PACE BARKA PROPERTIES LIMITED

BALANCE SHEET AS AT JUNE 30, 2011

	Note	2011	2010
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised capital			
480,000,000 (2010: 480,000,000)			
ordinary shares of Rs 10 each		4,800,000	4,800,000
Issued, subscribed and paid up capital			
305,257,363 (2010: 305,257,363)			
ordinary shares of Rs 10 each	5	3,052,574	3,052,574
Reserve for changes in fair value of investments		1,136,244	1,002,352
Unappropriated profit		1,252,250	1,631,652
		5,441,068	5,686,578
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	6	469,885	474,970
NON-CURRENT LIABILITIES			
Long term finances	7	-	40,834
Long term deposits	9	238	238
Deferred liabilities	10	86,940	138,909
		87,178	179,981
CURRENT LIABILITIES			
Current portion of long term liabilities	11	643,661	339,418
Short term running finance - secured	12	-	299,689
Creditors, accrued and other liabilities	13	283,460	334,282
Accrued finance cost	14	77,304	20,955
Advance against sale of inventories	15	358,107	355,375
Provision for taxation		5,178	5,159
		1,367,710	1,354,878
CONTINGENCIES AND COMMITMENTS	16		
		7,365,841	7,696,407

	Note	2011	2010
		(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	17	1,524,400	1,541,350
Assets subject to finance lease	18	-	2,259
Capital work in progress	19	1,142,761	1,142,260
Investment property	20	924,151	1,084,047
Investments	21	1,521,427	1,387,535
Long term security deposits	22	864	864
		5,113,603	5,158,315
CURRENT ASSETS			
Stock-in-trade	23	1,979,010	2,125,076
Trade debts	24	265,182	314,474
Advances, deposits, prepayments and other receivables	25	7,623	97,743
Cash and bank balances	26	423	799
		2,252,238	2,538,092
		7,365,841	7,696,407

The annexed notes 1 to 42 form an integral part of these financial statements.

Chief Executive **Director**

PACE BARKA PROPERTIES LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011	2010
		(Rupees in thousand)	
Sales	27	119,600	518,851
Cost of sales	28	(146,920)	(346,214)
Gross (loss) / profit		(27,320)	172,637
Administrative, general and other expenses	29	(62,615)	(44,839)
Other charges	30	-	(19,024)
Other operating income	31	12,060	57,557
(Loss) / profit from operations		(77,875)	166,331
Finance costs	32	(110,212)	(54,358)
Changes in fair value of investment property		(246,813)	33,497
(Loss) / profit before taxation		(434,900)	145,470
Taxation	33	50,413	97,801
(Loss) / profit for the year		(384,487)	243,271
Other comprehensive (loss) / income			
Changes in fair value of available for sale investment		133,892	371,898
Surplus on revaluation of Property, plant and equipment		5,085	5,085
Total comprehensive (loss) / income for the year		(245,510)	620,254
(Loss) / earnings per share - basic and diluted in Rupees	39	(1.26)	0.80

The annexed notes 1 to 42 form an integral part of these financial statements.

Chief Executive **Director**

PACE BARKA PROPERTIES LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011	2010
		(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from operations	35	35,170	385,813
Finance costs paid		(28,514)	(170,860)
Taxes paid		(218)	(222)
Retirement benefits paid		(1,322)	(2,051)
Net cash inflow from operating activities		5,116	212,680
Cash flows from investing activities			
Fixed capital expenditure		(502)	(207)
Proceeds against sale of property, plant and equipment		1,290	755
Proceeds against sale of assets subject to finance lease		-	1,085
Additions to investment property		-	(495)
Sale of investment property		30,000	-
Profit on bank deposits received		-	362
Net cash inflow from investing activities		30,788	1,500
Cash flows from financing activities			
Proceeds from long term loans		-	20,000
Rescheduled short term facility to long term		299,594	-
Repayment of long term loans		(35,000)	(290,933)
Repayment of finance lease liability		(1,185)	(3,391)
Net cash inflow/ (outflow) from financing activities		263,409	(274,324)
Net increase/ (decrease) in cash and cash equivalents		299,313	(60,144)
Cash and cash equivalents at the beginning of the year		(298,890)	(238,746)
Cash and cash equivalents at the end of the year	36	423	(298,890)

The annexed notes 1 to 42 form an integral part of these financial statements.

Chief Executive **Director**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

1. Legal status and activities

Pace Barka Properties Limited (the Company) was incorporated in Pakistan on November 22, 2005 as an unlisted Public Limited Company under the Companies Ordinance, 1984. The registered office of the Company is situated at 103-C-II, Gulberg-III, Lahore. The principal activity of the Company is to acquire, construct, develop, sell, rent out and manage shopping malls, apartments, villas, commercial buildings etc. and carry on the business of hospitality.

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 and Islamic Financial Accounting Standards (IFAS) issued by Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984 or directives issued by Securities and Exchange Commission of Pakistan differ with the requirements of IFRS or IFAS, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives prevail.

2.2 During the year, construction activity at major projects of the Company remained suspended including Pace Circle project. The Company's existing borrowing facilities are fully utilized and have overdue payments of Rs 102.50 million and Rs 73.610 million relating to loan repayments and accrued finance cost respectively. The Company, in order to carry on its business and to meet its current obligations requires to generate sufficient cashflows. Accordingly there is material uncertainty relating to the Company’s operations that may cast significant doubt on the Company's ability to continue as a going concern and therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business. However, continuation of the Company as a going concern is dependent on improved cashflows and continued support from the sponsors. The management has drawn up plans for this purpose, which include:

- issue of right shares in the ratio of 442 shares for each 1000 shares amounting to 1,350 million; and
- re-launching of the Pace Circle project and to generate cashflows from sales of remaining shops and apartments.

Thus, the management of the Company is confident that it will be able to repay its current obligations and resume its construction activity.

These financial statements consequently do not include any adjustments relating to the realization of its assets and liquidation of any liabilities that might be necessary should the company be unable to continue as a going concern.

2.3 Initial application of standards, amendments or an interpretation to existing 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:

2.3.1 Standards, amendments to published standards and interpretations that are effective in the current year and are relevant to the company

- IAS 1 (Amendment), ‘Presentation of financial statements’ is effective from July 01, 2010. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The application of the amendment will not affect the results or net assets of the Company as it is only concerned with presentation and disclosures.

- IAS 7 (Amendment), 'Statement of cash flows' is effective from July 01, 2010. The amendment provides clarification that only expenditure that results in a recognized asset in the balance sheet can be classified as a cash flow from investing activity. The clarification results in an improvement in the alignment of the classification of cash flows from investing activities in the cash flow statement and the presentation of recognized assets in the balance sheet. The application of the amendment will not affect the results or net assets of the Company as it is only concerned with presentation and disclosures.

- IAS 36 (amendment), ‘Impairment of assets’. The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of IFRS 8, ‘Operating Segments’ (that is, before the aggregation of segments with similar economic characteristics).

- IAS 1, (Amendments), Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. This amendment is effective for periods beginning on or after July 01, 2011 but have been early adopted by the Company.

The Company has preferred to present analysis of other comrehensive income for each component of equity in the statement of changes in equity. The application of the amendment will not affect the results or net assets of the Company as it is only concerned with presentation and disclosures.

2.3.2 Standards, amendments to published standards and interpretations that are effective in the current year but not relevant to the company

- ‘Classification of rights issues’ (Amendment to IAS 32), issued in October 2009. For rights issues offered for a fixed amount of foreign currency, current practice appears to require such issues to be accounted for as derivative liabilities. The amendment states that if such rights are issued pro rata to all the entity’s existing shareholders in the same class for a fixed amount of currency, they should be classified as equity regardless of the currency in which the exercise price is denominated.

- IAS 38 (Amendment), ‘Intangible Assets’. The amendment is part of the IASB’s annual improvements project published in April 2009. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives.

- IFRS 2 (Amendments), ‘Group cash-settled share-based payment transactions’ is effective from July 01, 2010. In addition to incorporating IFRIC 8, ‘Scope of IFRS 2’, and IFRIC 11, ‘IFRS 2–Group and treasury share transactions’, the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation. The application of this amendment is not expected to have any impact on the Company's financial statements.

- IFRS 5 (Amendment), ‘Measurement of non-current assets (or disposal groups) classified as held-for-sale’ is effective from July 01, 2010. The amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. The application of this amendment is not expected to have any impact on the Company's financial statements.

- IFRIC 19 (amendment), 'Extinguishing financial liabilities with equity instruments'. IFRIC 19 clarifies that equity instruments issued to a creditor to extinguish a financial liability are consideration paid in accordance with paragraph 41 of IAS 39 Financial Instruments: Recognition and Measurement. The equity instruments issued are measured at their fair value, unless this cannot be reliably measured, in which case they are measured at the fair value of the liability extinguished. Any gain or loss is recognised immediately in profit or loss. This interpretation does not have a material impact on the Company's financial statements.

2.3.3 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the company

The following amendments and interpretations to existing standards have been published and are mandatory for the company's accounting periods beginning on or after July 1, 2011 or later periods, but the company has not early adopted them:

- Amendments to IFRS 7, 'Financial instruments: Disclosures' on derecognition is effective from July 1, 2011. These amendments are part of the IASBs comprehensive review of off balance sheet activities. The amendments will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial asset.

- IFRS 9, 'Financial instruments', addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until July 01, 2013 but is available for early adoption. This is the first part of a new standard on classification and measurement of financial assets and financial liabilities that will replace IAS 39, 'Financial instruments: Recognition and measurement'. IFRS 9 has two measurement categories: amortised cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For liabilities, the standard retains most of the IAS 39 requirements. These include amortised-cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. This change will mainly affect financial institutions.

- IFRS 12 - 'Disclosures of interests in other entities'. This is applicable on accounting periods beginning on or after July 01, 2013. This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

- IFRS 13 - 'Fair value measurement'. This is applicable on accounting periods beginning on or after July 01, 2013. This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP.

- IAS 1 - 'Presentation of Financial Statements' (Amendment). This is applicable on accounting periods beginning on or after July 01, 2012. The main change resulting from this amendment is a requirement for entities to group items presented in Other comprehensive income (OCI) on the basis of whether they are potentially recycled to profit or loss (reclassification adjustments). The amendment does not address which items are presented in OCI. The Company will apply this amendment from July 01, 2013 and does not expect to have a material impact on its financial statements.

- IAS 12, 'Amendment to Deferred Taxation', issued on 23 December 2010. This amendment requires the entity holding investment properties measured at fair value in territories where there is no capital gains tax or where the capital gains rate is different from the income tax rate. This amendment is likely to reduce the deferred tax assets and liabilities recognised by the entity on such investments. The amendment is effective for annual periods beginning on or after July 01, 2012. Earlier adoption is permitted. The amendments should be applied retrospectively to the earliest comparative period presented. It is not expected to have any material impact on the Company's financial statements.

- IAS 19 - 'Employee benefits'(Amendment). This is applicable on accounting periods beginning on or after January 01, 2013. The amendment will eliminate the corridor approach and calculate finance costs on a net funding basis. The Company will apply this amendment from July 01, 2013. It is not expected to have any material impact on the Company's financial statements.

- IAS 24 (Revised), 'Related Party Disclosures ', is effective for annual periods beginning on or after July 1, 2011. The definition of a related party has been clarified to simplify the identification of related party relationships, particularly in relation to significant influence and joint control. This is not expected to have a material impact on the Company's financial statements.

2.3.4 Standards, interpretations and amendments to existing standards that are not applicable to the company and are not yet effective

The following amendments and interpretations to existing standards have been published and are mandatory for accounting periods beginning on or after their respective effective dates but are not applicable to the company:

Standards or Interpretations	Effective date (accounting periods beginning on or after)
- IFRS 1 (amendments), 'First-time adoption of International Financial Reporting Standards'	July 1, 2011
- IFRIC 13 (amendment), 'Customer loyalty programmes'	July 1, 2011

3. Basis of measurement

3.1 These financial statements have been prepared under the historical cost convention except for certain assets and certain financial instruments which are measured at fair values and recognition of certain employee retirement benefits at present value.

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

a) Staff retirement benefits

The Company uses its estimations to calculate the present value of its retirement benefit obligations. The valuation is based on assumptions as mentioned in note 4.4

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 lives 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 realizable value. The net realizable value is assessed by the Company having regard to the budgeted cost of completion determined on the basis of engineer's estimate, 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 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 recognizes revenues and profits as the acts to complete the property are performed.

g) Cost to complete the projects

The Company estimates the cost to complete the projects in order to determine the cost attributable to revenue being recognized. 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.

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 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. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction neither affects accounting nor taxable profit or loss. Deferred tax liabilities are generally recognized 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 utilized.

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, building on freehold land and capital work-in-progress are stated at cost less accumulated depreciation and any identified impairment loss. Land and buildings are stated at revalued amount less accumulated depreciation and any identified impairment loss, whereas capital work-in-progress is stated at cost less any identified impairment loss. Cost in relation to plant and machinery signifies historical cost and borrowing costs as referred to in note 4.10.

Surplus on revaluation of building is credited to the surplus on revaluation account net of deferred taxation. Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from their fair value.

Depreciation on all property, plant and equipment is charged on the reducing balance method except for leasehold 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:

Leasehold land	96 years
Building on free hold land	5%
Office equipment	10%
Furniture and fixtures	10%
Computers	30%
Vehicles	20%

Depreciation of property, plant and equipment 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.

The assets' residual values and estimated useful lives are reviewed at each financial year end and adjusted if impact on depreciation is significant.

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 charged to profit and loss account. 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 recognized, 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 recognized 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.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal.

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 recognized as an income or expense.

4.3 Leases

The company is the lessee.

4.3.1 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 recognized 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 charge so as to achieve a constant rate on the balance outstanding. The finance charge element of the rental is charged to profit and loss account 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 rate:

Leased 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.

When a sale and leaseback transaction results in a finance lease, any gain on the sale is deferred and recognized as income over the lease term. Any loss on the sale is immediately recognized as an impairment loss when the sale occurs.

4.3.2 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 and loss account on a straight-line basis over the lease term.

4.4 Staff retirement benefits

The Company operates an un-funded gratuity scheme and provision is made annually to cover the obligations under the scheme. This benefit is calculated with reference to last drawn salary and prescribed qualifying periods of service of the employees.

The Company also provides for accumulating compensated absences when the employees render services that increase their entitlement to future compensated absences. Unavailed leaves can be utilized at any time by all employees up to the accumulated balance. Provisions are made annually on the basis of unavailed accumulated leaves. The benefit is calculated with reference to last drawn salary and accumulated leave balances of the employees.

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

Last actuarial valuation was carried out in June 2009. Whereas no actuarial valuation has been carried out in the prior or current period.

4.5 Capital work in progress

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

4.6 Investment property

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

The investment property of the Company has been valued by independent professionally qualified valuers as at June 30, 2011. The fair value of the investment property is based on active market prices.

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.

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 recognized in the equity as a revaluation reserve for investment property. However, if a fair value gain reverses a previous impairment loss, the gain is recognized 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.

Property that is being constructed or developed for future use as investment property is classified as capital work in progress until construction or development is complete, at which time the property is transferred to investment property.

Land held for a currently undetermined future use is also classified as investment property.

4.7 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.

Investment in associated undertakings

Investments in associated undertakings where the Company does not have significant influence, that are intended to be held for sale for an indefinite period of time or may be sold in response to the need for liquidity are classified as available for sale. All investments, after initial recognition, are measured at fair value with gains or losses being recognized as a separate component of equity until the investment is derecognized or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the profit and loss account.

4.8 Financial instruments

4.8.1 Financial assets

The company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available for sale and held to maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at the time of initial recognition.

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the balance sheet date, which are classified as non-current assets. Loans and receivables comprise loans, advances, deposits and other receivables and cash and cash equivalents in the balance sheet.

c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investments within twelve months from the balance sheet date.

d) Held to maturity

Financial assets with fixed or determinable payments and fixed maturity, where management has the intention and ability to hold till maturity are classified as held to maturity and are stated at amortized cost.

All financial assets are recognized at the time when the company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of investments are recognized on trade-date – the date on which the company commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the profit and loss account. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortized cost using the effective interest rate method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the profit and loss account in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the profit and loss account as part of other income when the Company's right to receive payments is established.

Changes in the fair value of securities classified as available-for-sale are recognized in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in other comprehensive income are reclassified from equity to profit and loss account as a reclassification adjustment. Interest on available-for-sale securities calculated using the effective interest method is recognized in the profit and loss account. Dividends on available-for-sale equity instruments are recognized in the profit and loss account when the company's right to receive payments is established.

The fair values of quoted investments are based on current prices. If the market for a financial asset is not active (and for unlisted securities), the company measures the investments at cost less impairment in value, if any.

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 is removed from equity and recognized in the profit and loss account. Impairment losses recognized in the profit and loss account on equity instruments are not reversed through the profit and loss account. Impairment testing of trade debts and other receivables is described in note 4.12.

4.8.2 Financial liabilities

All financial liabilities are recognized at the time when the company becomes a party to the contractual provisions of the instrument.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognized in the profit and loss account.

4.8.3 Offsetting of financial assets and financial liabilities

Financial assets and financial 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 recognized amount and the company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

4.9 Sale and repurchase agreements

The company enters into transactions of repos and reverse repos at contracted rates for a specified period of time as under:

Repurchase agreement borrowings:

Securities sold subject to a repurchase agreement at a specified future date (repos) continue to be recognized in the balance sheet and are measured in accordance with the accounting policy for investments. Amount received under these agreements are recorded as liabilities against repurchase agreements. The difference between sale and repurchase price is treated as mark-up/return/interest expense and accrued over the period of repo agreement using the effective yield method.

Repurchase agreement lending:

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 Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Borrowing costs capitalized are net of any investment income on the temporary investment of borrowed funds.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

4.11 Stock-in-trade

Shops, apartments and commercial buildings etc. acquired, constructed or in the process of construction for sale are classified as stock in trade. Unsold properties are carried at lower of cost and net realizable value. Properties in the course of construction / development for sale are stated at cost plus attributable profit / loss less progress billings. The cost of stock in trade include the cost of freehold land, leasehold land and other related expenditure which are capitalized as and when activities that are necessary to get the properties ready for sale are in progress. Net realizable value represents the estimated selling price less costs to be incurred in selling the property.

4.12 Trade debts

Trade debts and other receivables are recognised initially at invoice value, which approximates fair value, and subsequently measured at amortised cost using the effective interest method, less provision for doubtful debts. Trade debts where the ownership of the work in progress is transferred by the Company to the buyer as the construction progresses is recognised using the percentage of completion method. A provision for doubtful debts is established when there is objective evidence that the company will not be able to collect all the amount due according to the original terms of the receivable. Significant financial difficulties of the debtors, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade debt is impaired. The provision is recognised in the profit and loss account. When a trade debt is uncollectible, it is written off against the provision. Subsequent recoveries of amounts previously written off are credited to the profit and loss account.

4.13 Creditors, accrued and other liabilities

Creditors, accrued and other liabilities are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Exchange gains and losses arising on translation in respect of liabilities in foreign currency are added to the carrying amount of the respective liabilities.

4.14 Provisions

Provisions are recognized 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.

4.15 Foreign currency transactions and translation

a) Functional and presentation currency

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company operates (the functional currency). The financial statements are presented in Pak Rupees, which is the company’s functional and presentation currency.

b) Transactions and balances

Foreign currency transactions are translated into Pak Rupees using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit and loss account.

4.16 Revenue recognition

Sale of goods:

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.

Significant risks and rewards of ownership are transferred to the buyer in its current state as construction progresses when the following conditions are met:

- The buyer's investment, to the balance sheet date, is adequate to demonstrate a commitment to pay for the property;

- Construction is beyond a preliminary stage;

- The buyer is committed. The buyer is unable to require a refund except for non-delivery of the unit. The management believes that the likelihood of the Company not being able to fulfill its contractual obligations for this reason is remote; and

- The buyer has the right to dispose off the property in its current state.

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

Interest income:

Revenue is recognized as interest accrues (using the effective interest method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.)

Dividends:

Revenue is recognized when the Company's right to receive is established.

Rental income:

Rental income from investment property is recognized on accrual basis.

4.17 Related party transactions

Transactions with related parties are priced on an arm's length basis. Prices for these transactions are determined on the basis of comparable uncontrolled price method, which set the price by reference to comparable goods and services sold in an economically comparable market to a buyer unrelated to the seller.

4.18 Borrowings

Loans and borrowings are initially recorded at the proceeds received. In subsequent periods, borrowings are stated at amortized cost using the effective yield method.

4.19 Cash and cash equivalents

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

5. Issued, subscribed and paid up capital

2011	2010		2011	2010
(Number of shares)			(Rupees in thousand)	
		Ordinary shares of Rs 10 each		
305,257,363	305,257,363	fully paid in cash	3,052,574	3,052,574

Pace (Pakistan) Limited and First Capital Securities Corporation Limited, associated undertakings, hold 77,497,000 (June 2010: 114,997,500) and 54,790,561 (June 2010: 52,700,000) ordinary shares of the Company respectively.

6. Surplus on revaluation of property, plant and equipment

This represents the surplus over book values resulting from revaluation of freehold land, leasehold land and buildings on freehold land, adjusted by incremental depreciation arising out of revaluation of leasehold land and buildings on freehold land. Freehold land, leasehold land and buildings on freehold land were last revalued by an independent valuer on June 30, 2009. The revaluation surplus relating to buildings on freehold land is net of applicable deferred income taxes. Incremental depreciation represents the difference between the actual depreciation on leasehold land and buildings on freehold land and the equivalent depreciation based on the historical cost of these assets.

		2011	2010
		(Rupees in thousand)	
Opening balance of surplus on revaluation of property, plant and equipment - net of tax		474,970	480,055
Surplus transferred to other comprehensive income for the year on account of incremental depreciation - net of tax		(5,085)	(5,085)
Closing balance of surplus on revaluation of property, plant and equipment - net of tax	- note 6.1	469,885	474,970

6.1 Includes surplus on revaluation of freehold land amounting to Rs 4.092 million (June 2010: Rs 4.092 million).

6.2 Incremental depreciation represents the difference between the actual depreciation on buildings and the equivalent depreciation based on the historical cost of buildings.

7. Long term finances

		2011	2010
		(Rupees in thousand)	
Long term finances - secured			
The Bank of Punjab - syndicate term finance	- note 7.1	265,000	300,000
The Bank of Punjab - demand finance	- note 7.2	64,167	64,167
Silk Bank Limited - demand finance	- note 7.3	299,594	-
Long term finances - unsecured			
WTL Services (Private) Limited	- note 7.4	14,900	14,900
		643,661	379,067
Less: Current portion shown under current liabilities	- note 11	643,661	338,233
		-	40,834

	2011	2010
	(Rupees in thousand)	

7.1 The Bank of Punjab - syndicate term finance

This has been obtained from a consortium of the following commercial banks and financial institutions:

	2011	2010
Commercial Banks		
The Bank of Punjab	127,500	141,667
Habib Bank Limited	90,000	100,000
Soneri Bank Limited	30,000	33,333
	247,500	275,000
Financial Institutions		
Saudi Pak Industrial and Agricultural Investment Company (Private) Limited	17,500	25,000
	265,000	300,000

Terms of repayment

During the current year ended June 30, 2011 the syndicate facility has been rescheduled pursuant to an agreement dated November 15, 2010 . Under the revised terms of the agreement the loan is repayable in 10 equal quarterly installments commencing from August 31, 2010 and carries mark up @ 3 months KIBOR plus 350 basis point system (June 2010: 3 months KIBOR plus 350 basis point system).

As at June 30, 2011 the Company has not paid installments amounting to Rs 85 million as per the rescheduling agreement, hence the entire facility has been classified as current liability.

Security

The facility is secured against first equitable mortgage by way of deposit of title deeds over the mortgaged property (immovable property measuring 20,353.78 sq yd situated at survey no. 131/A, Plot A, Airport Road, near Allama Iqbal International Airport, Lahore Cantonment) , assignment of all receivables of the Company in favour of the security trustee, assignment of dividend share of Pace (Pakistan) Limited and corporate guarantee by Pace (Pakistan) Limited, a related party. Security trustee for this loan is The Bank of Punjab.

7.2 The Bank of Punjab - demand finance

Terms of repayment

This loan is repayable in 12 quarterly installments starting from June 20, 2010 and carries a mark up of 3 months KIBOR plus 350 basis point system (June 2010: 3 months KIBOR plus 350 basis point system).

As at June 30, 2011 the Company has not paid installments amounting to Rs 23.33 million, hence the entire facility has been classified as a current liability.

Security

The facility is secured against pari passu equitable mortgage over the mortgaged property (Immovable property measuring 20,353.78 sq yd situated at survey no. 131/A, Plot A, Airport road, near Allama Iqbal International Airport, Lahore Cantonment).

7.3 Silk Bank Limited - demand finance

Terms of repayment

This loan represents the amount of Rs 299,594,142 which is availed out of the total Demand Finance Facility limit of Rs 300,000,000 (June 2010: Rs 300,000,000) and is repayable in 5 equal quarterly installments commencing from December 31, 2011 and carries a mark up of 3 months KIBOR plus 4% (June 2010: 3 months KIBOR plus 4%).

As per the rescheduled agreement between Pace Barka and Silk Bank referred to in note 12 it was agreed that the Company will service the interest accrued for the quarter ended March 31, 2011 by June 30, 2011. As at June 30, 2011 the Company has not paid installments amounting to Rs 85.00 million, hence the entire facility has been classified as a current liability.

Security

The facility is secured against first equitable mortgage by way of deposit of title deeds over the mortgaged property (Immovable property measuring 20,353.78 sq yd situated at survey no. 131/A, Plot A, Airport road, near Allama Iqbal International Airport, Lahore Cantonment, Land measuring 52 Kanals and 05 Marla's situated at main Raiwind road, Mouza Bhobhatian, Tehsil city and district Lahore, Land measuring 09 Kanals and 08 Marla's, situated at village Ado-Wal, Main G.T road Tehsil and district Gujarat, Plot and building at F-49 block 8 KDA, kehkashan Clifton Karachi, Office premises at plot bearing survey no 625 Lakson square building no 1 and 4th floor block no, B and C, situated at R.A lines Sarwar Shaheed road, Cantonment Karachi and Land and Building located at plot No 11/11 5th zamzamma street, Phase 5, Defence officers Housing Society Karachi).

7.4 WTL Services (Private) Limited - Unsecured Loan

Terms of repayment

This loan is unsecured and is repayable at or before October 20, 2013. The facility carries mark up of 3 months KIBOR plus 2% (2010: 3 months KIBOR plus 2%) with no floor or cap.

8. Liabilities against assets subject to finance lease

	2011	2010
	(Rupees in thousand)	
Present value of minimum lease payments	-	1,185
Less: Current portion shown under current liabilities	-	1,185
	-	-

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

	Minimum lease payments	Future finance charge	Present value of lease liability 2011	Present value of lease liability 2010
	(Rupees in thousand)			
Not later than one year	-	-	-	1,185
Later than one year and not later than five years	-	-	-	-
	-	-	-	1,185

9. Long term deposits

	2011	2010
	(Rupees in thousand)	
Rented property - Karachi	238	238
	238	238

		2011	2010
		(Rupees in thousand)	

10. Deferred liabilities

Staff gratuity	- note 10.1	3,265	4,324
Compensated absences	- note 10.2	1,118	1,378
Deferred taxation	- note 10.3	82,557	133,207
		86,940	138,909

10.1 Movement of liability to be recognized in the balance sheet is as follows:

Present value of obligation at the beginning of the period	4,324	2,013
Amount recognized during the period	(16)	3,857
Benefits paid during the period	(1,043)	(1,546)
Liability recognized in the balance sheet	3,265	4,324

10.2 Movement of liability to be recognized in the balance sheet is as follows:

Present value of defined benefit obligation at the beginning of the period	1,378	716
Amount recognized during the period	19	1,167
Benefits paid during the period	(279)	(505)
Liability recognized in the balance sheet	1,118	1,378

10.3 Deferred taxation

The liability for deferred taxation comprises temporary differences relating to:

Accelerated tax depreciation and others	10,181	10,586
Leased assets and lease liabilities	-	376
Profit recognized on percentage of completion basis not offered for tax	148,852	148,852
Unused tax losses	(76,476)	(26,607)
	82,557	133,207

The gross movement in deferred tax liability/(asset) during the year is as follows:

Opening balance	133,207	189,715
Income during the year	(50,650)	(56,508)
Closing balance	82,557	133,207

11. Current portion of long term liabilities

Long term finances	- note 7	643,661	338,233
Liabilities against assets subject to finance lease	- note 8	-	1,185
		643,661	339,418

12. Short term running finance - secured

Short term running finance available from a commercial bank under mark-up arrangement amount to Rs 300 million (June 2010: Rs 300 million). The rate of mark up ranges from Re 0.4463 to Re 0.4819 (June 2010: Re 0.4477 to Re 0.4590) per Rs 1,000 per diem or part thereof on the balances outstanding.

In the current period the short term running finance facility was rescheduled pursuant to an agreement dated June 27, 2011. Under the revised terms the loan is payable in 5 equal quarterly installments commencing from December 31, 2011.

13. Creditors, accrued and other liabilities

		2011	2010
		(Rupees in thousand)	
Creditors against supply of goods and services	- note 13.1	208,615	259,588
Retention money	- note 13.2	50,693	50,693
Accrued liabilities		2,267	1,924
Withholding tax payable		1,259	1,174
Workers welfare fund payable		19,024	19,024
Other payable		1,602	1,879
		283,460	334,282

13.1 This amount includes Rs 0.302 million (June 2010: Rs 62.747 million) payable to Pace Woodlands (Private) Limited and Rs 32.062 million (June 2010: Rs 33.369 million) payable to Trident Construct (Private) Limited, related parties of the Company.

13.2 This amount is payable to Trident Construct (Private) Limited on the completion of Pace Circle project.

14. Accrued finance cost

	2011	2010
	(Rupees in thousand)	
Long term finances	51,523	8,734
Short term running finance - secured	25,781	12,221
	77,304	20,955

15. Advance against sale of inventories

This represents advances received from various parties against sale of apartments, shops and houses in Pace Circle Project. This amount includes Rs 192.647 million (June 2010: Rs 337.820 million) received from Pace (Pakistan) Limited, a related party of the Company.

16. Contingencies and commitments

16.1 Contingencies - Nil

16.2 Commitments in respect of

(i) Commitment in respect of ground rent of leasehold land held under operating lease for a term of 99 years amounting to Rs 7.571 million (June 2010: Rs 7.653 million)

		2011	2010
		(Rupees in thousand)	

19. Capital work in progress

Projects under development - Pace Circle	- note 19.1	1,125,652	1,125,151
Grid station - Pace Circle		17,109	17,109
		1,142,761	1,142,260

19.1 This represents the following project:

Hotel			
Building and construction cost		721,898	721,397
Borrowing cost		154,823	154,823
Direct costs		182,289	182,289
		1,059,010	1,058,509
Shopping Mall - Retained Area			
Building and construction cost		47,793	47,793
Borrowing cost		10,257	10,257
Direct costs		8,592	8,592
	- note 23.1	66,642	66,642
		1,125,652	1,125,151

20. Investment property

Balance as on July 1		1,084,047	1,196,405
Additions to cost during the year:			
- Purchase of assets classified as 'Investment Property'		142,100	495
- Transferred from stock in trade		-	163,650
- Transferred to stock in trade	- note 23.2	-	(380,000)
- Disposal during the year		(55,182)	-
Closing value before revaluation		1,170,965	980,550
Fair value gain/(Loss)		(246,813)	33,497
Fair value loss/(gain) transferred to stock in trade	- note 23.2	-	70,000
Balance as on June 30		924,151	1,084,047

21. Investments

Available for sale - Quoted			
At cost	- note 21.1	385,155	385,155
Add: Cumulative fair value gain	- note 21.2	1,136,244	1,002,352
		1,521,399	1,387,507
Associated Undertaking - Unquoted			
Pace Woodlands (Private) Limited			
2,769 (June 2010: 2,769) ordinary shares of Rs 10/- each fully paid in cash	- note 21.3	28	28
		1,521,427	1,387,535

21.1 This represents 10,797,718 (June 2010: 10,797,718) fully paid ordinary shares of Rs 10 each of First Capital Equities Limited.

		2011	2010
		(Rupees in thousand)	

21.2 Fair value adjustment

	2011	2010
As on July 1	1,002,352	593,334
Fair value gain during the year	133,892	409,018
As on June 30	1,136,244	1,002,352

21.3 The Company holds 48% (June 2010: 48%) of the ordinary share capital of Pace Woodlands (Private) Limited.

	2011	2010
	(Rupees in thousand)	

22. Long term security deposits

	2011	2010
Electricity	849	849
Other	15	15
	864	864

23. Stock-in-trade

This comprise of shops, apartments, houses and commercial buildings in:

		2011	2010
Pace circle project	- note 23.1	1,887,930	1,887,076
Woodland project	- note 23.2	91,080	238,000
		1,979,010	2,125,076

23.1 Pace circle project

		2011	2010
Shopping Mall and Apartments:			
Leasehold land		1,041,859	1,041,859
Building and construction cost		1,229,178	1,228,324
Borrowing cost		263,617	263,617
Direct cost		220,814	220,814
Cost incurred to date		2,755,468	2,754,614
Less: Transfer to capital work-in-progress (Retained Area)	- note 19.1	66,642	66,642
		2,688,826	2,687,972
Add: Attributable profit		425,292	425,292
Less: Progress billing		1,226,188	1,226,188
		1,887,930	1,887,076

23.2 Woodland project

		2011	2010
Opening balance		238,000	7,200
Purchased during the period		-	2,043
Add: Transferred from investment property	- note 20	-	380,000
Fair value loss on transfer from investment property	- note 20	-	(70,000)
		-	310,000
Less: Transferred to cost of sales	- note 28	146,920	81,243
		91,080	238,000

24. Trade debts

		2011	2010
Pace Circle	- note 24.1	233,464	272,907
Pace Woodland		31,718	41,567
		265,182	314,474

		2011	2010
		(Rupees in thousand)	
24.1 Pace Circle			
Shops	- note 24.1.1	168,018	207,461
Apartments	- note 24.1.2	65,446	65,446
		233,464	272,907

24.1.1 This amount includes Rs 45.937 million (June 2010: 78.068) receivable from Pace (Pakistan) Limited, a related party.

24.1.2 This amount includes Rs 11.764 million (June 2010: 11.764) receivable from Pace (Pakistan) Limited, a related party.

		2011	2010
		(Rupees in thousand)	
25. Advances, deposits, prepayments and other receivables			
Advances - considered good			
- To employees			
Against salary	- note 25.1	1,212	908
Against expenses		91	811
- To suppliers	- note 25.2	241	2,131
Advance against purchase of land at Chakwal		-	2,026
Security deposits		-	393
Prepayments		48	1,167
Advance income tax		-	-
Advances against repurchase agreements - secured	- note 25.3	-	75,400
Other receivables			
- Mark up		-	10,299
- Insurance claim		-	26
- Others		6,031	4,582
		7,623	97,743

25.1 Included in advances to employees is the amount due from executives of Rs 1.176 million (June 2010 Rs 0.814 million).

25.2 This represents advance paid for construction on the Chakwal project (June 2010 : 0.241 million) to Trident (Construct) Limited, a related party of the Company.

25.3 This represents amount receivable from FCEL under reverse repo agreement against shares of KASB Bank having market value of Rs Nil (June 2010: Rs 100.529 million) and carries mark up at the rate of 17.03% per annum (June 2010: 17.03% to 18.22% per annum).

	2011	2010
	(Rupees in thousand)	
26. Cash and bank balances		
At banks on:		
- Current accounts	17	18
- Saving accounts	406	781
	423	799

26.1 Profit on balances in saving accounts ranges from 5% to 11% (June 2010: 5% to 10%) per annum.

		2011	2010
		(Rupees in thousand)	

27. Sales

Pace Circle project	- note 27.1	-	292,351
Chakwal project		-	142,100
Woodland project		119,600	84,400
		119,600	518,851

27.1 Pace Circle project

Shops	-	255,583
Apartments	-	36,767
	-	292,350

27.1.1 The entire Pace Circle project sales are the revenue arising from agreements that meet the criteria for revenue recognition on basis of percentage of completion method. Total revenue recognized from agreements to date on the basis of percentage of completion is Rs 2,582.445 million (June 2010: 2,582.445 million) and amount received against these agreements is Rs 1,348.100 million (June 2010: Rs 1,308.656 million).

		2011	2010
		(Rupees in thousand)	

28. Cost of sales

Pace Circle Project	- note 28.1	-	151,383
Chakwal Project	- note 23.2	-	113,588
Woodland Project	- note 23.3	146,920	81,243
		146,920	346,214

28.1 Pace Circle Project

Shops	-	120,091
Apartments	-	31,292
	-	151,383

29. Administrative expenses

Salaries, wages and other benefits	- note 29.1	10,547	15,862
Rent, rates and taxes		2,324	3,947
Communications		597	607
Printing and stationery		285	234
Repairs and maintenance		791	299
Insurance		3,638	1,550
Legal and professional charges		3,679	240
Vehicle running expenses		1,397	1,363
Travel and conveyance		1,897	719
Entertainment		890	1,023
Advertisement		3,872	-
Commission		5,442	4,016
Depreciation on property, plant and equipment	- note 17.1	18,445	8,802
Depreciation on assets subject to finance lease	- note 18.1	236	788
Fees and subscriptions		5,334	1,638
Newspapers and periodicals		-	2
Auditors remuneration	- note 29.2	776	810
Advances written off		-	1,616
Others		2,465	1,323
		62,615	44,839

	2011	2010
	(Rupees in thousand)	

29.1 Salaries, wages and other benefits

Salaries, wages and other benefits include following in respect of gratuity:		
Current service cost	(16)	3,518
	(16)	3,518

29.2 Auditors' remuneration

The charges for auditors' remuneration include the following in respect of auditors' services for:		
- Statutory audit	700	700
- Other certification services	-	60
- Out of pocket expenses	76	50
	776	810

30. Other charges

Workers welfare fund	-	19,024
	-	19,024

31. Other operating income

Income from financial assets:		
Return on bank deposits	83	362
Mark-up on advance to associated undertaking	-	7,427
Return on repurchase agreements	6,420	13,253
Gain on sale of investment	-	30,368
	6,503	51,410
Income from non-financial assets:		
Rental income	4,797	5,297
Gain on disposal of property, plant and equipment	760	121
Liabilities written back	-	509
Other income	-	220
	5,557	6,147
	12,060	57,557

32. Finance costs

Bank charges	124	111
Interest/mark up on:		
- Syndicated term finance	46,322	16,970
- Demand finance	10,595	3,224
- WTL Services (Private) Limited	2,237	529
- Short term running finance	50,891	14,458
Interest on repurchase agreements	-	18,617
Lease finance charges	43	449
	110,212	54,358

33. Taxation

	2011	2010
	(Rupees in thousand)	
For the year		
- Current	1,641	1,627
- Deferred	(62,472)	26,823
	(60,831)	28,450
Prior year		
- Current	(1,404)	(42,920)
- Deferred	11,822	(83,331)
	10,418	(126,251)
	(50,413)	(97,801)

33.1 Tax charge reconciliation

	% age	% age
Numerical reconciliation between the average effective tax rate and the applicable tax rate		
Applicable tax rate	35	35
Tax effect of amounts that are:		
Income not chargeable to tax	(21)	(15)
Minimum tax not provided	1	1
Effect of change in prior years' tax	7	(87)
Effect of property income taxed at reduced rates	(1)	(1)
	(14)	(102)
Average effective tax rate charged to profit and loss account	21	(67)

34. Remuneration of Chief Executive, Directors and Executives

34.1 The aggregate amount charged in the financial statements for the year for remuneration, including certain benefits, to the full time working directors and executives of the company is as follows:

	Executives	
	2011	2010
	(Rupees in thousand)	
Short term employee benefits		
Managerial remuneration	4,485	6,830
House rent	1,794	2,732
Utilities	449	683
Medical and fuel expenses	1,205	1,272
	7,933	11,517
Number of persons	**7**	**12**

34.2 These financial statements do not include any charge in respect of remuneration or benefits to the Chief Executive Officer and Directors

34.3 The Company also provides some of its executives with company maintained cars

	2011	2010
	(Rupees in thousand)	

35. Cash used in operations

		2011	2010
(Loss) / profit before taxation		(434,900)	145,470
Adjustment for:			
Depreciation on:			
- property, plant and equipment		18,445	18,152
- assets subject to finance lease		236	1,120
(Gain) / loss on sale of property, plant and equipment		(760)	101
Gain on sale of:			
- assets subject to finance lease		-	(222)
- short term investments		-	(30,368)
Provision for gratuity and leave encashment		3	5,024
Other income		-	(220)
Adjustment of security deposit		-	616
Advances written off		-	1,616
Finance costs		110,045	54,358
Mark up income		-	(21,042)
Changes in fair value of investment property		246,813	(33,497)
(Loss) / profit before working capital changes		(60,118)	141,108
Effect on cash flow due to working capital changes			
- Decrease/(increase) in stock-in-trade		146,066	(3,022)
- Decrease/(increase) in trade debts		49,292	(43,247)
- Decrease/(increase) in advances, deposits, prepayments and other receivables		90,120	(47,792)
- Increase in advance against sale of inventory		2,732	31,248
- (Decrease)/increase in creditors, accrued and other liabilities		(192,922)	307,518
		95,288	244,705
		35,170	385,813

36. Cash and cash equivalents

		2011	2010
Short term running finance - secured		-	(299,689)
Cash and bank balances	- note 26	423	799
		423	(298,890)

37. Financial risk management

37.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

Risk management is carried out by the Board of Directors (the Board). The Board has provided 'Risk Management Policy' covering specific areas such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity. All treasury related transactions are carried out within the parameters of this policy.

The Company's overall risk management procedures to minimize the potential adverse effects of financial market on the Company's performance are as follows:

a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company is exposed to three types of market risk: Currency risk, interest rate risk and other price risk .

i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The Company has various contracts for design and consultancy with foreign consultants to whom payments are made in foreign currencies, mainly US Dollar. As there are no current or future commercial transactions or receivables or payables in foreign currency, the Company is not exposed to currency risk as at June 30, 2011.

ii) Interest rate risk

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's interest rate risk arises from long term loan to associated undertaking, deposits in saving accounts with various commercial banks, long term finances, lease liabilities, short term borrowings and Liabilities against repurchase agreements. These financial assets and liabilities are benchmarked to variable rates which expose the Company to cash flow interest rate risk.

At the balance sheet date, the interest rate profile of the Company's significant interest bearing financial instruments was:

	2011	2010
	(Rupees in thousand)	
Floating rate instruments		
Financial assets		
Bank balances - saving accounts	406	781
	406	781
Financial liabilities		
Long term finances	643,661	379,067
Liabilities against assets subject to finance lease	-	1,185
Short term running finance - secured	-	299,689
	643,661	679,941

Cash flow sensitivity analysis for variable rate instruments

The following table demonstrates the sensitivity to a reasonably possible change in interest rate on loans and borrowings, with all other variables held constant, of the Company's profit before tax is affected through the impact on floating rate borrowings and cash balances as follows:

	Increase/ decrease in basis points	Effect of profit before tax	Effect on equity
	(Rupees in thousand)		
2011	+500	(32)	(21)
	-500	32	21
2010	+500	(34)	(22)
	-500	34	22

iii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The company's investments in equity of other entities that are publicly traded are listed on the Lahore Stock

The impact on other components of equity based on the assumption that the LSE-100 index had increased/decreased by 5% with all other variables held constant and all the company's equity instruments moved according to the historical correlation with the LSE-100 index would have been as follows:

	Increase/ decrease in basis points	Effect on other components of equity
	(Rupees in thousand)	
2011	+500	49
	-500	(49)
2010	+500	45
	-500	(45)

b) Credit risk

Company's credit risk is primarily attributable to its trade receivables, advances, deposits and other receivables amounting to Rs 735.717 million (June 2010: Rs 735.717 million). However, this risk is mitigated by a credit control policy and applying individual credit limits.

(i) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2011	2010
	(Rupees in thousand)	
Long term security deposits	864	864
Trade debts	265,182	314,474
Advances, deposits, prepayments and other receivables	7,575	96,576
Bank balances	423	799
	274,044	412,713

The age of trade debts at balance sheet date is as follows:		
- Not past due	15,348	32,160
- Past due 0 - 365 days	15,295	131,819
- 1 - 2 years	58,498	150,495
- More than 2 years	176,041	-
	265,182	314,474

The Company believes that it is not exposed to major concentration of credit risk as the trade debts of the Company relate to sales of property which is only transferred at the end of installment terms.

(ii) Credit quality of major financial assets

The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. The credit quality of cash and bank balances that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

	Rating Short term	Rating Long term	Rating Agency	2011	2010
				(Rupees in thousand)	
Faysal Bank Limited	A1+	AA	JCR-VIS	3	95
Bank Of Punjab	A1+	AA-	PACRA	332	286
Habib Bank Limited	A-1+	AA+	JCR-VIS	5	8
Allied bank	A1+	AA	PACRA	19	120
NIB Bank Limited	A1+	AA-	PACRA	15	14
Soneri Bank	A1+	AA-	PACRA	29	190
KASB Bank Ltd	A2	A-	PACRA	-	12
HSBC LTD	F1+	AA-	Fitch	-	11
Bank Al-habib	A1+	AA+	PACRA	-	12
Bank Al-falah	A1+	AA	PACRA	-	26
Emirates Global Islamic Bank	A2	A-	PACRA	-	10
Silk Bank Limited	A-2	A-	JCR-VIS	15	15
Askari Bank Limited	A1+	AA	PACRA	5	-
				423	799

Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the company. Accordingly, the credit risk is minimal.

c) Liquidity risk

Liquidity risk represents the risk that the Company will encounter difficulties in meeting obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash due to the availability of funding through an adequate amount of committed credit facilities. Due to dynamic nature of the business the Company maintains flexibility in funding by maintaining committed credit lines available.

Management monitors the forecasts of the Company’s cash and cash equivalents (note 36) on the basis of expected cash flow. This is generally carried out in accordance with practice and limits set by the Company. In addition, the Company's liquidity management policy involves projecting cashflows in each quarter and considering the level of liquid assets necessary to meet its liabilities, monitoring balance sheet liquidity ratios against internal and external regulatory requirements, and maintaining debt financing plans. During the current year the Company remained under severe liquidity pressure. This has been explained in detail in note 2.2 to the financial statements.

The following are the contractual maturities of financial liabilities:

As at June 30, 2011

	Carrying amount	Less than one year	One to five years	More than five years
	(Rupees in thousand)			
Long term finances	643,661	643,661	-	-
Liabilities against assets subject to finance lease	-	-	-	-
Short term running finance - secured	-	-	-	-
Creditors, accrued and other liabilities	263,177	263,177	-	-
Accrued finance cost	77,304	77,304	-	-
	984,142	984,142	-	-

As at June 30, 2010

	(Rupees in thousand)			
	Carrying amount	**Less than one year**	**One to five years**	**More than five years**
Long term finances	379,067	338,233	40,834	-
Liabilities against assets subject to finance lease	1,185	1,185	-	-
Short term running finance - secured	299,689	299,689	-	-
Creditors, accrued and other liabilities	314,084	314,084	-	-
Accrued finance cost	20,955	20,955	-	-
	1,014,980	974,146	40,834	-

37.2 **Financial instruments by categories**

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

	2011 (Rupees in thousand)			2010
	Assets at fair value through other components of equity	**Loans and receivables**	**Total**	**Total**
Assets as per balance sheet				
Investments	1,521,399	28	1,521,427	1,387,535
Long term security deposits	-	864	864	864
Trade debts	-	265,182	265,182	314,474
Advances, deposits, prepayments and other receivables	-	7,575	7,575	97,743
Cash and bank balances	-	423	423	799
	1,521,399	274,072	1,795,471	1,801,415

	Financial liabilities at amortized cost	
	2011	**2010**
	(Rupees in thousand)	
Liabilities as per balance sheet		
Long term finances	643,661	379,067
Liabilities against assets subject to finance lease	-	1,185
Long term deposits	238	238
Short term running finance - secured	-	299,689
Creditors, accrued and other liabilities	263,177	314,084
Accrued finance cost	77,304	20,955
	984,380	1,015,218

38 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 net debt divided by total capital. Net debt is calculated as total borrowings including current and non-current borrowings, as disclosed in note 8, 9 and 12 less cash and cash equivalents as disclosed in note 36. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt. The Company's strategy, which was unchanged from last year, was to maintain a gearing ratio of 70% debt and 30% equity. The gearing ratio as at year ended June 30, 2010 and June 30, 2011 are as follows:

	2011	2010
	(Rupees in thousand)	
Borrowings	643,661	380,252
Less: Cash and cash equivalents	423	(298,890)
Net debt	643,238	679,142
Total equity	5,441,068	5,686,578
Total capital	6,084,306	6,365,720
Gearing ratio	11%	11%

39. Loss/earnings per share

39.1 Basic (loss)/earnings per share

		2011	2010
Net (loss)/profit for the year	**Rupees in thousand**	(384,487)	243,271
Weighted average number of ordinary shares	**Number**	305,257	305,257
(Loss)/earnings per share	**Rupees**	(1.26)	0.80

39.2 Diluted (loss)/earnings per share

The Company has no dilutive potential ordinary shares, therefore, the diluted earnings per share is the same as the basic earnings per share.

40. Related Party Disclosures

The related parties comprise associated undertakings, other related companies and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables and remuneration of key management personnel is disclosed in note 34. Other significant transactions with related parties are as follows:

Relationship with the company	Nature of transactions	2011	2010
		(Rupees in thousand)	
i. Associated Undertakings	Loan received back	-	169,157
	Payment made for purchase of houses	62,445	11,600
	Rental income received	1,500	-
	Interest expense on current account	-	423
	Commission expenses	4,500	4,500
	Interest income on loan	-	7,427
	Sales agreements entered for shops and recreational area	-	604,780
	Revenue recognised during the year based on stage of completion	-	283,267
	Proceeds against sale of assets	-	46
	Advances received against sale of property	39,444	287,152
		107,889	1,368,352

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

41. Date of authorization for issue

These financial statements were authorized for issue on _____________ by the Board of Directors of the company.

42. Corresponding figures

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

	Rupees in thousand
Advance income tax previously classified in advances, deposits, prepayments and other receivables has been adjusted with provision for taxation.	2,881

Chief Executive **Director**

17. Property, plant and equipment (Rupees in thousand)

	2011								
	Cost as at June 30, 2010	Additions/ transfers/ (deletions)	Cost as at June 30, 2011	Accumulated depreciation as at June 30, 2010	Depreciation on transfers/ (deletions)	Transfers from leased assets	Accumulated depreciation as at June 30, 2011	Book value as at June 30, 2011	Rate of depreciation %
Freehold land	28,028	-	28,028	-	-	-	-	28,028	-
Leasehold land *	1,502,363	-	1,502,363	15,650		-	31,300	1,471,064	96 years
Buildings on freehold land	12,193	-	12,193	610	-	-	1,189	11,004	5%
Office equipment	9,072	-	9,072	2,547	-	-	3,199	5,873	10%
Furniture and fixtures	5,077	-	5,077	1,411	-	-	1,778	3,299	10%
Computers	1,718	-	1,718	1,119	-	-	1,299	419	30%
Vehicles	7,867	4,042 (1,218)	10,691	3,631	-	2,019	5,979	4,713	20%
June 2011	1,566,318	4,042 (1,218)	1,569,142	24,968	- -	2,019	44,744	1,524,400	

	2010								
	Cost as at June 30, 2009	Additions/ transfers/ (deletions)	Cost as at June 30, 2010	Accumulated depreciation as at June 30, 2009	Depreciation on transfers/ (deletions)	Transfers from leased assets	Accumulated depreciation as at June 30, 2010	Book value as at June 30, 2010	Rate of depreciation %
Freehold land	28,028	-	28,028	-	-	-	-	28,028	-
Leasehold land *	839,593	662,770	1,502,363	-		-	15,650	1,486,713	96 years
Buildings on freehold land	11,984	209	12,193	-	-	-	610	11,583	5%
Office equipment	9,072	-	9,072	1,822	-	-	2,547	6,525	10%
Furniture and fixtures	5,815	- (738)	5,077	1,151	-	-	1,411	3,666	10%
Computers	1,820	- (102)	1,718	891	-	-	1,119	599	30%
Vehicles	3,998	4,201 (332)	7,867	1,285	-	1,983	3,631	4,236	20%
June 2010	900,310	667,180 (1,172)	1,566,318	5,149	- -	1,983	24,968	1,541,350	

* Leasehold land represents a piece of land transferred in the name of Pace (Pakistan) Limited (a related party) 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 related party secured the bid for the said piece of land on behalf of Pace Barka Properties Limited (PBPL) since at the time of bidding the Company 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 the Company as it was not the original bidder, therefore the legal ownership has been transferred in the name of Pace (Pakistan) Limited, a related party. Consequently, to avoid additional transaction costs relating to transfer of legal ownership, Pace (Pakistan) Limited, a related party has entered into an agreement with the Company, 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.

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

		2011	**2010**
		(Rupees in thousand)	
Cost of sales		-	73
Administrative, general and other expenses	- note 29	18,445	8,802
Capitalized during the period		-	9,277
		18,445	18,152

17.2 Disposal of property, plant & equipment

Particular of Assets	**Sold to**	**Cost**	**Accumulated depreciation**	**Book value**	**Sale proceeds**	**Mode of Disposal**
Vehicle	Amna Mustafa	841	492	349	915	Negotiation
Vehicle	Muhammad Shafique	377	196	181	375	Negotiation
June 2011		1,218	688	530	1,290	

18. Assets subject to finance lease **(Rupees in thousand)**

	Cost as at June 30, 2010	**Additions/ (deletions)/ (transfers)**	**Cost as at June 30, 2011**	**Accumulated depreciation as at June 30, 2010**	**Depreciation charge for the year**	**Accumulated depreciation as at June 30, 2011**	**Net book Book value as at June 30, 2011**	**Rate of depreciation %**
Vehicles	4,042	-	-	1,783	236	-	-	20
		(4,042)			(2,019)			
2011	4,042	-	-	1,783	236	-	-	
		(4,042)			(2,019)			
2010	9,614	-	4,042	3,154	1,120	1,783	2,259	20
		(5,572)			(2,491)			

18.1 The depreciation charge has been allocated as follows:

		2011	**2010**
		(Rupees in thousand)	
Cost of sales		-	58
Administrative, general and other expenses	- note 29	236	788
Capitalized during the period		-	274
		236	1,120

PACE BARKA PROPERTIES LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2011

(Rupees in thousand)

	Share capital	Reserve for changes in fair value of investments	Unappropriated profit	Total
Balance as on June 30, 2009	3,052,574	630,454	1,383,296	5,066,324
Total comprehensive income for the year				
Profit for the year	-	-	243,271	243,271
Other comprehensive income	-	371,898	5,085	376,983
	-	371,898	248,356	620,254
Balance as on June 30, 2010	3,052,574	1,002,352	1,631,652	5,686,578
Total comprehensive (loss) / income for the year				
Loss for the year	-	-	(384,487)	(384,487)
Other comprehensive income	-	133,892	5,085	138,977
	-	133,892	(379,402)	(245,510)
Balance as on June 30, 2011	3,052,574	1,136,244	1,252,250	5,441,068

The annexed notes 1 to 42 form an integral part of these financial statements.

Chief Executive **Director**