

VISION

Our vision is to build a future wherein the Pace Group is a household name across the country and is known worldwide for development and marketing of a fine living as well as shopping environment with highest quality and unmatched value-for-money.

OUR PRINCIPLES

We are a Real Estate Development Company committed to achieving the highest industry standards and personal integrity in dealing with our customers, clients, professionals, employees, and the communities we work in.

MISSION STATEMENT

Formed in 1992, Pace Pakistan's principal mandate is to acquire, develop, sale and manage real estate assets located in major urban environments where real estate demands have increased sharply due to lifestyle changes.

This increased demand together with the real estate expertise from Pace defines the vision and the road map for the Company's future. Pace has and will continue to pursue residential, commercial and mixed-use transactions based on these principles with always an eye on strong community relations and integrity.

CONTENTS

Company's Information	07
Notice of Annual General Meeting	08
Directors' Report	15
Key Financial Indicators	20
Performance at a Glance	21
Statement of Compliance with Code of Corporate Governance	22
Auditors' Review Report on Statement of Compliance with Code of Corporate Governance	24
Auditors' Report to the Members	25
Balance Sheet	26
Profit and Loss Account	28
Cash Flow Statement	29
Statement of Changes in Equity	30
Notes to and Forming Part of the Financial Statements	31
Consolidated Financial Statements	75
Pattern of Shareholding	131
Form of Proxy	137

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
JUNE 30, 2011**

COMPANY INFORMATION

Board of Directors

Sheikh Sulaiman Ahmed Saeed Al-Hoqani (Chairman)
Aamna Taseer (Chief Executive Officer)
Shahbaz Ali Taseer
Shehryar Ali Taseer
Shehrbano Taseer
Jamal Said Al-Ojaili
Khaldoon Bin Latif
Imran Saeed Chaudhry

Chief Financial Officer

Imran Hafeez

Audit Committee

Shehryar Ali Taseer (Chairman)
Shahbaz Ali Taseer
Shehrbano Taseer

Company Secretary

Shahzad Jawahar

Auditors

A.F. Ferguson & Co.
Chartered Accountants

Legal Advisers

Imtiaz Siddiqui & Associates

Bankers

Albaraka Bank (Pakistan) Limited
Allied Bank Limited
Silkbank Limited
Bank Alfalah Limited
Faysal Bank Limited
Habib Bank Limited
KASB Bank Limited
National Bank of Pakistan
Pak Iran Joint Investment Company Limited
Soneri Bank Limited
Standard Chartered Bank (Pakistan) Limited
The Bank of Punjab

Registrar and Shares Transfer Office

THK Associates (Pvt.) Limited
Ground Floor, State Life Building- 3
Dr. Ziauddin Ahmed Road, Karachi
☎ (021) 111 000 322

Registered Office/Head Office

103-C/II, Gulberg-III
Lahore, Pakistan
☎ (042) 35757591-4
Fax: (042) 35757590, 35877920

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 20th Annual General Meeting of the Shareholders of Pace (Pakistan) Limited (“the Company” or “PACE”) will be held on Saturday, 29 October 2011 at 11:00 a.m. at 103-C/II, Gulberg-III, Lahore, the Registered Office of the Company, to transact the following business:

Ordinary business:

1. To confirm the minutes of Extraordinary General Meeting held on 30 April 2011;
2. To receive, consider and adopt the audited financial statements of the Company for the year ended 30 June 2011 together with the Directors' and Auditors' reports thereon;
3. To appoint the Auditors of the Company for the year ending 30 June 2012 and to fix their remuneration;

Special business:

4. **To consider and if thought fit, pass the following special resolutions, with or without modification:**

“RESOLVED THAT the Chief Executive of the Company be and is hereby authorized to take all necessary steps to make investments / additional investments in the following associated companies in accordance with the provisions of section 208 of the Companies Ordinance, 1984 and to disinvest such investments, from time to time as and when considered appropriate:

Name of the Company	Nature of Investment	Amount of Investment (Rs. In Million)
Pace Super Mall (Pvt.) Limited	Share Capital	Up to Rs. 165.00 million
PACE Bahawalpur (Pvt.) Limited	Loans/Advances	Up to Rs. 60.00 million
PACE Bahawalpur (Pvt.) Limited	Share Capital	Up to Rs. 1.00 million

“RESOLVED FURTHER THAT the loans/advances to Pace Bahawalpur (Pvt.) Limited (“PBL”) shall be subject to such mark-up rate not less than the borrowing cost of the Company in accordance with the provisions of Section 208 of the Companies Ordinance, 1984. The mark up shall be charged on quarterly basis and paid to the Company within one month of the close of the quarter. In case it is not paid by investee company within one month of the close of quarter, then mark up shall be automatically settled after one month by adding the same in the principal for calculation of mark-up for the next quarter. Further, it can also be adjusted at any time against any payable by the Company to PBL against purchase of any saleable assets of PBL. The total outstanding loan/advance amount (including principal and any mark-up added in the same, which in total shall not exceed the approved limit) shall be repaid after completion of four years and further extendable to one year, from the dates of disbursements of loans/advance or at any earlier date, as may be practical based on cash flows of PBL.”

“RESOLVED FURTHER THAT the Chief Executive or any Director of the Company and / or Secretary of the Company be and are hereby authorized singly to complete all corporate and regulatory requirements, and to do all acts, and matters and things which may be necessary, ancillary and / or incidental to the above Resolutions.”

“RESOLVED FURTHER THAT the above authorities shall remain in-force unless revoked by the shareholders of the Company.”

By order of the Board

Lahore
07 October 2011

Shahzad Jawahar
Company Secretary

Notes:

- 1) The Members Register will remain closed from 22 October 2011 to 29 October 2011 (both days inclusive). Transfers received at THK Associates (Pvt.) Limited, Ground Floor, State Life Building No. 3, Dr. Ziauddin Ahmad Road, Karachi, the Registrar and Shares Transfer Office of the Company, by the close of business on 21 October 2011 will be treated in time.
- 2) A member eligible to attend and vote at the meeting may appoint another member as proxy to attend and vote in the meeting. Proxies in order to be effective must be received by the company at the Registered Office not later than 48 hours before the time for holding the meeting.
- 3) In order to be valid, an instrument of proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney, must be deposited at the registered office of the company, 103-C/II, Gulberg-III, Lahore, not less than 48 hours before the time of the meeting.
- 4)
 - a) Individual beneficial owners of CDC entitled to attend and vote at the meeting must bring his/her participant ID and account/sub-account number along with original NIC or passport to authenticate his/her identity. In case of Corporate entity, resolution of the Board of Directors/Power of attorney with specimen signatures of nominees shall be produced (unless provided earlier) at the time of meeting.
 - b) For appointing of proxies, the individual beneficial owners of CDC shall submit the proxy form as per above requirement along with participant ID and account/sub-account number together with attested copy of their NIC or Passport. The proxy form shall be witnessed by two witnesses with their names, addresses and NIC numbers. The proxy shall produce his/her original NIC or Passport at the time of meeting. In case of Corporate entity, resolution of the Board of Director/Power of attorney along with specimen signatures shall be submitted (unless submitted earlier) along with the proxy form.
- 5) Members are requested to notify any change in their registered address immediately.

STATEMENT UNDER SECTION 208 OF THE COMPANIES ORDINANCE 1984

Pace Super Mall (Pvt.) Limited (“PSM”)

PSM was incorporated in Lahore, Pakistan on 27 March 2003 as a private limited company, under the provisions of the Companies Ordinance, 1984. The principal activity of PSM was to acquire, build and manage real estate projects. PSM acquired a piece of land in Cantonment area measuring 5.91 kanals bearing plot numbers 33/G-2 & 33/G-3, located at Aziz Bhatti Road, Sarwar Road, Lahore Cantt for the purposes of development of a shopping Mall. This is the single property owned by PSM, the construction work of the proposed shopping Mall could not be started, previously, due to non sanction of approvals for construction of a commercial project from Cantonment Board. However, recently, the Cantonment Board granted approvals to PSM for the construction of a commercial project on the aforesaid property comprising ground and first floor along with one basement.

The Company at the time of incorporation of PSM obtained the approval for investment from its shareholders u/s 208 of the Companies Ordinance, 1984 for equity investment upto Rs. 36.00 million in PSM up to a maximum of 40% shareholding.

The aforesaid property of PSM was mainly financed through loan/advance from sponsor shareholders/promoters. Therefore, the Company also obtained the approval for its shareholders for investment as loan/advance in PSM from time to time upto a maximum of Rs. 75.00 million, for a period of four years. The aforesaid loans/advances along with mark-up thereon have already been returned to the Company on maturity.

PSM is in process of increasing its Authorised Share Capital from Rs. 70,000,000 divided into 7,000,000 ordinary shares of Rs. 10/- each to Rs. 165,000,000 divided into 16,500,000 ordinary shares of Rs. 10/- each. The current issued, subscribed and paid up capital of PSM is Rs. 450,000 divided into 45,000 ordinary shares of Rs. 10/- each out of which the Company currently holds 18,000 shares (40.00%) of the total paid up capital, rest of the shareholding is with other resident and non residents shareholders. PSM is also in process of increasing its paid up capital, through rights issue of

shares, for the purpose of repayment of loans/advances obtained from Sponsor Shareholders. It is envisaged that consequent to completion of right issue the paid up capital of PSM will be Rs. 161,316,000 divided into 16,131,600 ordinary shares of Rs. 10/- each. The Registered office of PSM is located 124-E/1, Main Boulevard Gulberg-III, Lahore

During the year 2008 the Company issued Term Finance Certificates (“TFC's”) of Rs. 1,500 million, at that time due to the reason that sufficient security was not available with the Company to secure its financial obligations towards TFC holders, the Company requested PSM to provide its property as security. Thereafter, as per the approval of shareholders of PSM a mortgage charge of Rs. 2.00 billion was created on the property of PSM, in favour of IGI Investment Bank Limited, for securing the TFC's of the Company.

The Company intends to increase its stake in PSM up to 100.00% from existing shareholding %age i.e. 40.00% in order to improve its debt profile. It is envisaged that consequent to acquisition of all the shareholding stake of other shareholders PSM would be a wholly owned subsidiary of the Company. Since the equity investment approval of Rs. 36.00 million and upto 40% shareholding was obtained prior to listing of the Company, therefore fresh approval from the existing shareholders is being sought i.e. up to the extent of Rs. 165.00 million and up to the extent of 100.00% shareholding in PSM.

The Company shall buy the shares of remaining shareholders at par value of Rs. 10.00 each.

Proposed plan for the settlement with other shareholders of PSM is to offer them property developed/purchased and fully paid by the Company in various projects being developed by the Company.

Consequent upon the acquisition of PSM, the Company intends to start a commercial project on the PSM property.

PACE Bahawalpur (Pvt.) Limited

The Company intends to start a joint venture for the construction/development/sale of a housing scheme on a plot of land area measuring 368 kanals located at Sadar, District Bahawalpur. The project will be undertaken by a Special Purpose Vehicle which will be a Private Limited Company named as Pace Bahawalpur (Private) Limited (“PBL”). PBL is in the process of being incorporated as a private limited company. The main objectives of PBL shall be to acquire/purchase, construct and develop properties, housing schemes, commercial buildings, shopping malls, etc. and sales thereof. The project will be developed in two phases, in Phase I, 160 kanals of land will be developed and remaining land will be developed in Phase II.

In view of growing housing demand, recent launch and success of various housing schemes by various builders and the appetite in the southern Punjab market. The proposed housing society shall host houses, residential plots and a commercial area. The houses in the residential scheme will provide an excellent living opportunity for the families who prefer independence, with lush lawns and individuality for families who require simplicity with a touch of style. Southern Punjab has appetite for a signature housing scheme due to local expatriates working abroad having sizeable savings, local farmers and traders who prefer to live in their home town.

The Company, initially, will be acquiring 35.00% shareholding in PBL and rest of 65.00% shall be owned by the owner of land identified for the project. However, on later stage the Company may increase its shareholding up to 50.00% in PBL.

The piece of land is ideally located adjacent to Bahawalpur City and is the only sizeable piece of land available in that area. According to initial surveys carried out by the sales team of the Company there is a great potential for a signature living in that part of the southern Punjab. Before proceeding further on the proposed project rigorous due diligence process has been carried out to evaluate the title of the owner of the land by the special projects team of the Company to avoid any litigations and ownership issues at later stages. In-addition to this independent valuation of the land has been carried out by a professional valuer.

Pace (Pakistan) Limited

A Memorandum of Understanding for the Joint venture has been entered with the owner of land for this housing project. A comprehensive Joint Venture Cum Shareholder's Agreement ('the Agreement') will be executed and signed by both the parties which will set out all the terms and conditions in detail in relation to the investment, shareholding, directorships, management and control of the business. It is envisaged that project execution and management control will rest with the Company. The initial directors at the time of incorporation of PBL would be the nominee of the Company, thereafter, subject to the terms and conditions of the Joint Venture Agreement, the owner of land shall be given nominee representation on the Board of Directors of PBL Company and accordingly directorships would be changed/replaced or increased.

The total cost of the Housing Scheme shall be financed through equity, loans and advance from customer against sale of property. The investments made by the Company and land owner to finance its project cost are in form of loans/advances. The Company intends to invest up to a sum of Rs. 1.00 million and Rs. 60.00 million in PBL in the shape of long term investment as equity & Loans/Advances, respectively.

Launch of project sales directly under the Company umbrella, will result in achieving better prices as a result of brand premium and generate sufficient cash flows to sponsor operations of PACE Pakistan Limited.

Infrastructure of the society and civil work of the houses is expected to be started by the end of this calendar year and the construction of houses will be started afterwards. Construction and civil works shall be supervised by PACE according to the PACE own standards. Sales and recoveries of the project shall be managed by PACE

STATEMENT UNDER SECTION 160(1)(B) OF THE COMPANIES ORDINANCE, 1984 READ WITH SRO 865(I)/2000 DATED 06 DECEMBER 2000

This statement sets out the material facts pertaining to the special business to be transacted at the Annual General Meeting of the Company to be held on 29 October 2011.

INVESTMENTS TO BE MADE BY THE COMPANY

The Company is fully authorized by its Memorandum of Association to make such investments. The investments would be made at such time(s), as the Chief Executive may think appropriate on behalf of the Company and would disinvest(s) as and when appropriate. The Chief Executive of the Company or the Company Secretary are also authorized to take all the necessary corporate and legal formalities in connection with the proposed investment where required.

The following are material facts about the proposed special resolution:

(i) Equity investment

(i) Name of the investee company	Pace Super Mall (Pvt.) Limited ("PSM")	
(ii) Nature, amount and extent of investment	Long term Investment in the share capital of PSM for an aggregate amount of up to Rs. 165.00 million at par value of Rs. 10.00 each and to disinvest as and when considered appropriate.	
(iii) Average market price of the shares intended to be purchased during preceding six months in case of listed companies	N/A	
(iv) Break-up value of shares intended to be purchased on the basis of last audited financial statements	30 June 2010 (Audited)	30 June 2011 (Audited)
	Rupees per share	
	10.00	10.00
(v) Price at which shares will be purchased	Rs. 10/- each	

Pace (Pakistan) Limited

(vi) Earning per share of the investee company in last three years	Not applicable since PSM has not started its commercial operations
(vii) Source of funds from where shares will be purchased	Available cash resources and/or future internal cash generation from the operations of Company.
(viii) Period for which investment will be made	As a long-term investment.
(ix) Purpose of Investment	Utilization of the Company's available cash resources for better future returns to shareholders. This would result in availing growth opportunities thus increasing the value of PSM. All the benefits accrued to PSM shall become part of the returns to the Company in future.
(x) Benefits likely to accrue to the Company and the shareholders from the proposed investments	All the benefits accrued to PSM due to expansion in its business operations will become part of the returns to the Company and its shareholders from the proposed investment. The debt profile of the Company would also be improved.
(xi) Interest of Directors and their relatives in the investee company	The Directors of the Company and their relatives have no interest in the above investee company except that what has been disclosed under the section "Interest of Directors and their Relatives".
(ii) Equity investment	
(i) Name of the investee company	Pace Bahalwapur (Pvt.) Limited ("PBL")
(ii) Nature, amount and extent of investment	Long term Investment in the share capital of PBL for an amount of up to Rs. 1.00 million at par value of Rs. 10.00 each and to disinvest as and when considered appropriate.
(iii) Average market price of the shares intended to be purchased during preceding six months in case of listed companies	N/A
(iv) Break-up value of shares intended to be purchased on the basis of last audited financial statements	Not applicable since PBL has not started its operations yet.
(v) Price at which shares will be purchased	Rs. 10/- each
(vi) Earning per share of the investee company in last three years	Not applicable since PBL has not started its commercial operations yet.
(vii) Source of funds from where shares will be purchased	Available cash resources and/or future internal cash generation from the operations of Company.
(viii) Period for which investment will be made	As a long-term investment.
(ix) Purpose of Investment	Utilization of the Company's available cash resources for better future returns to shareholders. This would result in tapping new markets and availing

growth opportunities thus increasing the value of PBL. All the benefits accrued to PBL shall become part of the returns to the Company in future.

(x) **Benefits likely to accrue to the Company and the shareholders from the proposed investments**

All the benefits accrued to PBL due to expansion in its business operations and diversification of business activities will become part of the returns to the Company and its shareholders from the proposed investment.

xi) **Interest of Directors and their relatives in the investee company**

The Directors of the Company and their relatives have no interest in the above investee company except that what has been disclosed under the section "Interest of Directors and their Relatives".

(ii) **Loan and advance**

S. No. Description

Information Required

(i) **Name of the investee company**

Pace Bahawalpur (Pvt.) ("PBL")

(ii) **Amount of loan or advance**

Loans/advances up to Rs. 60.00 Million

(iii) **Purpose of loan or advance**

In order to meet the working capital requirements / expansion plan of the investee company

(iv) **In case any loan had already been provided or loan has been written off to the said investee company, the complete detail of the said loan**

N/A

(v) **A brief about the financial position of the investee company on the basis of last published financial statements**

Not applicable since PBL has not started its commercial operations yet.

(vi) **Rate of mark-up to be charged**

The mark up to be charged on the loans/advances to PBL shall be subject to such mark-up rate not less than the borrowing cost of the Company in accordance with the provisions of Section 208 of the Ordinance. The mark up shall be charged on quarterly basis and paid to the Company within one month of the close of the quarter. In case it is not paid by PBL one month of the close of quarter, then the mark up shall be automatically settled after one month by adding the same in the principal for calculation of mark-up for the next quarter. Further, it can also be adjusted at any time against any payable by the Company to PBL against purchase of any saleable assets of PBL. The total outstanding loan/advance amount (including principal and any mark-up added in the same) shall be repaid after completion of four years and further extendable to one year, from the dates of disbursements of loans/advance or at any earlier date, as may be practical based on cash flows of PBL.

(vii) **Particulars of collateral security to be obtained from borrower and; if not needed, justification thereof;**

No collateral security is required as PBL is under the common management of the Company.

(viii) **Source of funds from where loan or advance will be given**

Available cash resources and/or future internal cash generation from the operations of Company.

(ix) Repayment schedule

The total outstanding loan/advance amount (including principal and any mark-up added in the same as per the calculations stated in above point no. vi) shall be repaid after completion of four years and further extendable to one year, from the date of disbursement of loan/advance or at any earlier date, as may be practical based on cash flows of PBL.

(x) Benefits likely to accrue to the Company and the shareholders from the proposed investments

The Company will receive markup on the actual amounts advanced to PBL, at the rate of which shall not be less than average borrowing cost of the Company.

INSPECTION OF DOCUMENTS

Recent annual/quarterly accounts along with all published or otherwise required accounts of all prior periods of the Company and the investee companies as may be applicable in each case along with financial projections of the Company, Memorandum and Articles of Association of the Company and the investee companies, latest available shareholding pattern of the Company and investee companies, and any other related information of the Company and the investee companies may be inspected/procured during the business hours on any working day at the Registered Office of the Company from the date of publication of this notice till the conclusion of the General Meeting. The recent financial statements of the Company can also be reviewed/downloaded from the website: www.pacepakistan.com under the heading “Company Information and Financials”.

INTEREST OF THE DIRECTORS AND THEIR RELATIVES

All the directors of the Company including the Chief Executive and their relatives (if any) are interested to the extent of their shareholdings, which may also be inspected during the business hours on any working day at the Registered office of the Company from the date of publication of this notice till the conclusion of the Annual General Meeting

DIRECTORS' REPORT TO THE SHAREHOLDERS

On the completion of financial year 2011, the Board of Directors of Pace (Pakistan) Limited ("the Company" or "Pace") take pleasure in presenting their Annual Report together with Audited Financial Statements of the Company and the Auditors' Report for the year ended June 30th, 2011.

Performance Outlook

General Economic Overview:

The economy of Pakistan has been undergoing a stabilization phase since the last three years. The period marked continued and intensified security challenges since 2001. In addition, the country faced multiple adverse shocks of commodity and oil prices and the fallout of the global financial crises. During the year, oil prices shot up from \$70/barrel to \$125/barrel creating a new threat to the macroeconomic framework. The year under review saw the unprecedented calamity of the great floods which wiped out about 2 percent from the growth as well as inflicted a massive damage of \$10 billion on the country's economic structure.

Despite several challenges, the economy has shown resilience in the outgoing year. The real GDP is estimated to grow at 2.4 % as against actual growth of 3.8 % last year and target of 4.5 %. Per capita income in dollar term rose from \$1073 last year to \$1254 in 2010-11 thereby showing tremendous increase of 16.9 %. This is mainly because of stable exchange rate as well as higher growth in nominal GNP.

Real Estate Overview:

Pakistan's commercial real estate sector is going through its third consecutive tough year as demand for space continues to fall. Weak economic growth coupled with high inflation and measures to stem the increasing inflation weigh heavily on the industry.

Rising trend in the construction raw material prices, coupled with currency devaluation has severely deteriorated the performance of real estate sector in Pakistan. The issue triggered due to low yields and low customer/investor confidence due to delays in the project development and delivery timelines.

Some key risks to the current real estate market are that rents are falling but yields have not moved much at all, indicating that property prices have fallen by nearly as much as rents. The country's economic imbalance between growth and inflation pose an ongoing threat to the sector. The slump in property prices is primarily attributed to political instability and security issues prevailing in the country.

Company Performance General Overview:

The challenging business and economic condition as well as the unfortunate assassination of our CEO has lead to a depression in the financial position of the company. As a result the company had to bear a loss of PKR 2,134 million before tax.

Despite the inflationary pressures, the launch of newly completed extension of the existing Model Town Link Road shopping mall brought a very good response. Projects under development include Pace Towers, located in Gulberg, Lahore. Development on the PACE Towers Project remained suspended during the second half of the current financial year, however, the management is devising a strategy for the start of the development works.

Ist Phase of the PACE Woodlands Housing Scheme is completed and second phase of the project is expected to be completed by the Ist half of the financial year 2011-2012.

Company Performance Financial Overview:

During the current financial year, the Company recorded gross sales of PKR 371 million as compared to PKR 1,649 million in the last year. In light of the liquidity issues of the company due to stuck-up receivables management took a strategic decision of cancellation of sales made to the customers who have defaulted in payments of their installments as per the agreed terms of sales. Due to this decision company has to recognize the sales returns of PKR 847.5 million and corresponding reversal of cost of sales of PKR 608.9 million. This resulted in availability of inventory to the company which can be sold out at better terms and conditions.

Comparison of the audited results for the year ended June 30, 2011 and the year ended June 30, 2010 are as follows:

Pace (Pakistan) Limited

Year Ended June 30,
2011 2010
‘Rupees in million’

Sales	371	1,649
Sales returns	(847)	-
Gross (Loss)/ Profit	(402)	191
Change in fair value of Investment Property	(788)	710
(Loss)/Profit after Tax	(2,081)	633
Earnings per share (PKR)	(7.46)	2.37

Decrease in gross margin is mainly due to the sale of properties carried at fair value over which fair value gain was already recognized in prior years and the major effect from sale of these properties is the realization of unrealized gains.

Increase in administrative expenses is primarily due to the addition of expenses of newly operational wing of Model Town extension mall and also due to drastic increase in fuel and energy prices during the current financial year. Additional expenses have also been incurred on renovation of existing malls for improving the efficiency and keeping the service up to mark.

Increase in administrative expenses and finance cost is also attributable to cessation of capitalization of costs on the under construction project of PACE TOWERS due to halt of work as explained in the previous section. These costs were previously capitalized as part of the cost of the project.

The Company successfully completed the restructuring of its term finance certificates during the current year ended. Restructuring was duly approved by majority of TFC holders holding certificates in aggregate of 51.73 %, through extraordinary resolution passed in writing. Consequent to the approval of TFC holder's addendum to the trust deed was executed between the Company and trustee 'IGI Investment Bank Limited' under which the Company is allowed one year six months grace period along with an extension of four years in the tenure of TFC issue and consequently, the remaining tenure of TFC shall be six and a half years effective from August 15, 2010. However, due to the continued liquidity problems company is in the process of re-negotiating the terms of the TFC's with the lenders.

Comparison of the financial position of the company as on June 30th, 2011 against June 30th, 2010 is as follows:

As on June 30,
2011 2010
‘Rupees in million’

Net Assets	4,405	6,486
Un-appropriated profits	1,344	3,343
Non-current liabilities	3,139	3,134
Cash and bank	59	177

Over Dues: Financial Obligations

Due to the liquidity issues the company has not been able to fulfill its commitments to the financial institutions and amount payable to financial institutions is currently in overdue status. However, the management is in process of rescheduling its financial obligations with financial institutions which is expected to be completed in due course.

Business Risks and Challenges:

Challenging economic environment, power shortages and security situation have increased the risk prevailing in the business sector and cost of doing business. Your company is well aware of these challenges and continues to devise strategies to overcome these issues. We are in continuous process of reviewing our business strategies and future plans to attain predefined business objectives and performance goals.

Health and Safety Standards:

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

The following health and safety policy has been adopted;

1. Provide secure shopping environment to its customers.
2. Minimize its environmental impact, as is economically and practically possible. To ensure this, the company obtains No Objection Certificate from Environmental Protection Authority for all new projects prior to submitting the drawings to LDA.
3. Provide environmental, health and safety training to all its employees and other relevant persons to

enable them to carry out their duties safely without causing harm to themselves, to other individuals and to the environment.

4. Apply proper mechanism of sewerage and disposal of waste products and provision of adequate parking spaces.
5. Develop plans and procedures and provide resources to successfully implement this policy and for dealing effectively with any emergency.
6. Save raw materials including energy, water and avoid waste.
7. Ensure that all its present and future activities are conducted safely, without endangering the health of its employees, its customers and the public.
8. Ensure that all its activities comply with national environmental health and safety regulations.

This policy shall be reviewed as when required for the betterment of the company and environment.

Human Resource Development:

The principle of equal opportunity is core to our HR policies and we at Pace are committed to motivate staff by upgrading their skills to equip all employees for their job performance and support them to realize their optimum potential. The HR department, through its continuous effort, pays considerable heed to enhance the employees' productivity which results in organizational effectiveness.

The Board would like to congratulate their employees for consistent hard work and efforts of staff.

Future Outlook:

The Company is thoroughly engaged in completion of its existing projects and is very cautious in its expansion plans and selection of future properties. The Company's long-term goals are to expand nationwide and provide its facilities not only in the province of Punjab but all over Pakistan.

The Board of Directors of the Company proposes the acquisition of PACE Supermall (Private) Limited to envisage the prospective projects under the company's control. The time and mode of acquisition shall be decided depending upon the negotiation with the other

sponsors of Pace Supermall and after the approval from Shareholders of the Company, which is being sought in upcoming Annual General Meeting of the Company.

The Company intends to start a housing project on the similar model of PACE Woodlands (Private) limited in Bahawalpur through a joint venture with the owner of land. Approval from Shareholders of the Company is being sought in upcoming Annual General Meeting of the Company.

Appropriations:

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

Auditors:

The present auditors M/s A.F Ferguson & Co., Chartered Accountants retire and offer themselves for reappointment. The Board of directors has recommended their reappointment as auditors of the company for the year ending June 30, 2012, at a fee to be mutually agreed.

Board of Directors:

The Board of Directors expresses their heartfelt condolences over the tragic assassination of Mr. Salmaan Taseer; Chief Executive Officer of the Company. The Board of Directors also wish to place on record their acknowledgement for the unprecedented stewardship and business acumen of the late CEO and admired his work both for raising the businesses and also his social services for the people at large.

The unfortunate demise of Mr. Salmaan Taseer has also lead to a change in the composition of the Board of Directors. In the month of January 2011 Mrs. Aamna Taseer and Miss Shehrbano Taseer were appointed CEO and Director of the Company, respectively in place of Mr. Salmaan Taseer .

Election of directors was held during the month of April 2011 and all the retiring/existing directors were re-appointed for a further period of three years, except Mr. Mahmood Ali Athar.

Mr. Khaldoon Bin Latif was nominated/appointed by Millennium Global High Yield Fund Limited on the Board of the Company in place of Mr. Mahmood Ali Athar.

Pace (Pakistan) Limited

Five meetings of the Board of Directors were held during the year, attendance by each director is as under:

Sr. No.	Directors	Meetings Attended
1	Mr. Sulaiman Ahmed	
	Saeed Al-Hoqani	-
2	Mr. Salmaan Taseer (Late)	2
3	Mrs. Aamna Taseer	5
4	Mr. Shahbaz Ali Taseer	5
5	Mr. Shehryar Ali Taseer	5
6	Miss. Shehribano Taseer	3
7	Mr. Jamal Said Al-Ojaili	-
8	Mr. Mahmood Ali Athar (Resigned)	-
9	Mr. Imran Saeed Chaudhry	2
10	Mr. Khaldoon Bin Latif	1

The business of the company is being run under the supervision of Board of Directors; Mrs. Aamna Taseer, in the capacity of Chief Executive is entitled for monthly gross salary of Rs. 200,000 per month for the period starting from 01 May 2011 along with employee benefits as per Company policy.

Mr. Salmaan Taseer, ex-Chief Executive was not entitled to any remuneration, benefits/privileges in any capacity from the Company, as long as he remained on the constitutional post.

Audit Committee

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

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

Corporate and Financial Reporting Framework:

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

The financial statements together with the notes thereon present fairly the company's state of affairs,

the result of its operations, cash flows and changes in equity.

Proper books of accounts have been maintained by the company.

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

The international accounting standards, as applicable in Pakistan, have been followed in the preparation of financial statements and departure (if any) is adequately disclosed.

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

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

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

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

Trading of Directors:

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

Pattern of Shareholding:

The pattern of shareholding as on June 30, 2011 as required u/s 236 of the Companies Ordinance 1984 is attached.

General:

The Board of Directors also wishes to express its gratefulness to the shareholders for their continued support and to all their employees for their ongoing dedication and commitment to the Company.

For and on behalf of the Board of Directors

Lahore:

September 30, 2011

Aamna Taseer

Chief Executive Officer

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

Directors	Opening balance as on 01-07-2010	Purchase	Bonus	Sale	Closing balance as on 30-06-2011
Salmaan Taseer (Assassinated)	587	-	-	-	587
Aamna Taseer	587	-	-	-	587
Mr.Shahbaz Ali Taseer	587	-	-	-	587
Mr.Shehryar Ali Taseer	-	500	-	-	500
Miss. Shehrbano Taseer	-	500	-	-	500
Sulienan Ahmed Said Al-Hoqani	6,277,383	14,941,665	-	-	21,219,048
Jamal Said Al-Ojaili	587	-	-	-	587
Imran Saeed Chaudhry	4,270,800	29,871	-	-	4,300,671
Mr. Khaldoon Bin Latif	-	-	-	-	-

Spouses

-	-	-	-	-	-
---	---	---	---	---	---

Minor Children

-	-	-	-	-	-
---	---	---	---	---	---

Chief Financial Officer

Imran Hafeez

-	-	-	-	-	-
---	---	---	---	---	---

Company Secretary

Shahzad Jawahar

-	-	-	-	-	-
---	---	---	---	---	---

KEY OPERATING AND FINANCIAL INDICATORS

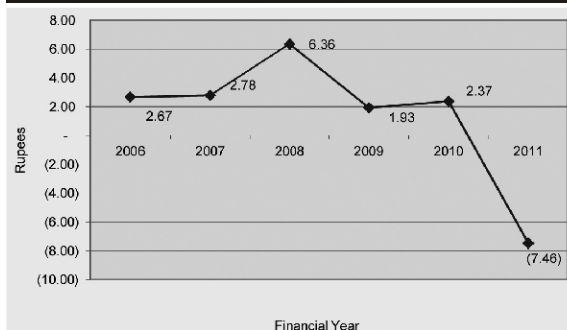
KEY INDICATORS

Rupees in thousands

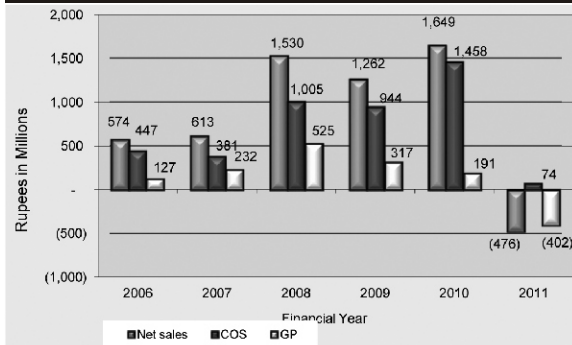
		2006	2007	2008	2009	2010	2011
Operating result							
Net Sales		573,676	612,651	1,530,498	1,261,809	1,649,336	(476,405)
Gross profit / (Loss)		126,744	231,500	525,612	317,376	190,939	(402,012)
Profit from operation / (Loss)		346,252	643,494	1,699,553	618,387	914,133	(1,649,605)
Profit before tax / (Loss)		345,023	550,958	1,453,293	345,796	702,923	(2,134,562)
Profit after tax / (Loss)		326,968	500,143	1,406,970	436,796	633,164	(2,080,561)
Financial Position							
Shareholder's equity		1,489,766	3,175,016	4,560,706	5,194,399	6,486,146	4,405,483
Property, plant & Equipment		271,835	245,759	434,385	474,066	550,444	516,419
Net current assets		200,333	1,337,532	3,414,154	3,007,927	2,320,745	1,858,925
Profitability							
Gross profit / (Loss)	%	22.09	37.79	34.34	25.15	11.58	(84.38)
Operating profit / (Loss)	%	60.36	105.03	111.05	49.01	55.42	(346.26)
Profit before tax / (Loss)	%	60.14	89.93	94.96	27.40	42.62	(448.06)
Profit after tax / (Loss)	%	57.00	81.64	91.93	34.62	38.39	(436.72)
Performance							
Fixed assets turnover	Times	2.11	2.49	3.52	2.66	3.00	(0.92)
Return on equity	%	24.74	21.44	36.38	8.96	10.84	(38.20)
Return on capital employed	%	21.36	18.53	23.76	5.12	6.88	(24.24)
Liquidity							
Current	Times	1.25	6.51	13.06	13.41	3.47	2.74
Quick	Times	0.62	3.48	8.86	7.27	2.31	1.23
Valuation							
Earning per share	Rs	2.67	2.78	6.36	1.93	2.37	(7.46)
Break up vale per share	Rs	14.31	14.40	20.69	22.31	23.26	15.80

PERFORMANCE AT A GLANCE

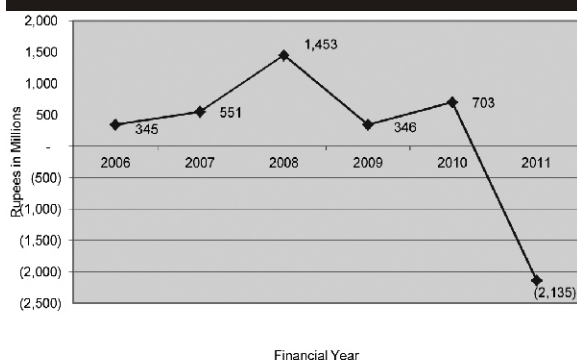
Earning / (loss) per Share



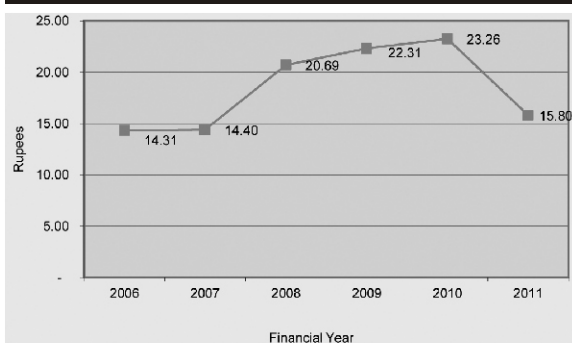
Net Sales, COS & Gross Profit / (loss)



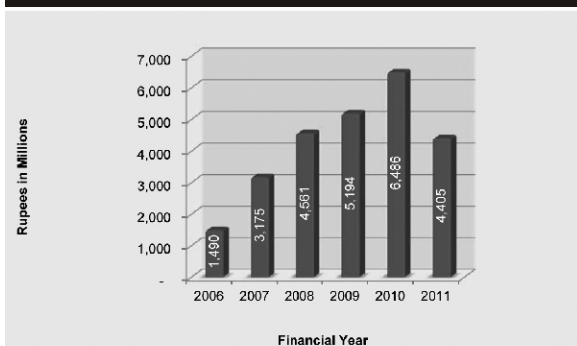
Profit / (loss) Before Tax



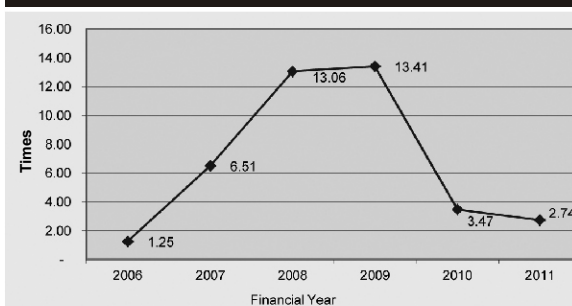
Break-up Value



Share Holder's Equity



Current Ratio



STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2011

This statement is being presented to comply with the Code of Corporate Governance contained in listing regulations of Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

- 1) The Board of Directors comprise of eight Directors. The Company encourages representation of independent non-executive directors on its Board. At present the board includes at least 2 independent non-executive directors.
- 2) The Directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
- 3) All the resident directors of the Company are registered as taxpayers and none of them has convicted by a Court of competent jurisdiction as a defaulter in payment of any loan to a banking company, a development Financial Institutions (DFI) or a Non Banking Financial Institution (NBFI). No. one is a member of Stock Exchange.
- 4) All casual vacancies occurring in the Board were filled up by the directors within 30 days thereof.
- 5) The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the Company.
- 6) The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
- 7) All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and term and conditions of employment of the CEO and other executive directors, have been taken by the board.
- 8) The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
- 9) The Board arranged orientation courses for its directors during the year to apprise them of their duties and responsibilities. Further the certification of directors under “The Board Development Series” program offered by Pakistan Institute of Corporate governance is in progress.
- 10) The Board has approved appointment of Company Secretary, Chief financial Officer and Internal Auditors including remuneration and terms and conditions of employment, as determined by the CEO.

- 11) The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
- 12) The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
- 13) The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding
- 14) The Company has complied with all the corporate and financial reporting requirements of the Code.
- 15) The Board has formed an Audit Committee. At present the committee includes two non-executive directors including the chairman of the committee.
- 16) The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
- 17) The Board has set-up an effective internal audit function having suitable qualified and experienced personnel who are conversant with the policies and procedures of the Company.
- 18) The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
- 19) The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
- 20) The related party transactions have been placed before the audit committee and approved by the board of directors with necessary justifications for non-arm's length transactions and pricing methods for transactions that were made on terms equivalent to those that prevail in the arm's length transactions only if such terms can be substantiated
- 21) We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board

Lahore
September 30, 2011

Aamna Taseer
Chief Executive Officer

Director

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Pace Pakistan Limited ('the company') to comply with the Listing Regulation No. 35 of the Karachi Stock Exchange (Guarantee) Limited, where the company is listed.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal control, the company's corporate governance procedures and risks.

Further, sub-regulation (xiii a) of Listing Regulations 35 notified by the Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the company to place before the board of directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before the audit committee.

We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's price or not.

Based on our review nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the company for the year ended June 30, 2011.

Lahore:
September 30, 2011

A.F. Ferguson & Co.
Chartered Accountants
Muhammad Masood

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Pace (Pakistan) Limited as at June 30, 2011 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes resulted on initial application of standards, amendments or an interpretation to existing standards, as stated in note 2.2.1 with which we concur;
 - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2011 and of the loss, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Lahore:
September 30, 2011

A.F. Ferguson & Co.
Chartered Accountants
Muhammad Masood

Pace (Pakistan) Limited

BALANCE SHEET

AS AT JUNE 30, 2011

	Note	June 30, 2011 (Rupees in thousand)	June 30, 2010
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised capital			
600,000,000 (June 2010: 600,000,000) ordinary Shares of Rs 10 each		6,000,000	6,000,000
Issued, subscribed and paid up capital			
278,876,604 (June 2010: 278,876,604) ordinary shares of Rs 10 each	5	2,788,766	2,788,766
Reserves		273,160	354,359
Unappropriated profit		1,343,557	3,343,021
		4,405,483	6,486,146
NON-CURRENT LIABILITIES			
Long term finances - secured	6	228,000	756,563
Redeemable capital - secured (non-participatory)	7	1,497,600	999,200
Liabilities against assets subject to finance lease	8	1,890	32,514
Foreign currency convertible bonds - unsecured	9	1,248,567	1,176,425
Deferred liabilities	10	32,828	88,236
Advances against sale of property	11	112,330	44,255
Deferred income		17,569	36,736
		3,138,784	3,133,929
CURRENT LIABILITIES			
Current portion of long term liabilities	12	643,362	606,894
Short term finance - secured	13	100,000	100,000
Creditors, accrued and other liabilities	14	325,172	232,393
		1,068,534	939,287
CONTINGENCIES AND COMMITMENTS			
	15		
		8,612,801	10,559,362

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

Lahore
September 30, 2011

Aamna Taseer
Chief Executive

Pace (Pakistan) Limited

	Note	June 30, 2011 (Rupees in thousand)	June 30, 2010
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	16	516,419	550,444
Intangible assets	17	8,808	9,372
Assets subject to finance lease	18	25,259	53,791
Capital work in progress	19	6,672	6,672
Investment property	20	3,828,426	4,935,576
Investments	21	623,833	1,150,139
Long term advances and deposits	22	13,533	25,979
Advance against purchase of property - unsecured	23	662,392	567,357
Deferred taxation	24	-	-
		5,685,342	7,299,330
CURRENT ASSETS			
Stock-in-trade	25	1,618,172	1,088,554
Trade debts - unsecured	26	1,019,193	1,651,599
Advances, deposits, prepayments and other receivables	27	230,742	343,228
Cash and bank balances	28	59,352	176,651
		2,927,459	3,260,032
		8,612,801	10,559,362

Shehryar Ali Taseer
Director

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

	Note	2011 (Rupees in thousand)	2010
Sales	29	371,122	1,649,336
Less: Sales return	29.2	(847,527)	-
		(476,405)	1,649,336
Cost of sales	30	74,393	(1,458,397)
Gross (loss) / profit		(402,012)	190,939
Administrative and selling expenses	31	(263,630)	(143,379)
Other operating income	32	40,674	179,063
Other operating expenses	33	(236,479)	(22,314)
(Loss) / profit from operations		(861,447)	204,309
Finance costs	34	(484,957)	(211,210)
Changes in fair value of investment property		(788,158)	709,824
(Loss) / profit before tax		(2,134,562)	702,923
Taxation	35	54,001	(69,759)
(Loss) / profit for the year		(2,080,561)	633,164
Other comprehensive (loss) / income			
Changes in fair value of available for sale investments		(102)	1
Total comprehensive (loss) / income for the year		(2,080,663)	633,165
(Loss) / earnings per share attributable to ordinary shareholders			
- basic (loss) / earnings per share	Rupees 41	(7.46)	2.37
- diluted (loss) / earnings per share	Rupees 41	(7.46)	2.05

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

Lahore
September 30, 2011

Aamna Taseer
Chief Executive

Shehryar Ali Taseer
Director

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011 (Rupees in thousand)	2010
Cash flow from operating activities			
Cash used in operations	37	(340,189)	(448,054)
Net increase / (decrease) in advances against sale of property		68,075	(1,334)
Finance costs paid		(323,694)	(159,149)
Gratuity and leave encashment paid		(3,581)	(11,252)
Taxes paid		(9,208)	(10,094)
Net cash used in operating activities		(608,597)	(629,883)
Cash flow from investing activities			
Purchase of property, plant and equipment		(1,474)	(4,630)
Additions in investment property		(17,300)	(131,919)
Proceeds from sale of property, plant and equipment		5,525	7,306
Decrease in long term loans and deposits		12,446	135,426
Mark up received		-	38,707
Proceeds from disposal of investment		300,000	-
Investment in equity instrument		(3,776)	(549,902)
Proceeds from disposal of investment property		232,626	68,332
Net cash generated/(used) in investing activities		528,047	(436,680)
Cash flow from financing activities			
(Repayment)/receipt of funds from long term finances		(9,141)	825,187
Repayment of installment of redeemable capital		(600)	(600)
Payment of markup of foreign currency convertible bonds		(11,490)	(10,678)
Payment of finance lease liabilities		(15,518)	(11,387)
Net cash (used) in/generated from financing activities		(36,749)	802,522
Net decrease in cash and cash equivalents		(117,299)	(264,041)
Cash and cash equivalents at the beginning of the year		76,651	340,692
Cash and cash equivalents at the end of the year	38	(40,648)	76,651

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

Lahore
September 30, 2011

Aamna Taseer
Chief Executive

Shehryar Ali Taseer
Director

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

Pace (Pakistan) Limited

	Share capital	Share premium reserve	Revaluation reserve for investment property	Reserve for changes in fair value of investments	Unappropriated profit	Total
	(Rupees in thousand)					
Balance as on June 30, 2009	2,328,220	75,229	94,202	(4)	2,696,752	5,194,399
Total Comprehensive income for the year						
Profit for the year	-	-	-	-	633,164	633,164
Other comprehensive income	-	-	-	1	-	633,165
Issue of ordinary shares	460,546	-	-	-	-	460,546
Premium of Rs 4.30 per share on conversion of FCCB to 46,054,596 ordinary shares	-	198,036	-	-	-	198,036
Transfer of reserve relating to sale of investment property	-	-	(13,105)	-	13,105	-
Balance as on June 30, 2010	2,788,766	273,265	81,097	(3)	3,343,021	6,486,146
Total comprehensive loss for the year						
Loss for the year	-	-	-	-	(2,080,561)	(2,080,561)
Other comprehensive loss	-	-	-	(102)	-	(102)
Transfer of reserve relating to sale of investment property	-	-	-	(102)	(2,080,561)	(2,080,663)
Transfer of reserve relating to sale of investment property	-	-	(81,097)	-	81,097	-
Balance as on June 30, 2011	2,788,766	273,265	-	(105)	1,343,557	4,405,483

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

Lahore
September 30, 2011

Aamna Taseer
Chief Executive

Shehryar Ali Taseer
Director

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

1. Legal status and activities

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

2. Statement of Compliance

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 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:

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

- 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' is effective from July 01, 2010. 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). 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 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 comprehensive 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.

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

- 'Classification of rights issues' (Amendment to IAS 32), issued in October 2009, is effective from July 01, 2010. 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. The application of this amendment is not expected to have any impact on the Company's financial statements.

- IAS 38 (Amendment), 'Intangible Assets' is effective from July 01, 2010. 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 life. The application of this amendment is not expected to have any impact on the Company's financial statements.

- 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' is effective from July 01, 2010. 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. The application of this amendment is not expected to have any impact on the Company's financial statements.

2.2.3 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 assets.

- 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. The application of this standard is not expected to have any impact on the Company's financial statements.

- IFRS 12 - 'Disclosures of interests in other entities'. This is applicable from 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. It is not expected to have any material impact on the Company's financial statements.

- 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. It is not expected to have any material impact on the Company's financial statements.

- 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.

2.2.4 Standards, interpretations and amendments to existing standards that are not relevant 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 relevant to the company:

Standards or Interpretation

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

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

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

a) Staff retirement benefits

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

b) Provision for taxation

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

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

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

d) Stock-in-trade

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

recent comparable transactions. Overheads relating to head office expenses have been allocated to stock-in-trade on the basis of revenue and saleable area of each project.

e) Investment property valuation

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

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

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

g) Costs to complete the projects

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

h) Provision for doubtful receivables

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

4. Significant accounting policies

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

4.1 Taxation

Current

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

Deferred

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

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

4.2 Property, plant and equipment

Property, plant and equipment except freehold land and capital work-in-progress are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land and capital work-in-progress are stated at cost less any identified impairment loss. Cost in relation to certain plant and machinery signifies historical cost and borrowing costs as referred to in note 4.14.

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

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

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

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

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

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

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 recognised as an income or expense.

4.3 Intangible assets

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

Amortisation is charged to income on the reducing balance method, except for dark fiber which is being amortised using the straight line method, so as to write off the cost of an asset over its estimated useful life. Amortisation on additions is charged from the month in which an asset is acquired or capitalised while no amortisation is charged for the month in which the asset is disposed off. Amortisation is being charged at the annual rate of 10% except for dark fiber which is being amortized at the annual rate of 5%.

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

4.4 Leases

The Company is the lessee:

Finance leases

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

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

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

Assets acquired under a finance lease are depreciated over the useful life of the asset on reducing balance method except for plant and machinery which is being depreciated using the straight line method at the following rates:

Vehicles	20%
Plant and machinery	33%

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 recognised as income over the lease term. Any loss on the sale is immediately recognised as an impairment when the sale occurs.

Operating leases

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

4.5 Staff retirement benefits

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

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

The latest actuarial valuation for gratuity scheme was carried out as at June 30, 2011. Projected Unit Credit Method, using the following significant assumptions for valuation of the scheme:

- Discount rate 14% per annum (2010: 12% per annum)
- Expected rate of increase in salary level 13% per annum (2010: 11% per annum)

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

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

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

The latest actuarial valuation was carried out as at June 30, 2011. Projected Unit Credit Method, using the following significant assumptions is used for valuation of accumulating compensated absences:

- | | |
|--|---|
| - Discount rate | 14% (2010: 12%) |
| - Expected increase in salary | 13% (2010: 11%) |
| - Expected mortality rate | EFU 61-66 mortality table
adjusted for Company's
experience |
| - Expected withdrawal and early retirement rate | Based on experience |
| - Average number of leaves accumulated per
annum by employees | 10 days (2010: 10 days) |

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

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

4.6 Capital work in progress

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

4.7 Investment property

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

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

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

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

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.

4.8 Investments

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

Investments in equity instruments of subsidiaries and associated undertakings

Investments in equity instruments of subsidiaries and associated undertakings where the Company has control or significant influence are measured at cost in the Company's financial statements.

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

4.9 Financial instruments

4.9.1 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 off 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 amortised cost.

All financial assets are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of investments are recognised on trade-date – the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognised 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 recognised at fair value and transaction costs are expensed in the profit and loss account. Financial assets are derecognised 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 amortised 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 recognised 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 recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the profit and loss account as gains and losses from investment securities. Interest on available-for-sale securities calculated using the effective interest method is recognised in the profit and loss account. Dividends on available-for-sale equity instruments are recognised 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 recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account. Impairment testing of trade debts and other receivables is described in note 4.16.

4.9.2 Financial liabilities

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

A financial liability is derecognised 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 recognised in the profit and loss account.

4.9.3 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.

4.10 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.

4.11 Stock-in-trade

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

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

4.12 Foreign 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.

4.13 Revenue recognition

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

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

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

- the buyers investment, to the date of the financial statements, is adequate to demonstrate a commitment to pay for the property;
- construction is beyond a preliminary stage;
- the buyer is committed. Buyer is unable to require a refund except, for non delivery of the unit. Management believes that the likelihood of the Company being unable to fulfill its contractual obligations for this reason is remote; and
- the buyer has the right to dispose off the property

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

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

4.14 Borrowing costs

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.

4.15 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, is a committee comprising of the Chief Executive Officer, Group Director Finance, Chief Operating Officer and the Chief Financial Officer.

4.16 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.

4.17 Creditors, accruals and provisions

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.

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

4.18 Borrowings

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

4.19 Foreign currency convertible bonds

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

4.20 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 (Number of shares)	2010		2011 (Rupees in thousand)	2010
201,704,516	201,704,516	Ordinary shares of Rs 10 each fully paid in cash	2,017,045	2,017,045
77,172,088	77,172,088	Ordinary shares of Rs 10 each issued as fully paid bonus shares	771,721	771,721
278,876,604	278,876,604		2,788,766	2,788,766

First Capital Securities Corporation Limited and Worldcall Telecom Limited, associated undertakings, hold 24,055,407 (2010: 24,055,407) and 6,959,290 (2010: 6,959,290) ordinary shares of the Company respectively.

	Note	2011 (Rupees in thousand)	2010
6. Long term finances - secured			
Syndicate term finance facility	6.1	400,000	400,000
National Bank of Pakistan- term finance	6.2	40,000	-
Soneri Bank - demand finance	6.3	27,422	36,563
Al Baraka Bank (Pakistan) Limited - musharika based agreement	6.4	360,000	400,000
		827,422	836,563
Less: Current portion shown under current liabilities		599,422	80,000
		228,000	756,563

6.1 Syndicate term finance facility

Terms of repayment

The loan is repayable in 10 quarterly installments after expiry of one year of grace period starting from May 4, 2010 and carries mark-up @ rate of 3 months KIBOR plus 3.5% (2010: 3 months KIBOR plus 3.5%).

Security

The facility is secured against first pari passu hypothecation/mortgage charge over the two projects land and construction there of with 25% margin; assignment of receivables related to arising out of the two projects; assignment of rights and benefits related to assignment & co loss payee status under all agreements of the two projects; and assignment of annual free cash flows of Pace Model Town, Pace MM Alam, Pace Gujranwala, Pace Fortress and Pace Gujrat project.

6.2 Term Finance - National Bank of Pakistan

Terms of repayment

The loan is repayable in 10 quarterly installments after expiry of one year of grace period starting from December 31, 2011 and carries mark-up @ rate of 3 months KIBOR plus 3.5% (2010: Nil).

Security

The facility is secured against mortgage by deposit of title deeds in respect of mortgaged property for creating mortgage in the sum of Rs. 66.667 million. Mortgage over the immovable properties consisting of an area measuring 20,315 square feet, consisting of 23 shops and 2 counters of Pace MM Alam Road.

6.3 Soneri Bank Demand Finance

Terms of repayment

This loan is part of total demand finance facility limit of Rs. 44.688 Million (2010: Rs. 44.688 Million) and carries mark up @ 6 months KIBOR + 3% (2010: 6 months KIBOR + 3%). The loan is repayable in 8 equal quarterly installments.

As at June 30, 2011 the Company has not paid installments amounting to Rs 4.750 million as per agreement.

Security

This facility is secured against a charge created on the land and building on Plot no 41, Gulberg III, Industrial Area Lahore. The L/C facility is secured under document of goods coming under L/C and 35% cash Margin against L/C. Pace (Pakistan) Limited has deposited Rs. 45 million in margin account with bank as a security till completion of transfer/mortgage formalities.

6.4 Al Baraka Bank (Pakistan) Limited - musharika based agreement

Terms of repayment

This loan is part of the long term facility of Rs. 400 Million (2010: 400 million) under a Musharika based arrangement with Al Baraka Bank (Pakistan) Limited and carries mark-up @ 3 months KIBOR + 3.5% (2010: 3 months KIBOR + 3.5%). The loan is repayable in 10 equal quarterly installments starting from January 20, 2011.

As at June 30, 2011 the Company has not paid installments amounting to Rs 40 million as per agreement, hence the entire facility has been classified as current liability.

Security

The loan is secured by 100% registered and equitable mortgage of property located at plot no. 40 & 41, P Block, Model Town link road, a token registration of Rs. 0.5 million and equitable mortgage of property located at 27-H (Pace Tower) having a charge amounting to Rs. 1,200 million.

	Note	2011	2010
		(Rupees in thousand)	
7. Redeemable capital - secured (non-participatory)			
Term finance certificates	7.1	1,498,200	1,498,800
		1,498,200	1,498,800
Less: Current portion shown under current liabilities		600	499,600
		1,497,600	999,200

7.1 Term finance certificates

Terms of repayment

This represents term finance certificates (TFC's) listed on Lahore Stock Exchange issued for a period of 5 years. During the year, the Company completed the restructuring of its term finance certificates. Restructuring was duly approved by majority of TFC holders holding certificates in aggregate of 51.73 %, through extraordinary resolution passed in writing. Consequent to the approval of TFC holder's addendum to the trust deed was executed between the Company and trustee 'IGI Investment Bank Limited' under which the Company is allowed one and a half year grace period along with an extension of four years in the tenure of TFC issue and consequently, the remaining tenure of TFC shall be six and a half years effective from August 15, 2010. As a result current liability of the Company has been reduced by Rs. 499.0 million. The TFC's carry a markup of 6 months KIBOR plus 2% (2010: 1.5%) and is payable semi-annually in arrears.

Security

The TFC's are secured by a first exclusive charge by way of equitable mortgage on the Company's properties situated at 124/E-1, Main Boulevard Gulberg III, Lahore, 38-A and 39 Block P, Model Town, Lahore and G.T. Road, Gujranwala and first exclusive hypothecation charge over certain specific fixed assets, to the extent of Rs 2,000 million.

	2011	2010
	(Rupees in thousand)	
8. Liabilities against assets subject to finance lease		
Present value of minimum lease payments	39,154	54,672
Less: Current portion shown under current liabilities	37,264	22,158
	<u>1,890</u>	<u>32,514</u>

The minimum lease payments have been discounted at an implicit interest rate ranging from 12.31% to 17.94% (2010: 12% to 19.36%) to arrive at their present value. The lessee has the option to purchase the assets after the expiry of the lease term. Taxes, repairs and insurance costs are to be borne by the lessee. The liability is partly secured by a deposit of Rs 12.728 million (2010: Rs 13.875 million).

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

	(Rupees in thousand)			
	Minimum lease payments	Future finance charge	Present value of lease liability	
			2011	2010
Not later than one year	40,319	3,055	37,264	22,158
Later than one year and not later than five years	1,978	88	1,890	32,514
	<u>42,297</u>	<u>3,143</u>	<u>39,154</u>	<u>54,672</u>

2011 2010
(Rupees in thousand)

9. Foreign currency convertible bonds - unsecured

Opening balance as at July 1	1,181,561	1,911,567
Converted into equity shares	-	(658,581)
Markup accrued during the year	78,073	40,870
	<u>1,259,634</u>	<u>1,293,856</u>
Markup paid during the year	(11,490)	(10,679)
Exchange loss/(gain) for the year	6,499	(101,616)
	<u>1,254,643</u>	<u>1,181,561</u>
Less: Current portion shown under current liabilities	6,076	5,136
	<u>1,248,567</u>	<u>1,176,425</u>

The Company issued 25,000 convertible bonds of USD 1,000 each on January 5, 2008 amounting to USD 25 million. The foreign currency convertible bonds (FCCB) are listed on the Singapore Stock Exchange and are redeemable in 2013 at the accreted principal amount. The bonds carry a markup of 5.5% per annum, compounded semi-annually, accretive and cash interest of 1% per annum to be paid in arrears. The holders of the bonds have an option to convert the bonds into equity shares of the Company at any time following the issue date at a price calculated as per terms of arrangement. During the current year bonds amounting to USD Nil (2010: USD 10 million) were converted into ordinary shares of the company at the request of the bond holders. In aggregate USD 13 million bond have been converted into ordinary shares as at June 30, 2011.

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

Note 2011 2010
(Rupees in thousand)

10. Deferred liabilities

Staff gratuity	10.1	31,611	31,795
Leave encashment	10.2	1,217	1,441
Deferred taxation	24	-	55,000
		<u>32,828</u>	<u>88,236</u>

10.1 Staff gratuity

The amounts recognised in the balance sheet are as follows:

Present value of defined benefit obligation		23,260	28,939
Unrecognised experience losses		8,351	2,856
Liability as at June 30		<u>31,611</u>	<u>31,795</u>
Liability as at July 1		31,795	32,025
Charge to profit and loss account	10.1.1	10,075	10,139
Liability transferred to other group company		-	(3,843)
Benefits paid / payable during the year		(10,259)	(6,526)
Liability as at June 30		<u>31,611</u>	<u>31,795</u>

Pace (Pakistan) Limited

2011 2010
(Rupees in thousand)

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

Present value of defined benefit obligation as at July 1	28,939	30,236
Service cost	6,602	6,511
Interest cost	3,473	3,628
Liability transferred to other group company	-	(3,843)
Benefits paid / payable during the year	(10,259)	(6,526)
Experience gain	(5,495)	(1,067)
Present value of defined benefit obligation as at June 30	23,260	28,939

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

Service cost	6,602	6,511
Interest cost	3,473	3,628
Charge to profit and loss account	10,075	10,139

10.1.1 Charge for the year has been allocated as follows:

Cost of sales	1,310	4,829
Administrative, general and other expenses	8,765	5,310
	10,075	10,139

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

	2011	2010	2009	2008	2007
	(Rupees in thousand)				
Present value of defined benefit obligation	23,260	28,939	30,236	25,021	14,919
Fair value of plan assets	-	-	-	-	-
Deficit	(23,260)	(28,939)	(30,236)	(25,021)	(14,919)
Experience adjustment on obligation	4%	15%	4%	7%	14%

10.2 Leave encashment

2011 2010
(Rupees in thousand)

The amounts recognised in the balance sheet are as follows:

Liability as at July 1	1,441	1,789
Charge to profit and loss account	1,573	1,602
Benefits paid / payable during the year	(1,797)	(1,950)
Liability as at June 30	1,217	1,441

11. Advances against sale of property

This represents advances received from various parties against sale of apartments and houses in Pace Towers project, Lahore and sale of shops in Pace Model Town Extension, Lahore and Pace Gujranwala.

Pace (Pakistan) Limited

	Note	2011 (Rupees in thousand)	2010
12. Current portion of long term liabilities			
Current portion of long term finances -secured	6	599,422	80,000
Current portion of redeemable capital - secured (non-participatory)	7	600	499,600
Current portion of liabilities against assets subject to finance lease	8	37,264	22,158
Current portion of foreign currency convertible bonds - unsecured	9	6,076	5,136
		<u>643,362</u>	<u>606,894</u>

13. Short term finance - Secured

Short term finance facility	<u>100,000</u>	<u>100,000</u>
-----------------------------	----------------	----------------

Terms of repayment

This represents the loan amount under short term finance facility of Rs. 100 Million (2010: Rs. 100 Million) with Pak-Iran Joint Investment Company Limited and carries mark-up @ 6 months KIBOR + 3.5%. The loan is repayable in 4 quarterly installments starting from December 31, 2010.

As at June 30, 2011 the Company has not paid installments amounting to Rs 50 million (2010: Nil) as per agreement.

Security

The facility is secured by creation of mortgage amounting to the sum of Rs. 142.857 million on the property being piece and parcel of land located at Plot no. 96/B-1, Gulberg III, Lahore, measuring 4 Kanals and 112sqft along with structures, superstructures and appurtenances including shops/counters having area measuring 20,433 sqft.

	Note	2011 (Rupees in thousand)	2010
14. Creditors, accrued and other liabilities			
Trade creditors		59,740	16,804
Advances from customers		4,277	4,829
Licensees payable		10,214	15,793
Accrued liabilities		28,414	17,835
Mark-up accrued on:			
- Long term finances -secured	14.1	66,287	22,486
- Short term finances -secured	14.2	7,999	-
- Redeemable capital - secured (non-participatory)		86,837	76,676
- Liabilities against assets subject to finance lease	14.3	1,054	-
Licensee security deposits		17,183	16,317
Payable to contractors		2,315	1,135
Retention money		362	362
Payable to statutory body		8,731	27,706
Workers welfare fund payable		20,974	20,549
Advance against sale of shares	14.4	1,595	-
Others		9,190	11,901
		<u>325,172</u>	<u>232,393</u>

14.1 This includes overdue markup of Rs. 53.384 million (2010: Rs. Nil).

14.2 This includes overdue markup of Rs. 7.999 million (2010: Rs. Nil).

14.3 This includes overdue markup of Rs. 1.054 million (2010: Rs. Nil).

14.4 This represents advance given to the Company for purchase of shares of Pace Barka Properties Limited by Mr. Sheikh Sulieman Ahmed Said AL Hoqani, director of the Company.

15. Contingencies and commitments

15.1 Contingencies

- (i) Claims against the Company not acknowledged as debts Rs 21.644 million (2010: Rs 21.644 million).
- (ii) Corporate guarantee on behalf of Pace Barka Properties Limited, a related party, in favour of The Bank of Punjab, amounting to Rs 900 million (2010: Rs 900 million) as per the approval of shareholders through the special resolution dated July 29, 2006.

15.2 Commitments

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

	2011	2010
	(Rupees in thousand)	
Not later than one year	7,326	6,600
Later than one year and not later than five years	38,129	34,423
Later than five years	25,689	36,722
	71,144	77,745

16. Property, plant and equipment

Property, plant and equipment	2011							(Rupees in thousand)								
	Cost as at June 30, 2010	Additions/ transfers/ (deletions)	Cost as at June 30, 2011	Accumulated depreciation as at June 30, 2010	Depreciation charge for the year	Transfers from assets subject to finance lease	Accumulated depreciation as at June 30, 2011	Book value as at June 30, 2011	Cost as at June 30, 2009	Additions/ transfers/ (deletions)	Cost as at June 30, 2010	Accumulated depreciation as at June 30, 2009	Depreciation charge for the year	Transfers from assets subject to finance lease	Accumulated depreciation as at June 30, 2010	Book value as at June 30, 2010
Freehold land *	155,152	-	155,152	-	-	-	-	155,152	93,559	61,593	155,152	-	-	-	-	155,152
Leasehold land **	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings on freehold land	179,470	-	179,471	24,755	7,735	-	32,490	146,981	128,500	50,970	179,470	19,071	5,684	-	24,755	154,715
Buildings on leasehold land ***	135,137	-	135,137	27,990	13,514	-	41,504	93,633	135,137	13,515	135,137	14,475	13,515	-	27,990	107,147
Plant and machinery	81,171	-	81,171	41,203	3,997	-	45,200	35,971	81,171	1,937	81,171	36,762	4,441	-	41,203	39,968
Electrical equipment	69,172	-	69,172	18,616	5,056	-	23,672	45,500	67,235	1,937	69,172	12,852	5,764	-	18,616	50,556
Office equipment and appliances	11,673	-	11,673	5,634	604	-	6,238	5,435	11,673	46	11,784	2,750	904	-	5,634	6,039
Furniture and fixtures	11,784	-	11,784	3,654	813	-	4,467	7,317	11,784	226 (82)	9,386	5,105	1,393 (34)	-	3,654	8,130
Computers	9,386	80	9,466	6,464	969	-	7,433	2,033	38,936	8,418	40,574	7,147	10,414	-	6,464	2,922
Vehicles ****	40,574	13,359 (6,732)	47,201	14,760	5,802 (3,933)	6,175	22,804	24,397	577,191	123,190 (6,862)	693,519	103,125	42,786 (2,835)	-	14,760	25,815
	693,519	13,439 (6,732)	700,227	143,076	38,490 (3,933)	6,175	183,808	516,419								

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

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

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

**** Vehicles includes 16 cars, which are under the process of registration in the name of the Company.

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

	Note	June 2011	June 2010
		(Rupees in thousand)	
Stores operating expenses	30.2	16,220	14,589
Administrative and selling expenses	31	22,270	24,135
Stock-in-trade		-	4,062
		<u>38,490</u>	<u>42,786</u>

16.2 Disposal of property, plant & equipment

Particular of Assets	Sold to	Cost	Accumulated Depreciation	Book value	Sales proceeds	(Rupees in thousand)	Mode of Disposal
Vehicles	Usman Sheikh , Muhammad Zubair, Khawaja Irfan, Aun Zaidi and First Capital Investments Limited.	6,732	3,933	2,799	5,525		Negotiation
June 2011		<u>6,732</u>	<u>3,933</u>	<u>2,799</u>	<u>5,525</u>		

17. Intangible assets

(Rupees in thousand)

	2011					Book value as at June 30, 2011
	Cost as at June 30, 2010	Additions/ (deletions)	Cost as at June 30, 2011	Accumulated amortisation as at June 30, 2010	Amortisation charge for the year	
Softwares	2,878	-	2,878	1,944	90	844
Dark fiber *	9,508	-	9,508	1,070	475	7,964
June 2011	12,386	-	12,386	3,014	565	8,808
	2010					Book value as at June 30, 2010
	Cost as at June 30, 2009	Additions/ (deletions)	Cost as at June 30, 2010	Accumulated amortisation as at June 30, 2009	Amortisation charge for the year	
Softwares	2,878	-	2,878	1,840	104	934
Dark fiber *	9,508	-	9,508	595	475	8,438
June 2010	12,386	-	12,386	2,435	579	9,372

* This represents purchase of right to use optical fiber at Company properties for 20 years from Worldcall Telecom Limited, an associated undertaking.

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

	Note	2011	2010
		(Rupees in thousand)	
Administrative and selling expenses	31	565	579

18. Assets subject to finance lease

(Rupees in thousand)

	2011						
	Cost as at June 30, 2010	Additions/ (deletions) (transfer)	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	Book value as at June 30, 2011
Vehicles	24,307	1,394 (14,686)	11,015	7,252	2,559 (6,487)	3,324	7,690
Plant and machinery	57,500	-	57,500	20,764	19,167	39,931	17,569
June 2011	81,807	1,394 (14,686)	68,515	28,016	21,726 (6,487)	43,255	25,259

	2010						
	Cost as at June 30, 2009	Additions/ (deletions) (transfer)	Cost as at June 30, 2010	Accumulated depreciation as at June 30, 2009	Depreciation charge for the year	Accumulated depreciation as at June 30, 2010	Book value as at June 30, 2010
Vehicles	21,842	10,883 (8,418)	24,307	7,243	4,067 (4,058)	7,252	17,055
Plant and machinery	57,500	-	57,500	1,597	19,167	20,764	36,736
June 2010	79,342	10,883 (8,418)	81,807	8,840	23,234 (4,058)	28,016	53,791

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

Administrative and selling expenses

21,726	23,234
--------	--------

18.2 Disposal of assets subject to finance lease

Particular of Assets	Sold to	Cost	Accumulated	Book value	Sales proceeds	(Rupees in thousand) Mode of Disposal
Vehicles	Shaheen Insurance Co. Ltd.	1,329	314	1,015	-	Insurance claim receivable
		1,329	314	1,015	-	

Pace (Pakistan) Limited

	Note	2011 (Rupees in thousand)	2010
19. Capital Work in progress			
Broadband/telephony services	19.1	2,672	2,672
Interactive vigilance system	19.1	4,000	4,000
		<u>6,672</u>	<u>6,672</u>

19.1 This represents installation of vigilance system and services of broadband provided at Company properties by Worldcall Telecom Limited, an associated undertaking.

20. Investment Property

	Cost as at June 30,		Fair Value as at June 30	
	2011 (Rupees in thousand)	2010	2011 (Rupees in thousand)	2010
Opening value as on July 1	1,918,146	1,557,126	4,935,576	4,103,602
Additions to cost during the year:				
- Transfer from stock-in-trade	12,641	337,397	12,639	345,288
- Purchase of assets classified as 'investment property'	17,300	146,000	17,300	146,297
- Transfer to stock-in-trade	(8,266)	(94,147)	(116,305)	(300,439)
- Disposal of investment property	(209,406)	(28,230)	(232,626)	(68,996)
Closing value before revaluation as at June 30	1,730,415	1,918,146	4,616,584	4,225,752
Add: Fair value (loss) / gain recognised in profit and loss account			(788,158)	709,824
Closing value after revaluation as on June 30			<u>3,828,426</u>	<u>4,935,576</u>

	Note	2011 (Rupees in thousand)	2010
21. Investments			
Equity instruments of:			
- subsidiaries - unquoted	21.1	55	55
- associated undertakings - unquoted	21.2	620,101	1,150,081
Available for sale - quoted	21.3	3,677	3
		<u>623,833</u>	<u>1,150,139</u>
21.1. Subsidiaries - unquoted			
Pace Woodlands (Private) Limited			
3,000 (2010: 3,000) fully paid ordinary shares of Rs 10 each			
Equity held 52% (2010: 52%)		30	30
Pace Gujrat (Private) Limited			
2,450 (2010: 2,450) fully paid ordinary shares of Rs 10 each			
Equity held 100% (2010: 100%)		25	25
		<u>55</u>	<u>55</u>

Pace (Pakistan) Limited

	Note	2011 (Rupees in thousand)	2010
21.2 Associated undertakings - unquoted			
Pace Barka Properties Limited			
77,500,000 (2010: 115,000,000) fully paid ordinary shares of Rs 10 each			
Equity held 25.4% (2010: 37.6%)		774,901	1,149,901
Pace Super Mall (Private) Limited			
18,000 (2010: 18,000) fully paid ordinary shares of Rs 10 each			
Equity held 40% (2010: 40%)		180	180
		775,081	1,150,081
Less: Cumulative impairment losses recognized	21.2.1	(154,980)	-
		620,101	1,150,081
21.2.1 Cumulative impairment losses recognized			
As at July 1		-	-
Recognised during the year		154,980	-
As at June 30		154,980	-
21.3 Available for sale - quoted			
Worldcall Telecom Limited			
912 (2010: 912) fully paid ordinary shares of Rs 10 each		6	6
Shaheen Insurance Limited			
294,037 (2010: Nil) fully paid ordinary shares of Rs 10 each		3,776	-
		3,782	6
Add: Cumulative fair value (loss)/gain	21.3.1	(105)	(3)
		3,677	3
21.3.1 Cumulative fair value (loss)/gain			
As at July 1		(3)	(4)
Fair value (loss) / gain during the year		(102)	1
As at June 30		(105)	(3)
22. Long term advances and deposits			
Lease key money		650	13,096
Security deposit		12,883	12,883
		13,533	25,979

Pace (Pakistan) Limited

2011 2010
(Rupees in thousand)

23. Advance against purchase of property - unsecured

Associated undertakings

Pace Barka Properties Limited	640,792	543,019
Pace Super Mall (Private) Limited	21,600	21,600
	662,392	564,619
Others	-	2,738
	662,392	567,357

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

24. Deferred taxation

The liability/(asset) for deferred taxation comprises temporary differences relating to:

Accelerated tax depreciation and others	236,736	269,406
Employee retirement benefits	(11,490)	(11,632)
Deferred cost	(377)	(472)
Unused tax losses and minimum tax	(224,869)	(202,302)
	-	55,000

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

Opening balance	55,000	(6,000)
Charge/(income) during the year	(55,000)	61,000
Closing balance	-	55,000

24.1 Deferred tax asset on tax losses available for carry forward and those representing minimum tax paid available for carry forward u/s 113 of the Income Tax Ordinance, 2001 are recognized to the extent that the realization of related tax benefits through future taxable profits is probable. The Company has not recognized deferred tax assets of Rs 423.034 million (2010: Rs Nil) in respect of tax losses and Rs. 22.368 million (2010: Rs. 24.513 million) in respect of minimum tax paid and available for carry forward u/s 113 of the Income Tax Ordinance, 2001, as sufficient tax profits would not be available to set these off in the foreseeable future. Minimum tax paid u/s 113 aggregating to Rs 22.368 million would not be available for carry forward against future tax liabilities subsequent to years 2012 through 2014. Tax losses amounting to Rs 59.27 million and Rs 1,152.97 million will expire in year 2014 and 2016 respectively.

Note 2011 2010
(Rupees in thousand)

25. Stock-in-trade

Work in process - Pace Towers	25.1 & 25.2	1,204,659	871,118
Shops and houses		403,510	187,988
Woodland plots		9,216	28,167
		1,617,385	1,087,273
Stores inventory		787	1,281
		1,618,172	1,088,554

Pace (Pakistan) Limited

25.1 Included in work in process are borrowing costs of Rs. 238.659 million (2010: Rs 238.659 million).

25.2 The charge amounting to Rs. 1,200.5 million (2010: 1,200.5 million) has been registered against work in process with lenders as security against long term loan and redeemable capital as referred to in note 6 and note 7 respectively.

	Note	2011 (Rupees in thousand)	2010
26. Trade debts - unsecured			
Considered good		1,019,193	1,651,599
Considered doubtful		42,096	13,446
		<u>1,061,289</u>	<u>1,665,045</u>
Less: Provision for doubtful debts	26.1	<u>(42,096)</u>	<u>(13,446)</u>
		<u>1,019,193</u>	<u>1,651,599</u>
26.1 Provision for doubtful debts			
Balance as at July 1		13,446	9,000
Add: provision during the year	31	<u>28,650</u>	<u>4,500</u>
		42,096	13,500
Less: written off during the year		-	(54)
Balance as at June 30		<u>42,096</u>	<u>13,446</u>

27. Advances, deposits, prepayments and other receivables

Advances - considered good			
- to employees		7,507	11,040
- to suppliers		2,067	27,122
Security deposits		12,811	1,511
Prepayments		-	745
Advances to contractors	27.1	171,700	278,569
Income tax recoverable from government		27,615	19,406
Others - considered good		9,042	4,835
		<u>230,742</u>	<u>343,228</u>

27.1 Advances to contractors include Rs 165.490 million (2010: Rs 270.920 million) due from Trident Construct (Private) Limited, an associated undertaking. This relates to normal business of the Company and is interest free.

	Note	2011 (Rupees in thousand)	2010
28. Cash and bank balances			
At banks			
- in saving accounts	28.1 & 28.2	55,157	142,874
- in current accounts	28.3	4,195	33,693
		<u>59,352</u>	<u>176,567</u>
In hand including credit card sales Rs Nil (2010: Rs 0.084 million)		-	84
		<u>59,352</u>	<u>176,651</u>

Pace (Pakistan) Limited

- 28.1** The balances in saving accounts bear mark up which ranges from 5% to 12% per annum (2010: 5% to 10%).
- 28.2** This includes Rs. 53.87 million (2010: Nil) placed in Debt Servicing Reserve Account of National Bank of Pakistan.
- 28.3** This includes Rs. 4.03 million (2010: Nil) placed in Debt Servicing Reserve Account of Al-Baraka Bank (Pakistan) Limited.

	Note	2011 (Rupees in thousand)	2010
29. Sales			
Shops, houses and commercial buildings			
- at completion of project basis		164,815	786,665
- at percentage of completion basis	29.1	-	563,689
Plots		25,461	84,337
Licensee fee		32,447	54,093
Display advertisements and miscellaneous income		15,437	14,373
Service charges		126,766	124,671
Sale of commodities		6,196	21,508
		<u>371,122</u>	<u>1,649,336</u>

- 29.1** The revenue arising from agreements, that meet the criteria for revenue recognition on basis of percentage of completion method, during the year is Rs. Nil (2010: Rs. 629.623 million). Amount received against these agreements amounts to Rs. 45.173 million (2010: Rs. 92.659 million).

	Note	2011 (Rupees in thousand)	2010
29.2 Sales return			
- at completion of project basis		(451,225)	-
- at percentage of completion basis		(396,302)	-
	29.2.1	<u>(847,527)</u>	<u>-</u>

- 29.2.1** This represents reversal of sale of shops, houses and commercial buildings against which agreements have been cancelled as per mutual understanding of the buyer and the Company.

	Note	2011 (Rupees in thousand)	2010
30. Cost of sales			
Shops, houses and commercial buildings sold			
- at percentage of completion basis	30.1	(333,353)	655,972
- at completion of project basis	30.2	(108,165)	500,645
Plots		18,951	77,904
Commodities		5,959	18,223
Stores operating expenses	30.3	342,215	205,653
		<u>(74,393)</u>	<u>1,458,397</u>

	Note	2011 (Rupees in thousand)	2010
30.1 Shops and commercial buildings sold at percentage Of completion basis			
Opening work in process		871,118	1,251,648
Project development costs		188	620,730
Transferred to investment property		-	(345,288)
Closing work in process	25	(1,204,659)	(871,118)
Cost of sale of shops and commercial buildings reversed during the year		<u>(333,353)</u>	<u>655,972</u>
30.2 Shops and houses sold at completion of project basis			
Opening inventory of shops and houses		187,988	235,023
Transferred from investment property		116,305	300,439
Transferred to investment property	20	(12,639)	-
Project development cost during the year		3,691	153,171
Closing inventory of shops and houses	25	(403,510)	(187,988)
Cost of shops and houses sold / reversed during the year	30.2.1	<u>(108,165)</u>	<u>500,645</u>
30.2.1 Cost of shops and houses sold / reversed during the year			
Cost of shops and houses sold during the year		159,363	500,645
Cost of sale of shops and houses reversed during the year		<u>(267,528)</u>	<u>-</u>
		<u>(108,165)</u>	<u>500,645</u>
30.3 Stores operating expenses			
Salaries, wages and benefits	30.3.1	26,370	19,933
Rent, rates and taxes		7,390	5,095
Insurance		25,768	19,506
Fuel and power		151,921	96,378
Depreciation on property, plant and equipment	16.1	16,220	14,589
Repairs and maintenance		86,051	16,856
Janitorial and security charges		14,818	13,620
Others		13,677	19,676
		<u>342,215</u>	<u>205,653</u>
30.3.1 Salaries, wages and benefits include following in respect of gratuity:			
Current service cost		858	3,101
Interest cost		452	1,728
		<u>1,310</u>	<u>4,829</u>

	Note	2011 (Rupees in thousand)	2010
31. Administrative and selling expenses			
Salaries, wages and benefits	31.1	54,699	16,174
Travelling and conveyance		7,077	2,267
Rent, rates and taxes		7,777	1,886
Insurance		9,436	4,393
Printing and stationery		2,028	410
Repairs and maintenance		31,286	1,709
Motor vehicles running		11,183	1,623
Communications		5,135	1,871
Advertising and sales promotion		17,576	18,968
Depreciation on:			
- property, plant and equipment	16.1	22,270	24,135
- assets subject to finance lease	18.1	21,726	23,234
Amortisation on intangible assets	17.1	565	579
Auditors' remuneration	31.2	1,880	1,750
Legal and professional		4,996	9,126
Commission on sales		10,133	28,474
Office expenses		10,371	1,461
Other expenses		16,842	273
Provision for doubtful debts	26.1	28,650	4,500
Advances written off		-	546
		<u>263,630</u>	<u>143,379</u>

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

Current service cost	5,744	3,410
Interest cost	3,021	1,900
	<u>8,765</u>	<u>5,310</u>

31.2 Auditors' remuneration

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

Statutory audit	1,300	1,200
Certification and sundry services	130	100
Half yearly review	450	450
	<u>1,880</u>	<u>1,750</u>

Pace (Pakistan) Limited

	Note	2011 (Rupees in thousand)	2010
32. Other operating income			
Income from financial assets			
Mark up on bank accounts		2,950	17,921
Mark up on balances with related parties		-	20,786
Exchange gain on foreign currency convertible bonds		-	101,616
Commission on guarantee	32.1	1,500	4,500
Rental income		6,600	6,000
Others		7,236	2,732
Income from non-financial assets			
Gain on sale of property, plant and equipment		2,726	3,279
Liabilities written back		495	3,062
Deferred income		19,167	19,167
		<u>40,674</u>	<u>179,063</u>
32.1	This represents commission income on guarantee provided on behalf of Pace Barka Properties Limited, an associated undertaking.		
33. Other operating expenses			
Charity and donations		-	40
Exchange loss on foreign currency convertible bonds	9	6,499	-
Loss on sale of investment property		-	1,300
Loss on sale of shares		75,000	-
Impairment loss on available for sale investments		154,980	-
Workers welfare fund		-	20,974
		<u>236,479</u>	<u>22,314</u>
34. Finance costs			
Mark up on			
- Long term finances -secured		140,619	25,191
- Foreign currency convertible bonds		78,073	26,115
- Term finance certificates		224,448	137,093
- Short term finances -secured		16,236	12,063
- Finance lease		5,406	8,379
		464,782	208,841
Bank charges and processing fee		20,175	2,369
		<u>484,957</u>	<u>211,210</u>
35. Taxation			
For the year			
- Current		880	8,765
- Deferred		(57,000)	11,000
		<u>(56,120)</u>	<u>19,765</u>
Prior years			
- Current		119	(6)
- Deferred		2,000	50,000
		<u>(54,001)</u>	<u>69,759</u>

2011 **2010**
(Rupees in thousand)

35.1 Tax charge reconciliation

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

Applicable tax rate	35.00	35.00
Tax effect of amounts that are:		
Loss not chargeable to tax	(12.68)	(31.31)
Effect of change in prior years' tax	(0.10)	7.01
Effect of income taxed at reduced rates	0.13	(0.22)
Effect of deferred tax asset not recognized on taxable loss	(19.82)	-
	(32.47)	(24.52)
Average effective tax rate charged to profit and loss account	2.53	10.48

35.2 In view of the available income tax losses, the provision for current taxation represents tax under 'Final Tax Regime' and tax on minimum turnover under section 113 of the Income Tax Ordinance, 2001. Minimum tax under section 113 is available for set off for 3 years against normal tax liability arising in future years whereas tax under 'Final Tax Regime' is not available for set off against normal tax liabilities arising in future years.

For the purposes of current taxation, the tax losses available for carry forward as at June 30, 2011 are estimated approximately at Rs 1,851.151 million (2010: 508.609 million).

36. Remuneration of Chief Executive, Directors and Executives

The aggregate amount charged in the financial statements for the year for remuneration to directors is Rs 4.763million (2010: Rs 4.800 million).

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

	Chief Executive		Directors		Executives	
	2011	2010	2011	2010	2011	2010
	(Rupees in thousand)		(Rupees in thousand)		(Rupees in thousand)	
Short term employee benefits						
Managerial remuneration	271	-	3,175	3,200	11,696	17,251
Housing	108	-	1,270	1,280	4,678	6,900
Utilities	27	-	318	320	1,170	1,725
Medical expenses					506	329
Fuel expenses					2,467	3,154
Mobile expenses					551	673
Post employment benefits					4,666	1,360
	406	-	4,763	4,800	25,734	31,392

Pace (Pakistan) Limited

	Chief Executive		Directors		Executives	
	2011	2010	2011	2010	2011	2010
Number of persons	1	1	3	3	29	32

The company also provides its executives and some of its directors with free transport.

	Note	2011 (Rupees in thousand)	2010
37. Cash used in operations			
(Loss)/profit before tax		(2,134,562)	702,923
Adjustment for:			
Depreciation on:			
- property, plant and equipment	16.1	38,490	39,951
- assets subject to finance lease	18.1	21,726	19,175
Amortisation on intangible assets	17.1	565	579
Gain on sale of property, plant and equipment	32	(2,726)	(3,279)
Exchange loss/(gain) on foreign currency convertible bonds	9	6,499	(101,616)
Provision for doubtful receivables	27.1	28,650	4,500
Provision for gratuity and leave encashment		11,648	10,674
Impairment loss for investments	21.2.1	154,980	-
Loss on disposal of investments		75,000	-
Finance costs	34	464,782	211,210
Mark up income		-	(38,707)
Changes in fair value of investment property	20	788,158	(709,824)
Gain on disposal of investment property		-	664
Deferred income	32	(19,167)	(19,167)
Liabilities written back	32	(495)	(3,062)
Advances written off		-	546
(Loss)/profit before working capital changes		(566,452)	114,567
Effect on cash flow due to working capital changes:			
(Increase) / decrease in stock-in-trade		(425,952)	286,594
Decrease / (increase) in trade debts		603,756	(339,818)
Decrease in due from related parties		-	44,845
Increase in advance against purchase of property		(95,035)	(289,317)
Decrease / (increase) in advances, deposits and other receivables		121,710	(282,055)
Increase in creditors, accrued and other liabilities		21,784	17,130
		226,263	(562,621)
		(340,189)	(448,054)

38. Cash and cash equivalents

Short term running finance - secured		(100,000)	(100,000)
Cash and bank balances	28	59,352	176,651
		(40,648)	76,651

39. Operating Segments

Management monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Operating segments are reported in a manner consistent with internal reporting provided to the Chief Operating Decision Maker (CODM). Segment performance is generally evaluated based on certain key performance indicators including business volume, gross profit/loss and reduction in operating costs.

Segment results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. CODM assesses the performance of the operating segments based on a measure of gross profit/loss and segment assets. Unallocated items include corporate assets and liabilities.

The Management has determined the operating segments based on the reports reviewed by the CODM that are used to make strategic and business decisions.

39.1 For management purposes, the activities of the Company are organised into business units based on the nature of activities:

(a) Real Estate

This segment relates to the sale of land, condominiums, shops/counters and villas. This also includes sale of Pace Towers and Pace Model Town Extension on percentage of completion basis.

(b) Investment Properties

The segment relates to the properties held to earn rentals or for capital appreciation or for both.

(c) Others

Businesses that individually do not meet the criteria of a reportable segment as per IFRS - 8, "Operating Segments"

39.2 Segment information

(Rupees in thousand)

	Real estate sales		Investment properties		Others		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
Segment revenue	(657,251)	1,369,709	32,447	64,982	148,399	214,645	(476,405)	1,649,336
Segment expenses								
- Cost of sales	(49,555)	1,375,191	23,308	64,982	100,640	18,224	74,393	1,458,397
Gross (loss)/profit	(607,696)	(5,482)	9,139	-	47,759	196,421	(402,012)	190,939
- Changes in fair value of investment property	-	-	(788,158)	709,824	-	-	788,158	709,824
Segment results	(607,696)	(5,482)	(779,019)	709,824	47,759	196,421	(1,190,170)	900,763
Administrative and selling expenses							(263,630)	(143,379)
Other operating income							40,674	179,063
Finance costs							(484,957)	(211,210)
Other operating expenses							(236,479)	(22,314)
(Loss)/Profit before tax							(2,134,562)	702,923
Taxation							54,001	(69,759)
(Loss)/profit for the year							(2,080,561)	633,164
39.2.1 Segment assets	3,471,457	3,586,079	3,828,426	4,954,451	-	-	7,299,883	8,540,530
Unallocated assets							1,312,918	2,018,832
							8,612,801	10,559,362
39.2.2 Segment liabilities	2,977,444	3,433,285	17,183	16,317	-	-	2,994,627	3,449,602
Unallocated liabilities							1,212,691	623,614
							4,207,318	4,073,216
39.2.3 Capital expenditure	-	-	-	-	-	-	-	-
Unallocated							1,474	4,630
							1,474	4,630
39.2.4 Depreciation/amortisation	-	-	-	-	-	-	-	-
Unallocated							60,781	66,599
							60,781	66,599

40. Financial risk management

40.1 Financial risk factors

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

(a) Market 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 is exposed to currency risk arising from primarily with respect to the United States Dollar (USD). Currently, the Company's foreign exchange risk exposure is restricted to foreign currency convertible bonds. The Company's exposure to currency risk was as follows:

	2011	2010
Foreign currency convertible bonds - USD	<u>14,583,759</u>	<u>13,803,280</u>

The following significant exchange rates were applied during the year:

Rupees per USD

Average rate	85.54	84.26
Reporting date rate	86.05	85.60

If the functional currency, at reporting date, had weakened/strengthened by 5% against the USD with all other variables held constant, post-tax (loss)/profit for the year would have been Rs 56.439 million (2010: Rs 53.170 million) lower / higher, mainly as a result of foreign exchange losses / gains on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis.

(ii) 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 is not exposed to equity price risk since the investments in listed equity securities are negligible.

(iii) 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.

Pace (Pakistan) Limited

The Company's interest rate risk arises from deposits in saving accounts with various commercial banks. Long term financing obtained at variable rates also expose the Company to cash flow interest rate risk.

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

	2011	2010
	(Rupees in thousand)	
Financial assets		
Floating rate instruments		
Bank balances - savings accounts	55,157	142,874
Financial Liabilities		
Fixed rate instruments		
Foreign currency convertible bonds - unsecured	1,254,643	1,181,561
Floating rate instruments		
Redeemable capital - secured (non-participatory)	1,498,200	1,498,800
Liabilities against assets subject to finance lease	39,154	54,672
Short term finance - secured	100,000	100,000
Long term finances - secured	827,422	836,563
Net exposure	2,464,776	2,490,035

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the balance sheet date does not affect profit or loss of the Company.

Cash flow sensitivity analysis for variable rate instruments

If interest rates on late payments, liabilities against assets subject to finance lease, redeemable capital, term finances and short term finances, at the year end date, fluctuate by 1% higher / lower with all other variables held constant, post-tax (loss)/profit for the year would have been Rs 16 million (2010: Rs 15 million) lower / higher, mainly as a result of higher / lower interest expense on floating rate borrowings.

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Company's credit risk is primarily attributable to its trade debts, advances against purchase of property and its balances at banks.

Pace (Pakistan) Limited

(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 advances and deposits	13,533	25,979
Trade debts - unsecured	1,061,289	1,665,045
Advances, deposits, prepayments and other receivables		
- Advances to employees - considered good	7,507	11,040
- Security deposits	12,811	1,511
- Others - considered good	9,042	4,835
Cash and bank balances	59,352	176,651
	<u>1,163,534</u>	<u>1,885,061</u>

The age of trade debts at balance sheet date is as follows:

- Not past due	362,038	839,203
- Past due 0 - 365 days	447,585	552,025
- 1 - 2 years	66,296	202,769
- More than 2 years	185,370	71,048
	<u>1,061,289</u>	<u>1,665,045</u>

The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. The Company believes that it is not exposed to major concentration of credit risk as the trade debts of the Company relate to sales which are recognized subsequent to handing over of possession. The possession is transferred only after significant portion of the payments relating to the sale have been made.

(ii) Credit quality of major financial assets

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	Long term	Rating Agency	2011	2010
				(Rupees in thousand)	
KASB Bank Limited	A2	A -	Pacra	690	741
Allied Bank Limited	A1+	AA	Pacra	300	2,718
Faysal Bank Limited	A1+	AA	Pacra	24	-
United Bank Limited	A1+	AA	JCR-VIS	37	-
Soneri Bank Limited	A1+	AA-	Pacra	6	36,655
Habib Bank Limited	A-1+	AA+	JCR-VIS	67	189
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	Pacra	98	175
Silk Bank Limited	A2	A -	JCR-VIS	64	-
NIB Bank Limited	A1+	AA-	Pacra	34	-
Dawood Islamic Bank Limited	A3	BBB+	JCR-VIS	1	-

Pace (Pakistan) Limited

	Rating Short term	Rating Long term	Rating Agency	2011 (Rupees in thousand)	2010
Bank Al-Falah Limited	A1+	AA	Pacra	25	3
Al Baraka Bank(Pakistan) Limited	A1	A	JCR-VIS	4,128	817
HSBC	F1+	AA -	Fitch	1	973
Bank Al-Habib Limited	A1+	AA+	Pacra	-	9
National Bank of Pakistan	A-1+	AAA	JCR-VIS	53,872	129,875
MCB Bank Limited	A1+	AA+	Pacra	-	9
Askari Bank Limited	A1+	AA	Pacra	5	4,402
				<u>59,352</u>	<u>176,567</u>

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 38) 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 cash flows 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. However the Company plans to improve its liquidity position through re-launching of its existing projects and improved recoveries.

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 - secured	827,422	599,422	228,000	-
Redeemable capital - secured (non-participatory)	1,498,200	600	1,198,080	299,520
Liabilities against assets subject to finance lease	39,154	37,264	1,890	-
Foreign currency convertible bonds - unsecured	1,254,643	6,076	1,248,567	-
Short term finance - secured	100,000	100,000	-	-
Creditors, accrued and other liabilities	325,172	325,172	-	-
	<u>4,044,591</u>	<u>1,068,534</u>	<u>2,676,537</u>	<u>299,520</u>

Pace (Pakistan) Limited

The following are the contractual maturities of financial liabilities as at June 30, 2010:

	Carrying amount	Less than one year	One to five years	More than five years
	(Rupees in thousand)			
Long term finances - secured	836,563	80,000	756,563	-
Redeemable capital - secured (non-participatory)	1,498,800	499,600	400,160	599,040
Liabilities against assets subject to finance lease	54,672	22,158	32,514	-
Foreign currency convertible bonds - unsecured	1,181,561	5,136	1,176,425	-
Short term finances - secured	100,000	100,000	-	-
Creditors, accrued and other liabilities	232,393	232,393	-	-
	<u>3,903,989</u>	<u>939,287</u>	<u>2,365,662</u>	<u>599,040</u>

40.2 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
	Available for sale	Loans and receivables	Total	Total
Assets as per balance sheet				
Long term advances and deposits	-	675,925	675,925	593,336
Trade debts - unsecured	-	1,019,193	1,019,193	1,651,599
Investments	623,833	-	623,833	1,150,139
Advances, deposits, prepayments and other receivables				
- Advances to employees - considered good	-	7,507	7,507	11,040
- Security deposits	-	12,811	12,811	1,511
- Others - considered good	-	9,042	9,042	4,835
Cash and bank balances	-	59,352	59,352	176,651
	<u>623,833</u>	<u>1,783,830</u>	<u>2,407,663</u>	<u>3,589,111</u>

Financial liabilities at amortized cost

	2011	2010
	(Rupees in thousand)	
Liabilities as per balance sheet		
Long term finances - secured	827,422	836,563
Redeemable capital - secured (non-participatory)	1,498,200	1,498,800
Liabilities against assets subject to finance lease	39,154	54,672
Foreign currency convertible bonds - unsecured	1,254,643	1,181,561
Short term finance - secured	100,000	100,000
Creditors, accrued and other liabilities	325,172	232,393
	<u>4,044,591</u>	<u>3,903,989</u>

40.3 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 6, 7, 9 and 12 less cash and cash equivalents as disclosed in note 38. 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 60% debt and 40% equity. The gearing ratio as at year ended June 30, 2011 and June 30, 2010 are as follows:

	Note	2011 (Rupees in thousand)	2010
Borrowings		3,580,265	3,516,924
Less: Cash and cash equivalents	38	(40,648)	76,651
Net debt		3,620,913	3,440,273
Total equity		4,405,483	6,486,146
Total capital		8,026,396	9,926,419
Gearing ratio		45%	35%

41. Earnings per share

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

		2011 (Rupees in thousand)	2010
41.1 Basic earnings per share			
(Loss)/profit for the year	Rupees in thousand	(2,080,561)	633,164
Weighted average number of ordinary shares outstanding during the year	Rupees in thousand	278,877	267,423
Basic (loss)/earnings per share	Rupees	(7.46)	2.37

41.2 Diluted (loss)/earnings per share

The dilution effect on basic (loss)/earnings per share is due to conversion option on foreign currency convertible bonds. The basic weighted average number of shares have been adjusted for conversion option available to bondholders.

Pace (Pakistan) Limited

		2011	2010
Dilutive earnings per share	Rupees	<u>(5.98)</u>	<u>2.05</u>

The effect of the conversion of the foreign currency convertible bonds into ordinary shares is anti-dilutive for the current year, accordingly the diluted EPS is restricted to the basic EPS.

42. Transactions with related parties

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 36. Other significant transactions with related parties are as follows:

		2011	2010
Relationship with the company	Nature of transactions		
i. Subsidiaries	Purchase of goods & services	-	131,268
	Short term advance given	-	30,910
	Short term advance received back	-	194,274
	Mark-up income	-	17,616
ii. Associates	Purchase of goods & services	18,168	186,449
	Advance against purchase of property	97,773	256,579
	Mark up income	-	3,169
	Commission income	1,500	4,500
	Sales of goods and services	6,600	218,364

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

43. Date of authorisation

These financial statements were authorised for issue on September 30, 2011 by the board of directors of the Company.

44. Corresponding figures

Corresponding figures have been re-arranged and reclassified, wherever necessary, for the purposes of comparison. However no significant re-arrangements have been made.

Lahore
September 30, 2011

Aamna Taseer
Chief Executive

Shehryar Ali Taseer
Director

CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
JUNE 30, 2011**

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Pace (Pakistan) Limited (the holding company) and its subsidiary companies (hereinafter referred as the “Pace (Pakistan) Group”) as at June 30, 2011 and the related consolidated profit and loss account, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinion on the financial statements of Pace (Pakistan) Limited. The subsidiary companies, Pace Woodlands (Private) Limited and Pace Gujrat (Private) Limited, were audited by other firms of auditors, whose reports have been furnished to us and our opinion in so far as it relates to the amounts included for such companies, is based solely on the reports of such other auditors. These financial statements are the responsibility of the holding company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the consolidated financial statements audited by us present fairly the financial position of Pace (Pakistan) Group as at June 30, 2011 and the results of its operations for the year then ended.

Lahore:
September 30, 2011

A.F. Ferguson & Co.
Chartered Accountants
Muhammad Masood

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Board of Director's of Pace (Pakistan) Limited take pleasure in presenting their audited consolidated financial statements of the Group for the year ended June 30, 2011.

Financial Overview:

During the current financial year, the Group marked sales of PKR 371 million as compared to PKR 1,649 million last year.

Comparison of the audited consolidated results for the year ended June 30, 2011 as against June 30, 2010 is as follows:

	Year Ended June 30,	
	2011	2010
	Rupees in million	
Sales	371	1,649
Sales Returns	(847)	-
Gross (Loss)/Profit	(397)	159
(Loss)/Profit after tax	(2,557)	1,076
(Loss)/Earnings per share (PKR)	(9.17)	4.02

Comparison of the audited consolidated results for the year ended June 30, 2011 as against June 30, 2010 is as follows:

	As on June 30,	
	2011	2010
	Rupees in million	
Net Assets	5,096	7,607
Un-appropriated profits	1,672	4,142
Non-current liabilities	3,144	3,216
Cash and bank	60	178

Pace Woodlands (Pvt) Limited

The main objective of the company is to construct, develop and manage the housing society. The project is located at a secured land on Bedian Road, Lahore Cantonment near Defence Housing Authority, Lahore. We are pleased to inform that the structure of 160 villas is complete and Pace Woodlands is ready to welcome its residents.

Pace Gujrat (Pvt) Limited

Pace Gujrat Limited was incorporated as Private Limited Company in July 2005 and acquired land of 15 Kanal and 8 Marlas at GT Road Gujrat from Services Industries Textile Limited for the purpose of development of its project including a shopping mall and a hotel/restaurant banquet hall. However as per the decision of the shareholders taken in their meeting held on March 15, 2008, the company sold out the entire land and under construction shopping mall. After the sale of the initially conceived project, planning for new projects at an appropriated time is under consideration.

For and on behalf of the Board of Directors

Lahore:

September 30, 2011

Aamna Taseer

Chief Executive Officer

CONSOLIDATED BALANCE SHEET

AS AT JUNE 30, 2011

	Note	June 30, 2011	June 30, 2010
(Rupees in thousand)			
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised capital 600,000,000 (June 2010: 600,000,000) ordinary shares of Rs 10 each		6,000,000	6,000,000
Issued, subscribed and paid up capital 278,876,604 (June 2010: 278,876,604) ordinary shares of Rs 10 each	5	2,788,766	2,788,766
Reserves		651,379	686,090
Unappropriated profit		1,671,644	4,142,326
		5,111,789	7,617,182
NON-CONTROLLING INTEREST		(15,514)	(10,154)
		5,096,275	7,607,028
NON-CURRENT LIABILITIES			
Long term finances			
- secured	6	228,000	756,563
- unsecured	7	5,637	82,328
Redeemable capital - secured (non-participatory)	8	1,497,600	999,200
Liabilities against assets subject to finance lease	9	1,890	32,514
Foreign currency convertible bonds - unsecured	10	1,248,567	1,176,425
Deferred liabilities	11	32,828	88,236
Advances against sale of property	12	112,330	44,255
Deferred income		17,569	36,736
		3,144,421	3,216,257
CURRENT LIABILITIES			
Current portion of long term liabilities	13	643,362	638,394
Short term finances - secured	14	104,457	135,958
Creditors, accrued and other liabilities	15	364,779	284,119
Taxation		5,534	5,533
		1,118,132	1,064,004
CONTINGENCIES AND COMMITMENTS	16		
		9,358,828	11,887,289

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

Lahore
September 30, 2011

Aamna Taseer
Chief Executive

Pace (Pakistan) Group

	Note	June 30, 2011	June 30, 2010
(Rupees in thousand)			
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	17	516,419	550,444
Intangible assets	18	8,808	9,372
Assets subject to finance lease	19	25,259	53,791
Capital work in progress	20	6,672	6,672
Investment property	21	3,828,426	5,035,576
Investments	22	1,311,550	2,264,671
Long term advances and deposits	23	13,533	25,979
Advance against purchase of property - unsecured	24	662,392	567,357
Deferred taxation	25	-	-
		6,373,059	8,513,862
CURRENT ASSETS			
Stock-in-trade	26	1,646,405	1,111,571
Trade debts - unsecured	27	1,019,495	1,714,345
Due from related parties - unsecured	28	18,506	15,750
Advances, deposits, prepayments and other receivables	29	241,771	354,256
Cash and bank balances	30	59,592	177,505
		2,985,769	3,373,427
		9,358,828	11,887,289

Shehryar Ali Taseer
Director

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011	2010
(Rupees in thousand)			
Sales	31	371,122	1,649,336
Less: Sales return	31.2	(847,527)	-
		(476,405)	1,649,336
Cost of sales	32	79,609	(1,489,853)
Gross (loss) / profit		(396,796)	159,483
Administrative and selling expenses	33	(263,843)	(144,072)
Other operating income	34	52,520	171,590
Other operating expenses	35	(236,479)	(22,314)
(Loss) / profit from operations		(844,598)	164,687
Finance costs	36	(505,081)	(244,000)
Changes in fair value of investment property	21	(788,158)	715,373
Share of (loss) / profit from associate	22.1.1	(491,498)	480,495
(Loss) / profit before tax		2,629,335	1,116,555
Taxation			
- Group	37	54,001	(70,799)
- Associated companies	22.1.1	18,195	30,236
		72,196	(40,563)
(Loss) / profit for the year		(2,557,139)	1,075,992
Other comprehensive income			
Changes in fair value of available for sale investments		(102)	1
Share in capital reserves of associates		46,488	113,405
Total other comprehensive income		46,386	113,406
Total comprehensive (loss) / income for the year		(2,510,753)	1,189,398
Attributable to:			
Equity holders of the parent		(2,505,393)	1,229,818
Non-controlling interest		(5,360)	(40,420)
		(2,510,753)	1,189,398
(Loss) / earnings per share attributable to ordinary shareholders			
- basic (loss) / earnings per share	Rupees 41	(9.17)	4.02
- diluted (loss) / earnings per share	Rupees 41	(9.17)	3.37

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

Lahore
September 30, 2011

Aamna Taseer
Chief Executive

Shehryar Ali Taseer
Director

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2011**

	Note	2011	2010
(Rupees in thousand)			
Cash flow from operating activities			
Cash (used in)/generated from operations	39	(171,785)	82,099
Net increase / (decrease) in advances against sale of property		68,075	(289,317)
Finance costs paid		(335,698)	(150,877)
Gratuity and leave encashment paid		(3,581)	(12,319)
Taxes paid		(9,209)	(10,096)
Net cash used in operating activities		(472,284)	(380,510)
Cash flow from investing activities			
Purchase of property, plant and equipment		(1,474)	(4,630)
Additions in investment property		(17,300)	(131,919)
Proceeds from sale of property, plant and equipment		5,525	7,306
Decrease in long term loans and deposits		12,446	(6,577)
Receipt of long term loans		-	80,074
Mark up received		2,765	13,232
Proceeds from disposal of investment		300,000	-
Investment in equity instruments		(3,776)	(549,901)
Proceeds from disposal of investment property		232,626	68,332
Net cash generated from/(used in) investing activities		530,812	(524,083)
Cash flow from financing activities			
(Repayment)/receipt of funds from long term finances		(117,332)	662,535
Repayment of installment of redeemable capital		(600)	(600)
Payment of markup of foreign currency convertible bonds		(11,490)	(10,678)
Payment of finance lease liabilities		(15,518)	(11,388)
Net cash (used in)/generated from financing activities		(144,940)	639,869
Net decrease in cash and cash equivalents		(86,412)	(264,724)
Cash and cash equivalents at the beginning of the year		41,547	306,271
Cash and cash equivalents at the end of the year	40	(44,865)	41,547

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

Lahore
September 30, 2011

Aamna Taseer
Chief Executive

Shehryar Ali Taseer
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2011

	Attributable to equity holders of the parent						(Rupees in thousand)	
	Share capital	Share premium reserve	Revaluation reserve for investment property	Reserve for changes in fair value of investments	Share in capital reserves of associates	Unappropriated profit	Non-Controlling Interest	Total Equity
Balance as on June 30, 2009 as restated	2,328,220	75,229	94,202	(4)	218,326	3,012,809	5,728,782	5,759,048
Total Comprehensive income for the year								
Profit/(loss) for the year	-	-	-	-	-	1,116,412	1,116,412	1,075,992
Other comprehensive income	-	-	-	1	113,405	-	113,406	113,406
	-	-	-	1	113,405	1,116,412	1,229,818	1,189,398
Issue of ordinary shares	460,546	-	-	-	-	-	-	460,546
Premium of Rs 4.30 per share on conversion of FCCB to 46,054,596 shares	-	198,036	-	-	-	-	198,036	198,036
Transferred to retained earning on disposal of Investment property	-	-	(13,105)	-	-	13,105	-	-
Balance as on June 30, 2010	2,788,766	273,265	81,097	(3)	331,731	4,142,326	7,617,182	7,607,028
Total Comprehensive loss for the year								
Loss for the year	-	-	-	-	-	(2,551,779)	(2,551,779)	(2,557,139)
Other comprehensive (loss) / income	-	-	-	(102)	46,488	-	46,386	46,386
	-	-	-	(102)	46,488	(2,551,779)	(2,505,393)	(2,510,753)
Transferred to retained earning on disposal of Investment property	-	-	(81,097)	-	-	81,097	-	-
Balance as on June 30, 2011	2,788,766	273,265	-	(105)	378,219	1,671,644	5,111,789	5,096,275

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

Lahore
September 30, 2011

Aamna Taseer
Chief Executive

Shehryar Ali Taseer
Director

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

1. Legal status and activities

1.1 Constitution and ownership

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

Pace (Pakistan) Limited

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

Pace Gujrat (Private) Limited

Pace Gujrat (Private) Limited (a subsidiary) was incorporated on July 8, 2005 as a private limited company under Companies Ordinance, 1984. The object of the company is to acquire by purchase or otherwise land and plots and to sell or construct, lease, hire and manage buildings, shopping malls, super markets, utility stores, plazas, shopping arcades etc. It is a wholly owned company of Pace (Pakistan) Limited.

Pace Woodlands (Private) Limited

Pace Woodlands (Private) Limited (a subsidiary) was incorporated on July 27, 2004 as a private limited company under Companies Ordinance, 1984. The object of the company is to acquire by purchase or otherwise land and plots and to sell or construct, lease, hire and manage buildings, shopping malls, super markets, utility stores, plazas, shopping arcades etc.

1.2 Activities of the group

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

2. Statement of Compliance

- 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 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 Group's financial statements covering annual periods, beginning on or after the following dates:

2.2.1 Amendments to published standards effective in current year and are relevant to the Group

- 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 Group as it is only concerned with presentation and disclosures.

- IAS 36 (Amendment), 'Impairment of assets' is effective from July 01, 2010. 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). The application of the amendment will not affect the results or net assets of the Group as it is only concerned with presentation and disclosures.

- 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 Group.

The Group has preferred to present analysis of other comprehensive 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 Group as it is only concerned with presentation and disclosures.

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

- 'Classification of rights issues' (Amendment to IAS 32), issued in October 2009, is effective from July 01, 2010. 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. The application of this amendment is not expected to have any impact on the Group's financial statements.

- IAS 38 (Amendment), 'Intangible Assets' is effective from July 01, 2010. 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 life. The application of this amendment is not expected to have any impact on the Group's financial statements.

- 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 Group'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 Group's financial statements.

- IFRIC 19 (Amendment), 'Extinguishing financial liabilities with equity instruments' is effective from July 01, 2010. 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. The application of this amendment is not expected to have any impact on the Group's financial statements.

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

The following amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after July 1, 2011 or later periods, but the Group 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 assets.

- 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.

- IFRS 12 - 'Disclosures of interests in other entities'. This is applicable from 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. It is not expected to have any material impact on the Group's financial statements.

- 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. It is not expected to have any material impact on the Group's financial statements.

- 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 Group 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 Group'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 Group will apply this amendment from July 01, 2013. It is not expected to have any material impact on the Group'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 Group's financial statements.

2.2.4 Standards, interpretations and amendments to existing standards that are not relevant to the Group 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 relevant to the Group:

Standards or Interpretation

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

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

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

a) Staff retirement benefits

The Group uses the valuation performed by an independent actuary as the present value of its retirement benefit obligations. The valuation is based on assumptions as mentioned in note 4.6.

b) Provision for taxation

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

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

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

d) Stock-in-trade

Stock-in-trade is carried at the lower of cost and net realisable value. The net realisable value is assessed by the group having regard to the budgeted cost of completion, estimated selling price and knowledge of recent comparable transactions. Overheads relating to head office expenses have been allocated to stock-in-trade on the basis of revenue and saleable area of each project.

e) Investment property valuation

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

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

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

g) Costs to complete the projects

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

h) Provision for doubtful receivables

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

4. Significant accounting policies

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

4.1 Consolidation

a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The consolidated financial statements include Pace (Pakistan) Limited and all companies in which it directly or indirectly controls, beneficially owns or holds more than 50% of the voting securities or otherwise has power to elect and appoint more than 50% of its directors. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. Details of subsidiaries is given in note 45.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

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

Non-controlling interests are that part of the net results of operations and of net assets of subsidiaries attributable to interests which are not owned by the holding company.

b) Associates

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

The Group's share of its associates' post-acquisition profits or losses is recognized in the income statement, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

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

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

4.2 Taxation

Current

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

Deferred

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

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

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

4.3 Property, plant and equipment

Property, plant and equipment except freehold land and capital work-in-progress are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land and capital work-in-progress are stated at cost less any identified impairment loss. Cost in relation to certain plant and machinery signifies historical cost and borrowing costs as referred to in note 4.15.

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

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

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

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

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

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

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 recognised as an income or expense.

4.4 Intangible assets

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

Amortisation is charged to income on the reducing balance method, except for dark fiber which is being amortised using the straight line method, so as to write off the cost of an asset over its estimated useful life. Amortisation on additions is charged from the month in which an asset is acquired or capitalised while no amortisation is charged for the month in which the asset is disposed off. Amortisation is being charged at the annual rate of 10% except for dark fiber which is being amortized at the annual rate of 5%.

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

4.5 Leases

The Group is the lessee:

Finance leases

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

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

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

Assets acquired under a finance lease are depreciated over the useful life of the asset on reducing balance method except for plant and machinery which is being depreciated using the straight line method at the following rates:

Vehicles	20%
Plant and machinery	33%

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 recognised as income over the lease term. Any loss on the sale is immediately recognised as an impairment when the sale occurs.

Operating leases

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

4.6 Staff retirement benefits

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

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

The latest actuarial valuation for gratuity scheme was carried out as at June 30, 2011. Projected Unit Credit Method, using the following significant assumptions for valuation of the scheme:

- Discount rate 14% per annum (2010: 12% per annum)
- Expected rate of increase in salary level 13% per annum (2010: 11% per annum)

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

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

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

The latest actuarial valuation was carried out as at June 30, 2011. Projected Unit Credit Method, using the following significant assumptions is used for valuation of accumulating compensated absences:

- Discount rate	14% (June 2010: 12%)
- Expected increase in salary	13% (June 2010: 11%)
- Expected mortality rate	EFU 61-66 mortality table adjusted for Group's experience
- Expected withdrawal and early retirement rate	Based on experience
- Average number of leaves accumulated per annum by employees	10 days (June 2010: 10 days)

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

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

4.7 Capital work in progress

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

4.8 Investment property

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

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

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

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

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.

4.9 Investments

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

Investments in equity instruments of subsidiaries and associated undertakings

Investments in equity instruments of subsidiaries and associated undertakings where the Group has control or significant influence are measured at cost in the Group's financial statements.

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

4.10 Financial instruments

4.10.1 Financial assets

The Group 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 amortised cost.

All financial assets are recognised at the time when the Group becomes a party to the contractual provisions of the instrument. Regular purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognised 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 recognised at fair value and transaction costs are expensed in the profit and loss account. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Group 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 amortised 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 recognised in the profit and loss account as part of other income when the Group's right to receive payments is established.

Changes in the fair value of securities classified as available for sale are recognised in equity. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the profit and loss account as gains and losses from investment securities. Interest on available for sale securities calculated using the effective interest method is recognised in the profit and loss account. Dividends on available for sale equity instruments are recognised in the profit and loss account when the Group'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 Group measures the investments at cost less impairment in value, if any.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available for sale financial assets, the cumulative loss is removed from equity and recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account. Impairment testing of trade debts and other receivables is described in note 4.17.

4.10.2 Financial liabilities

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

A financial liability is derecognised 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 recognised in the profit and loss account.

4.10.3 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 Group intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

4.11 Sale and repurchase agreements

The group 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.

4.12 Stock-in-trade

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

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

4.13 Foreign currency transactions and translation

a) Functional and presentation currency

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the Group operates (the functional currency). The financial statements are presented in Pak Rupees, which is the Group'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

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

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

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

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

- the buyers investment, to the date of the financial statements, is adequate to demonstrate a commitment to pay for the property;
- construction is beyond a preliminary stage;
- the buyer is committed. Buyer is unable to require a refund except, for non delivery of the unit. Management believes that the likelihood of the Group being unable to fulfill its contractual obligations for this reason is remote; and
- the buyer has the right to dispose off the property

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

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

4.15 Borrowing costs

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.

4.16 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, is a committee comprising of the Chief Executive Officer, Group Director Finance, Chief Operating Officer and the Chief Financial Officer.

4.17 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 Group 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 Group 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.

4.18 Creditors, accruals and provisions

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.

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

4.19 Borrowings

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

4.20 Foreign currency convertible bonds

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

4.21 Cash and cash equivalents

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

5. Issued, subscribed and paid up capital

2011 (Number of shares)		2010		2011 (Rupees in thousand)		2010	
201,704,516	201,704,516	Ordinary shares of Rs 10 each fully paid in cash		2,017,045		2,017,045	
77,172,088	77,172,088	Ordinary shares of Rs 10 each issued as fully		771,721		771,721	
278,876,604	278,876,604	paid bonus shares		2,788,766		2,788,766	

First Capital Securities Corporation Limited and Worldcall Telecom Limited, associated undertakings, hold 24,055,407 (2010: 24,055,407) and 6,959,290 (2010: 6,959,290) ordinary shares of the Group respectively.

	Note	2011 (Rupees in thousand)	2010
6. Long term finances - secured			
Syndicate term finance facility	6.1	400,000	400,000
National Bank of Pakistan- term finance	6.2	40,000	-
Soneri Bank - demand finance	6.3	27,422	36,563
Al Baraka Bank (Pakistan) Limited - musharika based agreement	6.4	360,000	400,000
The Bank of Punjab - demand finance	6.5	-	31,500
		<u>827,422</u>	<u>868,063</u>
Less: Current portion shown under current liabilities		<u>599,422</u>	<u>111,500</u>
		<u>228,000</u>	<u>756,563</u>

6.1 Syndicate term finance facility

Terms of repayment

The loan is repayable in 10 quarterly installments after expiry of one year of grace period starting from May 4, 2010 and carries mark-up @ rate of 3 months KIBOR plus 3.5% (2010: 3 months KIBOR plus 3.5%).

Security

The facility is secured against first pari passu hypothecation/mortgage charge over the two projects land and construction there of with 25% margin; assignment of receivables related to arising out of the two projects; assignment of rights and benefits related to assignment & co loss payee status under all agreements of the two projects; and assignment of annual free cash flows of Pace Model Town, Pace MM Alam, Pace Gujranwala, Pace Fortress and Pace Gujrat project.

6.2 National Bank of Pakistan - term finance

Terms of repayment

The loan is repayable in 10 quarterly installments after expiry of one year of grace period starting from December 31, 2011 and carries mark-up @ rate of 3 months KIBOR plus 3.5% (2010: Nil).

Security

The facility is secured against mortgage by deposit of title deeds in respect of mortgaged property for creating mortgage in the sum of Rs. 66.667 million. Mortgage over the immovable properties consisting of an area measuring 20,315 square feet, consisting of 23 shops and 2 counters of Pace MM Alam Road.

6.3 Soneri Bank - demand finance

Terms of repayment

This loan is part of total demand finance facility limit of Rs. 44.688 Million (2010: Rs. 44.688 Million) and carries mark up @ 6 months KIBOR + 3% (2010: 6 months KIBOR + 3%). The loan is repayable in 8 equal quarterly installments.

As at June 30, 2011 the Group has not paid installments amounting to Rs 4.750 million as per agreement.

Security

This facility is secured against a charge created on the land and building on Plot no 41, Gulberg III, Industrial Area Lahore. The L/C facility is secured under document of goods coming under L/C and 35% cash Margin against L/C.

6.4 Al Baraka Bank (Pakistan) Limited - musharika based agreement

Terms of repayment

This loan is part of the long term facility of Rs. 400 Million (2010: 400 million) under a Musharika based Arrangement with Al Baraka Bank (Pakistan) Limited and carries mark-up @ 3 months KIBOR + 3.5% (2010: 3 months KIBOR + 3.5%). The loan is repayable in 10 equal quarterly installments starting from January 20, 2011.

As at June 30, 2011 the Group has not paid installments amounting to Rs 40 million as per agreement, hence the entire facility has been classified as current liability.

Security

The loan is secured by 100% registered and equitable mortgage of property located at plot no. 40 & 41, P Block, Model Town link road, a token registration of Rs. 0.5 million and equitable mortgage of property located at 27-H (Pace Tower) having a charge amounting to Rs. 1,200 million.

6.5 The Bank of Punjab - demand finance

Terms of repayment

The balance is payable in eight equal quarterly installments commencing March 15, 2009. Mark up is computed at average 3 months KIBOR plus 2.5% per annum and is payable quarterly. The loan has been paid off during the year ended June 30, 2011.

Security

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

7 Long term finances - unsecured

This represents unsecured loan from non-banking company and carries markup at the rate of 14.75% per annum. (2010: 14.75%). The loan is repayable in eight quarterly installments with the first installment due from June 12, 2009.

8. Redeemable capital - secured (non-participatory)

Term finance certificates

Note **2011** **2010**
(Rupees in thousand)

	8.1	1,498,200	1,498,800
		1,498,200	1,498,800
Less: Current portion shown under current liabilities		600	499,600
		1,497,600	999,200

8.1 Term finance certificates

Terms of repayment

This represents term finance certificates (TFC's) listed on Lahore Stock Exchange issued for a period of 5 years. During the year, the Group completed the restructuring of its term finance certificates. Restructuring was duly approved by majority of TFC holders holding certificates in aggregate of 51.73 %, through extraordinary resolution passed in writing. Consequent to the approval of TFC holder's addendum to the trust deed was executed between the Group and trustee 'IGI Investment Bank Limited' under which the Group is allowed one and a half year grace period along with an extension of four years in the tenure of TFC issue and consequently, the remaining tenure of TFC shall be six and a half years effective from August 15, 2010. As a result current liability of the Group has been reduced by Rs. 499 million. The TFC's carry a markup of 6 months KIBOR plus 2% (2010: 1.5%) and is payable semi-annually in arrears.

Security

The TFC's are secured by a first exclusive charge by way of equitable mortgage on the Group's properties situated at 124/E-1, Main Boulevard Gulberg III, Lahore, 38-A and 39 Block P, Model Town, Lahore and G.T. Road, Gujranwala and first exclusive hypothecation charge over certain specific fixed assets, to the extent of Rs 2,000 million.

2011 **2010**
(Rupees in thousand)

9. Liabilities against assets subject to finance lease

Present value of minimum lease payments	39,154	54,672
Less: Current portion shown under current liabilities	37,264	22,158
	1,890	32,514

The minimum lease payments have been discounted at an implicit interest rate ranging from 12.31% to 17.94% (2010: 12% to 19.36%) to arrive at their present value. The lessee has the option to purchase the assets after the expiry of the lease term. Taxes, repairs and insurance costs are to be borne by the lessee. The liability is partly secured by a deposit of Rs 12.728 million (2010: Rs 13.875 million).

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

	(Rupees in thousand)			
	Minimum lease payments	Future finance charge	Present value of lease liability	
			2011	2010
Not later than one year	40,319	3,055	37,264	22,158
Later than one year and not later than five years	1,978	88	1,890	32,514
	42,297	3,143	39,154	54,672

2011 2010
(Rupees in thousand)

10. Foreign currency convertible bonds - unsecured

Opening balance as at July 1	1,181,561	1,911,567
Converted into equity shares	-	(658,581)
Markup accrued during the year	78,073	40,870
	<u>1,259,634</u>	<u>1,293,856</u>
Markup paid during the year	(11,490)	(10,679)
Exchange loss/(gain) for the year	6,499	(101,616)
	<u>1,254,643</u>	<u>1,181,561</u>
Less: Current portion shown under current liabilities	6,076	5,136
	<u>1,248,567</u>	<u>1,176,425</u>

The Group issued 25,000 convertible bonds of USD 1,000 each on January 5, 2008 amounting to USD 25 million. The foreign currency convertible bonds (FCCB) are listed on the Singapore Stock Exchange and are redeemable in 2013 at the accreted principal amount. The bonds carry a markup of 5.5% per annum, compounded semi-annually, accretive and cash interest of 1% per annum to be paid in arrears. The holders of the bonds have an option to convert the bonds into equity shares of the Group at any time following the issue date at a price calculated as per terms of arrangement. During the current year bonds amounting to USD Nil (2010: USD 10 million) were converted into ordinary shares of the Group at the request of the bond holders. In aggregate USD 13 million bond have been converted into ordinary shares as at June 30, 2011.

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

Note 2011 2010
(Rupees in thousand)

11. Deferred liabilities

Staff gratuity	11.1	31,611	31,795
Leave encashment	11.2	1,217	1,441
Deferred taxation	25	-	55,000
		<u>32,828</u>	<u>88,236</u>

11.1 Staff gratuity

The amounts recognised in the balance sheet are as follows:

Present value of defined benefit obligation		23,260	28,939
Unrecognised experience losses		8,351	2,856
Liability as at June 30		<u>31,611</u>	<u>31,795</u>
Liability as at July 1		31,795	32,025
Charge to profit and loss account	11.1.1	10,075	10,139
Liability transferred to other group company		-	(3,843)
Benefits paid / payable during the year		(10,259)	(6,526)
Liability as at June 30		<u>31,611</u>	<u>31,795</u>

Pace (Pakistan) Group

2011 2010
(Rupees in thousand)

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

Present value of defined benefit obligation as at July 1	28,939	30,236
Service cost	6,602	6,511
Interest cost	3,473	3,628
Liability transferred to other group company	-	(3,843)
Benefits paid / payable during the year	(10,259)	(6,526)
Experience gain	(5,495)	(1,067)
Present value of defined benefit obligation as at June 30	<u>23,260</u>	<u>28,939</u>

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

Service cost	6,602	6,511
Interest cost	3,473	3,628
Charge to profit and loss account	<u>10,075</u>	<u>10,139</u>

11.1.1 Charge for the year has been allocated as follows:

Cost of sales	1,310	4,829
Administrative, general and other expenses	8,765	5,310
	<u>10,075</u>	<u>10,139</u>

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

	2011	2010	2009	2008	2007
	(Rupees in thousand)				
Present value of defined benefit obligation	23,260	28,939	30,236	25,021	14,919
Fair value of plan assets	-	-	-	-	-
Deficit	<u>(23,260)</u>	<u>(28,939)</u>	<u>(30,236)</u>	<u>(25,021)</u>	<u>(14,919)</u>
Experience adjustment on obligation	4%	15%	4%	7%	14%

2011 2010
(Rupees in thousand)

11.2 Leave encashment

The amounts recognised in the balance sheet are as follows:

Liability as at July 1	1,441	1,789
Charge to profit and loss account	1,573	1,602
Benefits paid / payable during the year	(1,797)	(1,950)
Liability as at June 30	<u>1,217</u>	<u>1,441</u>

12. Advances against sale of property

This represents advances received from various parties against sale of apartments and houses in Pace Towers project, Lahore and sale of shops in Pace Model Town Extension, Lahore and Pace Gujranwala.

Note	2011	2010
	(Rupees in thousand)	

13. Current portion of long term liabilities

Current portion of long term finances -secured	6	599,422	111,500
Current portion of redeemable capital - secured (non-participatory)	8	600	499,600
Current portion of liabilities against assets subject to finance lease	9	37,264	22,158
Current portion of foreign currency convertible bonds - unsecured	10	6,076	5,136
		<u>643,362</u>	<u>638,394</u>

14. Short term finances - Secured

The Bank of Punjab	14.1	4,457	35,958
Pak Iran Joint Investment Company	14.2	100,000	100,000
		<u>104,457</u>	<u>135,958</u>

14.1 The Bank of Punjab

Terms of repayment

This represents short term running finance availed from The Bank of Punjab under markup arrangements amounting to Rs 36 million (2010: Rs 36 million). The rate of markup is three months average KIBOR plus 2.25 % (2010: three months average KIBOR plus 2.25 %)per annum subject to a floor of 9%.

Security

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

14.2 Pak Iran Joint Investment Company

Terms of repayment

This represents the loan amount under short term finance facility of Rs. 100 Million (2010: Rs. 100 Million) with Pak-Iran Joint Investment Company Limited and carries mark-up @ 6 months KIBOR + 3.5%. The loan is repayable in 4 quarterly installments starting from December 31, 2010.

As at June 30, 2011 the Group has not paid installments amounting to Rs 50 million (2010: Nil) as per agreement.

Security

The facility is secured by creation of mortgage amounting to the sum of Rs. 142.857 million on the property being piece and parcel of land located at Plot no. 96/B-1, Gulberg III, Lahore, measuring 4 Kanals and 112 square feet along with structures, superstructures and appurtenances including shops/counters having area measuring 20,433 square feet.

Pace (Pakistan) Group

	Note	2011 (Rupees in thousand)	2010
15. Creditors, accrued and other liabilities			
Trade creditors		59,740	16,804
Advances from customers		4,277	4,829
Licensees payable		10,214	15,793
Accrued liabilities		28,489	18,021
Mark-up accrued on:			
- Long term finances -secured	15.1	66,589	22,486
- Short term finances -secured	15.2	41,293	45,600
- Redeemable capital - secured (non-participatory)		86,837	76,676
- Liabilities against assets subject to finance lease	15.3	1,054	-
Licensee security deposits		17,183	16,317
Payable to contractors		2,315	1,135
Retention money		362	362
Payable to statutory body		8,736	27,706
Workers welfare fund payable		20,974	20,549
Advance against sale of shares	15.4	1,595	-
Others		15,121	17,841
		<u>364,779</u>	<u>284,119</u>

15.1 This includes overdue markup of Rs. 53.384 million (2010: Rs. Nil).

15.2 This includes overdue markup of Rs. 7.999 million (2010: Rs. Nil).

15.3 This includes overdue markup of Rs. 1.054 million (2010: Rs. Nil).

15.4 This represents advance given to the Group for purchase of shares of Pace Barka Properties Limited by Mr. Sheikh Sulieman Ahmed Said AL Hoqani, director of the Group.

16. Contingencies and commitments

16.1 Contingencies

- (i) Claims against the Group not acknowledged as debts Rs 21.644 million (2010: Rs 21.644 million).
- (ii) Corporate guarantee on behalf of Pace Barka Properties Limited, a related party, in favour of The Bank of Punjab, amounting to Rs 900 million (2010: Rs 900 million) as per the approval of shareholders through the special resolution dated July 29, 2006.
- (iii) The Group entered into an agreement with Worldcall Telecom Limited (WTL) for Rs 12.138 million to provide dark optical fibre services (installation and maintenance) for a period of twenty years on the existing WTL metro optical fibre network.

16.2 Commitments

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

	2011 (Rupees in thousand)	2010
Not later than one year	7,326	6,600
Later than one year and not later than five years	38,129	34,423
Later than five years	25,689	36,722
	<u>71,144</u>	<u>77,745</u>

17. Property, plant and equipment	2011								(Rupees in thousand)
	Cost as at June 30, 2010	Additions/ transfers/ (deletions)	Cost as at June 30, 2011	Accumulated depreciation as at June 30, 2010	Depreciation charge for the year	Transfers from assets subject to finance lease	Accumulated depreciation as at June 30, 2011	Book value as at June 30, 2011	
Freehold land *	155,152	-	155,152	-	-	-	-	155,152	
Leasehold land **	-	-	-	-	-	-	-	-	
Buildings on freehold land	179,470	-	179,471	24,755	7,735	-	32,490	146,981	
Buildings on leasehold land ***	135,137	-	135,137	27,990	13,514	-	41,504	93,633	
Plant and machinery	81,171	-	81,171	41,203	3,997	-	45,200	35,971	
Electrical equipment	69,172	-	69,172	18,616	5,056	-	23,672	45,500	
Office equipment and appliances	11,673	-	11,673	5,634	604	-	6,238	5,435	
Furniture and fixtures	11,784	-	11,784	3,654	813	-	4,467	7,317	
Computers	9,386	80	9,466	6,464	969	-	7,433	2,033	
Vehicles ****	40,574	13,359	47,201	14,760	5,802	6,175	22,804	24,397	
		(6,732)			(3,933)	-			
	693,519	13,439	700,227	143,076	38,490	6,175	183,808	516,419	
		(6,732)			(3,933)				
						</			

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

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

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

**** Vehicles includes 16 cars, which are under the process of registration in the name of the Company.

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

	Note	June 2011	June 2010
		(Rupees in thousand)	
Stores operating expenses	32.3	16,220	14,589
Administrative and selling expenses	33	22,270	24,135
Stock-in-trade		-	4,062
		<u>38,490</u>	<u>42,786</u>

17.2 Disposal of property, plant & equipment

(Rupees in thousand)

Particular of Assets	Sold to	Cost	Accumulated Depreciation	Sales proceeds	Mode of Disposal
Vehicles	Usman Sheikh , Muhammad Zubair, Khawaja Irfan, Aun Zaidi and First Capital Investments Limited.	6,732	3,933	5,525	Negotiation
June 2011		<u>6,732</u>	<u>3,933</u>	<u>5,525</u>	

18. Intangible assets

(Rupees in thousand)

	2011				
	Cost as at June 30, 2010	Additions/ (deletions)	Cost as at June 30, 2011	Accumulated amortisation as at June 30, 2010	Accumulated amortisation as at June 30, 2011
Softwares	2,878	-	2,878	1,944	2,034
Dark fiber *	9,508	-	9,508	1,070	1,545
June 2011	12,386	-	12,386	3,014	3,579
	2010				
	Cost as at June 30, 2009	Additions/ (deletions)	Cost as at June 30, 2010	Accumulated amortisation as at June 30, 2009	Accumulated amortisation as at June 30, 2010
Softwares	2,878	-	2,878	1,840	1,944
Dark fiber *	9,508	-	9,508	595	1,070
June 2010	12,386	-	12,386	2,435	3,014

* This represents purchase of right to use optical fiber at Group properties for 20 years from Worldcall Telecom Limited, an associated undertaking.

18.1 The amortisation charge for the year has been allocated as follows:

	Note	2011	2010
		(Rupees in thousand)	
Administrative and selling expenses	33	565	579

19. Assets subject to finance lease

(Rupees in thousand)

	2011					
	Cost as at June 30, 2010	Additions/ (deletions) (transfer)	Cost as at June 30, 2011	Accumulated depreciation as at June 30, 2010	Depreciation charge for the year	Book value as at June 30, 2011
Vehicles	24,307	1,394 (14,686)	11,015	7,252	2,559 (6,487)	3,324 7,690
Plant and machinery	57,500	-	57,500	20,764	19,167	39,931 17,569
June 2011	81,807	1,394 (14,686)	68,515	28,016	21,726 (6,487)	43,255 25,259
	2010					
	Cost as at June 30, 2009	Additions/ (deletions) (transfer)	Cost as at June 30, 2010	Accumulated depreciation as at June 30, 2009	Depreciation charge for the year	Book value as at June 30, 2010
Vehicles	21,842	10,883 (8,418)	24,307	7,243	4,067 (4,058)	7,252 17,055
Plant and machinery	57,500	-	57,500	1,597	19,167	20,764 36,736
June 2010	79,342	10,883 (8,418)	81,807	8,840	23,234 (4,058)	28,016 53,791
19.1	The depreciation charge for the year has been allocated as follows:					
	Administrative and selling expenses					
				Note	2011	2010
					(Rupees in thousand)	
					21,726	23,234
19.2	Disposal of assets subject to finance lease					
	Particular of Assets	Sold to	Cost	Accumulated	Book value	(Rupees in thousand)
	Vehicles	Shaheen Insurance Co. Ltd.	1,329	314	1,015	Mode of Disposal
						Insurance claim receivable
			1,329	314	1,015	-

Pace (Pakistan) Group

	Note	2011 (Rupees in thousand)	2010
20. Capital Work in progress			
Broadband/telephony services	20.1	2,672	2,672
Interactive vigilance system	20.1	4,000	4,000
		<u>6,672</u>	<u>6,672</u>

20.1 This represents installation of vigilance system and services of broadband provided at Group properties by Worldcall Telecom Limited, an associated undertaking.

21. Investment Property

	Cost as at June 30,		Fair Value as at June 30,	
	2011 (Rupees in thousand)	2010	2011 (Rupees in thousand)	2010
Opening value as on July 1	1,918,146	1,557,126	5,035,576	4,375,149
Additions to cost during the year:				
- Transfer from stock-in-trade	12,639	337,397	12,639	345,288
- Purchase of assets classified as 'investment property'	17,300	146,000	17,300	146,297
- Transfer to stock-in-trade	(8,266)	(94,147)	(116,305)	(300,439)
- Disposal of investment property	(209,404)	(28,230)	(332,626)	(246,092)
Closing value before revaluation as at June 30	1,730,415	1,918,146	4,616,584	4,320,203
Add: Fair value (loss) / gain recognised in profit and loss account			(788,158)	715,373
Closing value after revaluation as on June 30			<u>3,828,426</u>	<u>5,035,576</u>

	Note	2011 (Rupees in thousand)	2010
22. Investments			
Associated undertaking - unquoted	22.1	1,307,873	2,264,668
Available for sale - quoted	22.2	3,677	3
		<u>1,311,550</u>	<u>2,264,671</u>

22.1 Associated undertakings - unquoted

Pace Barka Properties Limited			
77,500,000 (2010: 115,000,000) fully paid ordinary shares of Rs 10 each			
Equity held 25.4% (2010: 37.6%)	22.1.1	1,462,673	2,264,488
Pace Super Mall (Private) Limited			
18,000 (2010: 18,000) fully paid ordinary shares of Rs 10 each			
Equity held 40% (2010: 40%)		<u>180</u>	<u>180</u>
		1,462,853	2,264,668
Less: Cumulative impairment losses recognized	22.1.3	(154,980)	-
		<u>1,307,873</u>	<u>2,264,668</u>

Pace (Pakistan) Group

2011 2010
(Rupees in thousand)

22.1.1 Pace Barka Properties Limited

Cost	774,901	1,149,901
Brought forward amounts of post acquisition reserves and profits and negative goodwill recognized directly in profit and loss account	<u>1,114,587</u> 1,889,488	<u>490,451</u> 1,640,352
Share of movement in reserves during the year	46,488	113,405
Share of profit/(loss) for the year		
- before taxation	(136,676)	(10,054)
- provision for taxation	18,195	30,236
Gain on purchase of investment	-	490,549
Loss on sale of investment	(354,822)	-
	<u>(473,303)</u>	<u>510,731</u>
Balance as on June 30	<u>1,462,673</u>	<u>2,264,488</u>

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

Name	Percentage interest held	Assets	Liabilities	Revenues	Profit/(loss)
		(Rupees in thousands)			
June 2011					
Pace Barka Properties Limited	25.40%	1,870,924	369,542	30,378	(97,660)
Pace Super Mall (Private) Limited	40%	<u>70,929</u> 1,941,853	<u>70,749</u> 440,291	<u>-</u> 30,378	<u>-</u> (97,660)
June 2010					
Pace Barka Properties Limited	37.67%	2,900,322	579,267	195,451	91,640
Pace Super Mall (Private) Limited	40%	<u>66,242</u> 2,966,564	<u>66,054</u> 645,321	<u>-</u> 195,451	<u>-</u> 91,640

Pace (Pakistan) Group

	Note	2011 (Rupees in thousand)	2010
22.1.3 Cumulative impairment losses recognized			
As at July 1		-	-
Recognised during the year		154,980	-
As at June 30		154,980	-
22.2 Available for sale - quoted			
Worldcall Telecom Limited			
912 (2010: 912) fully paid ordinary shares of Rs 10 each		6	6
Shaheen Insurance Limited			
294,037 (2010: Nil) fully paid ordinary shares of Rs 10 each		3,776	-
		3,782	6
Less: Cumulative fair value loss	22.2.1	(105)	(3)
		3,677	3
22.2.1 Cumulative fair value loss			
As at July 1		(3)	(4)
Fair value (loss) / gain during the year		(102)	1
As at June 30		(105)	(3)
23. Long term advances and deposits			
Lease key money		650	13,096
Security deposit		12,883	12,883
		13,533	25,979
24. Advance against purchase of property - unsecured			
Associated undertakings			
Pace Barka Properties Limited		640,792	543,019
Pace Super Mall (Private) Limited		21,600	21,600
		662,392	564,619
Others		-	2,738
		662,392	567,357

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

2011 **2010**
(Rupees in thousand)

25. Deferred taxation

The liability/(asset) for deferred taxation comprises temporary differences relating to:

Accelerated tax depreciation and others	236,736	269,406
Employee retirement benefits	(11,490)	(11,632)
Deferred cost	(377)	(472)
Unused tax losses and minimum tax	(224,869)	(202,302)
	-	55,000

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

Opening balance	55,000	(6,000)
Charge/(income) during the year	(55,000)	61,000
Closing balance	-	55,000

25.1 Deferred tax asset on tax losses available for carry forward and those representing minimum tax paid available for carry forward u/s 113 of the Income Tax Ordinance, 2001 are recognized to the extent that the realization of related tax benefits through future taxable profits is probable. The Group has not recognized deferred tax assets of Rs 423.034 million (2010: Rs Nil) in respect of tax losses and Rs. 22.368 million (2010: Rs. 24.513 million) in respect of minimum tax paid and available for carry forward u/s 113 of the Income Tax Ordinance, 2001, as sufficient tax profits would not be available to set these off in the foreseeable future. Minimum tax paid u/s 113 aggregating to Rs 22.368 million would not be available for carry forward against future tax liabilities subsequent to years 2012 through 2014. Tax losses amounting to Rs 59.27 million and Rs 1,152.097 million will expire in year 2014 and 2016 respectively.

Note **2011** **2010**
(Rupees in thousand)

26. Stock-in-trade

Work in process - Pace Towers	26.1 & 26.2	1,204,659	871,118
Shops and houses		394,643	173,905
Woodland plots		46,316	65,267
		1,645,618	1,110,290
Stores inventory		787	1,281
		1,646,405	1,111,571

26.1 Included in work in process are borrowing costs of Rs. 238.659 million (2010: Rs 238.659 million).

26.2 The charge amounting to Rs. 1,200.5 million (2010: 1,200.5 million) has been registered against work in process with lenders as security against long term loan and redeemable capital as referred to in note 6 and note 7 respectively.

	Note	2011 (Rupees in thousand)	2010
27. Trade debts - unsecured			
Considered good		1,019,495	1,714,345
Considered doubtful		42,096	13,446
		<u>1,061,591</u>	<u>1,727,791</u>
Less: Provision for doubtful debts	27.1	<u>(42,096)</u>	<u>(13,446)</u>
		<u>1,019,495</u>	<u>1,714,345</u>
27.1 Provision for doubtful debts			
Balance as at July 1		13,446	9,000
Add: provision during the year	33	<u>28,650</u>	<u>4,500</u>
		<u>42,096</u>	<u>13,500</u>
Less: written off during the year		-	(54)
Balance as at June 30		<u>42,096</u>	<u>13,446</u>

28. Due from related parties - unsecured

Due from related parties - unsecured	28.1	<u>18,506</u>	<u>15,750</u>
--------------------------------------	------	---------------	---------------

28.1 These advances are considered good and carry mark up at the rate ranging from 16.5% to 17.5% per annum (2010: 16.5% to 17.5%).

	Note	2011 (Rupees in thousand)	2010
29. Advances, deposits, prepayments and other receivables			
Advances - considered good			
- to employees		7,785	13,190
- to suppliers		2,067	31,151
Security deposits	29.1	<u>23,459</u>	<u>12,159</u>
Prepayments		-	745
Advances to contractors	29.2	<u>171,700</u>	<u>272,557</u>
Income tax recoverable from government		<u>27,718</u>	<u>19,507</u>
Others - considered good		<u>9,042</u>	<u>4,947</u>
		<u>241,771</u>	<u>354,256</u>

29.1 This includes RS. 10.361 million (2010: Rs. 10.361 million) temporary security deposit paid to LESCO.

29.2 Advances to contractors include Rs 165.490 million (2010: Rs 270.920 million) due from Trident Construct (Private) Limited, an associated undertaking. This relates to normal business of the Group and is interest free.

Pace (Pakistan) Group

	Note	2011 (Rupees in thousand)	2010
30. Cash and bank balances			
At banks			
- in saving accounts	30.1 & 30.2	55,175	143,672
- in current accounts	30.3	4,417	33,749
		<u>59,592</u>	<u>177,421</u>
In hand including credit card sales Rs Nil (2010: Rs 0.084 million)		-	84
		<u>59,592</u>	<u>177,505</u>

30.1 The balances in saving accounts bear mark up which ranges from 5% to 12% per annum (2010: 5% to 10%).

30.2 This includes Rs. 53.87 million (2010: Nil) placed in Debt Servicing Reserve Account of National Bank of Pakistan.

30.3 This includes Rs. 4.03 million (2010: Nil) placed in Debt Servicing Reserve Account of Al-Baraka Bank (Pakistan) Limited.

	Note	2011 (Rupees in thousand)	2010
31. Sales			
Shops, houses and commercial buildings			
- at completion of project basis		164,815	871,002
- at percentage of completion basis	31.1	-	563,689
Plots		25,461	-
Licensee fee		32,447	54,093
Display advertisements and miscellaneous income		15,437	14,373
Service charges		126,766	124,671
Sale of commodities		6,196	21,508
		<u>371,122</u>	<u>1,649,336</u>

31.1 The revenue arising from agreements, that meet the criteria for revenue recognition on basis of percentage of completion method, during the year is Rs. Nil (2010: Rs. 629.623 million). Amount received against these agreements amounts to Rs. 45.173 million (2010: Rs. 92.659 million).

	Note	2011 (Rupees in thousand)	2010
31.2 Sales return			
- at completion of project basis		(451,225)	-
- at percentage of completion basis		(396,302)	-
	31.2.1	<u>(847,527)</u>	<u>-</u>

31.2.1 This represents reversal of sale of shops, houses and commercial buildings against which agreements have been cancelled as per mutual understanding of the buyer and the Group.

	Note	2011 (Rupees in thousand)	2010
32. Cost of sales			
Shops, houses and commercial buildings sold			
- at percentage of completion basis	32.1	(333,353)	655,972
- at completion of project basis	32.2	(113,381)	495,001
Plots		18,951	115,004
Commodities		5,959	18,223
Stores operating expenses	32.3	342,215	205,653
		<u>(79,609)</u>	<u>1,489,853</u>
32.1 Shops, houses and commercial buildings sold at percentage of completion basis			
Opening work in process		871,118	1,251,648
Project development costs		188	620,730
Transferred to investment property		-	(345,288)
Closing work in process	26	(1,204,659)	(871,118)
Cost of sale of shops and commercial buildings reversed during the year		<u>(333,353)</u>	<u>655,972</u>
32.2 Shops and houses sold at completion of project basis			
Opening inventory of shops and houses		173,905	235,023
Transferred from investment property		116,305	300,439
Transferred to investment property	21	(12,639)	-
Project development cost during the year		3,691	133,444
Closing inventory of shops and houses	26	(394,643)	(173,905)
Cost of shops and houses sold / reversed during the year	32.2.1	<u>(113,381)</u>	<u>495,001</u>
32.2.1 Cost of shops and houses sold / reversed during the year			
Cost of shops and houses sold during the year		154,147	495,001
Cost of sale of shops and houses reversed during the year		<u>(267,528)</u>	<u>-</u>
		<u>(113,381)</u>	<u>495,001</u>
32.3 Stores operating expenses			
Salaries, wages and benefits	32.3.1	26,370	19,933
Rent, rates and taxes		7,390	5,095
Insurance		25,768	19,506
Fuel and power		151,921	96,378
Depreciation on property, plant and equipment	16.1	16,220	14,589
Repairs and maintenance		86,051	16,856
Janitorial and security charges		14,818	13,620
Others		13,677	19,676
		<u>342,215</u>	<u>205,653</u>

Note 2011 2010
(Rupees in thousand)

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

Current service cost	858	3,101
Interest cost	452	1,728
	<u>1,310</u>	<u>4,829</u>

33. Administrative and selling expenses

Salaries, wages and benefits	33.1	54,699	16,174
Travelling and conveyance		7,077	2,267
Rent, rates and taxes		7,777	1,886
Insurance		9,436	4,756
Printing and stationery		2,028	410
Repairs and maintenance		31,286	1,709
Motor vehicles running		11,183	1,623
Communications		5,135	1,871
Advertising and sales promotion		17,576	18,968
Depreciation on:			
- property, plant and equipment	16.1	22,270	24,135
- assets subject to finance lease	18.1	21,726	23,234
Amortisation on intangible assets	17.1	565	579
Auditors' remuneration	33.2	2,065	1,860
Legal and professional		4,996	9,172
Commission on sales		10,133	28,474
Office expenses		10,371	1,076
Other expenses		16,842	347
Entertainment expenses		28	385
Fee and subscription		-	100
Provision for doubtful debts	27.1	28,650	4,500
Advances written off		-	546
		<u>263,843</u>	<u>144,072</u>

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

Current service cost	5,744	3,410
Interest cost	3,021	1,900
	<u>8,765</u>	<u>5,310</u>

33.2 Auditors' remuneration

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

Statutory audit	1,485	1,310
Certification and sundry services	130	100
Half yearly review	450	450
	<u>2,065</u>	<u>1,860</u>

Pace (Pakistan) Group

	Note	2011 (Rupees in thousand)	2010
34. Other operating income			
Income from financial assets			
Mark up on bank accounts		2,950	17,921
Mark up on balances with related parties		2,765	13,232
Exchange gain on foreign currency convertible bonds		-	101,616
Commission on guarantee	34.1	1,500	-
Rental income		6,600	-
Others		8,317	13,313
Income from non-financial assets			
Gain on sale of property, plant and equipment		2,726	3,279
Gain on sale of investment property		8,000	-
Liabilities written back		495	3,062
Deferred income		19,167	19,167
		<u>52,520</u>	<u>171,590</u>

34.1 This represents commission income on guarantee provided on behalf of Pace Barka Properties Limited, an associated undertaking.

	Note	2011 (Rupees in thousand)	2010
35. Other operating expenses			
Charity and donations		-	40
Exchange loss on foreign currency convertible bonds	10	6,499	-
Loss on sale of investment property		-	1,300
Loss on sale of shares		75,000	-
Impairment loss on available for sale investments	22.1	154,980	-
Workers welfare fund		-	20,974
		<u>236,479</u>	<u>22,314</u>

36. Finance costs

Mark up on			
- Long term finances -secured		155,886	25,191
- Foreign currency convertible bonds		78,073	58,423
- Term finance certificates		224,448	137,093
- Short term finances -secured		21,055	12,063
- Finance lease		5,406	8,379
		484,868	241,149
Bank charges and processing fee		20,213	2,851
		<u>505,081</u>	<u>244,000</u>

Pace (Pakistan) Group

37. Taxation

For the year		
- Current	880	9,805
- Deferred	(57,000)	11,000
	<u>(56,120)</u>	<u>20,805</u>
Prior years		
- Current	119	(6)
- Deferred	2,000	50,000
Group	<u>(54,001)</u>	<u>70,799</u>
Associated	<u>(18,195)</u>	<u>(30,236)</u>
	<u><u>(72,196)</u></u>	<u><u>40,563</u></u>

38. Remuneration of Chief Executive, Directors and Executives

The aggregate amount charged in the financial statements for the year for remuneration to directors is Rs 4.763million (2010: Rs 4.800 million).

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

	Chief Executive		Directors		Executives	
	2011 (Rupees in thousand)	2010	2011 (Rupees in thousand)	2010	2011 (Rupees in thousand)	2010
Short term employee benefits						
Managerial remuneration	271	-	3,175	3,200	11,696	17,251
Housing	108	-	1,270	1,280	4,678	6,900
Utilities	27	-	318	320	1,170	1,725
Medical expenses	-	-	-	-	506	329
Fuel expenses	-	-	-	-	2,467	3,154
Mobile expenses	-	-	-	-	551	673
Post employment benefits	-	-	-	-	4,666	1,360
	<u>406</u>	<u>-</u>	<u>4,763</u>	<u>4,800</u>	<u>25,734</u>	<u>31,392</u>

	Chief Executive		Directors		Executives	
	2011	2010	2011	2010	2011	2010
Number of persons	1	1	3	3	29	32

The Group also provides its executives and some of its directors with free transport.

Pace (Pakistan) Group

	Note	2011 (Rupees in thousand)	2010
39. Cash (used in)/generated from operations			
(Loss)/profit before tax		(2,629,335)	1,116,555
Adjustment for:			
Depreciation on:			
- property, plant and equipment	17.1	38,490	38,724
- assets subject to finance lease	19.1	21,726	23,234
Amortisation on intangible assets	18.1	565	579
Share of profit from associated companies		491,498	(480,495)
Gain on sale of property, plant and equipment	34	(2,726)	(3,279)
Exchange loss/(gain) on foreign currency convertible bonds	10	6,499	(101,616)
Provision for doubtful receivables	27.1	28,650	4,500
Provision for gratuity and leave encashment		11,648	11,741
Impairment loss on investment		154,980	-
Loss on disposal of investment		75,000	-
Finance costs	36	484,868	244,000
Mark up income		(2,765)	(13,232)
Changes in fair value of investment property	21	788,158	(715,373)
Loss on disposal of investment property		100,000	664
Deferred income	34	(19,167)	(19,167)
Liabilities written back	34	-	(3,062)
Advances written off		-	546
(Loss)/profit before working capital changes		(451,911)	104,319
Effect on cash flow due to working capital changes:			
(Increase) / decrease in stock-in-trade		(431,168)	446,485
Decrease / (increase) in trade debts		666,200	(159,060)
Increase in due from related parties		(2,756)	(317)
Increase in advance against purchase of property		(95,035)	(1,334)
Decrease / (increase) in advances, deposits and other receivables		121,711	(292,055)
Increase in creditors, accrued and other liabilities		21,174	(15,939)
		280,126	(22,220)
		(171,785)	82,099
40. Cash and cash equivalents			
Short term running finance - secured		(104,457)	(135,958)
Cash and bank balances	30	59,592	177,505
		(44,865)	41,547

41. Operating Segments

Management monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Operating segments are reported in a manner consistent with internal reporting provided to the Chief Operating Decision Maker (CODM). Segment performance is generally evaluated based on certain key performance indicators including business volume, gross profit/loss and reduction in operating costs.

Segment results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. CODM assesses the performance of the operating segments based on a measure of gross profit/loss and segment assets. Unallocated items include corporate assets and liabilities.

The Management has determined the operating segments based on the reports reviewed by the CODM that are used to make strategic and business decisions.

41.1 For management purposes, the activities of the Group are organised into business units based on the nature of activities:

(a) Real Estate

This segment relates to the sale of land, condominiums, shops/counters and villas. This also includes sale of Pace Towers and Pace Model Town Extension on percentage of completion basis.

(b) Investment Properties

The segment relates to the properties held to earn rentals or for capital appreciation or for both.

(c) Others

Businesses that individually do not meet the criteria of a reportable segment as per IFRS - 8, "Operating Segments".

41.2 Segment information

	(Rupees in thousand)					
	Real estate sales		Investment properties		Others	
	2011	2010	2011	2010	2011	2010
Segment revenue	(657,251)	1,369,709	32,447	64,982	148,399	214,645
Segment expenses						
- Cost of sales	(44,339)	1,406,647	23,308	64,982	100,640	18,224
Gross (loss)/profit	(612,912)	(36,938)	9,139	-	47,759	196,421
- Changes in fair value of investment property	-	-	(788,158)	715,373	-	-
Segment results	(612,912)	(36,938)	(779,019)	715,373	47,759	196,421
Administrative and selling expenses						
Other operating income						
Finance costs						
Other operating expenses						
Share of (loss) / profit from associates						
(Loss) / profit before tax						
Taxation						
- Group					54,001	(70,799)
- Associated Companies					18,195	30,236
(Loss)/profit for the year					(2,557,139)	1,075,992
41.2.1 Segment assets						
Unallocated assets	3,499,992	3,678,713	3,828,426	5,035,576	-	-
					7,328,418	8,714,289
					2,030,410	3,173,000
					9,358,828	11,887,289
41.2.2 Segment liabilities						
Unallocated liabilities	2,977,444	3,688,202	17,183	16,317	-	-
					2,994,627	3,704,519
					1,267,926	575,742
					4,262,553	4,280,261
41.2.3 Capital expenditure						
Unallocated	-	-	-	-	-	-
					1,474	4,630
					1,474	4,630
41.2.4 Depreciation/amortisation						
Unallocated	-	-	-	-	-	-
					60,781	66,599
					60,781	66,599

42. Financial risk management

42.1 Financial risk factors

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

(a) Market 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 Group is exposed to currency risk arising from primarily with respect to the United States Dollar (USD). Currently, the Group's foreign exchange risk exposure is restricted to foreign currency convertible bonds. The Group's exposure to currency risk was as follows:

	2011	2010
Foreign currency convertible bonds - USD	<u>14,583,759</u>	<u>13,803,280</u>

The following significant exchange rates were applied during the year:

Rupees per USD

Average rate	85.54	84.26
Reporting date rate	86.05	85.60

If the functional currency, at reporting date, had weakened/strengthened by 5% against the USD with all other variables held constant, post-tax (loss)/profit for the year would have been Rs 56.439 million (2010: Rs 53.170 million) lower / higher, mainly as a result of foreign exchange losses / gains on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis.

(ii) 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 Group is not exposed to equity price risk since the investments in listed equity securities are negligible.

(iii) 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 Group's interest rate risk arises from deposits in saving accounts with various commercial banks. Long term financing obtained at variable rates also expose the Group to cash flow interest rate risk.

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

	2011	2010
	(Rupees in thousand)	
Financial assets		
Floating rate instruments		
Bank balances - savings accounts	<u>55,175</u>	<u>143,672</u>
Financial liabilities		
Fixed rate instruments		
Foreign currency convertible bonds - unsecured	<u>1,254,643</u>	<u>1,181,561</u>
Floating rate instruments		
Redeemable capital - secured (non-participatory)	1,498,200	1,498,800
Liabilities against assets subject to finance lease	39,154	54,672
Short term finance - secured	104,457	135,958
Long term finances - secured	<u>827,422</u>	<u>868,063</u>
Net exposure	<u>2,469,233</u>	<u>2,557,493</u>

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the balance sheet date does not affect profit or loss of the Group.

Cash flow sensitivity analysis for variable rate instruments

If interest rates on late payments, liabilities against assets subject to finance lease, redeemable capital, term finances and short term finances, at the year end date, fluctuate by 1% higher / lower with all other variables held constant, post-tax (loss)/profit for the year would have been Rs 16 million (2010: Rs 15 million) lower / higher, mainly as a result of higher / lower interest expense on floating rate borrowings.

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Group's credit risk is primarily attributable to its trade debts, advances against purchase of property and its balances at banks.

(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 advances and deposits	13,533	25,979
Trade debts - unsecured	1,061,591	1,727,791
Advances, deposits, prepayments and other receivables		
- Advances to employees - considered good	7,785	13,190
- Security deposits	23,459	12,159
- Others - considered good	9,042	4,947
Cash and bank balances	59,592	177,505
	<u>1,175,002</u>	<u>1,961,571</u>

The age of trade debts at balance sheet date is as follows:

- Not past due	363,559	794,364
- Past due 0 - 365 days	440,366	646,924
- 1 - 2 years	70,930	202,008
- More than 2 years	186,736	84,495
	<u>1,061,591</u>	<u>1,727,791</u>

The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. The Group believes that it is not exposed to major concentration of credit risk as the trade debts of the Group relate to sales which are recognized subsequent to transfer of title. The transfer is made only after significant portion of the payments relating to the sale have been made.

(ii) Credit quality of major financial assets

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	2011	2010
				(Rupees in thousand)	
KASB Bank Limited	A2	A -	Pacra	691	741
Allied Bank Limited	A1+	AA	Pacra	300	2,718
Faysal Bank Limited	A1+	AA	Pacra	24	-
United Bank Limited	A1+	AA	JCR-VIS	37	-
Soneri Bank Limited	A1+	AA-	Pacra	6	36,655
Habib Bank Limited	A-1+	AA+	JCR-VIS	67	189
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	Pacra	98	182
Silk Bank Limited	A2	A -	JCR-VIS	64	-
NIB Bank Limited	A1+	AA-	Pacra	46	12
Dawood Islamic Bank Limited	A3	BBB+	JCR-VIS	1	-

Pace (Pakistan) Group

	Rating Short term	Rating Long term	Rating Agency	2011 (Rupees in thousand)	2010
Bank of Punjab Limited	A1+	AA-	Pacra	219	44
Bank Al-Falah Limited	A1+	AA	Pacra	33	3
Al Baraka Bank(Pakistan) Limited	A1	A	JCR-VIS	4,128	817
HSBC	F1+	AA -	Fitch	1	973
Bank Al-Habib Limited	A1+	AA+	Pacra	-	9
National Bank of Pakistan	A-1+	AAA	JCR-VIS	53,872	129,875
MCB Bank Limited	A1+	AA+	Pacra	-	9
Askari Bank Limited	A1+	AA	Pacra	5	4,402
				<u>59,592</u>	<u>177,421</u>

Due to the Group'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 Group. Accordingly, the credit risk is minimal.

(c) Liquidity risk

Liquidity risk represents the risk that the Group 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 Group maintains flexibility in funding by maintaining committed credit lines available.

Management monitors the forecasts of the Group's cash and cash equivalents (note 38) on the basis of expected cash flow. This is generally carried out in accordance with practice and limits set by the Group. In addition, the Group's liquidity management policy involves projecting cash flows 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 Group remained under severe liquidity pressure. However the Group plans to improve its liquidity position through re-launching of its existing projects and improved recoveries.

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 - secured	827,422	599,422	228,000	-
Redeemable capital - secured (non-participatory)	1,498,200	600	1,198,080	299,520
Liabilities against assets subject to finance lease	39,154	37,264	1,890	-
Foreign currency convertible bonds - unsecured	1,254,643	6,076	1,248,567	-
Short term finance - secured	104,457	104,457	-	-
Creditors, accrued and other liabilities	5,534	5,534	-	-
	<u>3,729,410</u>	<u>753,353</u>	<u>2,676,537</u>	<u>299,520</u>

Pace (Pakistan) Group

The following are the contractual maturities of financial liabilities as at June 30, 2010:

	Carrying amount	Less than one year	One to five years	More than five years
	(Rupees in thousand)			
Long term finances - secured	868,063	111,500	756,563	-
Redeemable capital - secured (non-participatory)	1,498,800	499,600	400,160	599,040
Liabilities against assets subject to finance lease	54,672	22,158	32,514	-
Foreign currency convertible bonds - unsecured	1,181,561	5,136	1,176,425	-
Short term finance - secured	135,958	135,958	-	-
Creditors, accrued and other liabilities	5,533	5,533	-	-
	<u>3,744,587</u>	<u>779,885</u>	<u>2,365,662</u>	<u>599,040.00</u>

42.2 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
	Available for sale	Loans and receivables	Total	Total
Assets as per balance sheet				
Long term advances and deposits	-	675,925	675,925	593,336
Trade debts - unsecured	-	1,019,495	1,019,495	1,714,345
Investments	1,311,550	-	1,311,550	2,264,671
Advances, deposits, prepayments and other receivables				
- Advances to employees - considered good	-	7,785	7,785	13,190
- Security deposits	-	23,459	23,459	12,159
- Others - considered good	-	9,042	9,042	4,947
Cash and bank balances	-	59,592	59,592	177,505
	<u>1,311,550</u>	<u>1,795,298</u>	<u>3,106,848</u>	<u>4,780,153</u>

Financial liabilities at amortized cost

	2011	2010
	(Rupees in thousand)	
Liabilities as per balance sheet		
Long term finances - secured	827,422	868,063
Redeemable capital - secured (non-participatory)	1,498,200	1,498,800
Liabilities against assets subject to finance lease	39,154	54,672
Foreign currency convertible bonds - unsecured	1,254,643	1,181,561
Short term finance - secured	104,457	135,958
Creditors, accrued and other liabilities	55,34	5,533
	<u>3,729,410</u>	<u>3,744,587</u>

42.3 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders through repurchase of shares, issue new shares or sell assets to reduce debt. Consistent with others in the industry and the requirements of the lenders the Group monitors the capital structure on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings including current and non-current borrowings, as disclosed in note 6, 7, 9 and 12 less cash and cash equivalents as disclosed in note 40. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt. The Group's strategy, which was unchanged from last year, was to maintain a gearing ratio of 60% debt and 40% equity. The gearing ratio as at year ended June 30, 2011 and June 30, 2010 are as follows:

	Note	2011 (Rupees in thousand)	2010
Borrowings		3,690,359	3,766,710
Less: Cash and cash equivalents	40	(44,865)	41,547
Net debt		3,735,224	3,725,163
Total equity		5,111,789	7,617,182
Total capital		8,847,013	11,342,345
Gearing ratio		42%	33%

43. Earnings per share

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

		2011 (Rupees in thousand)	2010
43.1 Basic (loss) / earnings per share			
(Loss)/profit for the year	Rupees in thousand	(2,557,139)	1,075,992
Weighted average number of ordinary shares outstanding during the year	Rupees in thousand	278,877	267,423
Basic (loss)/earnings per share	Rupees	(9.17)	4.02

43.2 Diluted (loss)/earnings per share

The dilution effect on basic (loss)/earnings per share is due to conversion option on foreign currency convertible bonds. The basic weighted average number of shares have been adjusted for conversion option available to bondholders.

Pace (Pakistan) Group

		2011	2010
Dilutive earnings per share	Rupees	<u>(7.38)</u>	<u>3.37</u>

The effect of the conversion of the foreign currency convertible bonds into ordinary shares is anti-dilutive for the current year, accordingly the diluted EPS is restricted to the basic EPS.

44. Transactions with related parties

The related parties comprise associated undertakings, other related companies and key management personnel. The Group 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 38. Other significant transactions with related parties are as follows:

		2011 (Rupees in thousand)	2010
Relationship with the Group	Nature of transactions		
i. Associates	Purchase of goods & services	18,168	186,449
	Advance against purchase of property	97,773	256,579
	Mark up income	2,765	3,169
	Commission income	1,500	4,500
	Sales of goods and services	6,600	95,055

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

	Accounting year end	Percentage of holding	Country of incorporation
45. Detail of subsidiaries			
Pace Woodlands (Private) Limited	30-Jun-11	52%	Pakistan
Pace Gujrat (Private) Limited	30-Jun-11	100%	Pakistan

46. Date of authorisation

These financial statements were authorised for issue on September 30, 2011 by the board of directors of the Group.

47. Corresponding figures

Corresponding figures have been re-arranged and reclassified, wherever necessary, for the purposes of comparison. However no significant re-arrangements have been made.

Lahore
September 30, 2011

Aamna Taseer
Chief Executive

Shehryar Ali Taseer
Director

Pace (Pakistan) Limited

PATTERN OF SHAREHOLDING AS AT JUNE 30, 2011

INCORPORATION NUMBER: 0028954 of 21-11-1992

No. of Shareholders	Shareholdings			Shares Held
	From		To	
2136	1	-	100	167,616
1223	101	-	500	474,188
4044	501	-	1000	2,733,319
2259	1001	-	5000	6,214,038
722	5001	-	10000	6,065,783
265	10001	-	15000	3,443,530
207	15001	-	20000	3,876,380
131	20001	-	25000	3,130,582
90	25001	-	30000	2,582,789
42	30001	-	35000	1,402,789
34	35001	-	40000	1,295,425
30	40001	-	45000	1,323,046
91	45001	-	50000	4,499,799
26	50001	-	55000	1,390,130
29	55001	-	60000	1,720,334
18	60001	-	65000	1,138,616
17	65001	-	70000	1,170,600
19	70001	-	75000	1,415,902
11	75001	-	80000	860,041
12	80001	-	85000	1,003,704
6	85001	-	90000	525,901
6	90001	-	95000	554,818
47	95001	-	100000	4,686,508
8	100001	-	105000	822,948
5	105001	-	110000	537,651
2	110001	-	115000	222,508
7	115001	-	120000	828,131
11	120001	-	125000	1,367,329
2	125001	-	130000	260,000
3	130001	-	135000	403,083
2	135001	-	140000	278,899
3	140001	-	145000	427,511
12	145001	-	150000	1,797,500
2	150001	-	155000	303,794
6	155001	-	160000	949,953
4	160001	-	165000	655,438

Pace (Pakistan) Limited

No. of Shareholders	Shareholdings			Shares Held
	From		To	
4	165001	-	170000	680,000
5	170001	-	175000	872,000
3	175001	-	180000	536,053
2	180001	-	185000	361,991
2	185001	-	190000	378,499
1	190001	-	195000	195,000
13	195001	-	200000	2,597,437
1	210001	-	215000	215,000
3	220001	-	225000	673,250
1	225001	-	230000	229,363
2	230001	-	235000	465,218
1	235001	-	240000	239,000
1	240001	-	245000	242,500
3	245001	-	250000	747,000
1	250001	-	255000	252,887
3	255001	-	260000	776,243
1	260001	-	265000	261,000
1	265001	-	270000	267,500
2	270001	-	275000	550,000
1	275001	-	280000	275,004
2	290001	-	295000	589,500
2	295001	-	300000	600,000
1	300001	-	305000	305,000
1	310001	-	315000	310,310
1	320001	-	325000	323,418
2	345001	-	350000	700,000
1	350001	-	355000	351,500
1	355001	-	360000	356,131
1	365001	-	370000	366,236
1	375001	-	380000	375,211
4	395001	-	400000	1,600,000
1	400001	-	405000	400,821
2	405001	-	410000	820,000
1	450001	-	455000	453,510
2	460001	-	465000	928,838
1	475001	-	480000	480,000
2	495001	-	500000	1,000,000
1	500001	-	505000	502,141
1	505001	-	510000	510,000
1	525001	-	530000	525,716
1	545001	-	550000	550,000
1	595001	-	600000	600,000
1	625001	-	630000	630,000
1	635001	-	640000	639,550
1	675001	-	680000	678,082
2	685001	-	690000	690,000
1	695001	-	700000	1,400,000
1	875001	-	880000	876,783
1	895001	-	900000	900,000

Pace (Pakistan) Limited

No. of Shareholders	Shareholdings		Shares Held
	From	To	
1	930001	- 935000	932,470
1	1045001	- 1050000	1,046,501
1	1100001	- 1105000	1,101,286
1	1140001	- 1145000	1,141,500
1	1160001	- 1165000	1,165,000
1	1175001	- 1180000	1,176,332
1	1215001	- 1220000	1,219,630
1	1270001	- 1275000	1,275,000
1	1530001	- 1535000	1,532,536
1	1580001	- 1585000	1,582,526
1	2385001	- 2390000	2,387,758
1	2465001	- 2470000	2,467,270
1	2495001	- 2500000	2,500,000
1	3295001	- 3300000	3,300,000
2	4290001	- 4295000	4,290,268
1	4300001	- 4305000	8,600,679
1	4970001	- 4975000	4,971,117
1	5045001	- 5050000	5,050,000
1	5495001	- 5500000	5,500,000
1	5995001	- 6000000	6,000,000
1	6690001	- 6695000	6,695,000
1	6955001	- 6960000	6,959,290
1	7330001	- 7335000	7,334,807
1	11500001	- 11505000	11,500,600
1	15780001	- 15785000	15,782,931
1	21800001	- 21805000	21,803,661
1	22360001	- 22365000	22,364,967
1	39385001	- 3939000	39,387,200
11651			278,876,604

**PATTERN OF SHAREHOLDING
AS AT JUNE 30, 2011**

Categories of Shareholders	Shares held	Percentage
Directors, Chief Executive Officer, and their spouse and minor children	25,522,293	9.152
Associated Companies, undertakings and related parties	31,591,197	11.328
NIT and ICP	525,716	0.189
Banks, Development Financial Institutions, Non Banking Financial Institutions	31,916,641	11.445
Insurance Companies	575,711	0.206
Modarabas and Mutual Funds	2,057,525	0.738
Share holders holding 10% or more	39,387,200	14.124
General Public		
a) Local	99,507,689	35.682
b) Foreign	6,364,365	2.282
Others:		
- Joint Stock Companies	18,681,136	6.699
- Foreign Companies	62,134,331	22.280

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

**PATTERN OF SHAREHOLDING AS PER LISTING REGULATIONS
AS AT JUNE 30, 2011**

Shareholders' Category	Number of Shares held
Associated Companies, undertaking and related parties	
First Capital Securities Corporation Limited	24,631,907
Worldcall Telecom Limited	6,959,290
NIT and ICP	525,716
Directors, CEO and their Spouse and Minor Children	
Aamna Taseer (CEO/Director)	587
Mr. Shahbaz Ali Taseer (Director)	500
Mr. Shehryar Ali Taseer (Director)	500
Miss. Shahrbano Taseer (Director)	500
Imran Saeed Chaudhry (Director)	4,300,571
Sulaiman Ahmad Saeed Al-Hoqani (Director)	21,219,048
Mr. Jamal Said Al-Ojaili (Director)	587
Mr. Khaldoon Bin Latif	-
Public Sector Companies and Corporations	18,681,136
Banks Development Financial Institutions, Non-Banking Finance Institutions, Insurance Companies, Modaraba and Mutual Fund etc.	34,549,877
Shareholders holding 10% or more voting interest in the Company	
Millennium Global High Yield Fund Limited	39,387,200

Pace (Pakistan) Limited

FORM OF PROXY

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

Folio No./CDC A/c No. _____

Shares Held: _____

I / We _____ of _____
(Name) (Address)

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

Miss _____ of _____
(Name) (Address)

or failing him / her / Mr. / Mrs. / Miss. _____ of _____
(Name) (Address)

[who is also member of the Company vide Registered Folio No. _____ (being the member of the Company)]
as my / our proxy to attend at and vote for me / us and on my / our behalf at Annual General Meeting of the Company
to be held at the Registered Office of the Company, 103-C/II, Gulberg-III, Lahore, on 29 October 2011 at 11:00 a.m. and
at any adjournment thereof.

Signature this _____ Day of _____ 2011.

(Witnesses)

1. _____

2. _____

**Affix Revenue Stamp
of Rupees Five**

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

Notes:

1. This Proxy Form, duly completed and signed, must be received at the Registered Office of the Company not later than 48 hours before the time of holding the meeting.
2. No person shall act as proxy unless he himself is a member of the Company, except that a corporation may appoint a person who is not a member.
3. CDC account holders will further have to follow the guidelines as laid down in Circular No. 1 dated 26 January 2000 issued by the Securities and Exchange Commission of Pakistan.

