

## **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, 2009**

**COMPANY INFORMATION**

**Board of Directors**

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

**Chief Financial Officer**

Ahmad Bilal

**Audit Committee**

Aamna Taseer (Chairperson)  
Shahbaz Ali Taseer  
Abid Raza

**Company Secretary**

Shahzad Jawahar

**Auditors**

A.F. Ferguson & Co.  
Chartered Accountants

**Legal Advisers**

Imtiaz Siddiqui & Associates  
Advocates and Attorneys

**Bankers**

Allied Bank Limited  
Arif Habib Bank Limited  
Bank Alfalah Limited  
Bank Al-Habib Limited  
Emirates Global Islamic Bank Limited  
Faysal Bank Limited  
Habib Bank Limited  
Soneri Bank Limited  
Standard Chartered Bank (Pakistan) Limited  
The Bank of Punjab  
The Hongkong and Shanghai Banking Corporation Limited  
The Royal Bank of Scotland

**Registrar and Shares Transfer Office**

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

**Registered Office/Head Office**

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

## **NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that the 18<sup>th</sup> Annual General Meeting of the Shareholders of Pace (Pakistan) Limited (“the Company”) will be held on 31 October 2009 at 12:00 Noon at the Registered Office of the Company, 103-C/II, Gulberg-III, Lahore, to transact the following business:

### **Ordinary business:**

1. To confirm the minutes of last Annual General Meeting held on 31 October 2008;
2. To receive, consider and adopt the financial statements of the Company for the year ended 30 June 2009 together with the Directors' and Auditors' reports thereon;
3. To appoint the Auditors of the Company for the year ending 30 June 2010 and to fix their remuneration;

### **Special business:**

4. **To consider and if thought fit, pass the following special resolutions, with or without modification(s) for the additional investment in one of the associated companies:**

“**RESOLVED THAT** the Chief Executive of the Company be and is hereby authorized to take all necessary steps to make additional long-term investment in the share capital of Pace Barka Properties Limited up to Rs. 550 million (Rupees five hundred fifty million only) in accordance with the provisions of Section 208 of the Companies Ordinance, 1984 and to disinvest such investments, from time to time as and when considered appropriate.

“**RESOLVED FURTHER THAT** the above authority shall remain in force until revoked by the Shareholders of the Company.”

“**RESOLVED FURTHER THAT** the Chief Executive, any one of the Directors and/or the Company Secretary of the Company be and are hereby authorized to complete any or all necessary required corporate and legal formalities for the completion of this transaction. The Chief Executive is also authorized to delegate any of his powers to any person in respect of the above as he may consider appropriate.”

**By order of the Board**

Lahore  
09 October 2009

**Shahzad Jawahar**  
Company Secretary

### **Notes:**

- 1) The Members Register will remain closed from 24 October 2009 to 31 October 2009 (both days inclusive). Transfer received at THK Associates (Pvt.) Limited, Ground Floor, State Life Building No. 3, Dr. Ziauddin Ahmad Road, Karachi the Registrar and Shares Transfer Office of the Company, by the close of business on 23 October 2009 will be treated in time.
- 2) A member eligible to attend and vote at the meeting may appoint another member as proxy to attend and vote in the meeting. Proxies in order to be effective must be received by the company at the Registered Office not later than 48 hours before the time for holding the meeting.
- 3) In order to be valid, an instrument of proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney, must be deposited at the registered office of the company, 103-C/II, Gulberg-III, Lahore, not less than 48 hours before the time of the meeting.

- 4) a) Individual beneficial owners of CDC entitled to attend and vote at the meeting must bring his/her participant ID and account/sub-account number along with original NIC or passport to authenticate his/her identity. In case of Corporate entity, resolution of the Board of Directors/Power of attorney with specimen signatures of nominees shall be produced (unless provided earlier) at the time of meeting.
  - b) For appointing of proxies, the individual beneficial owners of CDC shall submit the proxy form as per above requirement along with participant ID and account/sub-account number together with attested copy of their NIC or Passport. The proxy form shall be witnessed by two witnesses with their names, addresses and NIC numbers. The proxy shall produce his/her original NIC or Passport at the time of meeting. In case of Corporate entity, resolution of the Board of Director/Power of attorney along with specimen signatures shall be submitted (unless submitted earlier) along with the proxy form.
- 5) Members are requested to notify any change in their registered address immediately.

### STATEMENT UNDER SECTION 208 OF THE COMPANIES ORDINANCE, 1984

#### INVESTMENT IN PACE BARKA PROPERTIES LIMITED

The Company intends to make additional long term investment in the share capital of Pace Barka Properties Limited ("Pace Barka") up to Rs. 550 million (Rupees five hundred fifty million only), in accordance with the provisions of Section 208 of the Companies Ordinance, 1984 and approval of Shareholders is also required to disinvest such investments, from time to time as and when considered appropriate.

Pace Barka was incorporated on 22 November 2005. The main objectives of Pace Barka are to acquire/purchase, construct and develop properties, hotels, shopping malls, apartment buildings, office blocks, commercial buildings, etc. and sales and management thereof. The registered office of Pace Barka is 103 C-II, Gulberg III, Lahore. The existing Authorized Share Capital of PBPL is Rs. 4,800,000,000 divided into 480,000,000 ordinary shares of Rs.10/- each. The issued, subscribed and paid up capital is Rs. 3,052,573,630/- divided into 305,257,363 ordinary shares of Rs.10/- each.

The Shareholders of Pace Barka consists of First Capital Securities Corporation Limited holds 8.03%, First Capital Equities Limited holds 9.57%, WTL Services (Pvt.) Limited holds 15.09%, Parkview Holdings Corporation holds 22.39%, Sheikh Sulieman Ahmed Said Al-Hoqani holds 11.40%, Saudi Pak Industrial & Agricultural Investment Co. Limited holds 5.53%, Saudi Pak Leasing Company Limited holds 1.84%, Saudi Pak Insurance Company Limited holds 1.47%, the Company holds 19.65%, and other shareholders hold 4.22% of the total paid up capital of Pace Barka.

Pace Barka is developing premium Pace Hyatt regency multiuse project next to Lahore International Airport which comprises a 5-star Hyatt Regency hotel, a world class shopping mall and Hyatt-serviced & Pace-managed apartments. The project is located near Lahore International Airport and is surrounded by number of high-end housing societies like Army Housing Scheme and Defence Housing Authority. Total constructed area consists of around 1.5 million square feet (including basement) whereas the total saleable area is around 413 thousand square feet. The Revenue Streams of Pace Hyatt regency multiuse project consists of Hotel operations, Sale of Properties (shops/apartments) and Operational income from property management.

Leading international architects/firms have been engaged for project design consultancy and related services. Meinhardt has been hired for Detailed Engineering Design Development and Project Construction Management. Smallwood, Reynolds, Stewart, Stewart (SRSS) have been appointed for Architectural Design. P49 Design, Thailand's leading internationally recognized firm, has been engaged for interior designing. Other consultants include top-of-the-line international firms like Creative Kitchen Planners, KROLL Security Group, ACVIRON Acoustics Consultants, Bo-Steiber Lighting Design and Green Architects.

Pace Barka also holds 48% of the shareholding in Pace Woodlands (Pvt.) Limited. Pace Woodlands, a residential housing scheme, is a joint venture project between the Company and Pace Barka. The Company holds 52% shareholding in the aforesaid residential project. The project is located near DHA, Phase V, Lahore. The project comprised of 160 houses to be developed in phase I. All the structural work is completed and the development is at an advanced level, on a total land area of around 160 Kanals.



In addition to the above Pace Barka also owns two lands for hospitality/multi-use projects in Lahore and Gujrat and a lake-side premium property at a short distance from Islamabad. Pace Barka is planning to develop three projects (a) Pace Peacock Valley Resorts (b) The Royale Luxury Hotel, Gujrat (c) The Royale Luxury Hotel and Spa Lahore on the said lands for which preliminary planning has been completed. Brief of the projects of Pace Barka are given hereunder.

Pace Peacock Valley resort project, is located around a beautiful lake which is approximately one and a half kilometre from the M2 Lahore Islamabad Motorway, just few minutes away from famous Salt Range. Total land measuring around 508 acres has been acquired. The project entails development of a 5-star resort hotel and 40 villas. It is envisaged that villas would be completely sold whereas hotel operations will be retained with the Company. All modern resort facilities like club house, 18 hole PGA standard golf course, convention centre, cabanas, pool bar, cluster villas, business centre, restaurants, banquet halls, health club, salon, boutiques & handicraft shops, coffee / pastry shops and other standard services are planned to be made available for the guests. The resort villas will comprise of 20 kanals each, equipped with all latest international facilities like Jacuzzi Baths, luxurious lakefront, fully equipped kitchen with BBQ facility, dining, water sports & resort amenities.

The Royale Luxury Hotel Gujrat project, would be located adjacent to Pace Gujrat Shopping Mall and will comprise of 120 rooms of 3/4 Star standard, planned to be constructed in 2 phases. All modern facilities like business centre, restaurants and banquet halls, meeting rooms, swimming pool, shops and other standard services will be made available for the guests.

The Royale Luxury Hotel and Spa Lahore project, would be located in close vicinity of envisaged and fast growing societies like Johar Town, Wapda Town, and Valancia etc. The suburbs of Lahore especially on the northern side are undergoing urbanization after strong infrastructure development and establishment of new housing societies. It is envisaged that this project shall comprise of a multiuse development project consisting of 4 star sotel, banquet halls, spa and health club, residential apartments, and shopping mall. Project land measuring around 53 Kanals has already been acquired. All modern facilities like business centre, restaurants, banquet halls, meeting rooms, swimming pool, shops and other standard services will be made available to the guests.

Keeping in view the improving business & economic conditions in the country with potential increase in demand for quality real estate developments especially commercial properties, will generate lot of investor/market interest and would prove to be a value addition for existing portfolio of the Company.

In order to finance its expansion plans, Pace Barka intends to list its shares, in near future, through initial public offering on Karachi Stock Exchange (Guarantee) Limited and Lahore Stock Exchange (Guarantee) Limited . The management expects to earn dividends and capital gains through investment in Pace Barka. The management of the Company considers this investment to be beneficial. The Company has already made an investment of Rs. 600 million which has fully consumed the earlier approved investment limit of Rs. 600 million. This proposed investment of Rs. 550 million will be in addition to the already approved limit of investment in Pace Barka.

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

This statement sets out the material facts pertaining to the special business to be transacted at the Annual General Meeting of the Company to be held on 31 October 2009.

### **INVESTMENTS TO BE MADE BY THE COMPANY**

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

# Pace (Pakistan) Limited

The following are material facts about the proposed special resolution:

S. No.	Description	Information Required		
(i)	<b>Name of the investee company</b>	Pace Barka Properties Limited (Pace Barka)		
(ii)	<b>Nature, amount and extent of investment</b>	Additional Long term Investment in the share capital of Pace Barka up to Rs.550 million and to disinvest as and when considered appropriate		
(iii)	<b>Average market price of the shares intended to be purchased during preceding six months in case of listed companies</b>	Not applicable as public un-listed company		
(iv)	<b>Break-up value of shares intended to be purchased on the basis of last audited financial statements</b>	Rs. 19.34 per share for the year ended 30 June 2009 Rs. 11.81 per share for the year ended 30 June 2008		
(v)	<b>Price at which shares will be purchased</b>	At par		
(vi)	<b>Earning per share (EPS) of the investee company in last three years</b>	<b>30-Jun-2009 (audited)</b> 3.88	<b>30-Jun-2008 (audited)</b> 3.43	<b>30-Jun-2007 (audited)</b> N.A
(vii)	<b>Source of funds from where shares will be purchased</b>	Available cash resources and/or future internal cash generation from the operations of Company		
(viii)	<b>Period for which investment will be made</b>	As a long-term investment.		
(ix)	<b>Purpose of Investment</b>	Utilization of the Companys available cash resources for better future returns to shareholders.		
(x)	<b>Benefits likely to accrue to the Company and the shareholders from the proposed investments</b>	All the benefits accrued to the investee company will become part of the returns of the Company and its shareholders from the proposed investment. The Company also expects to earn substantial dividends and capital appreciation/gains from the proposed investment.		
(xi)	<b>Interest of Directors and their relatives in the investee company</b>	The Directors of the Company and their relatives have no interest in the above investee company except to the extent of their shareholdings.		

## INSPECTION OF DOCUMENTS

Recent annual/quarterly accounts along with all published or otherwise required accounts of all prior periods of the Company, its subsidiaries/Joint Ventures and investee company as may be applicable in each case along with financial projections of the Company's subsidiaries/Joint ventures, investee company, Memorandum and Articles of Association of the Company and its and its associated company, latest available shareholding pattern of the Company and its subsidiaries/joint Ventures, and any other related information of the Company, its subsidiaries/joint ventures and investee company 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](http://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

The Board of Directors of Pace (Pakistan) Limited ("the Company" or "Pace") take pleasure in presenting the Annual Report and the Audited Financial Statements of the Company together with the Auditors' Report for the year ended June 30, 2009.

### General Economic Overview

The current financial year witnessed the catastrophic effects of recession and changed the overall picture of global economy. In addition the economic problems especially in later half year and worsening of internal security environment further added to Pakistan's predicament.

These factors played a major role in substantial decline of Pakistan's exports and a visible slowdown in foreign direct inflows. This was reflected in GDP growth of 2% in 2008-09 as compared to the last year's rate of 5.8%. Despite low growth in GDP, the performance of agriculture sector has been stronger than expected with 4.7% against the target of 3.5% and last year's performance of 1.1 %, Services sector, which showed a stellar growth of 6.6% last year, came down to 3.6%. Load shedding, security concerns and political disruptions resulted in the negative growth of manufacturing sector. Inflation has also become a big challenge in the current fiscal year as it exceeded to 22.3% against the target figure of 12 %. Per capita income in dollar terms has declined to US\$1,042 as compared to US\$1,805 last year.

### Real Estate Overview

The combination of market downturn, risk averse financial institutions, panicky investors in real estate and limited access to cash from banks created a vicious circle and market analysts are of the view that the real estate bubble had come to an end and market is going through a slump. What really happened is that a conventionally unorganized and unnoticed sector recorded such amazing growth which was unsustainable and slowing of

massive money influx can't be termed as a crash. Real estate market has a history of cyclical moves. On average after every five to seven years it hits a new peak before easing off. Normally, the price rise or the booming trend survives for a period of 12 months to 18 months before easing down to hit a price 15% - 20% above its previous lows. Theoretically, bearish moves then prevail for the next 4 to 5 years. Hence it seems that the recurrence of the cycle takes place after almost every five to seven years.

Current general sentiment 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. Improvement in political and security situation in the country would also encourage investment in this sector, leading to improvement in prices. This is positive time for strong real estate developers like Pace etc who can embark on upward trend in the market and consolidate themselves for yet another giant leap in their businesses.

### Company 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 436.80 million and maintained its position of a progressive and dynamic real estate company.

In the face of difficult business environment owing to bearish trend in real estate industry and inflationary pressures, your Company kept advancing towards its goals at a steady pace with a strategy to consolidate and concentrate on existing projects and improve existing operations.

The formal commercial operations of Gujrat and Fortress stadium shopping malls were successfully started during the year. The full launch was planned and successfully achieved before last year Eid-ul-Fitar in order to provide maximum benefit to the stake holders.

Construction activity on projects under development is also progressing at a desired pace and management is confident that these projects will be completed in due course of time.

## Company Performance Financial Overview

During the current financial year, the Company achieved good sales which, although a bit lower than previous year, represent its resilience to challenges and have proved it to be a sustainable real estate brand. Overall profits fell mainly due to fair value adjustments during the year. Comparison of the audited results for the year ended June 30, 2009 as against June 30, 2008 is as follows:

	<b>Year Ended June 30,</b>	
	<b>2009</b>	<b>2008</b>
	<b>‘Rupees in million’</b>	
Sales	1,262	1,530
Gross profit	317	526
Change in fair value of		
Investment Property	473	1,245
Profit after tax	437	1,407
Earnings per share (PKR)	1.93	6.36

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

Top line financials remained intact despite the difficulties faced and economic & real estate downturn, which is a healthy sign for the Company. Gross profit percentage was lower due to recognition of sales of residential units for which margins are generally lower than retail units. Inflationary impact, though controlled due to strategic buying of raw material and long term contracts, cannot be fully ignored. During the current year Pace earned net profit of PKR 437 million as compared to last year's profit of PKR 1,407 million. This decrease is mainly attributable to lower gross profit margins on property sales and decrease in other operating income and fair value gain on various properties of the Company. In previous year major part of fair value gain was earned from newly constructed/completed malls and general price improvements realizable in real estate products like Pace shops. This year there was general pressure on property prices especially in the last quarter which resulted in downward fair value adjustment in some of the Pace properties. This is mainly due to rationalization of prices at appropriate levels. Secondly there was no completion of projects planned in this financial year which also resulted in lower fair value gain.

Comparison of financial position of the Company as on June 30, 2009 against June 30, 2008 is as follows:

	<b>As on June 30,</b>	
	<b>2009</b>	<b>2008</b>
	<b>‘Rupees in million’</b>	
Net Assets	5,194	4,561
Un-appropriated profit	2,697	2,238
Non-current liabilities	3,592	3,717
Cash and bank balances	341	1,315

Major classification change in balance sheet is reflected in non-current liabilities which previously did not include Foreign Currency Convertible Bonds. These are long term bonds due in 2013 with a convertibility option. They were previously being disclosed as part of current liabilities due to non-clarity in accounting standards. However this year correct treatment has been advised by accounting standards to reflect these as part of non-current liabilities.

## Business Risks and Challenges

This year has brought with it new dynamics and business risks which range from security issues to cautious buyers who are not very aggressive in acquiring properties. In addition, there are also pressures on recoveries from existing customers due to general downturn and slack economy. Your Company is well aware of these challenges and is devising strategies to overcome them.

Pace is now concentrating on completion of Pace Towers, Model Town Extension shopping mall and Pace Woodlands in order to achieve timelines and deliver projects in market which would increase profitability and market confidence in the Company.

Despite inflationary pressures Pace is willing to achieve the quality of construction that can be matched with the international standards. The Company has also been concentrating on cost cutting and efficiencies in all segments varying from operations to under-development projects. In order to sustain rapid growth commensurate with profit we are in the continuous process of reviewing our business strategies and future plans to attain pre-defined business objectives and performance goals.

## Safety, Security, Health & Environment (SSHE)

The Company is always concerned with providing a safe environment to its workers as well as general public. The Company's commitment to ensure a safe work environment for all its employees and stake holders is clearly manifested by initiatives and programs carried out during the year and previous years. The Company proactively assessed and improved its processes and practices.

Pace collaborated with its business partners and contractors to help them develop safer work environments for their employees and is committed to demonstrate its strongest commitment to all aspects of Safety, Security, Health and Environment linked to its business operations.

Ensuring the implementation of health assessment and work monitoring programs and provision of work place security to employees and contractual labor

Provision of secured shopping environment for its customers

Minimizing environmental impact as much as practically possible and to ensure environmental protection, the company obtains No Objection Certificate from Environmental Protection Authority for all new projects prior to submitting the submission drawings to LDA

The Company pays special attention at the time of planning new projects, including proper placement of air-conditioning system and generators to avoid noise pollution

Proper mechanism of sewerage and disposal of waste products and provision of adequate parking spaces

## Social and Economic Contribution

Your Company entered the 17<sup>th</sup> year of its incorporation in 2009. Throughout its history Pace has maintained a strong stance on corporate and social responsibility. This was clearly evidenced when Pace Gulberg caught fire in 2001 and the Company endeavored to rebuild the shopping mall for its shopkeepers and customers. In the difficult times of war against terror, Pace has invested in the upgrading of security equipment in all its malls and on training of its security people in order to avoid any act of terrorism. By expanding its network to other cities of Pakistan your Company is creating job opportunities in those cities as well. Pace has always discharged its full tax and other obligations towards the regulatory authorities and government.

## Human Resource

Due to depth in management and proper HR policies being implemented, your Company is committed to motivate staff by upgrading their skills to equip them for maximum job performance and support them to realize their optimum potential. Considering the strength of training opportunities offered by Pace to all employees at all levels, the Company has been selected as Approved Training Organization (ATO) for Institute of Chartered Accountants in England and Wales. This is a moment of pleasure and pride for the Company to be designated as ATO being one of the very few companies operating in Pakistani industry.

The Board would also like to congratulate the employees for working hard in a rather intricate economic environment and serving the Company in difficult times.

## Future Outlook

The real estate sector is still a lucrative investment area and has proven to be a successful opportunity for investors interested in high growth returns. Real estate sector is expected to make progress with improvement in general economic conditions, increasing political stability and better security situation in Pakistan. 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 last many years. Pace's recognized brand name, long lasting experience, customer/investors' trust and marketing skills has distinguished it from others, giving it a comparative advantage over potential players in the market.

In addition to current projects, the Company is fully concentrating on completion of existing projects in pipeline including Pace Towers, Pace Model Town Extension shopping mall and Pace Woodlands. The Company believes in strategy of consolidating in tough environment to build a strong platform and make a giant leap in good times to come. The Company is currently very cautious in its expansion plans and selection of future properties.

The Company's long term goals includes but not limited to expanding 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, 2010, at a fee to be mutually agreed.

### Board of Directors

Since the last report there have been following changes in the composition of the Board During the year Mr. Shahbaz Ali Taseer has been appointed in the place of Mr. Sardar Ali Wattoo.

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. Salmaan Taseer	04
2.	Mrs. Aamna Taseer	04
3.	Mr. Sulieman Ahmad Said Al Hoqani	01
4.	Mr. Sardar Ali Wattoo (Resigned)	03
5.	Mr. Jamal Said Al-Ojaili	01
6.	Mr. Abid Raza	04
7.	Mr. Imran Saeed Ch.	02
8.	Mr. Mahmood Ali Athar	02
9.	Mr. Shahbaz Ali Taseer	01

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

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

Audit committee comprise of:

Mrs. Aamna Taseer	Chairperson
Mr. Abid Raza	Member
Mr. Shahbaz Ali Taseer	Member

During the year Mr. Shahbaz Ali Taseer appointed as audit committee member in place of Mr. Sardar Ali Wattoo

### 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 flow and changes in equity.

Proper books of accounts have been maintained by the company.

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

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

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

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

There has been no departure from the best

practices of Corporate Governance, as detailed in the listing regulation.

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

## **Trading of Directors**

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

## **Pattern of Shareholding**

The pattern of shareholding as on June 30, 2009 as required u/s 236 of the Companies Ordinance 1984 is attached.

For and on behalf of the Board of Directors

**Lahore:**  
October 08, 2009

**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 01-07-2008	Purchase	Bonus	Sale	balance as on 30-06-2009
<b>Directors</b>					
Salmaan Taseer (CEO/Director)	587	-	-	-	587
Aamna Taseer	587	-	-	-	587
Shahbaz Ali Taseer	500	-	-	-	500
Sulieaman Ahmed Said Al-Hoqani	29,465,656	-	-	17,688,273	11,777,383
Jamal Said Al-Ojaili	587	-	-	-	587
Abid Raza	587	-	-	-	587
Imran Saeed Chaudhry	4,270,800	-	-	-	4,270,800
Mahmood Ali Athar	587	-	-	-	587
<b>Spouses</b>	-	-	-	-	-
<b>Minor Children</b>	-	-	-	-	-
<b>Chief Financial Officer</b>					
Ahmad Bilal	-	-	-	-	-
<b>Company Secretary</b>					
Imran Bashir *	-	-	-	-	-

\* Subsequently Mr. Imran Bashir resigned and Mr. Shahzad Jawahar has appointed in his place.



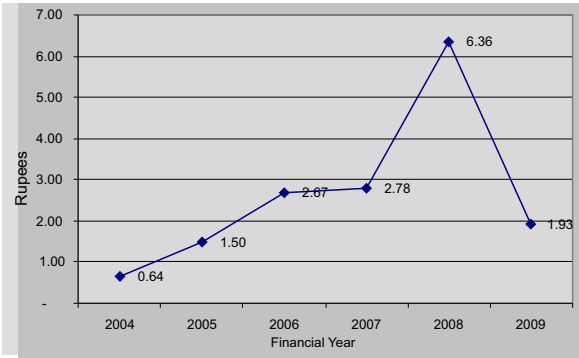
## KEY OPERATING AND FINANCIAL INDICATORS

KEY INDICATORS	Rupees in Thousands						
	2004	2005	2006	2007	2008	2009	
<b>Operating result</b>							
Net Sales	42,246	410,925	573,676	612,651	1,530,498	<b>1,261,809</b>	
Gross profit	12,125	69,900	126,744	231,500	525,612	<b>317,376</b>	
Profit from operation	86,843	272,453	346,252	643,494	1,699,553	<b>618,387</b>	
Profit before tax	82,359	271,437	345,023	550,958	1,453,293	<b>345,796</b>	
Profit after tax	71,933	206,055	326,968	500,143	1,406,970	<b>436,796</b>	
<b>Financial Position</b>							
Shareholder's equity	947,811	1,153,866	1,489,766	3,175,016	4,560,706	<b>5,194,399</b>	
Property, plant & Equipment	226,525	260,903	271,835	245,759	434,385	<b>474,066</b>	
Net current assets	601,673	662,273	200,333	1,337,532	3,414,154	<b>3,011,529</b>	
<b>Profitability</b>							
Gross profit	%	28.70	17.01	22.09	37.79	34.34	<b>25.15</b>
Operating profit	%	205.57	66.30	60.36	105.03	111.05	<b>49.01</b>
Profit before tax	%	194.95	66.06	60.14	89.93	94.96	<b>27.40</b>
Profit after tax	%	170.27	50.14	57.00	81.64	91.93	<b>34.62</b>
<b>Performance</b>							
Fixed assets turnover	Times	0.19	1.58	2.11	2.49	3.52	<b>2.66</b>
Return on equity	%	10.07	19.61	24.74	21.44	36.38	<b>8.96</b>
Return on capital employed	%	8.98	15.71	19.54	18.53	23.76	<b>5.12</b>
<b>Liquidity</b>							
Current	Times	7.80	5.23	1.25	6.51	13.06	<b>13.61</b>
Quick	Times	1.58	1.49	0.62	3.48	8.86	<b>7.38</b>
<b>Valuation</b>							
Earnings per share	Rs	0.64	1.50	2.67	2.78	6.36	<b>1.93</b>
Break up vale per share	Rs	12.20	14.86	14.31	14.40	20.69	<b>22.3</b>

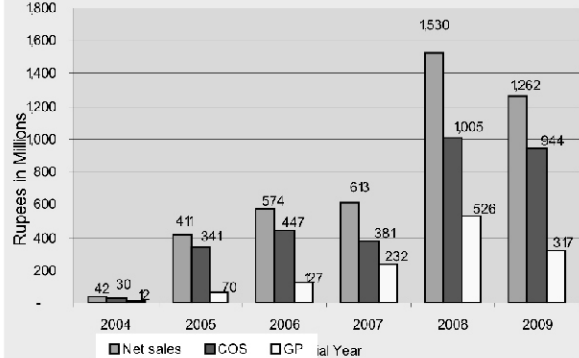
# Pace (Pakistan) Limited

## PERFORMANCE AT A GLANCE

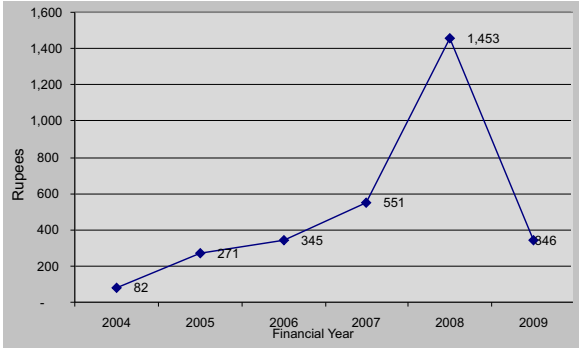
### Earning per Share



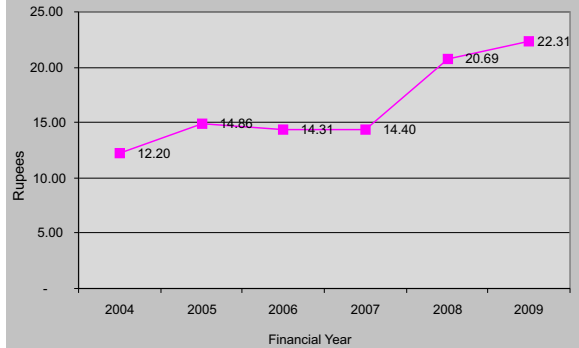
### Net Sales, COS & Gross Profit



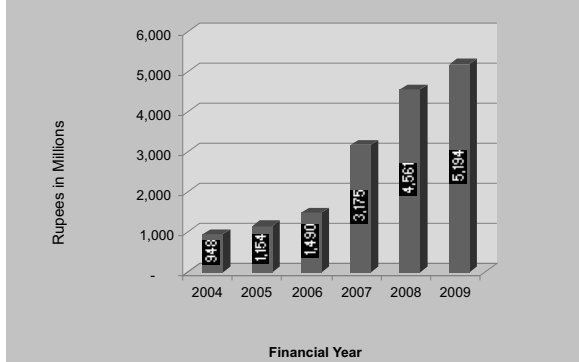
### Profit Before Tax



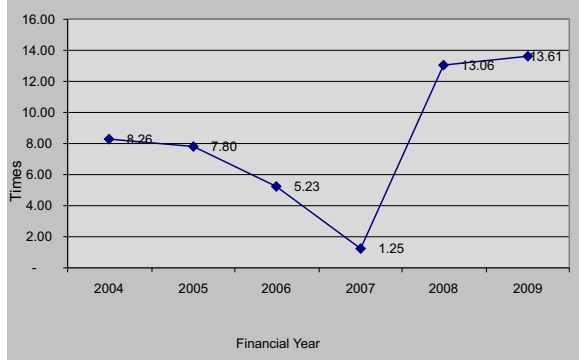
### Break-up Value



### Share Holder's Equity



### Current Ratio



**STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2009**

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 chairman of the committee.
- 16) The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
- 17) The Board has set-up an effective internal audit function having suitable qualified and experienced personnel who are conversant with the policies and procedures of the Company.
- 18) The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
- 19) The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
- 20) The Company has fully complied with the requirements on related party transaction to the extent as contained in the listing regulations of Stock Exchanges(s).
- 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 08, 2009

**Salmaan Taseer**  
Chief Executive Officer

**Aamna Taseer**  
Director

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

We have reviewed the statement of compliance with the best practices contained in the Code of Corporate Governance (the Code) for the year ended June 30, 2009 prepared by the Board of Directors of **Pace (Pakistan) Limited** (the Company) to comply with the Listing Regulations No. 35 of the Karachi and Lahore Stock Exchanges (Guarantee) Limited where the Company is listed.

The responsibility for compliance with the Code 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 if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

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

Further, Sub-Regulation (xiii a) of Listing Regulations 35 notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price regarding 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, 2009.

Lahore:  
October 08, 2009

**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, 2009 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,
  - 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 confirm 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, 2009 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 08, 2009**

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



**BALANCE SHEET**  
**AS AT JUNE 30, 2009**

	Note	June 30, 2009	June 30, 2008
		(Rupees in thousand)	
<b>EQUITY AND LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
Authorised capital			
600,000,000 (June 2008: 600,000,000) ordinary shares of Rs 10 each		<u><b>6,000,000</b></u>	<u>6,000,000</u>
Issued, subscribed and paid up capital			
232,822,008 (June 2008: 220,465,538) ordinary shares of Rs 10 each	5	<b>2,328,220</b>	2,204,656
Share deposit money		-	882
Reserves		<b>169,427</b>	117,254
Unappropriated profit		<u><b>2,696,752</b></u>	<u>2,237,914</u>
		<b>5,194,399</b>	4,560,706
<b>NON-CURRENT LIABILITIES</b>			
Long term finances - secured	6	-	11,051
Redeemable capital - secured (non-participatory)	7	<b>1,498,800</b>	1,499,400
Liabilities against assets subject to finance lease	8	<b>46,387</b>	9,001
Foreign currency convertible bonds - unsecured	9	<b>1,911,567</b>	1,758,565
Deferred liabilities	10	<b>33,814</b>	108,923
Advances against sale of property	11	<b>45,589</b>	330,424
Deferred income		<b>55,903</b>	-
		<b>3,592,060</b>	3,717,364
<b>CURRENT LIABILITIES</b>			
Current portion of long term liabilities	12	<b>31,649</b>	44,843
Creditors, accrued and other liabilities	13	<b>207,134</b>	238,209
		<b>238,783</b>	283,052
<b>CONTINGENCIES AND COMMITMENTS</b>			
	14		
		<u><b>9,025,242</b></u>	<u>8,561,122</u>

The annexed notes from 1 to 45 form an integral part of these financial statements.

Lahore  
October 08, 2009

Salmaan Taseer  
Chief Executive



# Pace (Pakistan) Limited

	Note	June 30, 2009	June 30, 2008
(Rupees in thousand)			
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	15	474,066	434,385
Intangible assets	16	9,951	10,543
Assets subject to finance lease	17	70,502	18,385
Capital work in progress	18	71,127	47,603
Investment property	19	4,103,602	3,580,870
Investments	20	600,237	600,248
Long term advances and deposits	21	19,402	8,279
Long term loans - unsecured	22	142,003	142,003
Advance against purchase of property - unsecured	23	278,040	21,600
Deferred taxation	24	6,000	-
		<b>5,774,930</b>	<b>4,863,916</b>
<b>CURRENT ASSETS</b>			
Stock-in-trade	25	1,488,110	1,189,809
Trade debts - unsecured	26	1,316,281	997,343
Due from related parties - unsecured	27	44,845	132,975
Current portion of advance against purchase of property - unsecured	23	-	5,000
Advances, deposits, prepayments and other receivables	28	60,384	57,199
Cash and bank balances	29	340,692	1,314,880
		<b>3,250,312</b>	<b>3,697,206</b>
		<b>9,025,242</b>	<b>8,561,122</b>

Aamna Taseer  
Director

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED JUNE 30, 2009**

	Note	2009 (Rupees in thousand)	2008
Sales	30	1,261,809	1,530,498
Cost of sales	31	(944,433)	(1,004,886)
<b>Gross profit</b>		317,376	525,612
Administrative and selling expenses	32	(67,595)	(122,271)
Changes in fair value of investment property	19	472,877	1,245,382
Other operating income	33	140,339	259,909
Other operating expenses	34	(244,610)	(209,079)
<b>Profit from operations</b>		618,387	1,699,553
Finance costs	35	(272,591)	(246,260)
<b>Profit before tax</b>		345,796	1,453,293
Taxation	36	91,000	(46,323)
<b>Profit for the year</b>		436,796	1,406,970
Earnings per share attributable to ordinary shareholders			
- basic earnings per share	Rupees	41	41
		1.93	6.36
- diluted earnings per share	Rupees	41	41
		1.55	5.90

The annexed notes from 1 to 45 form an integral part of these financial statements.

Lahore  
October 08, 2009

Salmaan Taseer  
Chief Executive

Aamna Taseer  
Director

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2009**

	Note	2009 (Rupees in thousand)	2008
<b>Cash flow from operating activities</b>			
Cash used in operations	38	(423,097)	(983,498)
Net (decrease)/increase in advances against sale of property		(284,835)	52,081
Finance cost paid		(235,313)	(139,535)
Gratuity and leave encashment paid		(3,631)	(1,833)
Taxes paid		(14,271)	(11,595)
		(961,147)	(1,084,380)
<b>Cash flow from investing activities</b>			
Purchase of property, plant and equipment		(101,470)	(110,812)
Additions in investment property		(171,464)	(729,275)
Proceeds from sale of property, plant and equipment		1,296	3,990
Increase in long term advances and deposits		(11,123)	(6,347)
Repayment of loans by related parties		-	40,116
Mark up received		200,344	187,479
Investment in equity instrument of Pace Barka Properties Limited		-	(300,000)
Proceeds from sale of investment		-	45,000
Proceeds from disposal of investment property		-	1,804
		(82,417)	(868,045)
<b>Cash flow from financing activities</b>			
Surrender of share deposit money to SECP		(665)	(371)
Repayment of long term finances		(37,282)	(105,842)
(Repayment)/proceeds from issuance of redeemable capital		(600)	1,500,000
Proceeds from issuance of foreign currency convertible bonds		-	1,559,500
Availment of finance lease liabilities		107,923	6,075
		69,376	2,959,362
<b>Net cash from financing activities</b>		<b>69,376</b>	<b>2,959,362</b>
<b>Net increase in cash and cash equivalents</b>		<b>(974,188)</b>	<b>1,006,937</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>1,314,880</b>	<b>307,943</b>
<b>Cash and cash equivalents at the end of the year</b>	29	<b>340,692</b>	<b>1,314,880</b>

The annexed notes from 1 to 45 form an integral part of these financial statements.

Lahore  
October 08, 2009

Salmaan Taseer  
Chief Executive

Aamna Taseer  
Director

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED JUNE 30, 2009**

	Share capital	Share deposit money	Share premium	Revaluation reserve for investment property	Reserve for changes in fair value of investments	Unappropriated profit	Total
<b>Balance as on June 30, 2007</b>	2,204,650	1,260	1,002	116,244	20,916	830,944	3,175,016
Issue of ordinary shares	5	(7)	2	-	-	-	-
Bonus shares issued during the year	1	-	(1)	-	-	-	-
Transferred to profit and loss account on disposal of shares in Worldcall Telecom Limited	-	-	-	-	(20,906)	-	(20,906)
Loss in fair value of investment	-	-	-	-	(3)	-	(3)
Share deposit money surrendered to SECP	-	(371)	-	-	-	-	(371)
Profit for the year	-	-	-	-	-	1,406,970	1,406,970
<b>Balance as on June 30, 2008</b>	2,204,656	882	1,003	116,244	7	2,237,914	4,560,706
Issue of ordinary shares	123,537	(217)	74,253	-	-	-	197,573
Bonus shares issued during the year	27	-	(27)	-	-	-	-
Loss in fair value of investment	-	-	-	-	(11)	-	(11)
Transfer of reserve relating to sale of investment property	-	-	-	(22,042)	-	22,042	-
Share deposit money surrendered to SECP	-	(665)	-	-	-	-	(665)
Profit for the year	-	-	-	-	-	436,796	436,796
<b>Balance as on June 30, 2009</b>	<b>2,328,220</b>	<b>-</b>	<b>75,229</b>	<b>94,202</b>	<b>(4)</b>	<b>2,696,752</b>	<b>5,194,399</b>

The annexed notes from 1 to 45 form an integral part of these financial statements.

**Lahore**  
October 08, 2009

**Salmaan Taseer**  
Chief Executive

**Aamna Taseer**  
Director

# **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2009**

## **1. Legal status and nature of business**

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

## **2. Basis of preparation**

**2.1** These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board 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 Standards, interpretations and amendments to published approved accounting standards**

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

#### **2.2.1 Amendments to published standards effective in current year**

- IFRS 7 'Financial Instruments: Disclosures' is effective from July 01, 2008 and supersedes the disclosure requirements of IAS 32 'Financial Instruments: Presentation'. It introduces new disclosures relating to financial instruments which have been set out in note 40 to these financial statements. Its adoption does not have any impact on the classification and valuation of the Company's financial instruments.

- IFRIC 14, 'IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction' is effective from July 01, 2008. IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The Company has applied IFRIC 14 from July 01, 2008, but it has no significant impact on the Company's financial statements.

- IAS 29 'Financial Reporting in Hyperinflationary Economies' is effective from July 01, 2008. The Company does not have any operations in hyperinflationary economies and therefore, the application of this standard has no effect on the Company's financial statements.

#### **2.2.2 Amendments and interpretations to published standards not yet effective**

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

- IAS 1 (Presentation of Financial Statements – Revised), is effective to the Company's financial statements covering annual period beginning on or after July 01, 2009. The revised standard aims to enhance the usefulness of information presented in the financial statements including the introduction of a new statement of comprehensive income that combines all items of income and expense recognised in profit or

loss together with 'Other comprehensive income'. The application of the revised standard will not affect the results or net assets of the Company as it is only concerned with presentation and disclosures.

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

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

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

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

**Standards or Interpretation**

**Effective date (accounting periods beginning on or after)**

IFRS 4 - Insurance Contracts	July 01, 2009
IFRIC 16 - Hedge of net investment in a foreign operation	July 01, 2009
IFRIC 17 - Distribution of non-cash assets to owners	July 01, 2009
IFRIC 18 - Transfer of assets from customers	July 01, 2009

**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. Previously, these have been allocated in equal proportion to all projects (operating and non-operating). This change in estimate has been accounted for in accordance with the requirements of International Accounting Standard (IAS) 8 "Accounting Policies, Changes in Accounting Estimates and Errors" on prospective basis. Had there been no change in the basis of allocation, the profit before tax for the year ended June 30, 2009 and the carrying value of stock-in-trade would have been lower by Rs 48.169 million.

**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 of.



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

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

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

#### **4.3 Intangible assets**

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

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

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

#### **4.4 Leases**

The Company is the lessee:

##### **Finance leases**

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

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

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

Assets acquired under a finance lease are depreciated over the useful life of the asset on reducing balance method at the following rates:

Vehicles	20%
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 off any incentives received from the lessor) are charged to profit on a straight-line basis over the lease term.

**4.5 Staff retirement benefits**

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

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

The latest actuarial valuation for gratuity scheme was carried out as at June 30, 2009. Projected Unit Credit Method, using the following significant assumptions is used for valuation of the scheme:

- Discount rate 12 percent per annum (2008: 12 percent per annum)
- Expected rate of increase in salary level 11 percent per annum (2008: 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, 2009. Projected Unit Credit Method, using the following significant assumptions is used for valuation of accumulating compensated absences:

- |   |   |
|---|---|
| - Discount rate   | 12 % (2008: 12 %)   |
| - Expected increase in salary                                 | 11 % (2008: 11 %)   |
| - Expected mortality rate                                     | EFU 61-66 mortality table<br>adjusted for Company's<br>experience |
| - Expected withdrawal and early retirement rate               | Based on experience   |
| - Average number of leaves accumulated per annum by employees | 10 days (2008: 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, 2009. The fair value of the investment property is based on active market prices.

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

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

#### **4.8 Investments**

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

##### **Investments in equity instruments of subsidiaries and associated undertakings**

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

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

#### **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 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

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

## 4.11 Stock-in-trade

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

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

## 4.12 Foreign currencies

All monetary assets and liabilities in foreign currencies are translated into rupees at exchange rates prevailing at the balance sheet date. Transactions in foreign currencies are translated into rupees at the spot rate. All non-monetary items are translated into rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined.

Exchange differences are included in income currently.

## 4.13 Revenue recognition

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

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

Revenue from sale of land, condominiums, shops/counters and villas is recognized when the significant risks and rewards of ownership have been transferred to the buyer, the 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**

Mark up, interest and other charges on long term and short term borrowings are capitalized up to the date of commissioning of the qualifying assets, acquired out of the proceeds of such long term loans. All other mark up, interest and other charges are charged to income.

#### **4.15 Segment reporting**

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. Business segments are the primary reporting format and the Company is organized into three business segments:

- Real estate sale - sale of land, condominiums, shops/counters and villas
- Investment properties - properties held to earn rentals or for capital appreciation or for both
- Others - businesses that individually do not meet the criteria of a reportable segment as per IAS 14 - "Segment Reporting"

A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments. The Company mainly operates in one economic environment, hence there are no geographical segments.

## 4.16 Trade debts

Trade debts are carried at original invoice amount less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

## 4.17 Creditors, accruals and provisions

Liabilities for creditors and other amounts payable are carried at cost, which is the fair value of the consideration to be paid in the future for the goods and/or services received, whether or not billed to the Company.

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

## 4.18 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 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.

## 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

2009 (Number of shares)	2008 (Number of shares)		2009 (Rupees in thousand)	2008 (Rupees in thousand)
155,649,920	143,296,147	Ordinary shares of Rs 10 each fully paid in cash	155,499	1,432,962
77,172,088	77,169,391	Ordinary shares of Rs 10 each issued as fully paid bonus shares	771,721	771,694
<u>232,822,008</u>	<u>220,465,538</u>		<u>2,238,220</u>	<u>2,204,656</u>

First Capital Securities Corporation Limited and Worldcall Telecom Limited, associated undertakings, hold 31,506,907 (June 2008: 32,849,907) and 6,959,290 (June 2008: 6,959,290) ordinary shares of the company respectively.



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	Note	2009 (Rupees in thousand)	2008
<b>6. Long term finances - secured</b>			
Faysal Bank Limited - long term finance facility	6.1	11,376	48,658
Less: Current portion shown under current liabilities		11,376	37,607
		-	11,051
<b>6.1 Faysal Bank Limited-long term finance facility</b>		-	11,051

## 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 Company fails to pay the balances as per terms of facility, additional markup is to be computed at the rate of 2 % per annum on the balances unpaid.

## Security

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

	Note	2009 (Rupees in thousand)	2008
<b>7. Redeemable capital - secured (non-participatory)</b>			
Term finance certificates	7.1	1,499,400	1,500,000
		1,499,400	1,500,000
Less: Current portion shown under current liabilities		600	600
		1,498,800	1,499,400
<b>7.1 Term finance certificates</b>		1,498,800	1,499,400

## 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, 40-Block P, Model Town, Lahore, 27-H College Road, Gulberg II, Lahore, G.T. Road, Gujranwala and first exclusive hypothecation charge over certain specific fixed assets, to the extent of Rs 2 billion.



2009                      2008  
(Rupees in thousand)

**8. Liabilities against assets subject to finance lease**

Present value of minimum lease payments	66,060	15,637
Less: Current portion shown under current liabilities	19,673	6,636
	46,387	9,001

The minimum lease payments have been discounted at an implicit interest rate ranging from 11.36% to 18.25% (2008: 8.70% - 13.95%) to arrive at their present value. The lessee has the option to purchase the assets after the expiry of the lease term. Taxes, repairs and insurance costs are to be borne by the lessee. The liability is partly secured by a deposit of Rs 13.835 million (June 2008: Rs 2.975 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	
			2009	2008
Not later than one year	27,065	7,392	19,673	6,636
Later than one year and not later than five years	52,079	5,692	46,387	9,001
	79,144	13,084	66,060	15,637

2009                      2008  
(Rupees in thousand)

**9. Foreign currency convertible bonds - unsecured**

Opening balance as at July 1	1,758,565	-
Issued during the year	-	1,559,500
Converted into equity shares	(197,574)	-
Markup accrued for the year	130,757	53,565
	1,691,748	1,613,065
Markup paid during the year	(19,813)	-
Exchange loss for the year	239,632	145,500
Closing balance as at June 30	1,911,567	1,758,565

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

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.

# Pace (Pakistan) Limited

	Note	2009	2008
(Rupees in thousand)			
<b>10. Deferred liabilities</b>			
These are composed of :			
Staff gratuity	10.1	32,025	22,267
Leave encashment	10.2	1,789	1,656
Deferred taxation	24	-	85,000
		<b>33,814</b>	<b>108,923</b>

## 10.1 Staff gratuity

The amounts recognised in the balance sheet are as follows:

Present value of defined benefit obligation	30,236	25,021
Unrecognised experience losses	(1,789)	(2,754)
Liability as at June 30	<b>28,447</b>	<b>22,267</b>
Liability as at July 1	22,267	13,210
Charge to profit and loss account	12,501	10,463
Benefits paid	(2,743)	(1,406)
Liability as at June 30	<b>32,025</b>	<b>22,267</b>

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

Present value of defined benefit obligation as at July 1	25,021	14,919
Service cost	9,448	8,928
Interest cost	3,002	1,492
Benefits paid	(2,743)	(1,406)
Experience (gain)/loss	(4,492)	1,088
Present value of defined benefit obligation as at June 30	<b>30,236</b>	<b>25,021</b>

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

Service cost	9,448	8,928
Interest cost	3,003	1,492
Experience loss	50	43
Charge to profit and loss	<b>12,501</b>	<b>10,463</b>

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

	2009	2008	2007	2006	2005
(Rupees in thousand)					
Present value of defined benefit obligation	30,236	25,021	14,919	7,193	4,279
Fair value of plan assets	-	-	-	-	-
Deficit	<b>(30,236)</b>	<b>(25,021)</b>	<b>(14,919)</b>	<b>(7,193)</b>	<b>(4,279)</b>
Experience adjustment on obligation	4%	7%	14%	12%	5%

# Pace (Pakistan) Limited

Note                      2009                      2008  
(Rupees in thousand)

## 10.2 Leave encashment

The amounts recognised in the balance sheet are as follows:

Liability as at July 1	1,656	1,029
Charge to profit and loss account	1,021	1,054
Benefits paid	(888)	(427)
Liability as at June 30	1,789	1,656

## 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.

## 12. Current portion of long term liabilities

Current portion of long term finances -secured	6	11,376	37,607
Current portion of Redeemable capital - secured (non-participatory)	7	600	600
Current portion of liabilities against assets subject to finance lease	8	19,673	6,636
		31,649	44,843

## 13. Creditors, accrued and other liabilities

Trade creditors		13,230	8,362
Advances from customers		5,977	6,645
Licensees/concessionaires payable		10,873	6,442
Accrued liabilities		16,824	17,292
Mark-up accrued on:			
- Long term finances -secured		111	760
- Redeemable capital - secured (non-participatory)		88,160	66,191
Licensee security deposits		15,733	12,701
Payable to contractors	13.1	26,061	89,495
Retention money	13.2	17,087	24,909
Others		13,078	5,412
		207,134	238,209

**13.1** Payable to contractors include Rs 17.878 million (June 2008: Rs 33.683 million) due to a related party.

**13.2** Retention money include Rs 15.632 million (June 2008: Rs 17.960 million) due to a related party.

## 14. Contingencies and commitments

### 14.1 Contingencies

- (i) Claims against the Company not acknowledged as debts Rs 21.644 million (June 2008: 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 2008: 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 2008: 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.

## 14.2 Commitments

- (i) Letters of credit for capital expenditure amounting to Rs Nil (June 2008: Rs 3.161 million).
- (ii) The amount of future payments under operating leases and the period in which these payments will become due are as follows:

	<b>2009</b>	2008
	<b>(Rupees in thousand)</b>	
Not later than one year	<b>1,580</b>	1,436
Later than one year and not later than five years	<b>8,065</b>	7,332
Later than five years	<b>11,808</b>	14,121
	<b>21,453</b>	22,889
	<b>21,453</b>	22,889

15. Property, plant and equipment

(Rupees in thousand)

	2009						2008											
	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	Cost as at June 30, 2007	Additions/transfers/(deletions)	Transfer to investment property/stock-in-trade	Cost as at June 30, 2008	Accumulated depreciation as at June 30, 2007	Depreciation charge for the year	Transfer to investment property/stock-in-trade	Accumulated depreciation as at June 30, 2008	Book value as at June 30, 2008
Freehold land *	94,040	-	(481)	93,559	-	-	-	-	93,559	-	-	-	-	-	-	-	-	94,040
Leasehold land **	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings on freehold land	111,663	18,827	(1,990)	128,500	13,703	5,607	(239)	19,071	109,429	9,160	4,543	-	111,663	9,160	4,543	-	13,703	97,960
Buildings on leasehold land ***	134,225	912	-	135,137	1,119	13,356	-	14,475	120,662	-	1,119	-	134,225	-	1,119	-	1,119	133,106
Plant and machinery	72,682	8,489	-	81,171	32,686	4,076	-	36,762	44,409	28,941	3,745	-	72,682	28,941	3,745	-	32,686	39,996
Electrical equipment	42,985	24,865	(615)	67,235	8,428	4,486	-	12,852	54,383	5,127	3,301	-	42,985	5,127	3,301	-	8,428	34,557
Office equipment and appliances	11,653	20	-	11,673	4,218	745	-	4,963	6,710	3,402	816	-	11,653	3,402	816	-	4,218	7,435
Furniture and fixtures	11,136	602	-	11,738	1,759	991	-	2,750	8,988	1,080	679	-	11,136	1,080	679	-	1,759	9,377
Computers	8,627	796	-	9,242	3,365	1,856	-	5,105	4,137	(116)	(116)	-	8,627	1,738	1,638	-	3,365	5,262
Vehicles ****	17,337	22,088	-	38,936	4,685	2,622	-	7,147	31,789	-	-	-	17,337	2,896	2,437	-	4,685	12,652
		(489)	(2,471)			(160)					(11)				(648)			
<b>June 2009</b>	<b>504,348</b>	<b>76,599</b>	<b>(2,471)</b>	<b>577,191</b>	<b>69,963</b>	<b>33,739</b>	<b>(239)</b>	<b>103,125</b>	<b>474,066</b>									
		(1,285)				(338)												
Freehold land *	90,660	3,380	-	94,040	-	-	-	-	94,040	-	-	-	-	-	-	-	-	94,040
Leasehold land **	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings on freehold land	72,127	39,536	-	111,663	9,160	4,543	-	13,703	97,960	9,160	4,543	-	111,663	9,160	4,543	-	13,703	97,960
Buildings on leasehold land ***	-	134,225	-	134,225	-	1,119	-	1,119	133,106	-	1,119	-	134,225	-	1,119	-	1,119	133,106
Plant and machinery	67,854	4,828	-	72,682	28,941	3,745	-	32,686	39,996	28,941	3,745	-	72,682	28,941	3,745	-	32,686	39,996
Electrical equipment	31,158	11,827	-	42,985	5,127	3,301	-	8,428	34,557	5,127	3,301	-	42,985	5,127	3,301	-	8,428	34,557
Office equipment and appliances	11,422	231	-	11,653	3,402	816	-	4,218	7,435	3,402	816	-	11,653	3,402	816	-	4,218	7,435
Furniture and fixtures	4,349	6,787	-	11,136	1,080	679	-	1,759	9,377	1,080	679	-	11,136	1,080	679	-	1,759	9,377
Computers	4,504	4,183	-	8,627	1,738	1,638	-	3,365	5,262	1,738	1,638	-	8,627	1,738	1,638	-	3,365	5,262
Vehicles	16,029	4,546	-	17,337	2,896	2,437	-	4,685	12,652	2,896	2,437	-	17,337	2,896	2,437	-	4,685	12,652
		(3,238)				(648)												
<b>June 2008</b>	<b>298,103</b>	<b>209,543</b>	<b>-</b>	<b>504,348</b>	<b>52,344</b>	<b>18,278</b>	<b>-</b>	<b>69,963</b>	<b>434,385</b>									
		(3,298)				(659)												

\* 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 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 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.

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

	June 2009	June 2008
Stores operating expenses	27,139	12,051
Administrative and selling expenses	4,798	6,227
Stock-in-trade	1,802	-
	<u>33,739</u>	<u>18,278</u>

**15.2 Disposal of property, plant & equipment**

Particular of Assets	Sold to	Cost	Accumulated Depreciation	Book value	Sales proceeds	(Rupees in thousand)	
						Mode of Disposal	
Computers	Mr. Habib Nawaz, Mr. Musharaf Khan	181	116	65	76		Company Policy
Vehicles	Mr. Ahmed Ali, Mr. Salman Jawed	489	160	329	450		Negotiation
Electric Equipment	White House Electronics	615	62	553	770		Negotiation
<b>June 2009</b>		<u>1,285</u>	<u>338</u>	<u>947</u>	<u>1,296</u>		

16. Intangible assets

(Rupees in thousand)

	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
<b>June 2009</b>	<b>12,386</b>	<b>-</b>	<b>12,386</b>	<b>1,843</b>	<b>9,951</b>
	2008				Book value as at June 30, 2008
	Cost as at June 30, 2007	Additions/ (deletions)	Cost as at June 30, 2008	Accumulated amortisation as at June 30, 2007	
Softwares	2,878	-	2,878	1,596	1,154
Dark fiber *	-	9,508	9,508	-	9,389
<b>June 2008</b>	<b>2,878</b>	<b>9,508</b>	<b>12,386</b>	<b>1,596</b>	<b>10,543</b>

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

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

	2009	2008
Administrative and selling expenses	422	247
Stock-in-trade	170	-
	<b>592</b>	<b>247</b>

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

	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	
Vehicles	23,529	1,684 (3,371)	21,842	5,144	3,453 (1,354)	14,599
Plant and machinery	-	57,500	57,500	-	1,597	55,903
<b>June 2009</b>	<b>23,529</b>	<b>59,184 (3,371)</b>	<b>79,342</b>	<b>5,144</b>	<b>5,050 (1,354)</b>	<b>70,502</b>
	2008					Book value as at June 30, 2008
	Cost as at June 30, 2007	Additions/ (deletions) (transfer)	Cost as at June 30, 2008	Accumulated depreciation as at June 30, 2007	Depreciation charge for the year	
Vehicles	13,751	12,052 (2,274)	23,529	3,104	3,534 (1,494)	18,385
<b>June 2008</b>	<b>13,751</b>	<b>12,052 (2,274)</b>	<b>23,529</b>	<b>3,104</b>	<b>3,534 (1,494)</b>	<b>18,385</b>

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

	2009	2008
Administrative and selling expenses	3,607	3,534
Stock-in-trade	1,443	-
	<u>5,050</u>	<u>3,534</u>



# Pace (Pakistan) Limited

	Note	2009	2008
(Rupees in thousand)			
<b>18. Capital Work in progress</b>			
Broadband/telephony services	18.1	2,672	2,672
Interactive vigilance system	18.1	4,000	16,000
Investment property under construction	18.2 and 18.3	59,227	28,931
Property, plant and equipment under construction	18.2	5,228	-
		71,127	47,603

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

**18.2** Capital work in progress amounting to Rs 20.883 million (June 2008: Rs 14.967 million) are pledged with lenders as security against long term loan and redeemable capital as referred to in note 6 and note 7 respectively.

**18.3** Included in capital work in progress are borrowing costs of Rs 3.996 million (June 2008: Rs Nil).

## 19. Investment Property

	Land	Building	2009	2008
(Rupees in thousand)				
Opening value as on July 1	770,135	1,565,353	3,580,870	1,418,047
Additions to cost during the year:				
- Transfer from stock-in-trade	-	20,576	20,576	286,270
- Purchase of assets classified as 'investment property'	-	171,464	171,464	729,275
- Transfer to stock-in-trade	-	(142,185)	(142,185)	(96,686)
- Disposal of investment property	-	-	-	(1,418)
Closing Value before revaluation as at June 30	770,135	1,615,208	3,630,725	2,335,488
Add: Gain recognised in profit and loss account			472,877	1,245,382
Closing value after revaluation as on June 30			4,103,602	3,580,870

	Note	2009	2008
(Rupees in thousand)			
<b>20. Investments</b>			
Equity instruments of:			
- subsidiaries - unquoted	20.1	55	55
- associated undertakings - unquoted	20.2	600,180	600,180
Available for sale - quoted	20.3	2	13
		600,237	600,248

### 20.1. Subsidiaries - unquoted

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

# Pace (Pakistan) Limited

	Note	2009	2008
		(Rupees in thousand)	
<b>20.2 Associated undertakings - unquoted</b>			
Pace Barka Properties Limited 60,000,000 (June 2008: 60,000,000) fully paid ordinary shares of Rs 10 each		600,000	600,000
Pace Super Mall (Private) Limited 18,000 (June 2008: 18,000) fully paid ordinary shares of Rs 10 each		180	180
		<b>600,180</b>	600,180

## 20.3 Available for sale - quoted

Available for sale investment at cost	20.3.1	6	6
Add: Cumulative fair value (loss)/gain	20.3.2	(4)	7
		2	13

**20.3.1** This represents 912 (June 2008: 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.

		2009	2008
		(Rupees in thousand)	
<b>20.3.2 Cumulative fair value (loss)/gain</b>			
As at July 1		7	20,916
Fair value (loss) during the year		(11)	(3)
Transfer to profit and loss account		-	(20,906)
As at June 30		(4)	7

## 21. Long term advances and deposits

Lease key money	13,402	2,279
Security deposit	6,000	6,000
	19,402	8,279

## 22. Long term loans - unsecured

These represent loans given to the following related parties:

### Subsidiary

Pace Woodlands (Private) Limited	100,900	100,900
----------------------------------	---------	---------

### Associated undertaking

Media Times Limited	41,103	41,103
	142,003	142,003

**22.1** These loans carry mark up at the rate ranging from 15.25% to 17.50% per annum (June 2008: 15.25% to 15.40%).

# Pace (Pakistan) Limited

	Note	2009	2008
(Rupees in thousand)			
<b>23. Advance against purchase of property - unsecured</b>			
<b>Subsidiary</b>			
Pace Woodlands (Private) Limited		-	5,000
<b>Associated undertakings</b>			
Pace Barka Properties Limited		256,440	-
Pace Super Mall (Private) Limited		21,600	21,600
		<u>278,040</u>	<u>26,600</u>
Less: short term portion shown under current assets		-	5,000
		<u>278,040</u>	<u>21,600</u>

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

## 24. Deferred taxation

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

Accelerated tax depreciation	(174,859)	(187,706)
Employee retirement benefits	11,835	8,373
Deferred cost	589	737
Unused tax losses and minimum tax	168,435	93,596
	<u>6,000</u>	<u>(85,000)</u>

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

Opening balance	(85,000)	(45,000)
Income/(charge) during the year	91,000	(40,000)
Closing balance	<u>6,000</u>	<u>(85,000)</u>

## 25. Stock-in-trade

### Commercial buildings, shops and houses

Work in process	25.1	1,251,648	937,446
Shops and houses		235,023	251,025
		1,486,671	1,188,471
Restaurant and stores inventory		1,439	1,338
		<u>1,488,110</u>	<u>1,189,809</u>

**25.1** Included in work in process are borrowing costs of Rs 109.585 million (June 2008: Rs 46.326 million).

**25.2** Work in process amounting to Rs 133.323 million (June 2008: Rs 149.362 million) are pledged with lenders as security against long term loan and redeemable capital as referred to in note 6 and note 7 respectively.

# Pace (Pakistan) Limited

	Note	2009	2008
(Rupees in thousand)			
<b>26. Trade debts - unsecured</b>			
Considered good		1,316,281	997,343
Considered doubtful		9,000	2,000
		1,325,281	999,343
Less: Provision for doubtful debts	26.1	(9,000)	(2,000)
		1,316,281	997,343
<b>26.1 Provision for doubtful debts</b>			
Balance as at July 1		2,000	-
Add: provision during the year		7,000	2,000
		9,000	2,000
Less: written off during the year		-	-
Balance as at June 30		9,000	2,000

Included in trade debts is an amount of Rs 389.384 million (June 2008: Rs 419.06) receivable from First Capital Securities Corporation Limited, a related party.

		2009	2008
(Rupees in thousand)			
<b>27. Due from related parties - unsecured</b>			
<b>Subsidiaries</b>			
Pace Woodlands (Private) Limited		3,690	91,420
Pace Gujrat (Private) Limited		41,155	41,555
		44,845	132,975

**27.1** These advances are considered good and carry mark up at the rate ranging from 15.25% to 17.50% per annum (June 2008: 15.25% to 15.40%).

		2009	2008
(Rupees in thousand)			
<b>28. Advances, deposits, prepayments and other receivables</b>			
Advances - considered good			
- to employees		6,913	8,342
- to suppliers		16,189	9,496
Security deposits		6,549	6,689
Prepayments		2,882	6,482
Advances to contractors	28.1	6,499	22,168
Income tax recoverable from government		18,071	3,800
Others - considered good		3,281	222
		60,384	57,199

**28.1** Advances to contractors include Rs 4.55 million (June 2008: Rs 18.808 million) due from Trident Construct (Private) Limited, a related party. This relates to normal business of the Company and is interest free.

# Pace (Pakistan) Limited

	Note	2009	2008
(Rupees in thousand)			
<b>29. Cash and bank balances</b>			
At banks			
- in saving accounts	29.1	336,599	1,255,154
- in current accounts		3,828	59,457
		340,427	1,314,611
In hand including credit card sales Rs 0.106 million (June 2008: Rs 0.212 million)			
		265	269
		340,692	1,314,880
		340,692	1,314,880

**29.1** Included in these are total restricted funds of Rs 7 million (June 2008: 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 2.32% to 10% per annum (June 2008: 0.25% to 10%).

	Note	2009	2008
(Rupees in thousand)			
<b>30. Sales</b>			
Shops, houses and commercial buildings			
- at completion of project basis		402,526	1,160,418
- at percentage of completion basis	30.1	563,191	187,526
Land		75,000	52,565
Licensee fee		55,956	37,486
Restaurant		2,688	5,730
Display advertisements and miscellaneous income		43,913	17,163
Service charges		118,535	69,610
		1,261,809	1,530,498
		1,261,809	1,530,498

### 30.1 Revenue recognized on the basis of percentage of completion method

Revenue recognized to date	563,191	187,526
Aggregate cost incurred to date	424,023	144,164
Recognized profit to date	139,168	43,362
	139,168	43,362

**30.1.1** The revenue arising from agreements, that meet the criteria for revenue recognition on basis of percentage of completion method, during the year is Rs. 17.215 million (2008: Rs. 404.542 million). Amount received against these agreements amounts to Rs. 7.207 million (2008: Rs. 132.511).

	Note	2009	2008
(Rupees in thousand)			
<b>31. Cost of sales</b>			
Shops and commercial buildings sold			
- at completion of project basis	31.1	246,312	680,268
- at percentage of completion basis		424,023	144,164
Land Sold		73,270	52,481
Materials consumed at restaurant		1,456	5,111
Commodities sold		8,708	-
Stores operating expenses	31.2	190,664	122,862
		944,433	1,004,886
		944,433	1,004,886

# Pace (Pakistan) Limited

Note            2009            2008  
(Rupees in thousand)

## 31.1 Shops and commercial buildings sold

Opening work in process		937,446	667,113
Project development cost		367,458	1,576,992
Closing work in process	25	(1,251,648)	(937,446)
Cost of shops and commercial buildings constructed		53,256	1,306,659
Less: Cost transferred to:			
- property, plant and equipment		(18,064)	(138,682)
- capital work in progress		(35,524)	(13,739)
- administrative expenses		-	(4,956)
- investment property	19	(20,576)	(286,270)
		(74,164)	(443,647)
		(20,908)	863,012
Opening inventory of shops		251,025	68,281
Additions		251,218	-
Closing inventory of shops	25	(235,023)	(251,025)
		267,220	(182,744)
		246,312	680,268

## 31.2 Store operating expenses

Salaries, wages and benefits	31.2.1	31,797	30,790
Rent, rates and taxes		4,578	303
Insurance		20,813	6,688
Fuel and power		76,970	51,874
Depreciation on property, plant and equipment	15.1	27,139	12,051
Repairs and maintenance		16,502	11,484
Janitorial and security charges		12,169	9,241
Others		696	431
		190,664	122,862

### 31.2.1 Salaries, wages and benefits

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

Current service cost		2,834	2,678
Interest cost		901	448
Experience loss		15	13
		3,750	3,139

## 32. Administrative and selling expenses

Salaries, wages and benefits	32.1	18,972	40,314
Traveling and conveyance		3,716	4,699
Rent, rates and taxes		5,004	3,256
Insurance		889	5,638
Printing and stationery		866	1,921
Repairs and maintenance		1,912	9,681
Motor vehicles running		3,355	7,688
Communications		2,409	3,541
Advertising and sales promotion		6,724	14,325
Depreciation on:			
- property, plant and equipment	15.1	4,798	6,227

# Pace (Pakistan) Limited

	Note	2009	2008
(Rupees in thousand)			
- assets subject to finance lease	17.1	3,607	3,534
Amortisation on intangible assets	16.1	422	247
Auditors' remuneration	32.2	1,600	1,550
Legal and professional		3,080	1,849
Advances written off		-	3,003
Other expenses		3,241	12,798
Provision for doubtful receivables		7,000	2,000
		<u>67,595</u>	<u>122,271</u>

## 32.1 Salaries, wages and benefits

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

Current service cost		6,614	6,250
Interest cost		2,102	1,044
Experience loss		35	30
		<u>8,751</u>	<u>7,324</u>

## 32.2 Auditors' remuneration

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

Statutory audit		1,100	800
Certification and sundry services		100	450
Half yearly review		400	300
		<u>1,600</u>	<u>1,550</u>

## 33. Other operating income

### Income from financial assets

Mark up on bank accounts		79,824	137,422
Income from reverse repurchase transactions		8,733	19,758
Return on term deposit certificates	33.1	-	9,854
Mark up on balances with related parties		41,831	47,943
Gain on derecognition of investments classified as 'available for sale'		-	32,875
Others		6,500	4,500

### Income from non-financial assets

Gain on sale of property, plant and equipment		348	851
Gain on disposal of investment property		-	386
Liabilities no longer required written back		1,506	6,320
Deferred income		1,597	-
		<u>140,339</u>	<u>259,909</u>

**33.1** This represents markup earned at rate Nil per annum (2008: 7.70% to 10.33%).

# Pace (Pakistan) Limited

	Note	2009	2008
		(Rupees in thousand)	
<b>34. Other operating expenses</b>			
Exchange loss on foreign currency convertible bonds		<b>234,403</b>	145,500
Donations	34.1	<b>220</b>	50
Expenses incurred in respect of:			
- issuance of term finance certificates		-	25,115
- issuance of foreign currency convertible bonds		-	32,050
- issuance of commercial papers		-	1,260
- issuance of SUKUK		-	775
- increase in authorised capital		-	4,235
Others		<b>9,987</b>	94
		<b>244,610</b>	<b>209,079</b>

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

## 35. Finance costs

Mark up on			
- Redeemable capital - secured (non-participatory)		<b>165,072</b>	140,500
- Commercial papers		-	49,989
- Foreign currency convertible bonds - unsecured		<b>103,688</b>	53,565
- Finance lease		<b>1,794</b>	1,559
Bank charges		<b>2,037</b>	647
		<b>272,591</b>	<b>246,260</b>

## 36. Taxation

For the year			
- Current		-	7,304
- Deferred		<b>(66,000)</b>	40,000
		<b>(66,000)</b>	47,304
Prior years			
- Current		-	(981)
- Deferred		<b>(25,000)</b>	-
		<b>(91,000)</b>	46,323

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, 2009 are estimated at approximately Rs 433.974 million (June 2008: Rs 220.057 million).

	2009	2008
		%
<b>36.1 Tax charge reconciliation</b>		
Numerical reconciliation between the average effective tax rate and the applicable tax rate.		
Applicable tax rate	<b>35.00</b>	35.00
Tax effect of amounts that are:		
Not chargeable to tax	<b>(54.46)</b>	(31.58)
Effect of change in prior years' tax	<b>(7.23)</b>	(0.07)
Effect of rounding off	<b>0.37</b>	(0.12)
	<b>(61.32)</b>	(31.77)
Average effective tax rate charged to profit and loss account	<b>(26.32)</b>	3.23



**37. Remuneration of Chief Executive, Directors and Executives**

The aggregate amount charged in the financial statements for the year for remuneration to directors is Rs 0.2 million (June 2008: Rs Nil).

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

	<b>Directors</b>		<b>Executives</b>	
	<b>2009</b>	2008	<b>2009</b>	2008
	<b>(Rupees in thousand)</b>		<b>(Rupees in thousand)</b>	
<b>Short term employee benefits</b>				
Managerial remuneration	<b>200</b>	-	<b>25,383</b>	17,613
Housing	-	-	<b>10,153</b>	7,045
Utilities	-	-	<b>2,538</b>	1,761
Bonus	-	-	-	-
Medical expenses	-	-	<b>1,761</b>	754
Fuel expenses	-	-	<b>5,548</b>	3,178
Mobile expenses	-	-	<b>852</b>	570
<b>Post employment benefits</b>	-	-	<b>11,249</b>	8,414
	<b>200</b>	-	<b>57,484</b>	39,335

	<b>Directors</b>		<b>Executives</b>	
	<b>2009</b>	2008	<b>2009</b>	2008
<b>Number of persons</b>	1	-	33	26

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

	<b>Note</b>	<b>2009</b>	2008
		<b>(Rupees in thousand)</b>	
<b>38. Cash used in operations</b>			
Profit before tax		<b>345,796</b>	1,453,293
Adjustment for:			
Depreciation on:			
- property, plant and equipment	15.1	<b>33,739</b>	18,278
- assets subject to finance lease	17.1	<b>5,050</b>	3,534
Amortisation on intangible assets	16.1	<b>592</b>	247
Gain on purchase of property		<b>(13,752)</b>	-
Gain on sale of:			
- property, plant and equipment		<b>(349)</b>	(306)
- assets subject to finance lease		-	(545)
Exchange loss on foreign currency convertible bonds	9	<b>239,632</b>	145,500

## Pace (Pakistan) Limited

	Note	2009	2008
		(Rupees in thousand)	
Provision for doubtful receivables	26.1	7,000	2,000
Provision for gratuity and leave encashment		13,522	11,517
Finance costs	35	272,591	246,260
Mark up income		(136,888)	(219,477)
Changes in fair value of investment property	19	(472,877)	(1,245,382)
Gain on disposal of investment property		-	(386)
Deferred income	33	(1,597)	(32,875)
Liabilities no longer required written back	33	(1,506)	(6,320)
Advances written off		-	3,003
Profit before working capital changes		290,953	378,341
Effect on cash flow due to working capital changes:			
Increase in stock-in-trade		(135,294)	(770,730)
Increase in trade debts		(325,938)	(654,140)
Decrease/(increase) in due from related parties		6,526	(15,902)
Increase in advance against purchase of property		(219,541)	-
Decrease in advances, deposits and other receivables		11,086	29,338
(Decrease)/increase in creditors, accrued and other liabilities		(50,889)	49,595
		(714,050)	(1,361,839)
		(423,097)	(983,498)

39. Segment information  
(Rupees in thousand)

	Real estate sales		Investment properties		Others		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
Segment revenue	965,717	1,400,509	130,956	48,938	165,136	81,051	1,261,809	1,530,498
Segment expenses								
- Cost of sales	(670,335)	(824,432)	(73,270)	-	(10,164)	(5,111)	(753,769)	(829,543)
- Stores operating expenses	-	-	(56,320)	(36,292)	(134,344)	(86,570)	(190,664)	(122,862)
Gross profit	295,382	576,077	1,366	12,646	20,628	(10,630)	317,376	578,093
- Changes in fair value of investment property	-	-	472,877	1,245,382	-	-	472,877	1,245,382
Segment results	295,382	576,077	474,243	1,258,028	20,628	(10,630)	790,253	1,823,475
Administrative and selling expenses							(67,595)	(122,271)
Other operating income							140,339	259,909
Finance costs							(272,591)	(246,260)
Other operating expenses							(244,610)	(209,079)
Profit before tax							345,796	1,505,774
Taxation							91,000	(46,323)
Profit for the year							436,796	1,459,451
39.1 Segment assets	3,094,930	2,214,655	4,167,515	3,614,487	-	-	7,262,445	5,829,142
Unallocated assets							1,762,797	2,731,980
							9,025,242	8,561,122
39.2 Segment liabilities	3,599,351	3,819,002	15,733	12,701	-	-	3,615,084	3,831,703
Unallocated liabilities							215,759	168,713
							3,830,843	4,000,416
39.3 Capital expenditure	-	-	-	-	-	-	-	-
Unallocated							135,783	221,595
							135,783	221,595
39.4 Depreciation/amortisation	-	-	-	-	-	-	-	-
Unallocated							39,381	21,812
							39,381	21,812

**40. Financial risk management**

**40.1 Financial risk factors**

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

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

**(a) Market risk**

**(i) Currency risk**

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

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

	<b>2009</b>	<b>2008</b>
Foreign currency convertible bonds - USD	<u><b>24,003,666</b></u>	<u><b>25,785,417</b></u>

The following significant exchange rates were applied during the year:

**Rupees per USD**

Average rate	<b>78.70</b>	62.59
Reporting date rate	<b>81.30</b>	68.20

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 123.095 million (2008: Rs 78.287 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:

	<b>2009</b>	<b>2008</b>
	<b>(Rupees in thousand)</b>	
<b>Financial assets</b>		
<b>Fixed rate instruments</b>		
Long term loans - unsecured	<b>142,003</b>	142,003
Due from related parties - unsecured	<b>44,845</b>	132,975
<b>Floating rate instruments</b>		
Bank balances - savings accounts	<b>336,599</b>	1,255,154
Net exposure	<u><b>523,447</b></u>	<u>1,530,132</u>
<b>Financial liabilities</b>		
<b>Fixed rate instruments</b>		
Foreign currency convertible bonds - unsecured	<b>1,911,567</b>	1,758,565
<b>Floating rate instruments</b>		
Redeemable capital - secured (non-participatory)	<b>1,499,400</b>	1,500,000
Liabilities against assets subject to finance lease	<b>66,060</b>	15,637
Finances under mark-up arrangements	<b>11,376</b>	48,658
Net exposure	<u><b>1,576,836</b></u>	<u>1,564,295</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 would 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 8 million (2008: Rs 2 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:

	2009	2008
	(Rupees in thousand)	
Long term advances and deposits	297,442	29,879
Trade debts - unsecured	1,325,281	999,343
Advances, deposits, prepayments and other receivables		
- Advances to employees - considered good	6,913	8,342
- Security deposits	6,549	6,689
- Others - considered good	3,281	222
Cash and bank balances	340,692	1,314,880
	<u>1,980,158</u>	<u>2,359,355</u>

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

- Not past due	590,279	91,909
- Past due 0 - 365 days	528,831	855,582
- 1 - 2 years	141,818	50,395
- More than 2 years	64,353	1,456
	<u>1,325,281</u>	<u>999,342</u>

The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. The Company believes that it is not exposed to major concentration of credit risk as the trade debts / advance against purchase of property of the Company relate to sales / purchase of property which is transferred at the end of instalment 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	2009	2008
	Short term	Long term	Agency	(Rupees in thousand)	
KASB Bank	A	A 1	Pacra	305,493	756,582
Allied bank	A1+	AA	Pacra	9,174	19,648
Faysal Bank Limited	A1+	AA	Pacra	17,059	377,334
Royal Bank of Scotland	A1+	AA	Pacra	221	43,531
Soneri Bank	A1+	AA-	Pacra	25	52,036
Habib Bank Limited	A-1+	AA+	JCR-VIS	344	795
Bank of Punjab	A1+	AA-	Pacra	25	28

# Pace (Pakistan) Limited

	Rating		Agency	2009	2008
	Short term	Long term		(Rupees in thousand)	
Standard Chartered Bank	A1+	AAA	Pacra	2,979	15,372
Bank Al-falah	A1+	AA	Pacra	71	13,272
HSBCP	-1	AA2	Moody's	4,212	693
	F1+	AA -	Fitch		
Bank Al-habib	A1+	AA+	Pacra	9	2,072
Samba bank	A - 1	A	JCR-VIS	31	32,823
Arif Habib Bank	A - 2	A	JCR-VIS	12	414
Emirates Global Islamic Bank	A -	A 2	Pacra	772	11
				340,427	1,314,611

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

## (c) Liquidity risk

Liquidity risk 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, 2009, the Company had Rs 340.692 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.

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	-	-
Foreign currency convertible bonds - unsecured	1,911,567	-	1,911,567	-
Trade and other payables	207,134	207,134	-	-
	3,695,537	238,783	3,410,367	-

The following are the contractual maturities of financial liabilities as at June 30, 2008:

	Carrying amount	Less than one year	One to five years	More than five years
	(Rupees in thousand)			
Long term finances - secured	48,658	37,607	11,051	-
Redeemable capital - secured (non-participatory)	1,500,000	600	1,499,400	-
Liabilities against assets subject to finance lease	15,637	6,636	9,001	-
Foreign currency convertible bonds - unsecured	1,758,565	-	1,758,565	-
Trade and other payables	238,209	238,209	-	-
	3,561,069	283,052	3,278,017	-

**40.2 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	
	2009	2008	2009	2008	2009	2008
	(Rupees in thousand)		(Rupees in thousand)		(Rupees in thousand)	
<b>40.3 Financial instruments by categories</b>						
<b>Assets as per balance sheet</b>						
Long term advances and deposits			297,442	29,879	297,442	29,879
Trade debts - unsecured			1,316,281	997,343	1,316,281	997,343
Investments	2	13	-	-	2	13
Advances, deposits, prepayments and other receivables			6,913	8,342	6,913	8,342
- Advances to employees - considered good			6,549	6,689	6,549	6,689
- Security deposits			3,281	222	3,281	222
- Others - considered good						
Cash and bank balances			340,692	1,314,880	340,692	1,314,880
	<b>2</b>	<b>13</b>	<b>1,971,158</b>	<b>2,357,355</b>	<b>1,971,160</b>	<b>2,357,368</b>

Financial liabilities at amortised cost	
2009	2008
(Rupees in thousand)	
11,376	48,658
1,499,400	1,500,000
66,060	15,637
1,911,567	1,758,565
207,134	238,209
<b>3,488,403</b>	<b>3,561,069</b>

**Liabilities as per balance sheet**

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



#### 40.4 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 and 12 less cash and cash equivalents as disclosed in note 29. 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, 2009 and June 30, 2008 are as follows:

		2009	2008
		(Rupees in thousand)	
Borrowings		3,422,343	3,307,223
Less: Cash and cash equivalents	29	<u>340,692</u>	<u>1,314,880</u>
Net debt		3,081,651	1,992,343
Total equity		<u>5,194,399</u>	4,560,706
Total capital		<u><u>8,276,050</u></u>	<u><u>6,553,049</u></u>
Gearing ratio	Percentage	37	30

#### 41. Earnings per share

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

		2009	2008
<b>41.1 Basic earnings per share</b>			
Profit for the year	<b>Rupees in thousand</b>	436,796	1,406,970
Weighted average number of ordinary shares outstanding during the year	<b>Number in thousand</b>	226,782	221,069
Basic earnings per share	<b>Rupees</b>	<u><u>1.93</u></u>	<u><u>6.36</u></u>

#### 41.2 Diluted earnings per share

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

Dilutive earnings per share	<b>Rupees</b>	<u><u>1.55</u></u>	<u><u>5.90</u></u>
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**42. Transactions with related parties**

The related parties comprise associated undertakings, other related companies and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables and remuneration of key management personnel is disclosed in note 36. Other significant transactions with related parties are as follows:

Relationship with the company	Nature of transactions	2009	2008
		(Rupees in thousand)	
i. Subsidiaries	Purchase of goods & services	256,200	227,328
	Loans disbursed	-	24,262
	Loans repayments received	-	65,005
	Short term advances given	29,697	32,395
	Mark up income	38,359	39,434
	Short term advance received back	6,859	15,303
ii. Associates	Purchase of goods & services	203,175	341,036
	Investment in equity instruments	-	300,000
	Purchase of investment property	140,000	-
	Mark up income	8,126	8,509
	Guarantee commission	4,500	4,500
	Sales of goods & services	95,055	960,291
	Short term advances given	31,197	55,143
	Short term advances received	2,932	55,705
iii. Key management personnel	Advance against purchase of property	65,220	-
	Short term employee benefits	11,780	8,054
	Termination Benefits	1,059	-
	Post Employment Benefits	3,020	-
	Advance against salary	1,796	-

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

**43. Date of authorisation**

These financial statements were authorised for issue on October 08, 2009 by the board of directors of the Company.

**44. Events after the balance sheet date**

Subsequent to June 30, 2009, foreign currency convertible bonds amounting to USD 2.111 million were converted into equity shares of Rs 131.654 million.

**45. Corresponding figures**

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

## Pace (Pakistan) Limited

(Rupees in  
thousand)

Service charges receivable classified from advances, deposits, prepayments and other receivable to trade debts	24,579
Provision against service charges receivable classified from advances, deposits, prepayments and other receivable to trade debts	2,000
Advance to Pace Super Mall (Private) Limited against purchase of property classified from long term advances & deposits to advance against purchase of property	21,600
Service charges income classified from operating expenses to sales	69,610
Foreign currency convertible bonds classified from current liabilities to non-current liabilities	1,758,565

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

**Lahore**  
October 08, 2009

**Salmaan Taseer**  
Chief Executive

**Aamna Taseer**  
Director



**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
JUNE 30, 2009**



**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, 2009 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, 2009 and the results of its operations for the year then ended.

**Lahore:**  
**October 08, 2009**

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

## DIRECTORS' REPORT TO THE SHAREHOLDERS

The Board of Directors of Pace (Pakistan) Limited is pleased to present audited consolidated financial statements of the group for the year ended June 30, 2009.

**As on June 30,**  
**2009**      2008  
Restated  
**Rupees in million**

### Financial overview

During the year under review sales of the group remained almost same as in last year. Real estate market during the year was in immense global and domestic bearish sentiment. Despite these decisive business circumstances your group still managed to survive this grave business environment.

Comparison of the audited consolidated results for the year ended June 30, 2009 as against June 30, 2008 is as follows:

	<b>Year Ended June 30,</b>	<b>2009</b>	<b>2008</b>
			Restated
		<b>Rupees in million</b>	
Sales	1,535	1,593	
Gross profit	296	540	
Profit after tax	808	1,476	
Earnings per share (PKR)	3.7	6.68	

Comparison of the consolidated financial position of the group as on June 30, 2009 as against June 30, 2008 in the light of audited financial statements is as follows:

Net Assets	5,829	4,576
Un-appropriated profit	3,083	2,253
Non-current liabilities	3,831	3,972
Cash and bank balances	341	1,322

### Pace Woodlands (Pvt) Limited (PWL)

The main objective of PWL is to construct, develop and manage a housing society. PWL has a land on Badian Road, Lahore Cantonment near Defence Housing Authority, Lahore for this purpose. The construction of grey structure of all the houses was completed during the year, and target sale of such houses has also been achieved. PWL has a piece of land available in the project for which PWL is analyzing various options of development and sale.

### Pace Gujrat (Pvt) Limited (PGL)

PGL acquired land of 15 Kanal and 8 Marlas at GT Road, Gujrat from Services Industries Textile Limited ("Services Industries") for the purpose of development of its project. After the sale of the initially conceived project, planning for new projects at an appropriate time is under consideration.

For and on behalf of the Board of Directors

**Lahore:**  
October 08, 2009

**Salmaan Taseer**  
Chief Executive Officer

**Aamna Taseer**  
Director





**CONSOLIDATED BALANCE SHEET**  
**AS AT JUNE 30, 2009**

	Note	June 30, 2009	June 30, 2008 Restated
<b>(Rupees in thousand)</b>			
<b>EQUITY AND LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
Authorised capital 600,000,000 (June 2008: 600,000,000) ordinary shares of Rs 10 each		<b>6,000,000</b>	6,000,000
Issued, subscribed and paid up capital 232,822,008 (June 2008: 220,465,538) ordinary shares of Rs 10 each	6	<b>2,328,220</b>	2,204,656
Share deposit money		-	882
Reserves		<b>387,753</b>	117,254
Unappropriated profit		<b>3,082,853</b>	2,252,823
		<b>5,798,826</b>	4,575,615
<b>MINORITY INTEREST</b>		<b>30,266</b>	27
		<b>5,829,092</b>	4,575,642
<b>NON-CURRENT LIABILITIES</b>			
Long term finances			
- secured	7	<b>36,375</b>	78,926
- unsecured	8	<b>202,980</b>	186,730
Redeemable capital - secured (non-participatory)	9	<b>1,498,800</b>	1,499,400
Liabilities against assets subject to finance lease	10	<b>46,387</b>	9,001
Foreign currency convertible bonds - unsecured	11	<b>1,911,567</b>	1,758,565
Deferred liabilities	12	<b>33,814</b>	108,923
Advances against sale of property	13	<b>45,589</b>	330,424
Deferred income		<b>55,903</b>	-
		<b>3,831,415</b>	3,971,969
<b>CURRENT LIABILITIES</b>			
Current portion of long term liabilities	14	<b>68,774</b>	60,968
Finances under mark-up arrangements	15	<b>35,011</b>	30,284
Creditors, accrued and other liabilities	16	<b>250,867</b>	281,451
Taxation		<b>4,493</b>	3,719
		<b>359,145</b>	376,422
<b>CONTINGENCIES AND COMMITMENTS</b>	17	<b>10,019,652</b>	8,924,033

The annexed notes from 1 to 49 form an integral part of these financial statements.

Lahore  
October 08, 2009

Salmaan Taseer  
Chief Executive

# Pace (Pakistan) Group

	Note	June 30, 2009	June 30, 2008 Restated
(Rupees in thousand)			
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	18	474,066	434,385
Intangible assets	19	9,951	10,543
Assets subject to finance lease	20	70,502	18,385
Capital work in progress	21	71,127	80,497
Investment property	22	4,375,149	3,580,870
Investments	23	1,160,677	709,307
Long term advances and deposits	24	19,402	8,279
Long term loans - unsecured	25	80,074	80,074
Advances against purchase of property - unsecured	26	278,040	21,600
Deferred taxation	27	6,000	-
		6,544,988	4,943,940
 <b>CURRENT ASSETS</b>			
Stock-in-trade	28	1,496,754	1,548,449
Trade debts - unsecured	29	1,559,785	997,343
Due from related parties - unsecured	30	15,433	6,959
Advances, deposits, prepayments and other receivables	31	61,410	105,608
Cash and bank balances	32	341,282	1,321,734
		3,474,664	3,980,093
		10,019,652	8,924,033

Aamna Taseer  
Director

## Pace (Pakistan) Group

### CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2009

	Note	2009	2008 Restated
(Rupees in thousand)			
Sales	33	1,535,295	1,593,482
Cost of sales	34	(1,239,402)	(1,053,584)
<b>Gross profit</b>		<b>295,893</b>	<b>539,898</b>
Administrative and selling expenses	35	(67,735)	(122,271)
Changes in fair value of investment property	22	691,712	1,245,382
Other operating income	36	112,138	227,683
Other operating expenses	37	(244,610)	(222,486)
<b>Profit from operations</b>		<b>787,398</b>	<b>1,668,206</b>
Finance costs	38	(272,451)	(246,260)
Share of profit from associates	23.1.1	224,710	156,220
<b>Profit before tax</b>		<b>739,657</b>	<b>1,578,166</b>
Taxation			
- Group	39	90,225	(50,042)
- Associated companies	23.1.1	8,345	(52,294)
		98,570	(102,336)
<b>Profit for the year</b>		<b>838,227</b>	<b>1,475,830</b>
Attributable to:			
Equity holders of the parent		807,988	1,475,830
Minority interest		30,239	-
		838,227	1,475,830
Earnings per share attributable to ordinary shareholders			
- basic earnings per share	Rupees 45	3.70	6.68
- diluted earnings per share	Rupees 45	2.74	5.80

The annexed notes from 1 to 49 form an integral part of these financial statements.

Lahore  
October 08, 2009

Salmaan Taseer  
Chief Executive

Aamna Taseer  
Director

**CONSOLIDATED CASH FLOW STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2009**

	Note	2009	2008 Restated
		(Rupees in thousand)	
<b>Cash flow from operating activities</b>			
Cash used in operations	41	(401,479)	(915,523)
Net (decrease)/increase in advances against sale of property		(284,835)	37,204
Finance cost paid		(235,288)	(142,593)
Gratuity and leave encashment paid		(3,631)	(1,833)
Taxes paid		(14,291)	(11,675)
<b>Net cash used in operating activities</b>		<b>(939,524)</b>	<b>(1,034,420)</b>
<b>Cash flow from investing activities</b>			
Purchase of property, plant and equipment		(68,576)	(143,706)
Additions in investment property		(151,064)	(729,275)
Proceeds from sale of property, plant and equipment		1,296	3,990
Increase in long term advances and deposits		(11,123)	(6,347)
Mark up received		108,686	179,707
Investment in equity instrument of Pace Barka Properties Limited		-	(300,000)
Proceeds from sale of investment		-	45,000
Proceeds from disposal of investment property		-	1,804
<b>Net cash used in investing activities</b>		<b>(120,781)</b>	<b>(948,827)</b>
<b>Cash flow from financing activities</b>			
Surrender of share deposit money to SECP		(665)	(371)
Repayment of long term finances		(31,532)	(68,692)
(Repayment)/proceeds from issuance of redeemable capital		(600)	1,500,000
Proceeds from issuance of foreign currency convertible bonds		-	1,559,500
Availment of finance lease liabilities		107,923	6,075
<b>Net cash from financing activities</b>		<b>75,126</b>	<b>2,996,512</b>
<b>Net increase in cash and cash equivalents</b>		<b>(985,179)</b>	<b>1,013,265</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>1,291,450</b>	<b>278,185</b>
<b>Cash and cash equivalents at the end of the year</b>	42	<b>306,271</b>	<b>1,291,450</b>

The annexed notes from 1 to 49 form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2009

	Attributable to equity holders of the parent							(Rupees in thousand)	
	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	Minority Interest	Total Equity
								Total	Total
<b>Balance as on June 30, 2007 as previously reported</b>	2,204,650	1,260	1,002	116,244	20,916	-	738,337	27	3,082,409
Restatement in opening balance of unappropriated profit due to correction of error (Note 4)	-	-	-	-	-	-	38,656	-	38,656
<b>Balance as on June 30, 2007 as restated</b>	2,204,650	1,260	1,002	116,244	20,916	-	776,993	27	3,121,092
Issue of ordinary shares	5	(7)	2	-	-	-	-	-	-
Bonus shares issued during the year	1	-	(1)	-	-	-	-	-	-
Transferred to profit and loss account on disposal of shares in Worldcall Telecom Limited	-	-	-	(20,906)	-	-	-	-	(20,906)
Loss in fair value of investment	-	-	-	(3)	-	-	-	-	(3)
Share deposit money surrendered to SECP	-	(371)	-	-	-	-	-	-	(371)
Profit for the year	-	-	-	-	-	-	1,475,830	-	1,475,830
<b>Balance as on June 30, 2008 as restated</b>	2,204,656	882	1,003	116,244	7	-	2,252,823	27	4,575,642
Issue of ordinary shares	123,537	(217)	74,253	-	-	-	-	-	197,573
Bonus shares issued during the year	27	-	(27)	-	-	-	-	-	-
Loss in fair value of investment	-	-	-	(11)	-	-	-	-	(11)
Transfer of reserve relating to sale of investment property	-	-	-	(22,042)	-	-	22,042	-	-
Share deposit money surrendered to SECP	-	(665)	-	-	-	-	-	-	(665)
Share in capital reserves of associates	-	-	-	-	-	218,326	-	-	218,326
Profit for the year	-	-	-	-	-	-	807,988	30,239	838,227
<b>Balance as on June 30, 2009</b>	<b>2,328,220</b>	<b>-</b>	<b>75,229</b>	<b>94,202</b>	<b>(4)</b>	<b>218,326</b>	<b>3,082,853</b>	<b>30,266</b>	<b>5,829,092</b>

The annexed notes from 1 to 49 form an integral part of these financial statements.

**Lahore**  
October 08, 2009

**Salmaan Taseer**  
Chief Executive

**Aamna Taseer**  
Director

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

**1. Legal status and nature of business**

**1.1 Constitution and ownership**

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

**Pace (Pakistan) Limited**

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

**Pace Gujrat (Private) Limited**

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

**Pace Woodlands (Private) Limited**

Pace Woodlands (Private) Limited (a subsidiary) was incorporated on July 27, 2004 as a private limited company under Companies Ordinance, 1984. The object of the company is to acquire by purchase or otherwise land and plots and to sell or construct, lease, hire and manage buildings, shopping malls, super markets, utility stores, plazas, shopping arcades etc. By virtue of resolution passed by the shareholders on 30 October 2008, the subsidiary has sold all of its 160 houses, out of which 77 have been sold to Pace Barka Properties Limited and 80 houses have been sold to Pace (Pakistan) Limited.

**1.2 Activities of the group**

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

**2. Basis of preparation**

- 2.1** These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board 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 Standards, interpretations and amendments to published approved accounting standards

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

#### 2.2.1 Amendments to published standards effective in current year

- IFRS 7 'Financial Instruments: Disclosures' is effective from July 01, 2008 and supersedes the disclosure requirements of IAS 32 'Financial Instruments: Presentation'. It introduces new disclosures relating to financial instruments which have been set out in note 40 to these financial statements. Its adoption does not have any impact on the classification and valuation of the Group's financial instruments.

- IFRIC 14, 'IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction' is effective from July 01, 2008. IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The Group has applied IFRIC 14 from July 01, 2008, but it has no significant impact on the Group's financial statements.

- IAS 29 'Financial Reporting in Hyperinflationary Economies' is effective from July 01, 2008. The Group does not have any operations in hyperinflationary economies and therefore, the application of this standard has no effect on the Group's financial statements.

#### 2.2.2 Amendments and interpretations to published standards not yet effective

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

- IAS 1 (Presentation of Financial Statements – Revised), is effective to the Group's financial statements covering annual period beginning on or after July 01, 2009. The revised standard aims to enhance the usefulness of information presented in the financial statements including the introduction of a new statement of comprehensive income that combines all items of income and expense recognised in profit or loss together with 'Other comprehensive income'. The application of the revised standard will not affect the results or net assets of the Group as it is only concerned with presentation and disclosures.

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

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

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



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

**Standards or Interpretation**

**Effective date (accounting periods beginning on or after)**

IFRS 4 - Insurance Contracts	July 01, 2009
IFRIC 16 - Hedge of net investment in a foreign operation	July 01, 2009
IFRIC 17 - Distribution of non-cash assets to owners	July 01, 2009
IFRIC 18 - Transfer of assets from customers	July 01, 2009

**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. Previously, these have been allocated in equal proportion to all projects (operating and non-operating). This change in estimate has been accounted for in accordance with the requirements of International Accounting Standard (IAS) 8 "Accounting Policies, Changes in Accounting Estimates and Errors" on prospective basis. Had there been no change in the basis of allocation, the profit before tax for the year ended June 30, 2009 and the carrying value of stock-in-trade would have been lower by Rs 48.169 million.

**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**

The Group's consolidated financial statements as at June 30, 2008 were based on unaudited financial statements of Pace Barka Properties Limited. The revenue in the said financial statements was recognized on transfer of legal title to the customer on completion of construction of property. Subsequently on finalization of these financial statements the management revised its accounting policy and accounted for revenue by reference to stage of completion using percentage of completion method. The change in accounting policy resulted in an increase of profit for the year and retained earnings by Rs 227.915 million. Share of profit of associate relating to such profits were not accounted for in the Group's consolidated financial statements as at June 30, 2008.

This error has been corrected retrospectively during the current year in accordance with International Accounting Standard (IAS) 8 "Accounting Policies, Changes in Accounting Estimates and Errors ". Consequently the following figures have been revised:

	2008	2007
Increase in share of profit of associates	91,845	38,656
Increase in carrying value of investments	90,519	18,595
Decrease in payables	1,326	20,061

## 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 minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

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

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

#### b) Associates

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

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

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

Dilution gains and losses arising in investments in associates are recognized in the income statement. Details of associates is given in note 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 5.14.

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 of.

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 off. Amortisation is being charged at the annual rate of 10% except for dark fiber which is being amortized at the annual rate of 5%.

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

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

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

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 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 off 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, 2009. Projected Unit Credit Method, using the following significant assumptions is used for valuation of the scheme:

- Discount rate 12 percent per annum (2008: 12 percent per annum)
- Expected rate of increase in salary level 11 percent per annum (2008: 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, 2009. Projected Unit Credit Method, using the following significant assumptions is used for valuation of accumulating compensated absences:

- |   |   |
|---|---|
| - Discount rate   | 12 % (2008: 12 %)   |
| - Expected increase in salary                                 | 11 % (2008: 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 (2008: 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, 2009. 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.

### 5.9 Financial instruments

#### 5.9.1 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 5.16.

## 5.9.2 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.

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



## 5.10 Sale and repurchase agreements

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

## 5.11 Stock-in-trade

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

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

## 5.12 Foreign currencies

All monetary assets and liabilities in foreign currencies are translated into rupees at exchange rates prevailing at the balance sheet date. Transactions in foreign currencies are translated into rupees at the spot rate. All non-monetary items are translated into rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined.

Exchange differences are included in income currently.

## 5.13 Revenue recognition

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

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

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

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

- the buyers investment, to the date of the financial statements, is adequate to demonstrate a commitment to pay for the property;
- construction is beyond a preliminary stage;
- the buyer is committed. Buyer is unable to require a refund except, for non delivery of the unit. Management believes that the likelihood of the Group being unable to 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 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.

### 5.14 Borrowing costs

Mark up, interest and other charges on long term and short term borrowings are capitalized up to the date of commissioning of the qualifying assets, acquired out of the proceeds of such long term loans. All other mark up, interest and other charges are charged to income.

### 5.15 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. Business segments are the primary reporting format and the Group is organized into three business segments:

- Real estate sale - sale of land, condominiums, shops/counters and villas
- Investment properties - properties held to earn rentals or for capital appreciation or for both
- Others - businesses that individually do not meet the criteria of a reportable segment as per IAS 14 - "Segment Reporting"

A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments. The Group mainly operates in one economic environment, hence there are no geographical segments.

### 5.16 Trade debts

Trade debts are carried at original invoice amount less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

### 5.17 Creditors, accruals and provisions

Liabilities for creditors and other amounts payable are carried at cost, which is the fair value of the consideration to be paid in the future for the goods and/or services received, whether or not billed to the Group.

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

### 5.18 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.

## 5.19 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.

## 5.20 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.

## 6. Issued, subscribed and paid up capital

2009 (Number of shares)	2008 Restated		2009 (Rupees in thousand)	2008 Restated
155,649,920	143,296,147	Ordinary shares of Rs 10 each fully paid in cash	1556,499	1,432,962
77,172,088	77,169,391	Ordinary shares of Rs 10 each issued as fully paid bonus shares	771,721	771,694
<u>232,822,008</u>	<u>220,465,538</u>		<u>2,328,220</u>	<u>2,204,656</u>

First Capital Securities Corporation Limited and Worldcall Telecom Limited, associated undertakings, hold 31,506,907 (June 2008: 32,849,907) and 6,959,290 (June 2008: 6,959,290) ordinary shares of the Group respectively.

## 7. Long term finances - secured

	Note	2009 (Rupees in thousand)	2008 Restated
The Bank of Punjab - demand finance	7.1	73,500	84,000
Faysal Bank Limited - long term finance facility	7.2	11,376	48,658
		<u>84,876</u>	<u>132,658</u>
Less: Current portion shown under current liabilities		48,501	53,732
		<u>36,375</u>	<u>78,926</u>

### 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.

## 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.

	Note	2009	2008 Restated
<b>(Rupees in thousand)</b>			
<b>8. Long term finances - unsecured</b>			
Associated undertakings			
- Pace Barka Properties Limited	8.1	161,730	161,730
Others	8.2	41,250	25,000
		202,980	186,730

**8.1** This loan is unsecured and carries mark up at the rate of 14.25% to 19.45% (June 2008: 14.5% to 17.5%)

**8.2** This represents unsecured loan from non-banking company and carries markup at the rate of 14.5% per annum. (June 2008: 14.5% to 17.5%). There is no fixed schedule for the repayment of this finance.

	Note	2009	2008 Restated
<b>(Rupees in thousand)</b>			
<b>9. Redeemable capital - secured (non-participatory)</b>			
Term finance certificates	9.1	1,499,400	1,500,000
		1,499,400	1,500,000
Less: Current portion shown under current liabilities		600	600
		1,498,800	1,499,400

### 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, 40-Block P, Model Town, Lahore, 27-H College Road, Gulberg II, Lahore and G.T. Road, Gujranwala and first exclusive hypothecation charge over certain specific fixed assets, to the extent of Rs 2 billion.

	2009	2008 Restated
	(Rupees in thousand)	
<b>10. Liabilities against assets subject to finance lease</b>		
Present value of minimum lease payments	66,060	15,637
Less: Current portion shown under current liabilities	19,673	6,636
	46,387	9,001

The minimum lease payments have been discounted at an implicit interest rate ranging from 11.36% to 18.25% (2008: 8.70% - 13.95%) to arrive at their present value. The lessee has the option to purchase the assets after the expiry of the lease term. Taxes, repairs and insurance costs are to be borne by the lessee. The liability is partly secured by a deposit of Rs 13.835 million (June 2008: Rs 2.975 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)	
		Restated	
	Minimum lease payments	Future finance charge	Present value of lease liability
			2009      2008
Not later than one year	27,065	7,392	19,673      6,636
Later than one year and not later than five years	52,079	5,692	46,387      9,001
	79,144	13,084	66,060      15,637

## 11. Foreign currency convertible bonds - unsecured

	2009	2008 Restated
	(Rupees in thousand)	
Opening balance as at July 1	1,758,565	-
Issued during the year	-	1,559,500
Converted into equity shares	(197,574)	-
Markup accrued for the year	130,757	53,565
	1,691,748	1,613,065
Markup paid during the year	(19,813)	-
Exchange loss for the year	239,632	145,500
Closing balance as at June 30	1,911,567	1,758,565

The Group has issued 25,000 convertible bonds of USD 1000 each amounting to USD 25 million listed at Singapore Stock Exchange due in 2013. Yield to maturity is 6.5% per annum, compounded semi-annually, accretive. The holders of the bonds have an option to convert the bonds into equity shares of the 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.

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.

## Pace (Pakistan) Group

	Note	2009	2008 Restated
(Rupees in thousand)			
<b>12. Deferred liabilities</b>			
These are composed of :			
Staff gratuity	12.1	32,025	22,267
Leave encashment	12.2	1,789	1,656
Deferred taxation	27	-	85,000
		<b>33,814</b>	<b>108,923</b>

### 12.1 Staff gratuity

The amounts recognised in the balance sheet are as follows:

Present value of defined benefit obligation	30,236	25,021
Unrecognised experience losses	(1,789)	(2,754)
Liability as at June 30	<b>28,447</b>	<b>22,267</b>
Liability as at July 1	22,267	13,210
Charge to profit and loss account	12,501	10,463
Benefits paid	(2,743)	(1,406)
Liability as at June 30	<b>32,025</b>	<b>22,267</b>

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

Present value of defined benefit obligation as at July 1	25,021	14,919
Service cost	9,448	8,928
Interest cost	3,002	1,492
Benefits paid	(2,743)	(1,406)
Experience (gain)/loss	(4,492)	1,088
Present value of defined benefit obligation as at June 30	<b>30,236</b>	<b>25,021</b>

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

Service cost	9,448	8,928
Interest cost	3,003	1,492
Experience loss	50	43
Charge to profit and loss	<b>12,501</b>	<b>10,463</b>

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

	2009	2008	2007	2006	2005
(Rupees in thousand)					
Present value of defined benefit obligation	30,236	25,021	14,919	7,193	4,279
Fair value of plan assets	-	-	-	-	-
Deficit	<b>(30,236)</b>	<b>(25,021)</b>	<b>(14,919)</b>	<b>(7,193)</b>	<b>(4,279)</b>
Experience adjustment on obligation	4%	7%	14%	12%	5%

# Pace (Pakistan) Group

	Note	2009	2008 Restated
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## 12.2 Leave encashment

The amounts recognised in the balance sheet are as follows:

Liability as at July 1		1,656	1,029
Charge to profit and loss account		1,021	1,054
Benefits paid		<u>(888)</u>	<u>(427)</u>
Liability as at June 30		<u>1,789</u>	<u>1,656</u>

## 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, Lahore, respectively.

		2009	2008 Restated
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## 14. Current portion of long term liabilities

Current portion of long term finances -secured	7	48,501	53,732
Current portion of Redeemable capital - secured (non-participatory)	9	600	600
Current portion of liabilities against assets subject to finance lease	10	<u>19,673</u>	<u>6,636</u>
		<u>68,774</u>	<u>60,968</u>

## 15. Finances under mark up arrangements - secured

This represents short term running finance availed from The Bank of Punjab under markup arrangements amounting to Rs 36 million (June 2008: Rs 36 Million). The rate of markup is 3 months average KIBOR plus 2.25 % per annum. The loan is secured by equitable mortgage of land measuring 159 kanals and 4 marlas situated at Mauza Liddhar, Main Bedian Road, Lahore Cantt along with 1% token registered mortgage of the said property as referred to in note 7.1

		2009	2008 Restated
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## 16. Creditors, accrued and other liabilities

Trade creditors		13,230	8,362
Advances from customers		5,977	6,645
Licensees/concessionaires payable		10,873	6,442
Accrued liabilities		16,934	17,392
Mark-up accrued on:			
- Long term finances -secured		4,349	4,227
- Redeemable capital - secured (non-participatory)		88,160	66,191
- Finances under mark up arrangements		-	886
Licensee security deposits		15,733	12,701
Payable to contractors	16.1	26,061	92,338
Due to related parties	16.2	32,895	32,896
Retention money	16.3	17,087	24,909
Others		19,568	8,462
		<u>250,867</u>	<u>281,451</u>

- 16.1** Payable to contractors include Rs 17.878 million (June 2008: Rs 33.683 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 15.632 million (June 2008: Rs 17.960 million) due to a related party.
- 16.4** Others include Rs 5.815 million (June 2008: Rs 2.425 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 Group not acknowledged as debts Rs 21.644 million (June 2008: 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 2008: 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 2008: 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 Group filed appeal before CIT (A) for cancellation of the order. After the dismissal of appeal by CIT(A), the Group 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) Letters of credit for capital expenditure amounting to Rs Nil (June 2008: Rs 3.161 million).
- (ii) 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.
- (iii) The amount of future payments under operating leases and the period in which these payments will become due are as follows:

	2009	2008 Restated
	<b>(Rupees in thousand)</b>	
Not later than one year	1,580	1,436
Later than one year and not later than five years	8,065	7,332
Later than five years	11,808	14,121
	<b>21,453</b>	22,889



## 18. Property, plant and equipment

(Rupees in thousand)

	2009						2008					
	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	Book value as at June 30, 2009	Cost as at June 30, 2007	Additions/ transfers/ (deletions)	Transfer to investment property/ stock-in-trade	Cost as at June 30, 2008	Accumulated depreciation as at June 30, 2007	Book value as at June 30, 2008
Freehold land *	94,040	-	(481)	93,559	-	93,559				-	-	94,040
Leasehold land **	-	-	-	-	-	-				-	-	-
Buildings on freehold land	111,663	18,827	(1,990)	128,500	13,703	109,429				9,160	4,543	97,960
Buildings on leasehold land ***	134,225	912	-	135,137	1,119	120,662				-	1,119	133,106
Plant and machinery	72,682	8,489	-	81,171	32,686	44,409				28,941	3,745	39,996
Electrical equipment	42,985	24,865 (615)	-	67,235	8,428	54,383				5,127	3,301	34,557
Office equipment and appliances	11,653	20	-	11,673	4,218	6,710				3,402	816	7,435
Furniture and fixtures	11,136	602	-	11,738	1,759	8,988				1,080	679	9,377
Computers	8,627	796 (181)	-	9,242	3,365	4,137				1,738	1,638	5,262
Vehicles ****	17,337	22,088 (489)	-	38,936	4,685	31,789				2,896	2,437	12,652
<b>June 2009</b>	<u>504,348</u>	<u>76,599</u> (1,285)	<u>(2,471)</u>	<u>577,191</u>	<u>69,963</u>	<u>474,066</u>				<u>52,344</u>	<u>18,278</u> (659)	<u>434,385</u>
Freehold land *	90,660	3,380	-	94,040	-	94,040				-	-	94,040
Leasehold land **	-	-	-	-	-	-				-	-	-
Buildings on freehold land	72,127	39,536	-	111,663	9,160	97,960				9,160	4,543	97,960
Buildings on leasehold land ***	-	134,225	-	134,225	-	133,106				-	1,119	133,106
Plant and machinery	67,854	4,828	-	72,682	28,941	39,996				28,941	3,745	39,996
Electrical equipment	31,158	11,827	-	42,985	5,127	34,557				3,301	8,428	34,557
Office equipment and appliances	11,422	231	-	11,653	3,402	7,435				3,402	816	7,435
Furniture and fixtures	4,349	6,787	-	11,136	1,080	9,377				1,080	679	9,377
Computers	4,504	4,183 (60)	-	8,627	1,738	4,137				1,738	1,638	5,262
Vehicles	16,029	4,546 (3,238)	-	17,337	2,896	12,652				2,896	2,437	12,652
<b>June 2008 as restated</b>	<u>298,103</u>	<u>209,543</u> (3,298)	<u>-</u>	<u>504,348</u>	<u>52,344</u>	<u>434,385</u>				<u>18,278</u> (659)	<u>69,963</u>	<u>434,385</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 Group by the Ministry of Defence, measuring 20,354 square yards situated at Survey No. 131/A, Airport Road, near Allama Iqbal International Airport, Lahore Cantt. The Group secured the bid for the said piece of land on behalf of Pace Barka Properties Limited (PBPL), a related party, since at the time of bidding PBPL was in the process of incorporation. Subsequent to the bidding, payment was made by PBPL but the Ministry of Defence refused to transfer the said piece of land in the name of PBPL as it was not the original bidder, therefore the legal ownership has been transferred in the name of the Group. Consequently, to avoid additional transaction costs relating to transfer of legal ownership, the Group has entered into an agreement with PBPL, whereby the possession of the land and its beneficial ownership has been transferred to PBPL through an Irrevocable General Power of Attorney dated May 15, 2007.

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

\*\*\*\* 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 2009	June 2008	
Stores operating expenses	27,139	12,051	
Administrative and selling expenses	4,798	6,227	
Stock-in-trade	1,802	-	
	<b>33,739</b>	<b>18,278</b>	<b>(Rupees in thousand)</b>

## 18.2 Disposal of property, plant & equipment

Particular of Assets	Sold to	Cost	Accumulated Depreciation	Book value	Sales proceeds	Mode of Disposal
Computers	Mr. Habib Nawaz, Mr. Musharaf Khan	181	116	65	76	Group Policy
Vehicles	Mr. Ahmed Ali, Mr. Salman Jawed	489	160	329	450	Negotiation
Electric Equipment	White House Electronics	615	62	553	770	Negotiation
		<b>1,285</b>	<b>338</b>	<b>947</b>	<b>1,296</b>	
<b>June 2009</b>						

19. Intangible assets

(Rupees in thousand)

	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		Amortisation charge for the year	Accumulated amortisation as at June 30, 2009
Softwares	2,878	-	2,878	1,724	116	1,840	1,038
Dark fiber *	9,508	-	9,508	119	476	595	8,913
<b>June 2009</b>	<b>12,386</b>	<b>-</b>	<b>12,386</b>	<b>1,843</b>	<b>592</b>	<b>2,435</b>	<b>9,951</b>
	2008				Book value as at June 30, 2008		
	Cost as at June 30, 2007	Additions/ (deletions)	Cost as at June 30, 2008	Accumulated amortisation as at June 30, 2007		Amortisation charge for the year	Accumulated amortisation as at June 30, 2008
Softwares	2,878	-	2,878	1,596	128	1,724	1,154
Dark fiber *	-	9,508	9,508	-	119	119	9,389
<b>June 2008 as restated</b>	<b>2,878</b>	<b>9,508</b>	<b>12,386</b>	<b>1,596</b>	<b>247</b>	<b>1,843</b>	<b>10,543</b>

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

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

	2009	2008
Administrative and selling expenses	422	247
Stock-in-trade	170	-
	<b>592</b>	<b>247</b>

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

	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	
Vehicles	23,529	1,684 (3,371)	21,842	5,144	3,453 (1,354)	14,599
Plant and machinery	-	57,500	57,500	-	1,597	55,903
<b>June 2009</b>	<b>23,529</b>	<b>59,184 (3,371)</b>	<b>79,342</b>	<b>5,144</b>	<b>5,050 (1,354)</b>	<b>70,502</b>
	2008					Book value as at June 30, 2008
	Cost as at June 30, 2007	Additions/ (deletions) (transfer)	Cost as at June 30, 2008	Accumulated depreciation as at June 30, 2007	Depreciation charge for the year	
Vehicles	13,751	12,052 (2,274)	23,529	3,104	3,534 (1,494)	18,385
<b>June 2008 as restated</b>	<b>13,751</b>	<b>12,052 (2,274)</b>	<b>23,529</b>	<b>3,104</b>	<b>3,534 (1,494)</b>	<b>18,385</b>

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

	2009	2008 Restated
Administrative and selling expenses	3,607	3,534
Stock-in-trade	1,443	-
	<u>5,050</u>	<u>3,534</u>

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	Note	2009	2008 Restated
<b>(Rupees in thousand)</b>			
<b>21. Capital Work in progress</b>			
Broadband/telephony services	21.1	2,672	2,672
Interactive vigilance system	21.1	4,000	48,894
Investment property under construction	21.2 and 21.3	59,227	28,931
Property, plant and equipment under construction	21.2	5,228	-
		71,127	80,497

**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 20.883 million (June 2008: Rs 14.967 million) are pledged with lenders as security against long term loan and redeemable capital as referred to in note 6 and note 7 respectively.

**21.3** Included in capital work in progress are borrowing costs of Rs 3.996 million (June 2008: Rs Nil).

	Land	Building	2009	2008 Restated
<b>(Rupees in thousand)</b>				
<b>22. Investment property</b>				
Opening value as on July 1	770,135	1,565,353	3,580,870	1,418,047
Additions to cost during the year:				
- Transfer from stock-in-trade	-	93,688	93,688	286,270
- Purchase of assets classified as 'investment property'	-	151,064	151,064	729,275
- Transfer to stock-in-trade	-	(142,185)	(142,185)	(96,686)
- Disposal of investment property	-	-	-	(1,418)
Closing Value before revaluation as at June 30	770,135	1,667,920	3,683,437	2,335,488
Add: Gain recognised in Profit and Loss Account			691,712	1,245,382
Closing value after revaluation as on June 30			4,375,149	3,580,870

## 23. Investments

Equity instruments of:

- associated undertakings - unquoted	23.1	1,160,675	709,294
Available for sale - quoted	23.2	2	13
		1,160,677	709,307

### 23.1 Associated undertakings - unquoted

Pace Barka Properties Limited 60,000,000 (June 2008: 60,000,000) fully paid ordinary shares of Rs 10 each	23.1.1	1,160,495	709,114
Pace Super Mall (Private) Limited 18,000 (June 2008: 18,000) fully paid ordinary shares of Rs 10 each		180	180
		1,160,675	709,294

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	Note	2009	2008 Restated
<b>23.1.1 Pace Barka Properties Limited</b>		<b>(Rupees in thousand)</b>	
Cost		600,000	600,000
Brought forward amounts of post acquisition reserves and profits and negative goodwill recognized directly in profit and loss account		<u>109,114</u>	<u>18,595</u>
		<b>709,114</b>	<b>618,595</b>
Share of movement in reserves during the year		<b>218,326</b>	-
Share of profit/(loss) for the year			
- before taxation		<u>224,710</u>	<u>156,220</u>
- provision for taxation		<u>8,345</u>	<u>(52,294)</u>
		<u>233,055</u>	<u>103,926</u>
		<b>1,160,495</b>	<b>722,521</b>
Less: Share of profits of associates: disposed off during the year		<u>-</u>	<u>(13,407)</u>
Balance as on June 30		<u><b>1,160,495</b></u>	<u><b>709,114</b></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:

### June 2009

	Percentage interest held	Assets	Liabilities	Revenues	Profit/(loss)
<b>Name</b>		<b>(Rupees in thousands)</b>			
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>

### June 2008 - restated

Pace Barka Properties Limited	19.66%	1,024,642	315,721	54,328	92,410
Pace Super Mall (Private) Limited	40%	<u>53,904</u>	<u>53,724</u>	<u>-</u>	<u>-</u>
		<u>1,078,546</u>	<u>369,445</u>	<u>54,328</u>	<u>92,410</u>

	Note	2009	2008 Restated
<b>23.2 Available for sale - quoted</b>		<b>(Rupees in thousand)</b>	
Available for sale investment at cost	23.2.1	6	6
Add: Cumulative fair value (loss)/gain	23.2.2	<u>(4)</u>	<u>7</u>
		<u><b>2</b></u>	<u><b>13</b></u>

**23.2.1** This represents 912 (June 2008: 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.

2009  
2008  
Restated  
(Rupees in thousand)

## 23.2.2 Cumulative fair value (loss)/gain

As at July 1	7	20,916
Fair value loss during the year	(11)	(3)
Transfer to profit and loss account	-	(20,906)
As at June 30	(4)	7

## 24. Long term advances and deposits

Lease key money	13,402	2,279
Security deposit	6,000	6,000
	19,402	8,279

## 25. Long term loans - unsecured

These represent loans given to the following related parties:

### Associated undertakings

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

**25.1** These loans carry mark up at the rate ranging from 15.25% to 17.50% per annum (June 2008: 15.40% to 16.25%).

2009  
2008  
Restated  
(Rupees in thousand)

## 26. Advances against purchase of property - unsecured

### Associated undertakings

Pace Barka Properties Limited	256,440	-
Pace Super Mall (Private) Limited	21,600	21,600
	278,040	21,600

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	(174,859)	(187,706)
Employee retirement benefits	11,835	8,373
Deferred cost	589	737
Unused tax losses and minimum tax	168,435	93,596
	6,000	(85,000)

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	Note	2009	2008 Restated
(Rupees in thousand)			
The gross movement in deferred tax asset/(liability) during the year is as follows:			
Opening balance		(85,000)	(45,000)
Income/(charge) during the year		91,000	(40,000)
Closing balance		6,000	(85,000)

### 28. Stock-in-trade

#### Commercial buildings and shops

Work-in-process	28.1	1,230,556	1,296,086
Shops		264,759	251,025
		1,495,315	1,547,111
Restaurant and stores inventory		1,439	1,338
		1,496,754	1,548,449

28.1 Included in work-in-process are borrowing costs of Rs 109.585 million (June 2008: Rs 180.635 million).

28.2 Work-in-process amounting to Rs 133.323 million (June 2008: Rs 351.498 million) are pledged with lenders as security against long term loan and redeemable capital as referred to in note 7 and note 9 respectively.

### 29. Trade debts - unsecured

	Note	2009	2008 Restated
(Rupees in thousand)			
Considered good		1,559,785	997,343
Considered doubtful		9,000	2,000
		1,568,785	999,343
Less: Provision for doubtful debts	29.1	(9,000)	(2,000)
		1,559,785	997,343

#### 29.1 Provision for doubtful debts

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

Included in trade debts are amounts of Rs 389.384 million and Rs 243.504 million (June 2008: Rs 419.06 and Rs Nil) receivable from First Capital Securities Corporation Limited and Pace Barka Properties Limited respectively, related parties of the Group.



## 30. Due from related parties - unsecured

**30.1** This represents due from Pace Super Mall (Private) Limited, a related party. This advance is considered good and carry mark up at the rate ranging from 16.25% per annum (June 2008: 16.25%).

	Note	2009	2008 Restated
<b>(Rupees in thousand)</b>			
<b>31. Advances, deposits, prepayments and other receivables</b>			
Advances - considered good			
- to employees		7,192	8,747
- to suppliers		16,189	17,219
Security deposits		7,197	7,337
Prepayments		2,882	6,482
Advances to contractors	31.1	6,499	61,721
Income tax recoverable from government		18,170	3,880
Others - considered good		3,281	222
		<b>61,410</b>	<b>105,608</b>

**31.1** Advances to contractors include Rs 4.55 million (June 2008: Rs 53.859 million) due from Trident Construct (Private) Limited, a related party. This relates to normal business of the Group and is interest free.

	Note	2009	2008 Restated
<b>(Rupees in thousand)</b>			
<b>32. Cash and bank balances</b>			
At banks			
- in saving accounts	32.1	336,922	1,261,985
- in current accounts		4,095	59,480
		<b>341,017</b>	<b>1,321,465</b>
In hand including credit card sales Rs 0.106 million (June 2008: Rs 0.212 million)		265	269
		<b>341,282</b>	<b>1,321,734</b>

**32.1** Included in these are total restricted funds of Rs 7 million (June 2008: 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 2.32% to 10% per annum (June 2008: 0.25% to 10%).

	Note	2009	2008 Restated
<b>(Rupees in thousand)</b>			
<b>33. Sales</b>			
Shops, houses and commercial buildings			
- at completion of project basis		676,012	1,223,418
- at percentage of completion basis	33.1	563,191	187,526
Land		75,000	52,549
Licensee fee		55,956	37,486
Restaurant		2,688	5,730
Display advertisements and miscellaneous income		43,913	17,163
Service charges		118,535	69,610
		<b>1,535,295</b>	<b>1,593,482</b>

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	Note	2009	2008 Restated
<b>33.1 Revenue recognized on the basis of percentage of completion method</b>			
Revenue recognized to date		563,191	187,526
Aggregate cost incurred to date		424,023	144,164
Recognized profit to date		139,168	43,362

**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. 17.215 million (2008: Rs. 404.542 million). Amount received against these agreements amounts to Rs. 7.207 million (2008: Rs. 132.511).

	Note	2009	2008 Restated
<b>34. Cost of sales</b>			
Shops and commercial buildings sold			
- at completion of project basis	34.1	541,281	728,966
- at percentage of completion basis		424,023	144,164
Land sold		73,270	52,481
Materials consumed at restaurant		1,456	5,111
Commodities sold		8,708	-
Stores operating expenses	34.2	190,664	122,862
		1,239,402	1,053,584

### 34.1 Shops and commercial buildings sold

Opening work-in-process		1,296,086	1,059,360
Project development cost		385,543	1,644,564
Closing work-in-process	28	(1,230,556)	(1,296,086)
Cost of shops and commercial buildings constructed		451,073	1,407,838
Less: Cost transferred to:			
- property, plant and equipment		(18,064)	(138,682)
- capital work in progress		(35,524)	(13,739)
- administrative expenses		-	(4,956)
- investment property	22	(93,688)	(286,270)
		(147,276)	(443,647)
		303,797	964,191
Opening inventory of shops		251,025	68,281
Additions		251,218	-
Closing inventory of shops	28	(264,759)	(251,025)
		237,484	(182,744)
		541,281	781,447

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	Note	2009	2008 Restated
(Rupees in thousand)			
<b>34.2 Store operating expenses</b>			
Salaries, wages and benefits	34.2.1	31,797	12,184
Rent, rates and taxes		4,578	124
Insurance		20,813	3,801
Fuel and power		76,970	17,476
Depreciation on property, plant and equipment	18.1	27,139	12,051
Repairs and maintenance		16,502	3,932
Janitorial and security charges		12,169	3,253
Others		696	431
		<u>190,664</u>	<u>53,252</u>

### 34.2.1 Salaries, wages and benefits

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

Current service cost	2,834	2,678
Interest cost	901	448
Experience loss	15	13
	<u>3,750</u>	<u>3,139</u>

### 35. Administrative and selling expenses

Salaries, wages and benefits	35.1	18,972	40,314
Traveling and conveyance		3,716	4,699
Rent, rates and taxes		5,004	3,256
Insurance		889	5,638
Printing and stationery		866	1,921
Repairs and maintenance		1,912	9,681
Motor vehicles running		3,355	7,688
Communications		2,409	3,541
Advertising and sales promotion		6,724	14,325
Depreciation on:			
- property, plant and equipment	18.1	4,798	6,227
- assets subject to finance lease	20.1	3,607	3,534
Amortisation on intangible assets	19.1	422	247
Auditors' remuneration	35.2	1,650	1,550
Legal and professional		3,080	1,849
Advances written off		-	3,003
Other expenses		3,331	12,798
Provision for doubtful receivables		7,000	2,000
		<u>67,735</u>	<u>122,271</u>

	Note	2009	2008 Restated
<b>(Rupees in thousand)</b>			
<b>35.1 Salaries, wages and benefits</b>			
Salaries, wages and benefits include following in respect of gratuity:			
Current service cost		6,614	6,250
Interest cost		2,102	1,044
Experience loss		35	30
		8,751	7,324
<b>35.2 Auditors' remuneration</b>			
The charges for auditors' remuneration includes the following in respect of auditors' services for:			
Statutory audit		1,150	800
Certification and sundry services		100	450
Half yearly review		400	300
		1,650	1,550
<b>36. Other operating income</b>			
<b>Income from financial assets</b>			
Mark up on bank accounts		79,972	137,423
Income from reverse repurchase transactions		8,733	19,758
Return on term deposit certificates	36.1	-	9,854
Mark up on balances with related parties		13,482	16,601
Gain on derecognition of investments classified as 'available for sale'		-	32,875
Others		6,500	3,615
<b>Income from non-financial assets</b>			
Gain on sale of property, plant and equipment		348	851
Gain on disposal of investment property		-	386
Liabilities no longer required written back		1,506	6,320
Deferred income		1,597	-
		112,138	227,683

**36.1** This represents markup earned at rate Nil per annum (2008: 7.70% to 10.33%).

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	Note	2009	2008 Restated
(Rupees in thousand)			
<b>37. Other operating expenses</b>			
Exchange loss on foreign currency convertible bonds		234,403	145,500
Donations	37.1	220	50
Expenses incurred in respect of:			
- issuance of term finance certificates		-	25,115
- issuance of foreign currency convertible bonds		-	32,050
- issuance of commercial papers		-	1,260
- issuance of SUKUK		-	775
- increase in authorised capital		-	4,235
Loss on dilution of investment in associates		-	13,407
Others		<u>9,987</u>	<u>94</u>
		<u><b>244,610</b></u>	<u><b>222,486</b></u>

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

	2009	2008 Restated
(Rupees in thousand)		
<b>38. Finance costs</b>		
Mark up on		
- Redeemable capital - secured (non-participatory)	165,072	140,500
- Commercial papers	-	49,989
- Foreign currency convertible bonds - unsecured	103,688	53,565
- Finance lease	1,794	1,559
Bank charges	<u>1,897</u>	<u>647</u>
	<u><b>272,451</b></u>	<u><b>246,260</b></u>

<b>39. Taxation</b>		
For the year		
- Current	775	11,023
- Deferred	<u>(66,000)</u>	<u>40,000</u>
	<u>(65,225)</u>	51,023
Prior years		
- Current	-	(981)
- Deferred	<u>(25,000)</u>	-
Group	<u>(90,225)</u>	50,042
Associated	<u>(8,345)</u>	<u>52,294</u>
	<u><b>(98,570)</b></u>	<u><b>102,336</b></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 0.2 million (June 2008: Rs Nil).

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

	Directors		Executives	
	2009	2008 Restated	2009	2008 Restated
	(Rupees in thousand)		(Rupees in thousand)	
<b>Short term employee benefits</b>				
Managerial remuneration	200	-	25,383	17,613
Housing	-	-	10,153	7,045
Utilities	-	-	2,538	1,761
Bonus	-	-	-	-
Medical expenses	-	-	1,761	754
Fuel expenses	-	-	5,548	3,178
Mobile expenses	-	-	852	570
<b>Post employment benefits</b>	-	-	11,249	8,414
	200	-	57,484	39,335
<b>Number of persons</b>	1	-	33	26

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

# Pace (Pakistan) Group

	Note	2009	2008 Restated
		(Rupees in thousand)	
<b>41. Cash used in operations</b>			
Profit before tax		739,657	1,578,166
Adjustment for:			
Depreciation on:			
- property, plant and equipment	18.1	33,739	18,278
- assets subject to finance lease	20.1	5,050	3,534
Amortisation on intangible assets	19.1	592	247
Share of profit from associated companies	23.1.1	(224,710)	(156,220)
Loss on dilution of investment in associated companies		-	13,407
Gain on purchase of property		(13,752)	-
Gain on sale of:			
- property, plant and equipment		(349)	(306)
- assets subject to finance lease		-	(545)
Exchange loss on foreign currency convertible bonds	11	239,632	145,500
Provision for doubtful receivables	35	7,000	2,000
Provision for gratuity and leave encashment		13,522	11,517
Finance costs	38	272,451	246,260
Mark up income		(108,687)	(185,925)
Changes in fair value of investment property	22	(691,712)	(1,245,382)
Gain on disposal of investment property		-	(386)
Deferred income	36	(1,597)	(32,875)
Liabilities no longer required written back	36	(1,506)	(6,320)
Advances written off		-	3,003
Profit before working capital changes		269,330	393,953
Effect on cash flow due to working capital changes:			
Decrease/(increase) in stock-in-trade		141,590	(737,123)
Increase in trade debts		(569,442)	(654,140)
Increase in due from related parties		(8,474)	-
Increase in advance against purchase of property		(242,688)	-
Increase/(decrease) in advances, deposits and other receivables		58,488	(730)
(Decrease)/increase in creditors, accrued and other liabilities		(50,283)	82,517
		(670,809)	(1,309,476)
		(401,479)	(915,523)
<b>42. Cash and cash equivalents</b>			
Cash and bank balances	32	341,282	1,321,734
Finances under mark up arrangements		(35,011)	(30,284)
		306,271	1,291,450

43. Segment information (Rupees in thousand)

	Real estate sales		Investment properties		Others		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
Segment revenue	1,239,203	1,463,493	130,956	48,938	165,136	81,051	1,535,295	1,593,482
Segment expenses								
- Cost of sales	(965,304)	(925,611)	(73,270)	-	(10,164)	(5,111)	(1,048,738)	(930,722)
- Stores operating expenses	-	-	(56,320)	(36,292)	(134,344)	(86,570)	(190,664)	(122,862)
Gross profit	273,899	537,882	1,366	12,646	20,628	(10,630)	295,893	539,898
- Changes in fair value of investment property	-	-	691,712	1,245,382	-	-	691,712	1,245,382
<b>Segment results</b>	<b>273,899</b>	<b>537,882</b>	<b>693,078</b>	<b>1,258,028</b>	<b>20,628</b>	<b>(10,630)</b>	<b>987,605</b>	<b>1,785,280</b>
Administrative and selling expenses							(67,735)	(122,271)
Other operating income							112,138	227,683
Finance costs							(272,451)	(246,260)
Other operating expenses							(244,610)	(222,486)
Share of profit from associates							224,710	156,220
<b>Profit before tax</b>							<b>739,657</b>	<b>1,578,166</b>
Taxation								
- Group							90,225	(50,042)
- Associated Companies							8,345	(52,294)
<b>Profit for the year</b>							<b>838,227</b>	<b>1,475,830</b>
<b>43.1 Segment assets</b>								
Unallocated assets	3,347,078	2,607,848	4,434,376	3,614,487	-	-	7,781,454	6,222,335
<b>43.2 Segment liabilities</b>								
Unallocated liabilities	3,677,089	3,909,312	15,733	12,701	-	-	10,019,652	8,924,033
<b>43.3 Capital expenditure</b>								
Unallocated	-	-	-	-	-	-	528,004	426,405
<b>43.4 Depreciation/amortisation</b>								
Unallocated	-	-	-	-	-	-	135,783	221,595
							135,783	221,595
							39,381	21,812
							39,381	21,812



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 minimize potential adverse effects on the financial performance.

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

- (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:

	<b>2009</b>	2008 Restated
Foreign currency convertible bonds - USD	<u><b>24,003,666</b></u>	<u>25,785,417</u>

The following significant exchange rates were applied during the year:

**Rupees per USD**

Average rate	<b>78.70</b>	62.59
Reporting date rate	<b>81.30</b>	68.20

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 123.095 million (2008: Rs 78.287 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.

## Pace (Pakistan) Group

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:

	2009	2008 Restated
<b>(Rupees in thousand)</b>		
<b>Financial assets</b>		
<b>Fixed rate instruments</b>		
Long term loans - unsecured	80,074	80,074
Due from related parties - unsecured	15,433	6,959
<b>Floating rate instruments</b>		
Bank balances - savings accounts	336,922	1,261,985
Net exposure	432,429	1,349,018
<b>Financial liabilities</b>		
<b>Fixed rate instruments</b>		
Foreign currency convertible bonds - unsecured	1,911,567	1,758,565
<b>Floating rate instruments</b>		
Redeemable capital - secured (non-participatory)	1,499,400	1,500,000
Liabilities against assets subject to finance lease	66,060	15,637
Long term finances	287,856	319,388
Finances under mark-up arrangements	35,011	30,284
Net exposure	1,888,327	1,865,309

### **Fair value sensitivity analysis for fixed rate instruments**

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the balance sheet date 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, post-tax profit for the year would have been Rs 8 million (2008: Rs 2 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.

## Pace (Pakistan) Group

### (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:

	2009	2008 Restated
(Rupees in thousand)		
Long term advances and deposits	297,442	29,879
Long term loans - unsecured	80,074	80,074
Trade debts - unsecured	1,559,785	997,343
Advances, deposits, prepayments and other receivables		
- Advances to employees - considered good	7,192	8,747
- Security deposits	7,197	7,337
- Others - considered good	3,281	222
Due from related parties - unsecured	15,433	6,959
Bank balances	341,017	1,321,465
	2,311,421	2,452,026

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

- Not past due	590,279	91,910
- Past due 0 - 365 days	772,335	855,582
- 1 - 2 years	141,818	50,395
- More than 2 years	64,353	1,456
	1,568,785	999,343

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 instalment 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 Short term	Long term	Rating Agency	2009	2008 Restated
(Rupees in thousand)					
KASB Bank	A	A 1	Pacra	305,493	756,584
Allied bank	A1+	AA	Pacra	9,174	19,648
Faysal Bank Limited	A1+	AA	Pacra	17,059	377,334
Royal Bank of Scotland	A1+	AA	Pacra	544	50,360
Soneri Bank	A1+	AA-	Pacra	25	52,036
Habib Bank Limited	A-1+	AA+	JCR-VIS	344	795
Bank of Punjab	A1+	AA-	Pacra	293	51

## Pace (Pakistan) Group

	Rating		Rating Agency	2009	2008
	Short term	Long term		Restated	
(Rupees in thousand)					
Standard Chartered Bank	A1+	AAA	Pacra	2,979	15,372
Bank Al-falah	A1+	AA	Pacra	71	13,272
HSBCP	P-1	AA2	Moody's	4,212	693
	F1+	AA -	Fitch		
Bank Al-habib	A1+	AA+	Pacra	9	2,072
Samba bank	A - 1	A	JCR-VIS	31	32,823
Arif Habib Bank	A - 2	A	JCR-VIS	12	414
Emirates Global Islamic Bank	A -	A 2	Pacra	772	11
				<b>341,017</b>	<b>1,321,465</b>

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, 2009, the Company had Rs 341.017 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.

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	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	-	1,911,567	-
Trade and other payables	250,867	250,867	-	-
	<b>4,050,761</b>	<b>354,652</b>	<b>3,696,109</b>	<b>-</b>

The following are the contractual maturities of financial liabilities as at June 30, 2008 as restated:

	Carrying amount	Less than one year	One to five years	More than five years
(Rupees in thousand)				
Long term finances - secured	319,388	53,732	265,656	-
Finances under mark-up arrangements	30,284	30,284	-	-
Redeemable capital - secured (non-participatory)	1,500,000	600	1,499,400	-
Liabilities against assets subject to finance lease	15,637	6,636	9,001	-
Foreign currency convertible bonds - unsecured	1,758,565	-	1,758,565	-
Trade and other payables	281,451	281,451	-	-
	<b>3,905,325</b>	<b>372,703</b>	<b>3,532,622</b>	<b>-</b>

**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	
	2009	2008	2009	2008	2009	2008
	(Rupees in thousand)		(Rupees in thousand)		(Rupees in thousand)	
						Restated
<b>44.3 Financial instruments by categories</b>						
<b>Assets as per balance sheet</b>						
Long term advances and deposits	-	-	297,442	29,879	297,442	29,879
Long term loans - unsecured	-	-	80,074	80,074	80,074	80,074
Trade debts - unsecured	-	-	1,559,785	997,343	1,559,785	997,343
Investments	2	13	-	-	2	13
Advances, deposits, prepayments and other receivables						
- Advances to employees - considered good	-	-	7,192	8,747	7,192	8,747
- Security deposits	-	-	7,197	7,337	7,197	7,337
- Others - considered good	-	-	3,281	222	3,281	222
Due from related parties - unsecured	-	-	15,433	6,959	15,433	6,959
Cash and bank balances	-	-	341,282	1,321,734	341,282	1,321,734
	2	13	2,311,686	2,452,295	2,311,688	2,452,308

**Financial liabilities at amortised cost**

	2009	2008
	Restated	
	(Rupees in thousand)	
Long term finances	287,856	319,388
Finances under mark-up arrangements	35,011	30,284
Redeemable capital - secured (non-participatory)	1,499,400	1,500,000
Liabilities against assets subject to finance lease	66,060	15,637
Foreign currency convertible bonds - unsecured	1,911,567	1,758,565
Trade and other payables	250,867	281,451
	4,050,761	3,905,325

**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, 2009 and June 30, 2008 are as follows:

	<b>2009</b>	2008 Restated
	<b>(Rupees in thousand)</b>	
Borrowings	<b>3,698,823</b>	3,577,953
Less: Cash and cash equivalents - note 42	<b>306,271</b>	1,291,450
Net debt	<b>3,392,552</b>	2,286,503
Total equity	<b>5,798,826</b>	4,575,615
Total capital	<b>9,191,378</b>	6,862,118
Gearing ratio	Percentage <b>37</b>	33

## 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:

<b>45.1 Basic earnings per share</b>	<b>2009</b>	2008 Restated
Profit for the year	<b>Rupees in thousand 838,227</b>	1,475,830
Weighted average number of ordinary shares outstanding during the year	<b>Rupees in thousand 226,782</b>	221,069
Basic earnings per share	<b>Rupees <u>3.70</u></b>	<u>6.68</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	<b>Rupees <u>2.74</u></b>	<u>5.80</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	2009	2008
		(Rupees in thousand)	
i. Associates	Purchase of goods & services	238,290	373,931
	Loans received	-	45,000
	Investment in equity instruments	-	300,000
	Loans disbursed	-	55,143
	Loans repayment	-	81,415
	Mark up income	13,210	15,289
	Mark up expense	39,942	23,707
	Guarantee commission	4,500	4,500
	Sales of goods and services	368,541	1,023,291
	Advance against purchase of property	65,220	-
	Purchase of Investment Property	140,000	-
	Short term advance received back	2,932	-
	Short term advance given	31,197	-
iii. Key management personnel	Short term employee benefits	11,780	8,054
	Termination Benefits	1,059	-
	Post Employment Benefits	3,020	-
	Advance against salary	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-08	52%	Pakistan
Pace Gujrat (Private) Limited	30-Jun-08	100%	Pakistan

## 48. Date of authorisation

These financial statements were authorised for issue on October 08, 2009 by the board of directors of the Group.

## 49. Corresponding figures

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

	<b>(Rupees in thousand)</b>
Service charges receivable classified from advances, deposits, prepayments and other receivable to trade debts	24,579
Provision against service charges receivable classified from advances, deposits, prepayments and other receivable to trade debts	2,000
Advance to Pace Super Mall (Private) Limited against purchase of property classified from long term advances & deposits to advance against purchase of property	21,600
Service charges income classified from operating expenses to sales	69,610
Foreign currency convertible bonds classified from current liabilities to non-current liabilities	1,758,565

The above figures have 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, 2009

*INCORPORATION NUMBER: 0028954 of 21-11-1992*

No. of Shareholders	Shareholdings			Shares Held
	From		To	
2204	1	-	100	176,240
1314	101	-	500	511,673
4124	501	-	1000	2,730,196
1655	1001	-	5000	4,192,190
330	5001	-	10000	2,758,564
110	10001	-	15000	1,391,132
75	15001	-	20000	1,411,349
52	20001	-	25000	1,250,608
31	25001	-	30000	886,181
17	30001	-	35000	554,574
10	35001	-	40000	383,062
8	40001	-	45000	341,800
26	45001	-	50000	1,279,684
4	50001	-	55000	210,193
5	55001	-	60000	288,404
9	60001	-	65000	569,609
2	65001	-	70000	132,500
5	70001	-	75000	371,462
1	75001	-	80000	78,000
6	80001	-	85000	504,775
5	85001	-	90000	437,891
6	95001	-	100000	600,000
5	100001	-	105000	513,525
1	105001	-	110000	106,500
2	110001	-	115000	226,000
1	115001	-	120000	117,000
4	120001	-	125000	489,500
1	130001	-	135000	135,000
1	140001	-	145000	145,000
1	150001	-	155000	150,050
3	155001	-	160000	473,500
1	160001	-	165000	161,000
1	165001	-	170000	170,000
1	170001	-	175000	175,000
1	175001	-	180000	177,000
2	180001	-	185000	362,502

## Pace (Pakistan) Limited

No. of Shareholders	Shareholdings		Shares Held
	From	To	
2	190001	195000	385,522
3	195001	200000	600,000
1	200001	205000	202,500
1	210001	215000	211,500
1	220001	225000	223,500
6	245001	250000	1,495,114
2	295001	300000	600,000
1	325001	330000	329,095
1	330001	335000	332,000
1	350001	355000	355,000
1	375001	380000	375,211
2	395001	400000	800,000
1	410001	415000	413,479
1	445001	450000	450,000
1	450001	455000	451,500
1	455001	460000	455,500
2	460001	465000	928,838
1	475001	480000	475,535
1	495001	500000	500,000
1	525001	530000	525,716
1	550001	555000	555,000
1	595001	600000	600,000
1	690001	695000	693,812
1	790001	795000	791,000
1	795001	800000	800,000
1	1035001	1040000	1,039,500
1	1085001	1090000	1,085,636
1	1770001	1775000	1,770,582
1	2145001	2150000	2,147,000
1	2985001	2990000	2,989,789
1	3180001	3185000	3,181,000
1	3260001	3265000	3,264,000
1	3425001	3430000	3,427,500
1	4270001	4275000	4,270,800
1	4360001	4365000	4,364,108
1	4630001	4635000	4,634,500
1	5195001	5200000	5,200,000
1	5580001	5585000	5,584,448
1	5660001	5665000	5,664,000
1	6955001	6960000	6,959,290
1	7160001	7165000	7,163,500
2	8055001	8060000	16,119,360
1	9350001	9355000	9,351,000
1	11310001	11315000	11,312,383
1	12020001	12025000	12,020,665
1	17070001	17075000	17,070,600
1	21800001	21805000	21,803,661
1	44385001	44390000	44,387,200
<b>10,084</b>			<b>232,822,008</b>

**PATTERN OF SHAREHOLDING  
AS AT JUNE 30, 2009**

<b>Categories of Shareholders</b>	<b>Shares held</b>	<b>Percentage</b>
Directors, Chief Executive Officer, and their spouse and minor children	16,051,618	6.894
Associated Companies, undertakings and related parties.	38,466,197	16.522
NIT and ICP	525,716	0.226
Banks, Development Financial Institutions, Non Banking Financial Institutions	24,397,069	10.479
Insurance Companies	487,711	0.209
Modarabas and Mutual Funds	24,288,667	10.432
Share holders holding 10% or more	75,894,107	32.597
General Public		
a) Local	29,942,527	12.861
b) Foreign	3,904,146	1.677
Others:		
- Joint Stock Companies	11,145,943	4.787
- Foreign Companies	83,612,414	35.913

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

**PATTERN OF SHAREHOLDING AS PER LISTING REGULATIONS  
AS AT JUNE 30, 2009**

<b>Shareholders' Category</b>	<b>Number of Shares held</b>
<b>Associated Companies, undertaking and related parties</b>	
First Capital Securities Corporation Limited	31,506,907
Worldcall Telecom Limited	6,959,290
<b>NIT and ICP</b>	<b>525,716</b>
<b>Directors, CEO and their Spouse and Minor Children</b>	
Salmaan Taseer (CEO/Director)	587
Aamna Taseer (Director)	587
Shahbaz Ali Taseer (Director)	500
Imran Saeed Chaudhry (Director)	4,270,800
Suliaman Ahmad Said Al-Hoqani (Director)	11,777,383
Jamal Said Al-Ojaili (Director)	587
Abid Raza (Director)	587
Mahmood Ali Athar (Director)	587
<b>Public Sector Companies and Corporations</b>	<b>11,145,943</b>
<b>Banks Development Financial Institutions, Non-Banking Finance Institutions, Insurance Companies, Modaraba and Mutual Fund etc.</b>	<b>49,173,447</b>
<b>Shareholders holding 10% or more voting interest in the Company</b>	
Milliennium Global High Yield Fund Limited	44,387,200
First Capital Securities Corporation Limited	31,506,907

# 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 31 October 2009 at 12:00 noon  
and at any adjournment thereof.

Signature this \_\_\_\_\_ Day of \_\_\_\_\_ 2009.

(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.

