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, 2008

COMPANY INFORMATION

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

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 17th Annual General Meeting of the Shareholders of Pace (Pakistan) Limited ("the Company") will be held on 31 October 2008 at 12:30 p.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 27 June 2008;

2. To receive, consider and adopt the financial statements of the Company for the year ended 30 June 2008 together with the Directors' and Auditors' reports thereon;

3. To appoint the Auditors of the Company for the year ending 30 June 2009 and to fix their remuneration;

By order of the Board

Lahore
10 October 2008

Mohammad Noaman Adil
Company Secretary

Notes:

1) The Members Register will remain closed from 24 October 2008 to 31 October 2008 (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 2008 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 TO THE SHAREHOLDERS

The Board of Directors of Pace (Pakistan) Limited (“the Company”) is pleased to present the annual report along with the audited financial statements of the Company, for the year ended June 30, 2008.

General Economic Overview

Pakistan's economy has shown resilience against internal and external shocks of very high intensity and grew at 5.8 percent in 2007-08, as against 6.8 percent last year and this year's target of 7.2 percent.

GDP growth of 5.8 per cent is mainly led by services and consumption as the performance of agriculture and manufacturing sector has been unable to achieve its envisaged targets.

The contribution of Commodity producing sector to GDP growth has declined to 26.6 percent from 42.4 percent last year, whereas The Services sector contributed 4.2 percentage points or 73.4 percent to overall growth this year.

Per capita income, however, has grown at an average rate of above 13.0 percent per annum during the last five years, rising from $586 in 2002-03 to $925 in 2006-07 and further to $1085 in 2007-08. Per capita income in dollar terms rose from $925 last year to $1085 in 2007-08, depicting an increase of 18.4 percent. Real per capita income in rupee terms has also increased by 4.7 percent, on average, for the last three years. The real per capita income grew by 4.2 percent as compared to 4.9 percent last year. Real private consumption expenditure grew by 8.5 percent in 2007-08 as opposed to 4.1 percent last year.

Real Estate Overview

Real estate market has a history of cyclical moves. On average after every five to seven years it hits the new peak before easing off. Normally, the price rise or the booming trend survives for a period of 12 months to 18 months before easing down to hit the price, fifteen to twenty percent above its previous lows. The bearish move then prevails for the next 4 to 5 year's time. Hence the recurrence of the cycle takes place after almost every five to seven years.

Pakistan witnessed a real estate boom after the 9/11. Property prices skyrocketed across the country and to buy a real estate unit resembled something beyond the bounds of possibility for an ordinary Pakistani. The expatriate Pakistanis invested their money in the real estate and the continuous flow of dollars swelled the volume of market. But now market analysts are of the view that the real estate bubble had come to an end and market is going through a slump. What really happened is that a conventionally unorganized and unnoticed sector at once recorded such an amazing potential which was unsustainable and slowing of massive money influx can't be termed as a crash.

General sentiment in the real estate market is that it's the right time to make investment in the property as the prices are generally on the lower side and there are strong chances of upsurge in prices in due course as a result of expected improvement in political situation in the country that would encourage investment in this sector, leading to improvement in prices. Moreover, stock market is facing recession at present that also encourages investors to make alternative investments in the real estate sector.

Company Performance General overview

Your company continued its journey of achievement and marked the financial year under review with a record profit after tax of PKR 1.4 billion and emerged as highly progressive and dynamic real estate company.

Despite the challenging business environment owing to political instability, bearish trend in real estate industry and inflationary pressures your company not only achieved its planned goals and targets for the financial year under review rather surpassed those set targets. The management successfully closed the issuance of 'Foreign Currency Convertible Bonds' amounting to USD 25 million listed on Singapore stock exchange, issuance of Term finance Certificates amounting to PKR 1.5 billion listed on Lahore stock exchange and issuance of non listed Commercial Paper amounting to PKR 1 billion during the financial year. The commercial paper has already been paid back during the year.

The commercial operations of Gujranwala shopping mall were started and possession of shops/counters after completion was handed over at Gujrat and Fortress stadium shopping malls to the customers. The commercial operation of the shopping malls started subsequent to the year end in the holy month of Ramadan thereby giving maximum benefit to the stake holders.

Your company has been able to enhance its overall performance during the financial year 2007-2008, despite of unprecedented and sharp increase in the input prices of basic raw material such as increase in the prices of steel, cement, sand and crush; moreover labor rates have also increased considerably. All these factors presented management with great challenges, in order to meet those challenges the management adopted the proactive approach towards the formulation and continuous review of polices and business strategies that includes careful selection of the sites, efficient procurement of construction materials, increase in saleable areas and staggered sales approach.

Company Performance Financial overview

The financial year under review was yet another year of outstanding financial performance by the company characterized by significant growth in sales and profitability. The company achieved sustained organic volume growth during the year, further consolidating its volume and value leadership of the real estate sector.
Comparison of the audited results for the year ended June 30, 2008 as against June 30, 2007 is as follows:

	Year Ended June 30, 2008	2007
	'Rupees in million'	
Sales	1,461	613
Gross profit	526	232
Profit after tax	1,407	500
Earnings per share (PKR)	6.36	2.78

Major deviations in the current year results as compared to last year are explained hereunder:

During the financial year under review the company earned the net profit after tax of PKR 1,407 million as compared to last year's profit after tax of PKR 500 million, the increase in profit is mainly attributable to increased property sales and recording of the fair value gain on various properties of the company. Major chunk of fair value gain has been earned from newly constructed/completed malls. The increase in fair value of companies' investment properties is mainly due to the efficient and effective investment in carefully selected properties and transfer of properties from work in progress to investment properties on completion of construction work.

During the year the company also entered in to a new type of agreement with its clients of 'Pace Towers' where the control and the significant risks and rewards of ownership of the work in progress are transferred by the Company to the buyer in its current state as construction progresses. Revenue under these agreements is measured according to the 'Revenue recognition' policy as stated in Note 4.12 of the financial statements.

Comparison of the financial position of the company as on June 30, 2008 as against June 30, 2007 is as follows:

	As on June 30, 2008	2007
	'Rupees in million'	
Net Assets	4,561	3,175
Un-appropriated profits	2,238	831
Non-current liabilities	1,959	392
Cash and bank	1,315	308

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 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.

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)

The company's commitment to ensure a safe work environment for all its employees and stake holders is clearly manifested by initiatives and programs carried out during the year. The company proactively assessed and approved its processes and practices.

The company collaborated with its business partners and contractors to help them to develop safer work environment for their employees and 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 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 spaces.

Social and Economic Contribution

Your Company has entered in the 16th year of its incorporation in 2008. Throughout its history the company has maintained a strong stance on corporate and social responsibility. In the difficult times of war against terror the company has invested for the up gradation of security equipments in all its malls and on the training of its security people in order to avoid any act of terrorism. By expanding its network to smaller cities of Pakistan your company is creating job opportunities in those cities as well. Pace (Pakistan) limited 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 8 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 comparative advantage over any potential players in the market.

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.

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.

Dubai Financial Market

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

Appropriations

Keeping in view the cash requirements of the company for envisaged expansion, the directors have recommended no dividend/payout be paid for the financial year under review.

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, 2009, at a fee to be mutually agreed.

Board of Directors

Since last report for 2007, no changes occurred in the composition of the Board. 04 Meetings of Board of Directors were held during the period July 2007 to 30 June 2008. Attendance by each Director is as under:-

Sr. No.	Directors	Meetings Attended
1.	Mr. Salmaan Taseer	03
2.	Mrs. Aamna Taseer	04
3.	Mr. Sulieman Ahmad Said Al Hoqani	01
4.	Mr. Sardar Ali Wattoo	04
5.	Mr. Jamal Said Al-Ojaili	--
6.	Mr. Abid Raza	03
7.	Mr. Imran Saeed Ch.	01
8.	Mr. Mahmood Ali Athar	--

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

The Audit Committee of the Board comprises of two non-executive directors (including its Chairman) and one executive director.

During the year four meetings of the subject 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 comprise of

Mrs. Aamna Taseer
Mr. Sardar Ali Wattoo
Mr. Abid Raza

Corporate and Financial Reporting Framework

The Board of Directors of the company, for the purpose of establishing a framework of good corporate governance, during the year has fully adopted the Code of Corporate Governance, as per listing regulations of stock exchanges.

- 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.

- Proper books of accounts have been maintained by the company.

- Appropriate accounting policies have been consistently applied in the preparation of the financial statements except for the changes as prescribed by the International Accounting Standards referred to in note 4.12. Accounting estimates are based on reasonable and prudent judgment.

- The international accounting standards, as applicable in Pakistan, have been followed in the preparation of financial statements.

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

- There are no doubts upon the company's ability to continue as going concern.

- There has been no departure from the best practices of Corporate Governance, as detailed in the listing regulation

- The key operating and financial data for the last six years is annexed

Trading of Directors

During the financial year, the trading in shares of the company by the directors, CEO, CFO, Company Secretary and their spouses is given in annexure -1.

Pattern of Shareholding

The pattern of shareholding as on June 30, 2008 as required u/s 236 of the Companies Ordinance 1984 as well as per Listing Regulations of the Stock Exchanges are attached.

For and on behalf of the Board of Directors

Lahore:	**Salmaan Taseer**	**Aamna Taseer**
October 07, 2008	Chief Executive Officer	Director

Annexure-1

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

	Opening balance as on 01-07-2007	Purchase	Bonus	Sale	balance as on 30-06-2008
Directors					
Salmaan Taseer (CEO/Director)	587	-	-	-	587
Aamna Taseer	587	-	-	-	587
Sardar Ali Wattoo	587	-	-	-	587
Sulieman Ahmed Said Al-Hoqani	29,456,656	365,000	-	-	29,465,656
Jamal Said Al-Ojaili	587	-	-	-	587
Abid Raza	587	-	-	-	587
Imran Saeed Chaudhry	5,124,952	-	-	854,152	4,270,800
Mahmood Ali Athar	587	-	-	-	587
Spouses	-		-	-	-
Minor Children	-		-	-	-
Chief Financial Officer					
Muhammad Musharaf Khan	-	-	-	-	-
Company Secretary					
Mohammad Noaman Adil	-	-	-	-	-

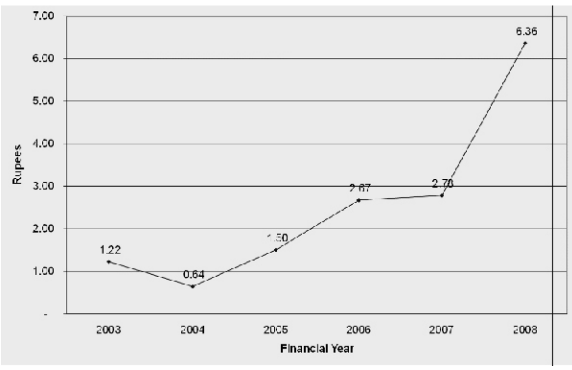
KEY OPERATING AND FINANCIAL INDICATORS

KEY INDICATORS **Rupees in Thousands**

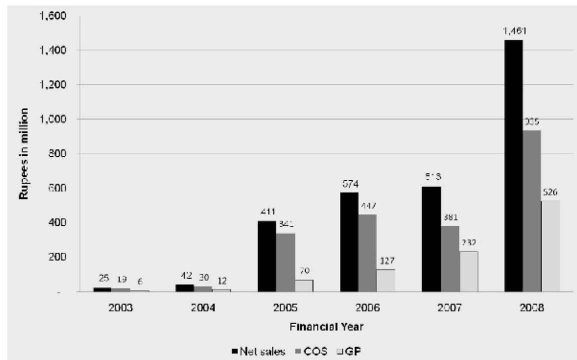
		2003	2004	2005	2006	2007	2008
Operating result							
Net Sales		25,328	42,246	410,925	573,676	612,651	**1,460,888**
Gross profit		6,229	12,125	69,900	126,744	231,500	**525,612**
Profit from operation		39,117	86,843	272,453	346,252	643,494	**1,699,553**
Profit before tax		33,718	82,359	271,437	345,023	550,958	**1,453,293**
Profit after tax		134,811	71,933	206,055	326,968	500,143	**1,406,970**
Financial Position							
Shareholder's equity		480,344	947,811	1,153,866	1,489,766	3,175,016	**4,560,706**
Property, plant & Equipment		235,474	226,525	260,903	271,835	245,759	**434,385**
Net current assets		(31,864)	601,673	662,273	200,333	1,337,532	**1,655,589**
Profitability							
Gross profit	%	24.59	28.70	17.01	22.09	37.79	**35.98**
Operating profit	%	154.44	205.57	66.30	60.36	105.03	**116.34**
Profit before tax	%	133.13	194.95	66.06	60.14	89.93	**99.48**
Profit after tax	%	532.26	170.27	50.14	57.00	81.64	**96.31**
Performance							
Fixed assets turnover	Times	0.11	0.19	1.58	2.11	2.49	**3.36**
Return on equity	%	36.28	10.07	19.61	24.74	21.44	**36.38**
Return on capital employed	%	35.43	8.98	15.71	19.54	18.53	**27.90**
Liquidity							
Current	Times	0.62	7.80	5.23	1.25	6.51	**1.81**
Quick	Times	0.62	1.58	1.49	0.62	3.48	**1.23**
Valuation							
Earning per share	Rs	1.22	0.64	1.50	2.67	2.78	**6.36**
Break up vale per share	Rs	14.23	12.20	14.86	14.31	14.40	**20.69**

PERFORMANCE AT A GLANCE

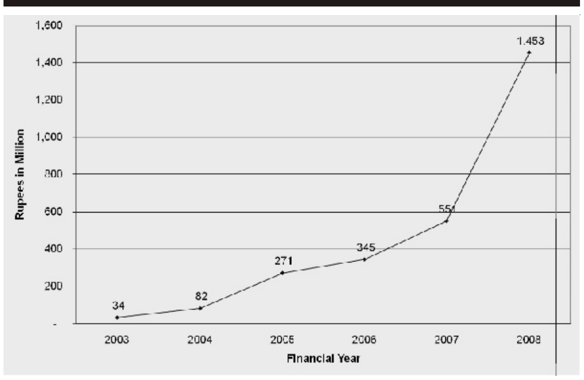
Earning per Share



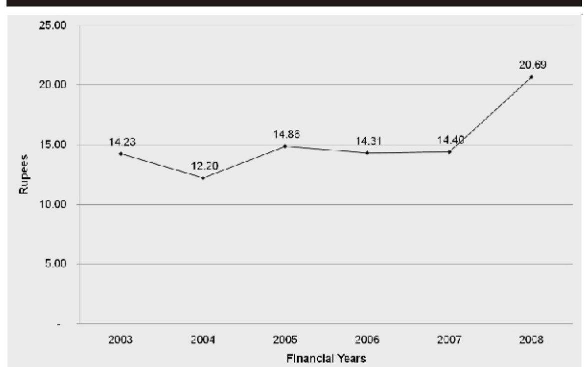
Net Sales, COS & Gross Profit



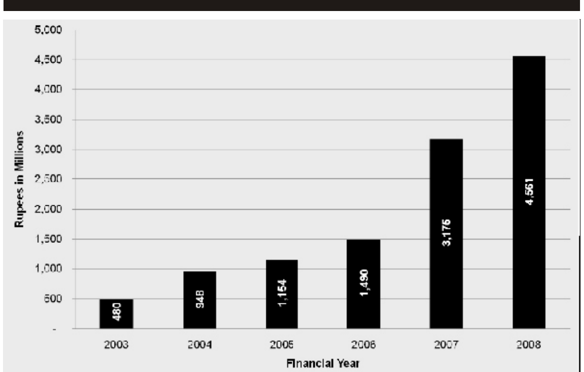
Profit Before Tax



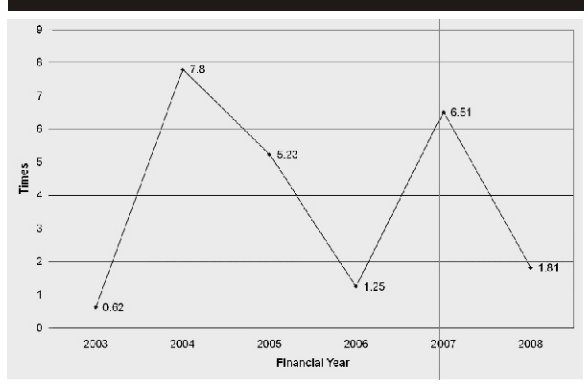
Break-up Value



Share Holder's Equity



Current Ratio



STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES ON TRANSFER PRICING FOR THE YEAR ENDED JUNE 30, 2008

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	**Salmaan Taseer**	**Aamna Taseer**
October 07, 2008	Chief Executive Officer	Director

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2008

This statement is being presented to comply with the Code of Corporate Governance contained in listing regulations of Stock Exchanges 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 Institutions (DFI) or a Non Banking Financial Institution (NBFI). No. one is a member of Stock Exchange.

4) No casual vacancy of directors occurred during the year.

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) The meetings of the Audit Committee were held at least once every quarter prior to approval of interim 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	**Salmaan Taseer**	**Aamna Taseer**
October 07, 2008	Chief Executive Officer	Director

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH 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** (the Company) to comply with the Listing Regulations No. 37 of the Karachi Stock Exchange and Chapter XIII of 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, 2008.

Lahore:
October 07, 2008

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, 2008 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, 2008 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 (XVIII of 1980).

Lahore:
October 07, 2008

A.F. Ferguson & Co.
Chartered Accountants

BALANCE SHEET
AS AT JUNE 30, 2008

	Note	June 30, 2008	June 30, 2007
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised capital			
600,000,000 (June 2007: 230,000,000) ordinary shares of Rs 10 each		6,000,000	2,300,000
Issued, subscribed and paid up capital			
220,465,538 (June 2007: 220,464,951) ordinary shares of Rs 10 each	5	2,204,656	2,204,650
Share deposit money		882	1,260
Reserves		117,254	138,162
Unappropriated profit		2,237,914	830,944
		4,560,706	3,175,016
NON-CURRENT LIABILITIES			
Long term finances - secured	6	11,051	48,750
Redeemable capital - secured (non-participatory)	7	1,499,400	-
Liabilities against assets subject to finance lease	8	9,001	6,044
Deferred liabilities	9	108,923	59,239
Advances against sale of property	10	330,424	278,343
		1,958,799	392,376
CURRENT LIABILITIES			
Current portion of long term liabilities	11	44,843	109,268
Foreign currency convertible bonds - unsecured	12	1,758,565	-
Creditors, accrued and other liabilities	13	238,209	131,906
Taxation		-	1,472
		2,041,617	242,646
CONTINGENCIES AND COMMITMENTS	14	-	-
		8,561,122	3,810,038

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

Salmaan Taseer
Chief Executive

	Note	June 30, 2008	June 30, 2007
		(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	15	434,385	245,759
Intangible assets	16	10,543	1,282
Assets subject to finance lease	17	18,385	10,647
Capital work in progress	18	47,603	15,192
Investment property	19	3,580,870	1,418,047
Investments	20	600,248	333,282
Long term advances and deposits	21	29,879	23,532
Long term loans - unsecured	22	142,003	182,119
		4,863,916	2,229,860
CURRENT ASSETS			
Stock-in-trade	23	1,189,809	736,216
Trade debts - unsecured	24	974,764	320,624
Due from related parties - unsecured	25	132,975	85,076
Advance against purchase of property - unsecured	26	5,000	20,000
Advances, deposits, prepayments and other receivables	27	79,778	110,319
Cash and bank balances	28	1,314,880	307,943
		3,697,206	1,580,178
		8,561,122	3,810,038

Aamna Taseer
Director

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2008

		Note	2008	2007
			(Rupees in thousand)	
Sales		29	1,460,888	612,651
Cost of sales		30	(935,276)	(381,151)
Gross profit			525,612	231,500
Administrative and selling expenses		31	(122,271)	(77,667)
Changes in fair value of investment property		19	1,245,382	405,499
Other operating income		32	259,909	149,569
Other operating expenses		33	(209,079)	(65,407)
Profit from operations			1,699,553	643,494
Finance costs		34	(246,260)	(92,536)
Profit before tax			1,453,293	550,958
Taxation		35	(46,323)	(50,815)
Profit for the year			1,406,970	500,143
Earnings per share attributable to ordinary shareholders				
- basic earnings per share	Rupees	41	6.36	2.78
- diluted earnings per share	Rupees	41	5.90	-

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

Salmaan Taseer
Chief Executive

Aamna Taseer
Director

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2008

	Note	2008	2007
		(Rupees in thousand)	
Cash flow from operating activities			
Cash used in operations	37	(983,498)	(352,885)
Net increase in advances against sale of property		52,081	47,272
Finance costs paid		(139,535)	(95,355)
Gratuity and leave encashment paid		(1,833)	(618)
Taxes paid		(11,595)	(4,898)
Net cash used in operating activities		(1,084,380)	(406,484)
Cash flow from investing activities			
Purchase of property, plant and equipment		(110,812)	(36,243)
Additions in investment property		(729,275)	(43,260)
Proceeds from sale of property, plant and equipment		3,990	-
(Increase)/decrease in long term advances and deposits		(6,347)	3,604
Repayment of loans by related parties		40,116	64,435
Mark up received		187,479	126,890
Investment in equity instrument of Pace Barka Properties Limited		(300,000)	-
Proceeds from sale of investment		45,000	-
Proceeds from disposal of investment property		1,804	-
Net cash (used in)/from investing activities		(868,045)	115,426
Cash flow from financing activities			
Receipt of share deposit money		-	1,170,907
Surrender of share deposit money to SECP		(371)	-
Proceeds from long term finances		-	85,000
Repayment of long term finances		(105,842)	(146,500)
Proceeds from issuance of redeemable capital		1,500,000	-
Proceeds from issuance of foreign currency convertible bonds		1,559,500	-
Availment/(repayment) of finance lease liabilities		6,075	(6,623)
Net cash from financing activities		2,959,362	1,102,784
Net increase in cash and cash equivalents		1,006,937	811,726
Cash and cash equivalents at the beginning of the year		307,943	(503,783)
Cash and cash equivalents at the end of the year	38	1,314,880	307,943

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

Salmaan Taseer
Chief Executive

Aamna Taseer
Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2008

(Rupees in thousand)

	Share capital	Share deposit money	Share premium	Revaluation reserve for investment property	Reserve for changes in fair value of investments	Unappropriated profit	Total
Balance as on June 30, 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 on June 30, 2007	2,204,650	1,260	1,002	116,244	20,916	830,944	3,175,016
Issue of ordinary shares	5	(7)	2	-	-	-	-
Bonus shares issued during the year	1	-	(1)	-	-	-	-
Transferred to profit and loss account on disposal of shares in Worldcall Telecom Limited	-	-	-	-	(20,906)	-	(20,906)
Loss in fair value of investment	-	-	-	-	(3)	-	(3)
Share deposit money surrendered to SECP	-	(371)	-	-	-	-	(371)
Profit for the year	-	-	-	-	-	1,406,970	1,406,970
Balance as on June 30, 2008	**2,204,656**	**882**	**1,003**	**116,244**	**7**	**2,237,914**	**4,560,706**

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

Salmaan Taseer
Chief Executive

Aamna Taseer
Director

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

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 condominiums, departmental stores, shopping plazas, super markets, utility stores, housing societies and to carry out commercial, industrial and other related activities in and out of Pakistan.

2. Basis of preparation

2.1 These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance , 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.2 Standards, interpretations and amendments to published approved accounting standards

The following amendments to existing standards have been published that are applicable to the Company's financial statements covering annual periods, beginning on or after the following dates:

2.2.1 Amendments to published standards effective in current year

IAS 1 Presentation of Financial Statements
Amendments to IAS 1 'Presentation of Financial Statements' - Capital disclosure is mandatory for the Company's accounting period beginning on July 01, 2007. It's adoption by the Company only impacts the format and extent of disclosures presented in the financial statements.

2.2.2 Amendments and interpretations to published standards not yet effective

The following amendments and interpretations to existing standards have been published and are mandatory for the Company’s accounting periods beginning on or after their respective effective dates:

IAS 23 Borrowing Costs

Certain amendments to IAS 23 'Borrowing Costs' have been published that are applicable to the Company's financial statements covering annual periods, beginning on or after July 01, 2009. Adoption of these amendments would require the Company to capitalise the borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing these borrowing costs will be removed. Its adoption will not have any impact on the Company's financial statements.

IFRS 7 Financial Instruments: Disclosures

IFRS 7 'Financial Instruments : Disclosures' is effective from July 01, 2008. It requires disclosures about the significance of financial instruments for the Company's financial position and performance, as well as quantitative and qualitative disclosure on the nature and extent to risks.

IFRS 8 Operating Segments

IFRS 8, 'Operating segments ' replaces IAS 14 and is effective from financial year July 1, 2009. IFRS 8 provides guidance for disclosure of information about entity's operating segments, products and services, geographical areas in which it operates, and major customers. It's adoption by the Company only impacts the format and extent of disclosures presented in the financial statements.

IFRIC 15 Agreements for the Construction of Real Estate

IFRIC 15 - Agreements for the construction of real estate was issued by IASB on July 3, 2008.The interpretation applies for accounting of revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation is effective to the Company's financial statements covering annual period beginning period on or after July 1, 2009. Its adoption will not have any significant impact on the Company's financial statements.

IFRIC 14, IAS 19 The limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction

IFRIC 14, 'IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction' is effective from July 01, 2008. IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. Its adoption will not have any significant impact on the Company's financial statements.

2.2.3 Standards and interpretations to existing standards that are not applicable to the Company and not yet effective

Standards or Interpretation	**Effective date (accounting periods beginning on or after)**
IFRS 2 - Share based payment	July 01, 2009
IFRIC 12 - Service concession arrangements	July 01, 2008
IFRIC 13 - Customer loyalty programmes	July 01, 2008
IFRIC 16 - Hedge of net investment in a foreign operation	July 01, 2009

In addition to the above, a new standard 'IFRS 4 - Insurance Contracts' has been issued by the International Accounting Standards Board but has not yet been adopted by the Institute of Chartered Accountants of Pakistan (ICAP) or notified by the SECP and, hence, presently do not form part of the local financial reporting framework.

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. The areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

a) Staff 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) Provision for taxation

The Company takes into account the current income tax law and the decisions taken by appellate authorities. Instances where the Company's view differs from the view taken by the income tax department at the assessment stage and where the Company considers that its views on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

c) Useful life and residual values of property, plant and equipment

The Company reviews the useful lives of property, plant and equipment on regular basis. Any change in estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment.

d) 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.

e) 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.

f) Transfer of equitable interest in stock-in-trade

The Company has entered into a number of contracts with buyers for the sale of condominiums, shops/counters and villas. Management has determined that equitable interest in such assets and therefore risks and rewards of the ownership are transferred to the buyer once he is committed to complete the payment for the purchase. This commitment is evidenced by a signed contract for the purchase of the property and payments of sufficient progress payments. Based on this, the Company recognises revenues and profits as the acts to complete the property are performed.

g) Costs to complete the projects

The Company estimates the cost to complete the projects in order to determine the cost attributable to revenue being recognised. These estimates include the cost of providing infrastructure activities, potential claims by sub contractors and the cost of meeting the contractual obligation to the customers.

h) Provision for doubtful receivable

Provision against overdue receivable balances is recognized after considering the receipt pattern and the future outlook of the concerned receivable party. It is reviewed by the management on a regular basis.

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 year 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 year 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 are recognized 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 income statement, 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 borrowing costs as referred to in note 4.13.

Depreciation on all property, plant and equipment is charged to profit on the reducing balance method except for building on lease hold land which is being depreciated using straight line method, so as to write off the cost of an asset over its estimated useful life at the following annual rates:

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

The assets' residual values and estimated useful lives are reviewed at each financial year end 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 of.

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 profit and loss account 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

Expenditure incurred to acquire computer software and right to use optical fiber (dark fiber) are capitalised as intangible assets and stated at cost less accumulated amortisation and any identified impairment loss.

Amortisation is charged to income on the reducing balance method, except for dark fiber which is being amortised using the straight line method, so as to write off the cost of an asset over its estimated useful life. Amortisation 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 of. Amortisation is being charged at the annual rate of 10% except for dark fiber which is being amortized at the annual rate of 5%.

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 and loss account. 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 Staff 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, 2008. Projected Unit Credit Method, using the following significant assumptions is used for valuation of the scheme:

- Discount rate 12 percent per annum (2007: 10 percent per annum)
- Expected rate of increase in salary level 11 percent per annum (2007: 9 percent per annum)

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

(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. Unutilised leaves can be accumulated upto unlimited amount. Unutilised 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, 2008. Projected Unit Credit Method, using the following significant assumptions is used for valuation of accumulating compensated absences:

- Discount rate 12 percent per annum (2007: 9 percent per annum)
- Expected rate of increase in salary level 11 percent per annum (2007: 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	10 days (2007: 8 days)

Experience gains and losses arising during the year are recognised immediately in accordance with the provisions of IAS 19 'Employee Benefits'.

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

4.6 Capital work in progress

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

4.7 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, 2008. 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.

4.8 Investments

Investments intended to be held for less than twelve months from the balance sheet date or to be sold to raise operating capital, are included in current assets, all other investments are classified as non-current. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

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 in the Company's financial statements.

The Company is required to issue consolidated financial statements along with its separate financial statements, in accordance with the requirements of IAS 27 "Consolidated and Separate Financial Statements". Investments in associated undertakings, in the consolidated financial statements, are being accounted for using the equity method.

Available for sale

Investments classified as available for sale are initially measured at cost, being the fair value of consideration given. At subsequent reporting dates, these investments are remeasured at fair value (quoted market price), unless fair value cannot be reliably measured. The investments for which a quoted market price is not available, are measured at cost as it is not possible to apply any other valuation methodology. Unrealised gains and losses arising from the changes in the fair value are included in fair value reserves in the period in which they arise.

All purchases and sales of investments are recognised on the trade date which is the date that the Company commits to purchase or sell the investment. Cost of purchase includes transaction cost.

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 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.

4.9 Sale and repurchase agreements

Securities purchased under an agreement to resell (reverse repo) are not recognized in the financial statements as investments and the amount extended to the counter party is included in other receivables. The difference between the sale and repurchase price is recognized as mark-up earned and included in other income.

4.10 Stock-in-trade

Land, condominiums, shops/counters and villas 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 land, condominiums, shops/counters and villas in the process of construction/development. Cost in relation to work-in-process 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.

4.11 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.

Exchange differences are included in income currently.

4.12 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 land, condominiums, shops/counters and villas is recognized when the significant risks and rewards of ownership have been transferred to the buyer, the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the property sold, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

The significant risks and rewards of ownership are transferred to the buyer when following conditions are met:

- the buyers investment, to the date of the financial statements, is adequate to demonstrate a commitment to pay for the property;

- construction is beyond a preliminary stage;

- the buyer is committed. Buyer is unable to require a refund except, for non delivery of the unit. Management believes that the likelihood of the Company being unable to fulfil its contractual obligations for this reason is remote; and

- the buyer has the right to dispose off the property

Revenue from sales agreements where the control and the significant risks and rewards of ownership of the work in progress are transferred by the Company to the buyer in its current state as construction progresses is measured using the percentage of completion method. The stage of completion is measured by reference to the costs incurred up to the balance sheet date as a percentage of total estimated costs for each project.

Revenue from sales agreements where significant risks and rewards are not passed on to the buyer as construction progresses are recognized when possession is handed over to the buyer and the Company does not expect any further future economic benefits from such property.

4.13 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 income.

4.14 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 organized into three business segments:

- Real estate sale - sale of land, condominiums, shops/counters and villas

- 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.

4.15 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 liabilities 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 for the year.

The financial instruments carried on the balance sheet include long term loans, deposits, receivables, cash and cash equivalents, long term loans, liabilities against assets subject to finance lease, long term payables, finances under mark up arrangements, foreign currency convertible bonds 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.

4.16 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.

4.17 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.

4.18 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 recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that 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.

4.19 Borrowings

Loans and borrowings are initially 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.

4.20 Foreign currency convertible bonds

Foreign currency convertible bond, containing an embedded derivative, are carried at fair value through profit or loss unless fair value cannot be reliably measured in which case they are measured at cost. Transaction costs and gain and loss arising due to foreign currency translations is charged to profit and loss account. The interest expense recognized in the income statement is calculated using the effective inertest rate method.

4.21 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

2008	2007		2008	2007
(Number of shares)			(Rupees in thousand)	
143,296,147	143,295,647	Ordinary shares of Rs 10 each fully paid in cash	1,432,962	1,432,957
77,169,391	77,169,304	Ordinary shares of Rs 10 each issued as fully paid bonus shares	771,694	771,693
220,465,538	220,464,951		2,204,656	2,204,650

First Capital Securities Corporation Limited and Worldcall Telecom Limited, associated undertakings, hold 32,849,907 (June 2007: 32,849,907) and 6,959,290 (June 2007: 6,959,290) ordinary shares of the company respectively.

	Note	2008	2007
		(Rupees in thousand)	
6. Long term finances - secured			
Standard Chartered Bank (Pakistan) Limited - Syndicate	6.1	**-**	94,500
Faysal Bank Limited- long term finance facility	6.2	**48,658**	60,000
		48,658	154,500
Less: Current portion shown under current liabilities		**37,607**	105,750
		11,051	48,750

6.1 The loan has been repaid during the year.

6.2 Faysal Bank Limited-long term finance facility

Terms of repayment

The balance is payable in five 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 terms of facility, 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 property located at 41 P Block, Model Town, Lahore and lien on term deposit receipt valuing Rs 7 million.

	Note	2008	2007
		(Rupees in thousand)	
7. Redeemable capital - secured (non-participatory)			
Term finance certificates	7.1	**1,500,000**	-
		1,500,000	-
Less: Current portion shown under current liabilities		**600**	-
		1,499,400	**-**

7.1 Term finance certificates

Terms of repayment

The term finance certificates (TFC's) are listed on Lahore Stock Exchange and are redeemable in 5 years. The principal balance is payable in six equal semi-annual installments after a grace period of 2 years. The first installment will be due at the end of 30th month from the issue date. Initially mark up was computed at average 6 months KIBOR plus 3% during the pre-IPO period, however with effect from January 1, 2008 mark up is computed at average 6 months KIBOR plus 1.5% and is payable semi-annually in arrears.

Security

The TFC's are secured by a first exclusive charge by way of equitable mortgage on the Company's properties situated at 124/E-1, Main Boulevard Gulberg III, Lahore, 40-Block P, Model Town, Lahore, 27-H College Road, Gulberg II, Lahore, G.T. Road, Gujranwala and Barki Road, Lahore and first exclusive hypothecation charge over certain specific fixed assets, to the extent of Rs 2 billion.

8. Liabilities against assets subject to finance lease

	2008	2007
	(Rupees in thousand)	
Present value of minimum lease payments	**15,637**	9,562
Less: Current portion shown under current liabilities	**6,636**	3,518
	9,001	6,044

The minimum lease payments have been discounted at an implicit interest rate ranging from 8.70% 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 2.975 million (June 2007: Rs 1.931 million).

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

(Rupees in thousand)

	Minimum lease payments	**Future finance charge**	**Present value of lease liability**	
			2008	**2007**
Not later than one year	7,913	1,277	**6,636**	3,518
Later than one year and not later than five years	9,624	623	**9,001**	6,044
	17,537	1,900	**15,637**	9,562

9. Deferred liabilities

	Note	**2008**	2007
		(Rupees in thousand)	
These are composed of :			
Staff gratuity	9.1	**22,267**	13,210
Leave encashment	9.2	**1,656**	1,029
Deferred taxation	9.3	**85,000**	45,000
		108,923	59,239

9.1 Staff gratuity

	2008	2007
	(Rupees in thousand)	
The amounts recognised in the balance sheet are as follows:		
Present value of defined benefit obligation	**25,021**	14,919
Unrecognised experience losses	**(2,754)**	(1,709)
Liability as at June 30	**22,267**	13,210
Liability as at July 1	**13,210**	6,526
Charge to profit and loss account	**10,463**	7,198
Benefits paid	**(1,406)**	(514)
Liability as at June 30	**22,267**	13,210
The movement in the present value of defined benefit obligation is as follows:		
Present value of defined benefit obligation as at July 1	**14,919**	7,193
Service cost	**8,928**	6,550
Interest cost	**1,492**	648
Benefits paid	**(1,406)**	(514)
Experience loss	**1,088**	1,042
Present value of defined benefit obligation as at June 30	**25,021**	14,919
The amounts recognized in the profit and loss account are as follows:		
Service cost	**8,928**	6,550
Interest cost	**1,492**	648
Experience loss	**43**	-
Charge to profit and loss	**10,463**	7,198

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

	2008	2007	2006	2005	2004
			(Rupees in thousand)		
Present value of defined benefit obligation	**25,021**	14,919	7,193	4,279	2,992
Fair value of plan assets	**-**	-	-	-	-
Deficit	**(25,021)**	(14,919)	(7,193)	(4,279)	(2,992)
Experience adjustment on obligation	**7%**	14%	12%	5%	-

9.2 Leave encashment

	2008	2007
	(Rupees in thousand)	
The amounts recognised in the balance sheet are as follows:		
Liability as at July 1	**1,029**	712
Charge to profit and loss account	**1,054**	421
Benefits paid	**(427)**	(104)
Liability as at June 30	**1,656**	1,029

	Note	2008	2007
		(Rupees in thousand)	
9.3 The liability for deferred taxation comprises temporary differences relating to:			
Accelerated tax depreciation		**187,706**	95,826
Employee retirement benefits		**(8,373)**	(4,984)
Deferred cost		**(737)**	(921)
Unused tax losses and minimum tax		**(93,596)**	(44,921)
		85,000	45,000
The gross movement in deferred tax liability during the year is as follows:			
Opening balance		**45,000**	(1,252)
Charge during the year		**40,000**	46,252
Closing balance		**85,000**	45,000

10. Advances against sale of property

This represents advances received from various parties against sale of apartments in Pace Towers project, 27-H Gulberg II, Lahore.

11. Current portion of long term liabilities

	Note	2008	2007
		(Rupees in thousand)	
Current portion of long term finances -secured	6	**37,607**	105,750
Current portion of Redeemable capital - secured (non-participatory)	7	**600**	-
Current portion of liabilities against assets subject to finance lease	8	**6,636**	3,518
		44,843	109,268

12. Foreign currency convertible bonds - unsecured

	2008	2007
Opening balance as at July 1	**-**	-
Issued during the year	**1,559,500**	-
Markup accrued for the year	**53,565**	-
	1,613,065	-
Markup paid during the year	**-**	-
Exchange loss for the year	**145,500**	-
Closing balance as at June 30	**1,758,565**	-

The Company issued 25,000 convertible bonds of USD 1000 each amounting to USD 25 million listed at Singapore Stock Exchange due in 2013. Yield to maturity is 6.5% per annum, compounded semi-annually, accretive. The holders of the bonds have an option to convert the bonds into equity shares of the Company at any time following the issue date at a price calculated every six months as per terms of arrangement or mandatory conversion can take place if certain conditions are met.

Net proceeds will be used by Company for expansion of real estate and land development including the projects under consideration.

As the fair value calculated for the embedded foreign exchange equity derivate and the financial instrument is quite subjective and cannot be measured reliably, consequently the bond has been carried at cost and includes accreted markup.

	Note	2008	2007
		(Rupees in thousand)	

13. Creditors, accrued and other liabilities

	Note	2008	2007
Trade creditors		**8,362**	8,927
Advances from customers		**6,645**	5,617
Licensees/concessionaires payable		**6,442**	4,036
Accrued liabilities		**17,292**	11,417
Mark-up accrued on:			
- Long term finances -secured		**760**	2,322
- Redeemable capital - secured (non-participatory)		**66,191**	-
- Finances under mark up arrangements		**-**	1,601
Licensee security deposits		**12,701**	5,889
Payable to contractors	13.1	**89,495**	68,309
Due to related parties		**-**	4,500
Retention money	13.2	**24,909**	15,558
Others		**5,412**	3,730
		238,209	131,906

13.1 Payable to contractors include Rs 33.683 million (June 2007: Rs 43.306 million) due to a related party.

13.2 Retention money include Rs 17.960 million (June 2007: Rs 10.601 million) due to a related party.

14. Contingencies and commitments

14.1 Contingencies

(i) Claims against the Company not acknowledged as debts Rs 21.644 million (June 2007: Rs 21.644 million).

(ii) Bank guarantee amounting to Rs Nil (June 2007: Rs 60 million) 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, a related party, in favour of The Bank of Punjab, amounting to Rs 900 million (June 2007: Rs 900 million) as per the approval of shareholders through the special resolution dated July 29, 2006.

(iv) A penalty of Rs. 3.87 million (June 2007: Nil) , for an alleged non-filing of Wealth Tax returns for assessment years 1996-97 to 1998-99, has been imposed vide order dated 4th September, 2007 by the Wealth Tax Officer. The Company has filed appeal before CIT (A) for cancellation of the order.

Pending the outcome of the appeal the amount has not been provided as management is of the opinion that there are meritious grounds that the ultimate decision would be in its favour.

14.2 Commitments

(i) Letters of credit other than capital expenditure amounting to Rs Nil (June 2007: Rs 5.757 million).

(ii) Letters of credit for capital expenditure amounting to Rs 3.161 million (June 2007: Rs 1.43 million).

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

	2008	2007
	(Rupees in thousand)	
Not later than one year	**1,436**	-
Later than one year and not later than five years	**7,332**	-
Later than five years	**14,121**	-
	22,889	-

15 Property, plant and equipment

(Rupees in thousand)

2008

	Cost as at June 30, 2007	Additions/ transfers/ (deletions)	Transfer to investment property/ stock-in-trade	Cost as at June 30, 2008	Accumulated depreciation as at June 30, 2007	Depreciation charge for the year	Transfer to investment property/ stock-in-trade	Accumulated depreciation as at June 30, 2008	Book value as at June 30, 2008
Freehold land *	90,660	3,380	-	94,040	-	-	-	-	94,040
Leasehold land **	-	-	-	-	-	-	-	-	-
Buildings on freehold land	72,127	39,536	-	111,663	9,160	4,543	-	13,703	97,960
Buildings on leasehold land ***	-	134,225	-	134,225	-	1,119	-	1,119	133,106
Plant and machinery	67,854	4,828	-	72,682	28,941	3,745	-	32,686	39,996
Electrical equipment	31,158	11,827	-	42,985	5,127	3,301	-	8,428	34,557
Office equipment and appliances	11,422	231	-	11,653	3,402	816	-	4,218	7,435
Furniture and fixtures	4,349	6,787	-	11,136	1,080	679	-	1,759	9,377
Computers	4,504	4,183	-	8,627	1,738	1,638	-	3,365	5,262
		(60)				(11)			
Vehicles	16,029	4,546	-	17,337	2,896	2,437	-	4,685	12,652
		(3,238)				(648)			
June 2008	298,103	209,543	-	504,348	52,344	18,278	-	69,963	434,385
		(3,298)				(659)			

2007

	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
June 2007	351,790	85,872	(139,559)	298,103	79,955	10,687	(38,298)	52,344	245,759

* 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), a related party, 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.

*** Building on leasehold land represents the 6,330 square feet relating to 3rd floor of Fortress Project, Lahore the right of which has been acquired for 10 years from Fortress Stadium management, Lahore Cantt and which is not saleable in the ordinary course of business as per terms of agreement.

	Note	June 2008 (Rupees in thousand)	June 2007
15.1 The depreciation charge for the year has been allocated as follows:			
Stores operating expenses	30.2	**12,051**	6,960
Administrative and selling expenses	31	**6,227**	3,727
		18,278	10,687

15.2 Vehicles having book value of Rs Nil (June 2007: Rs 1.352 million) are not in the possession of the company and are held by World Call Telecom Limited and Media times, related parties, as at June 30, 2008.

15.3 Disposal of property, plant & equipment

(Rupees in thousand)

Particular of Assets	Sold to	Cost	Accumulated Depreciation	Book value	Sales proceeds	Mode of Disposal
Computers	Shaheen Insurance Company Limited	60	11	49	45	Insurance claim
Vehicles	Shaheen Insurance Company Limited	3,238	648	2,590	2,900	Insurance claim
June 2008		3,298	659	2,639	2,945	

16 Intangible assets

(Rupees in thousand)

	Cost as at June 30, 2007	Additions/ (deletions)	Cost as at June 30, 2008	Accumulated amortisation as at June 30, 2007	Amortisation charge for the year	Accumulated amortisation as at June 30, 2008	Book value as at June 30, 2008
Softwares	2,878	-	2,878	1,596	128	1,724	1,154
Dark fiber *	-	9,508	9,508	-	119	119	9,389
June 2008	2,878	9,508	12,386	1,596	247	1,843	10,543
June 2007	2,878	-	2,878	1,296	142	1,596	1,282

* This represents purchase of right to use optical fiber at Company properties for 20 years from a related party.

16.1 The amortization charge for the year has been charged to administrative and selling expenses as referred to in note 31.

17. Assets subject to finance lease

	Cost as at June 30, 2007	Additions/ (deletion)/ (transfers)	Cost as at June 30, 2008	Accumulated depreciation as at June 30, 2007	depreciation charge for the year	Accumulated depreciation as at June 30, 2008	Book value as at June 30, 2008
Vehicles	13,751	12,052 (2,274)	23,529	3,104	3,534 (1,494)	5,144	18,385
June 2008	13,751	12,052 (2,274)	23,529	3,104	3,534 (1,494)	5,144	18,385
June 2007	15,872	4,809 (6,930)	13,751	3,664	2,309 (2,869)	3,104	10,647

17.1 The depreciation charge for the year has been charged to administrative and selling expenses as referred to in note 31.

	Note	2008	2007
		(Rupees in thousand)	

18. Capital Work in progress

	Note	2008	2007
Broadband/telephony services	18.1	**2,672**	-
Interactive vigilance system	18.1	**16,000**	-
Investment property under construction		**28,931**	15,192
		47,603	15,192

18.1 This represents installation of vigilance system and services of broadband provided at Company properties by a related party.

18.2 Work in process amounting to Rs 0.233 million (June 2007: Rs 14.734) are pledged with lenders as security against long term loan and redeemable capital as referred to in note 6.2 and note 7 respectively.

19. Investment Property

	Land	Building	2008	2007
			(Rupees in thousand)	
Opening value as on July 1	45,900	1,372,147	1,418,047	776,534
Additions to cost during the year:				
- Transfer from stock-in-trade	-	286,270	286,270	178,828
- Transfer from property, plant and equipment	-	-	-	13,926
- Purchase of assets classified as 'investment property'	724,235	5,040	729,275	43,260
- Transfer to stock-in-trade	-	(96,686)	(96,686)	-
- Disposal of investment property	-	(1,418)	(1,418)	-
Closing Value before revaluation as at June 30	770,135	1,565,353	2,335,488	1,012,548
Add: Gain recognised in Profit and Loss Account			1,245,382	405,499
Closing value after revaluation as on June 30			3,580,870	1,418,047

20. Investments

	Note	2008	2007
		(Rupees in thousand)	
Equity instruments of:			
- subsidiaries - unquoted	20.1	**55**	55
- associated undertakings - unquoted	20.2	**600,180**	300,180
Available for sale - quoted	20.3	**13**	33,047
		600,248	333,282

20.1. Subsidiaries - unquoted

	2008	2007
Pace Woodlands (Private) Limited 3,000 (June 2007: 3,000) fully paid ordinary shares of Rs 10 each	**30**	30
Pace Gujrat (Private) Limited 2,450 (June 2007: 2,450) fully paid ordinary shares of Rs 10 each	**25**	25
	55	55

	Note	2008	2007
		(Rupees in thousand)	
20.2 Associated undertakings - unquoted			
Pace Barka Properties Limited 60,000,000 (June 2007: 30,000,000) fully paid ordinary shares of Rs 10 each		**600,000**	300,000
Pace Super Mall (Private) Limited 18,000 (June 2007: 18,000) fully paid ordinary shares of Rs 10 each		**180**	180
		600,180	300,180
20.3 Available for sale - quoted			
Available for sale investment at cost	20.3.1	**6**	12,131
Add: Cumulative fair value gain	20.3.2	**7**	20,916
		13	33,047

20.3.1 This represents 912 (June 2007: 1,800,912) 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.

	Note	2008	2007
		(Rupees in thousand)	
20.3.2 Cumulative fair value gain			
As at July 1		**20,916**	1,885
Fair value (loss)/gain during the year		**(3)**	19,031
Transfer to profit and loss account		**(20,906)**	-
As at June 30		**7**	20,916

21. Long term advances and deposits

	Note	2008	2007
Advance against purchase of property - unsecured	21.1	**21,600**	21,600
Lease key money		**2,279**	1,932
Security deposit		**6,000**	-
		29,879	23,532

21.1 This represents interest free advance to Pace Super Mall (Private) Limited, a related party, relating to normal business of the Company.

	2008	2007
	(Rupees in thousand)	
22. Long term loans - unsecured		
These represent loans given to the following related parties:		
Subsidiaries		
Pace Woodlands (Private) Limited	**100,900**	100,900
Pace Gujrat (Private) Limited	**-**	40,116
	100,900	141,016
Associated undertaking		
Media Times Limited	**41,103**	41,103
	142,003	182,119

22.1 These loans carry mark up at the rate ranging from 15.25% to 15.40% per annum (June 2007: 14.44% to 15.40%).

	Note	2008	2007
		(Rupees in thousand)	
23. Stock-in-trade			
Commercial buildings and shops			
Work in process	23.1	**937,446**	667,113
Shops		**251,025**	68,281
		1,188,471	735,394
Restaurant and stores inventory		**1,338**	822
		1,189,809	736,216

23.1 Included in work in process are borrowing costs of Rs 46.326 million (June 2007: Rs 45.053 million).

23.2 Work in process amounting to Rs 149.362 million (June 2007: Rs 61.338 million) are pledged with lenders as security against long term loan and redeemable capital as referred to in note 6.2 and note 7 respectively.

24. Trade debts - unsecured

These are unsecured and considered good. Included in trade debts is an amount of Rs 419.06 million (June 2007: Rs Nil) receivable from First Capital Securities Corporation Limited, a related party.

	2008	2007
	(Rupees in thousand)	
25. Due from related parties - unsecured		
Subsidiaries		
Pace Woodlands (Private) Limited	**91,420**	72,727
Pace Gujrat (Private) Limited	**41,555**	11,786
	132,975	84,513
Associated Undertakings		
Pace Barka Properties Limited	**-**	563
	132,975	85,076

25.1 These advances are considered good and carry mark up at the rate ranging from 15.25% to 15.40% per annum (June 2007: 14.44% to 15.40%).

	2008	2007
	(Rupees in thousand)	
26. Advance against purchase of property - unsecured		
Pace Woodlands (Private) Limited - subsidiary	**5,000**	5,000
Others	**-**	15,000
	5,000	20,000

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

	Note	2008	2007
		(Rupees in thousand)	
27. Advances, deposits, prepayments and other receivables			
Advances - considered good			
- to employees		**8,342**	9,581
- to suppliers		**9,496**	10,522
Security deposits		**6,689**	3,176
Prepayments		**6,482**	3,497
Advances to contractors	27.1	**22,168**	65,316
Income tax recoverable from government		**3,800**	-
Others - considered good		**24,801**	18,227
		81,778	110,319
Less: provision for doubtful receivables	27.2	**(2,000)**	-
		79,778	110,319

27.1 Advances to contractors include Rs 18.808 million (June 2007: Rs 62.044 million) due from Trident Construct (Private) Limited, a related party. This relates to normal business of the Company and is interest free.

	Note	2008	2007
		(Rupees in thousand)	
27.2 Provision for doubtful receivables			
Balance as at July 1		**-**	-
Add: provision during the year		**2,000**	-
		2,000	-
Less: written off during the year		**-**	-
Balance as at June 30		**2,000**	-

	Note	2008	2007
28. Cash and bank balances			
At banks			
- on saving accounts	28.1	**1,255,154**	296,392
- on current accounts		**59,457**	11,417
		1,314,611	307,809
In hand including credit card sales Rs 0.212 million (June 2007: Rs 0.134 million)		**269**	134
		1,314,880	307,943

28.1 Included in these are total restricted funds of Rs 7 million (June 2007: Rs 60 million) held by banks under lien as security against long term finances. The balances in saving accounts bear mark up which ranges from 0.25% to 10% per annum.

29. Sales

	Note	2008	2007
		(Rupees in thousand)	
Shops and commercial buildings			
- at completion of project basis		**1,160,418**	570,934
- at percentage of completion basis	29.1	**187,526**	-
Land	29.2	**52,565**	-
Licensee fee		**37,486**	25,944
Restaurant		**5,730**	3,346
Display advertisements and miscellaneous income		**17,163**	12,427
		1,460,888	612,651

29.1 Revenue recognized on the basis of percentage of completion method

	2008	2007
Revenue recognized to date	**187,526**	-
Aggregate cost incurred to date	**144,164**	-
Recognized profit to date	**43,362**	-

29.1.1 The revenue arising from agreements, that meet the criteria for revenue recognisition on basis of percentage of completion method, during the year is Rs.404.542 million. (2007: Nil). Amount received against these agreements amounts to Rs. 132.511 million (2007: Nil).

29.2 This represents sale of land at Raiwind to Pace Barka Properties Limited, a related party.

30. Cost of sales

	Note	2008	2007
		(Rupees in thousand)	
Shops and commercial buildings sold			
- at completion of project basis	30.1	**732,749**	349,373
- at percentage of completion basis		**144,164**	-
Materials consumed at restaurant		**5,111**	1,460
Stores operating expenses	30.2	**53,252**	30,318
		935,276	381,151

30.1 Shops and commercial buildings sold

	Note	2008	2007
Opening work in process		**667,113**	413,649
Project development cost		**1,629,473**	832,641
Closing work in process	23	**(937,446)**	(667,113)
Cost of shops and commercial buildings constructed		**1,359,140**	579,177
Less: Cost transferred to:			
- property, plant and equipment		**(138,682)**	(60,767)
- capital work in progress		**(13,739)**	(15,192)
- administrative expenses		**(4,956)**	-
- investment property	19	**(286,270)**	(178,828)
		(443,647)	(254,787)
		915,493	324,390
Opening inventory of shops		**68,281**	93,264
Closing inventory of shops	23	**(251,025)**	(68,281)
		(182,744)	24,983
		732,749	349,373

	Note	2008	2007
		(Rupees in thousand)	

30.2 Store operating expenses

	Note	2008	2007
Salaries, wages and benefits	30.2.1	**12,184**	13,902
Rent, rates and taxes		**124**	50
Insurance		**3,801**	1,495
Fuel and power		**17,476**	5,429
Depreciation on property, plant and equipment	15.1	**12,051**	6,960
Repairs and maintenance		**3,932**	1,358
Janitorial and security charges		**3,253**	901
Others		**431**	223
		53,252	30,318

30.2.1 Salaries, wages and benefits

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

		2008	2007
Current service cost		**2,678**	2,773
Interest cost		**448**	274
Experience loss		**13**	-
		3,139	3,047

31. Administrative and selling expenses

	Note	2008	2007
Salaries, wages and benefits	31.1	**40,314**	33,438
Traveling and conveyance		**4,699**	2,694
Rent, rates and taxes		**3,256**	3,678
Insurance		**5,638**	1,178
Printing and stationery		**1,921**	1,088
Repairs and maintenance		**9,681**	3,988
Motor vehicles running		**7,688**	5,371
Communications		**3,541**	3,046
Advertising and sales promotion		**14,325**	6,620
Depreciation on:			
- property, plant and equipment	15.1	**6,227**	3,727
- assets subject to finance lease	17	**3,534**	2,309
Amortisation on intangible assets	16	**247**	142
Auditors' remuneration	31.2	**1,550**	800
Legal and professional		**1,849**	2,953
Advances written off		**3,003**	1,711
Other expenses		**12,798**	4,924
Provision for doubtful receivables		**2,000**	-
		122,271	77,667

31.1 Salaries, wages and benefits

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

		2008	2007
Current service cost		**6,250**	3,778
Interest cost		**1,044**	373
Experience loss		**30**	-
		7,324	4,151

31.2 Auditors' remuneration

	Note	2008	2007
		(Rupees in thousand)	
The charges for auditors' remuneration includes the following in respect of auditors' services for:			
Statutory audit		**800**	550
Certification and sundry services		**450**	75
Half yearly review		**300**	175
		1,550	800

32. Other operating income

	Note	2008	2007
Income from financial assets			
Mark up on bank accounts		**137,422**	14,581
Income from reverse repurchase transactions		**19,758**	4,328
Return on term deposit certificates	32.1	**9,854**	-
Mark up on balances with related parties		**47,943**	130,097
Gain on derecognition of investments classified as 'available for sale'		**32,875**	-
Others		**4,500**	563
Income from non-financial assets			
Gain on sale of property, plant and equipment		**851**	-
Gain on disposal of investment property		**386**	-
Liabilities no longer required written back		**6,320**	-
		259,909	149,569

32.1 This represents markup earned at rate ranging from 7.70% to 10.33% per annum (2007: Nil).

33. Other operating expenses

	Note	2008	2007
		(Rupees in thousand)	
Exchange loss on foreign currency convertible bonds		**145,500**	-
Donations	33.1	**50**	148
Expenses incurred in respect of:			
- issuance of term finance certificates		**25,115**	7,984
- issuance of foreign currency convertible bonds		**32,050**	-
- issuance of commercial papers		**1,260**	-
- issuance of SUKUK		**775**	-
- issuance of ordinary shares		**-**	55,775
- increase in authorised capital		**4,235**	-
Others		**94**	1,500
		209,079	65,407

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

34. Finance costs

	Note	2008	2007
		(Rupees in thousand)	
Mark up on			
- Finances under mark up arrangements - secured		**-**	91,322
- Redeemable capital - secured (non-participatory)		**140,500**	-
- Commercial papers	34.1	**49,989**	-
- Foreign currency convertible bonds - unsecured		**53,565**	-
- Finance lease		**1,559**	817
Bank charges		**647**	397
		246,260	92,536

34.1 This represents markup charged during the year on issuance of unsecured commercial paper with a face value of Rs. 1,000 million for a tenor of 6 months. Mark up was computed at average 6 months KIBOR plus 0.7%.

35. Taxation

	2008	2007
	(Rupees in thousand)	
For the year		
- Current	**7,304**	3,815
- Deferred	**40,000**	46,252
	47,304	50,067
Prior years		
- Current	**(981)**	-
- Deferred	**-**	748
	46,323	50,815

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, 2008 are estimated at approximately Rs 220.147 million (June 2007: Rs 101.948 million) .

35.1 Tax charge reconciliation

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

	2008 %	2007 %
Applicable tax rate	**35.00**	35.00
Tax effect of amounts that are:		
Not chargeable to tax	**(31.58)**	(26.32)
Effect of change in prior years' tax	**(0.07)**	0.13
Effect of rounding off	**(0.12)**	0.41
	(31.77)	(25.78)
Average effective tax rate charged to profit and loss account	**3.23**	9.22

36. 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 (June 2007: 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	
	2008	2007
	(Rupees in thousand)	
Short term employee benefits		
Managerial remuneration	**17,613**	6,230
Housing	**7,045**	2,492
Utilities	**1,761**	1,043
Bonus	**-**	223
Medical expenses	**754**	186
Fuel expenses	**3,178**	1,711
Post employment benefits	**8,414**	2,875
	38,765	14,760

	Chief Executive		Directors		Executives	
	2008	2007	2008	2007	2008	2007
Number of persons	1	1	8	8	26	10

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

	Note	2008	2007
		(Rupees in thousand)	
37. Cash used in operations			
Profit before tax		**1,453,293**	550,958
Adjustment for:			
Depreciation on:			
- property, plant and equipment	15.1	**18,278**	10,687
- assets subject to finance lease	17	**3,534**	2,309
Amortisation on intangible assets	16	**247**	142
Gain on sale of			
- property, plant and equipment		**(306)**	-
- assets subject to finance lease		**(545)**	-
Exchange loss on foreign currency convertible bonds	34	**145,500**	-
Provision for doubtful receivables	31	**2,000**	-
Provision for gratuity and leave encashment		**11,517**	7,619
Finance costs	34	**246,260**	92,536
Mark up income		**(219,477)**	(149,569)
Changes in fair value of investment property	19	**(1,245,382)**	(405,499)
Gain on disposal of investment property	32	**(386)**	-
Gain on sale of investment - available for sale	32	**(32,875)**	-
Liabilities no longer required written back	32	**(6,320)**	-
Advances written off	31	**3,003**	1,711
Profit before working capital changes		**378,341**	110,894
Effect on cash flow due to working capital changes:			
Increase in stock-in-trade		**(770,730)**	(381,198)
Increase in trade debts		**(654,140)**	(239,076)
(Increase) / decrease in due from related parties		**(15,902)**	255,837
Increase in advance against purchase of property		**-**	(26,600)
Decrease/(increase) in advances, deposits and other receivables		**29,338**	(46,054)
Increase/(decrease) in creditors, accrued and other liabilities		**49,595**	(26,688)
		(1,361,839)	(463,779)
		(983,498)	(352,885)

	Note	2008	2007
38. Cash and cash equivalents			
Cash and bank balances	28	**1,314,880**	307,943
		1,314,880	307,943

39. Segment information

(Rupees in thousand)

	Real estate sales		Investment properties		Others		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
Segment revenue	1,400,509	570,934	48,938	31,807	11,441	9,910	1,460,888	612,651
Segment expenses								
- Cost of sales	(876,913)	(349,373)	-	-	(5,111)	(1,460)	(882,024)	(350,833)
- Stores operating expenses	-	-	(48,201)	(25,523)	(5,051)	(4,795)	(53,252)	(30,318)
Gross profit	523,596	221,561	737	6,284	1,279	3,655	525,612	231,500
- Changes in fair value of investment property	-	-	1,245,382	405,499	-	-	1,245,382	405,499
Segment results	523,596	221,561	1,246,119	411,783	1,279	3,655	1,770,994	636,999
Administrative and selling expenses							(122,271)	(77,667)
Other operating income							259,909	149,569
Finance costs							(246,260)	(92,536)
Other operating expenses							(209,079)	(65,407)
Profit before tax							**1,453,293**	**550,958**
Taxation							(46,323)	(50,815)
Profit for the year							**1,406,970**	**500,143**
39.1 **Segment assets**	2,214,655	1,158,117	3,614,487	1,438,878	-	-	5,829,142	2,596,995
Unallocated assets							2,731,980	1,213,043
							8,561,122	3,810,038
39.2 **Segment liabilities**	3,819,002	519,032	12,701	5,889	-	-	3,831,703	524,921
Unallocated liabilities							168,713	110,101
							4,000,416	635,022
39.3 **Capital expenditure**	-	-	-	-	-	-	-	-
Unallocated							231,104	90,681
							231,104	90,681
39.4 **Depreciation/amortisation**	-	-	-	-	-	-	-	-
Unallocated							22,059	13,138
							22,059	13,138

40. Financial assets and liabilities

(Rupees in thousand)

	2008							
	Interest / mark up bearing			Non interest bearing			Total	Credit Risk
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	2008	2008
Financial assets								
On balance sheet								
Investments - available for sale	-	-	-	-	13	13	13	13
Long term advances and deposits	-	-	-	-	8,279	8,279	8,279	8,279
Long term loans	-	142,003	142,003	-	-	-	142,003	142,003
Trade debts	-	-	-	974,764	-	974,764	974,764	974,764
Due from related parties	132,975	-	132,975	-	-	-	132,975	132,975
Advances, deposits and prepayments								
- Advances to employees	-	-	-	8,342	-	8,342	8,342	8,342
- Security deposits	-	-	-	6,689	-	6,689	6,689	6,689
- Others	-	-	-	24,801	-	24,801	24,801	24,801
Cash and bank balances	1,255,154	-	1,255,154	59,726	-	59,726	1,314,880	1,314,668
	1,388,129	142,003	1,530,132	1,074,322	8,292	1,082,614	2,612,746	2,612,534
Off balance sheet	-	-	-	-	-	-	-	-
Total	1,388,129	142,003	1,530,132	1,074,322	8,292	1,082,614	2,612,746	2,612,534
Financial liabilities								
On balance sheet								
Long term loans and finances	37,607	11,051	48,658	-	-	-	48,658	
Redeemable capital	600	1,499,400	1,500,000	-	-	-	1,500,000	
Liabilities against assets subject to finance lease	6,636	9,001	15,637	-	-	-	15,637	
Foreign currency convertible bonds	1,758,565	-	1,758,565	-	-	-	1,758,565	
Creditors, accrued and other liabilities	-	-	-	238,209	-	238,209	238,209	
	1,803,408	1,519,452	3,322,860	238,209	-	238,209	3,561,069	
Off balance sheet								
Guarantees	-	-	-	900,000	-	900,000	900,000	
Letters of credit for capital expenditure	-	-	-	3,161	-	3,161	3,161	
	-	-	-	903,161	-	903,161	903,161	
Total	1,803,408	1,519,452	3,322,860	1,141,370	-	1,141,370	4,464,230	
On balance sheet gap	(415,279)	(1,377,449)	(1,792,728)	836,113	8,292	844,405	(948,323)	
Off balance sheet gap	-	-	-	(903,161)	-	(903,161)	(903,161)	

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

(Rupees in thousand)

	2007							
	Interest / mark up bearing			Non interest bearing			Total	Credit Risk
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	2007	2007
Financial assets								
On balance sheet								
Investments - available for sale	-	-	-	-	33,047	33,047	33,047	33,047
Long term deposits	-	-	-	-	1,932	1,932	1,932	1,932
Long term loan	-	182,119	182,119	-	-	-	182,119	182,119
Trade debts	-	-	-	320,624	-	320,624	320,624	320,624
Due from related parties	85,076	-	85,076	-	-	-	85,076	85,076
Advances, deposits and prepayments			-					
- Advances to employees	-	-	-	9,581	-	9,581	9,581	9,581
- Security deposits	-	-	-	3,176	-	3,176	3,176	3,176
- Others	-	-	-	18,227	-	18,227	18,227	18,227
Cash and bank balances	296,392	-	296,392	11,551	-	11,551	307,943	307,809
	381,468	182,119	563,587	363,159	34,979	398,138	961,725	961,591
Off balance sheet	-	-	-	-	-	-	-	-
Total	381,468	182,119	563,587	363,159	34,979	398,138	961,725	961,591
Financial liabilities								
On balance sheet								
Long term loans	105,750	48,750	154,500	-	-	-	154,500	
Liabilities against assets subject to finance lease	3,518	6,044	9,562	-	-	-	9,562	
Creditors, accrued and other liabilities	-	-	-	131,906	-	131,906	131,906	
	109,268	54,794	164,062	131,906	-	131,906	295,968	
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	1,370,093	-	1,370,093	1,534,155	
On balance sheet gap	272,200	127,325	399,525	231,253	34,979	266,232	665,757	
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.

40.1 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 40, 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. 2,612.746 million (June 2007: Rs 961.725 million) financial assets which are subject to credit risk amount to Rs. 2,612.534 million (June 2007: Rs 961.591 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. Currency risk arises where receivables and payables exist due to transactions with foreign buyers and suppliers. The Company's exposure to currency risk is considered to be minimum.

(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.

40.2 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders through repurchase of shares, issue new shares or sell assets to reduce debt. Consistent with others in the industry and the requirements of the lenders the Company monitors the capital structure on the basis of gearing ratio. This ratio is calculated as borrowings divided by total capital employed. Borrowings represent long term loan and redeemable capital obtained by the Company as referred to in note 6 and 7 respectively. Total capital employed includes equity as shown in the balance sheet plus borrowings. The Company's strategy, which was unchanged from last year, was to maintain a gearing ratio of 60% debt and 40% equity. The gearing ratio as at year ended June 30, 2008 and year ended June 30, 2007 are as follows:

		2008	2007
Borrowings	**Rupees in thousand**	**1,548,658**	154,500
Total capital employed	**Rupees in thousand**	**6,109,364**	3,329,516
Gearing ratio	**Percentage**	**25**	5

40.3 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 except for investments which are stated at cost. Fair value is determined on the basis of objective evidence at each reporting date.

41. Earnings per share

Basic earnings per share are calculated by dividing net profit for the year attributable to ordinary shareholders by the weighted average number of shares outstanding during the year. The weighted average numbers of shares outstanding during the year and the previous year have been adjusted for the events that have changed the number of shares outstanding without a corresponding change in resources. The information necessary to calculate basic and diluted earning per share is as follows:

		2008	2007
41.1 Basic earnings per share			
Profit for the year	**Rupees in thousand**	**1,406,970**	500,143
Weighted average number of ordinary shares outstanding during the year	**Number in thousand**	**221,069**	180,146
Basic earnings per share	**Rupees**	**6.36**	2.78

41.2 Diluted earnings per share

The dilution effect on basic earning per shares is due to conversion option on foreign currency convertible bonds. The basic weighted average number of shares have been adjusted for conversion option available to bondholders.

Dilutive earnings per share	**Rupees**	**5.90**	-

42. 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:

Relationship with the company	**Nature of transactions**	**2008** (Rupees in thousand)	2007 (Rupees in thousand)
i. Subsidiaries	Purchase of goods & services	**227,328**	-
	Loans disbursed	**24,262**	11,823
	Loans repayments received	**65,005**	41,247
	Short term advances given	**32,395**	2,802
	Mark up income	**39,434**	35,140
	Short term advance received back	**15,303**	-
ii. Associates	Purchase of goods & services	**341,036**	218,331
	Investment in equity instruments	**300,000**	-
	Loans disbursed	**-**	438,682
	Loans repayments received	**-**	719,724
	Mark up income	**8,509**	94,957
	Guarantee commission	**4,500**	563
	Sales of goods & services	**960,291**	-
	Short term advances given	**55,143**	11,600
	Short term advances received	**55,705**	-
iii. Key management personnel	Short term employee benefits	**8,054**	5,904

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

43. Date of authorisation

These financial statements were authorised for issue on October 07, 2008 by the board of directors of the Company.

44. Corresponding figures

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

	(Rupees in thousand)
Payables to customers classified from trade debts to creditors, accrued and other liabilities	4,479
Advance to Pace Super Mall (Private) Limited against purchase of property classified from short term to long term	21,600
Licensee income receivable classified from other receivables to trade debts	5,639
Investment property development cost classified from inventories to capital work in progress	15,192

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

Salmaan Taseer
Chief Executive

Aamna Taseer
Director

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED
JUNE 30, 2008

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of **Pace (Pakistan) Limited** (the holding Company) and its subsidiary companies (hereinafter referred as the "Pace (Pakistan) Group") as at June 30, 2008 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. The subsidiary companies, Pace Woodlands (Private) Limited and Pace Gujrat (Private) Limited, 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.

Investment in associated companies of Rs. 600.180 million shown in consolidated balance sheet is based on unaudited financial statements of these associated companies.

In our opinion, the consolidated financial statements audited by us present fairly the financial position of Pace (Pakistan) Group as at June 30, 2008 and the results of their its operations for the year then ended.

Lahore:
October 07, 2008

A.F. Ferguson & Co.
Chartered Accountants

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Board of Directors of Pace (Pakistan) Limited is pleased to present audited consolidated financial statements of the group for the year ended June 30, 2008.

Financial overview

During the year under review the Group registered an increase of PKR 911 million in sales and a substantial increase of approximately 200% in profit after tax.

Comparison of the audited consolidated results for the year ended June 30, 2008 as against June 30, 2007 is as follows:

	Year Ended June 30,	
	2008	2007
	Rupees in million	
Sales	1,524	613
Gross profit	540	232
Profit after tax	1,384	449
Earnings per share (PKR)	6.26	2.49

Comparison of the consolidated financial position of the group as on June 30, 2008 as against June 30, 2007 in the light of audited financial statements is as follows:

	As on June 30,	
	2008	2007
	Rupees in million	
Net Assets	4,445	3,082
Un-appropriated profits	2,122	738
Non-current liabilities	2,213	641
Cash and bank	1,322	308

Pace Woodlands (Pvt) Limited

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

Pace Gujrat (Pvt) Limited

Pace Gujrat Limited was incorporated as Private Limited Company in July 2005 and acquired land of 15 Kanal and 8 Marlas at GT Road, Gujrat from Services Industries Textile Limited ("Services Industries") for the purpose of development of its project including a Shopping Mall and a hotel/restaurant banquet hall. However as per the decision of the share holders taken in their meeting held on March 15, 2008 the company sold out the entire land and under construction shopping mall. The sales consideration of the land and under construction shopping mall was determined according to the valuation conducted by independent and professionally qualified valuator.

For and on behalf of the Board of Directors

Lahore:
October 07, 2008

Salmaan Taseer
Chief Executive Officer

Aamna Taseer
Director

CONSOLIDATED BALANCE SHEET
AS AT JUNE 30, 2008

	Note	June 30, 2008	June 30, 2007
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised capital			
600,000,000 (June 2007: 230,000,000) ordinary shares of Rs 10 each		**6,000,000**	2,300,000
Issued, subscribed and paid up capital			
220,465,538 (June 2007: 220,464,951) ordinary shares of Rs 10 each	5	**2,204,656**	2,204,650
Share deposit money		**882**	1,260
Reserves		**117,254**	138,162
Unappropriated profit		**2,122,322**	738,337
		4,445,114	3,082,409
MINORITY INTEREST		**27**	27
		4,445,141	3,082,436
NON-CURRENT LIABILITIES			
Long term finances			
- secured	6	**78,926**	108,750
- unsecured	7	**186,730**	173,580
Redeemable capital - secured (non-participatory)	8	**1,499,400**	-
Liabilities against assets subject to finance lease	9	**9,001**	6,044
Deferred liabilities	10	**108,923**	59,239
Advances against sale of property	11	**330,424**	293,220
		2,213,404	640,833
CURRENT LIABILITIES			
Current portion of long term liabilities	12	**60,968**	109,268
Foreign currency convertible bonds - unsecured	13	**1,758,565**	-
Finances under mark-up arrangements	14	**30,284**	29,998
Creditors, accrued and other liabilities	15	**302,838**	165,345
Taxation		**3,719**	1,472
		2,156,374	306,083
CONTINGENCIES AND COMMITMENTS	16	**-**	-
		8,814,919	4,029,352

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

Salmaan Taseer
Chief Executive

	Note	June 30, 2008	June 30, 2007
		(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	17	**434,385**	245,759
Intangible assets	18	**10,543**	1,282
Assets subject to finance lease	19	**18,385**	10,647
Capital work in progress	20	**80,497**	15,192
Investment property	21	**3,580,870**	1,418,047
Investments	22	**600,193**	333,227
Long term advances and deposits	23	**29,879**	23,532
Long term loans - unsecured	24	**80,074**	80,074
		4,834,826	2,127,760
CURRENT ASSETS			
Stock-in-trade	25	**1,548,449**	1,128,463
Trade debts - unsecured	26	**974,764**	320,624
Due from related parties - unsecured	27	**6,959**	742
Advance against purchase of property - unsecured	28	**-**	15,000
Advances, deposits, prepayments and other receivables	29	**128,187**	128,580
Cash and bank balances	30	**1,321,734**	308,183
		3,980,093	1,901,592
		8,814,919	4,029,352

Aamna Taseer
Director

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2008

		Note	2008	2007
			(Rupees in thousand)	
Sales		31	**1,523,872**	612,651
Cost of sales		32	**(983,974)**	(381,151)
Gross profit			**539,898**	231,500
Administrative and selling expenses		33	**(122,271)**	(77,667)
Changes in fair value of investment property		21	**1,245,382**	405,499
Other operating income		34	**226,357**	98,061
Other operating expenses		35	**(209,079)**	(65,407)
Profit from operations			**1,680,287**	591,986
Finance costs		36	**(246,260)**	(92,536)
Profit before tax			**1,434,027**	499,450
Taxation		37	**(50,042)**	(50,815)
Profit for the year			**1,383,985**	448,635
Earnings per share attributable to ordinary shareholders				
- basic earnings per share	Rupees	43	**6.26**	2.49
- diluted earnings per share	Rupees	43	**5.80**	-

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

Salmaan Taseer
Chief Executive

Aamna Taseer
Director

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2008

	Note	2008	2007
		(Rupees in thousand)	
Cash flow from operating activities			
Cash used in operations	39	**(915,523)**	(1,339,599)
Net increase in advances against sale of property		**37,204**	398,128
Finance costs paid		**(142,593)**	(93,003)
Gratuity and leave encashment paid		**(1,833)**	(618)
Taxes paid		**(11,675)**	(4,898)
Net cash used in operating activities		**(1,034,420)**	(1,039,990)
Cash flow from investing activities			
Purchase of property, plant and equipment		**(143,706)**	(347,403)
Additions in investment property		**(729,275)**	(43,260)
Proceeds from sale of property, plant and equipment		**3,990**	-
(Increase)/decrease in long term advances and deposits		**(6,347)**	2,278
Net cash on relinquishment of control in subsidiaries		**-**	(632,126)
Mark up received		**179,707**	25,189
Loan to subsidiaries		**-**	(2,784)
Investment in equity instrument of Pace Barka Properties Limited		**(300,000)**	-
Proceeds from sale of investment		**45,000**	-
Proceeds from disposal of investment property		**1,804**	-
Net cash used in investing activities		**(948,827)**	(998,106)
Cash flow from financing activities			
Receipt of share deposit money		**-**	1,947,336
Surrender of share deposit money to SECP		**(371)**	-
Net (payment)/receipt of long term finances		**(68,692)**	811,271
Proceeds from issuance of redeemable capital		**1,500,000**	-
Proceeds from issuance of foreign currency convertible bonds		**1,559,500**	-
Availment/(repayment) of finance lease liabilities		**6,075**	(3,010)
Net cash from financing activities		**2,996,512**	2,755,597
Net increase in cash and cash equivalents		**1,013,265**	717,501
Cash and cash equivalents at the beginning of the year		**278,185**	(439,316)
Cash and cash equivalents at the end of the year	40	**1,291,450**	278,185

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

Salmaan Taseer
Chief Executive

Aamna Taseer
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2008

(Rupees in thousand)

	Attributable to equity holders of the parent							Minority Interest	Total Equity
	Share capital	Share deposit money	Share premium	Revaluation reserve for investment property	Reserve for changes in fair value of investments	Unappro-priated profit	Total		
Balance as on June 30, 2006	1,040,836	280,245	-	116,244	1,885	289,702	1,728,912	295	1,729,207
Receipt of share deposit money	-	1,170,907	-	-	-	-	1,170,907	-	1,170,907
Issue of ordinary shares	835,462	(1,169,647)	334,185	-	-	-	-	-	-
Effect of relinquishment of control on subsidiaries	-	(280,245)	-	-	-	-	(280,245)	(268)	(280,513)
Cost on issue of ordinary shares	-	-	(4,831)	-	-	-	(4,831)	-	(4,831)
Bonus shares issued during the year	328,352	-	(328,352)	-		-	-	-	-
Gain in fair value of investment	-	-	-	-	19,031	-	19,031	-	19,031
Profit for the year	-	-	-	-	-	448,635	448,635	-	448,635
Balance as on June 30, 2007	2,204,650	1,260	1,002	116,244	20,916	738,337	3,082,409	27	3,082,436
Issue of ordinary shares	5	(7)	2	-	-	-	-	-	-
Bonus shares issued during the year	1	-	(1)	-	-	-	-	-	-
Transferred to profit and loss account on disposal of shares in Worldcall Telecom Limited	-	-	-	-	(20,906)	-	(20,906)	-	(20,906)
Loss in fair value of investment	-	-	-	-	(3)	-	(3)	-	(3)
Share deposit money surrendered to SECP	-	(371)	-	-	-	-	(371)	-	(371)
Profit for the year	-	-	-	-	-	1,383,985	1,383,985	-	1,383,985
Balance as on June 30, 2008	**2,204,656**	**882**	**1,003**	**116,244**	**7**	**2,122,322**	**4,445,114**	**27**	**4,445,141**

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

Salmaan Taseer
Chief Executive

Aamna Taseer
Director

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

1. Legal status and nature of business

1.1 Constitution and ownership

The consolidated financial statements of the Pace (Pakistan) Group comprise of the financial statements of:

Pace (Pakistan) Limited

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

Pace Gujrat (Private) Limited

Pace Gujrat (Private) Limited (a subsidiary) was incorporated on July 8, 2005 as a private limited company under Companies Ordinance, 1984. The object of the company is to acquire by purchase or otherwise land and plots and to sell or construct, lease, hire and manage buildings, shopping malls, super markets, utility stores, plazas, shopping arcades etc. It is a wholly owned company of Pace (Pakistan) Limited. The subsidiary commenced its operations in March, 2008. By virtue of resolution passed by the shareholders on 29 April, 2008, the subsidiary has sold its total land measuring 15 kanal and 8 marlas, out of which 9 kanal and 8 marlas have been sold to Pace Barka Properties Limited and 6 kanals have been sold to Pace (Pakistan) Limited.

Pace Woodlands (Private) Limited

Pace Woodlands (Private) Limited (a subsidiary) was incorporated on July 27, 2004 as a private limited company under Companies Ordinance, 1984. The object of the company is to acquire by purchase or otherwise land and plots and to sell or construct, lease, hire and manage buildings, shopping malls, super markets, utility stores, plazas, shopping arcades etc. The subsidiary has not started its commercial operations hence no profit and loss account has been prepared for the year ended June 30, 2008.

1.2 Activities of the group

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

2. Basis of preparation

2.1 These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance , 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.2 Standards, interpretations and amendments to published approved accounting standards

The following amendments to existing standards have been published that are applicable to the Group's financial statements covering annual periods, beginning on or after the following dates:

2.2.1 Amendments to published standards effective in current year

IAS 1 Presentation of Financial Statements

Amendments to IAS 1 'Presentation of Financial Statements' - Capital disclosure is mandatory for the Group's accounting period beginning on July 01, 2007. It's adoption by the Group only impacts the format and extent of disclosures presented in the financial statements.

2.2.2 Amendments and interpretations to published standards not yet effective

The following amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after their respective effective dates:

IAS 23 Borrowing Costs

Certain amendments to IAS 23 'Borrowing Costs' have been published that are applicable to the Group's financial statements covering annual periods, beginning on or after July 01, 2009. Adoption of these amendments would require the Group to capitalise the borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing these borrowing costs will be removed. Its adoption will not have any impact on the Group's financial statements.

IFRS 7 Financial Instruments: Disclosures

IFRS 7 'Financial Instruments : Disclosures' is effective from July 01, 2008. It requires disclosures about the significance of financial instruments for the Group's financial position and performance, as well as quantitative and qualitative disclosure on the nature and extent to risks.

IFRS 8 Operating Segments

IFRS 8, 'Operating segments ' replaces IAS 14 and is effective from financial year July 1, 2009. IFRS 8 provides guidance for disclosure of information about entity's operating segments, products and services, geographical areas in which it operates, and major customers. It's adoption by the Group only impacts the format and extent of disclosures presented in the financial statements.

IFRIC 15 Agreements for the Construction of Real Estate

IFRIC 15 - Agreements for the construction of real estate was issued by IASB on July 3, 2008.The interpretation applies for accounting of revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation is effective to the Group's financial statements covering annual period beginning period on or after July 1, 2009. Its adoption will not have any significant impact on the Group's financial statements.

IFRIC 14, IAS 19 The limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction

IFRIC 14, 'IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction' is effective from July 01, 2008. IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. Its adoption will not have any significant impact on the Group's financial statements.

2.2.3 Standards and interpretations to existing standards that are not applicable to the Group and not yet effective

Standards or Interpretation	Effective date (accounting periods beginning on or After)
IFRS 2 - Share based payment	July 01, 2009
IFRIC 12 - Service concession arrangements	July 01, 2008
IFRIC 13 - Customer loyalty programmes	July 01, 2008
IFRIC 16 - Hedge of net investment in a foreign operation	July 01, 2009

In addition to the above, a new standard 'IFRS 4 - Insurance Contracts' has been issued by the International Accounting Standards Board but has not yet been adopted by the Institute of Chartered Accountants of Pakistan (ICAP) or notified by the SECP and, hence, presently do not form part of the local financial reporting framework.

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 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. The areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

a) Staff 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 4.6

b) Provision for taxation

The Group takes into account the current income tax law and the decisions taken by appellate authorities. Instances where the Group's view differs from the view taken by the income tax department at the assessment stage and where the Group considers that its views on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

c) Useful life and residual values of property, plant and equipment

The Group reviews the useful lives of property, plant and equipment on regular basis. Any change in estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment.

d) 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.

e) 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.

f) Transfer of equitable interest in stock-in-trade

The Group has entered into a number of contracts with buyers for the sale of condominiums, shops/counters and villas. Management has determined that equitable interest in such assets and therefore risks and rewards of the ownership are transferred to the buyer once he is committed to complete the payment for the purchase. This commitment is evidenced by a signed contract for the purchase of the property and payments of sufficient progress payments. Based on this, the Group recognises revenues and profits as the acts to complete the property are performed.

g) Costs to complete the projects

The Group estimates the cost to complete the projects in order to determine the cost attributable to revenue being recognised. These estimates include the cost of providing infrastructure activities, potential claims by sub contractors and the cost of meeting the contractual obligation to the customers.

h) Provision for doubtful receivable

Provision against overdue receivable balances is recognized after considering the receipt pattern and the future outlook of the concerned receivable party. It is reviewed by the management on a regular basis.

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 Consolidation

a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. 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. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. Details of subsidiaries is given in note 45.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of 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 the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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 holding company.

b) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associates' post-acquisition profits or losses is recognized in the income statement, and its share of post-acquisition movements in reserves is recognized 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 recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognized in the income statement. Details of associates is given in note 22.

4.2 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 year 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 year 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 are recognized 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 income statement, 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 holding company, as it is not the intention to distribute more than the dividends, the tax on which is included in the financial statements.

4.3 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 borrowing costs as referred to in note 4.14.

Depreciation on all property, plant and equipment is charged to profit on the reducing balance method except for building on lease hold land which is being depreciated using straight line method, so as to write off the cost of an asset over its estimated useful life at the following annual rates:

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

The assets' residual values and estimated useful lives are reviewed at each financial year end 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 profit and loss account 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.

4.4 Intangible assets

Expenditure incurred to acquire computer software and right to use optical fiber (dark fiber) are capitalised as intangible assets and stated at cost less accumulated amortisation and any identified impairment loss.

Amortisation is charged to income on the reducing balance method, except for dark fiber which is being amortised using the straight line method, so as to write off the cost of an asset over its estimated useful life. Amortisation 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 of. Amortisation is being charged at the annual rate of 10% except for dark fiber which is being amortized at the annual rate of 5%.

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.

4.5 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 and loss account. 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 of any incentives received from the lessor) are charged to profit on a straight-line basis over the lease term.

4.6 Staff 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, 2008. Projected Unit Credit Method, using the following significant assumptions is used for valuation of the scheme:

- Discount rate 12 percent per annum (2007: 10 percent per annum)

- Expected rate of increase in salary level 11 percent per annum (2007: 9 percent per annum)

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

(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. Unutilised leaves can be accumulated upto unlimited amount. Unutilised 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, 2008. Projected Unit Credit Method, using the following significant assumptions is used for valuation of accumulating compensated absences:

- Discount rate 12 percent per annum (2007: 9 percent per annum)
- Expected rate of increase in salary level 11 percent per annum (2007: 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 — 10 days (2007: 8 days)

Experience gains and losses arising during the year are recognised immediately in accordance with the provisions of IAS 19 'Employee Benefits'.

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

4.7 Capital work in progress

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

4.8 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, 2008. 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.

4.9 Investments

Investments intended to be held for less than twelve months from the balance sheet date or to be sold to raise operating capital, are included in current assets, all other investments are classified as non-current. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

Investments classified as available for sale are initially measured at cost, being the fair value of consideration given. At subsequent reporting dates, these investments are remeasured at fair value (quoted market price), unless fair value cannot be reliably measured. The investments for which a quoted market price is not available, are measured at cost as it is not possible to apply any other valuation methodology. Unrealised gains and losses arising from the changes in the fair value are included in fair value reserves in the period in which they arise.

All purchases and sales of investments are recognised on the trade date which is the date that the Group commits to purchase or sell the investment. Cost of purchase includes transaction cost.

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.

4.10 Sale and repurchase agreements

Securities purchased under an agreement to resell (reverse repo) are not recognized in the financial statements as investments and the amount extended to the counter party is included in other receivables. The difference between the sale and repurchase price is recognized as mark-up earned and included in other income.

4.11 Stock-in-trade

Land, condominiums, shops/counters and villas 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 land, condominiums, shops/counters and villas in the process of construction/development. Cost in relation to work-in-process 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.

4.12 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.

Exchange differences are included in income currently.

4.13 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 land, condominiums, shops/counters and villas is recognized when the significant risks and rewards of ownership have been transferred to the buyer, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the property sold, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

The significant risks and rewards of ownership are transferred to the buyer when following conditions are met:

- the buyers investment, to the date of the financial statements, is adequate to demonstrate a commitment to pay for the property;

- construction is beyond a preliminary stage;

- the buyer is committed. Buyer is unable to require a refund except, for non delivery of the unit. Management believes that the likelihood of the Group being unable to fulfill its contractual obligations for this reason is remote; and

- the buyer has the right to dispose off the property

Revenue from sales agreements where the control and the significant risks and rewards of ownership of the work in progress are transferred by the Group to the buyer in its current state as construction progresses is measured using the percentage of completion method. The stage of completion is measured by reference to the costs incurred up to the balance sheet date as a percentage of total estimated costs for each project.

Revenue from sales agreements where significant risks and rewards are not passed on to the buyer as construction progresses are recognized when possession is handed over to the buyer and the Group does not expect any further future economic benefits from such property.

4.14 Borrowing costs

Mark up, interest and other charges on long term and short term borrowings are capitalised 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 income.

4.15 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 - sale of land, condominiums, shops/counters and villas

- 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.

4.16 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 liabilities 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 for the year.

The financial instruments carried on the balance sheet include long term loans, deposits, receivables, cash and cash equivalents, long term loans, liabilities against assets subject to finance lease, long term payables, finances under mark up arrangements, foreign currency convertible bonds 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.

4.17 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.

4.18 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.

4.19 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 recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that 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.

4.20 Borrowings

Loans and borrowings are initially 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.

4.21 Foreign currency convertible bonds

Foreign currency convertible bond, containing an embedded derivative, are carried at fair value through profit or loss unless fair value cannot be reliably measured in which case they are measured at cost. Transaction costs and gain and loss arising due to foreign currency translations is charged to profit and loss account. The interest expense recognized in the income statement is calculated using the effective inertest rate method.

4.22 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

2008	2007		2008	2007
(Number of shares)			(Rupees in thousand)	
143,296,147	143,295,647	Ordinary shares of Rs 10 each fully paid in cash	**1,432,962**	1,432,957
77,169,391	77,169,304	Ordinary shares of Rs 10 each issued as fully paid bonus shares	**771,694**	771,693
220,465,538	220,464,951		**2,204,656**	2,204,650

First Capital Securities Corporation Limited and Worldcall Telecom Limited, associated undertakings, hold 32,849,907 (June 2007: 32,849,907) and 6,959,290 (June 2007: 6,959,290) ordinary shares of the Group respectively.

	Note	2008	2007
		(Rupees in thousand)	
6. Long term finances - secured			
The Bank of Punjab - demand finance	6.1	**84,000**	-
Faysal Bank Limited - long term finance facility	6.2	**48,658**	60,000
Standard Chartered Bank (Pakistan) Limited - syndicate	6.3	**-**	94,500
The Bank of Punjab -term finance	6.3	**-**	60,000
		132,658	214,500
Less: Current portion shown under current liabilities		**53,732**	105,750
		78,926	108,750

6.1 The Bank of Punjab - demand finance

The balance is payable in eight equal quarterly installments commencing March 15, 2009. Mark up is computed at average 3 months KIBOR plus 2.5% per annum and is payable quarterly.

Security

The loan is secured by equitable mortgage of land measuring 159 kanals and 4 marlas situated at Mauza Liddhar, Main Bedian Road, Lahore Cantt along with 1% token registered mortgage of the said property.

6.2 Faysal Bank Limited- long term finance facility

Terms of repayment

The balance is payable in five 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 terms of facility, 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 property located at 41 P Block, Model Town, Lahore and lien on term deposit receipt valuing Rs 7 million.

6.3 These loans have been repaid during the year.

	Note	2008	2007
		(Rupees in thousand)	
7. Long term finances - unsecured			
Associated undertakings	7.1	**161,730**	142,440
Sponsors	7.2	**-**	31,140
Others	7.3	**25,000**	-
		186,730	173,580

7.1 Associated undertakings

	Note	2008	2007
Pace Barka Properties Limited	7.1.1	**161,730**	116,730
First Capital Securities Corporation Limited		**-**	15,520
First Capital Equities Limited		**-**	10,190
		161,730	142,440

7.1.1 The loan is unsecured and carries markup at the rate of 14.5% - 17.5% per annum (June 2007: 14.44% - 15.40% per annum). There is no fixed repayment schedule for the loan.

7.2 Sponsors

	2008	2007
Uzma Hameed	**-**	10,380
Saima Hameed	**-**	10,380
Robina Ejaz	**-**	10,380
	-	31,140

These subordinated loans were unsecured and were repaid during the year.

7.3 This represents unsecured loan from a non-banking company and carries markup at the rate of 14.5% per annum. (June 2007: Nil).

	Note	2008	2007
		(Rupees in thousand)	
8. Redeemable capital - secured (non-participatory)			
Term finance certificates	8.1	**1,500,000**	-
		1,500,000	-
Less: Current portion shown under current liabilities		**600**	-
		1,499,400	-

8.1 Term finance certificates

Terms of repayment

The term finance certificates (TFC's) are listed on Lahore Stock Exchange and are redeemable in 5 years. The principal balance is payable in six equal semi-annual installments after a grace period of 2 years. The first installment will be due at the end of 30th month from the issue date. Initially mark up was computed at average 6 months KIBOR plus 3% during the pre-IPO period, however with effect from January 1, 2008 mark up is computed at average 6 months KIBOR plus 1.5% and is payable semi-annually in arrears.

Security

The TFC's are secured by a first exclusive charge by way of equitable mortgage on the Group's properties situated at 124/E-1, Main Boulevard Gulberg III, Lahore, 40-Block P, Model Town, Lahore, 27-H College Road, Gulberg II, Lahore, G.T. Road, Gujranwala and Barki Road, Lahore and first exclusive hypothecation charge over certain specific fixed assets, to the extent of Rs 2 billion.

	2008	2007
	(Rupees in thousand)	
9. Liabilities against assets subject to finance lease		
Present value of minimum lease payments	**15,637**	9,562
Less: Current portion shown under current liabilities	**6,636**	3,518
	9,001	6,044

The minimum lease payments have been discounted at an implicit interest rate ranging from 8.70% 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 2.975 million (June 2007: Rs 1.931 million).

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

(Rupees in thousand)

	Minimum Lease Payments	**Future Finance charge**	**Present value of lease liability 2008**	**Present value of lease liability 2007**
Not later than one year	7,913	1,277	**6,636**	3,518
Later than one year and not later than five years	9,624	623	**9,001**	6,044
	17,537	1,900	**15,637**	9,562

10. Deferred liabilities

These are composed of :

	Note	2008	2007
		(Rupees in thousand)	
Staff gratuity	10.1	**22,267**	13,210
Leave encashment	10.2	**1,656**	1,029
Deferred taxation	10.3	**85,000**	45,000
		108,923	59,239

10.1 Staff gratuity

The amounts recognised in the balance sheet are as follows:

	2008	2007
Present value of defined benefit obligation	**25,021**	14,919
Unrecognised experience losses	**(2,754)**	(1,709)
Liability as at June 30	**22,267**	13,210
Liability as at July 1	**13,210**	6,526
Charge to profit and loss account	**10,463**	7,198
Benefits paid	**(1,406)**	(514)
Liability as at June 30	**22,267**	13,210

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

	2008	2007
Present value of defined benefit obligation as at July 1	**14,919**	7,193
Service cost	**8,928**	6,550
Interest cost	**1,492**	648
Benefits paid	**(1,406)**	(514)
Experience loss	**1,088**	1,042
Present value of defined benefit obligation as at June 30	**25,021**	14,919

The amounts recognized in the profit and loss account are as follows:

	2008	2007
Service cost	**8,928**	6,550
Interest cost	**1,492**	648
Experience loss	**43**	-
Charge to profit and loss	**10,463**	7,198

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

	2008	2007	2006	2005	2004
			(Rupees in thousand)		
Present value of defined benefit obligation	**25,021**	14,919	7,193	4,279	2,992
Fair value of plan assets	**-**	-	-	-	-
Deficit	**(25,021)**	(14,919)	(7,193)	(4,279)	(2,992)
Experience adjustment on obligation	**7%**	14%	12%	5%	-

	Note	2008	2007
		(Rupees in thousand)	

10.2 Leave encashment

The amounts recognised in the balance sheet are as follows:

Liability as at July 1	**1,029**	712
Charge to profit and loss account	**1,054**	421
Benefits paid	**(427)**	(104)
Liability as at June 30	**1,656**	1,029

10.3 The liability for deferred taxation comprises temporary differences relating to:

Accelerated tax depreciation	**187,706**	95,826
Employee retirement benefits	**(8,373)**	(4,984)
Deferred cost	**(737)**	(921)
Unused tax losses and minimum tax	**(93,596)**	(44,921)
	85,000	45,000

The gross movement in deferred tax liability during the year is as follows:

Opening balance	**45,000**	(1,252)
Charge during the year	**40,000**	46,252
Closing balance	**85,000**	45,000

11. Advances against sale of property

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

Pace towers project	**330,424**	278,343
Pace Gujrat project	**-**	14,877
	330,424	293,220

12. Current portion of long term liabilities

	Note		
Current portion of long term finances -secured	6	**53,732**	105,750
Current portion of Redeemable capital - secured (non-participatory)	8	**600**	-
Current portion of liabilities against assets subject to finance lease	9	**6,636**	3,518
		60,968	109,268

13. Foreign currency convertible bonds - unsecured

Opening balance as at July 1	**-**	-
Issued during the year	**1,559,500**	-
Markup accrued for the year	**53,565**	-
	1,613,065	-
Markup paid during the year	**-**	-
Exchange loss for the year	**145,500**	
Closing balance as at June 30	**1,758,565**	-

The Group issued 25,000 convertible bonds of USD 1000 each amounting to USD 25 million listed at Singapore Stock Exchange due in 2013. Yield to maturity is 6.5% per annum, compounded semiannually, accretive. The holders of the bonds have an option to convert the bonds into equity shares of the Group at any time following the issue date at a price calculated every six months as per terms of arrangement or mandatory conversion can take place if certain conditions are met.

Net proceeds will be used by Group for expansion of real estate and land development including the projects under consideration.

As the fair value calculated for the embedded foreign exchange equity derivate and the financial instrument is quite subjective and cannot be measured reliably, consequently the bond has been carried at cost and includes accreted markup.

	Note	2008	2007
		(Rupees in thousand)	
14. Finances under mark up arrangements - secured			
The Bank of Punjab - running finance	14.1	**-**	29,998
The Bank of Punjab - running finance	14.2	**30,284**	-
		30,284	29,998

14.1 The loan has been repaid during the year.

14.2 This represents short term running finance availed from The Bank of Punjab under markup arrangements amounting to Rs 36 million (June 2007: Rs Nil). The rate of markup is 3 months average KIBOR plus 2.25 % per annum. The loan is secured by equitable mortgage of land measuring 159 kanals and 4 marlas situated at Mauza Liddhar, Main Bedian Road, Lahore Cantt along with 1% token registered mortgage of the said property as referred to in note 6.1.

	Note	2008	2007
		(Rupees in thousand)	
15. Creditors, accrued and other liabilities			
Trade creditors		**8,362**	8,927
Advances from customers		**6,645**	5,617
Licensees/concessionaires payable		**6,442**	4,036
Accrued liabilities		**17,392**	11,417
Mark-up accrued on:			
- Long term finances -secured		**4,227**	9,733
- Redeemable capital - secured (non-participatory)		**66,191**	-
- Finances under mark up arrangements		**886**	1,601
Licensee security deposits		**12,701**	5,889
Payable to contractors	15.1	**92,338**	71,753
Due to related parties	15.2	**32,896**	4,500
Retention money	15.3	**24,909**	15,558
Others	15.4	**29,849**	26,314
		302,838	165,345

15.1 Payable to contractors include Rs 33.683 million (June 2007: Rs 43.306 million) due to a related party.

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

15.3 Retention money include Rs 17.960 million (June 2007: Rs 10.601 million) due to a related party.

15.4 Others include Rs 23.812 million (June 2007: Rs 22.487 million) reprsenting Group's share of unrealised markup on balances with associates, which are being accounted for using the equity method of accounting. The associates have charged the said mark up to 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.

16. Contingencies and commitments

16.1 Contingencies

(i) Claims against the Group not acknowledged as debts Rs 21.644 million (June 2007: Rs 21.644 million).

(ii) Bank guarantee amounting to Rs Nil (June 2007: Rs 60 million) 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, a related party, in favour of The Bank of Punjab, amounting to Rs 900 million (June 2007: Rs 900 million) as per the approval of shareholders through the special resolution dated July 29, 2006.

(iv) A penalty of Rs. 3.87 million (June 2007: Nil) , for an alleged non-filing of Wealth Tax returns for assessment years 1996-97 to 1998-99, has been imposed vide order dated 4th September, 2007 by the Wealth Tax Officer. The Group has filed appeal before CIT (A) for cancellation of the order.

Pending the outcome of the appeal the amount has not been provided as management is of the opinion that there are meritious grounds that the ultimate decision would be in its favour.

16.2 Commitments

(i) Letters of credit other than capital expenditure amounting to Rs Nil (June 2007: Rs 5.757 million).

(ii) Letters of credit for capital expenditure amounting to Rs 3.161 million (June 2007: Rs 1.43 million).

(iii) The Group has entered into an agreement with Worldcall Telecom Limited, a related party, for installation and maintenance of dark fiber, broadband telephony and interactive vigilance system at Group properties for an aggregate amount of Rs 12.138 million.

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

	2008	2007
	(Rupees in thousand)	
Not later than one year	**1,436**	-
Later than one year and not later than five years	**7,332**	-
Later than five years	**14,121**	-
	22,889	-

17 Property, plant and equipment

(Rupees in thousand)

2008

	Cost as at June 30, 2007	Additions/ transfers/ (deletions)	Transfer to investment property/ stock-in-trade	Cost as at June 30, 2008	Accumulated depreciation as at June 30, 2007	Depreciation charge for the year	Transfer to investment property/ stock-in-trade	Accumulated depreciation as at June 30, 2008	Book value as at June 30, 2008
Freehold land *	90,660	3,380	-	94,040	-	-	-	-	94,040
Leasehold land **	-	-	-	-	-	-	-	-	-
Buildings on freehold land	72,127	39,536	-	111,663	9,160	4,543	-	13,703	97,960
Buildings on leasehold land ***	-	134,225		134,225	-	1,119		1,119	133,106
Plant and machinery	67,854	4,828	-	72,682	28,941	3,745	-	32,686	39,996
Electrical equipment	31,158	11,827	-	42,985	5,127	3,301	-	8,428	34,557
Office equipment and appliances	11,422	231	-	11,653	3,402	816	-	4,218	7,435
Furniture and fixtures	4,349	6,787	-	11,136	1,080	679	-	1,759	9,377
Computers	4,504	4,183	-	8,627	1,738	1,638	-	3,365	5,262
		(60)				(11)			
Vehicles	16,029	4,546	-	17,337	2,896	2,437	-	4,685	12,652
		(3,238)				(648)			
June 2008	298,103	209,543	-	504,348	52,344	18,278	-	69,963	434,385
		(3,298)				(659)			

2007

	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
June 2007	351,790	85,872	(139,559)	298,103	79,955	10,687	(38,298)	52,344	245,759

* 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), a related party, 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 Group. Consequently, to avoid additional transaction costs relating to transfer of legal 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.

*** Building on leasehold land represents the 6,330 square feet relating to 3rd floor of Fortress Project, Lahore the right of which has been acquired for 10 years from Fortress Stadium management, Lahore Cantt and which is not saleable in the ordinary course of business as per terms of agreement.

	Note	**June 2008**	June 2007
		(Rupees in thousand)	
17.1 The depreciation charge for the year has been allocated as follows:			
Stores operating expenses	32.2	**12,051**	6,960
Administrative and selling expenses	33	**6,227**	3,727
		18,278	10,687

17.2 Vehicles having book value of Rs Nil (June 2007: Rs 1.352 million) are not in the possession of the Group and are held by World Call Telecom Limited and Media times, related parties, as at June 30, 2008.

17.3 Disposal of property, plant & equipment

(Rupees in thousand)

Particular of Assets	Sold to	Cost	Accumulated Depreciation	Book value	Sales proceeds	Mode of Disposal
Computers	Shaheen Insurance Company Limited	60	11	49	45	Insurance claim
Vehicles	Shaheen Insurance Company Limited	3,238	648	2,590	2,900	Insurance claim
June 2008		3,298	659	2,639	2,945	

18 Intangible assets

(Rupees in thousand)

	Cost as at June 30, 2007	Additions/ (deletions)	Cost as at June 30, 2008	Accumulated amortisation as at June 30, 2007	Amortisation charge for the year	Accumulated amortisation as at June 30, 2008	Book value as at June 30, 2008
Softwares	2,878	-	2,878	1,596	128	1,724	1,154
Dark fiber *	-	9,508	9,508	-	119	119	9,389
June 2008	2,878	9,508	12,386	1,596	247	1,843	10,543
June 2007	2,878	-	2,878	1,296	142	1,596	1,282

* This represents purchase of right to use optical fiber at Group properties for 20 years from a related party.

18.1 The amortisation charge for the year has been charged to administrative and selling expenses as referred to in note 33.

19. Assets subject to finance lease

	Cost as at June 30, 2007	Additions/ (deletions)/ (transfers)	Cost as at June 30, 2008	Accumulated depreciation as at June 30, 2007	depreciation charge for the year	Accumulated depreciation as at June 30, 2008	Book value as at June 30, 2008
Vehicles	13,751	12,052 (2,274)	23,529	3,104	3,534 (1,494)	5,144	18,385
June 2008	13,751	12,052 (2,274)	23,529	3,104	3,534 (1,494)	5,144	18,385
June 2007	15,872	4,809 (6,930)	13,751	3,664	2,309 (2,869)	3,104	10,647

19.1 The depreciation charge for the year has been charged to administrative and selling expenses as referred to in note 33.

20. Capital Work in progress

	Note	2008	2007
		(Rupees in thousand)	
Broadband/telephony services	20.1	**2,672**	-
Interactive vigilance system	20.1	**48,894**	-
Investment property under construction		**28,931**	15,192
		80,497	15,192

20.1 This represents installation of vigilance system and services of broadband provided at Group properties by a related party.

20.2 Work in process amounting to Rs 0.233 million (June 2007: Rs 14.734) are pledged with lenders as security against long term finances and redeemable capital as referred to in note 6.2 and note 8 respectively.

21. Investment property

	Land	Building	2008	2007
			(Rupees in thousand)	
Opening value as on July 1	45,900	1,372,147	**1,418,047**	776,534
Additions to cost during the year:				
- Transfer from stock-in-trade	-	286,270	**286,270**	178,828
- Transfer from property, plant and equipment	-	-	**-**	13,926
- Purchase of assets classified as 'investment property'	724,235	5,040	**729,275**	43,260
- Transfer to stock-in-trade	-	(96,686)	**(96,686)**	-
- Disposal of investment property	-	(1,418)	**(1,418)**	-
Closing Value before revaluation as at June 30	770,135	1,565,353	**2,335,488**	1,012,548
Add: Gain recognised in Profit and Loss Account			**1,245,382**	405,499
Closing value after revaluation as on June 30			**3,580,870**	1,418,047

22. Investments

	Note	2008	2007
		(Rupees in thousand)	
Equity instruments of:			
- associated undertakings - unquoted	22.1	**600,180**	300,180
Available for sale - quoted	22.2	**13**	33,047
		600,193	333,227

22.1 Associated undertakings - unquoted

	2008	2007
Pace Barka Properties Limited 60,000,000 (June 2007: 30,000,000) fully paid ordinary shares of Rs 10 each	**600,000**	300,000
Pace Super Mall (Private) Limited 18,000 (June 2007: 18,000) fully paid ordinary shares of Rs 10 each	**180**	180
	600,180	300,180

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

June 2008

Name	Percentage interest held	Assets	Liabilities	Revenues	Profit/(loss)
		(Rupees in thousands)			
Pace Barka Properties Limited	19.66%	946,440	346,440	-	-
Pace Super Mall (Private) Limited	40%	53,904	53,724	-	-
		1,000,344	400,164	-	-
June 2007					
Pace Barka Properties Limited	22%	579,062	279,062	-	-
Pace Super Mall (Private) Limited	40%	48,829	48,649	-	-
		627,891	327,711	-	-

During the year Pace Barka Properties Limited made a 125% right issues out of which 37.5 million shares of Rs. 10 each were offered to holding company. Holding company accepted only 30 million shares and renounced the remaining 7.5 million shares. Consequently the percentage of interest held by holding company has changed to 19.66% (2007: 22%), however it is still considered as an associated undertaking due to common directorship and significant influence of the holding company over its operations and financial decisions.

	Note	2008	2007
		(Rupees in thousand)	
22.2 Available for sale - quoted			
Available for sale investment at cost	22.2.1	**6**	12,131
Add: Cumulative fair value gain	22.2.2	**7**	20,916
		13	33,047

22.2.1 This represents 912 (June 2007: 1,800,912) 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.

	2008	2007
	(Rupees in thousand)	
22.2.2 Cumulative fair value gain		
As at July 1	**20,916**	1,885
Fair value (loss)/gain during the year	**(3)**	19,031
Transfer to profit and loss account	**(20,906)**	-
	7	20,916

	Note	2008	2007
		(Rupees in thousand)	
23. Long term advances and deposits			
Advance against purchase of property - unsecured	23.1	**21,600**	21,600
Lease key money		**2,279**	1,932
Security deposit		**6,000**	-
		29,879	23,532

23.1 This represents interest free advance to Pace Super Mall (Private) Limited, a related party, relating to normal business of the Group.

	2008	2007
	(Rupees in thousand)	
24. Long term loans - unsecured		
These represent loans given to the following related parties:		
Associated undertaking		
Pace Super Mall (Private) Limited	**38,971**	38,971
Media Times Limited	**41,103**	41,103
	80,074	80,074

24.1 These loans carry mark up at the rate ranging from 15.40% to 16.25% per annum (June 2007: 14.44% to 15.40%).

	Note	2008	2007
		(Rupees in thousand)	
25. Stock-in-trade			
Commercial buildings and shops			
Work in process	25.1	**1,296,086**	1,059,360
Shops		**251,025**	68,281
		1,547,111	1,127,641
Restaurant and stores inventory		**1,338**	822
		1,548,449	1,128,463

25.1 Included in work in process are borrowing costs of Rs 180.635 million (June 2007: Rs 150.014 million)

25.2 Work in process amounting to Rs 351.498 million (June 2007: Rs 162.338 million) are pledged with lenders as security against long term loan and redeemable capital as referred to in note 6 and note 8 respectively.

26. Trade debts - unsecured

These are unsecured and considered good. Included in trade debts is an amount of Rs 419.06 million (June 2007: Rs Nil) receivable from First Capital Securities Corporation Limited, a related party.

	2008	2007
	(Rupees in thousand)	

27. Due from related parties - unsecured

	2008	2007
Associated Undertakings		
Pace Super Mall (Private) Limited	**6,959**	179
Pace Barka Properties Limited	**-**	563
	6,959	742

27.1 This advance is considered good and carry mark up at the rate of 16.25% per annum (June 2007: 14.44% to 15.40%).

28. Advance against purchase of property - unsecured

This relates to normal business of the Group and is interest free.

29. Advances, deposits, prepayments and other receivables

	Note	2008	2007
		(Rupees in thousand)	
Advances - considered good			
- to employees		**8,747**	10,661
- to suppliers		**17,219**	16,358
Security deposits		**7,337**	3,193
Prepayments		**6,482**	14,797
Advances to contractors	29.1	**61,721**	65,316
Income tax recoverable from government		**3,880**	28
Others - considered good		**24,801**	18,227
		130,187	128,580
Less: provision for doubtful receivables	29.2	**(2,000)**	-
		128,187	128,580

29.1 Advances to contractors include Rs 53.859 million (June 2007: Rs 77.544 million) due from Trident Construct (Private) Limited, a related party. This relates to normal business of the Group and is interest free.

29.2 Provision for doubtful receivables

	2008	2007
	(Rupees in thousand)	
Balance as at July 1	-	-
Add: provision during the year	**2,000**	-
	2,000	-
Less: written off during the year	**-**	-
Balance as at June 30	**2,000**	-

	Note	2008	2007
		(Rupees in thousand)	
30. Cash and bank balances			
At banks			
- on saving accounts	30.1	**1,261,985**	296,617
- on current accounts		**59,480**	11,432
		1,321,465	308,049
In hand including credit card sales Rs 0.212 million (June 2007: Rs 0.134 million)		**269**	134
		1,321,734	308,183

30.1 Included in these are total restricted funds of Rs 7 million (June 2007: Rs 60 million) held by banks under lien as security against long term finances. The balances in saving accounts bear mark up which ranges from 0.25% to 10% per annum.

	Note	2008	2007
		(Rupees in thousand)	
31. Sales			
Shops and commercial buildings			
- at completion of project basis		**1,223,418**	570,934
- at percentage of completion basis	31.1	**187,526**	-
Land	31.2	**52,549**	-
Licensee fee		**37,486**	25,944
Restaurant		**5,730**	3,346
Display advertisements and miscellaneous income		**17,163**	12,427
		1,523,872	612,651

31.1 Revenue recognized on the basis of percentage of completion method

	2008	2007
Revenue recognized to date	**187,526**	-
Aggregate cost incurred to date	**144,164**	-
Recognized profit to date	**43,362**	-

31.1.1 The revenue arising from agreements, that meet the criteria for revenue recognisition on basis of percentage of completion method, during the year is Rs.404.542 million. (2007: Nil). Amount received against these agreements amounts to Rs. 132.511 million (2007: Nil).

31.2 This represents sale of land at Raiwind to Pace Barka Properties Limited, a related party.

	Note	2008	2007
		(Rupees in thousand)	

32. Cost of sales

	Note	2008	2007
Shops and commercial buildings sold			
- at completion of project basis	32.1	**781,447**	349,373
- at percentage of completion basis		**144,164**	-
Materials consumed at restaurant		**5,111**	1,460
Stores operating expenses	32.2	**53,252**	30,318
		983,974	381,151

32.1 Shops and commercial buildings sold

	Note	2008	2007
Opening work in process		**1,059,360**	1,393,782
Less: Work in Process inventory on which control was relinquished during the year		**-**	(620,683)
Project development cost		**1,644,564**	865,438
Closing work in process	25	**(1,296,086)**	(1,059,360)
Cost of shops and commercial buildings constructed		**1,407,838**	579,177
Less: Cost transferred to:			
property, plant and equipment		**(138,682)**	(60,767)
- capital work in progress		**(13,739)**	(15,192)
- administrative expenses		**(4,956)**	-
- investment property	21	**(286,270)**	(178,828)
		(443,647)	(254,787)
		964,191	324,390
Opening inventory of shops		**68,281**	93,264
Closing inventory of shops	25	**(251,025)**	(68,281)
		(182,744)	24,983
		781,447	349,373

32.2 Store operating expenses

	Note	2008	2007
Salaries, wages and benefits	32.2.1	**12,184**	13,902
Rent, rates and taxes		**124**	50
Insurance		**3,801**	1,495
Fuel and power		**17,476**	5,429
Depreciation on property, plant and equipment	17.1	**12,051**	6,960
Repairs and maintenance		**3,932**	1,358
Janitorial and security charges		**3,253**	901
Others		**431**	223
		53,252	30,318

32.2.1 Salaries, wages and benefits

	2008	2007
Salaries, wages and benefits include following in respect of gratuity:		
Current service cost	**2,678**	2,773
Interest cost	**448**	274
Experience loss	**13**	-
	3,139	3,047

	Note	2008	2007
		(Rupees in thousand)	

33. Administrative and selling expenses

	Note	2008	2007
Salaries, wages and benefits	33.1	**40,314**	33,438
Traveling and conveyance		**4,699**	2,694
Rent, rates and taxes		**3,256**	3,678
Insurance		**5,638**	1,178
Printing and stationery		**1,921**	1,088
Repairs and maintenance		**9,681**	3,988
Motor vehicles running		**7,688**	5,371
Communications		**3,541**	3,046
Advertising and sales promotion		**14,325**	6,620
Depreciation on:			
- property, plant and equipment	17.1	**6,227**	3,727
- assets subject to finance lease	19	**3,534**	2,309
Amortisation on intangible assets	18	**247**	142
Auditors' remuneration	33.2	**1,550**	800
Legal and professional		**1,849**	2,953
Advances written off		**3,003**	1,711
Other expenses		**12,798**	4,924
Provision for doubtful receivables		**2,000**	-
		122,271	77,667

33.1 Salaries, wages and benefits

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

	2008	2007
Current service cost	**6,250**	3,778
Interest cost	**1,044**	373
Experience loss	**30**	-
	7,324	4,151

33.2 Auditors' remuneration

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

	2008	2007
Statutory audit	**800**	550
Certification and sundry services	**450**	75
Half yearly review	**300**	175
	1,550	800

	Note	2008	2007
		(Rupees in thousand)	
34. Other operating income			
Income from financial assets			
Mark up on bank accounts		**137,423**	14,581
Income from reverse repurchase transactions		**19,758**	4,328
Return on term deposit certificates	34.1	**9,854**	-
Mark up on balances with related parties		**15,275**	78,589
Gain on derecognition of investments classified as 'available for sale'		**32,875**	-
Others		**3,615**	563
Income from non-financial assets			
Gain on sale of property, plant and equipment		**851**	-
Gain on disposal of investment property		**386**	-
Liabilities no longer required written back		**6,320**	-
		226,357	98,061

34.1 This represents markup earned at rate ranging from 7.70% to 10.33% per annum (2007: Nil).

	Note	2008	2007
		(Rupees in thousand)	
35. Other operating expenses			
Exchange loss on foreign currency convertible bonds		**145,500**	-
Donations	35.1	**50**	148
Expenses incurred in respect of:			
- issuance of term finance certificates		**25,115**	7,984
- issuance of foreign currency convertible bonds		**32,050**	-
- issuance of commercial papers		**1,260**	-
- issuance of SUKUK		**775**	-
- issuance of ordinary shares		**-**	55,775
- increase in authorised capital		**4,235**	-
Others		**94**	1,500
		209,079	65,407

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

	Note	2008	2007
		(Rupees in thousand)	
36. Finance costs			
Mark up on			
- Finances under mark up arrangements - secured		**-**	91,322
- Redeemable capital - secured (non-participatory)		**140,500**	-
- Commercial papers	36.1	**49,989**	-
- Foreign currency convertible bonds - unsecured		**53,565**	-
- Finance lease		**1,559**	817
Bank charges		**647**	397
		246,260	92,536

36.1 This represents markup charged during the year on issuance of unsecured commercial paper with a face value of Rs. 1,000 million for a tenor of 6 months. Mark up was computed at average 6 months KIBOR plus 0.7%.

	2008	2007
	(Rupees in thousand)	
37. Taxation		
For the year		
- Current	**11,023**	3,815
- Deferred	**40,000**	46,252
	51,023	50,067
Prior years		
- Current	**(981)**	-
- Deferred	**-**	748
	50,042	50,815

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, 2008 are estimated at approximately Rs 220.147 million (June 2007: Rs 101.948 million).

	2008	2007
	%	%
37.1 Tax charge reconciliation		
Numerical reconciliation between the average effective tax rate and the applicable tax rate.		
Applicable tax rate	**35.00**	35.00
Tax effect of amounts that are:		
Not chargeable to tax	**(31.58)**	(26.32)
Effect of change in prior years' tax	**(0.07)**	0.13
Effect of rounding off	**(0.12)**	0.41
	(31.77)	(25.78)
Average effective tax rate charged to profit and loss account	**3.23**	9.22

38. 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 (June 2007: 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:

	Execitives	
	2008	2007
	(Rupees in thousand)	
Short term employee benefits		
Managerial remuneration	**17,613**	6,230
Housing	**7,045**	2,492
Utilities	**1,761**	1,043
Bonus	**-**	223
Medical expenses	**754**	186
Fuel expenses	**3,178**	1,711
Post employment benefits	**8,414**	2,875
	38,765	14,760

	Chief Executive		Directors		Executives	
	2008	2007	**2008**	2007	**2008**	2007
Number of persons	**1**	1	**8**	8	**26**	10

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

	Note	2008	2007
		(Rupees in thousand)	
39. Cash used in operations			
Profit before tax		**1,434,027**	499,450
Adjustment for:			
Depreciation on:			
- property, plant and equipment	17.1	**18,278**	10,687
- assets subject to finance lease	19	**3,534**	2,309
Amortisation on intangible assets	18	**247**	142
Gain on sale of			
- property, plant and equipment		**(306)**	-
- assets subject to finance lease		**(545)**	-
Exchange loss on foreign currency convertible bonds	35	**145,500**	-
Provision for doubtful receivables	33	**2,000**	-
Provision for gratuity and leave encashment		**11,517**	7,619
Finance costs	36	**246,260**	92,536
Mark up income		**(185,925)**	(98,061)
Changes in fair value of investment property	21	**(1,245,382)**	(405,499)
Gain on disposal of investment property	34	**(386)**	-
Gain on sale of investment - available for sale	34	**(32,875)**	-
Liabilities no longer required written back	34	**(6,320)**	-
Advances written off	33	**3,003**	1,711
Profit before working capital changes		**392,627**	110,894
Effect on cash flow due to working capital changes:			
Increase in stock-in-trade		**(737,123)**	(1,015,630)
Increase in trade debts		**(654,140)**	(239,076)
Decrease in due from related parties		**-**	1,539
Increase in advance against purchase of property		**-**	(15,000)
Increase in advances, deposits and other receivables		**(730)**	(166,413)
Increase/(decrease) in creditors, accrued and other liabilities		**83,843**	(15,913)
		(1,308,150)	(1,450,493)
		(915,523)	(1,339,599)

	Note	2008	2007
40. Cash and cash equivalents			
Cash and bank balances	30	**1,321,734**	308,183
Finances under mark up arrangements	14	**(30,284)**	(29,998)
		1,291,450	278,185

41. Segment information

(Rupees in thousand)

	Real estate sales		Investment properties		Others		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
Segment revenue	1,463,493	570,934	48,938	31,807	11,441	9,910	1,523,872	612,651
Segment expenses								
- Cost of sales	(925,611)	(349,373)	-	-	(5,111)	(1,460)	(930,722)	(350,833)
- Stores operating expenses	-	-	(48,201)	(25,523)	(5,051)	(4,795)	(53,252)	(30,318)
Gross profit	537,882	221,561	737	6,284	1,279	3,655	539,898	231,500
- Changes in fair value of investment property	-	-	1,245,382	405,499	-	-	1,245,382	405,499
Segment results	537,882	221,561	1,246,119	411,783	1,279	3,655	1,785,280	636,999
Administrative and selling expenses							(122,271)	(77,667)
Other operating income							226,357	98,061
Finance costs							(246,260)	(92,536)
Other operating expenses							(209,079)	(65,407)
Profit before tax							**1,434,027**	**499,450**
Taxation							(50,042)	(50,815)
Profit for the year							**1,383,985**	**448,635**
41.1 Segment assets	2,607,848	1,545,364	3,614,487	1,438,878	-	-	6,222,335	2,984,242
Unallocated assets							2,592,584	1,045,110
							8,814,919	4,029,352
41.2 Segment liabilities	4,096,042	778,344	12,701	5,889	-	-	4,108,743	784,233
Unallocated liabilities							261,062	162,710
							4,369,805	946,943
41.3 Capital expenditure	-	-	-	-	-	-	-	-
Unallocated							231,104	90,681
							231,104	90,681
41.4 Depreciation/amortisation	-	-	-	-	-	-	-	-
Unallocated							22,059	13,138
							22,059	13,138

42. Financial assets and liabilities

(Rupees in thousand)

	2008							
	Interest / mark up bearing			Non interest bearing			Total	Credit Risk
	Maturity upto one year	Maturity after one years	Sub total	Maturity upto one year	Maturity after one year	Sub total	2008	2008
Financial assets								
On balance sheet								
Investments - available for sale	-	-	-	-	13	13	13	13
Long term advances and deposits	-	-	-	-	8,279	8,279	8,279	8,279
Long term loans	-	80,074	80,074	-	-	-	80,074	80,074
Trade debts	-	-	-	974,764	-	974,764	974,764	974,764
Due from related parties	6,959	-	6,959	-	-	-	6,959	6,959
Advances, deposits and prepayments								
- Advances to employees	-	-	-	8,747	-	8,747	8,747	8,747
- Security deposits	-	-	-	7,337	-	7,337	7,337	7,337
- Others	-	-	-	24,801	-	24,801	24,801	24,801
Cash and bank balances	1,261,985	-	1,261,985	59,749	-	59,749	1,321,734	1,321,522
	1,268,944	80,074	1,349,018	1,075,398	8,292	1,083,690	2,432,708	2,432,496
Off balance sheet	-	-	-	-	-	-	-	-
Total	1,268,944	80,074	1,349,018	1,075,398	8,292	1,083,690	2,432,708	2,432,496
Financial liabilities								
On balance sheet								
Long term loans and finances	53,732	265,656	319,388	-	-	-	319,388	
Redeemable capital	600	1,499,400	1,500,000	-	-	-	1,500,000	
Liabilities against assets subject to finance lease	6,636	9,001	15,637	-	-	-	15,637	
Foreign currency convertible bonds	1,758,565		1,758,565	-	-	-	1,758,565	
Finances under mark up arrangements	30,284		30,284	-	-	-	30,284	
Creditors, accrued and other liabilities	-	-	-	302,838	-	302,838	302,838	
	1,849,817	1,774,057	3,623,874	302,838	-	302,838	3,926,712	
Off balance sheet								
Guarantees	-	-	-	900,000	-	900,000	900,000	
Letters of credit for capital expenditure	-	-	-	3,161	-	3,161	3,161	
	-	-	-	903,161	-	903,161	903,161	
Total	1,849,817	1,774,057	3,623,874	1,205,999	-	1,205,999	4,829,873	
On balance sheet gap	(580,873)	(1,693,983)	(2,274,856)	772,560	8,292	780,852	(1,494,004)	
Off balance sheet gap	-	-	-	(903,161)	-	(903,161)	(903,161)	

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

(Rupees in thousand)

	2007							
	Interest / mark up bearing			Non interest 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	2007
Financial assets								
On balance sheet								
Investments - available for sale	-	-	-	-	33,047	33,047	33,047	33,047
Long term deposits	-	-	-	-	1,932	1,932	1,932	1,932
Long term loan	-	80,074	80,074	-	-	-	80,074	80,074
Trade debts	-	-	-	320,624	-	320,624	320,624	320,624
Due from related parties	742	-	742	-	-	-	742	742
Advances, deposits and prepayments			-					
- Advances to employees	-	-	-	10,661	-	10,661	10,661	10,661
- Security deposits	-	-	-	3,193	-	3,193	3,193	3,193
- Others	-	-	-	18,227	-	18,227	18,227	18,227
Cash and bank balances	296,617	-	296,617	11,566	-	11,566	308,183	308,049
	297,359	80,074	377,433	364,271	34,979	399,250	776,683	776,549
Off balance sheet	-	-	-	-	-	-	-	-
Total	297,359	80,074	377,433	364,271	34,979	399,250	776,683	776,549
Financial liabilities								
On balance sheet								
Long term loans	105,750	282,330	388,080	-	-	-	388,080	
Liabilities against assets subject to finance lease	3,518	6,044	9,562	-	-	-	9,562	
Finances under mark up arrangements	29,998		29,998	-	-	-	29,998	
Creditors, accrued and other liabilities	-	-	-	165,345	-	165,345	165,345	
	139,266	288,374	427,640	165,345	-	165,345	592,985	
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	1,403,532	-	1,403,532	1,831,172	
On balance sheet gap	158,093	(208,300)	(50,207)	198,926	34,979	233,905	183,698	
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.

42.1 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 42, 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 2,432.708 million (June 2007: Rs 776.683 million) financial assets which are subject to credit risk amount to 2,432.496 million (June 2007: Rs 776.549 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. Currency risk arises where receivables and payables exist due to transactions with foreign buyers and suppliers. The Group's exposure to currency risk is considered to be minimum.

(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.

44.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders through repurchase of shares, issue new shares or sell assets to reduce debt. Consistent with others in the industry and the requirements of the lenders the Group monitors the capital structure on the basis of gearing ratio. This ratio is calculated as borrowings divided by total capital employed. Borrowings represent long term loan and redeemable capital obtained by the Group as referred to in note 6, 7 and 8 respectively. Total capital employed includes equity as shown in the balance sheet plus borrowings. The Group's strategy, which was unchanged from last year, was to maintain a gearing ratio of 60% debt and 40% equity. The gearing ratio as at year ened June 30, 2008 and year ended June 30, 2007 are as follows:

		2008	2007
Borrowings	**Rupees in thousand**	**1,819,388**	388,080
Total capital employed	**Rupees in thousand**	**6,264,502**	3,470,489
Gearing ratio	**Percentage**	**29**	11

42.3 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 except for investments which are stated at cost. Fair value is determined on the basis of objective evidence at each reporting date.

43. Earnings per share

Basic earnings per share are calculated by dividing net profit for the year attributable to ordinary shareholders by the weighted average number of shares outstanding during the year. The weighted average numbers of shares outstanding during the year and the previous year have been adjusted for the events that have changed the number of shares outstanding without a corresponding change in resources. The information necessary to calculate basic and diluted earning per share is as follows:

43.1 Basic earnings per share

		2008	2007
Profit for the year	**Rupees in thousand**	1,383,985	448,635
Weighted average number of ordinary shares outstanding during the year	**Rupees in thousand**	221,069	180,146
Basic earnings per share	**Rupees**	6.26	2.49

43.2 Diluted earnings per share

The dilution effect on basic earning per shares is due to conversion option on foreign currency convertible bonds. The basic weighted average number of shares have been adjusted for conversion option available to bondholders.

Dilutive earnings per share	**Rupees**	5.80	-

44. Transactions with related parties

The related parties comprise associated undertakings, other related group companies, directors of the holding 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:

		2008	2007
		(Rupees in thousand)	
Relationship with the Group	**Nature of transactions**		
i. Associates	Purchase of goods & services	373,931	218,331
	Loans received	45,000	121,870
	Investment in equity instruments	300,000	-
	Loans disbursed	55,143	477,653
	Loans repayments received	81,415	719,724
	Mark up income	15,289	95,136
	Mark up expense	23,707	3,208
	Guarantee commission	4,500	563
	Sales of goods & services	1,023,291	-
	Advance against purchase of property	-	11,600
			-
ii. Key management personnel	Short term employee benefits	8,054	5,904

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

45. Detail of subsidiaries

Name of the subsidiaries	Accounting year end	Percentage of holding	Country of incorporation
Pace Woodlands (Private) Limited	30-Jun-08	52%	Pakistan
Pace Gujrat (Private) Limited	30-Jun-08	100%	Pakistan

46. Date of authorisation

These financial statements were authorised for issue on October 07, 2008 by the board of directors of the Group.

47. Corresponding figures

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

	(Rupees in thousand)
Payables to customers classified from trade debts to creditors, accrued and other liabilities	4,479
Advance to Pace Super Mall (Private) Limited against purchase of property classified from short term to long term	21,600
Licensee income receivable classified from other receivables to trade debts	5,639
Investment property development cost classified from inventories to capital work in progress	15,192

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

Salmaan Taseer
Chief Executive

Aamna Taseer
Director

PATTERN OF SHAREHOLDING
AS AT JUNE 30, 2008

INCORPORATION NUMBER: 0028954 of 21-11-1992

No. of Shareholders	Shareholdings			Shares Held
	From		To	
2296	1	-	100	185,017
1426	101	-	500	544,071
4176	501	-	1000	2,723,114
1278	1001	-	5000	3,078,039
192	5001	-	10000	1,604,190
56	10001	-	15000	718,070
45	15001	-	20000	816,473
34	20001	-	25000	800,275
9	25001	-	30000	256,096
14	30001	-	35000	467,763
10	35001	-	40000	376,662
6	40001	-	45000	259,582
11	45001	-	50000	529,961
3	50001	-	55000	153,193
7	55001	-	60000	399,500
5	60001	-	65000	306,798
2	65001	-	70000	140,000
2	70001	-	75000	150,000
2	75001	-	80000	158,000
6	80001	-	85000	499,775
1	90001	-	95000	94,000
7	95001	-	100000	700,000
3	100001	-	105000	304,648
3	105001	-	110000	323,938
1	110001	-	115000	114,500
1	135001	-	140000	136,000
3	145001	-	150000	450,000
2	165001	-	170000	335,500
2	170001	-	175000	350,000
2	200001	-	205000	408,500
3	210001	-	215000	635,500
1	230001	-	235000	234,500
1	240001	-	245000	241,500
1	245001	-	250000	250,000
1	270001	-	275000	275,000
3	295001	-	300000	900,000

No. of Shareholders	Shareholdings			Shares Held
	From		To	
1	305001	-	310000	309,158
1	315001	-	320000	320,000
2	325001	-	330000	659,095
1	330001	-	335000	332,000
1	395001	-	400000	400,000
1	410001	-	415000	413,479
1	430001	-	435000	434,000
2	460001	-	465000	928,838
1	465001	-	470000	468,500
1	525001	-	530000	527,500
2	540001	-	545000	1,087,000
1	550001	-	555000	555,000
1	785001	-	790000	787,000
1	795001	-	800000	800,000
1	1035001	-	1040000	1,039,500
1	1360001	-	1365000	1,365,000
1	2145001	-	2150000	2,147,000
1	2235001	-	2240000	2,239,500
1	2700001	-	2705000	2,704,500
1	2985001	-	2990000	2,989,789
1	3260001	-	3265000	3,264,000
1	3340001	-	3345000	3,342,500
1	4270001	-	4275000	4,270,800
1	4725001	-	4730000	4,729,000
1	5660001	-	5665000	5,664,000
1	6025001	-	6030000	6,027,000
1	6885001	-	6890000	6,888,000
1	6955001	-	6960000	6,959,290
1	7160001	-	7165000	7,163,500
1	9350001	-	9355000	9,351,000
1	10520001	-	10525000	10,522,704
1	18840001	-	18845000	18,842,952
1	21800001	-	21805000	21,803,661
1	26820001	-	26825000	26,822,907
1	44385001	-	44390000	44,387,200
9,653				**220,465,538**

PATTERN OF SHAREHOLDING
AS AT JUNE 30, 2008

Categories of Shareholders	**Shares held**	**Percentage**
Directors, Chief Executive Officer, and their spouse and minor children	34,104,978	15.470
Associated Companies, undertakings and related parties.	39,809,197	18.057
Banks, Development Financial Institutions, Non Banking Financial Institutions	8,800,500	3.992
Insurance Companies	157,000	0.071
Modarabas and Mutual Funds	28,636,000	12.989
Share holders holding 10% or more	107,067,763	48.564
General Public		
a) Local	21,106,918	9.574
b) Foreign	3,659,594	1.660
Others:		
- Joint Stock Companies	5,838,990	2.648
- Foreign Companies	78,352,361	35.540

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

PATTERN OF SHAREHOLDING AS PER LISTING REGULATIONS AS AT JUNE 30, 2008

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	
Directors, CEO and their Spouse and Minor Children	
Salmaan Taseer (CEO/Director)	587
Aamna Taseer (Director)	587
Imran Saeed Chaudhry (Director)	4,270,800
Sulieman Ahmed Said Al-Hoqani (Director)	29,830,656
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	5,838,990
Banks, Development Financial Institutions, Non-Banking Finance Institutions, Insurance Companies, Modaraba and Mutual Fund etc.	8,800,500
Shareholders holding 10% or more voting interest in the Company	
Sulieman Ahmed Said Al-Hoqani	29,830,656
Millennium Global High Yield Fund Limited	44,287,200
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 2008 at 12:30 p.m. and at any adjournment thereof.

Signature this ___________________ Day of _________________ 2008.

(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.