		Executives	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**
Number of persons	1	1	8	7	10	3

The Group also provides its executives and one director with free transport.

38. Cash generated from operations

	Note	2007	2006
		(Rupees in thousand)	
Profit before tax		**499,450**	317,671
Add/(less) adjustment for non-cash charges and other items:			
Depreciation on:			
- property, plant and equipment	15.1	**10,687**	12,826
- assets subject to finance lease	17.1	**2,309**	1,087
Amortisation on:			
- deferred income		**-**	(34)
- intangible assets	16.1	**142**	158
Loss on sale of property, plant and equipment		**-**	8
Provision for retirement benefits		**7,619**	3,017
Mark up income		**(98,061)**	(10,045)
Changes in fair value of investment property		**(405,499)**	(225,322)
Cost transferred to investment property		**-**	(3,677)
Finance costs		**92,536**	1,229
Advances written off		**1,711**	1,242
Profit before working capital changes		**110,894**	98,160
Effect on cash flow due to working capital changes:			
Increase in stock-in-trade		**(1,015,630)**	(771,381)
Increase in debtors		**(239,076)**	(3,260)
Decrease in due from related parties		**1,539**	18,320
(Increase)/decrease in advance against purchase of property		**(15,000)**	31,500
Increase in advances, deposits, prepayments and other receivables		**(166,413)**	(40,083)
(Decrease)/increase in creditors, accrued and other liabilities		**(15,913)**	87,094
		(1,450,493)	(677,810)
		(1,339,599)	(579,650)

39. Cash and cash equivalents

	Note	2007	2006
Cash and bank balances	28	**308,183**	89,464
Finances under mark up arrangements	12	**(29,998)**	(528,780)
		278,185	(439,316)

40. Segment information

(Rupees in thousand)

	Real estate sales		Investment properties		Others		Total	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
Segment revenue	570,934	536,391	31,807	30,475	9,910	6,810	612,651	573,676
Segment expenses								
- Cost of sales	(349,373)	(418,779)	-	-	(1,460)	(573)	(350,833)	(419,352)
- Stores operating expenses	-	-	(30,318)	(27,580)	-	-	(30,318)	(27,580)
Gross profit	221,561	117,612	1,489	2,895	8,450	6,237	231,500	126,744
- Changes in fair value of investment property	-	-	405,499	225,322	-	-	405,499	225,322
Segment results	221,561	117,612	406,988	228,217	8,450	6,237	636,999	352,066
Administration and selling expenses							(77,667)	(38,141)
Other operating income							98,061	10,079
Finance costs							(92,536)	(1,229)
Other charges							(65,407)	(5,104)
Profit before taxation							**499,450**	**317,671**
Taxation							(50,815)	(18,055)
Profit for the year							**448,635**	**299,616**
40.1 Segment assets	1,566,072	1,866,024	1,422,542	776,534	-	-	2,988,614	2,642,558
Unallocated assets							1,036,259	459,996
							4,024,873	3,102,554
40.2 Segment liabilities	380,541	333,274	5,889	5,911	-	-	386,430	339,185
Unallocated liabilities							556,034	1,034,457
							942,464	1,373,642
40.3 Capital expenditure	-	-	-	-	-	-	-	-
Unallocated							90,681	325,541
							90,681	325,541
40.4 Depreciation/Amortization	-	-	-	-	-	-	-	-
Unallocated							13,138	14,071
							13,138	14,071

41. Financial assets and liabilities (Rupees in thousand)

	Interest / mark up bearing			Non interest/mark up bearing			Total		Credit Risk	
	Maturity upto one year	Maturity after one years	Sub total	Maturity upto one year	Maturity after one year	Sub total	2007	2006	2007	2006
Financial assets										
On balance sheet										
Investmemtns - available for sale	-	-	-	-	333,047	333,047	333,047	-	333,047	-
Long term deposits	-	-	-	-	1,932	1,932	1,932	6,176	1,932	6,176
Long term loan	-	80,074	80,074	-	-	-	80,074	38,319	80,074	38,319
Trade debts	-	-	-	310,506	-	310,506	310,506	71,430	310,506	71,430
Due from related parties	742	-	742	-	-	-	742	1,718	742	1,718
Advances, deposits and prepayments										
- Advances to employees	-	-	-	10,661	-	10,661	10,661	3,987	10,661	3,987
- Security deposits	-	-	-	3,193	-	3,193	3,193	2,291	3,193	2,291
- Others	-	-	-	23,894	-	23,894	23,894	9,339	23,894	9,339
Cash and bank balances	279,912	-	279,912	28,271	-	28,271	308,183	89,464	308,049	89,057
	280,654	80,074	360,728	376,525	334,979	711,504	1,072,232	222,724	1,072,098	222,317
Off balance sheet	-	-	-	-	-	-	-	-	-	-
Total	280,654	80,074	360,728	376,525	334,979	711,504	1,072,232	222,724	1,072,098	222,317
Financial liabilities										
On balance sheet										
Long term loans	105,750	282,330	388,080	-	-	-	388,080	216,000		
Liabilities against assets subject to finance lease	3,518	6,044	9,562	-	-	-	9,562	11,376		
Finances under mark up arrangements	29,998	-	29,998	-	-	-	29,998	528,780		
Creditors, accrued and other liabilities	-	-	-	160,866	-	160,866	160,866	190,684		
	139,266	288,374	427,640	160,866	-	160,866	588,506	946,840		
Off balance sheet										
Guarantees	-	-	-	960,000	-	960,000	960,000	-		
Letters of credit other than for capital expenditure	-	-	-	5,757	-	5,757	5,757	-		
Letters of credit for capital expenditure	-	-	-	1,430	-	1,430	1,430	-		
Commitment for purchase of land	-	-	-	271,000	-	271,000	271,000	-		
	-	-	-	1,238,187	-	1,238,187	1,238,187	-		
Total	139,266	288,374	427,640	1,399,053	-	1,399,053	1,826,693	946,840		
On balance sheet gap	141,388	(208,300)	(66,912)	215,659	334,979	550,638	483,726	(724,116)		
Off balance sheet gap	-	-	-	(1,238,187)	-	(1,238,187)	(1,238,187)	-		

The effective interest/mark-up rates for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.

41.1 Financial risk management objectives

The Group's activities expose it to a variety of financial risks including the effects of changes in market interest rates, credit risks and liquidity risks associated with various financial assets and financial liabilities as referred to in note 41, and cash flow risk associated with accrued interests in respect of borrowings.

The Group finances its operations through equity, borrowings and management of working capital with a view to maintaining a reasonable mix between the various sources of finance to minimize risk.

Taken as a whole, risk arising from the group’s financial instruments is limited as there is no significant exposure to market risk in respect of such instruments.

(a) Concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. The Group's credit risk is primarily attributable to its trade debts and its balances at banks. The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. Out of the total financial assets of Rs 1,072.232 million (2006: Rs 222.724 million) financial assets which are subject to credit risk amount to Rs 1,072.098 million (2006: Rs 222.317 million). The Group believes it is not exposed to significant concentration of credit risk.

(b) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is not exposed to currency risk.

(c) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group usually borrows funds at fixed and market based rates and as such the risk is minimized.

(d) Liquidity risk

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. The Group follows an effective cash management and planning policy to ensure availability of funds and to take appropriate measures for new requirements.

41.2 Fair value of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

		2007	2006

42. Earnings per share

42.1 Basic earnings per share

Profit for the year	**Rupees in thousand**	**448,635**	299,616
Weighted average number of ordinary shares outstanding during the year	**Number in thousand**	**180,146**	122,451
Earnings per share	**Rupees**	**2.49**	2.45

42.2 Diluted earnings per share

There is no dilution effect on the basic earnings per share of the Group as the Group has no such commitments.

43. Transactions with related parties

The related parties comprise associated undertakings, other related Group companies, directors of the parent company and key management personnel. The Group in the normal course of business carries out transactions with various related parties. Amounts due from and due to related parties are shown under receivables and payables. Other significant transactions with related parties are as follows:

		2007	2006
		(Rupees in thousand)	
Relationship with the Group	**Nature of transactions**		
i. Associates	Purchase of goods & services	**218,331**	99,376
	Purchase of property, plant and equipment	**-**	232
	Loans received	**121,870**	20,470
	Loan repayments received	**719,724**	-
	Loans disbursed	**477,653**	38,200
	Mark up income	**95,136**	2,848
	Mark up expense	**3,208**	18,335
	Guarantee commission	**563**	-
	Advance against purchase of property	**11,600**	-
	Share deposit money	**-**	179,995
ii. Key management personnel	Short term employee benefits	**5,904**	4,143

All transactions with related parties have been carried out on commercial terms and conditions.

44. Detail of subsidiaries

Name of the subsidiaries	**Accounting year end**	**Percentage of holding**	**Country of incorporation**
Pace Woodlands (Private) Limited	30-Jun-07	52%	Pakistan
Pace Gujrat (Private) Limited	30-Jun-07	100%	Pakistan

The Group relinquished its control over the financial and operating policies of Pace Super Mall (Private) Limited (PSML) and Pace Barka Properties Limited (PBPL) at June 30, 2007. However, the Group has classified investments in equity instruments of PSML and PBPL as investments in associates as the Group retains significant influence over the financial and operating policies of the said entities. Hence, the Group has consolidated the results of the operations of the PSML and PBPL uptil the date of relinquishment of control, however, assets and liabilities have not been consolidated in the Group financial statements as the Group had no control as at June 30, 2007. The detail of net assets of PSML and PBPL at the time of relinquishment of control, is as follows:

	Pace Super Mall (Private) Limited	Pace Barka Properties Limited	Total
	Rupees in thousand		
Total assets	122,073	2,618,710	2,740,783
Total liabilities	121,623	1,262,011	1,383,634
Net assets	450	1,356,699	1,357,149
Cash and cash equivalents in subsidiaries	1,579	630,547	632,126
Cash outflow on relinquishment of control	1,579	630,547	632,126

45. Date of authorisation

These financial statements were authorised for issue on October 6, 2007 by the board of directors of the Group.

46. Events after the balance sheet date

Subsequent to June 30, 2007, the Group has received subscription money towards 225,000 term finance certificates of Rs 5,000 each, to be issued to private investors.

47. Corresponding figures

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

	(Rupees in thousand)
Licensee income classified as sales	**26,186**
Operating expenses classified as stores operating expenses	**27,580**
Advertisement and miscellaneous income classified as sales instead of other income	**9,953**
Stock-in-trade classified as capital work-in-progress	**256,629**

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

Statement under section 241 (2) of the Companies Ordinance, 1984

In the absence of Mr. Salmaan Taseer, the Chief Executive Officer of the company who is for the time being not in Pakistan, the balance sheet, profit and loss account, cash flow statement, statement of changes in equity and notes forming part thereof have been signed by the following Directors.

Aamna Taseer
Director

Sardar Ali Wattoo
Director

PATTERN OF SHAREHOLDING
AS AT JUNE 30, 2007

INCORPORATION NUMBER: 0028954 of 21-11-1992

No. of Shareholders	Shareholdings From		Shareholdings To	Shares Held
3,288	1	-	100	274,096
1,221	101	-	500	422,370
7,461	501	-	1000	4,507,084
1,220	1001	-	5000	2,476,280
97	5001	-	10000	759,886
35	10001	-	15000	431,171
15	15001	-	20000	266,882
21	20001	-	25000	503,593
21	25001	-	30000	607,289
5	30001	-	35000	162,931
5	35001	-	40000	194,489
1	40001	-	45000	45,000
12	45001	-	50000	594,500
4	50001	-	55000	209,280
6	55001	-	60000	352,500
1	60001	-	65000	61,405
2	65001	-	70000	134,851
1	75001	-	80000	78,875
3	80001	-	85000	250,650
1	90001	-	95000	92,000
9	95001	-	100000	895,588
3	100001	-	105000	306,124
1	105001	-	110000	105,344
1	115001	-	120000	117,500
1	120001	-	125000	125,000
1	125001	-	130000	129,020
1	140001	-	145000	142,000
1	170001	-	175000	172,559
1	190001	-	195000	192,803
3	195001	-	200000	600,000
1	200001	-	205000	203,119
1	345001	-	350000	345,935
1	440001	-	445000	441,212
1	455001	-	460000	458,250
1	460001	-	465000	463,838
1	495001	-	500000	500,000

No. of Shareholders	Shareholdings			Shares Held
	From		To	
1	615001	-	620000	615,595
1	855001	-	860000	860,000
1	860001	-	865000	863,479
1	895001	-	900000	897,247
1	995001	-	1000000	1,000,000
1	1030001	-	1035000	1,034,000
1	1045001	-	1050000	1,046,000
1	1195001	-	1200000	1,199,314
1	1250001	-	1255000	1,250,500
1	1670001	-	1675000	1,670,500
1	1730001	-	1735000	1,733,500
1	2135001	-	2140000	2,139,000
1	2565001	-	2570000	2,565,025
1	2770001	-	2775000	2,773,587
1	3665001	-	3670000	3,669,789
1	4415001	-	4420000	4,420,000
1	5120001	-	5125000	5,124,952
1	9210001	-	9215000	9,210,825
1	9975001	-	9980000	9,977,512
1	14615001	-	14620000	14,616,518
1	21800001	-	21805000	21,803,661
1	29365001	-	29370000	29,365,656
1	32845001	-	32850000	32,849,907
1	52150001	-	52155000	52,154,960
13,472				**220,464,951**

PATTERN OF SHAREHOLDING
AS AT JUNE 30, 2007

Categories of Shareholders	Shares held	Percentage
Directors, Chief Executive Officer, and their spouse and minor children	34,594,130	15.691
Associated Companies, undertakings and related parties.	39,809,197	18.057
NIT and ICP	500,000	0.227
Banks, Development Financial Institutions, Non Banking Finance Companies	10,722,505	4.864
Modarabas and Mutual Funds	10,108,500	4.585
Share holders holding 10% or more	114,470,523	51.922
General Public		
a) Local	16,857,049	7.646
b) Foreign	13,244,463	6.008
Others:		
- Joint Stock Companies	3,408,900	1.546
- Foreign Companies	91,220,207	41.376

Note: Some of the shareholders are reflected in more than one category.

PATTERN OF SHAREHOLDING AS PER LISTING REGULATIONS AS AT JUNE 30, 2007

Shareholders' Category	Number of Shares held
Associated Companies, undertaking and related parties	
First Capital Securities Corporation Limited	32,849,907
Worldcall Telecom Limited	6,959,290
NIT and ICP	
National Bank of Pakistan	500,000
Directors, CEO and their Spouse and Minor Children	
Salmaan Taseer (CEO/Director)	587
Aamna Taseer (Director)	587
Imran Saeed Chaudhry (Director)	5,124,952
Sulieman Ahmed Said Al-Hoqani (Director)	29,465,656
Jamal Said Al-Ojaili (Director)	587
Sardar Ali Wattoo (Director)	587
Abid Raza (Director)	587
Mahmood Ali Athar (Director)	587
Public Sector Companies and Corporations	3,408,900
Banks, Development Financial Institutions, Non-Banking Finance Companies, Insurance Companies, Modaraba and Mutual Fund etc.	20,831,005
Shareholders holding 10% or more voting interest in the Company	
Sulieman Ahmed Said Al-Hoqani	29,465,656
Millennium Global High Yield Fund Limited	52,154,960
First Capital Securities Corporation Limited	32,849,907

FORM OF PROXY

The Company Secretary
Pace (Pakistan) Limited
103-C/II, Gulberg-III
Lahore

Folio No./CDC A/c No. ____________

Shares Held: ____________

I / We ____ of ____
(Name) *(Address)*

being the member (s) of **Pace (Pakistan) Limited** hereby appoint Mr. / Mrs./

Miss ____ of ____
(Name) *(Address)*

or failing him / her / Mr. / Mrs. / Miss. _________________________________ of ______________________________
(Name) *(Address)*

[who is also member of the Company vide Registered Folio No. _____________ (being the member of the Company)] as my / our proxy to attend at and vote for me / us and on my / our behalf at Annual General Meeting of the Company to be held at the Registered Office of the Company, 103-C/II, Gulberg-III, Lahore, on 31 October 2007 at 11:30 a.m. and at any adjournment thereof.

Signature this ___________________ Day of _________________ 2007.

(Witnesses)

1. ____________________

2. ____________________

Affix Revenue Stamp
of Rupees Five

Signature ____
(Signature appended should agree with the specimen signature registered with the Company.)

Notes:

1. This Proxy Form, duly completed and signed, must be received at the Registered Office of the Company not later than 48 hours before the time of holding the meeting.

2. No person shall act as proxy unless he himself is a member of the Company, except that a corporation may appoint a person who is not a member.

3. CDC account holders will further have to follow the guidelines as laid down in Circular No. 1 dated 26 January 2000 issued by the Securities and Exchange Commission of Pakistan.