PACE BARKA PROPERTIES LIMITED

BALANCE SHEET AS AT JUNE 30, 2012

	Note	2012	2011
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised capital			
480,000,000 (2011: 480,000,000)			
ordinary shares of Rs 10 each		4,800,000	4,800,000
Issued, subscribed and paid up capital			
305,257,363 (2011: 305,257,363)			
ordinary shares of Rs 10 each	5	3,052,574	3,052,574
Reserves		570,444	1,136,244
Unappropriated profit		1,204,205	1,252,250
		4,827,223	5,441,068
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	6	464,800	469,885
NON-CURRENT LIABILITIES			
Long term finances	7	-	-
Long term deposits	8	238	238
Deferred liabilities	9	50,432	86,940
		50,670	87,178
CURRENT LIABILITIES			
Current portion of long term liabilities	10	466,342	643,661
Creditors, accrued and other liabilities	11	221,325	283,460
Accrued finance cost	12	120,938	77,304
Advance against sale of inventories	13	388,733	358,107
Provision for taxation		4,460	5,178
		1,201,798	1,367,710
CONTINGENCIES AND COMMITMENTS	14		
		6,544,491	7,365,841

	Note	2012	2011
		(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	15	2,642,116	2,667,161
Investment property	16	628,115	924,151
Investments	17	955,627	1,521,427
Long term security deposits	18	864	864
		4,226,722	5,113,603
CURRENT ASSETS			
Stock-in-trade	19	1,945,943	1,979,010
Trade debts	20	232,011	265,182
Advances, deposits, prepayments and other receivables	21	14,416	7,623
Cash and bank balances	22	5,399	423
		2,197,769	2,252,238
Non-current assets held for sale	23	120,000	-
		6,544,491	7,365,841

The annexed notes 1 to 37 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, 2012

	Note	2012	2011
		(Rupees in thousand)	
Sales	24	33,541	119,600
Cost of sales	25	(40,709)	(146,920)
Gross loss		(7,168)	(27,320)
Administrative, general and other expenses	26	(46,174)	(62,615)
Other operating income	27	29,632	12,060
Loss from operations		(23,710)	(77,875)
Finance costs	28	(99,352)	(110,212)
Changes in fair value of investment property	16	30,352	(246,813)
Loss before taxation		(92,710)	(434,900)
Taxation	29	39,580	50,413
Loss for the year		(53,130)	(384,487)
Other comprehensive loss			
Changes in fair value of available for sale investment		(565,800)	133,892
Surplus transferred to other comprehensive income for the year on account of incremental depreciation - net of tax		5,085	5,085
Total comprehensive loss for the year		(613,845)	(245,510)
Loss per share - basic and diluted in Rupees	34	(0.17)	(1.26)

The annexed notes 1 to 37 form an integral part of these financial statements.

Chief Executive **Director**

PACE BARKA PROPERTIES LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012	2011
		(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from operations	31	28,471	35,170
Finance costs paid		(55,718)	(28,514)
Taxes paid		(169)	(218)
Retirement benefits paid		-	(1,322)
Net cash (outflow) / inflow from operating activities		(27,416)	5,116
Cash flows from investing activities			
Fixed capital expenditure		(289)	(502)
Proceeds against sale of property, plant and equipment		-	1,290
Proceeds from disposal of investment property		210,000	30,000
Net cash inflow from investing activities		209,711	30,788
Cash flows from financing activities			
Rescheduled short term facility to long term		-	299,594
Repayment of long term loans		(177,319)	(35,000)
Repayment of finance lease liability		-	(1,185)
Net cash (outflow) / inflow from financing activities		(177,319)	263,409
Net increase/ (decrease) in cash and cash equivalents		4,976	299,313
Cash and cash equivalents at the beginning of the year		423	(298,890)
Cash and cash equivalents at the end of the year	32	5,399	423

The annexed notes 1 to 37 form an integral part of these financial statements.

Chief Executive **Director**

PACE BARKA PROPERTIES LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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 Pace Circle remained suspended. The Company's existing borrowing facilities are fully utilized and have overdue payments of Rs 234.167 million and Rs 108.808 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. Continuation of the Company as a going concern is dependent on improved cashflows. For this purpose the management of the Company has drawn up plans which include:

- Negotiation of a new foreign currency loan of Rs 1.8 billion;
- Restructuring of borrowing facilities currently overdue;
- Re-launching of the Pace Circle project; and
- Agreement with a dedicated sale agent for boosting sales.

Subsequent to the financial year end the Company has made sales of Rs 311 million through the aforementioned agent of which Rs 50 million have been received till date. The Company is also relying on continued support from its sponsors through injection of further equity and realization of investment properties, if the need arises.

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

- IFRS 7 (Amendments), 'Financial Instruments', emphasises the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. 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.

- IFRS 7, 'Disclosures on transfers of financial assets' (Amendment) (effective July 01, 2011), issued in October 8, 2010. The new disclosure requirements apply to transferred financial assets. An entity transfers a financial asset when it transfers the contractual rights to receive cash flows of the asset to another party. These amendments are a 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 securitization of financial assets. The Company has determined that there is no significant transfer of financial assets that requires disclosure under the guidance above.

- IAS 1 (amendments) (effective January 01, 2011), 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.

- IAS 24 (revised) (effective July 01, 2011), 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. It is not expected to have any material impact on the Company's financial statements.

- 'Classification of rights issues' (amendment to IAS 32), issued in October 2009. The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The application of this amendment is not expected to have any material impact on the Company's financial statements.

- 'Prepayments of a minimum funding requirement' (amendments to IFRIC 14). The amendment corrects an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendment, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendment corrects this, which should be applied retrospectively to the earliest comparative period presented. The application of this amendment is not expected to have any material impact on the Company's financial statements.

- IFRIC 19, 'Extinguishing financial liabilities with equity instruments'. The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. The application of this interpretation is not expected to have any material impact on the Company's financial statements.

2.3.2 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 01, 2012 or later periods, and the Company has not early adopted them:

- IFRS 7, ‘Disclosures on offsetting financial assets and financial liabilities' (Amendment), issued on December 19, 2011. The new disclosure requirements apply to offsetting of financial assets and financial liabilities. The amendment clarifies that the right of set-off must be available at present i.e. it is not contingent on a future event and must be legally enforceable for all counterparties. This amendment reflects the requirements to enhance current offsetting disclosures. The new disclosure is intended to facilitate comparison between those entities that prepare IFRS financial statements and those that prepare US GAAP financial statements. The Company shall apply these amendments for the financial reporting period commencing on July 01, 2013 and does not expect to have any material impact on its financial statements.

- IFRS 9, ‘Financial Instruments’, addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until January 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. There will be no impact on the company’s accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, and the company does not have any such liabilities.

- IFRS 10, 'Consolidated Financial Statements’, applicable from January 01, 2013, builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Company shall apply this standard from January 01, 2013 and does not expect to have any material impact on its financial statements.

- IFRS 11, 'Joint Arrangements', applicable from January 01, 2013, is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. The Company shall apply this standard from January 01, 2013.

- IFRS 12 - ‘Disclosures of interests in other entities’. This is applicable on accounting periods beginning on or after January 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. The Company shall apply this standard from July 01, 2013 and does not expect to have any material impact on its financial statements.

- IFRS 13 - ‘Fair value measurement’. This is applicable on accounting periods beginning on or after January 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. The Company shall apply this standard from July 01, 2013 and does not expect to have any material impact on its financial statements.

- IAS 1 - ‘Financial statement presentation’ (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 shall apply this amendment from July 01, 2012 and does not expect to have any material impact on its financial statements.

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 - note 4.3

b) Provision for taxation - note 4.1

c) Useful lives and residual values of property, plant and equipment - note 4.2

d) Stock-in-trade- note 4.9

e) Investment property valuation - note 4.5

f) Transfer of equitable interest in stock-in-trade - note 4.9

g) Revenue recognition - note 4.14

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 4.8.

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.

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, plant 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 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 schemes.

Last actuarial valuation was carried out in June 2009.

4.4 Capital work in progress

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

4.5 Investment property

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

The investment property of the Company has been valued by independent professionally qualified valuers as at June 30, 2012. 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.

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

4.6 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.

4.7 Financial instruments

4.7.1 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 4.10.

4.7.2 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.

4.7.3 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.

4.8 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. No borrowing cost was capitalized in current period as construction remained suspended in whole year.

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

4.9 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.

4.10 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.

4.11 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.

4.12 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.

4.13 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.

4.14 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.

4.15 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.

4.16 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.

4.17 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.

4.18 Non-current assets held for sale

Non-current assets classified as held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying value is to be recovered principally through a sale transaction within one year of the date of balance sheet rather than through continuing use.

5. Issued, subscribed and paid up capital

2012	2011		2012	2011
(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 75,872,500 (June 2011: 77,500,000) and 54,790,561 (June 2011: 54,790,561) 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.

		2012	2011
		(Rupees in thousand)	
Opening balance of surplus on revaluation of property, plant and equipment - net of tax		469,885	474,970
Surplus transferred to other comprehensive income for the year on account of incremental depreciation - net of tax	- note 6.2	(5,085)	(5,085)
Closing balance of surplus on revaluation of property, plant and equipment - net of tax	- note 6.1	464,800	469,885

6.1 Includes surplus on revaluation of freehold land amounting to Rs 4.092 million (June 2011: 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

		2012	2011
		(Rupees in thousand)	
Long term finances - secured			
The Bank of Punjab - syndicate term finance	- note 7.1	247,500	265,000
The Bank of Punjab - demand finance	- note 7.2	64,167	64,167
Silk Bank Limited - demand finance	- note 7.3	139,776	299,594
Long term finances - unsecured			
WTL Services (Private) Limited	- note 7.4	14,900	14,900
		466,342	643,661
Less: Current portion shown under current liabilities	- note 10	466,342	643,661
		-	-

7.1 The Bank of Punjab - syndicate term finance

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

	2012	2011
Commercial Banks		
The Bank of Punjab	127,500	127,500
Habib Bank Limited	90,000	90,000
Soneri Bank Limited	30,000	30,000
	247,500	247,500
Financial Institutions		
Saudi Pak Industrial and Agricultural Investment Company (Private) Limited	-	17,500
	247,500	265,000

Terms of repayment

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 2011: 3 months KIBOR plus 350 basis point system).

As at June 30, 2012 principal and accrued finance cost amounting to Rs 187.50 million and Rs 72.58 million respectively were due but not paid.

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 2011: 3 months KIBOR plus 350 basis point system).

As at June 30, 2012 principal and accrued finance cost amounting to Rs 46.67 million and Rs 21.03 million respectively were due but not paid.

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 was availed out of the total Demand Finance Facility limit of Rs 300,000,000 (June 2011: Rs 300,000,000). On June 19, 2012 outstanding balance of the loan was Rs 148 million of which Rs 90 million was restructured to be paid in 10 equal monthly installments commencing from June 21, 2012. The remaining amount was to be paid by December 2012, as per prior restructuring. This loan carries a mark up of 3 months KIBOR plus 4% (June 2011: 3 months KIBOR plus 4%).

As at June 30, 2012 accrued finance cost amounting to Rs 8.65 million were due but not paid.

Security

The facility is secured against first equitable mortgage by way of deposit of title deeds over the mortgaged property (Immovable property measuring 09Kanal & 08M situated at Village Ado-Wal, Main G.T. Road, Tehsil & District Gujrat, Plot and building at F-49 block 8 KDA, kehkashan Clifton Karachi, Office premises at plot bearing survey no 265 Lakson square building no 1 and 4th floor block no, B and C, situated at R.A lines Sarwar Shaheed road, Cantonment 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% (2011: 3 months KIBOR plus 2%) with no floor or cap.

		2012	2011
		(Rupees in thousand)	
8. Long term deposits			
Rented property - Karachi		238	238
		238	238
9. Deferred liabilities			
Staff gratuity	- note 9.1	5,591	3,265
Compensated absences	- note 9.2	1,315	1,118
Deferred taxation	- note 9.3	43,526	82,557
		50,432	86,940

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

	2012	2011
Present value of obligation at the beginning of the period	3,265	4,324
Amount recognized during the period	2,326	(16)
Benefits paid during the period	-	(1,043)
Liability recognized in the balance sheet	5,591	3,265

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

	2012	2011
Present value of defined benefit obligation at the beginning of the period	1,118	1,378
Amount recognized during the period	197	19
Benefits paid during the period	-	(279)
Liability recognized in the balance sheet	1,315	1,118

9.3 Deferred taxation

The liability for deferred taxation comprises temporary differences relating to:

	2012	2011
Accelerated tax depreciation and others	9,798	10,181
Profit recognized on percentage of completion basis not offered for tax	147,234	148,852
Unused tax losses	(113,506)	(76,476)
	43,526	82,557

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

	2012	2011
Opening balance	82,557	133,207
Income during the year	(39,031)	(50,650)
Closing balance	43,526	82,557

10. Current portion of long term liabilities

		2012	2011
Long term finances	- note 7	466,342	643,661
		466,342	643,661

11. Creditors, accrued and other liabilities

Creditors against supply of goods and services	- note 11.1	177,727	208,615
Retention money		35,688	50,693
Accrued liabilities		2,894	2,267
Withholding tax payable		2,548	1,259
Workers welfare fund payable	- note 11.2	-	19,024
Other payable		2,468	1,602
		221,325	283,460

11.1 This amount includes Rs 0.302 million (June 2011: Rs 0.302 million) payable to Pace Woodlands (Private) Limited, a related party of the Company.

11.2 Workers' welfare fund payable

		2012	2011
		(Rupees in thousand)	
Opening balance		19,024	19,024
Written back during the year	- note 11.2.1	(19,024)	-
Closing balance		-	19,024

11.2.1 The Company has written back the provision created on account of Workers Welfare Fund relating to the year ended June 30, 2010 based on the judgment issued by the honourable Lahore High Court through order dated August 19, 2011. The Honourable court, through such order, has held the amendments introduced to the Workers Welfare Fund Ordinance, 1971 through Finance Act, 2006 and Finance Act, 2008 as ultra vires to the constitution.

12. Accrued finance cost

This represents finance cost accrued on long term finance facilities availed by the Company.

13. Advance against sale of inventories

This represents advances received from various parties against sale of apartments, shops and houses in Pace Circle Project. Included in advances is an amount of Rs 10 million that has been received from a private party for the sale of a piece of land measuring 09 Kanals 08 Marlas, classified as held for disposal, as referred to in note 23.

Advances against sale of inventories include Rs 178.092 million (June 2011: Rs 192.647 million) received from Pace (Pakistan) Limited, a related party of the Company.

14. Contingencies and commitments

14.1 Contingencies - Nil

14.2 Commitments in respect of:

(i) The amount of future payment of ground rent of leasehold land held under operating lease for a term of 99 years is as follows:

	2012	2011
	(Rupees in thousand)	
Not later than one year	81	81
Later than one year and not later than five years	326	326

Later than five years		7,083	7,165
		7,490	7,572

15. Property, plant and equipment

Operating assets	- note 15.1	1,506,213	1,524,400
Capital work in progress	- note 15.2	1,135,903	1,142,761
		2,642,116	2,667,161

		2012	2011
		(Rupees in thousand)	

15.2 Capital work in progress

Projects under development - Pace Circle	- note 15.2.1	1,118,794	1,125,652
Grid station - Pace Circle		17,109	17,109
		1,135,903	1,142,761

15.2.1 This represents the following project:

Hotel			
Building and construction cost		722,188	721,898
Borrowing cost		154,823	154,823
Direct costs		182,290	182,289
		1,059,301	1,059,010
Shopping Mall - Retained Area			
Building and construction cost		42,672	47,793
Borrowing cost		9,148	10,257
Direct costs		7,673	8,592
	- note 19.1	59,493	66,642
		1,118,794	1,125,652

16. Investment property

Balance as on July 1	924,151	1,084,047
Additions to cost during the year:		
- Purchase of assets classified as 'Investment Property'	-	142,100
- Disposal during the year	(206,388)	(55,182)
- Classified as 'held for sale'	(120,000)	-
Closing value before revaluation	597,763	1,170,965
Fair value gain / (loss)	30,352	(246,814)
Balance as on June 30	628,115	924,151

17. Investments

Available for sale - Quoted			
At cost	- note 17.1	385,155	385,155
Add: Cumulative fair value gain	- note 17.2	570,444	1,136,244
		955,599	1,521,399

Associated Undertaking - Unquoted			
Pace Woodlands (Private) Limited			
2,769 (June 2011: 2,769) ordinary shares of Rs 10/- each fully paid in cash	- note 17.3	28	28
		955,627	1,521,427

17.1 This represents 10,797,716 (June 2011: 10,797,718) fully paid ordinary shares of Rs 10 each of First Capital Equities Limited.

	2012	2011
	(Rupees in thousand)	
17.2 Fair value adjustment		
As on July 1	1,136,244	1,002,352
Fair value (loss) / gain during the year	(565,800)	133,892
As at June 30	570,444	1,136,244

17.3 The Company holds 48% (June 2011: 48%) of the ordinary share capital of Pace Woodlands (Private) Limited.

	2012	2011
	(Rupees in thousand)	
18. Long term security deposits		
Electricity	849	849
Others	15	15
	864	864

19. Stock-in-trade

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

Pace circle project	- note 19.1	1,924,257	1,887,930
Woodland project	- note 19.2	21,686	91,080
		1,945,943	1,979,010

19.1 Pace circle project

Shopping Mall and Apartments:			
Leasehold land		1,041,859	1,041,859
Building and construction cost		1,229,671	1,229,178
Borrowing cost		263,617	263,617
Direct cost		220,814	220,814
Cost incurred to date		2,755,961	2,755,468
Less: Transfer to capital work-in-progress (Retained Area)	- note 15.2.1	59,493	66,642
		2,696,468	2,688,826
Add: Attributable profit		420,669	425,292
Less: Progress billing		1,192,880	1,226,188
		1,924,257	1,887,930

19.2 Woodland project

Opening balance		91,080	238,000
Less: Transferred to cost of sales	- note 23	(69,394)	(146,920)
		21,686	91,080

20. Trade debts

Pace Circle	- note 20.1	213,300	233,464
Pace Woodland		18,711	31,718
		232,011	265,182

		2012	2011
		(Rupees in thousand)	

20.1 Pace Circle

Shops	- note 20.1.1	147,854	168,018
Apartments	- note 20.1.2	65,446	65,446
		213,300	233,464

20.1.1 This amount includes Rs 30.220 million (June 2011: Rs 45.937 million) receivable from Pace (Pakistan) Limited, a related party.

20.1.2 This amount includes Rs 10.103 million (June 2011: Rs 9.229 million) receivable from Pace (Pakistan) Limited, a related party.

		2012	2011
		(Rupees in thousand)	

21. Advances, deposits, prepayments and other receivables

Advances - considered good			
- To employees			
Against salary	- note 21.1	856	1,212
Against expenses		417	91
- To suppliers	- note 21.2	252	241
Prepayments		232	48
Amount receivable against sale of investment property		-	-
Other receivables		12,659	6,031
		14,416	7,623

21.1 Included in advances to employees is the amount due from executives of Rs 0.856 million (June 2011: Rs 1.176 million).

21.2 This represents advance paid for construction on the Chakwal project Rs 0.241 million (June 2011: Rs 0.241 million) to Trident (Construct) Private Limited.

		2012	2011
		(Rupees in thousand)	

22. Cash and bank balances

At banks on:		
- Current accounts	16	17
- Saving accounts	5,383	406

	5,399	423

22.1 Profit on balances in saving accounts ranges from 6% to 12% (June 2011: 5% to 11%) per annum.

23. Non-current assets held for sale

Land at Gujrat	- note 23.1	120,000	-

23.1 During the period the Company has entered into an agreement for the sale of a piece of land measuring 09 Kanals 08 Marlas for a total sale consideration of Rs 100 million. As per agreement with this private party dated June 21, 2012 a joint venture company (herein referred to as 'JVC') has been incorporated as a private limited company subsequent to the year end, in which Pace Barka and the third party are equal shareholders. The Company will transfer the legal title of land to the JVC through the above agreement. However, the legal title of the land shall only be transferred to the JVC in piecemeal linked with the receipt of above sale consideration. This land will be developed into a Commercial Plaza by the JVC and profit/loss shared equally through its sales.

The above property is currently under mortgage with Silk Bank Limited and the payments from the private party will be paid to the bank wherein the bank will release the corresponding portion of property equivalent to the amount received and the released portion of land will be transferred in the name of JVC.

Investment property held for sale has been measured in accordance with the Company's accounting policy for investment property as per IAS - 40 "Investment Property" at fair value as the measurement provisions of IFRS 5, "Non-current Assets Held for Sale and Discontinued Operations" do not apply to non-current assets that are accounted for in accordance with the fair value model in IAS 40, "Investment Property".

24. Sales

		2012	**2011**
		(Rupees in thousand)	
Pace Circle project	- note 24.1	17,121	-
Woodland project		66,850	119,600
		83,971	119,600
Less: Sale reversal on account of change in stage of completion	- note 24.2	(50,430)	-
		33,541	119,600

24.1 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 2,591.195 million (June 2011: 2,582.445 million) and amount received against these agreements is Rs 1,348.450 million (June 2011: Rs 1,348.100 million).

24.2 During the current period the management has revised its estimate of the costs that will be incurred for completion of the pace circle project. This estimate is based on the working performed by the consultant of the Company, Meinhardt Pakistan (Private) Limited. Based on their working, the total estimated cost for completion of the project has been revised from Rs 7.274 billion to Rs 8.565 billion. As the company recognizes sales based on the stage of completion method hence this upward revision in total estimated cost to completion has resulted in de-recognition of sales amounting to Rs 50.430 million.

The estimate of the Company's consultant for total cost of completion is based on certain assumptions as the Company is currently under negotiations with contractors for finalisation of contracts. These estimates are subject to certain adjustments, however such adjustments are not expected to be significant as the estimated costs are based on current market trends and the original BOQs developed by the Company in consultation with its consultants and these BOQs are not expected to change.

		2012	2011
		(Rupees in thousand)	

25. Cost of sales

		2012	2011
Pace Circle Project		(28,685)	-
Woodland Project	- note 19.2	69,394	146,920
		40,709	146,920

26. Administrative expenses

		2012	2011
		(Rupees in thousand)	
Salaries, wages and other benefits	- note 26.1	14,573	10,547
Rent, rates and taxes		2,168	2,324
Communications		481	597
Printing and stationery		577	285
Repairs and maintenance		263	791
Insurance		610	3,638
Legal and professional charges		442	3,679
Vehicle running expenses		681	1,397
Travel and conveyance		12	1,897
Entertainment		524	890
Advertisement		-	3,872
Commission		1,586	5,442
Depreciation on property, plant and equipment	- note 15.1.1	18,185	18,445
Depreciation on assets subject to finance lease		-	236
Fees and subscriptions		601	5,334
Auditors remuneration	- note 26.2	870	776
Others		4,601	2,465
		46,174	62,615

26.1 Salaries, wages and other benefits include Rs 2.326 million (2011: Rs 0.016 million) and Rs 0.197 million (2011: Rs 0.020 million) respectively, in respect of provision for gratuity and staff compensated absences.

26.2 Auditors' remuneration

	2012	2011
	(Rupees in thousand)	
The charges for auditors' remuneration include the following in respect of auditors' services for:		
- Statutory audit	800	700
- Out of pocket expenses	70	76
	870	776

27. Other operating income

Income from financial assets:

	2012	2011
Return on bank deposits	74	83
Return on repurchase agreements	-	6,420
	74	6,503

Income from non-financial assets:

		2012	2011
Rental income		6,627	4,797
Gain on disposal of assets		3,612	760
Liabilities no longer required written back	- note 11.2.1	19,024	-
Other income		295	-
		29,558	5,557
		29,632	12,060

	2012	2011
	(Rupees in thousand)	

28. Finance costs

	2012	2011
Bank charges	46	124
Interest/mark up on:		
- Syndicated term finance	41,650	46,322
- Demand finance	10,418	10,595
- WTL Services (Private) Limited	2,195	2,237
- Short term running finance	45,043	50,891
Lease finance charges	-	43
	99,352	110,212

29. Taxation

	2012	2011
Current		
- For the year	628	1,641
- Prior years	(1,177)	(1,404)
	(549)	237
- Deferred	(39,031)	(50,650)
	(39,580)	(50,413)

29.1 Tax charge reconciliation

	% age	% age
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:		
Income not chargeable to tax	4.60	(21.00)
Minimum tax not provided	-	(0.28)
Effect of change in prior years' tax	1.27	(2.40)
Effect of property income taxed at reduced rates	1.82	0.27
	7.69	(23.41)
Average effective tax rate charged to profit and loss account	42.69	11.59

30. Remuneration of Chief Executive, Directors and Executives

30.1 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	
	2012	2011
	(Rupees in thousand)	
Short term employee benefits		
Managerial remuneration	5,912	4,485

House rent	2,364	1,794
Utilities	591	449
Medical and fuel expenses	604	1,205
	9,471	7,933
Number of persons	**7**	**7**

30.2 These financial statements do not include any charge in respect of remuneration or benefits to the Chief Executive Officer and executive directors. The Company has no non-executive directors.

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

		2012	**2011**
		(Rupees in thousand)	
31. Cash used in operations			
Loss before taxation		(92,710)	(434,900)
Adjustment for:			
Depreciation on:			
- property, plant and equipment		18,185	18,445
- assets subject to finance lease		-	236
Loss on sale of property, plant and equipment		-	(760)
Gain on sale of investment property		(3,612)	-
Liabilities no longer required written back		(19,024)	-
Provision for gratuity and leave encashment		2,523	3
Finance costs		99,352	110,045
Changes in fair value of investment property		(30,352)	246,813
Loss before working capital changes		(25,638)	(60,118)
Effect on cash flow due to working capital changes			
- Decrease in stock-in-trade		40,216	146,066
- Decrease in trade debts		33,171	49,292
- (Increase)/decrease in advances, deposits, prepayments and other receivables		(6,793)	90,120
- Increase in advance against sale of inventory		30,626	2,732
- Increase in creditors, accrued and other liabilities		(43,111)	(192,922)
		54,109	95,288
		28,471	35,170
32. Cash and cash equivalents			
Cash and bank balances	- note 22	5,399	423
		5,399	423

33. Financial risk management

33.1 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, 2012.

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 and short term borrowings. These financial assets and liabilities are benchmarked to variable rates which expose the Company to cash flow interest rate risk.

	2012	2011
	(Rupees in thousand)	
Floating rate instruments		
Financial assets		
Bank balances - saving accounts	5,383	406
	5,383	406
Financial liabilities		
Long term finances	466,342	643,661
	466,342	643,661

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)		

2012	+500	(23)	(15)
	-500	23	15
2011	+500	(32)	(21)
	-500	32	21

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 Exchange.

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)	
2012	+500	31
	-500	(31)
2011	+500	49
	-500	(49)

b) Credit risk

Company's credit risk is primarily attributable to its trade receivables, advances, deposits and other receivables amounting to Rs 268.962 million (June 2011: Rs 265.182 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:

	2012	2011
	(Rupees in thousand)	
Long term security deposits	864	864
Trade debts	232,011	265,182
Advances, deposits, prepayments and other receivables	14,184	7,575
Bank balances	5,399	423
	252,458	274,044
The age of trade debts at balance sheet date is as follows:		
- Not past due	265,182	15,348
- Past due 0 - 365 days	-	15,295
- 1 - 2 years	-	58,498
- More than 2 years	-	176,041

	265,182	265,182

As construction of the project was suspended since March 2010, payments were not being received as per the agreed repayment schedules. The Company is currently under negotiation with these parties for revised repayment schedules, hence they are not being classifed as overdue.

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		Rating		
	Short term	**Long term**	**Agency**	**2012**	**2011**
				(Rupees in thousand)	
Faysal Bank Limited	A-1+	AA	JCR-VIS	4	3
Bank Of Punjab	A1+	AA-	PACRA	277	332
Habib Bank Limited	A-1+	AA+	JCR-VIS	1	5
Allied bank	A1+	AA	PACRA	17	19
NIB Bank Limited	A1+	AA-	PACRA	4,862	15
Soneri Bank	A1+	AA-	PACRA	29	29
Silk Bank Limited	A-2	A-	JCR-VIS	204	15
Askari Bank Limited	A1+	AA	PACRA	5	5
				5,399	423

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 32) 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, 2012	**(Rupees in thousand)**			
	Carrying amount	**Less than one year**	**One to five years**	**More than five years**
Long term finances	466,342	466,342	-	-
Creditors, accrued and other liabilities	218,777	218,777	-	-
Accrued finance cost	120,938	120,938	-	-
	806,057	806,057	-	-

As at June 30, 2011

Long term finances	643,661	643,661	-	-
Creditors, accrued and other liabilities	263,177	263,177	-	-
Accrued finance cost	77,304	77,304	-	-
	984,142	984,142	-	-

33.2 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.

	2012			2011
	(Rupees in thousand)			
	Assets at fair value through other components of equity	**Loans and receivables**	**Total**	**Total**
Assets as per balance sheet				
Investments	955,599	28	955,627	1,521,427
Long term security deposits	-	864	864	864
Trade debts	-	232,011	232,011	265,182
Advances, deposits, prepayments and other receivables	-	14,184	14,184	7,575
Cash and bank balances	-	5,399	5,399	423
	955,599	252,486	1,208,085	1,795,471

	Financial liabilities at amortized cost	
	2012	**2011**
	(Rupees in thousand)	
Liabilities as per balance sheet		
Long term finances	466,342	643,661
Long term deposits	238	238
Creditors, accrued and other liabilities	218,777	263,177
Accrued finance cost	120,938	77,304
	806,295	984,380

33.3 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 7 and 10 less cash and cash equivalents as disclosed in note 32. 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, 2011 and June 30, 2012 are as follows:

	2012	2011
	(Rupees in thousand)	

Borrowings	466,342	643,661
Less: Cash and cash equivalents	5,399	423
Net debt	460,943	643,238
Total equity	4,827,223	5,441,068
Total capital	5,288,166	6,084,306
Gearing ratio	9%	11%

34. Loss per share

34.1 Basic loss per share

		2012	**2011**
Net loss for the year	**Rupees in thousand**	(53,130)	(384,487)
Weighted average number of ordinary shares	**Number**	305,257	305,257
Loss per share	**Rupees**	(0.17)	(1.26)

34.2 Diluted loss 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.

35. 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 30. Other significant transactions with related parties are as follows:

		2012	**2011**
		(Rupees in thousand)	
Relationship with the company	**Nature of transactions**		
i. Associated Undertakings	Payment made for purchase of houses	-	62,445
	Rental income received	3,000	1,500
	Commission expenses	1,500	1,500
	Revenue de-recognised during the year based on the stage of completion	22,864	-
	Advances received against sale of property	-	39,444
		27,364	104,889

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

36. Date of authorization for issue

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

37. 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
"Capital work in progress" has been reclassified to "Property, Plant and Equipment" as it is considered a better presentation under International Accounting Standard 16 - Property, Plant and Equipment.	1,142,761

Chief Executive **Director**

PACE BARKA PROPERTIES LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2012

(Rupees in thousand)

	Share capital	Reserve for changes in fair value of investments	Unappropriated profit	Total
Balance as on July 01, 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
Total comprehensive (loss) / income for the year				
Loss for the year	-	-	(53,130)	(53,130)
Other comprehensive (loss) / income	-	(565,800)	5,085	(560,715)
	-	(565,800)	(48,045)	(613,845)
Balance as on June 30, 2012	3,052,574	570,444	1,204,205	4,827,223

The annexed notes 1 to 37 form an integral part of these financial statements.

Chief Executive **Director**

15.1 Property, plant and equipment **(Rupees in thousand)**

	2012									
	Cost as at June 30, 2011	Additions/ transfers/ (deletions)	Cost as at June 30, 2012	Accumulated depreciation as at June 30, 2011	on transfers/ (deletions)	Depreciation charge for the year	Transfers from leased assets	Accumulated depreciation as at June 30, 2012	Book value as at June 30, 2012	Rate of depreciation %
Freehold land	28,028	-	28,028	-	-	-	-	-	28,028	-
Leasehold land *	1,502,363	-	1,502,363	31,300	-	15,650	-	46,950	1,455,413	96 years
Buildings on freehold land	12,193	-	12,193	1,189	-	550	-	1,739	10,454	5%
Office equipment	9,072	-	9,072	3,199	-	587	-	3,786	5,286	10%
Furniture and fixtures	5,077	-	5,077	1,778	-	330	-	2,108	2,969	10%
Computers	1,718	-	1,718	1,299	-	126	-	1,425	293	30%
Vehicles	10,691	-	10,691	5,979	-	942	-	6,921	3,770	20%
June 2012	1,569,142	-	1,569,142	44,744	-	18,185	-	62,929	1,506,213	

	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)	Depreciation charge for the year	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		15,650	-	31,300	1,471,064	96 years
Buildings on freehold land	12,193	-	12,193	610	-	579	-	1,189	11,004	5%
Office equipment	9,072	-	9,072	2,547	-	652	-	3,199	5,873	10%
Furniture and fixtures	5,077	-	5,077	1,411	-	367	-	1,778	3,299	10%
Computers	1,718	-	1,718	1,119	-	180	-	1,299	419	30%
Vehicles	7,867	4,042 (1,218)	10,691	3,631	-	1,017 (688)	2,019	5,979	4,713	20%
June 2011	1,566,318	4,042 (1,218)	1,569,142	24,968	- -	18,445 (688)	2,019	44,744	1,524,400	

* 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.

15.1.1 The depreciation charge for the year has been allocated to administrative, general and other expenses.