

VISION

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

OUR PRINCIPLES

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

MISSION STATEMENT

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

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

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FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
JUNE 30, 2010**

COMPANY INFORMATION

Board of Directors

Sheikh Sulieman Ahmed Said Al-Hoqani (Chairman)
Salmaan Taseer (Chief Executive Officer)
Aamna Taseer
Shahbaz Ali Taseer
Shehryar Ali Taseer
Jamal Said Al-Ojaili
Mahmood Ali Athar
Imran Saeed Chaudhry

Chief Financial Officer

Imran Hafeez

Audit Committee

Aamna Taseer (Chairperson)
Shahbaz Ali Taseer
Shehryar Ali Taseer

Company Secretary

Ahmad Bilal

Auditors

A.F. Ferguson & Co.
Chartered Accountants

Legal Advisers

Imtiaz Siddiqui & Associates
Advocates and Attorneys

Bankers

Allied Bank Limited
Al-Barka Islamic Bank Limited
Askari Bank Limited Islamic Banking
Bank Alfalah Limited
Bank Al-Habib Limited
Emirates Global Islamic Bank Limited
Faysal Bank Limited
Habib Bank Limited
KASB Bank Limited
MCB Bank Limited
National Bank of Pakistan
Pak Iran Joint Investment Company Limited
Soneri Bank Limited
Standard Chartered Bank (Pakistan) Limited
The Bank of Punjab
The Hongkong and Shanghai Banking Corporation Limited

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 19th Annual General Meeting of the Shareholders of Pace (Pakistan) Limited (“the Company”) will be held on 30 October 2010 at 10:00 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 last Annual General Meeting held on 31 October 2009;
2. To receive, consider and adopt the financial statements of the Company for the year ended 30 June 2010 together with the Directors' and Auditors' reports thereon;
3. To appoint the Auditors of the Company for the year ending 30 June 2011 and to fix their remuneration;

Special business:

4. **To consider and if thought fit, pass the following special resolutions, with or without modification(s) providing for disinvestments by the Company in its subsidiaries:**

“**RESOLVED THAT** the Company divest/dispose off its equity investments in its subsidiaries namely Pace Woodlands (Pvt.) Limited and Pace Gujrat (Pvt.) Limited. The Chief Executive of the Company, singly, or any two Directors, jointly, be and are hereby authorized to determine the terms on which to undertake the said disposition including the extent of shareholding to be divested and to take all necessary steps and sign agreements and any other documents/instruments and to do all acts, and matters and things which may be necessary, ancillary and/or incidental thereto. The Chief Executive is also authorized to delegate his power to any other person for undertaking the subject divestment/disposal.”

By order of the Board

Lahore
08 October 2010

Ahmad Bilal
Company Secretary

Notes:

- 1) The Members Register will remain closed from 23 October 2010 to 30 October 2010 (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 22 October 2010 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 160(1)(B) OF THE COMPANIES ORDINANCE, 1984
FOR DIVESTURE / DISPOSAL OF SHAREHOLDING IN PACE WOODLANDS (PVT.)
LIMITED AND PACE GUJRAT (PVT.) LIMITED**

PACE WOODLANDS (PVT.) LIMITED (“PWL“)

PWL was incorporated in Lahore, Pakistan on 27 July 2004 as a private limited company, under the provisions of the Companies Ordinance, 1984. The principal activity for which PWL was incorporated is development, sale and management of a housing project, located at Bedian Road, Cantt., Lahore. Initially PWL was a Joint Venture Company (a special purpose vehicle) between the Company and Zafar Bhatti Group (who was the owner of land acquired for PWL project). Later shareholding stake of Zafar Bhatti Group was acquired by Pace Barka Properties Limited (“PBPL”). The Registered Office of PWL is 124-E-I, Main Boulevard, Gulberg-III, Lahore.

The existing Authorised Share Capital of PWL is Rs. 500,000 divided into 50,000 ordinary shares of Rs. 10/- each. Since incorporation PWL is a thin capital company, the issued, subscribed and paid up capital is Rs. 57,690 divided into 5,769 ordinary shares of Rs. 10/- each out of which the Company holds 3,000 shares (52.00%) of the total paid up capital of PWL. The remaining 48.00% shares are held by Pace Barka Properties Limited, the Company currently holds 115,000,000 (around 38%) ordinary shares of Rs. 10/- each in out of total shares 305,257,363 issued by PBPL.

The reason for above divestment / disposal is that the major portion of the Company's investment in PWL was made through loans/advances, for the purpose of financing the development and completion of housing project undertaken by PWL. These loans/advances were given from time to time under the authority of Shareholders under section 208 of the Companies Ordinance, 1984. Consequent upon completion of housing project these loans / advances have been returned back to the Company along with required returns on aforesaid investment. Thus all the benefits associated with aforesaid investment have been realized along side the completion of the housing project undertaken through PWL.

PACE GUJRAT (PVT.) LIMITED (“PGL”)

PGL was incorporated in Lahore, Pakistan on 08 July 2005 as a private limited company, under the provisions of the Companies Ordinance, 1984. PGL was incorporated as a special purpose vehicle to undertake the development of a Shopping Mall and a Hotel project on land acquired for these projects located at G.T Road, Gujrat. The Registered Office of PGL is 103-C-II, Gulberg-III, Lahore.

It was incorporated as 100% subsidiary of the Company, the portion of land acquired for development of hotel was sold with out any development by PGL and shopping mall was developed on the remaining portion of land. Since the project for which PGL was incorporated is completed, therefore the Company intends to divest/dispose its equity investment in PGL, as per the recommendation of the Board of Directors.

The existing Authorized Share Capital of PGL is Rs. 500,000 divided into 50,000 ordinary shares of Rs. 10/- each. Since incorporation PGL is a thin capital company, the issued, subscribed and paid up capital is Rs. 24,500 divided into 2,450 ordinary shares of Rs.10/- each and the Company holds 100% of the total paid up capital of PGL.

The reason for above divestment / disposal is that the major portion of the Company's investment in PGL was made through loans/advances, for the purpose of financing the development and completion of specific project to be undertaken by PGL. These loans/advances were given from time to time under the authority of Shareholders under section 208 of the Companies Ordinance, 1984. Consequent upon completion of PGL's project these loans/advances have been returned back to the Company along with required returns on aforesaid investment. Thus all the benefits associated with aforesaid investment have been realized along side the completion of the project undertaken through PGL.

PWL and PGL, both are currently defunct companies, therefore, the Board of Directors has recommended divestment / disposal of equity investment in these subsidiaries, as in the current commercial environment this divestment is a sensible decision given that there is currently no other project in the pipeline for PWL and PGL .

The Board of Directors has also recommended that powers be given to the Chief Executive of the Company, singly, or any two Directors, jointly, to determine the proposed manner and terms on which to undertake the said disposition including the extent of shareholding to be divested and to take all necessary steps and sign agreements and any other documents/instruments and to do all acts, and matters and things which may be necessary, ancillary and/or incidental thereto.

Further, the above divestment / disposal will also result in saving of cost associated with the operations of these Companies. PWL and PGL both are private limited companies, their valued amount and the current market price of these shares are not available, moreover, this divestment / disposal will not result in a material financial impact on the financial statements 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, its subsidiaries as may be applicable in each case along with financial projections of the Company, Memorandum and Articles of Association of the Company and its subsidiaries, latest available shareholding pattern of the Company and its subsidiaries, and any other related information of the Company, its subsidiaries 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 yet another year, 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 along with the Auditors' Report for the year ended June 30th,2010.

Performance Outlook

General Economic Overview:

The current fiscal year showed moderate recovery in the economy, despite the stress on macroeconomic stability mainly due to power and gas shortages, trade deficit and inflation resulting in perceptible slowdown in overall economic activity. The Government is taking steps to overcome such issues but a lot has still to be done.

Despite several challenges, the economy has shown resilience in the outgoing year. Growth in Gross Domestic Product (GDP) for 2009-10, on an inflation adjusted basis, has been recorded at a provisional 4.1%. This compares with GDP growth of 1.2% in the previous year. Per capita income in dollar terms has increased to US\$ 1,051 as compared to US\$ 1,042 last year.

Real Estate Overview:

The last two years have seen the speculative property boom in Pakistan become a whimper. The slump in property prices is primarily due to political instability and security issues prevailing in the country.

General outlook in the real estate market is that it's the right time to make investment in property as the prices are generally on the lower side and there are strong chances of upsurge in prices in due course. Major real estate developers like Pace should avail this opportunity to embark a bullish trend in the market and play their role to make the economy flourish.

Company's Performance General Overview:

Despite challenging business factors your Company marked the financial year under review as yet another profitable year and recorded a net profit after tax of PKR 633million and maintained its position of a progressive and dynamic real estate Company.

Despite the inflationary pressures, we are pleased to inform you that the extension to the existing Model Town Link Road shopping mall as well as the construction of 160 villas under Pace Woodlands project has successfully been completed. The projects are ready to be delivered in the market which would increase profitability and market confidence in the Company. Projects under development include Pace Towers, located in Gulberg, Lahore. The Management is confident that this project will be completed in due course of time.

Company Performance Financial Overview:

During the current financial year, the Company showed an increase in its sales which are PKR 1,649 million compared to PKR 1,262 the last year. Your Company has proved it to be a sustainable real estate brand.

Comparison of the audited results for the year ended June 30, 2010 and the year ended June 30, 2009 are as follows:

	Year Ended June 30,	
	2010	2009
	‘Rupees in million’	
Sales	1,649	1,262
Gross Profit	191	317
Change in fair value of		
Investment Property	710	473
Profit after Tax	633	437
Earnings per share (PKR)	2.37	1.93

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

During the financial year under review the Company earned net profit after tax of PKR 633 million as compared to last year's profit after tax of PKR 437 million, the increase in profit is mainly attributed to increased property sales and recording of the fair value gain on various properties of the Company. 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. Decrease in other charges is due to the decrease in exchange loss as compared to last year. Major chunk of the fair value gain has been earned from newly constructed/completed malls. The increase in fair value of companies' investment properties is mainly due to the efficient and effective investment in carefully selected and retained properties.

During the financial year under review the Company received conversion notices from some of the holders of its foreign currency convertible bonds' amounting to USD 10.558 million, including mark up of USD 0.558 million, for conversion in to 46,054,596 ordinary shares of of Rs.10/- each. The bonds were duly converted into the ordinary shares of the company at a price of PKR 14.30 per share.

Comparison of the financial position of the Company as on June 30th, 2010 against June 30th, 2009 is as follows:

	As on June 30,	
	2010	2009
	'Rupees in million'	
Net Assets	6,486	5,194
Un-appropriated profits	3,343	2,697
Non-current liabilities	3,134	3,588
Cash and bank	177	341

Events subsequent to Balance Sheet:

Subsequent to the year ended June 30, 2010 the Company successfully completed the modification in redemption

schedule of its term finance certificates, under which the Company is allowed one year six months grace period along with an extension of four year in the tenor of TFC issue and consequently, the remaining tenor of TFC shall be six and a half years effective from August 15, 2010. This modification was duly approved by majority of TFC holders holding certificates in aggregate of 51.73%, through extraordinary resolutions 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'. As a result current liability of the Company will reduce by PKR 499.6 million.

The Board of Directors has recommended members of the Company to approve a special resolution for divestment/ disposal of equity investment in subsidiaries namely Pace Woodlands (Pvt.) Limited (PWL) and Pace Gujrat (Pvt.) Limited (PGL). Both the subsidiaries were incorporated for undertaking specific projects jointly with the owners of the properties identified for the required projects, since the projects undertaken have successfully been completed and Company's share of revenues and returns relating to respective project of each subsidiary has been realized, therefore the Directors have recommended divestment/ disposal of equity investment in PWL and PGL, as in the current commercial environment this divestment is a sensible decision given that there is currently no other project in the pipeline for both the companies.

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 achieving desired business growth during the year. This is the result of consistent hard work and efforts of our staff.

Future Outlook:

The real estate sector is still a productive investment area and has proven to be a successful opportunity for investors interested in high growth returns. Pace has done well in project management; development and sale of properties even in depressed scenario and has established its creditability and expertise over the past years. The Company's recognized brand name and customer/investors' trust gives it a comparative advantage over its competitors in the real estate market.

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.

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, 2011, at a fee to be mutually agreed.

Board of Directors:

Since the last report there has been only one change in the composition of the Board during the year. Mr. Shehryar Ali Taseer was appointed in the place of Mr. Abid Raza.

Four 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. Sulieman Ahmed Said Al-Hoqani (Chairman)	-
2	Mr. Salmaan Taseer (Chief Executive)	4
3	Mrs. Aamna Taseer	4
4	Mr. Shahbaz Ali Taseer	4
5	Mr. Shehryar Ali Taseer	-
6	Mr. Mahmood Ali Athar	-
7	Mr. Imran Saeed Chaudhry	-
8	Mr. Abid Raza (Resigned)	4
9	Mr. Jamal Said Al-Ojaili	-

The Directors who could not attend the meeting were duly granted leave by the Board. The business of the Company is being run under the supervision of Board of Directors; the Chief Executive is not entitled to any salary, benefits/privileges in any capacity from the Company, as long as he remains on the present constitutional post.

Audit Committee

The Board of directors in compliance with the Code of Corporate Governance has established an Audit Committee consisting of following Directors:

Mrs. Aamna Taseer (Chairperson)
Mr. Shahbaz Ali Taseer (Member)
Mr. Shehryar Ali Taseer (Member)

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.

During the year Mr. Shehryar Ali Taseer was appointed as audit committee member in place of Mr. Abid Raza.

Corporate and Financial Reporting Framework:

The Board of Directors of the Company, for the purpose of establishing a framework of good corporate governance 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.

There are no statutory payments on account of taxes, duties, levies and charges, which are outstanding and have not been disclosed in annexed accounts.

Pace (Pakistan) Limited

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, 2010 as required u/s 236 of the Companies Ordinance 1984 is attached.

For and on behalf of the Board of Directors

Lahore:

October 06, 2010

Salmaan Taseer

Chief Executive Officer

Aamna Taseer

Director

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

	Opening balance as on 01-07-2009	Purchase	Bonus	Sale	balance as on 30-06-2010
Directors					
Salmaan Taseer (CEO/Director)	587	-	-	-	587
Aamna Taseer	587	-	-	-	587
Shahbaz Ali Taseer	500	-	-	-	500
Sulieaman Ahmed Said Al-Hogani	11,777,383	-	-	5,500,000	6,277,383
Jamal Said Al-Ojaili	587	-	-	-	587
Abid Raza	587	-	-	-	587
Imran Saeed Chaudhry	4,270,800	-	-	-	4,270,800
Mahmood Ali Athar	587	-	-	-	587
Spouses	-	-	-	-	-
Minor Children	-	-	-	-	-
Chief Financial Officer					
Imran Hafeez	-	-	-	-	-
Company Secretary					
Ahmad Bilal	-	-	-	-	-

KEY OPERATING AND FINANCIAL INDICATORS

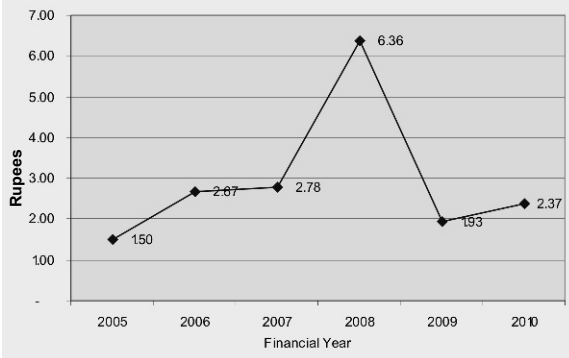
KEY INDICATORS

Rupees in Thousands

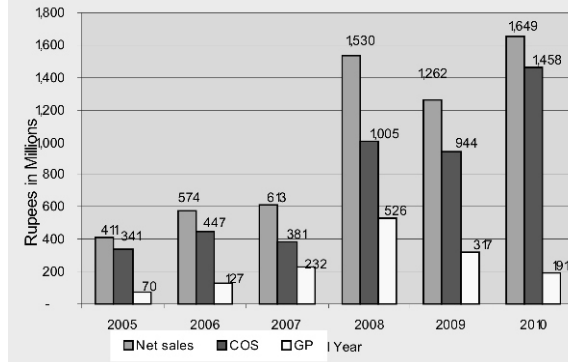
		2005	2006	2007	2008	2009	2010
Operating result							
Net Sales		410,925	573,676	612,651	1,530,498	1,261,809	1,649,336
Gross profit		69,900	126,744	231,500	525,612	317,376	190,939
Profit from operation		272,453	346,252	643,494	1,699,553	618,387	914,133
Profit before tax		271,437	345,023	550,958	1,453,293	345,796	702,923
Profit after tax		206,055	326,968	500,143	1,406,970	436,796	633,164
Financial Position							
Shareholder's equity		1,153,866	1,489,766	3,175,016	4,560,706	5,194,399	6,486,146
Property, plant & Equipment		260,903	271,835	245,759	434,385	474,066	550,444
Net current assets		662,273	200,333	1,337,532	3,414,154	3,011,529	2,320,745
Profitability							
Gross profit	%	17.01	22.09	37.79	34.34	25.15	11.58
Operating profit	%	66.30	60.36	105.03	111.05	49.01	55.42
Profit before tax	%	66.06	60.14	89.93	94.96	27.40	42.62
Profit after tax	%	50.14	57.00	81.64	91.93	34.62	38.39
Performance							
Fixed assets turnover	Times	1.58	2.11	2.49	3.52	2.66	3.00
Return on equity	%	19.61	24.74	21.44	36.38	8.96	10.84
Return on capital employed	%	15.71	19.54	18.53	23.76	5.12	6.88
Liquidity							
Current	Times	5.23	1.25	6.51	13.06	13.61	3.47
Quick	Times	1.49	0.62	3.48	8.86	7.38	2.31
Valuation							
Earning per share	Rs	1.50	2.67	2.78	6.36	1.93	2.37
Break up value per share	Rs	14.86	14.31	14.40	20.69	22.31	23.26

PERFORMANCE AT A GLANCE

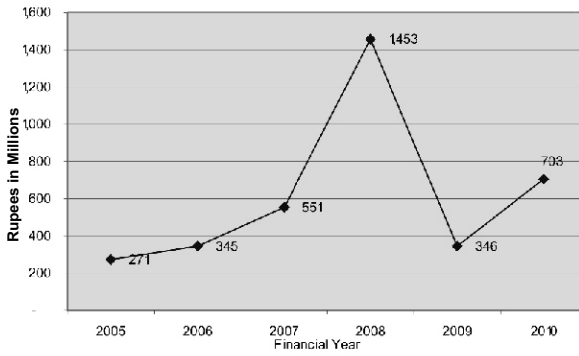
Earning per Share



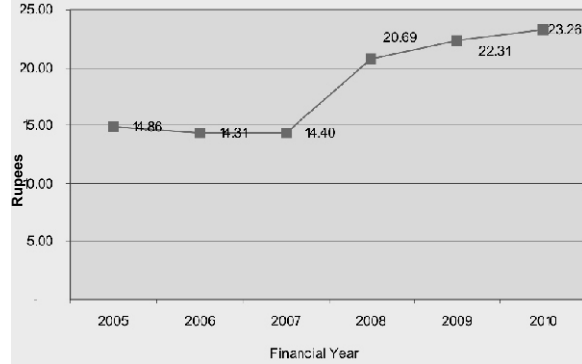
Net Sales, COS & Gross Profit



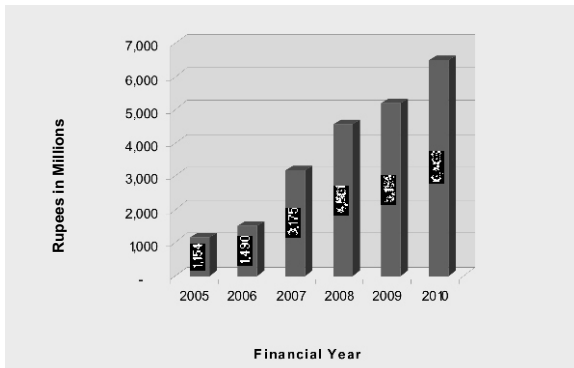
Profit Before Tax



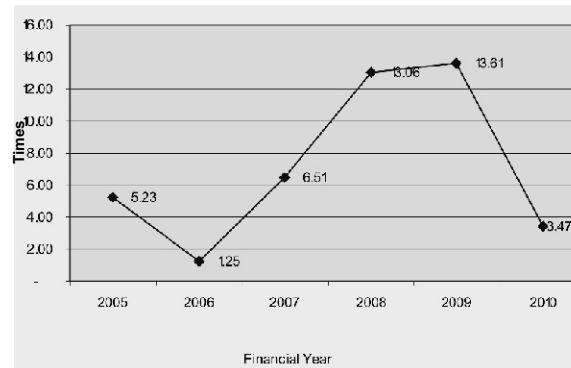
Break-up Value



Share Holder's Equity



Current Ratio



STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2010

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 filed up by the directors within 30 days thereof.
- 5) The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the Company.
- 6) The board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
- 7) All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the board.
- 8) The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
- 9) The Board arranged orientation courses for its directors during the year to apprise them of their duties and responsibilities.
- 10) The Board 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 chairperson 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
October 06, 2010

Salmaan Taseer
Chief Executive Officer

Aamna Taseer
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 for the year ended June 30, 2010 prepared by the Board of Directors of Pace (Pakistan) Limited (the Company) to comply with the Listing Regulation No. 35 of the Karachi and Lahore 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 provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control 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 controls, the Company's corporate governance procedures and risks.

Further, Sub-Regulation (xiii a) of Listing Regulation 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 length 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 effective for the year ended June 30, 2010.

Lahore:
October 06, 2010

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, 2010 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, 2010 and of the profit, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Lahore:
October 06, 2010

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

BALANCE SHEET

AS AT JUNE 30, 2010

	Note	June 30, 2010 (Rupees in thousand)	June 30, 2009
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised capital 600,000,000 (June 2009: 600,000,000) ordinary shares of Rs 10 each		<u>6,000,000</u>	<u>6,000,000</u>
Issued, subscribed and paid up capital 278,876,604 (June 2009: 232,822,008) ordinary shares of Rs 10 each	5	2,788,766	2,328,220
Reserves		354,359	169,427
Unappropriated profit		<u>3,343,021</u>	<u>2,696,752</u>
		6,486,146	5,194,399
NON-CURRENT LIABILITIES			
Long term finances - secured	6	756,563	-
Redeemable capital - secured (non-participatory)	7	999,200	1,498,800
Liabilities against assets subject to finance lease	8	32,514	46,387
Foreign currency convertible bonds - unsecured	9	1,176,425	1,907,965
Deferred liabilities	10	88,236	33,814
Advances against sale of property	11	44,255	45,589
Deferred income		36,736	55,903
		3,133,929	3,588,458
CURRENT LIABILITIES			
Current portion of long term liabilities	12	606,894	35,251
Short term finances - secured	13	100,000	-
Creditors, accrued and other liabilities	14	232,393	207,134
		939,287	242,385
CONTINGENCIES AND COMMITMENTS	15	<u>10,559,362</u>	<u>9,025,242</u>

The annexed notes from 1 to 46 form an integral part of these financial statements.

Lahore
October 06, 2010

Salmaan Taseer
Chief Executive

Pace (Pakistan) Limited

	Note	June 30, 2010	June 30, 2009
(Rupees in thousand)			
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	16	550,444	474,066
Intangible assets	17	9,372	9,951
Assets subject to finance lease	18	53,791	70,502
Capital work in progress	19	6,672	71,127
Investment property	20	4,935,576	4,103,602
Investments	21	1,150,139	600,237
Long term advances and deposits	22	25,979	19,402
Long term loans - unsecured	23	-	142,003
Advance against purchase of property - unsecured	24	567,357	278,040
Deferred taxation	25	-	6,000
		7,299,330	5,774,930
CURRENT ASSETS			
Stock-in-trade	26	1,088,554	1,488,110
Trade debts - unsecured	27	1,651,599	1,316,281
Due from related parties - unsecured	28	-	44,845
Advances, deposits, prepayments and other receivables	29	343,228	60,384
Cash and bank balances	30	176,651	340,692
		3,260,032	3,250,312
		10,559,362	9,025,242

Aamna Taseer
Director

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2010**

	Note	2010 (Rupees in thousand)	2009
Sales	31	1,649,336	1,261,809
Cost of sales	32	(1,458,397)	(944,433)
Gross profit		190,939	317,376
Administrative and selling expenses	33	(143,379)	(67,595)
Other operating income	34	179,063	140,339
Other operating expenses	35	(22,314)	(244,610)
Profit from operations		204,309	145,510
Finance costs	36	(211,210)	(272,591)
Changes in fair value of investment property		709,824	472,877
Profit before tax		702,923	345,796
Taxation	37	(69,759)	91,000
Profit for the year		633,164	436,796
Other comprehensive income / (loss)			
Changes in fair value of available for sale investment		1	(11)
Total comprehensive income for the year		633,165	436,785
Earnings per share attributable to ordinary shareholders			
- basic earnings per share	Rupees 42	2.37	1.93
- diluted earnings per share	Rupees 42	2.05	1.55

Appropriations have been reflected in the statement of changes in equity.

The annexed notes from 1 to 46 form an integral part of these financial statements.

Lahore
October 06, 2010

Salmaan Taseer
Chief Executive

Aamna Taseer
Director

**CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2010**

	Note	2010 (Rupees in thousand)	2009
Cash flow from operating activities			
Cash used in operations	39	(448,054)	(423,097)
Net decrease in advances against sale of property		(1,334)	(284,835)
Finance costs paid		(159,149)	(235,313)
Gratuity and leave encashment paid		(11,252)	(3,631)
Taxes paid		(10,094)	(14,271)
Net cash used in operating activities		(629,883)	(961,147)
Cash flow from investing activities			
Purchase of property, plant and equipment		(4,630)	(101,470)
Additions in investment property		(131,919)	(171,464)
Proceeds from sale of property, plant and equipment		7,306	1,296
Decrease/(Increase) in long term loan and deposits		135,426	(11,123)
Mark up received		38,707	200,344
Investment in equity instrument of Pace Barka Properties Limited		(549,902)	-
Proceeds from disposal of investment property		68,332	-
Net cash used in investing activities		(436,680)	(82,417)
Cash flow from financing activities			
Surrender of share deposit money to SECP		-	(665)
Receipt/(repayment) of funds from long term finances		825,187	(37,282)
Receipt of funds against short term finances		100,000	-
Repayment of installment of redeemable capital		(600)	(600)
Payment of markup of foreign currency convertible bonds		(10,678)	-
(Payment)/availment of finance lease liabilities		(11,387)	107,923
Net cash from financing activities		902,522	69,376
Net decrease in cash and cash equivalents		(164,041)	(974,188)
Cash and cash equivalents at the beginning of the year		340,692	1,314,880
Cash and cash equivalents at the end of the year	30	176,651	340,692

The annexed notes from 1 to 46 form an integral part of these financial statements.

Lahore
October 06, 2010

Salmaan Taseer
Chief Executive

Aamna Taseer
Director

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2010**

(Rupees in thousand)

	Share capital	Share deposit money	Share premium	Revaluation reserve for investment property	Reserve for changes in fair value of investments	Unappropriated profit	Total
Balance as on June 30, 2008	2,204,656	882	1,003	116,244	7	2,237,914	4,560,706
Total Comprehensive income/(loss) for the year							
Profit for the year	-	-	-	-	-	436,796	436,796
Other comprehensive loss	-	-	-	-	(11)	-	(11)
					(11)	436,796	436,785
Issue of ordinary shares	123,537	(217)	74,253	-	-	-	197,573
Bonus shares issued during the year	27	-	(27)	-	-	-	-
Transfer of reserve relating to sale of investment property	-	-	-	(22,042)	-	22,042	-
Share deposit money surrendered to SECP	-	(665)	-	-	-	-	(665)
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	-	1
Issue of ordinary shares	460,546	-	-	-	1	633,164	633,165
Premium of Rs 4.30 per share on conversion of FCCB to 46,054,596 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

The annexed notes from 1 to 46 form an integral part of these financial statements.

Lahore
October 06, 2010

Salmaan Taseer
Chief Executive

Aamna Taseer
Director

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

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 Amendments to published standards and interpretations effective in current year and are

relevant to the company

- IAS 1 (Revised), 'Presentation of Financial Statements' is effective from January 1, 2009. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result, the company shows all owner related changes in equity in statement of changes in equity, whereas all non-owner changes in equity are presented in other comprehensive income. Comparative information is required to be re-presented so that it is in conformity with the revised standard.

The company has preferred to present a single statement; a profit and loss account (income statement) including components of profit or loss and of other comprehensive income. Comparative information has also been re-presented so it is in conformity with the revised standard. As this change only impacts presentation aspects, there is no impact on profit for the year.

- IFRS 7 'Financial Instruments – Disclosures' (Amendment) is effective from January 1, 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. These financial statements have been prepared under revised disclosure requirements. However, there is no impact on profit for the year.

- IAS 23 (Amendment), 'Borrowing Costs' is effective from January 1, 2009. The amendment requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The option of immediately expensing those borrowing costs is removed. The company's current accounting policy is in compliance with this amendment, and therefore

there is no impact on the company's financial statements.

- IAS 1 (Amendment), 'Presentation of Financial Statements'. The amendment is part of the International Accounting Standard Board's (IASB) annual improvements project published in April 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counter party to settle in shares at any time. The company has opted to early adopt IAS 1 (amendment) from July 1, 2009. It only affects the classification of certain elements of the company's financial statements.

- IFRS 8, 'Operating segments' is effective from July 01, 2009 and replaces IAS 14, 'Segment reporting'. The new standard required a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in reportable segments being presented for current and prior periods as reviewed for management decision making. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker. The application of the standard 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 not relevant to the company

Standards or Interpretation

Effective date (accounting periods beginning on or after)

IFRS 3 (Revised), 'Business Combinations'	July 1, 2009
IAS 27 (Revised), 'Consolidated and Separate Financial Statements'	July 1, 2009
IFRIC 17, 'Distribution of non-cash assets to owners'	July 1, 2009
IFRIC 18, 'Transfer of Assets from Customers'	July 1, 2009

The other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after July 1, 2009 are considered not to be relevant or to have any significant impact on the company's financial reporting and operations.

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, 2010 or later periods, but the company has not early adopted them:

- Revised IAS 24, 'Related Party Disclosures', issued in November 2009. It supersedes IAS 24, 'Related Party Disclosures', issued in 2003. The revised IAS 24 is required to be applied from January 1, 2011. Earlier application, in whole or in part, is permitted.

- 'Classification of rights issues' (Amendment to IAS 32), issued in October 2009. For rights issues offered for a fixed amount of foreign currency, current practice appears to require such issues to be accounted for as derivative liabilities. The amendment states that if such rights are issued pro rata to all the entity's existing shareholders in the same class for a fixed amount of currency, they should be classified as equity regardless of the currency in which the exercise price is denominated. The amendment should be applied for annual periods beginning on or after February 1, 2010. Earlier application is permitted.

- IAS 38 (Amendment), 'Intangible Assets'. The amendment is part of the IASB's annual improvements project published in April 2009 and the company will apply IAS 38 (Amendment) from the date IFRS 3 (Revised), 'Business Combinations' is adopted. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The amendment will not result in any significant impact on the company's financial statements.

- IAS 39 (Amendment); 'Cash flow hedge accounting'. This amendment provides clarification when to recognize gains or losses on hedging instruments as reclassification adjustments in a cash flow hedge of a forecast transaction that results subsequently in the recognition of a financial instrument. The amendment clarifies that gains or losses should be reclassified from equity to income statement in the period in which the hedged forecast cash flow affects income statement. The company will apply IAS 39 (Amendment) from July 1, 2010. It is not expected to have any significant impact on the company's financial statements.

- IFRS 5 (Amendment), 'Measurement of non-current assets (or disposal groups) classified as held-for-sale'. The amendment is part of the IASB's annual improvements project published in April 2009. 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 company will apply IFRS 5 (amendment) from July 1, 2010. It is not expected to have a material impact on the company's financial statements.

- IFRS 9, 'Financial Instruments', issued in December 2009. This addresses the classification and measurement of financial assets and is likely to affect the company's accounting for its financial assets. The standard is not applicable until January 1, 2013 but is available for early adoption. IFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognized directly in profit or loss. The company has not yet decided when to adopt IFRS 9.

- 'Prepayments of a minimum funding requirement' (Amendments to IFRIC 14), issued in November 2009. The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognize as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct the problem. The amendments are effective for annual periods beginning January 1, 2011. Earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented.

- IFRIC 19, 'Extinguishing financial liabilities with equity instruments'. This clarifies the requirements of IFRSs when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. The interpretation is effective for annual periods beginning on or after July 1, 2010. Earlier application is permitted.

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 receivable

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

4. Significant accounting policies

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

4.1 Taxation

Current

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

Deferred

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

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

4.2 Property, plant and equipment

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

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.

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

4.3 Intangible assets

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

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

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

4.4 Leases

The Company is the lessee:

Finance leases

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

The related rental obligations, net 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, 2010. Projected Unit Credit Method, using the following significant assumptions for valuation of the scheme:

- Discount rate 12 percent per annum (June 2009: 12 percent per annum)
- Expected rate of increase in salary level 11 percent per annum (June 2009: 11 percent per annum)

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

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

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

The latest actuarial valuation was carried out as at June 30, 2010. Projected Unit Credit Method, using the following significant assumptions is used for valuation of accumulating compensated absences:

- Discount rate	12% (June 2009: 12%)
- Expected increase in salary	11% (June 2009: 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 (June 2009: 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, 2010. 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 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 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

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

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

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

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

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

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

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

4.14 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

2010 (Number of shares)	2009		2010 (Rupees in thousand)	2009
201,704,516	155,649,920	Ordinary shares of Rs 10 each fully paid in cash	2,017,045	1,556,499
77,172,088	77,172,088	Ordinary shares of Rs 10 each issued as fully paid bonus shares	771,721	771,721
<u>278,876,604</u>	<u>232,822,008</u>		<u>2,788,766</u>	<u>2,328,220</u>

First Capital Securities Corporation Limited and Worldcall Telecom Limited, associated undertakings, hold 24,055,407 (June 2009: 31,506,907) and 6,959,290 (June 2009: 6,959,290) ordinary shares of the Company respectively.

	Note	2010 (Rupees in thousand)	2009
6. Long term finances - secured			
Faysal Bank Limited - long term finance facility	6.1	-	11,376
Syndicate term finance facility	6.2	400,000	-
Soneri Bank - demand finance	6.3	36,563	-
Emirates Global Islamic Bank Limited - musharika based agreement	6.4	400,000	-
		<u>836,563</u>	11,376
Less: Current portion shown under current liabilities		<u>80,000</u>	11,376
		<u>756,563</u>	-

6.1 Faysal Bank Limited- long term finance facility

Terms of repayment

The balance has been paid during the year in a single installment on August 22, 2009. Mark up was computed at average 6 months KIBOR plus 2.35% and was payable quarterly. In the event the Company failed to pay the balances as per terms of facility, additional markup was to be computed at the rate of 2 % per annum on the balances unpaid.

Security

The loan was secured by first charge on property located at 41 P Block, Model Town, Lahore and lien on term deposit receipt valuing Rs 7 million.

6.2 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% (June 2009: Nil).

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 arising out of the two projects; 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.

6.3 Soneri Bank Demand Finance

Terms of repayment

This loan is part of total demand finance facility limit of Rs. 44.688 Million (June 2009: Nil) and carries mark up @ 6 months KIBOR + 3%. The loan is repayable in 8 equal quarterly installments.

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 has deposited Rs. 45 million in margin account with bank as a security till completion of transfer/mortgage formalities.

6.4 Emirates Global Islamic Bank Limited - musharika based agreement

Terms of repayment

This loan is part of the long term facility of Rs. 400 Million (June 2009: NIL) under a Musharika based Arrangement with Emirates Global and carries mark-up @ 3 months KIBOR + 3.5%. The loan is repayable in 10 equal quarterly installments starting from January 20, 2011.

Security

The loan is secured by 100% registered and equitable mortgage of property located at 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	2010	2009
		(Rupees in thousand)	
7. Redeemable capital - secured (non-participatory)			
Term finance certificates	7.1	<u>1,498,800</u>	<u>1,499,400</u>
		1,498,800	1,499,400
Less: Current portion shown under current liabilities	7.2	<u>499,600</u>	<u>600</u>
		<u>999,200</u>	<u>1,498,800</u>

7.1 Term finance certificates

Terms of repayment

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

Security

The TFC's are secured by a first exclusive charge by way of equitable mortgage on the Company's properties situated at 124/E-1, Main Boulevard Gulberg III, Lahore, 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.

7.2 The term finance certificates have been rescheduled subsequent to year ended June 30, 2010 on the terms and conditions as referred to in note 45.

	2010	2009
	(Rupees in thousand)	
8. Liabilities against assets subject to finance lease		
Present value of minimum lease payments	54,672	66,060
Less: Current portion shown under current liabilities	22,158	19,673
	32,514	46,387

The minimum lease payments have been discounted at an implicit interest rate ranging from 12% to 19.36% (June 2009: 11.36% to 18.25%) 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 13.875 million (June 2009: Rs 13.835 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	
			2010	2009
Not later than one year	25,647	3,489	22,158	19,673
Later than one year and not later than five years	33,234	720	32,514	46,387
	58,881	4,209	54,672	66,060

Pace (Pakistan) Limited

	2010	2009
	(Rupees in thousand)	
9. Foreign currency convertible bonds - unsecured		
Opening balance as at July 1	1,911,567	1,758,565
Converted into equity shares	(658,581)	(197,574)
Markup accrued for the year	40,870	130,757
	1,293,856	1,691,748
Markup paid during the year	(10,679)	(19,813)
Exchange (gain)/loss for the year	(101,616)	239,632
	1,181,561	1,911,567
Less: Current portion shown under current liabilities	5,136	3,602
	1,176,425	1,907,965

The Company has issued 25,000 convertible bonds of USD 1,000 each amounting to USD 25 million listed at Singapore Stock Exchange due in 2013. Yield to maturity is 6.5% per annum, compounded semi-annually, accretive. The holders of the bonds have an option to convert the bonds into equity shares of the Company at any time following the issue date at a price calculated every six months as per terms of arrangement or mandatory conversion can take place if certain conditions are met. During the current year bonds amounting to USD 10 million (June 2009: USD 3 million) were converted into ordinary shares of the company.

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	2010	2009
		(Rupees in thousand)	
10. Deferred liabilities			
These are composed of :			
Staff gratuity	10.1	31,795	32,025
Leave encashment	10.2	1,441	1,789
Deferred taxation	25	55,000	-
		88,236	33,814

10.1 Staff gratuity

The amounts recognised in the balance sheet are as follows:

Present value of defined benefit obligation	28,939	30,236
Unrecognised experience losses	2,856	1,789
Liability as at June 30	31,795	32,025

Liability as at July 1	32,025	22,267
Charge to profit and loss account	10,139	12,501
Liability transferred to other group company	(3,843)	-
Benefits paid	(6,526)	(2,743)
Liability as at June 30	31,795	32,025

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

Present value of defined benefit obligation as at July 1	30,236	25,021
Service cost	6,511	9,448
Interest cost	3,628	3,002
Liability transferred to other group company	(3,843)	-
Benefits paid	(6,526)	(2,743)
Experience gain	(1,067)	(4,492)
Present value of defined benefit obligation as at June 30	28,939	30,236

Pace (Pakistan) Limited

2010 2009
(Rupees in thousand)

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

Service cost	6,511	9,448
Interest cost	3,628	3,003
Experience (gain)/loss	-	50
Charge to profit and loss	10,139	12,501

10.1.1 Charge for the year has been allocated as follows:

Cost of sales	4,829	3,750
Administrative, general and other expenses	5,310	8,751
	10,139	12,501

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

	2010	2009	2008	2007	2006
	(Rupees in thousand)				
Present value of defined benefit obligation	28,939	30,236	25,021	14,919	7,193
Fair value of plan assets	-	-	-	-	-
Deficit	(28,939)	(30,236)	(25,021)	(14,919)	(7,193)
Experience adjustment on obligation	15%	4%	7%	14%	12%

2010 2009
(Rupees in thousand)

10.2 Leave encashment

The amounts recognised in the balance sheet are as follows:

Liability as at July 1	1,789	1,656
Charge to profit and loss account	1,602	1,021
Benefits paid	(1,950)	(888)
Liability as at June 30	1,441	1,789

11. Advances against sale of property

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

Note 2010 2009
(Rupees in thousand)

12. Current portion of long term liabilities

Current portion of long term finances -secured	6	80,000	11,376
Current portion of redeemable capital - secured (non-participatory)	7	499,600	600
Current portion of liabilities against assets subject to finance lease	8	22,158	19,673
Current portion of foreign currency convertible bonds - unsecured	9	5,136	3,602
		606,894	35,251

Pace (Pakistan) Limited

2010 2009
(Rupees in thousand)

13. Short term finances - Secured

Short term finance facility	100,000	-
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Terms of repayment

This represents the loan amount under short term finance facility of Rs. 100 Million (June 2009: Nil) with Pak-Iran Joint Investment Company Limited and carries mark-up @ 6 months KIBOR + 3.5%. The loan is repayable in one year in a single installment due on October 1, 2010.

Security

The facility is secured by creation of mortgage amounting to the sum of Rs. 142,857,143 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 sq. feet.

Note 2010 2009
(Rupees in thousand)

14. Creditors, accrued and other liabilities

Trade creditors	16,804	13,230
Advances from customers	4,829	5,977
Licensees/concessionaires payable	15,793	10,873
Accrued liabilities	17,835	16,824
Mark-up accrued on:		
- Long term finances -secured	22,486	111
- Redeemable capital - secured (non-participatory)	76,676	88,160
Licensee security deposits	16,317	15,733
Payable to contractors	14.1 1,135	26,061
Retention money	14.2 362	17,087
Payable To Statutory Body	27,706	-
Workers welfare fund payable	20,549	-
Others	11,901	13,078
	232,393	207,134

14.1 Payable to contractors include Rs. Nil (June 2009: Rs 17.878 million) due to a related party.

14.2 Retention money include Rs Nil (June 2009: Rs 15.632 million) due to a related party.

15. Contingencies and commitments

15.1 Contingencies

- (i) Claims against the Company not acknowledged as debts Rs 21.644 million (June 2009: 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 (June 2009: Rs 900 million) as per the approval of shareholders through the special resolution dated July 29, 2006.
- (iii) A penalty of Rs 3.87 million (June 2009: Rs 3.87 million), for an alleged non-filing of Wealth Tax returns for assessment years 1996-97 to 1998-99, has been imposed vide order dated 4th September, 2007 by the Wealth Tax Officer. The Company filed appeal before CIT (A) for cancellation of the order. After the dismissal of appeal by CIT(A), the Company has filed appeal in ITAT against the order of CIT(A).

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

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:

	2010	2009
	(Rupees in thousand)	
Not later than one year	1,738	1,580
Later than one year and not later than five years	8,872	8,065
Later than five years	9,264	11,808
	<u>19,874</u>	<u>21,453</u>

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

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

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

**** Vehicles includes three 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 2010	June 2009
		(Rupees in thousand)	
Stores operating expenses	32.2	14,589	27,139
Administrative and selling expenses	33	24,135	4,798
Stock-in-trade		4,062	1,802
		<u>42,786</u>	<u>33,739</u>

16.2 Disposal of property, plant & equipment

Particular of Assets	Sold to	Cost	Accumulated Depreciation	Book value	Sales proceeds	Mode of Disposal
Computers	S.M.Salam	82	34	48	48	Negotiation
Vehicles	M. Tariq, Munawar, M. Salim, M. Wasif, Abdul Kamran Salam, Farooq Ahmed, Allah Ditta, M.Sharjeel, Javed Dar, Farooq Ahmed, M.Faraz, Faisal Farooq, M. Awais Khan, Sardar Ali Wattoo	6,780	2,801	3,979	7,258	Negotiation
June 2010		<u>6,862</u>	<u>2,835</u>	<u>4,027</u>	<u>7,306</u>	

17. Intangible assets

(Rupees in thousand)

	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	
Softwares	2,878	-	2,878	1,840	934
Dark fiber *	9,508	-	9,508	595	8,438
June 2010	12,386	-	12,386	2,435	9,372
	2009				Book value as at June 30, 2009
	Cost as at June 30, 2008	Additions/ (deletions)	Cost as at June 30, 2009	Accumulated amortisation as at June 30, 2008	
Softwares	2,878	-	2,878	1,724	1,038
Dark fiber *	9,508	-	9,508	119	8,913
June 2009	12,386	-	12,386	1,843	9,951

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

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

	2010	2009
Administrative and selling expenses	579	422
Stock-in-trade	-	170
	579	592

(Rupees in thousand)

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

	2010						Book value as at June 30, 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	
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
	2009						Book value as at June 30, 2009
	Cost as at June 30, 2008	Additions/ (deletions) (transfer)	Cost as at June 30, 2009	Accumulated depreciation as at June 30, 2008	Depreciation charge for the year	Accumulated depreciation as at June 30, 2009	
Vehicles	23,529	1,684 (3,371)	21,842	5,144	3,453 (1,354)	7,243	14,599
Plant and machinery	-	57,500	57,500	-	1,597	1,597	55,903
June 2009	23,529	59,184 (3,371)	79,342	5,144	5,050 (1,354)	8,840	70,502

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

	2010	2009
Administrative and selling expenses	23,234	3,607
Stock-in-trade	-	1,443
	23,234	5,050

Pace (Pakistan) Limited

	Note	2010	2009
(Rupees in thousand)			
19. Capital Work in progress			
Broadband/telephony services	19.1	2,672	2,672
Interactive vigilance system	19.1	4,000	4,000
Investment property under construction	19.2 and 19.3	-	59,227
Property, plant and equipment under construction	19.2	-	5,228
		6,672	71,127

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

19.2 Capital work in progress amounting to Rs. Nil (June 2009: Rs 20.883 million) are pledged with lenders as security against long term loan and redeemable capital as referred to in note 6 and note 7 respectively.

19.3 Included in capital work in progress are borrowing costs of Rs. Nil (June 2009: Rs 3.996 million).

20. Investment Property

	Cost as at June 30, 2010		Fair Value as at June 30	
	Land	Building	2010	2009
(Rupees in thousand)				
Opening value as on July 1	770,135	1,615,208	4,103,602	3,580,870
Additions to cost during the year:				
- Transfer from stock-in-trade	-	345,288	345,288	20,576
- Purchase of assets classified as 'investment property'	146,297	-	146,297	171,464
- Transfer to stock-in-trade	-	(300,439)	(300,439)	(142,185)
- Disposal of investment property	-	(68,996)	(68,996)	-
Closing Value before revaluation as at June 30	916,432	1,591,061	4,225,752	3,630,725
Add: Gain recognised in profit and loss account			709,824	472,877
Closing value after revaluation as on June 30			4,935,576	4,103,602

	Note	2010	2009
(Rupees in thousand)			
21. Investments			
Equity instruments of:			
- subsidiaries - unquoted	21.1	55	55
- associated undertakings - unquoted	21.2	1,150,081	600,180
Available for sale - quoted	21.3	3	2
		1,150,139	600,237
21.1. Subsidiaries - unquoted			
Pace Woodlands (Private) Limited			
3,000 (June 2009: 3,000) fully paid ordinary shares of Rs 10 each		30	30
Pace Gujrat (Private) Limited			
2,450 (June 2009: 2,450) fully paid ordinary shares of Rs 10 each		25	25
		55	55

Pace (Pakistan) Limited

Note 2010 2009
(Rupees in thousand)

21.2 Associated undertakings - unquoted

Pace Barka Properties Limited			
115,000,000 (June 2009: 60,000,000) fully paid ordinary shares of Rs 10 each		1,149,901	600,000
 Pace Super Mall (Private) Limited			
18,000 (June 2009: 18,000) fully paid ordinary shares of Rs 10 each		180	180
		1,150,081	600,180
		1,150,081	600,180

21.3 Available for sale - quoted

Available for sale investment at cost	21.3.1	6	6
Add: Cumulative fair value (loss)/gain	21.3.2	(3)	(4)
		3	2
		3	2

21.3.1 This represents 912 (June 2009: 912) fully paid ordinary shares of Rs 10 each of Worldcall Telecom Limited, an associated undertaking under the Companies Ordinance, 1984. However, for the purpose of measurement, it has been classified as available for sale investment as the Company does not have significant influence over its operations.

2010 2009
(Rupees in thousand)

21.3.2 Cumulative fair value (loss)/gain

As at July 1		(4)	7
Fair value (loss) / gain during the year		1	(11)
Transfer to profit and loss account		-	-
As at June 30		(3)	(4)
		(3)	(4)

22. Long term advances and deposits

Lease key money		13,096	13,402
Security deposit		12,883	6,000
		25,979	19,402
		25,979	19,402

23. Long term loans - unsecured

These represent loans given to the following related parties:

Subsidiary

Pace Woodlands (Private) Limited - 100,900

Associated undertaking

Media Times Limited - 41,103

		-	142,003
		-	142,003

23.1 These loans carried mark up at the rate ranging from 15.25% to 17.50%.

Pace (Pakistan) Limited

	Note	2010	2009
		(Rupees in thousand)	
24. Advance against purchase of property - unsecured			
Associated undertakings			
Pace Barka Properties Limited		543,019	256,440
Pace Super Mall (Private) Limited		21,600	21,600
Others		2,738	-
		567,357	278,040

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

25. Deferred taxation

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

Accelerated tax depreciation and others	269,406	174,859
Employee retirement benefits	(11,632)	(11,835)
Deferred cost	(472)	(589)
Unused tax losses and minimum tax	(202,302)	(168,435)
	55,000	(6,000)

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

Opening balance	(6,000)	85,000
Charge/(income) during the year	61,000	(91,000)
Closing balance	55,000	(6,000)

26. Stock-in-trade

Commercial buildings, shops and houses

Work in process	26.1	899,285	1,251,648
Shops and houses		187,988	235,023
		1,087,273	1,486,671

Restaurant and stores inventory

Restaurant - raw materials	657	638
Model town store inventory	197	150
MM alam store inventory	167	143
Gujranwala store inventory	191	160
Gujrat store inventory	69	-
Pace rice	-	348
	1,281	1,439
	1,088,554	1,488,110

Pace (Pakistan) Limited

2010 **2009**
(Rupees in thousand)

26.1 Work in process

27-H Gulberg II project	871,118	977,443
Model Town Link Road project Phase II	-	274,205
Woodlands Project	28,167	-
	<u>899,285</u>	<u>1,251,648</u>

26.2 Included in work in process are borrowing costs of Rs. 238.659 million (June 2009: Rs 109.585 million).

26.3 Work in process amounting to Rs. 140.790 million (June 2009: Rs 133.323 million) are pledged with lenders as security against long term loan and redeemable capital as referred to in note 6 and note 7 respectively.

Note **2010** **2009**
(Rupees in thousand)

27. Trade debts - unsecured

Considered good		1,316,281
Considered doubtful		9,000
		<u>1,325,281</u>
Less: Provision for doubtful debts	27.1	(9,000)
		<u>1,316,281</u>

27.1 Provision for doubtful debts

Balance as at July 1		2,000
Add: provision during the year		7,000
		<u>9,000</u>
Less: written off during the year		-
Balance as at June 30		<u>9,000</u>

Included in trade debts is an amount of Rs. 95.5 million (June 2009: Rs 389.384 million) receivable from First Capital Securities Corporation Limited, a related party.

2010 **2009**
(Rupees in thousand)

28. Due from related parties - unsecured

Subsidiaries

Pace Woodlands (Private) Limited	-	3,690
Pace Gujrat (Private) Limited	-	41,155
	<u>-</u>	<u>44,845</u>

28.1 These advances are considered good and carry mark up at the rate ranging from 15.25% to 17.5% per annum.

Pace (Pakistan) Limited

	Note	2010	2009
		(Rupees in thousand)	
29. Advances, deposits, prepayments and other receivables			
Advances - considered good			
- to employees		11,040	6,913
- to suppliers		27,122	16,189
Security deposits		1,511	6,549
Prepayments		745	2,882
Advances to contractors	29.1	278,569	6,499
Income tax recoverable from government		19,406	18,071
Others - considered good		4,835	3,281
		343,228	60,384

29.1 Advances to contractors include Rs 270.920 million (June 2009: Rs 4.55 million) due from Trident Construct (Private) Limited, a related party. This relates to normal business of the Company and is interest free.

	Note	2010	2009
		(Rupees in thousand)	
30. Cash and bank balances			
At banks			
- in saving accounts	30.1	142,874	336,599
- in current accounts		33,693	3,828
		176,567	340,427
In hand including credit card sales Rs 0.084 million (June 2009: Rs 0.106 million)		84	265
		176,651	340,692

30.1 Included in these are total restricted funds of Rs. Nil (June 2009: Rs 7 million) held by banks under lien as security against long term finances. The balances in saving accounts bear mark up which ranges from 5% to 10% per annum (June 2009: 2.32% to 10%).

	Note	2010	2009
		(Rupees in thousand)	
31. Sales			
Shops, houses and commercial buildings			
- at completion of project basis		871,002	402,526
- at percentage of completion basis	31.1	563,689	563,191
Land		-	75,000
Licensee fee		54,093	55,956
Restaurant		-	2,688
Display advertisements and miscellaneous income		14,373	34,749
Service charges		124,671	118,535
Pace Rice		21,508	9,164
		1,649,336	1,261,809

Pace (Pakistan) Limited

2010 2009
(Rupees in thousand)

31.1 Revenue recognized on the basis of percentage of completion method

Revenue recognized to date	1,314,406	750,717
Aggregate cost incurred to date	1,126,602	568,187
Recognized profit to date	187,804	182,530

31.1.1 The revenue arising from agreements, that meet the criteria for revenue recognition on basis of percentage of completion method, during the year is Rs. 629.623 million (June 2009: Rs. 21.429 million). Amount received against these agreements amounts to Rs. 92.659 million (June 2009: Rs. 5.030 million).

32. Cost of sales

	Note	2010 (Rupees in thousand)	2009
Shops and commercial buildings sold			
- at completion of project basis	32.1	676,106	246,312
- at percentage of completion basis		558,415	424,023
Land Sold		-	73,270
Materials consumed at restaurant		-	1,456
Commodities sold		18,223	8,708
Stores operating expenses	32.2	205,653	190,664
		1,458,397	944,433

32.1 Shops and commercial buildings sold

Opening work in process		1,251,648	937,446
Project development cost		396,648	367,458
Closing work in process	26	(899,285)	(1,251,648)
Cost of shops and commercial buildings constructed		749,011	53,256
Less: Cost transferred to:			
- property, plant and equipment		(84,499)	(18,064)
- capital work in progress		-	(35,524)
- administrative expenses		-	-
- investment property	20	(345,288)	(20,576)
		(429,787)	(74,164)
		319,224	(20,908)
Opening inventory of shops and houses		235,023	251,025
Additions		309,847	251,218
Closing inventory of shops and houses	26	(187,988)	(235,023)
		356,882	267,220
		676,106	246,312

Pace (Pakistan) Limited

	Note	2010	2009
		(Rupees in thousand)	
32.2 Store operating expenses			
Salaries, wages and benefits	32.2.1	19,933	31,797
Rent, rates and taxes		5,095	4,578
Insurance		19,506	20,813
Fuel and power		96,378	76,970
Depreciation on property, plant and equipment	16.1	14,589	27,139
Repairs and maintenance		16,856	16,502
Janitorial and security charges		13,620	12,169
Others		19,676	696
		205,653	190,664
32.2.1 Salaries, wages and benefits			
Salaries, wages and benefits include following in respect of gratuity:			
Current service cost		3,101	2,834
Interest cost		1,728	901
Experience (gain)/loss		-	15
		4,829	3,750
33. Administrative and selling expenses			
Salaries, wages and benefits	33.1	16,174	18,972
Travelling and conveyance		2,267	3,716
Rent, rates and taxes		1,886	5,004
Insurance		4,393	889
Printing and stationery		410	866
Repairs and maintenance		1,709	1,912
Motor vehicles running		1,623	3,355
Communications		1,871	2,409
Advertising and sales promotion		18,968	6,724
Depreciation on:			
- property, plant and equipment	16.1	24,135	4,798
- assets subject to finance lease	18.1	23,234	3,607
Amortisation on intangible assets	17.1	579	422
Auditors' remuneration	33.2	1,750	1,600
Legal and professional		9,126	3,080
Commission on sales		28,474	-
Office Expenses		1,076	-
Entertainment Expenses		385	-
Other expenses		273	3,241
Provision for doubtful receivables		4,500	7,000
Advances written off		546	-
		143,379	67,595

Pace (Pakistan) Limited

	Note	2010	2009
		(Rupees in thousand)	
33.1 Salaries, wages and benefits			
Salaries, wages and benefits include following in respect of gratuity:			
Current service cost		3,410	6,614
Interest cost		1,900	2,102
Experience (gain)/loss		-	35
		5,310	8,751
33.2 Auditors' remuneration			
The charges for auditors' remuneration includes the following in respect of auditors' services for:			
Statutory audit		1,200	1,100
Certification and sundry services		100	100
Half yearly review		450	400
		1,750	1,600
34. Other operating income			
Income from financial assets			
Mark up on bank accounts		17,921	79,824
Income from reverse repurchase transactions		-	8,733
Mark up on balances with related parties		20,786	41,831
Exchange gain on foreign currency convertible bonds		101,616	-
Commission on guarantee		4,500	4,500
Others		8,732	2,000
Income from non-financial assets			
Gain on sale of property, plant and equipment		3,279	348
Liabilities no longer required written back		3,062	1,506
Deferred income		19,167	1,597
		179,063	140,339
35. Other operating expenses			
Charity and donations	35.1	40	220
Exchange loss on foreign currency convertible bonds		-	234,403
Loss on Sale of Investment property		1,300	-
Other charges		-	9,987
Workers welfare fund		20,974	-
		22,314	244,610

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

Pace (Pakistan) Limited

	2010	2009
	(Rupees in thousand)	
36. Finance costs		
Mark up on		
- Long term finances and foreign currency convertible bonds	200,462	268,760
- Finance lease	8,379	1,794
	208,841	270,554
Bank charges	2,369	2,037
	211,210	272,591

37. Taxation

For the year		
- Current	8,765	-
- Deferred	11,000	(66,000)
	19,765	(66,000)
Prior years		
- Current	(6)	-
- Deferred	50,000	(25,000)
	69,759	(91,000)

In view of the available tax losses, no provision for taxation has been made during the year. For the purposes of current taxation, the tax losses available for carry forward as at June 30, 2010 are estimated at approximately Rs. 508.609 million (June 2009: Rs 348.596 million).

	2010	2009
	%	
37.1 Tax charge reconciliation		
Numerical reconciliation between the average effective tax rate and the applicable tax rate.		
Applicable tax rate	35.00	35.00
Tax effect of amounts that are:		
Not chargeable to tax	(31.47)	(54.46)
Effect of change in prior years' tax	7.01	(7.23)
Effect of property income taxed at 35%	(0.22)	-
Effect of rounding off	0.16	0.37
	(24.52)	(61.32)
Average effective tax rate charged to profit and loss account	10.48	(26.32)

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 0.660 million (June 2009: Rs 0.2 million).

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

	Directors		Executives	
	2010	2009	2010	2009
	(Rupees in thousand)		(Rupees in thousand)	
Short term employee benefits				
Managerial remuneration	660	200	12,379	25,383
Housing	-	-	5,571	10,153
Utilities	-	-	1,238	2,538
Bonus	-	-	-	-
Medical expenses	-	-	280	1,761
Fuel expenses	-	-	1,117	5,548
Mobile expenses	-	-	396	852
Post employment benefits	-	-	1,360	11,249
	<u>660</u>	<u>200</u>	<u>22,341</u>	<u>57,484</u>

	Chief Executive		Directors		Executives	
	2010	2009	2010	2009	2010	2009
Number of persons	1	1	8	8	15	33

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

Pace (Pakistan) Limited

	Note	2010 (Rupees in thousand)	2009
39. Cash used in operations			
Profit before tax		702,923	345,796
Adjustment for:			
Depreciation on:			
- property, plant and equipment	16.1	39,951	33,739
- assets subject to finance lease	18.1	19,175	5,050
Amortisation on intangible assets	17.1	579	592
Gain on purchase of property		-	(13,752)
Gain on sale of:			
- property, plant and equipment		(3,279)	(349)
- assets subject to finance lease		-	-
Exchange loss on foreign currency convertible bonds	9	(101,616)	239,632
Provision for doubtful receivables	27.1	4,500	7,000
Provision for gratuity and leave encashment		10,674	13,522
Finance costs	36	211,210	272,591
Mark up income		(38,707)	(136,888)
Changes in fair value of investment property	20	(709,824)	(472,877)
Gain on disposal of investment property		664	-
Deferred income	34	(19,167)	(1,597)
Liabilities no longer required written back	34	(3,062)	(1,506)
Advances written off		546	-
Profit before working capital changes		114,567	290,953
Effect on cash flow due to working capital changes:			
(Increase)/Decrease in stock-in-trade		286,594	(135,294)
(Increase)/Decrease in trade debts		(339,818)	(325,938)
(Increase)/Decrease in due from related parties		44,845	6,526
(Increase)/Decrease in advance against purchase of property		(289,317)	(219,541)
(Increase)/Decrease in advances, deposits and other receivables		(282,055)	11,086
(Decrease)/increase in creditors, accrued and other liabilities		17,130	(50,889)
		(562,621)	(714,050)
		(448,054)	(423,097)

40. 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 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 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.

40.1 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 Woodlands, Pace Towers and 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"

Mark-up on loans for general purposes are capitalised on the basis of weighted average interest rate and cost incurred. Mark-up on specific loans is being capitalised completely to the relevant real-estate project.

40.2 Segment information
(Rupees in thousand)

	Real estate sales		Investment properties		Others		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
Segment revenue	1,369,709	965,717	64,982	130,956	214,645	165,136	1,649,336	1,261,809
Segment expenses								
- Cost of sales	(1,375,191)	(670,335)	(64,982)	(73,270)	(18,224)	(10,164)	(1,458,397)	(753,769)
- Stores operating expenses	-	295,382	-	(56,320)	-	(134,344)	-	(190,664)
Gross profit	13,788	-	709,824	1,366	196,421	20,628	190,939	317,376
- Changes in fair value of investment property	-	-	709,824	472,877	-	-	709,824	472,877
Segment results	13,788	295,382	709,824	474,243	196,421	20,628	900,763	790,253
Administrative and selling expenses							(143,379)	(67,595)
Other operating income							179,063	140,339
Finance costs							(211,210)	(272,591)
Other operating expenses							(22,314)	(244,610)
Profit before tax							702,923	345,796
Taxation							(69,759)	91,000
Profit for the year							633,164	436,796
40.2.1 Segment assets								
Unallocated assets	3,586,079	3,094,930	4,954,451	4,167,515	-	-	8,540,530	7,262,445
40.2.2 Segment liabilities								
Unallocated liabilities	3,433,285	3,599,351	16,317	15,733	-	-	3,449,602	3,615,084
40.2.3 Capital expenditure								
Unallocated	-	-	-	-	-	-	623,614	215,759
							4,073,216	3,830,843
40.2.4 Depreciation/amortisation								
Unallocated	-	-	-	-	-	-	134,073	135,783
							134,073	134,073
							66,599	39,381
							66,599	39,381

41. Financial risk management

41.1 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:

	2010	2009
Foreign currency convertible bonds - USD	<u>13,803,280</u>	<u>24,003,666</u>

The following significant exchange rates were applied during the year:

Rupees per USD

Average rate	84.26	78.70
Reporting date rate	85.60	81.30

If the functional currency, at reporting date, had weakened/strengthened by 5% against the USD with all other variables held constant, post-tax profit for the year would have been Rs 74.438 million (June 2009: Rs 123.095 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 is 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 Company has provided long term loans to its associates at mutually agreed fixed interest rates, repayment of which has no interest rate risk exposure. 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:

	2010	2009
	(Rupees in thousand)	
Financial assets		
Fixed rate instruments		
Long term loans - unsecured	-	142,003
Due from related parties - unsecured	-	44,845
Floating rate instruments		
Bank balances - savings accounts	142,874	336,599
Net exposure	<u>142,874</u>	<u>523,447</u>
Financial liabilities		
Fixed rate instruments		
Foreign currency convertible bonds - unsecured	1,176,425	1,907,965
Floating rate instruments		
Redeemable capital - secured (non-participatory)	1,498,800	1,499,400
Liabilities against assets subject to finance lease	54,672	66,060
Finances under mark-up arrangements	936,563	11,376
Net exposure	<u>2,490,035</u>	<u>1,576,836</u>

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 subject to finance lease and finances under mark-up arrangement, at the year end date, fluctuate by 1% higher / lower with all other variables held constant, post-tax profit for the year would have been Rs 15 million (June 2009: Rs 8 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.

(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:

	2010	2009
	(Rupees in thousand)	
Long term advances and deposits	593,336	297,442
Trade debts - unsecured	1,665,045	1,325,281
Advances, deposits, prepayments and other receivables		
- Advances to employees - considered good	11,040	6,913
- Security deposits	1,511	6,549
- Others - considered good	4,835	3,281
Cash and bank balances	176,651	340,692
	2,452,418	1,980,158

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

- Not past due	839,203	590,279
- Past due 0 - 365 days	552,025	528,831
- 1 - 2 years	202,769	141,818
- More than 2 years	71,048	64,353
	1,665,045	1,325,281

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 / advance against purchase of property of the Company relate to sales / purchase of property which is transferred at the end of instalment terms.

Pace (Pakistan) Limited

(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 Agency	2010	2009
	Short term	Long term			
				(Rupees in thousand)	
KASB Bank	A	A 1	Pacra	741	305,493
Allied bank	A1+	AA	Pacra	2,718	9,174
Faysal Bank Limited	A1+	AA	Pacra	-	17,059
Royal Bank of Scotland	A1+	AA	Pacra	1	221
Soneri Bank	A1+	AA-	Pacra	36,655	25
Habib Bank Limited	A-1+	AA+	JCR-VIS	189	344
Bank of Punjab	A1+	AA-	Pacra	-	25
Standard Chartered Bank	A1+	AAA	Pacra	175	2,979
Bank Al-falah	A1+	AA	Pacra	3	71
HSBC	P-1	Aa3	Moody's	973	4,212
	F1+	AA -	Fitch		
Bank Al-habib	A1+	AA+	Pacra	9	9
Samba bank	A - 1	A	JCR-VIS	-	31
Arif Habib Bank	A - 2	A	JCR-VIS	-	12
Emirates Global Islamic Bank	A -	A 2	Pacra	817	772
National Bank of Pakistan	A-1+	AAA	JCR-VIS	129,875	-
MCB Bank	A1+	AA+	Pacra	9	-
Askari Bank Limited	A1+	AA	Pacra	4,402	-
				176,567	340,427

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 counterparties on their obligations to the Company. Accordingly, the credit risk is minimal.

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company manages liquidity risk by maintaining sufficient cash. At June 30, 2010, the Company had Rs 176.651 million in cash and bank balances. The Company follows an effective cash management and planning policy to ensure availability of funds and to take appropriate measures for new requirements.

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	999,200	-
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>2,964,702</u>	<u>-</u>

The following are the contractual maturities of financial liabilities as at June 30, 2009:

	Carrying amount	Less than one year	One to five years	More than five years
(Rupees in thousand)				
Long term finances - secured	11,376	11,376	-	-
Redeemable capital - secured (non-participatory)	1,499,400	600	1,498,800	-
Liabilities against assets subject to finance lease	66,060	19,673	46,387	-
Foreign currency convertible bonds - unsecured	1,911,567	3,602	1,907,965	-
Creditors, accrued and other liabilities	207,134	207,134	-	-
	<u>3,695,537</u>	<u>242,385</u>	<u>3,453,152</u>	<u>-</u>

41.2 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.

	2010 (Rupees in thousand)			2009
	Available fro sale	Loans and receivables	Total	Total
Assets as per balance sheet				
Long term advances and deposits	-	593,336	593,336	297,442
Trade debts - unsecured	-	1,651,599	1,651,599	1,316,281
Investments	1,150,136	3	1,150,139	600,237
Advances, deposits, prepayments and other receivables				
- Advances to employees - considered good	-	11,040	11,040	6,913
- Security deposits	-	1,511	1,511	6,549
- Others - considered good	-	4,835	4,835	3,281
Cash and bank balances	-	176,651	176,651	340,692
	<u>1,150,136</u>	<u>2,438,975</u>	<u>3,589,111</u>	<u>2,571,395</u>

**Financial liabilities at
amortized cost**

2010 2009
(Rupees in thousand)

Liabilities as per balance sheet

Long term finances - secured	836,563	11,376
Redeemable capital - secured (non-participatory)	1,498,800	1,499,400
Liabilities against assets subject to finance lease	54,672	66,060
Foreign currency convertible bonds - unsecured	1,181,561	1,911,567
Short term finances - secured	100,000	-
Creditors, accrued and other liabilities	232,393	207,134
	<u>3,903,989</u>	<u>3,695,537</u>

41.3 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 bank balances as disclosed in note 30. 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, 2010 and June 30, 2009 are as follows:

	Note	2010	2009
		(Rupees in thousand)	
Borrowings		3,516,924	3,422,343
Less: Cash and bank balances	30	<u>176,651</u>	<u>340,692</u>
Net debt		3,340,273	3,081,651
Total equity		<u>6,486,146</u>	<u>5,194,399</u>
Total capital		<u>9,826,419</u>	<u>8,276,050</u>
Gearing ratio	Percentage	34	37

42. Earnings per share

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

		2010	2009
42.1 Basic earnings per share			
Profit for the year	Rupees in thousand	633,164	436,796
Weighted average number of ordinary shares outstanding during the year	Number in thousand	267,423	226,782
Basic earnings per share	Rupees	<u><u>2.37</u></u>	<u><u>1.93</u></u>

42.2 Diluted earnings per share

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

Dilutive earnings per share	Rupees	<u><u>2.05</u></u>	<u><u>1.55</u></u>
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43. 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 38. Other significant transactions with related parties are as follows:

Relationship with the company	Nature of transactions	2010	2009
		(Rupees in thousand)	
i. Subsidiaries	Purchase of goods & services	131,268	256,200
	Short term advance given	30,910	29,697
	Short term advance received back	194,274	6,859
	Markup income	17,616	38,359
ii. Associates	Purchase of goods & services	186,449	203,175
	Advance Against Purchase of Property	256,579	65,220
	Mark up income	3,169	8,126
	Commission income	4,500	4,500
	Sales of goods and services	218,364	95,055
	Short term advance given	-	31,197
	Short term advance received back	-	2,932
iii. Key management personnel	Purchase of Investment property	-	140,000
	Short term employee benefits	6,048	11,780
	Termination Benefits	713	1,059
	Post Employment Benefits	5,658	3,020
	Advances	1,016	1,796

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

44. Date of authorisation

These financial statements were authorised for issue on October 06, 2010 by the board of directors of the Company.

45. Events after the balance sheet date

Subsequent to the year ended June 30, 2010 the company successfully 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 resolutions 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 year in the tenor of TFC issue and consequently, the remaining tenor of TFC shall be six and a half years effective from August 15, 2010. As a result current liability of the company will reduce by Rs. 499.6 million.

46. Corresponding figures

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

	(Rupees in thousand)
Current portion of foreign currency convertible bonds liability classified from long term to current portion of long term liabilities	3,602

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

Lahore
October 06, 2010

Salmaan Taseer
Chief Executive

Aamna Taseer
Director

CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
JUNE 30, 2010**

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, 2010 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, 2010 and the results of its operations for the year then ended.

Lahore:
October 06, 2010

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, 2010.

Financial Overview:

During the current financial year, the Group showed an increase in its sales which are PKR 1,649 million compared to PKR 1,535 the last year.

Comparison of the audited consolidated results for the year ended June 30, 2010 as against June 30, 2009 is as follows:

**Year Ended June 30,
2010 2009
Rupees in million**

Sales	1,649	1,535
Gross Profit	159	296
Profit after tax	1,076	768
Earnings per share (PKR)	4.02	3.39

Comparison of the audited consolidated results for the year ended June 30, 2010 as against June 30, 2009 is as follows:

**As on June 30,
2010 2009
Rupees in million**

Net Assets	7,607	5,759
Un-appropriated profits	4,142	3,013
Non-current liabilities	3,216	3,828
Cash and bank	178	341

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.

For and on behalf of the Board of Directors

Lahore:
October 06, 2010

Salmaan Taseer
Chief Executive Officer

Aamna Taseer
Director

CONSOLIDATED BALANCE SHEET

AS AT JUNE 30, 2010

	Note	June 30, 2010	June 30, 2009 Restated
(Rupees in thousand)			
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised capital 600,000,000 (June 2009: 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 2009: 232,822,008) ordinary shares of Rs 10 each	6	2,788,766	2,328,220
Reserves		686,090	387,753
Unappropriated profit		4,142,326	3,012,809
		7,617,182	5,728,782
NON-CONTROLLING INTEREST		(10,154)	30,266
		7,607,028	5,759,048
NON-CURRENT LIABILITIES			
Long term finances			
- secured	7	756,563	36,375
- unsecured	8	82,328	202,980
Redeemable capital - secured (non-participatory)	9	999,200	1,498,800
Liabilities against assets subject to finance lease	10	32,514	46,387
Foreign currency convertible bonds - unsecured	11	1,176,425	1,907,965
Deferred liabilities	12	88,236	33,814
Advances against sale of property	13	44,255	45,589
Deferred income		36,736	55,903
		3,216,257	3,827,813
CURRENT LIABILITIES			
Current portion of long term liabilities	14	638,394	72,376
Short term finances - secured	15	135,958	35,011
Creditors, accrued and other liabilities	16	284,119	250,867
Taxation		5,533	4,493
		1,064,004	362,747
CONTINGENCIES AND COMMITMENTS	17	11,887,289	9,949,608

The annexed notes from 1 to 50 form an integral part of these financial statements.

Lahore
October 06, 2010

Salmaan Taseer
Chief Executive

Pace (Pakistan) Group

	Note	June 30, 2010	June 30, 2009 Restated
(Rupees in thousand)			
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	18	550,444	474,066
Intangible assets	19	9,372	9,951
Assets subject to finance lease	20	53,791	70,502
Capital work in progress	21	6,672	71,127
Investment property	22	5,035,576	4,375,149
Investments	23	2,264,671	1,090,633
Long term advances and deposits	24	25,979	19,402
Long term loans - unsecured	25	-	80,074
Advances against purchase of property - unsecured	26	567,357	278,040
Deferred taxation	27	-	6,000
		8,513,862	6,474,944
CURRENT ASSETS			
Stock-in-trade	28	1,111,571	1,496,754
Trade debts - unsecured	29	1,714,345	1,559,785
Due from related parties - unsecured	30	15,750	15,433
Advances, deposits, prepayments and other receivables	31	354,256	61,410
Cash and bank balances	32	177,505	341,282
		3,373,427	3,474,664
		11,887,289	9,949,608

Aamna Taseer
Director

Pace (Pakistan) Group

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010	2009 Restated
(Rupees in thousand)			
Sales	33	1,649,336	1,535,295
Cost of sales	34	(1,489,853)	(1,239,402)
Gross profit		159,483	295,893
Administrative and selling expenses	35	(144,072)	(67,735)
Other operating income	36	171,590	112,138
Other operating expenses	37	(22,314)	(244,610)
Profit from operations		164,687	95,686
Finance costs	38	(244,000)	(272,451)
Changes in fair value of investment property	22	715,373	691,712
Share of profit from associates	23.1.1	480,495	154,666
Profit before tax		1,116,555	669,613
Taxation			
- Group	39	(70,799)	90,225
- Associated companies	23.1.1	30,236	8,345
		(40,563)	98,570
Profit for the year		1,075,992	768,183
Other comprehensive income			
Changes in fair value of available for sale investment		1	(11)
Share in capital reserves of associates		113,405	218,326
Total other comprehensive income		113,406	218,315
Total comprehensive income for the year		1,189,398	986,498
Attributable to:			
Equity holders of the parent		1,229,818	956,259
Non-controlling interest		(40,420)	30,239
		1,189,398	986,498
Earnings per share attributable to ordinary shareholders			
- basic earnings per share	Rupees 45	4.02	3.39
- diluted earnings per share	Rupees 45	3.37	2.53

The annexed notes from 1 to 50 form an integral part of these financial statements.

Lahore
October 06, 2010

Salmaan Taseer
Chief Executive

Aamna Taseer
Director

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2010**

	Note	2010	2009 Restated
		(Rupees in thousand)	
Cash flow from operating activities			
Cash generated from / (used in) operations	41	82,099	(401,479)
Net decrease in advances against purchase of property		(289,317)	(284,835)
Finance cost paid		(150,877)	(235,288)
Gratuity and leave encashment paid		(12,319)	(3,631)
Taxes paid		(10,096)	(14,291)
		(380,510)	(939,524)
Cash flow from investing activities			
Purchase of property, plant and equipment		(4,630)	(68,576)
Additions in investment property		(131,919)	(151,064)
Proceeds from sale of property, plant and equipment		7,306	1,296
Increase in long term advances and deposits		(6,577)	(11,123)
Receipt of long term loans		80,074	-
Mark up received		13,232	108,686
Investment in equity instrument of Pace Barka Properties Limited		(549,901)	-
Proceeds from disposal of investment property		68,332	-
		(524,083)	(120,781)
Cash flow from financing activities			
Surrender of share deposit money to SECP		-	(665)
Repayment of long term finances		662,535	(31,532)
Repayment of redeemable capital		(600)	(600)
Payment of markup on foreign currency convertible bonds (Payment)/availment of finance lease liabilities		(10,678) (11,388)	- 107,923
		639,869	75,126
Net increase in cash and cash equivalents		(264,724)	(985,179)
Cash and cash equivalents at the beginning of the year		306,271	1,291,450
Cash and cash equivalents at the end of the year	42	41,547	306,271

The annexed notes from 1 to 50 form an integral part of these financial statements.

Lahore
October 06, 2010

Salmaan Taseer
Chief Executive

Aamna Taseer
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2010

	Attributable to equity holders of the parent						Non-Controlling Interest		Total Equity	
	Share capital	Share deposit money	Share premium	Revaluation reserve for investment property	Reserve for changes in fair value of investments	Share in capital reserves of associates	Unappropriated profit	Total	Interest	Total Equity
Balance as on June 30, 2008	2,204,656	882	1,003	116,244	7	-	2,252,823	4,575,615	27	4,575,642
Total Comprehensive income for the year										
Profit for the year	-	-	-	-	-	-	737,944	737,944	30,239	768,183
Other comprehensive loss	-	-	-	-	(11)	218,326	-	218,315	-	218,315
Issue of ordinary shares	123,537	(217)	74,253	-	(11)	218,326	737,944	956,259	30,239	986,498
Bonus shares issued during the year	27	-	(27)	-	-	-	-	197,573	-	197,573
Transfer of reserve relating to sale of investment property	-	-	-	(22,042)	-	-	22,042	-	-	-
Share deposit money surrendered to SECP	-	(665)	-	-	-	-	(665)	(665)	-	(665)
Balance as on June 30, 2009 as restated	2,328,220	-	75,229	94,202	(4)	218,326	3,012,809	5,728,782	30,266	5,759,048
Total Comprehensive income for the year										
Profit for the year	-	-	-	-	-	-	1,116,412	1,116,412	(40,420)	1,075,992
Other comprehensive income	-	-	-	-	1	113,405	-	113,406	-	113,406
Issue of ordinary shares	460,546	-	-	-	-	-	-	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	(10,154)	7,607,028

The annexed notes from 1 to 50 form an integral part of these financial statements.

Lahore
October 06, 2010

Salmaan Taseer
Chief Executive

Aamna Taseer
Director

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

1. Legal status and nature of business

1.1 Constitution and ownership

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

Pace (Pakistan) Limited

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

Pace Gujrat (Private) Limited

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

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 (SECP) 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 1 (Revised), 'Presentation of Financial Statements' is effective from January 1, 2009. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result, the company shows all owner related changes in equity in statement of changes in equity, whereas all non-owner changes in equity are presented in other comprehensive income. Comparative information is required to be re-presented so that it is in conformity with the revised standard.

The group has preferred to present a single statement; a profit and loss account (income statement) including components of profit or loss and of other comprehensive income. Comparative information has also been re-presented so it is in conformity with the revised standard. As this change only impacts presentation aspects, there is no impact on profit for the year.

- IFRS 7 'Financial Instruments – Disclosures' (Amendment) is effective from January 1, 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. These financial statements have been prepared under revised disclosure requirements. However, there is no impact on profit for the year.

- IAS 23 (Amendment), 'Borrowing Costs' is effective from January 1, 2009. The amendment requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The option of immediately expensing those borrowing costs is removed. The Group's current accounting policy is in compliance with this amendment, and therefore there is no impact on the group's financial statements.

- IAS 1 (Amendment), 'Presentation of Financial Statements'. The amendment is part of the International Accounting Standard Board's (IASB) annual improvements project published in April 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The group has opted to early adopt IAS 1 (amendment) from July 1, 2009. It only affects the classification of certain elements of the group's financial statements.

- IAS 27 (Revised), 'Consolidated and Separate Financial Statements', is effective from July 01, 2009. The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in income statement. In addition, all acquisition-related costs are to be expensed out. Its adoption will not have any impact on the Group's financial statements.

- IFRS 3 (Revised), 'Business combinations' is effective from July 01, 2009. The revised standard continues

to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. In addition, all acquisition-related costs are to be expensed out. Its adoption will not have any impact on the Group's financial statements.

- IFRS 8, 'Operating segments' is effective from July 01, 2009 and replaces IAS 14, 'Segment reporting'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in reportable segments being presented for current and prior periods as reviewed for management decision making. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker. The application of the standard 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 company

Standards or Interpretation

Effective date (accounting periods beginning on or after)

IFRIC 17, 'Distribution of non-cash assets to owners'	July 1, 2009
IFRIC 18, 'Transfer of Assets from Customers'	July 1, 2009

The other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after July 1, 2009 are considered not to be relevant or to have any significant impact on the company's financial reporting and operations.

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, 2010 or later periods, but the group has not early adopted them:

- Revised IAS 24, 'Related Party Disclosures', issued in November 2009. It supersedes IAS 24, 'Related Party Disclosures', issued in 2003. The revised IAS 24 is required to be applied from January 1, 2011. Earlier application, in whole or in part, is permitted.

- 'Classification of rights issues' (Amendment to IAS 32), issued in October 2009. For rights issues offered for a fixed amount of foreign currency, current practice appears to require such issues to be accounted for as derivative liabilities. The amendment states that if such rights are issued pro rata to all the entity's existing shareholders in the same class for a fixed amount of currency, they should be classified as equity regardless of the currency in which the exercise price is denominated. The amendment should be applied for annual periods beginning on or after February 1, 2010. Earlier application is permitted.

- IAS 38 (Amendment), 'Intangible Assets'. The amendment is part of the IASB's annual improvements project published in April 2009 and the group will apply IAS 38 (Amendment) from the date IFRS 3 (Revised), 'Business Combinations' is adopted. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The amendment will not result in any significant impact on the group's financial statements.

- IAS 39 (Amendment); 'Cash flow hedge accounting'. This amendment provides clarification when to recognize gains or losses on hedging instruments as reclassification adjustments in a cash flow hedge of a forecast transaction that results subsequently in the recognition of a financial instrument. The amendment clarifies that gains or losses should be reclassified from equity to income statement in the period in which the hedged forecast cash flow affects income statement. The group will apply IAS 39 (Amendment) from July 1, 2010. It is not expected to have any significant impact on the group's financial statements.

- IFRS 5 (Amendment), 'Measurement of non-current assets (or disposal groups) classified as held-for-sale'. The amendment is part of the IASB's annual improvements project published in April 2009. 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 group will apply IFRS 5 (amendment) from July 1, 2010. It is not expected to have a material impact on the group's financial statements.

- IFRS 9, 'Financial Instruments', issued in December 2009. This addresses the classification and measurement of financial assets and is likely to affect the group's accounting for its financial assets. The standard is not applicable until January 1, 2013 but is available for early adoption. IFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognized directly in profit or loss. The group has not yet decided when to adopt IFRS 9.

- 'Prepayments of a minimum funding requirement' (Amendments to IFRIC 14), issued in November 2009. The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognize as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct the problem. The amendments are effective for annual periods beginning January 1, 2011. Earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented.

- IFRIC 19, 'Extinguishing financial liabilities with equity instruments'. This clarifies the requirements of IFRSs when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. The interpretation is effective for annual periods beginning on or after July 1, 2010. Earlier application is permitted.

3. Basis of measurement

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

The Group's significant accounting policies are stated in note 5. Not all of these significant accounting policies require management to make difficult, subjective or complex judgments or estimates. The following is intended to provide an understanding of the policies that management considers critical because of the complexity, judgment of estimation involved in their application and their impact on these financial statements. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These judgments involve assumptions or estimates in respect of future events and the actual results may differ from these estimates. 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 5.6.

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 receivable

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

4. Prior period error

During the previous year ended June 30, 2009, Pace Barka Properties Limited - an associated company of the group, had recognized sales and cost of sales of its Project in accordance with IFRIC-15, on the basis of stage of completion determined as a percentage of cost incurred to date to total estimated cost of the project. Keeping in view the complex nature of the construction activity on its Project, an independent professional valuer has been engaged during the year to certify the work performed as at June 30, 2010. On the basis of professional valuation the stage of completion of the project was revised. Consequently, the share of profit of associate has been revised to reflect the change in the Group's consolidated financial statements as at June 30, 2009.

The error has been corrected retrospectively during the current year in accordance with International Accounting Standard 8 (IAS - 8): "Accounting policies, changes in accounting estimates and errors". Consequently the following figures have been revised:

Effect on 2009	(Rupees in thousand)
Decrease in Investments - associated undertakings	70,044
Decrease in share of profit from associates	70,044
Decrease in earnings per share - in Rupees	
- basic	0.31
- diluted	0.23

Effect on periods prior to 2009

As it is impracticable to determine the effect of change in accounting estimate on periods prior to 2009 due to non-availability of engineer estimate, the entity has applied the new accounting estimate to the carrying amounts of assets and liabilities for the year ended June 30, 2009 being the earliest period for which retrospective application is practicable.

5. Significant accounting policies

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

5.1 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 47.

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

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 23.

5.2 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.

5.3 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 5.15.

Pace (Pakistan) Group

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

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

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

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

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

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

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

5.4 Intangible assets

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

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

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

5.5 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.

5.6 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, 2010. Projected Unit Credit Method, using the following significant assumptions for valuation of the scheme:

- Discount rate 12 percent per annum (June 2009: 12 percent per annum)
- Expected rate of increase in salary level 11 percent per annum (June 2009: 11 percent per annum)

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

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

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

The latest actuarial valuation was carried out as at June 30, 2010. Projected Unit Credit Method, using the following significant assumptions is used for valuation of accumulating compensated absences:

- Discount rate	12% (June 2009: 12%)
- Expected increase in salary	11% (June 2009: 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 2009: 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.

5.7 Capital work in progress

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

5.8 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, 2010. 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.

5.9 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.

5.10 Financial instruments

5.10.1 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 5.17.

5.10.2 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.

5.10.3 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.

5.11 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.

5.12 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 land, condominiums, shops/counters and villas in the process of construction/development. Cost in relation to work-in-process comprises of proportionate cost of land, cost of direct materials, labour and appropriate overheads. Cost in relation to shops transferred from investment property is the fair value of the shops on the date of transfer and any subsequent expenditures incurred thereon.

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

5.13 Foreign currency transactions and translation

a) Functional and presentation currency

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the 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.

5.14 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 buyer's 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 fulfil its contractual obligations for this reason is remote; and
- the buyer has the right to dispose of 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.

5.15 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.

5.16 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.

5.17 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 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.

5.18 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.

5.19 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.

5.20 Foreign currency convertible bonds

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

5.21 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.

6. Issued, subscribed and paid up capital

2010	2009 Restated		2010	2009 Restated
(Number of shares)			(Rupees in thousand)	
201,704,516	155,649,920	Ordinary shares of Rs 10 each fully paid in cash	2,017,045	1,556,499
77,172,088	77,172,088	Ordinary shares of Rs 10 each issued as fully paid bonus shares	771,721	771,721
<u>278,876,604</u>	<u>232,822,008</u>		<u>2,788,766</u>	<u>2,328,220</u>

First Capital Securities Corporation Limited and Worldcall Telecom Limited, associated undertakings, hold 24,055,407 (June 2009: 31,506,907) and 6,959,290 (June 2009: 6,959,290) ordinary shares of the Group respectively.

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	Note	2010	2009 Restated
		(Rupees in thousand)	
7. Long term finances - secured			
The Bank of Punjab - demand finance	7.1	31,500	73,500
Faysal Bank Limited - long term finance facility	7.2	-	11,376
Syndicate term finance facility	7.3	400,000	-
Soneri Bank - demand finance	7.4	36,563	-
Emirates Global Islamic Bank Limited - musharika based agreement	7.5	400,000	-
		868,063	84,876
Less: Current portion shown under current liabilities		111,500	48,501
		756,563	36,375

7.1 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.

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 as referred to in note 7.1.

7.2 Faysal Bank Limited - long term finance facility

Terms of repayment

The balance is payable in one installment falling due on August 22, 2009. Mark up is computed at average 6 months KIBOR plus 2.35% and is payable quarterly. In the event the Group fails to pay the balances as per terms of facility, additional markup is to be computed at the rate of 2 % per annum on the balances unpaid.

Security

The loan is secured by first charge on property located at 41 P Block, Model Town, Lahore and lien on term deposit receipt valuing Rs 7 million.

7.3 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% (June 2009: Nil).

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 arising out of the two projects; 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.

7.4 Soneri Bank Demand Finance

Terms of repayment

This loan is part of total demand finance facility limit of Rs. 44.688 Million (June 2009: Nil) and carries mark up @ 6 months KIBOR + 3%. The loan is repayable in 8 equal quarterly installments.

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 has deposited Rs. 45 million in margin account with bank as a security till completion of transfer/mortgage formalities.

7.5 Emirates Global Islamic Bank Limited - musharika based agreement

Terms of repayment

This loan is part of the long term facility of Rs. 400 Million (June 2009: NIL) under a Musharika based Arrangement with Emirates Global and carries mark-up @ 3 months KIBOR + 3.5%. The loan is repayable in 10 equal quarterly installments starting from January 20, 2011.

Security

The loan is secured by 100% registered and equitable mortgage of property located at 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	2010	2009 Restated
(Rupees in thousand)			
8. Long term finances - unsecured			
Associated undertakings			
- Pace Barka Properties Limited	8.1	-	161,730
Others	8.2	82,328	41,250
		<u>82,328</u>	<u>202,980</u>

8.1 This loan is unsecured and carries mark up at the rate of 14.5% (June 2009: 14.25% to 19.45%)

8.2 This represents unsecured loan from non-banking company and carries markup at the rate of 13.75% to 14.75% per annum. (June 2009: 14.5%). The loan is repayable in eight quarterly installments with the first installment due from June 12, 2009.

	Note	2010	2009 Restated
(Rupees in thousand)			
9. Redeemable capital - secured (non-participatory)			
Term finance certificates	9.1	<u>1,498,800</u>	<u>1,499,400</u>
		1,498,800	1,499,400
Less: Current portion shown under current liabilities	9.2	<u>499,600</u>	<u>600</u>
		<u>999,200</u>	<u>1,498,800</u>

9.1 Term finance certificates

Terms of repayment

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

Security

The TFC's are secured by a first exclusive charge by way of equitable mortgage on the Group's properties situated at 124/E-1, Main Boulevard Gulberg III, Lahore, 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.

- 9.2 The term finance certificates have been rescheduled subsequent to year ended June 30, 2010 on the terms and conditions as referred to in note 49.

2010 2009
Restated
(Rupees in thousand)

10. Liabilities against assets subject to finance lease

Present value of minimum lease payments	54,672	66,060
Less: Current portion shown under current liabilities	22,158	19,673
	32,514	46,387

The minimum lease payments have been discounted at an implicit interest rate ranging from 12% to 19.36% (June 2009: 11.36% to 18.25%) 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 13.875 million (June 2009: Rs 13.835 million).

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

	Minimum lease payments	Future finance charge	(Rupees in thousand)	
			Present value of lease liability	
			2010	2009 Restated
Not later than one year	25,647	3,489	22,158	19,673
Later than one year and not later than five years	33,234	720	32,514	46,387
	58,881	4,209	54,672	66,060

	2010	2009 Restated
	(Rupees in thousand)	
11. Foreign currency convertible bonds - unsecured		
Opening balance as at July 1	1,911,567	1,758,565
Converted into equity shares	(658,581)	(197,574)
Markup accrued for the year	40,870	130,757
	1,293,856	1,691,748
Markup paid during the year	(10,679)	(19,813)
Exchange loss for the year	(101,616)	239,632
	1,181,561	1,911,567
Less: Current portion shown under current liabilities	(5,136)	(3,602)
Closing balance as at June 30	1,176,425	1,907,965

The Group has issued 25,000 convertible bonds of USD 1,000 each amounting to USD 25 million listed at Singapore Stock Exchange due in 2013. Yield to maturity is 6.5% per annum, compounded semi-annually, accretive. The holders of the bonds have an option to convert the bonds into equity shares of the Group at any time following the issue date at a price calculated every six months as per terms of arrangement or mandatory conversion can take place if certain conditions are met. During the current year bonds amounting to USD 10 million (June 2009: USD 3 million) were converted into ordinary shares of the Group.

As the fair value calculated for the embedded foreign exchange equity derivative 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	2010	2009 Restated
		(Rupees in thousand)	
12. Deferred liabilities			
These are composed of :			
Staff gratuity	12.1	31,795	32,025
Leave encashment	12.2	1,441	1,789
Deferred taxation	27	55,000	-
		88,236	33,814

12.1 Staff gratuity

The amounts recognised in the balance sheet are as follows:

Present value of defined benefit obligation	28,939	30,236
Unrecognised experience losses	2,856	1,789
	31,795	32,025
Liability as at June 30		
Liability as at July 1	32,025	22,267
Charge to profit and loss account	10,139	12,501
Benefits paid	(6,526)	(2,743)
Liability transfer to other Group Company	(3,843)	-
Liability as at June 30	31,795	32,025

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	2010	2009 Restated
	(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	30,236	25,021
Service cost	6,511	9,448
Interest cost	3,628	3,002
Benefits paid	(6,526)	(2,743)
Experience gain	(1,067)	(4,492)
Liability transferred to other group company	(3,843)	-
Present value of defined benefit obligation as at June 30	28,939	30,236

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

Service cost	6,511	9,448
Interest cost	3,628	3,003
Experience loss	-	50
Charge to profit and loss	10,139	12,501

2010 2009
Restated
(Rupees in thousand)

12.1.1 Charge for the year has been allocated as follows:

Cost of sales	4,829	3,750
Administrative, general and other expenses	5,310	8,751
	10,139	12,501

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

	2010	2009	2008	2007	2006
	(Rupees in thousand)				
Present value of defined benefit obligation	28,939	30,236	25,021	14,919	7,193
Fair value of plan assets	-	-	-	-	-
Deficit	(28,939)	(30,236)	(25,021)	(14,919)	(7,193)
Experience adjustment on obligation	15%	4%	7%	14%	12%

2010 2009
Restated
(Rupees in thousand)

12.2 Leave encashment

The amounts recognised in the balance sheet are as follows:

Liability as at July 1	1,789	1,656
Charge to profit and loss account	1,602	1,021
Benefits paid	(1,950)	(888)
Liability as at June 30	1,441	1,789

13. Advances against sale of property

This represents advances received from various parties against sale of apartments and houses in Pace Towers project, 27-H Gulberg II, Lahore and Pace Woodlands project and Model Town Extension Lahore, respectively.

Note	2010	2009 Restated
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(Rupees in thousand)

14. Current portion of long term liabilities

Current portion of long term finances -secured	7	111,500	48,501
Current portion of Redeemable capital - secured (non-participatory)	9	499,600	600
Current portion of liabilities against assets subject to finance lease	10	22,158	19,673
Current portion of foreign currency convertible bonds - unsecured	11	5,136	3,602
		638,394	72,376

15. Short term Finances - secured

The Bank of Punjab	15.1	35,958	35,011
Pak Iran Joint Investment Company	15.2	100,000	-
		135,958	35,011

15.1 Short-term Finances - secured

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 (June 2009: Rs 36 Million). The rate of markup is 3 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 as referred to in note 7.1.

15.2 Pak Iran Joint Investment Company

Terms of repayment

This represents the loan amount under short term finance facility of Rs. 100 Million (June 2009: Nil) with Pak-Iran Joint Investment Company Limited and carries mark-up @ 6 months KIBOR + 3.5%. The loan is repayable in one year in a single installment due on October 1, 2010.

Security

The facility is secured by creation of mortgage amounting to the sum of Rs. 142,857,143 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 sq. feet.

Pace (Pakistan) Group

	Note	2010	2009 Restated
		(Rupees in thousand)	
16. Creditors, accrued and other liabilities			
Trade creditors		16,804	13,230
Advances from customers		4,829	5,977
Licensees/concessionaires payable		15,793	10,873
Accrued liabilities		18,021	16,934
Mark-up accrued on:			
- Long term finances -secured		22,486	4,349
- Redeemable capital - secured (non-participatory)		76,676	88,160
- Short-term finances		45,600	-
Licensee security deposits		16,317	15,733
Payable to contractors	16.1	1,135	26,061
Due to related parties	16.2	-	32,895
Retention money	16.3	362	17,087
Payable to statutory body		27,706	-
Workers welfare fund payable		20,549	-
Others	16.4	17,841	19,568
		284,119	250,867

16.1 Payable to contractors include Nil (June 2009: Rs 17.878 million) due to a related party.

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

16.3 Retention money include Rs Nil (June 2009: Rs 15.632 million) due to a related party.

16.4 Others include Rs Nil (June 2009: Rs 25.815 million) representing Group's share of unrealised markup on balances with associates, which are being accounted for using the equity method of accounting. The associates have charged the said markup to the cost of qualifying assets and the same will be realised upon the sale or use of the said assets in the normal course of business.

17. Contingencies and commitments

17.1 Contingencies

- (i) Claims against the Company not acknowledged as debts Rs 21.644 million (June 2009: 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 (June 2009: Rs 900 million) as per the approval of shareholders through the special resolution dated July 29, 2006.
- (iii) A penalty of Rs 3.87 million (June 2009: Rs 3.87 million), for an alleged non-filing of Wealth Tax returns for assessment years 1996-97 to 1998-99, has been imposed vide order dated 4th September, 2007 by the Wealth Tax Officer. The Company filed appeal before CIT (A) for cancellation of the order. After the dismissal of appeal by CIT(A), the Company has filed appeal in ITAT against the order of CIT(A).

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

17.2 Commitments

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

	2010	2009 Restated
	(Rupees in thousand)	
Not later than one year	1,738	1,580
Later than one year and not later than five years	8,872	8,065
Later than five years	9,264	11,808
	19,874	21,453

18. Property, plant and equipment

(Rupees in thousand)

	2010						2009											
	Cost as at June 30, 2009	Additions/ transfers/ (deletions)	Transfer to investment property/ stock-in-trade	Cost as at June 30, 2010	Accumulated depreciation as at June 30, 2009	Depreciation charge for the year	Transfer to investment property/ stock-in-trade	Accumulated depreciation as at June 30, 2010	Book value as at June 30, 2010	Cost as at June 30, 2008	Additions/ transfers/ (deletions)	Transfer to investment property/ stock-in-trade	Cost as at June 30, 2009	Accumulated depreciation as at June 30, 2008	Depreciation charge for the year	Transfer to investment property/ stock-in-trade	Accumulated depreciation as at June 30, 2009	Book value as at June 30, 2009
Freehold land *	93,559	61,593	-	155,152	-	-	-	-	155,152	-	-	(481)	93,559	-	-	-	-	93,559
Leasehold land **	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings on freehold land	128,500	50,970	-	179,470	19,071	5,684	-	24,755	154,715	111,663	18,827	(1,990)	128,500	13,703	5,607	(239)	19,071	109,429
Buildings on leasehold land ***	135,137	-	-	135,137	14,475	13,515	-	27,990	107,147	134,225	912	-	135,137	1,119	13,356	-	14,475	120,662
Plant and machinery	81,171	-	-	81,171	36,762	4,441	-	41,203	39,968	72,682	8,489	-	81,171	32,686	4,076	-	36,762	44,409
Electrical equipment	67,235	1,937	-	69,172	12,852	5,764	-	18,616	50,556	42,985	24,865	-	67,235	8,428	4,486	-	12,852	54,383
Office equipment and appliances	11,673	-	-	11,673	4,963	671	-	5,634	6,039	11,653	20	-	11,673	4,218	745	-	4,963	6,710
Furniture and fixtures	11,738	46	-	11,784	2,750	904	-	3,654	8,130	11,136	602	-	11,738	1,759	991	-	2,750	8,988
Computers	9,242	226	-	9,386	5,105	1,393	-	6,464	2,922	8,627	796	-	9,242	3,365	1,856	-	5,105	4,137
Vehicles ****	38,936	(82)	-	40,574	7,147	(34)	-	14,760	25,815	17,337	22,088	-	38,936	4,685	(116)	-	7,147	31,789
		8,418	-	40,574	7,147	(34)	-	14,760	25,815	504,348	(489)	-	577,191	69,963	(160)	(239)	103,125	474,066
		(6,780)	-	693,519	103,125	(2,801)	-	143,076	550,444	577,191	76,599	(2,471)	577,191	69,963	33,739	(338)	103,125	474,066
June 2010	577,191	(6,862)	-	693,519	103,125	(2,835)	-	143,076	550,444	504,348	(1,285)	-	577,191	69,963	33,739	(338)	103,125	474,066
Freehold land *	94,040	-	(481)	93,559	-	-	-	-	93,559	94,040	-	-	93,559	-	-	-	-	93,559
Leasehold land **	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings on freehold land	111,663	18,827	(1,990)	128,500	13,703	5,607	(239)	19,071	109,429	111,663	18,827	(1,990)	128,500	13,703	5,607	(239)	19,071	109,429
Buildings on leasehold land ***	134,225	912	-	135,137	1,119	13,356	-	14,475	120,662	134,225	912	-	135,137	1,119	13,356	-	14,475	120,662
Plant and machinery	72,682	8,489	-	81,171	32,686	4,076	-	36,762	44,409	72,682	8,489	-	81,171	32,686	4,076	-	36,762	44,409
Electrical equipment	42,985	24,865	-	67,235	8,428	4,486	-	12,852	54,383	42,985	24,865	-	67,235	8,428	4,486	-	12,852	54,383
Office equipment and appliances	11,653	20	-	11,673	4,218	(62)	-	4,963	6,710	11,653	20	-	11,673	4,218	745	-	4,963	6,710
Furniture and fixtures	11,136	602	-	11,738	1,759	991	-	2,750	8,988	11,136	602	-	11,738	1,759	991	-	2,750	8,988
Computers	8,627	796	-	9,242	3,365	1,856	-	5,105	4,137	8,627	796	-	9,242	3,365	1,856	-	5,105	4,137
Vehicles ****	17,337	22,088	-	38,936	4,685	(116)	-	7,147	31,789	17,337	22,088	-	38,936	4,685	(116)	-	7,147	31,789
		(489)	-	577,191	69,963	(160)	(239)	103,125	474,066	504,348	(1,285)	-	577,191	69,963	33,739	(338)	103,125	474,066
June 2009 restated	504,348	(1,285)	(2,471)	577,191	69,963	33,739	(338)	103,125	474,066	504,348	(1,285)	(2,471)	577,191	69,963	33,739	(338)	103,125	474,066

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

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

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

**** Vehicles includes three cars, which are under the process of registration in the name of the Group.

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

	June 2010	June 2009 Restated
Stores operating expenses	14,589	27,139
Administrative and selling expenses	24,135	4,796
Stock-in-trade	4,062	1,802
	<u>42,786</u>	<u>33,739</u>

18.2 Disposal of property, plant & equipment

Particular of Assets	Sold to	Cost	Accumulated Depreciation	Book value	Sales proceeds	Mode of Disposal
Computers	S.M.Salam	82	34	48	48	Negotiation
Vehicles	M. Tariq, Munawar, M. Salim, M. Wasif, Abdul Kamran Salam, Farooq Ahmed, Allah Diitta, M. Sharjeel, Javed Dar, Farooq Ahmed, M.Faraz, Faisal Farooq, M. Awais Khan, Sardar Ali Wattoo	6,780	2,801	3,979	7,258	Negotiation
		<u>6,862</u>	<u>2,835</u>	<u>4,027</u>	<u>7,306</u>	
June 2010						

19. Intangible assets

(Rupees in thousand)

	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	
Softwares	2,878	-	2,878	1,840	934
Dark fiber *	9,508	-	9,508	595	8,438
June 2010	12,386	-	12,386	2,435	9,372
	2009				Book value as at June 30, 2009
	Cost as at June 30, 2008	Additions/ (deletions)	Cost as at June 30, 2009	Accumulated amortisation as at June 30, 2008	
Softwares	2,878	-	2,878	1,724	1,038
Dark fiber *	9,508	-	9,508	119	8,913
June 2009 restated	12,386	-	12,386	1,843	9,951

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

Note	2010	2009
		Restated

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

	2010	2009
Administrative and selling expenses	579	422
Stock-in-trade	-	170
	579	592

20. Assets subject to finance lease (Rupees in thousand)

	2010						Book value as at June 30, 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	
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
	2009						Book value as at June 30, 2009
	Cost as at June 30, 2008	Additions/ (deletions) (transfer)	Cost as at June 30, 2009	Accumulated depreciation as at June 30, 2008	Depreciation charge for the year	Accumulated depreciation as at June 30, 2009	
Vehicles	23,529	1,684 (3,371)	21,842	5,144	3,453 (1,354)	7,243	14,599
Plant and machinery	-	57,500	57,500	-	1,597	1,597	55,903
June 2009 restated	23,529	59,184 (3,371)	79,342	5,144	5,050 (1,354)	8,840	70,502

20.1 The depreciation charge for the year has been allocated as follows: (Rupees in thousand)

	2010	2009
Administrative and selling expenses	23,234	3,607
Stock-in-trade	-	1,443
	23,234	5,050

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	Note	2010	2009 Restated
(Rupees in thousand)			
21. Capital Work in progress			
Broadband/telephony services	21.1	2,672	2,672
Interactive vigilance system	21.1	4,000	4,000
Investment property under construction	21.2 and 21.3	-	59,227
Property, plant and equipment under construction	21.2	-	5,228
		<u>6,672</u>	<u>71,127</u>

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

21.2 Capital work in progress amounting to Rs. Nil (June 2009: Rs 20.883 million) are pledged with lenders as security against long term loan and redeemable capital as referred to in note 7 and note 9 respectively.

21.3 Included in capital work in progress are borrowing costs of Rs. Nil (June 2009: Rs 3.996 million).

	<u>Cost as at June 30, 2010</u>		<u>Fair Value as at June 30,</u>	
	<u>Land</u>	<u>Building</u>	2010	2009 Restated
(Rupees in thousand)				
22. Investment property				
Opening value as on July 1	770,135	1,565,353	4,375,149	3,580,870
Additions to cost during the year:				
- Transfer from stock-in-trade	-	345,288	345,288	93,688
- Purchase of assets classified as 'investment property'	146,297	-	146,297	151,064
- Transfer to stock-in-trade	-	(300,439)	(300,439)	(142,185)
- Disposal of investment property	(177,096)	(68,996)	(246,092)	-
Closing Value before revaluation as at June 30	<u>739,336</u>	<u>1,541,206</u>	<u>4,320,203</u>	<u>3,683,437</u>
Add: Gain recognised in Profit and Loss Account			715,373	691,712
Closing value after revaluation as on June 30			<u>5,035,576</u>	<u>4,375,149</u>

23. Investments

- associated undertakings - unquoted	23.1	2,264,668	1,090,631
Available for sale - quoted	23.2	3	2
		<u>2,264,671</u>	<u>1,090,633</u>

23.1 Associated undertakings - unquoted

Pace Barka Properties Limited 115,000,000 (June 2009: 60,000,000) fully paid ordinary shares of Rs 10 each	23.1.1	2,264,488	1,090,451
Pace Super Mall (Private) Limited 18,000 (June 2009: 18,000) fully paid ordinary shares of Rs 10 each		180	180
		<u>2,264,668</u>	<u>1,090,631</u>

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2010
2009
Restated
(Rupees in thousand)

23.1.1 Pace Barka Properties Limited

Cost	1,149,901	600,000
Brought forward amounts of post acquisition reserves and profits and negative goodwill recognized directly in profit and loss	<u>490,451</u>	<u>109,114</u>
	1,640,352	709,114
Share of movement in reserves during the year	113,405	218,326
Share of profit/(loss) for the year		
- before taxation	(10,054)	154,666
- provision for taxation	30,236	8,345
Gain on purchase of investment	490,549	-
	<u>510,731</u>	<u>163,011</u>
Balance as on June 30	<u>2,264,488</u>	<u>1,090,451</u>

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

	<u>Percentage interest held</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Revenues</u>	<u>Profit/(loss)</u>
Name		<u>(Rupees in thousands)</u>			
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>	<u>66,054</u>	<u>-</u>	<u>-</u>
		<u>2,966,564</u>	<u>645,321</u>	<u>195,451</u>	<u>91,640</u>
June 2009					
Pace Barka Properties Limited	19.66%	1,517,525	357,062	192,740	233,055
Pace Super Mall (Private) Limited	40%	<u>59,460</u>	<u>59,280</u>	<u>-</u>	<u>-</u>
		<u>1,576,985</u>	<u>416,342</u>	<u>192,740</u>	<u>233,055</u>

23.2 Available for sale - quoted

Available for sale investment at cost	23.2.1	6	6
Add: Cumulative fair value (loss)/gain	23.2.2	<u>(3)</u>	<u>(4)</u>
		<u>3</u>	<u>2</u>

23.2.1 This represents 912 (June 2009: 912) fully paid ordinary shares of Rs 10 each of Worldcall Telecom Limited, an associated undertaking under the Companies Ordinance, 1984. However, for the purpose of measurement, it has been classified as available for sale investment as the Group does not have significant influence over its operations.

	2010	2009 Restated
	(Rupees in thousand)	
23.2.2 Cumulative fair value (loss)/gain		
As at July 1	(4)	7
Fair value loss during the year	1	(11)
Transfer to profit and loss account	-	-
As at June 30	(3)	(4)

24. Long term advances and deposits

Lease key money	13,096	13,402
Security deposit	12,883	6,000
	25,979	19,402

25. Long term loans - unsecured

These represent loans given to the following related parties:

Associated undertakings

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

25.1 These loans carry mark up at the rate ranging from 5.25% to 17.50% per annum.

2010 2009
Restated
(Rupees in thousand)

26. Advances against purchase of property - unsecured

Associated undertakings

Pace Barka Properties Limited	543,019	256,440
Pace Super Mall (Private) Limited	21,600	21,600
Others	2,738	-
	567,357	278,040

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

27. Deferred taxation

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

Accelerated tax depreciation	(269,406)	(174,859)
Employee retirement benefits	11,632	11,835
Deferred cost	472	589
Unused tax losses and minimum tax	202,302	168,435
	(55,000)	6,000

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	Note	2010	2009 Restated
(Rupees in thousand)			
The gross movement in deferred tax asset/(liability) during the year is as follows:			
Opening balance		6,000	(85,000)
Income/(charge) during the year		(61,000)	91,000
Closing balance		(55,000)	6,000

28. Stock-in-trade

Commercial buildings and shops

Work-in-process	28.1	922,302	1,230,556
Shops and houses		187,988	264,759
		1,110,290	1,495,315
Restaurant and stores inventory		1,281	1,439
		1,111,571	1,496,754

28.1 Included in work in process are borrowing costs of Rs. 238.659 million (June 2009: Rs 109.585 million).

	Note	2010	2009 Restated
(Rupees in thousand)			
29. Trade debts - unsecured			
Considered good		1,714,345	1,559,785
Considered doubtful		13,446	9,000
		1,727,791	1,568,785
Less: Provision for doubtful debts	29.1	(13,446)	(9,000)
		1,714,345	1,559,785

29.1 Provision for doubtful debts

Balance as at July 1		9,000	2,000
Add: provision during the year		4,500	7,000
		13,500	9,000
Less: written off during the year		(54)	-
Balance as at June 30		13,446	9,000

Included in trade debts is an amount of Rs. Nil (June 2009: Rs 389.384) receivable from First Capital Securities Corporation Limited, a related party.

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	Note	2010	2009 Restated
(Rupees in thousand)			
30. Due from related parties - unsecured			
Due from related parties - unsecured	30.1	<u>15,750</u>	<u>15,433</u>

30.1 These advances are considered good and carry mark up at the rate ranging from 16.5% to 17.5% per annum (June 2009: 15.25% to 17.50%).

	Note	2010	2009 Restated
(Rupees in thousand)			
31. Advances, deposits, prepayments and other receivables			
Advances - considered good			
- to employees		13,190	7,192
- to suppliers		31,151	16,189
Security deposits		12,159	7,197
Prepayments		745	2,882
Advances to contractors	31.1	272,557	6,499
Income tax recoverable from government		19,507	18,170
Others - considered good		4,947	3,281
		<u>354,256</u>	<u>61,410</u>

31.1 Advances to contractors include Rs 270.920 million (June 2009: Rs 4.55 million) due from Trident Construct (Private) Limited, a related party. This relates to normal business of the Group and is interest free.

	Note	2010	2009 Restated
(Rupees in thousand)			
32. Cash and bank balances			
At banks			
- in saving accounts	32.1	143,672	336,922
- in current accounts		<u>33,749</u>	<u>4,095</u>
		177,421	341,017
In hand including credit card sales Rs 0.084 million (June 2009: Rs 0.106 million)		84	265
		<u>177,505</u>	<u>341,282</u>

32.1 Included in these are total restricted funds of Rs. Nil (June 2009: Rs 7 million) held by banks under lien as security against long term finances. The balances in saving accounts bear mark up which ranges from 5% to 10% per annum (June 2009: 2.32% to 10%).

Pace (Pakistan) Group

	Note	2010	2009 Restated
33. Sales		(Rupees in thousand)	
Shops, houses and commercial buildings			
- at completion of project basis		871,002	676,012
- at percentage of completion basis	33.1	563,689	563,191
Land		-	75,000
Licensee fee		54,093	55,956
Restaurant		-	2,688
Display advertisements and miscellaneous income		14,373	34,749
Service charges		124,671	118,535
Pace Rice		21,508	9,164
		<u>1,649,336</u>	<u>1,535,295</u>

33.1 Revenue recognized on the basis of percentage of completion method

Revenue recognized to date	33.1.1	1,314,406	563,191
Aggregate cost incurred to date		1,126,602	424,023
Recognized profit to date		187,804	139,168

33.1.1 The revenue arising from agreements, that meet the criteria for revenue recognition on basis of percentage of completion method, during the year is Rs. 629.623 million (June 2009: Rs. 21.429 million). Amount received against these agreements amounts to Rs. 92.659 million (June 2009: Rs.5.030 million).

	Note	2010	2009 Restated
34. Cost of sales		(Rupees in thousand)	
Shops and commercial buildings sold			
- at completion of project basis	34.1	707,562	541,281
- at percentage of completion basis		558,415	424,023
Land sold		-	73,270
Materials consumed at restaurant		-	1,456
Commodities sold		18,223	8,708
Stores operating expenses	34.2	205,653	190,664
		<u>1,489,853</u>	<u>1,239,402</u>

34.1 Shops and commercial buildings sold

Opening work-in-process		1,230,556	1,296,086
Project development cost		472,213	385,543
Closing work-in-process	28	(922,302)	(1,230,556)
Cost of shops and commercial buildings constructed		780,467	451,073

Less: Cost transferred to:

- property, plant and equipment		(84,499)	(18,064)
- capital work in progress		-	(35,524)
- administrative expenses		(345,288)	-
- investment property	22	-	(93,688)
		<u>(429,787)</u>	<u>(147,276)</u>
		350,680	303,797

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	Note	2010	2009 Restated
(Rupees in thousand)			
Opening inventory of shops		235,023	251,025
Additions		309,847	251,218
Closing inventory of shops	28	(187,988)	(264,759)
		356,882	237,484
		707,562	541,281
34.2 Store operating expenses			
Salaries, wages and benefits	34.2.1	19,933	31,797
Rent, rates and taxes		5,095	4,578
Insurance		19,506	20,813
Fuel and power		96,378	76,970
Depreciation on property, plant and equipment	18.1	14,589	27,139
Repairs and maintenance		16,856	16,502
Janitorial and security charges		13,620	12,169
Others		19,676	696
		205,653	190,664
34.2.1 Salaries, wages and benefits			
Salaries, wages and benefits include following in respect of gratuity:			
Current service cost		3,101	2,834
Interest cost		1,728	901
Experience loss		-	15
		4,829	3,750
35. Administrative and selling expenses			
Salaries, wages and benefits	35.1	16,174	18,972
Traveling and conveyance		2,267	3,716
Rent, rates and taxes		1,886	5,004
Insurance		4,756	889
Printing and stationery		410	866
Repairs and maintenance		1,709	1,912
Motor vehicles running		1,623	3,355
Communications		1,871	2,409
Fee and Subscription		100	-
Advertising and sales promotion		18,968	6,724
Depreciation on:			
- property, plant and equipment	18.1	24,135	4,798
- assets subject to finance lease	20.1	23,234	3,607
Amortisation on intangible assets	19.1	579	422
Auditors' remuneration	35.2	1,860	1,650
Legal and professional		9,172	3,080
Advances written off		546	-

Pace (Pakistan) Group

2010
2009
Restated
(Rupees in thousand)

Commission on sales	28,474	-
Office Expenses	1,076	-
Entertainment Expenses	385	-
Other expenses	347	3,331
Provision for doubtful receivables	4,500	7,000
	144,072	67,735

35.1 Salaries, wages and benefits

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

Current service cost	3,410	6,614
Interest cost	1,900	2,102
Experience loss	-	35
	5,310	8,751

35.2 Auditors' remuneration

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

Statutory audit	1,310	1,150
Certification and sundry services	100	100
Half yearly review	450	400
	1,860	1,650

36. Other operating income

Income from financial assets

Mark up on bank accounts	17,921	79,972
Income from reverse repurchase transactions	-	8,733
Mark up on balances with related parties	13,232	13,482
Exchange gain on foreign currency convertible bonds	101,616	-
Others	13,313	6,500

Income from non-financial assets

Gain on sale of property, plant and equipment	3,279	348
Liabilities no longer required written back	3,062	1,506
Deferred income	19,167	1,597
	171,590	112,138

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	Note	2010	2009 Restated
(Rupees in thousand)			
37. Other operating expenses			
Exchange loss on foreign currency convertible bonds		1,300	234,403
Donations	37.1	40	220
Others		-	9,987
Workers welfare fund		20,974	-
		<u>22,314</u>	<u>244,610</u>
37.1 None of the directors and their spouses had any interest in any of the donees during the year.			
38. Finance costs			
Mark up on			
- Long term finances and foreign currency convertible bonds		227,532	268,760
- Short term borrowings		5,238	-
- Finance lease		8,379	1,794
Bank charges		2,851	1,897
		<u>244,000</u>	<u>272,451</u>
39. Taxation			
For the year			
- Current		9,805	775
- Deferred		11,000	(66,000)
		<u>20,805</u>	<u>(65,225)</u>
Prior years			
- Current		(6)	-
- Deferred		50,000	(25,000)
Group		<u>70,799</u>	<u>(90,225)</u>
Associated		<u>(30,236)</u>	<u>(8,345)</u>
		<u>40,563</u>	<u>(98,570)</u>

40. Remuneration of Chief Executive, Directors and Executives

The aggregate amount charged in the financial statements for the year for remuneration to chief executive and directors is Rs 0.660 million (June 2009: Rs 0.2 million).

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

	Chief Executive		Directors		Executives	
	2010	2009	2010	2009	2010	2009
	Restated		Restated		Restated	
	(Rupees in thousand)		(Rupees in thousand)		(Rupees in thousand)	
Short term employee benefits						
Managerial remuneration	-	-	660	200	12,379	25,383
Housing	-	-	-	-	5,571	10,153
Utilities	-	-	-	-	1,238	2,538
Bonus	-	-	-	-	-	-
Medical expenses	-	-	-	-	280	1,761
Fuel expenses	-	-	-	-	1,117	5,548
Mobile expenses	-	-	-	-	396	852
Post employment benefits	-	-	-	-	1,360	11,249
	-	-	660	200	22,341	57,484
	Chief Executive		Directors		Executives	
	2010	2009	2010	2009	2010	2009
	2					
Number of persons	1	1	8	8	15	33

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

Pace (Pakistan) Group

	Note	2010	2009 Restated
(Rupees in thousand)			
41. Cash used in operations			
Profit before tax		1,116,555	669,613
Adjustment for:			
Depreciation on:			
- property, plant and equipment	18.1	38,724	33,739
- assets subject to finance lease	20.1	23,234	5,050
Amortisation on intangible assets	19.1	579	592
Share of profit from associated companies	23.1.1	(480,495)	(154,666)
Gain on purchase of property		-	(13,752)
Gain on sale of:			
- property, plant and equipment		(3,279)	(349)
- assets subject to finance lease		-	-
Exchange (gain)/loss on foreign currency convertible bonds	11	(101,616)	239,632
Provision for doubtful receivables	35	4,500	7,000
Provision for gratuity and leave encashment		11,741	13,522
Finance costs	38	244,000	272,451
Mark up income		(13,232)	(108,687)
Changes in fair value of investment property	22	(715,373)	(691,712)
Loss on disposal of investment property		664	-
Deferred income	36	(19,167)	(1,597)
Liabilities no longer required written back	36	(3,062)	(1,506)
Advances written off		546	-
Profit before working capital changes		104,319	269,330
Effect on cash flow due to working capital changes:			
Decrease/(increase) in stock-in-trade		446,485	141,590
Increase in trade debts		(159,060)	(569,442)
Increase in due from related parties		(317)	(8,474)
Increase in advance against sale of property		(1,334)	(242,688)
Increase/(decrease) in advances, deposits and other receivables		(292,055)	58,488
(Decrease)/increase in creditors, accrued and other liabilities		(15,939)	(50,283)
		(22,220)	(670,809)
		82,099	(401,479)
42. Cash and cash equivalents			
Cash and bank balances	32	177,505	341,282
Finances under mark up arrangements		(135,958)	(35,011)
		41,547	306,271

43. 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 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 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.

43.1 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 Woodlands, Pace Towers and 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"

Mark-up on loans for general purposes are capitalised on the basis of weighted average interest rate and cost incurred. Mark-up on specific loans is being capitalised completely to the relevant real-estate project.

43.2 Segment information
(Rupees in thousand)

	Real estate sales		Investment properties		Others		Total	
	2010	2009 Restated	2010	2009 Restated	2010	2009 Restated	2010	2009 Restated
Segment revenue	1,369,709	1,239,203	64,982	130,956	214,645	165,136	1,649,336	1,535,295
Segment expenses								
- Cost of sales	(1,406,647)	(965,304)	(64,982)	(73,270)	(18,224)	(10,164)	(1,489,853)	(1,048,738)
- Stores operating expenses	-	-	-	(56,320)	-	(134,344)	-	(190,664)
Gross profit	(36,938)	273,899	-	1,366	196,421	20,628	159,483	295,893
- Changes in fair value of investment property	-	-	715,373	691,712	-	-	715,373	691,712
Segment results	(36,938)	273,899	715,373	693,078	196,421	20,628	874,856	987,605
Administrative and selling expenses							(144,072)	(67,735)
Other operating income							171,590	112,138
Finance costs							(244,000)	(272,451)
Other operating expenses							(22,314)	(244,610)
Share of profit from associates							480,495	154,666
Profit before tax							1,116,555	669,613
Taxation							(70,799)	90,225
- Group							30,236	8,345
- Associated Companies							1,075,992	768,183
Profit for the year							8,714,289	8,498,272
43.2.1 Segment assets	3,678,713	4,063,896	5,035,576	4,434,376	-	-	3,173,000	1,451,336
Unallocated assets							11,887,289	9,949,608
43.2.2 Segment liabilities	3,688,202	3,673,487	16,317	15,733	-	-	3,704,519	3,689,220
Unallocated liabilities							575,742	531,606
43.2.3 Capital expenditure							4,280,261	4,222,826
Unallocated							-	-
43.2.4 Depreciation/amortisation							134,073	135,783
Unallocated							134,073	135,783
							66,599	39,381
							66,599	39,381

44. Financial risk management

44.1 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:

	2010	2009
Foreign currency convertible bonds - USD	<u>13,803,280</u>	<u>24,003,666</u>

The following significant exchange rates were applied during the year:

Rupees per USD

Average rate	84.26	78.70
Reporting date rate	85.60	81.30

If the functional currency, at reporting date, had weakened/strengthened by 5% against the USD with all other variables held constant, post-tax profit for the year would have been Rs 74.438 million (June 2009: Rs 123.095 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 is 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 has provided long term loans to its associates at mutually agreed fixed interest rates, repayment of which has no interest rate risk exposure. 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:

	2010	2009 Restated
	(Rupees in thousand)	
Financial assets		
Fixed rate instruments		
Long term loans - unsecured	-	80,074
Due from related parties - unsecured	15,750	15,433
Floating rate instruments		
Bank balances - savings accounts	143,672	336,922
Net exposure	<u>159,422</u>	<u>432,429</u>
Financial liabilities		
Fixed rate instruments		
Foreign currency convertible bonds - unsecured	1,181,561	1,911,567
Floating rate instruments		
Redeemable capital - secured (non-participatory)	1,498,800	1,499,400
Liabilities against assets subject to finance lease	54,672	66,060
Long term finances	950,391	287,856
Finances under mark-up arrangements	135,958	35,011
Net exposure	<u>3,821,382</u>	<u>3,799,894</u>

Fair value sensitivity analysis for fixed rate instruments

The Group do 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 would not affect profit or loss of the Group.

Cash flow sensitivity analysis for variable rate instruments

If interest rates on late payments, liabilities subject to finance lease and finances under mark-up arrangement, at the year end date, fluctuate by 1% higher / lower with all other variables held constant, profit after taxation for the year would have been Rs. 15 million (2009: Rs 8 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:

	2010 (Rupees in thousand)	2009
Long term advances and deposits	593,336	297,442
Long term loans - unsecured	-	80,074
Trade debts - unsecured	1,714,345	1,559,785
Advances, deposits, prepayments and other receivables		
- Advances to employees - considered good	13,190	7,192
- Security deposits	12,159	7,197
- Others - considered good	4,947	3,281
Due from related parties - unsecured	15,750	15,433
Bank balances	177,421	341,017
	<u>2,531,148</u>	<u>2,311,421</u>

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

- Not past due	794,364	590,279
- Past due 0 - 365 days	646,924	772,335
- 1 - 2 years	202,008	141,818
- More than 2 years	71,049	55,353
	<u>1,714,345</u>	<u>1,559,785</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 / advance against purchase of property of the Group relate to sales / purchase of property which is transferred at the end of installment terms.

(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 Agency	2010	2009
	Short term	Long term		Restated	
(Rupees in thousand)					
KASB Bank	A	A 1	Pacra	741	305,492
Allied bank	A1+	AA	Pacra	2,718	9,174
Faysal Bank Limited	A1+	AA	Pacra	-	17,059
Royal Bank of Scotland	A1+	AA	Pacra	792	544
Soneri Bank	A1+	AA-	Pacra	36,655	25
Habib Bank Limited	A-1+	AA+	JCR-VIS	189	344
Bank of Punjab	A1+	AA-	Pacra	44	293
Standard Chartered Bank	A1+	AAA	Pacra	182	2,979
Bank Al-falah	A1+	AA	Pacra	3	71
HSBC	P-1	Aa3	Moody's	973	4,212
	F1+	AA -	Fitch	-	-
Bank Al-habib	A1+	AA+	Pacra	9	9
Samba bank	A - 1	A	JCR-VIS	-	31
Arif Habib Bank	A - 2	A	JCR-VIS	-	12
Emirates Global Islamic Bank	A -	A 2	Pacra	817	772
National Bank of Pakistan	A-1+	AAA	JCR-VIS	129,857	-
MCB Bank	A-1+	AAA	Pacra	9	-
Askari Bank Limited	A1+	AA+	Pacra	4,402	-
NIB Bank	A1+	AA	Pacra	12	-
				<u>177,421</u>	<u>341,017</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 is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Group manages liquidity risk by maintaining sufficient cash. At June 30, 2010, the Group had Rs 177.505 million in cash and bank balances. The Group follows an effective cash management and planning policy to ensure availability of funds and to take appropriate measures for new requirements.

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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	950,391	111,500	838,891	-
Finances under mark-up arrangements	135,958	135,958	-	-
Redeemable capital - secured (non-participatory)	1,498,800	499,600	999,200	-
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	-
Trade and other payables	235,864	235,864	-	-
	<u>4,057,246</u>	<u>1,010,216</u>	<u>3,047,030</u>	<u>-</u>

The following are the contractual maturities of financial liabilities as at June 30, 2009 as restated:

	Carrying amount	Less than one year	One to five years	More than five years
(Rupees in thousand)				
Long term finances - secured	287,856	48,501	239,355	-
Finances under mark-up arrangements	35,011	35,011	-	-
Redeemable capital - secured (non-participatory)	1,499,400	600	1,498,800	-
Liabilities against assets subject to finance lease	66,060	19,673	46,387	-
Foreign currency convertible bonds - unsecured	1,911,567	3,602	1,907,965	-
Trade and other payables	250,867	250,867	-	-
	<u>4,050,761</u>	<u>358,254</u>	<u>3,692,507</u>	<u>-</u>

44.2 Fair values of financial assets and liabilities

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

	Available for sale		Loans and receivables		Total	
	2010	2009 Restated (Rupees in thousand)	2010	2009 Restated (Rupees in thousand)	2010	2009 Restated (Rupees in thousand)
44.3 Financial instruments by categories						
Assets as per balance sheet						
Long term advances and deposits	-	-	593,336	297,442	593,336	297,442
Long term loans - unsecured	-	-	-	80,074	-	80,074
Trade debts - unsecured	-	-	1,714,345	1,559,785	1,714,345	1,559,785
Investments	3	2	-	-	3	2
Advances, deposits, prepayments and other receivables						
- Advances to employees - considered good	-	-	13,190	7,192	13,190	7,192
- Security deposits	-	-	12,159	7,197	12,159	7,197
- Others - considered good	-	-	4,947	3,281	4,947	3,281
Due from related parties - unsecured	-	-	15,750	15,433	15,750	15,433
Cash and bank balances	-	-	177,505	341,282	177,505	341,282
	3	2	2,531,232	2,311,686	2,531,235	2,311,688

Financial liabilities at amortised cost

	2010	2009
	(Rupees in thousand)	
Long term finances	950,391	287,856
Finances under mark-up arrangements	135,958	35,011
Redeemable capital - secured (non-participatory)	1,498,800	1,499,400
Liabilities against assets subject to finance lease	54,672	66,060
Foreign currency convertible bonds - unsecured	1,181,561	1,907,965
Trade and other payables	235,864	250,867
	4,057,246	4,047,159

Liabilities as per balance sheet

Long term finances
 Finances under mark-up arrangements
 Redeemable capital - secured (non-participatory)
 Liabilities against assets subject to finance lease
 Foreign currency convertible bonds - unsecured
 Trade and other payables

44.4 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 7, 8, 9 and 11 less cash and cash equivalents as disclosed in note 42. 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, 2010 and June 30, 2009 are as follows:

	Note	2010	2009 Restated
(Rupees in thousand)			
Borrowings		3,766,710	3,698,823
Less: Cash and cash equivalents	42	<u>41,547</u>	<u>306,271</u>
Net debt		<u>3,725,163</u>	<u>3,392,552</u>
Total equity		<u>7,617,182</u>	<u>5,728,782</u>
Total capital		<u><u>11,342,345</u></u>	<u><u>9,121,334</u></u>
Gearing ratio	Percentage	33	37

45. Earnings per share

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

		2010	2009 Restated
45.1 Basic earnings per share			
Profit for the year	Rupees in thousand	<u>1,075,992</u>	<u>768,183</u>
Weighted average number of ordinary shares outstanding during the year	Rupees in thousand	<u>267,423</u>	<u>226,782</u>
Basic earnings per share	Rupees	<u>4.02</u>	<u>3.39</u>

45.2 Diluted earnings per share

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

Dilutive earnings per share	Rupees	<u>3.37</u>	<u>2.53</u>
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46. 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 40. Other significant transactions with related parties are as follows:

Relationship with the Group	Nature of transactions	2010	2009
		(Rupees in thousand)	
i. Associates	Purchase of goods & services	186,449	238,290
	Mark up income	3,169	13,210
	Mark up expense	-	39,942
	Guarantee commission	4,500	4,500
	Sales of goods and services	218,364	368,541
	Advance against purchase of property	256,579	65,220
	Purchase of Investment Property	-	140,000
	Short term advance received back	-	2,932
	Short term advance given	-	31,197
	ii. Key management personnel	Short term employee benefits	6,048
Termination Benefits		713	1,059
Post Employment Benefits		5,658	3,020
Advance against salary		1,016	1,796

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

47. Detail of subsidiaries

Name of the subsidiaries	Accounting year end	Percentage of holding	Country of incorporation
Pace Woodlands (Private) Limited	30-Jun-10	52%	Pakistan
Pace Gujrat (Private) Limited	30-Jun-10	100%	Pakistan

48. Date of authorisation

These financial statements were authorised for issue on 06 October, 2010 by the board of directors of the Group.

49. Events after the balance sheet date

Subsequent to the year ended June 30, 2010 the Group successfully 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 resolutions 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 year six months grace period along with an extension of four year in the tenor of TFC issue and consequently, the remaining tenor of TFC shall be six and a half years effective from August 15, 2010. As a result current liability of the Group will reduce by Rs. 499.6 million.

50. Corresponding figures

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

**(Rupees in
thousand)**

Current portion of foreign currency convertible bonds liability classified from long term to current portion of long term liabilities	3,602
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The above figure has been re-arranged as the reclassification made is considered more appropriate for the purposes of presentation.

Pace (Pakistan) Limited

PATTERN OF SHAREHOLDING AS AT JUNE 30, 2010

INCORPORATION NUMBER: 0028954 of 21-11-1992

No. of Shareholders	Shareholdings			Shares Held
	From		To	
2140	1	-	100	169,816
1379	101	-	500	533,217
4323	501	-	1000	2,969,818
2699	1001	-	5000	7,530,508
813	5001	-	10000	6,819,435
283	10001	-	15000	3,700,045
214	15001	-	20000	4,054,820
159	20001	-	25000	3,800,776
88	25001	-	30000	2,535,120
51	30001	-	35000	1,725,135
54	35001	-	40000	2,088,606
32	40001	-	45000	1,378,502
91	45001	-	50000	4,476,633
20	50001	-	55000	1,059,128
18	55001	-	60000	1,056,258
23	60001	-	65000	1,456,622
19	65001	-	70000	1,309,847
21	70001	-	75000	1,543,367
7	75001	-	80000	537,976
11	80001	-	85000	925,010
12	85001	-	90000	1,067,328
7	90001	-	95000	649,889
51	95001	-	100000	5,095,517
14	100001	-	105000	1,443,211
5	105001	-	110000	538,311
5	110001	-	115000	563,728
7	115001	-	120000	820,347
4	120001	-	125000	495,078
6	125001	-	130000	771,505
5	130001	-	135000	666,999
5	135001	-	140000	690,109
2	140001	-	145000	286,047
7	145001	-	150000	1,049,097
2	150001	-	155000	306,000
4	155001	-	160000	634,500
1	160001	-	165000	165,000

Pace (Pakistan) Limited

No. of Shareholders	Shareholdings		Shares Held
	From	To	
3	165001	170000	506,600
1	170001	175000	175,000
1	175001	180000	177,000
1	180001	185000	180,500
2	185001	190000	376,390
1	190001	195000	194,098
10	195001	200000	1,993,473
2	210001	215000	429,640
2	220001	225000	449,000
1	225001	230000	230,000
1	230001	235000	230,218
2	240001	245000	488,565
2	245001	250000	500,000
1	250001	255000	252,887
1	255001	260000	258,014
1	260001	265000	261,926
3	265001	270000	805,010
3	270001	275000	825,000
1	275001	280000	280,000
1	285001	290000	288,589
1	290001	295000	295,000
6	295001	300000	1,797,000
1	300001	305000	300,645
1	315001	320000	318,500
2	320001	325000	640,352
1	325001	330000	328,961
2	345001	350000	700,000
2	350001	355000	703,300
1	360001	365000	362,221
1	375001	380000	375,211
1	395001	400000	400,000
1	400001	405000	400,821
1	405001	410000	410,000
1	430001	435000	431,500
1	440001	445000	441,279
2	460001	465000	928,838
1	485001	490000	490,000
3	495001	500000	1,498,206
1	500001	505000	501,756
2	505001	510000	1,017,821
1	515001	520000	517,500
1	525001	530000	525,716
1	530001	535000	531,834
2	545001	550000	1,100,000
1	555001	560000	558,834
1	600001	605000	605,000
1	625001	630000	630,000
1	680001	685000	680,422
1	685001	690000	690,000

Pace (Pakistan) Limited

No. of Shareholders	Shareholdings		Shares Held
	From	To	
2	695001	- 700000	1,400,000
1	730001	- 735000	733,180
1	735001	- 740000	736,350
1	795001	- 800000	800,000
1	805001	- 810000	807,900
2	845001	- 850000	1,693,854
1	945001	- 950000	949,106
1	1010001	- 1015000	1,010,173
1	1035001	- 1040000	1,040,000
1	1160001	- 1165000	1,165,000
1	1175001	- 1180000	1,176,332
1	1340001	- 1345000	1,341,500
1	1475001	- 1480000	1,477,399
1	1530001	- 1535000	1,532,536
1	1540001	- 1545000	1,545,000
1	2220001	- 2225000	2,220,491
1	3470001	- 3475000	3,475,000
1	4270001	- 4275000	4,270,800
1	4290001	- 4295000	4,290,268
1	4300001	- 4305000	4,300,108
1	4970001	- 4975000	4,971,117
1	5045001	- 5050000	5,050,000
1	5955001	- 5960000	5,959,807
1	6190001	- 6195000	6,195,000
1	6955001	- 6960000	6,959,290
1	9350001	- 9355000	9,351,000
1	11500001	- 11505000	11,500,600
1	17155001	- 17160000	17,155,335
1	17580001	- 17585000	17,582,665
1	21800001	- 21805000	21,803,661
1	44385001	- 44390000	44,387,200
12697			278,876,604

**PATTERN OF SHAREHOLDING
AS AT JUNE 30, 2010**

Categories of Shareholders	Shares held	Percentage
Directors, Chief Executive Officer, and their spouse and minor children	10,551,618	3.784
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	44,540,665	15.971
Insurance Companies	837,711	0.300
Modarabas and Mutual Funds	2,601,029	0.933
Share holders holding 10% or more	44,287,200	15.881
General Public		
a) Local	84,971,617	30.469
b) Foreign	5,392,531	1.934
Others:		
- Joint Stock Companies	21,598,759	7.745
- Foreign Companies	76,265,761	27.347

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

**PATTERN OF SHAREHOLDING AS PER LISTING REGULATIONS
AS AT JUNE 30, 2010**

<u>Shareholders' Category</u>	<u>Number of Shares held</u>
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	
Salmaan Taseer (CEO/Director)	587
Aamna Taseer (Director)	587
Shahbaz Ali Taseer (Director)	500
Imran Saeed Chaudhry (Director)	4,270,800
Sulieman Ahmad Said Al-Hoqani (Director)	6,277,383
Jamal Said Al-Ojaili (Director)	587
Abid Raza (Director)	587
Mahmood Ali Athar (Director)	587
Public Sector Companies and Corporations	21,598,759
Banks Development Financial Institutions, Non-Banking Finance Institutions, Insurance Companies, Modaraba and Mutual Fund etc.	47,979,405
Shareholders holding 10% or more voting interest in the Company	
Millennium Global High Yield Fund Limited	44,287,200

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 30 October 2010 at 10:00 a.m.
and at any adjournment thereof.

Signature this _____ Day of _____ 2010.

(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.

