

**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, 2012**



## COMPANY INFORMATION

<b>Board of Directors</b>	Sheikh Sulaiman Ahmed Saeed Al-Hoqani (Chairman) Aamna Taseer (Chief Executive Officer) Shehryar Ali Taseer Maheen Ghani Taseer Shehrbano Taseer Jamal Said Al-Ojaili Khaldoon Bin Latif Imran Saeed Chaudhry Etrat Hussain Rizvi (Alternate Director to Sheikh Sulaiman Ahmed Saeed Al-Hoqani)	Non-Executive Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive
<b>Chief Financial Officer</b>	Imran Hafeez	
<b>Audit Committee</b>	Shehryar Ali Taseer (Chairman) Maheen Ghani Taseer Shehrbano Taseer	
<b>Company Secretary</b>	Sajjad Ahmad	
<b>Auditors</b>	A.F. Ferguson & Co. Chartered Accountants	
<b>Legal Advisers</b>	M/s. Imtiaz Siddiqui & Associates	
<b>Bankers</b>	Albaraka Bank (Pakistan) Limited Allied Bank Limited Silkbank Limited Bank Alfalah Limited Faysal Bank Limited Habib Bank Limited KASB Bank Limited National Bank of Pakistan Pair Investment Limited Soneri Bank Limited Standard Chartered Bank (Pakistan) Limited The Bank of Punjab	
<b>Registrar and Shares Transfer Office</b>	THK Associates (Pvt.) Limited Ground Floor, State Life Building- 3 Dr. Ziauddin Ahmed Road, Karachi  (021) 111 000 322	
<b>Registered Office/Head Office</b>	2nd Floor, Pace Shopping Mall, Fortress Stadium, Lahore Cantt. Lahore, Pakistan.  (042) 36623005/6/8 Fax: (042) 36623121-36623122	

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 21<sup>st</sup> Annual General Meeting of the Shareholders of Pace (Pakistan) Limited (“the Company” or “PACE”) will be held on Wednesday, 31 October 2012 at 12:00 Noon at 2<sup>nd</sup> Floor, Pace Shopping Mall, Fortress Stadium, Lahore Cantt. Lahore, the Registered Office of the Company, to transact the following business:

1. To confirm the minutes of Annual General Meeting held on 29 October 2011;
2. To receive, consider and adopt the audited financial statements of the Company for the year ended 30 June 2012 together with the Directors' and Auditors' reports thereon;
3. To appoint the Auditors of the Company for the year ending 30 June 2013 and to fix their remuneration;

**By order of the Board**

Lahore  
09 October 2012

**Sajjad Ahmad**  
Company Secretary

**Notes:**

- 1) The Members Register will remain closed from 24 October 2012 to 31 October 2012 (both days inclusive). Transfers received at THK Associates (Pvt.) Limited, Ground Floor, State Life Building No. 3, Dr. Ziauddin Ahmad Road, Karachi, the Registrar and Shares Transfer Office of the Company, by the close of business on 23 October 2012 will be treated in time for the purpose of Annual General Meeting.
- 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, 2<sup>nd</sup> Floor, Pace Shopping Mall, Fortress Stadium, Lahore Cantt. 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.



## DIRECTORS' REPORT TO THE SHAREHOLDERS

The Board of Directors of Pace (Pakistan) Limited take pleasure in presenting their Annual Report for the year ended June 30, 2012 together with Audited Financial Statements of the Company and the Auditors' Report for the year ended June 30<sup>th</sup>, 2012.

### Performance Outlook

#### General Economic Overview:

The economy of Pakistan has been undergoing a stabilization phase, for the current year Government remained focused on maintaining macroeconomic stability, growth, mobilizing domestic resources and increasing exports, balanced regional development and providing safety to the people. Despite numerous challenges, the economy performed better in 2011-12 than many developing economies. The challenges included sharp increase in fuel and commodity prices, recessionary trend globally and weak inflows. Domestically, economy was struck by heavy rains in Sindh and parts of Baluchistan costing \$ 3.7 billion along with energy crisis. Notwithstanding these challenges, the Gross Domestic Product growth this year is estimated at 3.7 percent as compared to 3.0 percent last year. The Industrial sector contributes 25.4 percent to GDP having sub sectors: manufacturing, construction, mining & quarrying, electricity and gas distribution. The Construction Sector has shown 6.46 percent growth as compared to negative growth of 7.09 percent in last year.

#### Real Estate Overview:

Pakistan real estate sector is a robust industry in itself that maintains a consistent demand throughout the year. Despite the problems faced by the country in general and real estate sector in particular, Pakistan property market has been performing rather well as it continues to attract the attention of overseas Pakistanis. This sector can perform much better if issues like Political Instability, Corruption and Taxation affecting Pakistan real estate are addressed.

The year 2012-13 will be good for the real estate market in Pakistan especially compared to the last few years, when the market witnessed a slump. Currently being in its nascent stage, the scope for Pakistan's commercial real estate market for modern retail is quiet large. Punjab, in

particular, with major cities like Lahore, Rawalpindi, Faisalabad, Gujranwala and Sialkot has remained the ideal retail and real estate investment destination for many. Lahore, being the second largest city of the country has been showing consistent intake of various international chains. Real estate experts and businessmen have come to believe that Lahore is a natural breeding ground for multinational companies, banks and international brands.

### Company Performance General Overview:

The challenging business and economic condition have also effect the financial position of the company. As a result the company had to bear a loss of PKR 1,471 million before tax. Despite the worsening conditions of law and order and energy in the country, the Company was able to successfully complete the second phase of PACE Woodlands Housing Scheme. Development on PACE Towers Project remained suspended during the current financial year; however, the management is devising a strategy for the restart of the development works.

### Company Performance Financial Overview:

During the current financial year, the Company recorded gross sales of PKR 240 million as compared to PKR 371 million in the last year showing a decrease of 35%. The sales return of the company has fallen significantly from PKR 847 million to PKR 21 million which is a good sign for the company as the net sales will be higher. This effect is reflected in the gross (loss) figure as it is 61% less than the previous year along with the decrease in change in fair value of investment property from PKR 788 million to PKR 566 million. The Loss after tax is lower by 29% which shows that the company has improved its operations especially its control over the other operating expenses and having higher returns from the other operating income as compared to the last year, showing that it would be able to overcome its losses in the near future. Comparison for the year ended June 30, 2012 and the year ended June 30, 2011 is as follows:

	<b>Year Ended June 30,</b>	
	<b>2012</b>	<b>2011</b>
	<b>'Rupees in million'</b>	
Sales	<b>240</b>	371
Sales Return	<b>(21)</b>	(847)

Gross(Loss)/Profit	(155)	(402)
Change in fair value of Investment Property	(566)	(788)
(Loss)/Profit after Tax	(1,471)	(2,081)
Earnings per share PKR	(5.28)	(7.46)

The financial position of the company has changed due to the decrease in the net asset value. There was an increase the current liabilities as the Foreign Currency Convertible Bonds (FCCB) and Term Finance Certificates (TFC) moved from the non-current liabilities to current liabilities. The Company current assets have increased from the previous year because of the change in Stock-in-trade, as Pace Circle has shown progress and improved the value of the overall inventory of the company. This can help the company to pay out its large amount of current liabilities for the year.

**As on June 30,  
2012                      2011  
‘Rupees in million’**

Net Assets	2,932	4,405
Un-Appropriated Profits	(128)	1,344
Non-current liabilities	135	3,139
Cash and Bank	8	59

**Over Dues: Financial Obligations:**

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

**Business Risks and Challenges:**

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

**Health and Safety Standards:**

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

proactively assessed and approved its processes and practices.

The following health and safety policy has been adopted;

1. Provide secure shopping environment to its customers.
2. Minimize its environmental impact, as is economically and practically possible. To ensure this company obtains No Objection Certificate from Environmental Protection Authority for all new projects prior to submitting the drawings to LDA.
3. Provide Environmental Health & Safety training to all employees and other relevant persons to enable them to carry out their duties safely without causing harm to themselves to other individuals and to the environment.
4. Apply proper mechanism of sewerage and disposal of waste products and provision of adequate parking space.
5. Develop plans and procedures and provide resources to successfully implement this policy and dealing effectively with any emergency.
6. Save raw material including energy, water and avoid waste.
7. Ensure that all its present and future activities are conducted safely without endangering the health of employees, its customers and public.
8. Ensure that all its activities comply with National Environmental Health & Safety Law.

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

**Human Resource Development:**

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

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

**Future Outlook:**

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

**Appropriations:**

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

**Auditors:**

The present auditors M/s A.F Ferguson & Co., Chartered Accountants retire and offer themselves for reappointment. The Board of directors has recommended their appointment as auditors of the company for the year ending June 30, 2013, at a fee to be mutually agreed.

**Changes in the Board of Directors**

During the financial year Mrs. Maheen Ghani Taseer was co-opted by the Board of Directors in place of Mr. Shahbaz Ali Taseer, who has ceased to hold their office of the board of directors under section 188 of the Companies Ordinance, 1984. Further Syed Etrat Hussain Rizvi was appointed as alternate director to Mr. Sulaiman Ahmed Saeed Al-Hoqani.

**Board Meetings during the year**

Four meetings of the Board of Directors were held during the year Attendance by each director is as under:

Sr.No.	Directors	Meetings Attended
	Mr. Sulaiman Ahmed Saeed Al-Hoqani	-
	Mrs. Aamna Taseer	4
	Mr. Shahbaz Ali Taseer (Ceased)	-
	Mr. Shehryar Ali Taseer	4
	Miss. Shehrbano Taseer	4
	Mrs. Maheen Ghani Taseer	2
	Mr. Jamal Said Al-Ojaili	-
	Mr. Imran Saeed Chaudhry	1
	Mr. Khaldoon Bin Latif	2
	Syed Etrat Hussain Rizvi (Alternate Director of Mr. Hoqani)	1

**Trading by Directors**

Details of trading in shares of the Company during the financial year, by the Directors, CEO, CFO, Company Secretary and their spouses and any minor children is given in Annexure-1.

**Audit Committee**

The Board of directors in compliance with the Code of Corporate Governance has established an Audit Committee. Five meeting of the Audit committee were held during the year. Attendance by each member is as under:

Audit Committee Member	Meetings Attended
Mr. Shehryar Ali Taseer	4
Miss Shehrbano Taseer	4
Mrs. Maheen Ghani Taseer	2

During the year Mrs. Maheen Ghani Taseer appointed in place of Mr. Shahbaz Ali Taseer

**Change of Registered office**

The Board of Directors of the Company has decided to shift the registered office of the Company to 2<sup>nd</sup> Floor of Pace Shopping Mall, Fortress Stadium, Lahore Cantt. Lahore with effect from October 06, 2012.

**Pattern of Shareholding:**

The pattern of shareholding as on June 30, 2012 as required u/s 236 of the Companies Ordinance 1984 and Listing Regulations is attached.

**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.

1. The financial statements together with the notes thereon present fairly the company's state of affairs, the result of its operations, cash flows and changes in equity.
2. Proper books of accounts have been maintained by the company.

3. Appropriate accounting policies have been consistently applied in the preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment.
4. The international accounting standards, as applicable in Pakistan, have been followed in the preparation of financial statements and departure (if any) is adequately disclosed.
5. The system of internal control is sound in design and has been adequately implemented and monitored.
6. There are no significant doubts upon the Company's ability to continue as going concern.
7. The key operating and financial data for the last six years is Annexed.
8. The Company is in compliance with the requirement of training programs for Directors.

**General:**

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

For and on behalf of the Board of Directors

**Lahore:**

October 06, 2012

**Aamna Taseer**

Chief Executive Officer

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

Directors	Opening balance as on 01-07-2011	Purchase	Bonus	Sale / Transfer	Closing balance as on 30-06-2012
Aamna Taseer	587	-	-	-	587
Shahbaz Ali Taseer (Ceased)	587	-	-	587	-
Maheen Ghani Taseer	-	587	-	-	587
Shehryar Ali Taseer	500	-	-	-	500
Shehrbano Taseer	500	-	-	-	500
Sulaiman Ahmed Saeed Al-Hoqani	21,219,048	-	-	-	21,219,048
Jamal Said Al-Ojaili	587	-	-	-	587
Imran Saeed Chaudhry	4,300,571	-	-	-	4,300,571
Khaldoon Bin Latif	-	-	-	-	-
Syed Etrat Hussain Rizvi (Alternate Director to Sulaiman Ahmed Saeed Al-Hoqani)	-	-	-	-	-
<b>Spouces</b>	-	-	-	-	-
<b>Minor Children</b>	-	-	-	-	-
<b>Chief Financial Officer</b>					
Imran Hafeez	-	-	-	-	-
<b>Company Secretary</b>					
Saijad Ahmad	-	-	-	-	-

## KEY OPERATING AND FINANCIAL INDICATORS

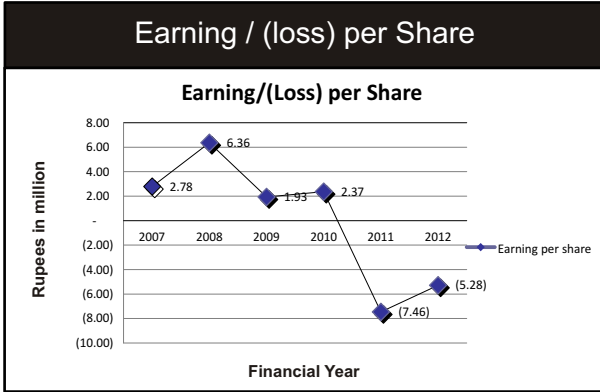
### KEY INDICATORS

Rupees in thousands

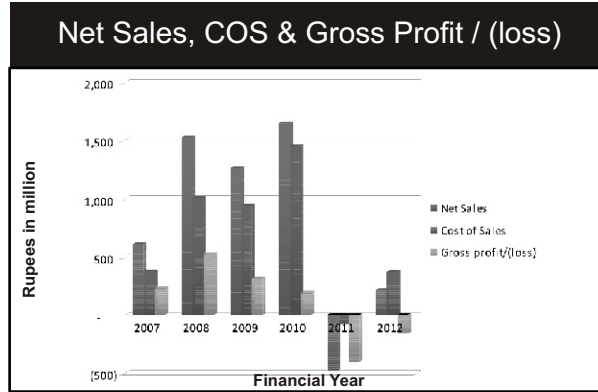
		2007	2008	2009	2010	2011	2012
<b>Operating result</b>							
Net Sales		612,651	1,530,498	1,261,809	1,649,336	(476,405)	218,747
Gross profit/(loss)		231,500	525,612	317,376	190,939	(402,012)	(155,317)
Profit from operation		643,494	1,699,553	618,387	914,133	(1,649,605)	(1,006,475)
Profit / (loss) before tax		550,958	1,453,293	345,796	702,923	(2,134,562)	(1,471,043)
Profit /(loss)after tax		500,143	1,406,970	436,796	633,164	(2,080,561)	(1,471,916)
<b>Financial Position</b>							
Shareholder's equity		3,175,016	4,560,706	5,194,399	6,486,146	4,405,483	2,932,538
Property,plant & Equipment		245,759	434,385	474,066	550,444	516,419	577,075
Net current assets		1,337,532	3,414,154	3,007,927	2,320,745	1,858,925	(1,639,203)
<b>Profitability</b>							
Gross profit /(loss)	%	37.79	34.34	25.15	11.58	(84.38)	(71.00)
Operating profit /(loss)	%	105.03	111.05	49.01	55.42	(346.26)	(460.11)
Profit /(loss) before tax	%	89.93	94.96	27.40	42.62	(448.06)	(672.49)
Profit /(loss) after tax	%	81.64	91.93	34.62	38.39	(436.72)	(672.89)
<b>Performance</b>							
Fixed assets turnover	Times	2.49	3.52	2.66	3.00	(0.92)	0.38
Avg.Inventory holding period			-	-			
Debtor's turnover							
Average collection period							
Return on equity	%	21.44	36.38	8.96	10.84	(38.20)	(40.12)
Return on capital employed	%	18.53	23.76	5.12	6.88	(24.24)	(28.02)
<b>Liquidity</b>							
Current	Times	6.51	13.06	13.41	3.47	2.74	0.64
Quick	Times	3.48	8.86	7.27	2.31	1.23	0.20
<b>Valuation</b>							
Earning per share (before tax)	Rs	2.40					
Earning per share	Rs	2.78	6.36	1.93	2.37	(7.46)	(5.28)
Break up vale per share	Rs	14.40	20.69	22.31	23.26	15.80	10.52

PERFORMANCE AT A GLANCE

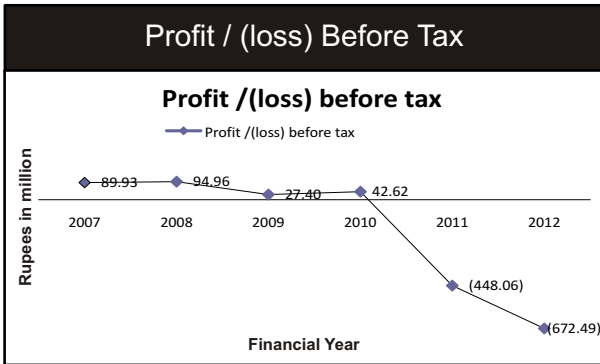
Earning / (loss) per Share



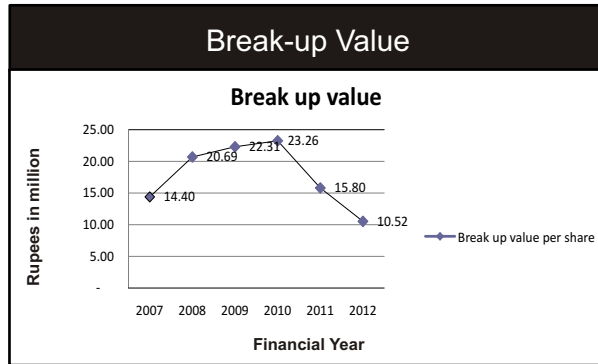
Net Sales, COS & Gross Profit / (loss)



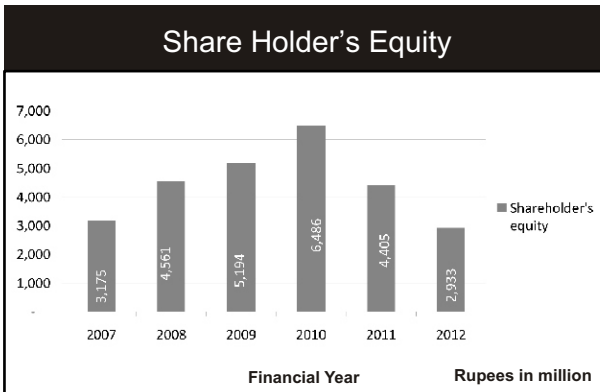
Profit / (loss) Before Tax



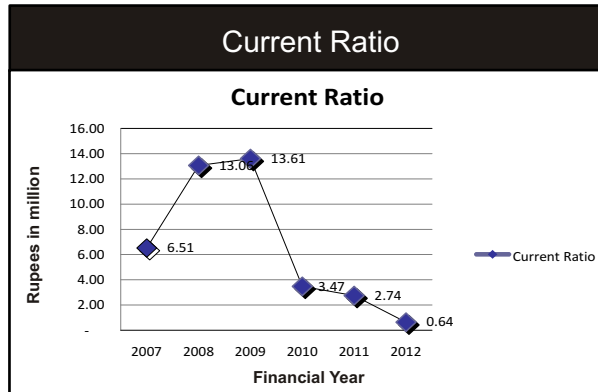
Break-up Value



Share Holder's Equity



Current Ratio



**STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE**

**PACE PAKISTAN LIMITED (“THE COMPANY”)  
FOR THE YEAR ENDED 30 JUNE 2012**

This statement is being presented to comply with the Code of Corporate Governance (the “Code”) contained in Regulation No. 35 of listing regulations of Karachi Stock Exchange (Guarantee) Limited and Lahore Stock Exchange (Guarantee) Limited 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 company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the board includes:

<b>Category</b>	<b>Names</b>
Executive Director	Mrs. Aamna Taseer
Non-Executive Directors	Mr. Shehryar Ali Taseer Mrs. Maheen Ghani Taseer Ms. Shehrbano Taseer Mr. Sulaiman Ahmed Saeed Al -Hoqani Mr. Etrat Hussain Rizvi (Alternate Director to Mr. Sulaiman Ahmed Saeed Al -Hoqani) Mr. Khaldoon Bin Latif Mr. Imran Saeed Chaudhry Mr. Jamal Said Al -Ojaili

- 2) The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).
- 3) All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
- 4) A casual vacancy occurring on in the Board was filled up by the directors within 90 days.
- 5) The Company has prepared a “Code of Conduct” and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
- 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, other executive and non executive directors, have been taken by the board /shareholders.
- 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) All the Directors on the Board are fully conversant with their duties and responsibilities as directors of Corporate Bodies. The directors were apprised of their duties and responsibilities through orientation courses.



- 10) The Board has approved “appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
- 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. It comprises of three members, all of whom are non-executive directors, including the chairman.
- 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) As of 30 June 2012, Human Resource Committee has not been constituted, however, the Board of Directors of the Company has decided to form a HR and Remuneration Committee. It will comprise of three members all of whom will be non-executive directors, including the chairman.
- 18) The board has set up an effective internal audit function that is considered suitable qualified and experienced for the purpose and are conversant with the policies and procedures of the company.
- 19) 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.
- 20) 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.
- 21) The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s)
- 22) Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
- 23) All related parties transactions enter during the year were carried at arm's length basis and have been placed before the audit committee and board of directors. These transactions are dully reviewed and approved by audit committee and board of directors.
- 24) We confirm that all other material principles enshrined in the Code have been complied with.

For and on behalf of the Board

Lahore  
October 06, 2012

**Aamna Taseer**  
Chief Executive Officer

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

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

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

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

Regulation 35 (x) of the Listing Regulations requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee.

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

Based on our review nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2012.

We draw attention to note 17 of the statement of compliance, which indicates that the Company does not have a Human Resource and Remuneration Committee as at the year ended 30<sup>th</sup> June 2012. The Board of Directors is in the process of constituting this committee to include majority of non-executive directors pursuant to the requirement of sub-regulation (xxv) of the Code. Our report is not qualified in respect of this matter.

Lahore:  
October 06, 2012

**A.F. Ferguson & Co.**  
Chartered Accountants  
Asad Aleem Mirza

## **AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed balance sheet of Pace (Pakistan) Limited as at June 30, 2012 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
  - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes resulted on initial application of standards, amendments or an interpretation to existing standards, as stated in note 2.3.1 with which we concur;
  - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2012 and of the loss, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).
- (e) We draw attention to note 2.2 to the financial statements which indicates the company could not meet its obligations in respect of principal and markup repayments on borrowings from lenders. The current liabilities of the Company have exceeded its current assets by Rs 1,639.203 million and the reserves of the Company have been significantly depleted. These factors, along with other matters as set forth in note 2.2 indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern. Our report is not qualified in respect of this matter.

Lahore:  
October 06, 2012

**A.F. Ferguson & Co.**  
Chartered Accountants  
Asad Aleem Mirza

**BALANCE SHEET**  
**AS AT JUNE 30, 2012**

	Note	June 30, 2012 (Rupees in thousand)	June 30, 2011
<b>EQUITY AND LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
Authorised capital			
600,000,000 (June 2011: 600,000,000) ordinary shares of Rs 10 each		<b>6,000,000</b>	6,000,000
Issued, subscribed and paid up capital			
278,876,604 (June 2011: 278,876,604) ordinary shares of Rs 10 each	5	<b>2,788,766</b>	2,788,766
Reserves		<b>272,131</b>	273,160
Unappropriated profit		<b>(128,359)</b>	1,343,557
		<b>2,932,538</b>	4,405,483
<b>NON-CURRENT LIABILITIES</b>			
Long term finances - secured	6	-	228,000
Redeemable capital - secured (non-participatory)	7	-	1,497,600
Liabilities against assets subject to finance lease	8	227	1,890
Foreign currency convertible bonds - unsecured	9	-	1,248,567
Deferred liabilities	10	36,650	32,828
Advances against sale of property	11	97,629	112,330
Deferred income		-	17,569
		<b>134,506</b>	3,138,784
<b>CURRENT LIABILITIES</b>			
Current portion of long term liabilities	12	3,745,248	643,362
Short term finance - secured	13	100,000	100,000
Creditors, accrued and other liabilities	14	199,927	162,995
Accrued finance cost	15	505,049	162,177
		<b>4,550,224</b>	1,068,534
<b>CONTINGENCIES AND COMMITMENTS</b>	16	-	-
		<b>7,617,268</b>	8,612,801

The annexed notes from 1 to 43 form an integral part of these financial statements.

Lahore  
October 06, 2012

Aamna Taseer  
Chief Executive

# Pace (Pakistan) Limited

	Note	June 30, 2012	June 30, 2011
(Rupees in thousand)			
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	17	710,684	548,350
Intangible assets	18	8,248	8,808
Investment property	19	3,167,645	3,828,426
Investments	20	701,238	623,833
Long term advances and deposits	21	13,822	13,533
Advance against purchase of property - unsecured	22	-	662,392
Deferred taxation	23	-	-
		4,601,637	5,685,342
<b>CURRENT ASSETS</b>			
Stock-in-trade	24	1,982,420	1,618,172
Trade debts - unsecured	25	721,249	1,019,193
Advances, deposits, prepayments and other receivables	26	199,351	230,742
Cash and bank balances	27	8,001	59,352
		2,911,021	2,927,459
Disposal group held-for-sale	28	104,610	-
		3,015,631	2,927,459
		7,617,268	8,612,801

Shehryar Ali Taseer  
Director

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED JUNE 30, 2012**

	Note	2012 (Rupees in thousand)	2011
Sales	29	239,934	371,122
Less: Sales return	29.2	<u>(21,187)</u>	<u>(847,527)</u>
		<b>218,747</b>	<b>(476,405)</b>
Cost of sales	30	<u>(374,064)</u>	<u>74,393</u>
<b>Gross loss</b>		<b>(155,317)</b>	<b>(402,012)</b>
Administrative and selling expenses	31	<b>(231,199)</b>	<b>(263,630)</b>
Other operating income	32	<b>68,082</b>	<b>40,674</b>
Other operating expenses	33	<u>(121,450)</u>	<u>(236,479)</u>
		<b>(439,884)</b>	<b>(861,447)</b>
Finance costs	34	<b>(464,568)</b>	<b>(484,957)</b>
Changes in fair value of investment property	19	<u>(566,591)</u>	<u>(788,158)</u>
<b>Loss before tax</b>		<b>(1,471,043)</b>	<b>(2,134,562)</b>
Taxation	35	<u>(873)</u>	<u>54,001</u>
<b>Loss for the year</b>		<b>(1,471,916)</b>	<b>(2,080,561)</b>
 <b>Other comprehensive loss</b>			
Changes in fair value of available for sale investments		<b>(1,029)</b>	<b>(102)</b>
<b>Total comprehensive loss for the year</b>		<u><b>(1,472,945)</b></u>	<u><b>(2,080,663)</b></u>
 Loss per share attributable to ordinary shareholders			
- basic loss per share	Rupees 40	<u><b>(5.28)</b></u>	<u><b>(7.46)</b></u>
- diluted loss per share	Rupees 40	<u><b>(5.28)</b></u>	<u><b>(7.46)</b></u>

The annexed notes from 1 to 43 form an integral part of these financial statements.

Lahore  
October 06, 2012

Aamna Taseer  
Chief Executive

Shehryar Ali Taseer  
Director

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2012**

	Note	2012 (Rupees in thousand)	2011
<b>Cash flow from operating activities</b>			
Cash generated / (used in) from operations	37	169,194	(340,189)
Net (decrease) / increase in advances against sale of property		(14,701)	68,075
Finance costs paid		(33,907)	(323,694)
Gratuity and leave encashment paid		(4,698)	(3,581)
Taxes paid		(8,439)	(9,208)
<b>Net cash generated / (used in) from operating activities</b>		<b>107,449</b>	<b>(608,597)</b>
<b>Cash flow from investing activities</b>			
Purchase of property, plant and equipment		(7,178)	(1,474)
Additions in investment property		-	(17,300)
Proceeds from sale of property, plant and equipment		8,918	5,525
(Increase) / decrease in long term loans and deposits		(289)	12,446
Mark up received		1,366	-
Proceeds from disposal of investment		13,000	300,000
Investment in equity instruments		(91,434)	(3,776)
Proceeds from disposal of investment property		-	232,626
<b>Net cash (used in) / generated from investing activities</b>		<b>(75,617)</b>	<b>528,047</b>
<b>Cash flow from financing activities</b>			
Repayment of long term finances		(77,592)	(9,141)
Repayment of redeemable capital		-	(600)
Payment of markup of foreign currency convertible bonds		-	(11,490)
Payment of finance lease liabilities		(5,591)	(15,518)
<b>Net cash used in financing activities</b>		<b>(83,183)</b>	<b>(36,749)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(51,351)</b>	<b>(117,299)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>(40,648)</b>	<b>76,651</b>
<b>Cash and cash equivalents at the end of the year</b>	38	<b>(91,999)</b>	<b>(40,648)</b>

The annexed notes from 1 to 43 form an integral part of these financial statements.

Lahore  
October 06, 2012

Aamna Taseer  
Chief Executive

Shehryar Ali Taseer  
Director

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

	Share capital	Share premium reserve	Revaluation reserve for investment property	Reserve for changes in fair value of investments	Unappropriated profit	Total
Balance as on June 30, 2010	2,788,766	273,265	81,097	(3)	3,343,021	6,486,146
<b>Total comprehensive loss for the year</b>						
Loss for the year	-	-	-	-	(2,080,561)	(2,080,561)
Other comprehensive loss	-	-	-	(102)	-	(102)
				(102)	(2,080,561)	(2,080,663)
Transfer of reserve relating to sale of investment property	-	-	(81,097)	-	81,097	-
<b>Balance as on June 30, 2011</b>	<b>2,788,766</b>	<b>273,265</b>	<b>-</b>	<b>(105)</b>	<b>1,343,557</b>	<b>4,405,483</b>
<b>Total comprehensive loss for the year</b>						
Loss for the year	-	-	-	-	(1,471,916)	(1,471,916)
Other comprehensive loss	-	-	-	(1,029)	-	(1,029)
				(1,029)	(1,471,916)	(1,472,945)
<b>Balance as on June 30, 2012</b>	<b>2,788,766</b>	<b>273,265</b>	<b>-</b>	<b>(1,134)</b>	<b>(128,359)</b>	<b>2,932,538</b>

The annexed notes from 1 to 43 form an integral part of these financial statements.

**Lahore**  
October 06, 2012

**Aamna Taseer**  
Chief Executive

**Shehryar Ali Taseer**  
Director



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

### **FOR THE YEAR ENDED JUNE 30, 2012**

#### **1. Legal status and activities**

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

#### **2. Statement of Compliance**

**2.1** These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 (the Ordinance) and the 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 the Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984 or directives issued by Securities and Exchange Commission of Pakistan differ with the requirements of IFRS or IFAS, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives prevail.

#### **2.2 Going concern assumption**

During the year, the Company has incurred a loss of Rs 1,471.916 million (2011: Rs 2,080.561 million). As at the reporting date, the current liabilities of the Company have exceeded its current assets by Rs 1,639.203 million and the reserves of the Company have been significantly depleted. The Company has not been able to meet various obligations towards its lenders, including repayment of principal and markup thereon in respect of its long term borrowings. As a consequence, the Company has also been unable to realize its existing receivables from customers and facing difficulties in sale of its inventory, being encumbered against long term borrowings. These conditions raise significant doubts on the Company's ability to continue as a going concern.

In view of the above, the Company approached its lenders referred to in note 6 and 7 of these financial statements for restructuring of loans. As per the restructuring proposals the company expects the following:

- Relaxation in payment terms of principal outstanding and over due markup;
- Partial settlement of principal amount against properties of the Company and adjustment of markup through receivables of sold shops; and
- Swap of collateral given to the providers of Redeemable Capital (note 7) with that given to the syndicate finance lenders (note 6). This shall entail transfer of encumbrance over the Pace Towers (currently under construction) to syndicate finance lenders against that on the fully developed properties in Model Town, Lahore and Gujranwala to the providers of Redeemable Capital.

National Bank of Pakistan and Al-Baraka Bank (Pakistan) Limited have agreed to and the Company has accepted, subsequent to the year end to restructure their respective loans at terms referred to in note 6 and 7. The Company is confident that other lenders will also agree to its proposals for restructuring.

The above restructuring is expected to be augmented by other actions of the management of the Company for improving operational efficiency of its projects, which include changes in the mechanism for reimbursement of service charges, reduction of cost and enhancement of operational revenues.

The management of the Company is confident that the above actions and steps shall enable the Company to realize its existing receivables, aid the sale of inventory from the completed projects referred above and utilize the resultant liquidity for completion and sale of its 'Pace Towers' Project.

The financial statements has been prepared on a going concern basis based on the management's expectations that:

- the Company will be able to obtain relaxations from its lenders as highlighted above, and
- the Company will be able to readily realize its receivables and inventory and be able to utilize the resultant liquidity for completion and sale of the 'Pace Towers' Project.

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

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

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

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

New and amended standards, and interpretations mandatory for the first time for the financial year beginning July 01, 2011:

- IFRS 7 (Amendments), 'Financial Instruments', emphasizes the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. The application of the amendment has not effected the results or net assets of the Company as it is only concerned with presentation and disclosures.

- IFRS 7, 'Disclosures on transfers of financial assets' (Amendment) (effective July 01, 2011), issued in October 8, 2010. The new disclosure requirements apply to transferred financial assets. An entity transfers a financial asset when it transfers the contractual rights to receive cash flows of the asset to another party. These amendments are a part of the IASBs comprehensive review of off balance sheet activities. The amendments will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitization of financial assets. The Company has determined that there is no significant transfer of financial assets that requires disclosure under the guidance above.

- IAS 1 (amendments) (effective January 01, 2011), clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The company has opted to present analysis in statement of changes in equity.

- IAS 24 (revised) (effective July 01, 2011), 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The application of this standard has impacted the related party disclosures in the Company's financial statements.

- 'Classification of rights issues' (amendment to IAS 32), issued in October 2009. The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The application of this amendment has no material impact on the Company's financial statements.

- 'Prepayments of a minimum funding requirement' (amendments to IFRIC 14). The amendment corrects an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendment, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendment corrects this, which should be applied retrospectively to the earliest comparative period presented. The application of this amendment has no material impact on the Company's financial statements.

- IFRIC 19, 'Extinguishing financial liabilities with equity instruments'. The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. The application of this interpretation has no material impact on the Company's financial statements.

### **2.3.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company**

The following amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after July 01, 2012 or later periods, and the Company has not early adopted them:

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

- IFRS 9, 'Financial Instruments', addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until January 01, 2013 but is available for early adoption. This is the first part of a new standard on classification and measurement of financial assets and financial liabilities that will replace IAS 39, 'Financial Instruments: Recognition and measurement'. IFRS 9 has two measurement categories: amortised cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual

cash flows and the cash flows represent principal and interest. For liabilities, the standard retains most of the IAS 39 requirements. These include amortised-cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. This change will mainly affect financial institutions. There will be no impact on the company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, and the company does not have any such liabilities.

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

- IFRS 11, 'Joint Arrangements', applicable from January 01, 2013, is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. The Company shall apply this standard from January 01, 2013 and does not expect to have any material impact on its financial statements.

- IFRS 12 - 'Disclosures of interests in other entities'. This is applicable on accounting periods beginning on or after January 01, 2013. This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Company shall apply this standard from July 01, 2013 and does not expect to have any material impact on its financial statements.

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

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

### **3. Basis of measurement**

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

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

**a) Staff retirement benefits**

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

**b) Provision for taxation**

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

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

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

**d) Stock-in-trade**

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

**e) Investment property valuation**

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

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

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

**g) Costs to complete the projects**

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

**h) Provision for doubtful receivables**

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

**4. Significant accounting policies**

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

**4.1 Taxation**

Income tax expense comprises current and deferred tax. Income tax is recognised in profit and loss account except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

**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 profit for the year if enacted after taking into account tax credits, rebates and exemptions, if any. 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 recognised 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 assets and liabilities are calculated at the rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to the profit and loss account, except in the case of items charged or credited to equity in which case it is included in the statement of changes 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 4.12.

Property, plant and equipment acquired under finance are capitalized at the lease's commencement of the lease term at lower of the present value of the minimum lease payments under the lease arrangements and the fair value of the leased property.

Depreciation on owned assets 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 annual rates given in note 17.1.

Assets acquired under a finance lease are depreciated over the useful life of the asset on reducing balance method except for plant and machinery which is being depreciated using the straight line method at the annual rates given in note 17.2.

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.

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

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

#### **4.3 Intangible assets**

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

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

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

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

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

##### **Operating leases**

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

#### **4.5 Staff retirement benefits**

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

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

The latest actuarial valuation for gratuity scheme was carried out as at June 30, 2012. Projected Unit Credit Method, using the following significant assumptions for valuation of the scheme:

- Discount rate 13 percent per annum (2011: 14 percent per annum)
- Expected rate of increase in salary level 12 percent per annum (2011: 13 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, 2012. Projected Unit Credit Method, using the following significant assumptions is used for valuation of accumulating compensated absences:

- Discount rate	13% (2011: 14%)
- Expected increase in salary	12% (2011: 13%)
- 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 (2011: 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 Investment property**

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

The investment property of the Company has been valued by independent professionally qualified valuers as at June 30, 2012. The fair value of the investment property is based on active market prices.

If an 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.

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

#### **4.7 Investments**

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

##### **Investments in equity instruments of subsidiaries and associates**

Investments in equity instruments of subsidiaries and associates 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 associates, in the consolidated financial statements, are being accounted for using the equity method.

#### **4.8 Financial instruments**

##### **4.8.1 Financial assets**

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

##### **a) Financial assets at fair value through profit or loss**

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

##### **b) Loans and receivables**

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

##### **c) Available-for-sale financial assets**

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

##### **d) Held to maturity**

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

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

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

Changes in the fair value of securities classified as available-for-sale are recognised in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are reclassified from equity to profit and loss account as reclassification adjustment. 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.

#### **4.8.2 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.

#### **4.8.3 Offsetting of financial assets and financial liabilities**

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when there is a legally enforceable right to set off the recognized amount and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

#### **4.9 Stock-in-trade**

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

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

#### **4.10 Foreign currency transactions and translation**

##### **a) Functional and presentation currency**

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

##### **b) Transactions and balances**

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

#### **4.11 Revenue recognition**

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

Service charges are recognised in the accounting period when in which services are rendered. When the company is acting as agent, the commission rather than gross income is recorded as revenue.

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

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

- the buyers investment, to the date of the financial statements, is adequate to demonstrate a commitment to pay for the property;

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

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

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

#### **4.12 Borrowing costs**

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

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

#### **4.13 Trade debts**

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

#### **4.14 Creditors, accruals and provisions**

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

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

**4.15 Non-current assets held for disposal**

Non-current assets held for disposal are classified as assets held for sale and stated at the lower of carrying amount and fair value less cost to sell, with the exception of investment properties carried at fair value, if their carrying value is expected to be recovered principally through a sale transaction rather than continuing use.

**4.16 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.

**4.17 Foreign currency convertible bonds**

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

**4.18 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 short term finance. In the balance sheet, short term finance is included in current liabilities.

**5. Issued, subscribed and paid up capital**

2012 (Number of shares)	2011		2012 (Rupees in thousand)	2011
201,704,516	201,704,516	Ordinary shares of Rs 10 each fully paid in cash	2,017,045	2,017,045
77,172,088	77,172,088	Ordinary shares of Rs 10 each issued as fully paid bonus shares	771,721	771,721
<u>278,876,604</u>	<u>278,876,604</u>		<u>2,788,766</u>	<u>2,788,766</u>

First Capital Securities Corporation Limited and Worldcall Telecom Limited, associated undertakings, hold 24,055,407 (2011: 24,055,407) and 6,959,290 (2011: 6,959,290) ordinary shares of the Company respectively.

	Note	2012 (Rupees in thousand)	2011
<b>6. Long term finances - secured</b>			
Syndicate term finance facility	6.1	322,408	400,000
National Bank of Pakistan - term finance	6.2	40,000	40,000
Soneri Bank - demand finance	6.3	27,422	27,422
Al Baraka Bank (Pakistan) Limited - musharika based agreement	6.4	<u>360,000</u>	<u>360,000</u>
		<b>749,830</b>	827,422
Less: Current portion shown under current liabilities	12	<u>(749,830)</u>	<u>(599,422)</u>
		<u>-</u>	<u>228,000</u>

### 6.1 Syndicate term finance facility

#### Terms of repayment

As per the original agreement, the loan is repayable in 10 quarterly installments starting from May 4, 2010 after expiry of one year of grace period and carries mark-up @ rate of 3 months KIBOR plus 3.5% (2011: 3 months KIBOR plus 3.5%).

#### Security

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

#### Restructuring subsequent to the year end

Subsequent to the year end National Bank of Pakistan (NBP), one of the syndicate members, has offered restructured terms for its portion, which the company has accepted for aggregate amount of Rs 209.565 million. Following are the key terms:

- Exclusive charge on Pace Gujranwala, Pace Model Town and Pace Model Town (Extension) amounting to Rs 280 million inclusive of 25% margin on identified shops.
- Assignment of receivables from sale of shops of Pace Gujranwala, Pace Model Town, Pace Model Town (Extension) and Pace MM Alam. In case the sale of shops does not transpire as expected NBP will enter into a debt-asset swap arrangement, with the Company, on the shops selected by NBP and the Swap Price will be determined by the agreed pricing mechanism. Shops acquired under debt-asset swap will be subject to buy back agreement with the Company and the Buy Back Price will be determined by the agreed pricing mechanism.
- The loan will be payable in four years in equal monthly installments after the expiry of eighteen months grace period (both for principal and mark up) and rate of mark up will be 3 months KIBOR.
- Joint pari passu charge over shops of Pace MM Alam to be created as additional security.

## **6.2 National Bank of Pakistan - term finance**

### **Terms of repayment**

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

### **Security**

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

### **Restructuring subsequent to the year end**

Subsequent to the year end, National Bank of Pakistan has offered restructured terms, which the company has accepted for aggregate amount of Rs 40 million. Following are the key terms:

- The loan will be repaid as bullet payment within 24 months and rate of mark up will be 3 months KIBOR.
- First pari passu charge of Rs 67 million over Pace MM Alam with 40% margin.

## **6.3 Soneri Bank - demand finance**

### **Terms of repayment**

This loan is part of total demand finance facility limit of Rs 44.688 Million (2011: Rs 44.688 Million) and carries mark up @ 6 months KIBOR + 3% (2011: 6 months KIBOR + 3%). The loan is repayable in 8 equal quarterly installments.

### **Security**

This facility is secured against a charge created on the land and building on Plot no 41, Gulberg III, Industrial Area Lahore.

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

### **Terms of repayment**

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

### **Security**

The loan is secured by 100% registered equitable mortgage of property located at plot no. 40 & 41, P Block, Model Town link road, a token registration of Rs 0.5 million equitable mortgage of property located at 27-H (Pace Towers) having a charge amounting to Rs 1,200 million and first pari passu charge on all receivables purporting to or in relation to the afore-mentioned projects.

### **Restructuring subsequent to the year end**

The bank has agreed to and the Company has accepted, subsequent to the year end, to restructure the entire amount outstanding on the following terms:



- Debt to asset swap consisting of shops, counters and super market area comprising of 8,824 square feet against Rs 115 million outstanding. In consideration the bank will release its charge on all units of Pace Towers.
- Markup on restructured facility shall be charged @ 3 months KIBOR and paid on a quarterly basis.
- The Company will create mortgage in favour of the bank on identified properties in Pace Gujranwala, Pace Model Town and Pace Model Town (Extension) amounting to Rs 326.667 million.

6.5 The aggregate current portion of Rs 634.830 million includes principal installments aggregating to Rs 96 million, which, under the terms of loan agreements were due for repayment in period subsequent to June 30, 2012. However, as the company could not repay on a timely basis the installments due upto the year ended June 30, 2012 and is not compliant with certain debt covenants, which represents a breach of the respective agreements, therefore these loans have been classified as a current liability under the guidance contained in IAS 1 "Presentation of financial statements". The company is in negotiation with lenders for relaxation in payment terms and certain other covenants.

	Note	2012 (Rupees in thousand)	2011
<b>7. Redeemable capital - secured (non-participatory)</b>			
Term finance certificates	7.1	<u>1,498,200</u>	<u>1,498,200</u>
		<u>1,498,200</u>	<u>1,498,200</u>
Less: Current portion shown under current liabilities	12	<u>(1,498,200)</u>	<u>(600)</u>
		<u>-</u>	<u>1,497,600</u>

#### 7.1 Term finance certificates

##### Terms of repayment

This represents term finance certificates (TFC's) listed on Lahore Stock Exchange issued for a period of 5 years. Last year, the Company completed the restructuring of its term finance certificates. Restructuring was duly approved by majority of TFC holders holding certificates in aggregate of 51.73 %, through extraordinary resolution passed in writing. Consequent to the approval of TFC holder's addendum to the trust deed was executed between the Company and trustee 'IGI Investment Bank Limited' under which the Company is allowed one and a half year grace period along with an extension of four years in the tenure of TFC issue and consequently, the remaining tenure of TFC shall be six and a half years effective from August 15, 2010. As a result current liability of the Company has been reduced by Rs 499.0 million. The TFC's carry a markup of 6 months KIBOR plus 2% (2011: 2%) and is payable semi-annually in arrears.

##### Security

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

7.1.1 The aggregate current portion of Rs 1,498.2 million includes principal installments aggregating to Rs 1,198.1 million, which, under the terms of loan agreements were due for repayment in period subsequent to June 30, 2012. However, as the company could not repay on a timely basis the installments due upto year ended June 30, 2012 and is not compliant with certain debt covenants, which represents a breach of the respective agreement, therefore the entire outstanding amount has been classified as a current liability under the guidance contained in IAS 1 "Presentation of financial statements". The company is in negotiation with the trustee for relaxation in payment terms and certain other covenants.

## Pace (Pakistan) Limited

	Note	2012 (Rupees in thousand)	2011
<b>8. Liabilities against assets subject to finance lease</b>			
Present value of minimum lease payments		<b>33,563</b>	39,154
Less: Current portion shown under current liabilities	12	<b>(33,336)</b>	(37,264)
		<b>227</b>	1,890
		<b>227</b>	1,890

The minimum lease payments have been discounted at an implicit interest rate ranging from 12.31% to 17.94% (2011: 15.02% to 16.80%) to arrive at their present value. The lessee has the option to purchase the assets after the expiry of the lease term. Taxes, repairs and insurance costs are to be borne by the lessee. The liability is partly secured by a deposit of Rs 12.728 million (2011: Rs 12.728 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	
			2012	2011
Not later than one year	35,806	2,470	<b>33,336</b>	37,264
Later than one year and not later than five years	229	2	<b>227</b>	1,890
	36,035	2,472	<b>33,563</b>	39,154
	36,035	2,472	<b>33,563</b>	39,154

	Note	2012 (Rupees in thousand)	2011
<b>9. Foreign currency convertible bonds - unsecured</b>			
Opening balance as at July 1		<b>1,254,643</b>	1,181,561
Markup accrued during the year		<b>87,789</b>	78,073
		<b>1,342,432</b>	1,259,634
Markup paid during the year		-	(11,490)
Exchange loss for the year		<b>121,450</b>	6,499
		<b>1,463,882</b>	1,254,643
Less: Current portion shown under current liabilities	12	<b>(1,463,882)</b>	(6,076)
		<b>-</b>	1,248,567
		<b>-</b>	1,248,567

The Company issued 25,000 convertible bonds of USD 1,000 each on January 5, 2008 amounting to USD 25 million. The foreign currency convertible bonds (FCCB) are listed on the Singapore Stock Exchange and are redeemable in 2013 at the accreted principal amount. The bonds carry a markup of 5.5% per annum, compounded semi-annually, accretive and cash interest of 1% per annum to be paid in arrears. The holders of the bonds have an option to convert the bonds into equity shares of the Company at any time following the issue date at a price calculated as per terms of arrangement. During the current year bonds amounting to USD Nil (2011: Nil) were converted into ordinary shares of the company at the request of the bond holders. In aggregate USD 13 million bond have been converted into ordinary shares as at June 30, 2012.

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

	Note	2012 (Rupees in thousand)	2011
<b>10. Deferred liabilities</b>			
Staff gratuity	10.1	35,251	31,611
Leave encashment	10.2	1,399	1,217
Deferred taxation	23	-	-
		<u>36,650</u>	<u>32,828</u>

### 10.1 Staff gratuity

The amounts recognised in the balance sheet are as follows:

Present value of defined benefit obligation		28,523	23,260
Unrecognised experience losses		6,728	8,351
Liability as at June 30		<u>35,251</u>	<u>31,611</u>
Liability as at July 1		31,611	31,795
Charge to profit and loss account	10.1.1	7,963	10,075
Benefits paid / payable during the year		(4,323)	(10,259)
Liability as at June 30		<u>35,251</u>	<u>31,611</u>

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

Present value of defined benefit obligation as at July 1		23,260	28,939
Service cost		5,711	6,602
Interest cost		3,256	3,473
Benefits paid / payable during the year		(4,323)	(10,259)
Experience gain		619	(5,495)
Present value of defined benefit obligation as at June 30		<u>28,523</u>	<u>23,260</u>

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

Service cost		5,711	6,602
Interest cost		3,256	3,473
Actuarial gain recognized during the period		(1,004)	-
Charge to profit and loss account		<u>7,963</u>	<u>10,075</u>

### 10.1.1 Charge for the year has been allocated as follows:

Cost of sales		1,035	1,310
Administrative, general and other expenses		6,928	8,765
		<u>7,963</u>	<u>10,075</u>

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

	2012	2011	2010	2009	2008
	(Rupees in thousand)				
Present value of defined benefit obligation	28,523	23,260	28,939	30,236	25,021
Fair value of plan assets	-	-	-	-	-
Deficit	<u>(28,523)</u>	<u>(23,260)</u>	<u>(28,939)</u>	<u>(30,236)</u>	<u>(25,021)</u>
Experience adjustment on obligation	-2%	24%	15%	4%	7%

## 10.2 Leave encashment

2012                      2011  
(Rupees in thousand)

The amounts recognised in the balance sheet are as follows:

Liability as at July 1	1,217	1,441
Charge to profit and loss account	842	1,573
Benefits paid / payable during the year	(660)	(1,797)
Liability as at June 30	<u>1,399</u>	<u>1,217</u>

## 11. Advances against sale of property

This represents advances received from various parties against sale of apartments and houses in Pace Towers project, Lahore and sale of shops in Pace Model Town Extension, Lahore and includes due to following related parties:

	Note	2012	2011
		(Rupees in thousand)	
First Capital Investment Limited		16,497	59,698
First Capital Securities Limited		47,257	-
Shaheen Insurance Company Limited		7,849	6,911
		<u>71,603</u>	<u>66,609</u>

## 12. Current portion of long term liabilities

Current portion of long term finances -secured	6	749,830	599,422
Current portion of redeemable capital - secured (non-participatory)	7	1,498,200	600
Current portion of liabilities against assets subject to finance lease	8	33,336	37,264
Current portion of foreign currency convertible bonds - unsecured	9	1,463,882	6,076
		<u>3,745,248</u>	<u>643,362</u>

Overdue principal included in current maturity as at June 30, 2012 are as follows:

	2012	2011
	(Rupees in thousand)	
Long term finances - secured:		
- Syndicate term finance facility	82,409	-
- National Bank of Pakistan- term finance	27,422	-
- Soneri Bank - demand finance	8,000	4,570
- Al Baraka Bank (Pakistan) Limited - musharika based agreement	200,000	80,000
Redeemable capital - secured (non-participatory)	600	-
Liabilities against assets subject to finance lease	19,589	4,916
	<u>338,020</u>	<u>89,486</u>

### 13. Short term finance - Secured

This represents a short term loan of Rs 100 Million (2011: Rs 100 Million) provided by Pak-Iran Joint Investment Company Limited and carries mark-up @ 6 months KIBOR + 3.5%. The loan was repayable in 4 quarterly installments starting from December 31, 2010 and currently the entire amount is over due.

#### Security

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

Note	2012	2011
	(Rupees in thousand)	

### 14. Creditors, accrued and other liabilities

	Note	2012	2011
		(Rupees in thousand)	
Trade creditors	14.1	102,561	59,740
Advances from customers		5,434	4,277
Licensees payable		5,893	10,214
Accrued liabilities		35,117	28,414
Licensee security deposits		16,495	17,183
Payable to contractors		2,699	2,315
Retention money		362	362
Payable to statutory body		13,235	8,731
Workers welfare fund payable		-	20,974
Advance against sale of shares	14.2	-	1,595
Others		18,131	9,190
		<u>199,927</u>	<u>162,995</u>

**14.1** This includes Rs 59.323 million (2011: Rs 29.930 million) due to Shaheen Insurance Company Limited, a related party.

**14.2** This represents advance given to the Company for purchase of shares of Pace Barka Properties Limited by Mr. Sheikh Suleiman Ahmed Said AL Hoqani, chairman of the Company.

	Note	2012 (Rupees in thousand)	2011
<b>15. Accrued finance cost</b>			
Long term finances -secured	15.1	<b>168,001</b>	66,287
Short term finance -secured	15.2	<b>24,197</b>	7,999
Redeemable capital - secured (non-participatory)	15.3	<b>310,439</b>	86,837
Liabilities against assets subject to finance lease	15.4	<b>2,412</b>	1,054
		<b>505,049</b>	162,177

**15.1** This includes overdue markup of Rs 135.016 million (2011: Rs 53.384 million).

**15.2** This includes overdue markup of Rs 20.365 million (2011: Rs 7.999 million).

**15.3** This includes overdue markup of Rs 232.945 million (2011: Rs 0.529 million).

**15.4** This includes overdue markup of Rs 2.384 million (2011: Rs 1.054 million).

## **16. Contingencies and commitments**

### **16.1 Contingencies**

- (i) Claims against the Company not acknowledged as debts Rs 21.644 million (2011: 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 (2011: Rs 900 million) as per the approval of shareholders through the special resolution dated July 29, 2006.

### **16.2 Commitments**

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

	Note	2012 (Rupees in thousand)	2011
Not later than one year		<b>6,300</b>	7,326
Later than one year and not later than five years		<b>29,925</b>	38,129
Later than five years		<b>761,975</b>	25,689
		<b>798,200</b>	71,144

## **17. Property, plant and equipment**

Operating fixed assets			
- owned assets	17.1	<b>577,075</b>	516,419
- assets subject to finance lease	17.2	<b>6,152</b>	25,259
Capital work in progress	17.3	<b>127,457</b>	6,672
		<b>710,684</b>	548,350

**17.1 Owned assets**

(Rupees in thousand)

	2012							2011										
	Cost as at June 30, 2011	Additions/transfers/(deletions)	Cost as at June 30, 2012	Accumulated depreciation as at June 30, 2011	Depreciation charge for the year/(deletions)	Transfers from assets subject to finance lease	Accumulated depreciation as at June 30, 2012	Book value as at June 30, 2012	Depreciation rate	Cost as at June 30, 2010	Additions/transfers/(deletions)	Cost as at June 30, 2011	Accumulated depreciation as at June 30, 2010	Depreciation charge for the year/(deletions)	Transfers from assets subject to finance lease	Accumulated depreciation as at June 30, 2011	Book value as at June 30, 2011	Depreciation rate
Freehold land *	155,152	-	155,152	-	-	-	-	155,152	-	-	-	-	-	-	-	-	155,152	-
Leasehold land **	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings on freehold land	179,470	-	179,470	32,490	7,349	-	39,839	139,631	5%	179,470	-	179,470	24,755	7,735	-	32,490	146,980	5%
Buildings on leasehold land ***	135,137	79,089	214,226	41,504	3,037	-	44,541	169,685	3%	135,137	79,089	214,226	27,990	13,514	-	41,504	93,633	10%
Plant and machinery	81,171	-	81,171	45,200	3,597	-	48,797	32,374	10%	81,171	-	81,171	41,203	3,997	-	45,200	35,971	10%
Electrical equipment	69,172	6,672	75,844	23,672	5,217	-	28,889	46,955	10%	69,172	6,672	75,844	18,616	5,056	-	23,672	45,500	10%
Office equipment and appliances	11,673	10	11,683	6,238	544	-	6,782	4,901	10%	11,673	10	11,683	5,634	604	-	6,238	5,435	10%
Furniture and fixtures	11,784	-	11,784	4,467	732	-	5,199	6,585	10%	11,784	-	11,784	3,654	813	-	4,467	7,317	10%
Computers	9,466	-	9,466	7,433	671	-	8,104	1,362	33%	9,466	-	9,466	6,464	969	-	7,433	2,033	33%
Vehicles	47,201	7,169	54,370	22,804	4,782	-	27,586	20,430	20%	47,201	7,169	54,370	14,760	5,802	6,175	22,804	24,398	20%
	700,226	92,940	793,166	183,808	25,929	-	209,737	577,075		700,226	92,940	793,166	183,808	(6,705)	-	203,032	577,075	
		(13,059)			(6,705)						(13,059)			(6,705)				
Freehold land *	155,152	-	155,152	-	-	-	-	155,152	-	-	-	-	-	-	-	-	155,152	-
Leasehold land **	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings on freehold land	179,470	-	179,470	24,755	7,735	-	32,490	146,980	5%	179,470	-	179,470	24,755	7,735	-	32,490	146,980	5%
Buildings on leasehold land ***	135,137	-	135,137	27,990	13,514	-	41,504	93,633	10%	135,137	-	135,137	27,990	13,514	-	41,504	93,633	10%
Plant and machinery	81,171	-	81,171	41,203	3,997	-	45,200	35,971	10%	81,171	-	81,171	41,203	3,997	-	45,200	35,971	10%
Electrical equipment	69,172	-	69,172	18,616	5,056	-	23,672	45,500	10%	69,172	-	69,172	18,616	5,056	-	23,672	45,500	10%
Office equipment and appliances	11,673	-	11,673	5,634	604	-	6,238	5,435	10%	11,673	-	11,673	5,634	604	-	6,238	5,435	10%
Furniture and fixtures	11,784	-	11,784	3,654	813	-	4,467	7,317	10%	11,784	-	11,784	3,654	813	-	4,467	7,317	10%
Computers	9,386	80	9,466	6,464	969	-	7,433	2,033	33%	9,386	80	9,466	6,464	969	-	7,433	2,033	33%
Vehicles	40,574	13,359	53,933	14,760	5,802	6,175	22,804	24,398	20%	40,574	13,359	53,933	14,760	5,802	6,175	22,804	24,398	20%
	693,519	(6,732)	686,787	143,076	38,490	6,175	183,808	516,419		693,519	(6,732)	686,787	143,076	(3,933)	6,175	183,808	516,419	
		(6,732)			(3,933)						(6,732)			(3,933)				

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

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

\*\*\* Building on leasehold land represents the 9,503 square feet (2011: 6,330 square feet) relating to 2nd and 3rd floors of Fortress Project, Lahore the right of which has been acquired for 33 years (2011: 10 years) from Fortress Stadium management, Lahore Cantt. During the year the lease term was extended to 33 years from 10 years in 2011. The Company is consequently now depreciating the building over the useful life of 33 years and has accounted for this as a change in accounting estimate. The depreciation charge for the year has decreased by Rs 10,677 million. The annual depreciation charge for future periods has decreased by Rs 10,677 million/ annum [2012: Rs 2,837 million/ annum for 32 years (2011: Rs 13,514 million/ annum for 6 years)]

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

Cost of sales	30	June 2012	June 2011
Administrative and selling expenses	31	(Rupees in thousand)	
		<b>15,518</b>	16,220
		<b>10,411</b>	22,270
		<b>25,929</b>	<b>38,490</b>

17.1.2 Disposal of owned assets

Particular of Assets	Sold to	Cost	Accumulated depreciation	(Rupees in thousand)	
				Sales proceeds	Mode of Disposal
Vehicles					
	Mr Haroon Rashid	429	256	500	
	Mr Maqbool Ahmed	1,479	780	1,330	
	Mr Hamid Hussain	51	26	32	
	Mr Zulfiqar Ahmed Bajwa	385	221	375	
	Mr Muhammad Rizwan	340	-	370	
	Mr M Bilal Joya	1,423	859	1,292	- Negotiation -
	Mr Atif Iqbal	40	22	16	
	Mr Muhammad Imran	56	43	24	
	Mr Majeed Ali	960	512	450	
	Mr Mazhar-ul-Islam	896	590	925	
	Mr Jamil Butt	7,000	3,396	3,604	
		<b>13,059</b>	<b>6,705</b>	<b>8,918</b>	



17.2 Assets subject to finance lease	(Rupees in thousand)						
	2012				2011		
	Cost as at June 30, 2011	Additions/(deletions)/(transfers)	Cost as at June 30, 2012	Accumulated depreciation as at June 30, 2011	Depreciation charge for the year	Accumulated depreciation as at June 30, 2012	Book value as at June 30, 2012
Vehicles	11,015	-	11,015	3,325	1,538	4,863	6,152
Plant and machinery	57,500	-	57,500	39,931	17,569	57,500	-
	68,515	-	68,515	43,256	19,107	62,363	6,152
	Cost as at June 30, 2010	Additions/(deletions)/(transfers)	Cost as at June 30, 2011	Accumulated depreciation as at June 30, 2010	Depreciation charge for the year	Accumulated depreciation as at June 30, 2011	Book value as at June 30, 2011
Vehicles	24,307	1,394	11,015	7,252	2,559	3,325	7,690
Plant and machinery	57,500	(14,686)	57,500	20,764	(6,487)	39,931	17,569
	81,807	1,394	68,515	28,016	21,726	43,255	25,259
		(14,686)			(6,487)		

17.2.1 The depreciation charge for the year has been allocated to administrative and selling expenses

**17.3 Capital Work in progress**

	2012	2011
	(Rupees in thousand)	
Broadband/telephony services	-	2,672
Interactive vigilance system	-	4,000
Building on Freehold Land	127,457	-
	<u>127,457</u>	<u>6,672</u>

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

17.3.2 This represents the 3rd floor measuring 21,813 square feet of Pace Tower located at 27 H Gulberg III Lahore, which the company intends to retain for its own use.

18 Intangible assets

(Rupees in thousand)

		2012				2011			
	Cost as at June 30, 2011	Additions/ (deletions)	Cost as at June 30, 2012	Accumulated amortisation as at June 30, 2011	Amortisation charge for the year	Accumulated amortisation as at June 30, 2012	Book value as at June 30, 2012		
Softwares	2,878	-	2,878	2,034	85	2,119	759		
Dark fiber *	9,508	-	9,508	1,545	475	2,020	7,489		
	12,386	-	12,386	3,579	560	4,139	8,248		
		2011				2010			
	Cost as at June 30, 2010	Additions/ (deletions)	Cost as at June 30, 2011	Accumulated amortisation as at June 30, 2010	Amortisation charge for the year	Accumulated amortisation as at June 30, 2011	Book value as at June 30, 2011		
Softwares	2,878	-	2,878	1,944	90	2,034	844		
Dark fiber *	9,508	-	9,508	1,070	475	1,545	7,964		
	12,386	-	12,386	3,014	565	3,579	8,808		

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

18.1 The amortisation charge for the year has been allocated to administrative and selling expenses

**19. Investment Property**

	<b>Cost as at June 30,</b>		<b>Fair Value as at June 30</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>(Rupees in thousand)</b>		<b>(Rupees in thousand)</b>	
Opening value as on July 1	<b>1,730,415</b>	1,918,146	<b>3,828,426</b>	4,935,576
Additions to cost during the year:				
- Transfer from stock-in-trade	-	12,641	-	12,639
- Purchase of assets classified as 'investment property'	-	17,300	-	17,300
- Transfer to stock-in-trade	-	(8,266)	-	(116,305)
- Disposal of investment property	-	(209,406)	-	(232,626)
- Transfer to disposal group held for sale	<b>(67,201)</b>	-	<b>(94,190)</b>	-
Closing value before revaluation as at June 30	<b>1,663,214</b>	1,730,415	<b>3,734,236</b>	4,616,584
Less: Fair value loss recognised in profit and loss account	-	-	<b>(566,591)</b>	(788,158)
Fair value as at June 30	<b>1,663,214</b>	1,730,415	<b>3,167,645</b>	3,828,426

**20. Investments**

	<b>Note</b>	<b>2012</b>	<b>2011</b>
		<b>(Rupees in thousand)</b>	
Equity instruments of:			
- subsidiaries - unquoted	20.1	<b>91,670</b>	55
- associates - unquoted	20.2	<b>606,921</b>	620,101
Available for sale - quoted	20.3	<b>2,648</b>	3,677
		<b>701,238</b>	623,833

**20.1. Subsidiaries - unquoted**

Pace Woodlands (Private) Limited 3,000 (2011: 3,000) fully paid ordinary shares of Rs 10 each Equity held 52% (2011: 52%)	<b>30</b>	30
Pace Super Mall Limited 9,161,528 (2011: 18,000) fully paid ordinary shares of Rs 10 each Equity held 57% (2011: 40%)	<b>91,615</b>	-
Pace Gujrat (Private) Limited 2,450 (2011: 2,450) fully paid ordinary shares of Rs 10 each Equity held 100% (2011: 100%)	<b>25</b>	25
	<b>91,670</b>	55

## Pace (Pakistan) Limited

	Note	2012	2011
		(Rupees in thousand)	
<b>20.2 Associates - unquoted</b>			
Pace Barka Properties Limited			
75,875,000 (2011: 77,500,000) fully paid ordinary shares of Rs 10 each			
Equity held 24.9% (2011: 25.4%)			
		<b>758,651</b>	774,901
Pace Super Mall (Private) Limited			
Nil (2011: 18,000) fully paid ordinary shares of Rs 10 each Equity held Nil (2011: 40%)			
		-	180
		<b>758,651</b>	775,081
Less: Cumulative impairment losses recognized	20.2.1	<b>(151,730)</b>	(154,980)
		<b>606,921</b>	620,101
<b>20.2.1 Cumulative impairment losses recognized</b>			
As at July 1			
		<b>154,980</b>	-
Recognised during the year			
		-	154,980
Derecognised on disposal of investment			
		<b>(3,250)</b>	-
As at June 30			
		<b>151,730</b>	154,980
<b>20.3 Available for sale - quoted</b>			
Worldcall Telecom Limited			
912 (2011: 912) fully paid ordinary shares of Rs 10 each			
		<b>6</b>	6
Shaheen Insurance Limited			
294,037 (2011: 294,037) fully paid ordinary shares of Rs 10 each			
		<b>3,776</b>	3,776
		<b>3,782</b>	3,782
Less: Cumulative fair value loss	20.3.1	<b>(1,134)</b>	(105)
		<b>2,648</b>	3,677
<b>20.3.1 Cumulative fair value loss</b>			
As at July 1			
		<b>105</b>	3
Fair value loss during the year			
		<b>1,029</b>	102
As at June 30			
		<b>1,134</b>	105
<b>21. Long term advances and deposits</b>			
Lease key money			
		<b>139</b>	650
Security deposits			
		<b>13,683</b>	12,883
		<b>13,822</b>	13,533
<b>21.1</b> These are in the ordinary course of business			

**22. Advance against purchase of property - unsecured**

**2012**                      **2011**  
**(Rupees in thousand)**

**Related parties**

Pace Barka Properties Limited	-	640,792
Pace Super Mall (Private) Limited	-	21,600
	<u>-</u>	<u>662,392</u>

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

**23. Deferred taxation**

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

Accelerated tax depreciation and others	<b>235,442</b>	236,736
Employee retirement benefits	<b>(12,828)</b>	(11,490)
Deferred cost	<b>(301)</b>	(377)
Unused tax losses	<b>(222,313)</b>	(224,869)
	<u>-</u>	<u>-</u>

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

Opening balance	-	55,000
Income during the year	-	(55,000)
Closing balance	<u>-</u>	<u>-</u>

**23.1** Deferred tax asset on tax losses available for carry forward and those representing minimum tax paid available for carry forward u/s 113 of the Income Tax Ordinance, 2001 are recognized to the extent that the realization of related tax benefits through future taxable profits is probable. The Company has not recognized deferred tax assets of Rs 713.310 million (2011: Rs 423.034 ) in respect of tax losses and Rs 19.313 million (2011: Rs 22.368 million) in respect of minimum tax paid and available for carry forward u/s 113 of the Income Tax Ordinance, 2001, as sufficient tax profits would not be available to set these off in the foreseeable future. Minimum tax paid u/s 113 aggregating to Rs 19.313 million would not be available for carry forward against future tax liabilities subsequent to years 2013 through 2014. Tax losses amounting to Rs 59.297 million, Rs 1,214.010 million and Rs 809.499 million will expire in year 2015, 2017 and 2018 respectively.

**Note**                      **2012**                      **2011**  
**(Rupees in thousand)**

**24. Stock-in-trade**

Work in process - Pace Towers	24.1 & 24.2	<b>1,043,613</b>	1,204,659
Shops and houses		<b>266,276</b>	403,510
Pace Barka Properties Limited - Pace Circle		<b>640,792</b>	-
Pace Super Mall (Private) Limited		<b>21,600</b>	-
Woodland plots		<b>9,216</b>	9,216
		<b>1,981,497</b>	1,617,385
Stores inventory		<b>923</b>	787
		<u><b>1,982,420</b></u>	<u>1,618,172</u>

**24.1** Included in work in process are borrowing costs of Rs 238.659 million (2011: Rs 238.659 million).

**24.2** The charge amounting to Rs 1,200.5 million (2011: Rs 1,200.5 million) has been registered against work in process with lenders as security against long term loan and redeemable capital as referred to in note 6 and note 7 respectively.

	Note	2012 (Rupees in thousand)	2011
<b>25. Trade debts - unsecured</b>			
Considered good	25.1	<b>721,249</b>	1,019,193
Considered doubtful		<b>109,709</b>	42,096
		<u><b>830,958</b></u>	<u>1,061,289</u>
Less: Provision for doubtful debts	25.2	<b>(109,709)</b>	(42,096)
		<u><b>721,249</b></u>	<u>1,019,193</u>

**25.1** This includes amount of Rs 1.976 million (2011: Rs 103.115 million) receivable from First Capital Securities Corporation Limited, a related party.

	Note	2012 (Rupees in thousand)	2011
<b>25.2 Provision for doubtful debts</b>			
Balance as at July 1		<b>42,096</b>	13,446
Add: provision during the year	31	<b>67,613</b>	28,650
Balance as at June 30		<u><b>109,709</b></u>	<u>42,096</u>

**26. Advances, deposits, prepayments and other receivables**

Advances - considered good			
- to employees		<b>3,106</b>	7,507
- to suppliers		<b>2,574</b>	2,067
Advances - considered doubtful		<b>4,311</b>	-
Security deposits		<b>13,356</b>	12,811
Advances to contractors	26.1	<b>134,068</b>	171,700
Income tax recoverable from government		<b>35,181</b>	27,615
Others - considered good	26.2	<b>11,066</b>	9,042
		<u><b>203,662</b></u>	<u>230,742</u>
Less: Provision for doubtful advances	31	<b>(4,311)</b>	-
		<u><b>199,351</b></u>	<u>230,742</u>

**26.1** This includes the following amounts due from related parties:

Trident Construct (Private) Limited	<b>128,147</b>	165,490
Media Times (Pvt) Limited	<b>900</b>	-
	<u><b>129,047</b></u>	<u>165,490</u>

These are under normal course of business and interest free.

## Pace (Pakistan) Limited

	Note	2012	2011
		(Rupees in thousand)	
<b>26.2</b>	This includes the following amounts due from related parties:		
	First Capital Securities Corporation Limited	1,976	587
	Shaheen Insurance Company Limited	1,268	1,268
		3,244	1,855

These are under normal course of business and interest free.

### 27. Cash and bank balances

At banks			
- in saving accounts	27.1 & 27.2	7,140	55,233
- in current accounts	27.3	837	4,119
		7,977	59,352
In hand including credit card sales Rs Nil (2010: Rs 0.084 million)			
		24	-
		8,001	59,352

**27.1** The balances in saving accounts bear mark up which ranges from 5% to 12% per annum (2011: 5% to 12%).

**27.2** This includes Rs 0.456 million (2011: 53.87 million) placed in Debt Servicing Reserve Account of National Bank of Pakistan.

**27.3** This includes Rs Nil (2011: 4.03 million) placed in Debt Servicing Reserve Account of Al-Baraka Bank (Pakistan) Limited.

### 28. Disposal group held-for-sale

The management of the Company during the year decided to settle part of its investment property and inventory against overdue obligations to lenders. As referred to in note 6.4, subsequent to the year end the Company entered into debt to asset swap arrangement with Al-Baraka Bank (Pakistan) Limited. Consequently, surrendered shops are classified as held for sale in accordance with IFRS 5, "Non-current Assets Held for Sale and Discontinued Operation".

	Note	2012	2011
		(Rupees in thousand)	
<b>Assets of disposal group</b>			
Investment property		94,190	-
Stock-in-trade		10,420	-
		104,610	-

### 29. Sales

Shops, houses and commercial buildings			
- at completion of project basis		55,580	164,815
- at percentage of completion basis	29.1	-	-
Plots		-	25,461
Licensee fee		27,261	32,447
Display advertisements and miscellaneous income		14,659	15,437
Service charges		142,434	126,766
Sale of commodities		-	6,196
		239,934	371,122

**29.1** The revenue arising from agreements, that meet the criteria for revenue recognition on basis of percentage of completion method, during the year is Nil (2011: Nil). Amount received against these agreements amounts to Nil (2011: Rs 45.173 million).

	Note	2012	2011
<b>(Rupees in thousand)</b>			
<b>29.2 Sales return</b>			
- at completion of project basis	29.2.1	-	451,225
- at percentage of completion basis	29.2.2	<b>21,187</b>	396,302
		<b>21,187</b>	<b>847,527</b>

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

**29.2.2** During the current year the Company has reassessed its estimates of total sales value and costs for completion of 'Pace Towers' project which has resulted in decrease in amount of revenue recognised with corresponding impact on receivables and advance against sale of property.

	Note	2012	2011
<b>(Rupees in thousand)</b>			
<b>30. Cost of sales</b>			
Shops and commercial buildings sold			
- at percentage of completion basis	30.1	<b>33,589</b>	(333,353)
- at completion of project basis	30.2	<b>53,225</b>	(108,165)
Plots sold		-	18,951
Commodities sold		-	5,959
Stores operating expenses	30.3	<b>287,250</b>	342,215
		<b>374,064</b>	<b>(74,393)</b>

**30.1 Shops and commercial buildings sold at percentage of completion basis**

Opening work in process		<b>1,204,659</b>	871,118
Project development costs		-	188
Transferred to capital work in progress		<b>(127,457)</b>	-
Closing work in process	24	<b>(1,043,613)</b>	(1,204,659)
Cost of apartments and commercial buildings sold / (reversed) during the year		<b>33,589</b>	<b>(333,353)</b>

**30.2 Shops and houses sold at completion of project basis**

Opening inventory of shops and houses		<b>403,510</b>	187,988
Transferred to property, plant & equipment	17.1	<b>(79,089)</b>	-
Transferred from investment property		-	116,305
Transferred to investment property	19	-	(12,639)
Project development cost during the year		<b>5,500</b>	3,691
Transferred to disposal group held-for-sale	28	<b>(10,420)</b>	-
Closing inventory of shops and houses	24	<b>(266,276)</b>	(403,510)
Cost of shops and houses sold / (reversed) during the year	30.2.1	<b>53,225</b>	<b>(108,165)</b>



## Pace (Pakistan) Limited

	Note	2012	2011
		(Rupees in thousand)	
<b>30.2.1 Cost of shops and houses sold / reversed during the year</b>			
Cost of shops and houses sold during the year		53,225	159,363
Cost of sale of shops and houses reversed during the year		-	(267,528)
		53,225	(108,165)
<b>30.3 Stores operating expenses</b>			
Salaries, wages and benefits	30.3.1	31,345	26,370
Rent, rates and taxes		8,024	7,390
Insurance		27,000	25,768
Fuel and power		177,662	151,921
Depreciation on owned assets	17.1.1	15,518	16,220
Repairs and maintenance		11,267	86,051
Janitorial and security charges		16,408	14,818
Others		26	13,677
		287,250	342,215
<b>30.3.1 Salaries, wages and benefits include following in respect of gratuity:</b>			
Current service cost		742	858
Interest cost		423	452
Actuarial gains on liability		(130)	-
		1,035	1,310
<b>31. Administrative and selling expenses</b>			
Salaries, wages and benefits	31.1	51,844	54,699
Travelling and conveyance		5,626	7,077
Rent, rates and taxes		3,306	7,777
Insurance		5,840	9,436
Printing and stationery		1,324	2,028
Repairs and maintenance		11,254	31,286
Motor vehicles running		15,152	11,183
Communications		4,453	5,135
Advertising and sales promotion		10,980	17,576
Depreciation on:			
- property, plant and equipment	17.1.1	10,411	22,270
- assets subject to finance lease	17.2.1	19,107	21,726
Amortisation on intangible assets	18.1	560	565
Auditors' remuneration	31.2	2,165	2,040
Legal and professional		6,360	4,836
Commission on sales		1,427	10,133
Office expenses		5,989	10,371
Other expenses		3,477	16,842
Provision for doubtful debts	25.2	67,613	28,650
Provision for doubtful advances	26	4,311	-
		231,199	263,630

## Pace (Pakistan) Limited

	Note	2012	2011
		(Rupees in thousand)	
<b>31.1</b>	Salaries, wages and benefits include following In respect of gratuity:		
	Current service cost	4,969	5,744
	Interest cost	2,833	3,021
	Actuarial gains on liability	(874)	-
		6,928	8,765
<b>31.2</b>	<b>Auditors' remuneration</b>		
	The charges for auditors' remuneration includes the following in respect of auditors' services for:		
	Statutory audit	1,300	1,300
	Certification and sundry services	130	130
	Half yearly review	450	450
	Out of pocket expenses	285	120
		2,165	2,000
<b>32.</b>	<b>Other operating income</b>		
	<b>Income from financial assets</b>		
	Mark up on bank accounts	1,366	2,950
	Commission on guarantee	1,500	1,500
	Rental income	9,364	6,600
	Others	14,745	7,236
	<b>Income from non-financial assets</b>		
	Gain on sale of property, plant and equipment	2,564	2,726
	Liabilities written back	20,974	495
	Deferred income	17,569	19,167
		68,082	40,674
<b>32.1</b>	This represents commission income on guarantee provided on behalf of Pace Barka Properties Limited, an associate.		
	Note	2012	2011
		(Rupees in thousand)	
<b>33.</b>	<b>Other operating expenses</b>		
	Exchange loss on foreign currency convertible bonds	10	121,450
	Loss on sale of shares	-	6,499
	Impairment loss on available for sale investments	-	75,000
		121,450	154,980
			236,479

	2012	2011
	(Rupees in thousand)	
<b>34. Finance costs</b>		
Mark up on		
- Long term finances - secured	131,497	140,619
- Foreign currency convertible bonds	87,789	78,073
- Term finance certificates	223,602	224,448
- Short term finance -secured	16,281	16,236
- Finance lease	2,064	5,406
	461,233	464,782
Bank charges and processing fee	3,335	20,175
	464,568	484,957

**35. Taxation**

Current		
- Current year	1,062	880
- Prior years	(189)	(57,000)
	873	(56,120)
Deferred	-	2,119
	873	(54,001)

**35.1 Tax charge reconciliation**

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

Applicable tax rate	35.00	35.00
Tax effect of amounts that are:		
Loss not chargeable to tax	(13.06)	(12.68)
Effect of change in prior years' tax	(0.15)	(0.10)
Effect of income taxed at reduced rates	0.07	0.13
Effect of deferred tax asset not recognized on taxable loss	(21.92)	(19.82)
	(35.06)	(32.47)
Average effective tax rate charged to profit and loss account	(0.06)	2.53

**35.2** In view of the available income tax losses during the year, the provision for current taxation represents tax under 'Final Tax Regime'. 'Final Tax Regime' is not available for set off against normal tax liabilities arising in future years.

For the purposes of current taxation, the tax losses available for carry forward as at June 30, 2012 are estimated approximately at Rs 2,678.708 million (2011: 1,851.151 million).



## Pace (Pakistan) Limited

	Note	2012	2011
		(Rupees in thousand)	
Changes in fair value of investment property	19	566,591	788,158
Deferred income	32	(17,569)	(19,167)
Liabilities written back	32	(20,974)	(495)
Advances written off		6,668	-
Loss before working capital changes		(232,225)	(566,452)
Effect on cash flow due to working capital changes:			
Decrease / (increase) in stock-in-trade		81,178	(425,952)
Decrease in trade debts		230,331	603,756
Increase in advance against purchase of property		-	(95,035)
Decrease in advances, deposits and other receivables		32,289	121,710
Increase in creditors, accrued and other liabilities		57,621	21,784
		401,419	226,263
		169,194	(340,189)
<b>38. Cash and cash equivalents</b>			
Short term finance - secured	13	(100,000)	(100,000)
Cash and bank balances	27	8,001	59,352
		(91,999)	(40,648)

### 39. Financial risk management

#### 39.1 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:

	2012	2011
Foreign currency convertible bonds - USD	<u>15,540,153</u>	<u>14,583,759</u>

The following significant exchange rates were applied during the year:

**Rupees per USD**

Average rate	90.31	85.54
Reporting date rate	94.20	86.05

If the functional currency, at reporting date, had weakened/strengthened by 5% against the USD with all other variables held constant, post-tax loss profit for the year would have been Rs 77.513 million (2011: Rs 56.439 million) higher / lower, mainly as a result of foreign exchange losses / gains on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis.

**(ii) Other price risk**

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to equity price risk since the investments in listed equity securities are immaterial.

**(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'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:

	2012	2011
	(Rupees in thousand)	
<b>FIXED RATE INSTRUMENTS</b>		
<b>Financial Assets</b>		
Bank balances - savings accounts	(7,140)	(55,233)
<b>Financial liabilities</b>		
Foreign currency convertible bonds - unsecured	1,463,882	1,254,643
<b>Net interest rate risk</b>	<u>1,456,742</u>	<u>1,199,410</u>

2012  
2011  
(Rupees in thousand)

**FLOATING RATE INSTRUMENTS**

**Financial liabilities**

Redeemable capital - secured (non-participatory)	1,498,200	1,498,200
Liabilities against assets subject to finance lease	33,563	39,154
Short term finance - secured	100,000	100,000
Long term finances - secured	749,830	827,422
<b>Net interest rate risk</b>	<b>2,381,593</b>	<b>2,464,776</b>

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

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

**Cash flow sensitivity analysis for variable rate instruments**

If interest rates on redeemable capital, liabilities against assets subject to finance lease, term finances and short term finances, at the year end date, fluctuate by 1% higher / lower with all other variables held constant, post tax loss for the year would have been Rs 24.232 million (2011: Rs 16 million) higher / lower, 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:

	2012	2011
	(Rupees in thousand)	
Long term advances and deposits	13,822	13,533
Trade debts - unsecured	830,958	1,061,289
Advances, deposits, prepayments and other receivables		
- Advances to employees - considered good	3,106	7,507
- Security deposits	13,356	12,811
- Others - considered good	11,066	9,042
Cash and bank balances	8,001	59,352
	<b>880,309</b>	<b>1,163,534</b>

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

- Not past due	11,145	465,502
- Past due 0 - 365 days	49,378	338,121
- 1 - 2 years	299,989	70,930
- More than 2 years	470,446	186,736
	<b>830,958</b>	<b>1,061,289</b>

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. Furthermore, the company transfers the legal title of sold properties only after complete settlement of debt. Accordingly, the credit risk is minimal.

**(ii) Credit quality of major financial assets**

The credit quality of cash and bank balances that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

	Rating		Rating Agency	2012	2011
	Short term	Long term		(Rupees in thousand)	
KASB Bank	BBB	AAA	Pacra	<b>55</b>	690
Allied Bank Limited	A1+	AA+	Pacra	<b>159</b>	300
Faysal Bank Limited	A1+	AA	Pacra	<b>815</b>	24
United Bank Limited	A1+	AA+	JCR-VIS	-	37
Soneri Bank Limited	A1+	AA-	Pacra	<b>5</b>	6
Habib Bank Limited	A-1+	AA+	JCR-VIS	<b>1</b>	67
Standard Chartered Bank Pakistan Limited	A1+	AAA	Pacra	<b>326</b>	98
Silk Bank Limited	A2	A -	JCR-VIS	<b>65</b>	64
NIB Bank limited	A1+	AA+	Pacra	<b>1</b>	34
Burj Bank Limited	A3	BBB+	JCR-VIS	<b>3</b>	1
Bank Al-Falah Limited	A1+	AA	Pacra	-	25
Al Baraka Bank Pakistan Limited	A1	A	JCR-VIS	<b>4,429</b>	4,128
HSBC Bank Limited	F1+	AA -	Fitch	-	1
National Bank of Pakistan	A-1+	AAA	JCR-VIS	<b>2,113</b>	53,872
Askari Bank Limited	A1+	AA	Pacra	<b>5</b>	5
				<u><b>7,977</b></u>	<u>59,352</u>

The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings.

**(c) Liquidity risk**

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

Management monitors the forecasts of the Company's cash and cash equivalents (note 38) on the basis of expected cash flow. This is generally carried out in accordance with practice and limits set by the Company. In addition, the Company's liquidity management policy involves projecting cash flows in each quarter and considering the level of liquid assets necessary to meet its liabilities, monitoring balance sheet liquidity ratios against internal and external regulatory requirements, and maintaining debt financing plans. During the current year the Company remained under severe liquidity pressure. However the Company plans to improve its liquidity position through re-launching of its existing projects and improved recoveries as set out in note 2.2.



## Pace (Pakistan) Limited

The following are the contractual maturities of financial liabilities as at June 30, 2012:

	Carrying amount	Less than one year	One to five years	More than five years
(Rupees in thousand)				
Long term finances - secured	749,830	749,830	-	-
Redeemable capital - secured (non-participatory)	1,498,200	1,498,200	-	-
Liabilities against assets subject to finance lease	33,563	33,336	227	-
Foreign currency convertible bonds - unsecured	1,463,882	1,463,882	-	-
Short term finance - secured	100,000	100,000	-	-
Creditors, accrued and other liabilities	199,927	199,927	-	-
Accrued finance cost	505,049	505,049	-	-
	<b>4,550,451</b>	<b>4,550,224</b>	<b>227</b>	<b>-</b>

The following are the contractual maturities of financial liabilities as at June 30, 2011:

	Carrying amount	Less than one year	One to five years	More than five years
(Rupees in thousand)				
Long term finances - secured	827,422	599,422	228,000	-
Redeemable capital - secured (non-participatory)	1,498,200	600	1,198,080	299,520
Liabilities against assets subject to finance lease	39,154	37,264	1,890	-
Foreign currency convertible bonds - unsecured	1,254,643	6,076	1,248,567	-
Short term finance - secured	100,000	100,000	-	-
Creditors, accrued and other liabilities	162,995	162,995	-	-
Accrued finance cost	162,177	162,177	-	-
	<b>4,044,591</b>	<b>1,068,534</b>	<b>2,676,537</b>	<b>299,520</b>

### 39.2 Financial instruments by categories

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

	2012 (Rupees in thousand)			2011
	Available for sale	Loans and receivables	Total	Total
<b>Assets as per balance sheet</b>				
Long term advances and deposits	-	13,822	13,822	675,925
Trade debts - unsecured	-	721,249	721,249	1,019,193
Investments	2,648	-	2,648	623,833
Advances, deposits, prepayments and other receivables				
- Advances to employees - considered good	-	3,106	3,106	7,507
- Security deposits	-	13,356	13,356	12,811
- Others - considered good	-	11,066	11,066	9,042
Cash and bank balances	-	8,001	8,001	59,352
	<b>2,648</b>	<b>770,600</b>	<b>773,248</b>	<b>2,407,663</b>

**Financial liabilities at  
amortized cost**

**2012                      2011**  
**(Rupees in thousand)**

**Liabilities as per balance sheet**

Long term finances - secured	<b>749,830</b>	827,422
Redeemable capital - secured (non-participatory)	<b>1,498,200</b>	1,498,200
Liabilities against assets subject to finance lease	<b>33,563</b>	39,154
Foreign currency convertible bonds - unsecured	<b>1,463,882</b>	1,254,643
Short term finance - secured	<b>100,000</b>	100,000
Creditors, accrued and other liabilities	<b>199,927</b>	162,995
Accrued finance cost	<b>505,049</b>	162,177
	<b><u>4,550,451</u></b>	<b><u>4,044,591</u></b>

**39.3 Capital risk management**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders through repurchase of shares, issue new shares or sell assets to reduce debt. Consistent with others in the industry and the requirements of the lenders the Company monitors the capital structure on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings including current and non-current borrowings, as disclosed in note 6, 7, 9 and 12 less cash and cash equivalents as disclosed in note 38. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt. The Company's strategy, which was unchanged from last year, was to maintain a gearing ratio of 60% debt and 40% equity. The gearing ratio as at year ended June 30, 2012 and June 30, 2011 are as follows:

	<b>Note</b>	<b>2012</b>	<b>2011</b>
		<b>(Rupees in thousand)</b>	
Borrowings		<b>3,711,912</b>	3,580,265
Less: Cash and cash equivalents	38	<b>(91,999)</b>	(40,648)
Net debt		<b><u>3,803,911</u></b>	<u>3,620,913</u>
Total equity		<b>2,932,538</b>	4,405,483
Total capital		<b><u>6,736,449</u></b>	<u>8,026,396</u>
Gearing ratio		<b>56%</b>	45%

**40. Loss per share**

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

## Pace (Pakistan) Limited

2012  
2011  
(Rupees in thousand)

### 40.1 Basic loss per share

Loss for the year	<b>Rupees in thousand</b>	<b>(1,471,916)</b>	(2,080,561)
Weighted average number of ordinary shares outstanding during the year	<b>In thousand</b>	<b>278,877</b>	278,877
Basic loss per share	<b>Rupees</b>	<u><b>(5.28)</b></u>	<u>(7.46)</u>

### 40.2 Diluted loss per share

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

Loss for the year for calculation of basic loss per share	<b>Rupees in thousand</b>	<b>(1,471,916)</b>	(2,080,561)
Interest on FCCB	<b>Rupees in thousand</b>	<b>87,789</b>	78,073
Exchange loss on FCCB during the year	<b>Rupees in thousand</b>	<b>121,450</b>	6,499
Loss used to determine diluted loss per share	<b>Rupees in thousand</b>	<u><b>(1,262,677)</b></u>	<u>(1,995,989)</u>
Weighted average number of ordinary shares outstanding during the year	<b>In thousand</b>	<b>278,877</b>	278,877
Assumed conversion of FCCB into ordinary shares	<b>In thousand</b>	<b>92,923</b>	83,341
Weighted average number of ordinary shares for loss per share		<u><b>371,800</b></u>	<u>362,218</u>
Dilutive loss per share	<b>Rupees</b>	<u><b>(3.40)</b></u>	<u>(5.51)</u>

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

**41. Transactions with related parties**

The related parties comprise associates, 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	2012	2011
		(Rupees in thousand)	
i. Associate	Advance against purchase of property	-	97,773
	Commission income	<b>1,500</b>	1,500
ii. Others	Purchase of goods & services	<b>39,713</b>	53,372
	Purchase of property plant & equipment	<b>340</b>	-
	Sales of goods and services	<b>7,260</b>	6,600

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

**42. Date of authorisation**

These financial statements were authorised for issue on October 06 , 2012 by the board of directors of the Company.

**43. Corresponding figures**

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

	(Rupees in thousand)
"Assets subject to finance lease" has been reclassified to "Property, Plant and Equipment" as it is considered a better presentation under International Accounting Standard 16 - Property, Plant and Equipment.	25,259
"Capital work in progress" has been reclassified to "Property, Plant and Equipment" as it is considered a better presentation under International Accounting Standard 16 - Property, Plant and Equipment.	6,672
"Accrued finance cost" previously included in "Creditors, accrued and other liabilities" now presented separately as it is considered more appropriate for the purpose of presentation.	162,177

Lahore  
October 06, 2012

**Aamna Taseer**  
Chief Executive

**Shehryar Ali Taseer**  
Director

**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
JUNE 30, 2012**



## **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 to as the "Pace (Pakistan) Group") as at June 30, 2012 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 opinions on the financial statements of Pace (Pakistan) Limited and its subsidiary companies except for Pace Woodlands (Private) Limited, Pace Gujrat (Private) Limited and Pace Supermall (Private) Limited which 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 the circumstances.

As stated in note 2.3.1 to the annexed consolidated financial statements, the Group has changed its accounting policies on initial application of standards, amendments or interpretations to existing standards, with which we concur.

In our opinion, the consolidated financial statements present fairly the financial position of Pace (Pakistan) Group as at June 30, 2012 and the results of its operations for the year then ended.

We draw attention to note 2.2 to the financial statements which indicates the Group could not meet its obligations in respect of principal and markup repayments on borrowings from lenders. The current liabilities of the Group have exceeded its current assets by Rs 1,343.669 million and the reserves of the Group have been significantly depleted. These factors, along with other matters as set forth in note 2.2 indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

**Lahore:**  
October 06, 2012

**A.F. Ferguson & Co.**  
Chartered Accountants  
Asad Aleem Mirza

## DIRECTORS' REPORT TO THE SHAREHOLDERS

The Board of Director's of Pace (Pakistan) Limited take pleasure in presenting their audited consolidated financial statements of the Group for the year ended June 30, 2012.

### Financial Overview:

During the current financial year, the Group marked sales of PKR 239 million as compared to PKR 371 million last year.

Comparison of the audited consolidated results for the year ended June 30, 2012 as against June 30, 2011 is as follows:

	<b>Year Ended June 30,</b>	
	<b>2012</b>	<b>2011</b>
	<b>Rupees in million</b>	
Sales	<b>240</b>	371
Sales Returns	<b>(21)</b>	(848)
Gross (Loss)/Profit	<b>(153)</b>	(397)
(Loss)/Profit after tax	<b>(1,433)</b>	(2,557)
(Loss)/Earnings per share (PKR)	<b>(5.14)</b>	(9.15)

Comparison of the audited consolidated results for the year ended June 30, 2012 as against June 30, 2011 is as follows:

	<b>As on June 30,</b>	
	<b>2012</b>	<b>2011</b>
	<b>Rupees in million</b>	
Net Assets	<b>3,510</b>	5,096
Un-appropriated profits	<b>239</b>	1,672
Non-current liabilities	<b>301</b>	3,144
Cash and bank	<b>8</b>	60

### Pace Super Mall (Pvt.) Limited ("PSM")

PSM was incorporated in Lahore, Pakistan on 27 March 2003 as a private limited company, under the provisions of the Companies Ordinance, 1984. The principal activity of PSM was to acquire, build and manage real estate projects. PSM acquired a piece of land in Cantonment area measuring 5.91 kanals bearing plot numbers 33/G-2 & 33/G-3, located at Aziz Bhatti Road, Sarwar Road, Lahore Cantt for the purposes of development of a shopping Mall.

### Pace Woodlands (Pvt) Limited

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

### Pace Gujrat (Pvt) Limited

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

For and on behalf of the Board of Directors

**Lahore:**  
October 06, 2012

**Aamna Taseer**  
Chief Executive Officer





**CONSOLIDATED BALANCE SHEET**  
**AS AT JUNE 30, 2012**

	Note	June 30, 2012	June 30, 2011
<b>(Rupees in thousand)</b>			
<b>EQUITY AND LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
Authorised capital 600,000,000 (June 2011: 600,000,000) ordinary shares of Rs 10 each		<b>6,000,000</b>	6,000,000
Issued, subscribed and paid up capital 278,876,604 (June 2011: 278,876,604) ordinary shares of Rs 10 each	5	<b>2,788,766</b>	2,788,766
Reserves		<b>394,965</b>	651,379
Unappropriated profit		<b>238,553</b>	1,671,644
		<b>3,422,284</b>	5,111,789
<b>NON-CONTROLLING INTEREST</b>		<b>87,775</b>	(15,514)
		<b>3,510,059</b>	5,096,275
<b>NON-CURRENT LIABILITIES</b>			
Long term finances - secured			
- secured	6	-	228,000
- unsecured	7	-	5,637
Redeemable capital - secured (non-participatory)	8	-	1,497,600
Liabilities against assets subject to finance lease	9	<b>227</b>	1,890
Foreign currency convertible bonds - unsecured	10	-	1,248,567
Deferred liabilities	11	<b>36,650</b>	32,828
Deferred taxation	12	<b>165,047</b>	-
Advances against sale of property	13	<b>98,629</b>	112,330
Deferred income		-	17,569
		<b>300,553</b>	3,144,421
<b>CURRENT LIABILITIES</b>			
Current portion of long term liabilities	14	<b>3,745,248</b>	643,362
Short term finance - secured	15	<b>100,000</b>	104,457
Creditors, accrued and other liabilities	16	<b>235,009</b>	169,006
Accrued finance cost	17	<b>505,049</b>	195,773
Taxation		<b>5,534</b>	5,534
		<b>4,590,840</b>	1,118,132
<b>CONTINGENCIES AND COMMITMENTS</b>	18	-	-
		<b>8,401,452</b>	9,358,828

The annexed notes from 1 to 48 form an integral part of these financial statements.

Lahore  
October 06, 2012

Aamna Taseer  
Chief Executive

## Pace (Pakistan) Group

	Note	June 30, 2012	June 30, 2011
<b>(Rupees in thousand)</b>			
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	19	710,684	548,350
Intangible assets	20	8,248	8,808
Investment property	21	3,167,645	3,828,426
Investments	22	1,149,272	1,311,550
Long term advances and deposits	23	13,822	13,533
Advance against purchase of property - unsecured	24	-	662,392
		<b>5,049,671</b>	<b>6,373,059</b>
<b>CURRENT ASSETS</b>			
Stock-in-trade	25	2,316,432	1,646,405
Trade debts - unsecured	26	721,551	1,019,495
Due from related parties - unsecured	27	-	18,506
Advances, deposits, prepayments and other receivables	28	201,054	241,771
Cash and bank balances	29	8,134	59,592
		<b>3,247,171</b>	<b>2,985,769</b>
Disposal group held-for-sale	30	<b>104,610</b>	-
		<b>3,351,781</b>	<b>2,985,769</b>
		<b>8,401,452</b>	<b>9,358,828</b>

**Shehryar Ali Taseer**  
Director

**CONSOLIDATED PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED JUNE 30, 2012**

	Note	2012	2011
<b>(Rupees in thousand)</b>			
Sales	31	<b>239,934</b>	371,122
Less: Sales return	31.2	<b>(21,187)</b>	(847,527)
		<b>218,747</b>	(476,405)
Cost of sales	32	<b>(371,773)</b>	79,609
<b>Gross loss</b>		<b>(153,026)</b>	(396,796)
Administrative and selling expenses	33	<b>(255,872)</b>	(263,843)
Other operating income	34	<b>69,671</b>	52,520
Other operating expenses	35	<b>(121,450)</b>	(236,479)
		<b>(460,677)</b>	(844,598)
Finance costs	36	<b>(464,763)</b>	(505,081)
Changes in fair value of investment property	20	<b>(566,591)</b>	(788,158)
Share of loss from associates	22.1.1	<b>(37,463)</b>	(491,498)
Gain on bargain purchase	45	<b>117,418</b>	-
<b>Loss before tax</b>		<b>(1,412,076)</b>	(2,629,335)
Taxation			
- Group	37	<b>(30,978)</b>	54,001
- Associates	22.1.1	<b>9,838</b>	18,195
		<b>(21,140)</b>	72,196
<b>Loss for the year</b>		<b>(1,433,216)</b>	(2,557,139)
<b>Other comprehensive (loss) / income</b>			
Changes in fair value of available for sale investments		<b>(1,029)</b>	(102)
Share in capital reserves of associates - net of tax		<b>(255,385)</b>	46,488
Total other comprehensive (loss) / income		<b>(256,414)</b>	46,386
<b>Total comprehensive loss for the year</b>		<b>(1,689,630)</b>	(2,510,753)
Attributable to:			
Equity holders of the parent		<b>(1,689,505)</b>	(2,505,393)
Non-controlling interest		<b>(125)</b>	(5,360)
		<b>(1,689,630)</b>	(2,510,753)
Loss per share attributable to ordinary shareholders			
- basic loss per share	Rupees 43	<b>(5.14)</b>	(9.15)
- diluted loss per share	Rupees 43	<b>(5.14)</b>	(9.15)

The annexed notes from 1 to 48 form an integral part of these financial statements.

Lahore  
October 06, 2012

Aamna Taseer  
Chief Executive

Shehryar Ali Taseer  
Director

**CONSOLIDATED CASH FLOW STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2012**

	Note	2012	2011
		<b>(Rupees in thousand)</b>	
<b>Cash flow from operating activities</b>			
Cash generated / (used in) from operations	39	211,988	(151,572)
Net (decrease) / increase in advances against sale of property		(14,701)	68,075
Finance costs paid		(67,698)	(375,998)
Gratuity and leave encashment paid		(4,698)	(3,581)
Taxes paid		(8,389)	(9,209)
<b>Net cash generated / (used in) from operating activities</b>		<b>116,502</b>	<b>(472,285)</b>
<b>Cash flow from investing activities</b>			
Purchase of property, plant and equipment		(7,178)	(1,474)
Additions in investment property		-	(17,300)
Proceeds from sale of property, plant and equipment		8,918	5,525
(Increase) / decrease in long term loans and deposits		(289)	12,446
Mark up received		2,295	2,765
Proceeds from disposal of investment		13,000	300,000
Investment in equity instruments		-	(3,776)
Acquisition of subsidiary		(91,428)	-
Proceeds from disposal of investment property		-	232,626
<b>Net cash (used in) / generated from investing activities</b>		<b>(74,682)</b>	<b>530,812</b>
<b>Cash flow from financing activities</b>			
Repayment of long term finances		(83,229)	(117,332)
Repayment of redeemable capital		-	(600)
Payment of markup of foreign currency convertible bonds		-	(11,490)
Payment of finance lease liabilities		(5,591)	(15,518)
<b>Net cash used in financing activities</b>		<b>(88,820)</b>	<b>(144,940)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(47,000)</b>	<b>(86,413)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>(44,866)</b>	<b>41,547</b>
<b>Cash and cash equivalents at the end of the year</b>	40	<b>(91,866)</b>	<b>(44,866)</b>

The annexed notes from 1 to 48 form an integral part of these financial statements.

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

## Pace (Pakistan) Group

	Attributable to equity holders of the parent						(Rupees in thousand)	
	Share capital	Share premium reserve	Revaluation reserve for investment property	Reserve for changes in fair value of investments	Share in capital reserves of associates	Unappropriated profit	Non-Controlling Interest	Total Equity
Balance as on June 30, 2010	2,788,766	273,265	81,097	(3)	331,731	4,142,326	(10,154)	7,607,028
<b>Total Comprehensive loss for the year</b>								
Loss for the year	-	-	-	-	-	(2,551,779)	(5,360)	(2,557,139)
Other comprehensive (loss) / income	-	-	-	(102)	46,488	46,386	-	46,386
Transferred to retained earning on disposal of Investment property	-	-	-	(102)	46,488	(2,551,779)	(5,360)	(2,510,753)
	-	-	(81,097)	-	-	81,097	-	-
<b>Balance as on June 30, 2011</b>	<b>2,788,766</b>	<b>273,265</b>	<b>-</b>	<b>(105)</b>	<b>378,219</b>	<b>1,671,644</b>	<b>(15,514)</b>	<b>5,096,275</b>
<b>Total comprehensive loss for the year</b>								
Loss for the year	-	-	-	-	-	(1,433,091)	(125)	(1,433,216)
Non - controlling interest arising on business combination	-	-	-	-	-	-	103,414	103,414
Other comprehensive loss	-	-	-	(1,029)	(255,385)	(256,414)	-	(256,414)
	-	-	-	(1,029)	(255,385)	(1,433,091)	103,289	(1,586,216)
<b>Balance as on June 30, 2012</b>	<b>2,788,766</b>	<b>273,265</b>	<b>-</b>	<b>(1,134)</b>	<b>122,834</b>	<b>238,553</b>	<b>87,775</b>	<b>3,510,059</b>

The annexed notes from 1 to 48 form an integral part of these financial statements.

**Lahore**  
October 06, 2012

**Aamna Taseer**  
Chief Executive

**Shehryar Ali Taseer**  
Director

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

## **FOR THE YEAR ENDED JUNE 30, 2012**

### **1. Legal status and activities**

#### **1.1 Constitution and ownership**

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

##### **Pace (Pakistan) Limited**

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

##### **Pace Gujrat (Private) Limited**

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

##### **Pace Woodlands (Private) Limited**

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

##### **Pace Supermall (Private) Limited**

Pace Supermall (Private) Limited (a subsidiary) was incorporated on March 27, 2003 as a private limited Company under Companies Ordinance 1984. The object of the company is to acquire by purchase or otherwise land and plots and to sell or construct, lease, hire and manage buildings, shopping malls, super markets, utility stores, plazas, shopping arcades etc.

#### **1.2 Activities of the group**

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

## 2 Statement of Compliance

**2.1** These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984 or directives issued by Securities and Exchange Commission of Pakistan differ with the requirements of IFRS or IFAS, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives prevail.

### **2.2 Going concern assumption**

During the year, the Group has incurred a comprehensive loss of Rs 1,689.630 million (2011: Rs 2,510.753 million). As at the reporting date, the current liabilities of the Group have exceeded its current assets by Rs 1,343.669 million and the reserves of the Group have been significantly depleted. The Group has not been able to meet various obligations towards its lenders, including repayment of principal and markup thereon in respect of its long term borrowings. As a consequence, the Group has also been unable to realize its existing receivables from customers and facing difficulties in sale of its inventory, being encumbered against long term borrowings. These conditions raise significant doubts on the Group's ability to continue as a going concern.

In view of the above, the Group approached its lenders referred to in note 6 and 8 of these financial statements for restructuring of loans. As per the restructuring proposals the Group expects the following:

- Relaxation in payment terms of principal outstanding and over due markup;
- Partial settlement of principal amount against properties of the Group and adjustment of markup through receivables of sold shops; and
- Swap of collateral given to the providers of Redeemable Capital (note 8) with that given to the syndicate finance lenders (note 6). This shall entail transfer of encumbrance over the Pace Towers (currently under construction) to syndicate finance lenders against that on the fully developed properties in Model Town, Lahore and Gujranwala to the providers of Redeemable Capital.

National Bank of Pakistan and Al-Baraka Bank (Pakistan) Limited have agreed to and the Group has accepted, subsequent to the year end to restructure their respective loans at terms referred to in note 6. The Group is confident that other lenders will also agree to its proposals for restructuring.

The above restructuring is expected to be augmented by other actions of the management of the Group for improving operational efficiency of its projects, which include changes in the mechanism for reimbursement of service charges, reduction of cost and enhancement of operational revenues.

The management of the Group is confident that the above actions and steps shall enable the Group to realize its existing receivables, aid the sale of inventory from the completed projects referred above and utilize the resultant liquidity for completion and sale of its 'Pace Towers' Project.

The financial statements has been prepared on a going concern basis based on the management's expectations that:



- the Group will be able to obtain relaxations from its lenders as highlighted above, and
- the Group will be able to readily realize its receivables and inventory and be able to utilize the resultant liquidity for completion and sale of the 'Pace Towers' Project.

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

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

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

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

New and amended standards, and interpretations mandatory for the first time for the financial year beginning July 01, 2011:

- IFRS 7 (Amendments), 'Financial Instruments', emphasizes the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. The application of the amendment has not effected the results or net assets of the Group as it is only concerned with presentation and disclosures.

- IFRS 7, 'Disclosures on transfers of financial assets' (Amendment) (effective July 01, 2011), issued in October 8, 2010. The new disclosure requirements apply to transferred financial assets. An entity transfers a financial asset when it transfers the contractual rights to receive cash flows of the asset to another party. These amendments are a part of the IASBs comprehensive review of off balance sheet activities. The amendments will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitization of financial assets. The Group has determined that there is no significant transfer of financial assets that requires disclosure under the guidance above.

- IAS 1 (amendments) (effective January 01, 2011), clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The Group has opted to present analysis in statement of changes in equity.

- IAS 24 (revised) (effective July 01, 2011), 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The application of this standard has impacted the related party disclosures in the Group's financial statements.

- 'Classification of rights issues' (amendment to IAS 32), issued in October 2009. The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The application of this amendment has no material impact on the Group's financial statements.

- 'Prepayments of a minimum funding requirement' (amendments to IFRIC 14). The amendment corrects an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendment, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendment corrects this, which should be applied retrospectively to the earliest comparative period presented. The application of this amendment has no material impact on the Group's financial statements.

- IFRIC 19, 'Extinguishing financial liabilities with equity instruments'. The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. The application of this interpretation has no material impact on the Group's financial statements.

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

The following amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after July 01, 2012 or later periods, and the Group has not early adopted them:

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

- IFRS 9, 'Financial Instruments', addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until January 01, 2013 but is available for early adoption. This is the first part of a new standard on classification and measurement of financial assets and financial liabilities that will replace IAS 39, 'Financial Instruments: Recognition and measurement'. IFRS 9 has two measurement categories: amortised cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For liabilities, the standard retains most of the IAS 39 requirements. These include amortised-cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. This change will mainly affect financial institutions. There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, and the Group does not have any such liabilities.

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

- IFRS 11, 'Joint Arrangements', applicable from January 01, 2013, is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. The Group shall apply this standard from January 01, 2013 and does not expect to have any material impact on its financial statements.

- IFRS 12 - 'Disclosures of interests in other entities'. This is applicable on accounting periods beginning on or after January 01, 2013. This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group shall apply this standard from July 01, 2013 and does not expect to have any material impact on its financial statements.

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

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

### **3. Basis of measurement**

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

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

**a) Staff retirement benefits**

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

**b) Provision for taxation**

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

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

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

**d) Stock-in-trade**

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

**e) Investment property valuation**

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

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

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

**g) Costs to complete the projects**

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

**h) Provision for doubtful receivables**

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

#### **4. Significant accounting policies**

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

##### **4.1 Consolidation**

###### **a) Subsidiaries**

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The consolidated financial statements include Pace (Pakistan) Limited and all companies in which it directly or indirectly controls, beneficially owns or holds more than 50% of the voting securities or otherwise has power to elect and appoint more than 50% of its directors. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. Details of subsidiaries is given in note 46.

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

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

On an acquisition-by-acquisition basis the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interests' proportionate share of acquiree's net assets.

###### **b) Associates**

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

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

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides

evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

#### **4.2 Taxation**

Income tax expense comprises current and deferred tax. Income tax is recognised in profit and loss account except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

##### **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 profit for the year if enacted after taking into account tax credits, rebates and exemptions, if any. 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 recognised 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 assets and liabilities are calculated at the rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to the profit and loss account, except in the case of items charged or credited to equity in which case it is included in the statement of changes in equity.

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

#### **4.3 Property, plant and equipment**

Property, plant and equipment except freehold land and capital work-in-progress are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land and capital work-in-progress are stated at cost less any identified impairment loss. Cost in relation to certain plant and machinery signifies historical cost and borrowing costs as referred to in note 4.13.

Property, plant and equipment acquired under finance are capitalized at the lease's commencement of the lease term at lower of the present value of the minimum lease payments under the lease arrangements and the fair value of the leased property.

Depreciation on owned assets 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 annual rates given in note 19.1.

Assets acquired under a finance lease are depreciated over the useful life of the asset on reducing balance method except for plant and machinery which is being depreciated using the straight line method at the annual rates given in note 19.2.

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.

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

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

#### **4.4 Intangible assets**

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

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

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

#### **4.5 Leases**

The Group is the lessee:

##### **Finance leases**

Leases where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Assets subject to finance lease are initially recognised at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets.

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

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

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

##### **Operating leases**

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

#### **4.6 Staff retirement benefits**

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

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

The latest actuarial valuation for gratuity scheme was carried out as at June 30, 2012. Projected Unit Credit Method, using the following significant assumptions for valuation of the scheme:

- Discount rate 13 percent per annum (2011: 14 percent per annum)

- Expected rate of increase in salary level 12 percent per annum (2011: 13 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, 2012. Projected Unit Credit Method, using the following significant assumptions is used for valuation of accumulating compensated absences:

- Discount rate	13% (2011: 14%)
- Expected increase in salary	12% (2011: 13%)
- Expected mortality rate	EFU 61-66 mortality table adjusted for Group's experience
- Expected withdrawal and early retirement rate	Based on experience
- Average number of leaves accumulated per annum by employees	10 days (2011: 10 days)

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

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

#### 4.7 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, 2012. 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.

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

#### 4.8 Investments

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

**Investments in equity instruments of associates**

Associates are all entities over which the Group has significant influence but not control. Investments in equity instruments of associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition. The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated profit and loss account, and its share of post-acquisition movements in reserves is recognised 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 recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

**4.9 Financial instruments****4.9.1 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 i.e. 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 other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are reclassified from equity to profit and loss account as reclassification adjustment. Interest on available-for-sale securities calculated using the effective interest method is recognised in the profit and loss account. Dividends on available-for-sale equity instruments are recognised in the profit and loss account when the Group's right to receive payments is established.

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

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss is removed from equity and recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account. Impairment testing of trade debts and other receivables is described in note 4.15.

### **4.9.2 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.

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

#### **4.10 Stock-in-trade**

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

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

#### **4.11 Foreign currency transactions and translation**

##### **a) Functional and presentation currency**

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

##### **b) Transactions and balances**

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

#### **4.12 Revenue recognition**

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

Service charges are recognised in the accounting period when in which services are rendered. When the Group is acting as agent, the commission rather than gross income is recorded as revenue.

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

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

- the buyers investment, to the date of the financial statements, is adequate to demonstrate a commitment to pay for the property;
- construction is beyond a preliminary stage;

- the buyer is committed. Buyer is unable to require a refund except, for non delivery of the unit. Management believes that the likelihood of the Group being unable to fulfill its contractual obligations for this reason is remote; and
  
- the buyer has the right to dispose off the property

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

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

#### **4.13 Borrowing costs**

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

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

#### **4.14 Segment reporting**

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

#### **4.15 Trade debts**

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

#### **4.16 Creditors, accruals and provisions**

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

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

**4.17 Non-current assets held for disposal**

Non-current assets held for disposal are classified as assets held for sale and stated at the lower of carrying amount and fair value less cost to sell, with the exception of investment properties carried at fair value, if their carrying value is expected to be recovered principally through a sale transaction rather than continuing use.

**4.18 Borrowings**

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

**4.19 Foreign currency convertible bonds**

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

**4.20 Cash and cash equivalents**

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

**5. Issued, subscribed and paid up capital**

2012 (Number of shares)	2011		2012 (Rupees in thousand)	2011
201,704,516	201,704,516	Ordinary shares of Rs 10 each fully paid in cash	2,017,045	2,017,045
		Ordinary shares of Rs 10 each issued as fully		
<u>77,172,088</u>	<u>77,172,088</u>	paid bonus shares	<u>771,721</u>	<u>771,721</u>
<u>278,876,604</u>	<u>278,876,604</u>		<u>2,788,766</u>	<u>2,788,766</u>

First Capital Securities Corporation Limited and Worldcall Telecom Limited, associated undertakings, hold 24,055,407 (2011: 24,055,407) and 6,959,290 (2011: 6,959,290) ordinary shares of the parent Company respectively.

	Note	2012 (Rupees in thousand)	2011
<b>6. Long term finances - secured</b>			
Syndicate term finance facility	6.1	<b>322,408</b>	400,000
National Bank of Pakistan - term finance	6.2	<b>40,000</b>	40,000
Soneri Bank - demand finance	6.3	<b>27,422</b>	27,422
Al Baraka Bank (Pakistan) Limited - musharika based agreement	6.4	<b>360,000</b>	360,000
		<b>749,830</b>	827,422
Less: Current portion shown under current liabilities	14	<b>(749,830)</b>	(599,422)
		<b>-</b>	228,000

### 6.1 Syndicate term finance facility

#### Terms of repayment

As per the original agreement, the loan is repayable in 10 quarterly installments starting from May 4, 2010 after expiry of one year of grace period and carries mark-up @ rate of 3 months KIBOR plus 3.5% (2011: 3 months KIBOR plus 3.5%).

#### Security

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

#### Restructuring subsequent to the year end

Subsequent to the year end National Bank of Pakistan (NBP), one of the syndicate members, has offered restructured terms for its portion, which the Group has accepted for aggregate amount of Rs 209.565 million. Following are the key terms:

- Exclusive charge on Pace Gujranwala, Pace Model Town and Pace Model Town (Extension) amounting to Rs 280 million inclusive of 25% margin on identified shops
- Assignment of receivables from sale of shops of Pace Gujranwala, Pace Model Town, Pace Model Town (Extension) and Pace MM Alam. In case the sale of shops does not transpire as expected NBP will enter into a debt-asset swap arrangement, with the Group, on the shops selected by NBP and the Swap Price will be determined by the agreed pricing mechanism. Shops acquired under debt-asset swap will be subject to buy back agreement with the Group and the Buy Back Price will be determined by the agreed pricing mechanism.
- The loan will be payable in four years in equal monthly installments after the expiry of eighteen months grace period (both for principal and mark up) and rate of mark up will be 3 months KIBOR.
- Joint pari passu charge over shops of Pace MM Alam to be created as additional security.

## **6.2 National Bank of Pakistan - term finance**

### **Terms of repayment**

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

### **Security**

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

### **Restructuring subsequent to the year end**

Subsequent to the year end, National Bank of Pakistan has offered restructured terms, which the Group has accepted for aggregate amount of Rs 40 million. Following are the key terms:

- The loan will be repaid as bullet payment within 24 months and rate of mark up will be 3 months KIBOR.
- First pari passu charge of Rs 67 million over Pace MM Alam with 40% margin.

## **6.3 Soneri Bank - demand finance**

### **Terms of repayment**

This loan is part of total demand finance facility limit of Rs 44.688 Million (2011: Rs 44.688 Million) and carries mark up @ 6 months KIBOR + 3% (2011: 6 months KIBOR + 3%). The loan is repayable in 8 equal quarterly installments.

### **Security**

This facility is secured against a charge created on the land and building on Plot no 41. Gulberg III, Industrial Area Lahore.

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

### **Terms of repayment**

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

### **Security**

The loan is secured by 100% registered equitable mortgage of property located at plot no. 40 & 41, P Block, Model Town link road, a token registration of Rs 0.5 million equitable mortgage of property located at 27-H (Pace Towers) having a charge amounting to Rs 1,200 million and first pari passu charge on all receivables purporting to or in relation to the afore-mentioned projects.



**Restructuring subsequent to the year end**

The bank has agreed to and the Group has accepted, subsequent to the year end, to restructure the entire amount outstanding on the following terms:

- Debt to asset swap consisting of shops, counters and super market area comprising of 8,824 square feet against Rs 115 million outstanding. In consideration the bank will release its charge on all units of Pace Towers.
- Markup on restructured facility shall be charged @ 3 months KIBOR and paid on a quarterly basis.
- The Group will create mortgage in favour of the bank on identified properties in Pace Gujranwala, Pace Model Town and Pace Model Town (Extension) amounting to Rs 326.667 million.

**6.5** The aggregate current portion of Rs 749.830 million includes principal installments aggregating to Rs 96 million, which, under the terms of loan agreements were due for repayment in period subsequent to June 30, 2012. However, as the Group could not repay on a timely basis the installments due upto the year ended June 30, 2012 and is not compliant with certain debt covenants, which represents a breach of the respective agreements, therefore these loans have been classified as a current liability under the guidance contained in IAS 1 "Presentation of financial statements". The Group is in negotiation with lenders for relaxation in payment terms and certain other covenants.

7. This represents unsecured loan from non-banking company and carries markup at the rate of 14.75% per annum. (June 2011: 14.75%). The loan is repayable in eight quarterly installments with the first installment due from June 12, 2009. This loan has been repaid during the year.

	Note	2012 (Rupees in thousand)	2011
<b>8. Redeemable capital - secured (non-participatory)</b>			
Term finance certificates	8.1	<b>1,498,200</b>	1,498,200
		<b>1,498,200</b>	1,498,200
Less: Current portion shown under current liabilities	14	<b>(1,498,200)</b>	(600)
		<b>-</b>	1,497,600

**8.1 Term finance certificates**

**Terms of repayment**

This represents term finance certificates (TFC's) listed on Lahore Stock Exchange issued for a period of 5 years. Last year, the Group completed the restructuring of its term finance certificates. Restructuring was duly approved by majority of TFC holders holding certificates in aggregate of 51.73 %, through extraordinary resolution passed in writing. Consequent to the approval of TFC holder's addendum to the trust deed was executed between the Group and trustee 'IGI Investment Bank Limited' under which the Group is allowed one and a half year grace period along with an extension of four years in the tenure of TFC issue and consequently, the remaining tenure of TFC shall be six and a half years effective from August 15, 2010. As a result current liability of the Group has been reduced by Rs 499.0 million. The TFC's carry a markup of 6 months KIBOR plus 2% (2011: KIBOR plus 2%) and is payable semi-annually in arrears.

**Security**

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

**8.1.1** The aggregate current portion of Rs 1,498.2 million includes principal installments aggregating to Rs 1,198.1 million, which, under the terms of loan agreements were due for repayment in period subsequent to June 30, 2012. However, as the Group could not repay on a timely basis the installments due upto year ended June 30, 2012 and is not compliant with certain debt covenants, which represents a breach of the respective agreement, therefore the entire outstanding amount has been classified as a current liability under the guidance contained in IAS 1 "Presentation of financial statements". The Group is in negotiation with the trustee for relaxation in payment terms and certain other covenants.

	Note	2012 (Rupees in thousand)	2011
<b>9. Liabilities against assets subject to finance lease</b>			
Present value of minimum lease payments		33,563	39,154
Less: Current portion shown under current liabilities	14	<u>(33,336)</u>	<u>(37,264)</u>
		<u>227</u>	<u>1,890</u>

The minimum lease payments have been discounted at an implicit interest rate ranging from 12.31% to 17.94% (2011: 15.02% to 16.80%) to arrive at their present value. The lessee has the option to purchase the assets after the expiry of the lease term. Taxes, repairs and insurance costs are to be borne by the lessee. The liability is partly secured by a deposit of Rs 12.728 million (2011: Rs 12.728 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	liability	
		2012	2011	
Not later than one year	35,806	2,470	33,336	37,264
Later than one year and not later than five years	229	2	227	1,890
	<u>36,035</u>	<u>2,472</u>	<u>33,563</u>	<u>39,154</u>

	Note	2012 (Rupees in thousand)	2011
<b>10. Foreign currency convertible bonds - unsecured</b>			
Opening balance as at July 1		1,254,643	1,181,561
Markup accrued during the year		87,789	78,073
		<u>1,342,432</u>	<u>1,259,634</u>
Markup paid during the year		-	(11,490)
Exchange loss for the year		121,450	6,499
		<u>1,463,882</u>	<u>1,254,643</u>
Less: Current portion shown under current liabilities	14	<u>(1,463,882)</u>	<u>(6,076)</u>
		<u>-</u>	<u>1,248,567</u>

The Group issued 25,000 convertible bonds of USD 1,000 each on January 5, 2008 amounting to USD 25 million. The foreign currency convertible bonds (FCCB) are listed on the Singapore Stock Exchange and are redeemable in 2013 at the accreted principal amount. The bonds carry a markup of 5.5% per annum, compounded semi-annually, accretive and cash interest of 1% per annum to be paid in arrears. The holders of the bonds have an option to convert the bonds into equity shares of the Group at any time following the issue date at a price calculated as per terms of arrangement. During the current year bonds amounting to USD Nil (2011: Nil) were converted into ordinary shares of the Group at the request of the bond holders. In aggregate USD 13 million bond have been converted into ordinary shares as at June 30, 2012.

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

	Note	2012	2011
		(Rupees in thousand)	
<b>11. Deferred liabilities</b>			
Staff gratuity	11.1	35,251	31,611
Leave encashment	11.2	1,399	1,217
		36,650	32,828

### 11.1 Staff gratuity

The amounts recognised in the balance sheet are as follows:

Present value of defined benefit obligation		28,523	23,260
Unrecognised experience losses		6,728	8,351
Liability as at June 30		35,251	31,611
Liability as at July 1		31,611	31,795
Charge to profit and loss account	11.1.1	7,963	10,075
Benefits paid / payable during the year		(4,323)	(10,259)
Liability as at June 30		35,251	31,611

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

Present value of defined benefit obligation as at July 1		23,260	28,939
Service cost		5,711	6,602
Interest cost		3,256	3,473
Benefits paid / payable during the year		(4,323)	(10,259)
Experience gain		619	(5,495)
Present value of defined benefit obligation as at June 30		28,523	23,260

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

Service cost		5,711	6,602
Interest cost		3,256	3,473
Actuarial gain recognized during the period		(1,004)	-
Charge to profit and loss account		7,963	10,075

## Pace (Pakistan) Group

	Note	2012 (Rupees in thousand)	2011
<b>11.1.1 Charge for the year has been allocated as follows:</b>			
Cost of sales		1,035	1,310
Administrative, general and other expenses		6,928	8,765
		7,963	10,075

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

	2012	2011	2010	2009	2008
	(Rupees in thousand)				
Present value of defined benefit obligation	28,523	23,260	28,939	30,236	25,021
Fair value of plan assets	-	-	-	-	-
Deficit	(28,523)	(23,260)	(28,939)	(30,236)	(25,021)
Experience adjustment on obligation	-2%	4%	15%	4%	7%

	Note	2012 (Rupees in thousand)	2011
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### 11.2 Leave encashment

The amounts recognised in the balance sheet are as follows:

Liability as at July 1	1,217	1,441
Charge to profit and loss account	842	1,573
Benefits paid / payable during the year	(660)	(1,797)
Liability as at June 30	1,399	1,217

## 12. Deferred taxation

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

Accelerated tax depreciation and others	235,442	236,736
Employee retirement benefits	(12,828)	(11,490)
Deferred cost	(301)	(377)
Unused tax losses	(222,313)	(224,869)
Investment in associates	165,047	-
	165,047	-

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

Opening balance	-	55,000
Expense/(income) for the period	37	(55,000)
Closing balance		-

### 13. Advances against sale of property

This represents advances received from various parties against sale of apartments and houses in Pace Towers project, Lahore and sale of shops in Pace Model Town Extension, Lahore and includes due to following related parties:

	Note	2012 (Rupees in thousand)	2011
First Capital Investment Limited		16,497	59,698
First Capital Securities Limited		47,257	-
Shaheen Insurance Company Limited		7,849	6,911
		71,603	66,609

### 14. Current portion of long term liabilities

Current portion of long term finances -secured	6	749,830	599,422
Current portion of redeemable capital - secured (Non-participatory)	8	1,498,200	600
Current portion of liabilities against assets subject to finance lease	9	33,336	37,264
Current portion of foreign currency convertible bonds - unsecured	10	1,463,882	6,076
		3,745,248	643,362

Overdue principal included in current maturity  
as at June 30, 2012 are as follows:

Long term finances - secured:

- Syndicate term finance facility		82,409	-
- National Bank of Pakistan- term finance		27,422	-
- Soneri Bank - demand finance		8,000	4,570
- Al Baraka Bank (Pakistan) Limited - musharika based agreement		200,000	80,000
Redeemable capital - secured (non-participatory)		600	-
Liabilities against assets subject to finance lease		19,589	4,916
		338,020	89,486

### 15. Short term finance - Secured

The Bank of Punjab	15.1	-	4,457
Pak Iran Joint Investment Company Limited	15.2	100,000	100,000
		100,000	104,457

#### 15.1 The Bank of Punjab

##### Terms of payment

This represents short term running finance availed from The Bank of Punjab under markup arrangements amounting to Rs 36 million (2011: Rs 36 million). The rate of markup is three months average KIBOR plus 2.25 % (2011: three months average KIBOR plus 2.25 %)per annum subject to a floor of 9%. This has been repaid during the year.

**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.

**15.2 Pak Iran Joint Investment Company Limited**

**Terms of payment**

This represents a short term loan of Rs 100 Million (2011: Rs 100 Million) provided by Pak-Iran Joint Investment Company Limited and carries mark-up @ 6 months KIBOR + 3.5%. The loan was repayable in 4 quarterly installments starting from December 31, 2010 and currently the entire amount is over due.

**Security**

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

	Note	2012 (Rupees in thousand)	2011
<b>16. Creditors, accrued and other liabilities</b>			
Trade creditors	16.1	<b>135,455</b>	59,740
Advances from customers		<b>5,434</b>	4,277
Licensees payable		<b>5,893</b>	10,214
Accrued liabilities		<b>35,464</b>	28,489
Licensee security deposits		<b>16,495</b>	17,183
Payable to contractors		<b>2,699</b>	2,315
Retention money		<b>362</b>	362
Payable to statutory body		<b>13,244</b>	8,736
Workers welfare fund payable		-	20,974
Advance against sale of shares	16.2	-	1,595
Others		<b>19,963</b>	15,121
		<b><u>235,009</u></b>	<b><u>169,006</u></b>

**16.1** This includes Rs 59.323 million (2011: Rs 29.930 million) due to Shaheen Insurance Company Limited, a related party.

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

		2012 (Rupees in thousand)	2011
<b>17. Accrued finance cost</b>			
Long term finances -secured	17.1	<b>168,001</b>	66,589
Short term finance -secured	17.2	<b>24,197</b>	41,293
Redeemable capital - secured (non-participatory)	17.3	<b>310,439</b>	86,837
Liabilities against assets subject to finance lease	17.4	<b>2,412</b>	1,054
		<b><u>505,049</u></b>	<b><u>195,773</u></b>

17.1 This includes overdue markup of Rs 135.016 million (2011: Rs 53.384 million).

17.2 This includes overdue markup of Rs 20.365 million (2011: Rs 7.999 million).

17.3 This includes overdue markup of Rs 232.945 million (2011: Rs 0.529 million).

17.4 This includes overdue markup of Rs 2.384 million (2011: Rs 1.054 million).

## 18. Contingencies and commitments

### 18.1 Contingencies

- (i) Claims against the Group not acknowledged as debts Rs 21.644 million (2011: Rs 21.644 million).
- (ii) Corporate guarantee on behalf of Pace Barka Properties Limited, an associate, in favour of The Bank of Punjab, amounting to Rs 900 million (2011: Rs 900 million) as per the approval of shareholders through the special resolution dated July 29, 2006.

### 18.2 Commitments

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

	Note	2012 (Rupees in thousand)	2011
Not later than one year		6,300	7,326
Later than one year and not later than five years		29,925	38,129
Later than five years		761,975	25,689
		798,200	71,144

## 19. Property, plant and equipment

Operating fixed assets			
- owned assets	19.1	577,075	516,419
- assets subject to finance lease	19.2	6,152	25,259
Capital work in progress	19.3	127,457	6,672
		710,684	548,350

**19.1 Owned assets**

		2012 (Rupees in thousand)							2011											
	Cost as at June 30, 2011	Additions/transfers/(deletions)	Cost as at June 30, 2012	Accumulated depreciation as at June 30, 2011	Depreciation charge for the year/(deletions)	Transfers from assets subject to finance lease	Accumulated depreciation as at June 30, 2012	Book value as at June 30, 2012	Depreciation rate		Cost as at June 30, 2010	Additions/transfers/(deletions)	Cost as at June 30, 2011	Accumulated depreciation as at June 30, 2010	Depreciation charge for the year/(deletions)	Transfers from assets subject to finance lease	Accumulated depreciation as at June 30, 2011	Book value as at June 30, 2011	Depreciation rate	
Freehold land *	155,152	-	155,152	-	-	-	-	155,152			155,152	-	155,152	-	-	-	-	155,152		
Leasehold land **	-	-	-	-	-	-	-	-			-	-	-	-	-	-	-	-		
Buildings on freehold land	179,470	-	179,470	32,490	7,349	-	39,839	139,631	5%		179,470	-	179,470	24,755	7,735	-	32,490	146,980	5%	
Buildings on leasehold land ***	135,137	79,089	214,226	41,504	3,037	-	44,541	169,685	3.03%		135,137	-	135,137	27,990	13,514	-	41,504	93,633	10%	
Plant and machinery	81,171	-	81,171	45,200	3,597	-	48,797	32,374	10%		81,171	-	81,171	41,203	3,997	-	45,200	35,971	10%	
Electrical equipment	69,172	6,672	75,844	23,672	5,217	-	28,889	46,955	10%		69,172	6,672	75,844	23,672	5,056	-	23,672	45,500	10%	
Office equipment and appliances	11,673	10	11,683	6,238	544	-	6,782	4,901	10%		11,673	10	11,683	6,238	604	-	6,238	5,435	10%	
Furniture and fixtures	11,784	-	11,784	4,467	732	-	5,199	6,585	10%		11,784	-	11,784	3,654	813	-	4,467	7,317	10%	
Computers	9,466	-	9,466	7,433	671	-	8,104	1,362	33%		9,466	-	9,466	6,464	969	-	7,433	2,033	33%	
Vehicles	47,201	7,169 (13,059)	41,311	22,804	4,782 (6,705)	-	20,881	20,430	20%		47,201	7,169 (13,059)	41,311	22,804	38,490 (3,933)	6,175	22,804	24,398	20%	
	700,226	92,940 (13,059)	780,107	183,808	25,929 (6,705)	-	203,032	577,075			700,226	92,940 (13,059)	780,107	183,808	38,490 (3,933)	6,175	183,808	516,419		
Freehold land *	155,152	-	155,152	-	-	-	-	155,152			155,152	-	155,152	-	-	-	-	155,152		
Leasehold land **	-	-	-	-	-	-	-	-			-	-	-	-	-	-	-	-		
Buildings on freehold land	179,470	-	179,470	24,755	7,735	-	32,490	146,980	5%		179,470	-	179,470	24,755	7,735	-	32,490	146,980	5%	
Buildings on leasehold land ***	135,137	-	135,137	27,990	13,514	-	41,504	93,633	10%		135,137	-	135,137	27,990	13,514	-	41,504	93,633	10%	
Plant and machinery	81,171	-	81,171	41,203	3,997	-	45,200	35,971	10%		81,171	-	81,171	41,203	3,997	-	45,200	35,971	10%	
Electrical equipment	69,172	-	69,172	18,616	5,056	-	23,672	45,500	10%		69,172	-	69,172	18,616	5,056	-	23,672	45,500	10%	
Office equipment and appliances	11,673	-	11,673	5,634	604	-	6,238	5,435	10%		11,673	-	11,673	5,634	604	-	6,238	5,435	10%	
Furniture and fixtures	11,784	-	11,784	3,654	813	-	4,467	7,317	10%		11,784	-	11,784	3,654	813	-	4,467	7,317	10%	
Computers	9,386	80	9,466	6,464	969	-	7,433	2,033	33%		9,386	80	9,466	6,464	969	-	7,433	2,033	33%	
Vehicles	40,574	13,359 (6,732)	47,201	14,760	5,802 (3,933)	-	22,804	24,398	20%		40,574	13,359 (6,732)	47,201	14,760	38,490 (3,933)	6,175	22,804	24,398	20%	
	693,519	13,439 (6,732)	700,226	143,076	38,490 (3,933)	6,175	183,808	516,419			693,519	13,439 (6,732)	700,226	143,076	38,490 (3,933)	6,175	183,808	516,419		



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

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

\*\*\* Building on leasehold land represents the 9,503 square feet (2011: 6,330 square feet) relating to 2nd and 3rd floors of Fortress Project, Lahore the right of which has been acquired for 33 years (2011: 10 years) from Fortress Stadium management, Lahore Cantt. During the year the lease term was extended to 33 years from 10 years in 2011. The Company is consequently now depreciating the building over the useful life of 33 years and has accounted for this as a change in accounting estimate. The depreciation charge for the year has decreased by Rs 10,677 million. The annual depreciation charge for future periods has decreased by Rs 10,677 million / annum [2012: Rs 2,837 million / annum for 32 years (2011: Rs 13,514 million / annum for 6 years)]

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

	June 2012	June 2011
Cost of sales	15,518	16,220
Administrative and selling expenses	10,411	22,270
	<u>25,929</u>	<u>38,490</u>

**19.1.2 Disposal of owned assets**

Particular of Assets	Sold to	Cost	Accumulated depreciation	(Rupees in thousand)	
				Sales proceeds	Mode of Disposal
Vehicles	Mr Haroon Rashid	429	256	500	
	Mr Maqbool Ahmed	1,479	780	1,330	
	Mr Hamid Hussain	51	26	32	
	Mr Zulfiqar Ahmed Bajwa	385	221	375	
	Mr Muhammad Rizwan	340	-	370	
	Mr M Bilal Joya	1,423	859	1,292	- Negotiation -
	Mr Atif Iqbal	40	22	16	
	Mr Muhammad Imran	56	43	24	
	Mr Majeed Ali	960	512	450	
	Mr Mazhar-ul-Islam	896	590	925	
	Mr Jamil Butt	7,000	3,396	3,604	
		<u>13,059</u>	<u>6,705</u>	<u>8,918</u>	

19.2	Assets subject to finance lease	(Rupees in thousand)							
		2012				2011			
		Cost as at June 30, 2011	Additions/ (deletions)/ (transfers)	Cost as at June 30, 2012	Accumulated depreciation as at June 30, 2011	Depreciation charge for the year	Accumulated depreciation as at June 30, 2012	Book value as at June 30, 2012	Depreciation rate
	Vehicles	11,015	-	11,015	3,325	1,538	4,863	6,152	20%
	Plant and machinery	57,500	-	57,500	39,931	17,569	57,500	-	33%
		68,515	-	68,515	43,256	19,107	62,363	6,152	
		Cost as at June 30, 2010	Additions/ (deletions)/ (transfers)	Cost as at June 30, 2011	Accumulated depreciation as at June 30, 2010	Depreciation charge for the year	Accumulated depreciation as at June 30, 2011	Book value as at June 30, 2011	Depreciation rate
	Vehicles	24,307	1,394 (14,686)	11,015	7,252	2,559 (6,487)	3,325	7,690	20%
	Plant and machinery	57,500	-	57,500	20,764	19,167	39,931	17,569	33%
		81,807	1,394 (14,686)	68,515	28,016	21,726 (6,487)	43,255	25,259	
<b>19.2.1</b>	The depreciation charge for the year has been allocated to administrative and selling expenses								
<b>19.3</b>	<b>Capital Work in progress</b>			<b>Note</b>		<b>2012</b>	<b>2011</b>		
	Broadband/telephony services			18.3.1		-	2,672		
	Interactive vigilance system			18.3.1		-	4,000		
	Building on Freehold Land			18.3.2		127,457	-		
						127,457	6,672		
<b>19.3.1</b>	This represents installation of vigilance system and services of broadband provided at Company properties by Worldcall Telecom Limited, an associated undertaking.								
<b>19.3.2</b>	This represents the 3rd floor measuring 21,813 square feet of Pace Tower located at 27 H Gulberg III Lahore, which the company intends to retain for its own use.								

(Rupees in thousand)

**20 Intangible assets**

	2012						
	Cost as at June 30, 2011	Additions/ (deletions)	Cost as at June 30, 2012	Accumulated amortisation as at June 30, 2011	Amortisation charge for the year	Accumulated amortisation as at June 30, 2012	Book value as at June 30, 2012
Softwares	2,878	-	2,878	2,034	85	2,119	759
Dark fiber *	9,508	-	9,508	1,545	475	2,020	7,489
	12,386	-	12,386	3,579	560	4,139	8,248
<b>2011</b>							
	Cost as at June 30, 2010	Additions/ (deletions)	Cost as at June 30, 2011	Accumulated amortisation as at June 30, 2010	Amortisation charge for the year	Accumulated amortisation as at June 30, 2011	Book value as at June 30, 2011
Softwares	2,878	-	2,878	1,944	90	2,034	844
Dark fiber *	9,508	-	9,508	1,070	475	1,545	7,964
	12,386	-	12,386	3,014	565	3,579	8,808

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

**20.1** The amortisation charge for the year has been allocated to administrative and selling expenses

**21. Investment Property**

	<b>Cost as at June 30,</b>		<b>Fair Value as at June 30</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>(Rupees in thousand)</b>		<b>(Rupees in thousand)</b>	
Opening value as on July 1	<b>1,730,415</b>	1,918,146	<b>3,828,426</b>	5,035,576
Additions to cost during the year:				
- Transfer from stock-in-trade	-	12,641	-	12,639
- Purchase of assets classified as 'investment property'	-	17,300	-	17,300
- Transfer to stock-in-trade	-	(8,266)	-	(116,305)
- Disposal of investment property	-	(209,406)	-	(332,626)
- Transfer to disposal group held for sale	<b>(67,201)</b>	-	<b>(94,190)</b>	-
Closing value before revaluation as at June 30	<b>1,663,214</b>	1,730,415	<b>3,734,236</b>	4,616,584
Less: Fair value loss recognised in profit and loss account	-	-	<b>(566,591)</b>	(788,158)
Fair value as at June 30	<b>1,663,214</b>	<b>1,730,415</b>	<b>3,167,645</b>	<b>3,828,426</b>

Note                      2012                      2011  
(Rupees in thousand)

**22. Investments**

Associates - unquoted	22.1	<b>1,146,625</b>	1,307,873
Available for sale - quoted	22.2	<b>2,648</b>	3,677
		<b>1,149,272</b>	<b>1,311,550</b>

**22.1 Associates - unquoted**

Pace Barka Properties Limited 75,875,000 (2011: 77,500,000) fully paid ordinary shares of Rs 10 each Equity held 24.9% (2011: 25.4%)	22.1.1	<b>1,298,355</b>	1,462,673
Pace Super Mall (Private) Limited Nil (2011: 18,000) fully paid ordinary shares of Rs 10 each Equity held Nil (2011: 40%)	22.1.2	<b>-</b>	180
		<b>1,298,355</b>	1,462,853
Less: Cumulative impairment losses recognized	22.1.3	<b>(151,730)</b>	(154,980)
		<b>1,146,625</b>	<b>1,307,873</b>

## Pace (Pakistan) Group

	2012	2011
	(Rupees in thousand)	
<b>22.1.1 Pace Barka Properties Limited</b>		
Cost	758,651	774,901
Brought forward amounts of post acquisition reserves and profits and negative goodwill recognized directly in profit and loss account	<u>687,772</u>	<u>1,114,587</u>
	1,446,423	1,889,488
Share of movement in reserves during the year	(120,443)	46,488
Share of (loss)/profit for the year		
- before taxation	(23,043)	(136,676)
- provision for taxation	9,838	18,195
Loss on sale of investment	(14,420)	(354,822)
	<u>(27,625)</u>	<u>(473,303)</u>
Balance as on June 30	<u>1,298,355</u>	<u>1,462,673</u>

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

	Percentage Interest held	Assets	Liabilities	Revenues	Profit/ (Loss)
		(Rupees in thousand)			
<b>June 2012</b>					
Pace Barka Properties Limited	24.90%	1,629,578	311,865	8,352	(23,044)
<b>June 2011</b>					
Pace Barka Properties Limited	25.40%	1,870,924	369,542	30,378	(97,660)
Pace Super Mall (Private) Limited	40%	70,929	70,749	-	-
		<u>1,941,853</u>	<u>440,291</u>	<u>30,378</u>	<u>(97,660)</u>

	Note	2012	2011
		(Rupees in thousand)	
<b>22.1.3 Cumulative impairment losses recognized</b>			
As at July 1		154,980	-
Recognised during the year		-	154,980
Derecognised on disposal of investment		(3,250)	-
As at June 30		<u>151,730</u>	<u>154,980</u>

### 22.2 Available for sale - quoted

Worldcall Telecom Limited			
912 (2011: 912) fully paid ordinary shares of Rs 10 each		6	6
Shaheen Insurance Limited			
294,037 (2011: 294,037) fully paid ordinary Shares of Rs 10 each		<u>3,776</u>	<u>3,776</u>
		3,782	3,782
Less: Cumulative fair value loss	22.2.1	<u>(1,134)</u>	<u>(105)</u>
		<u>2,648</u>	<u>3,677</u>

## Pace (Pakistan) Group

	Note	2012	2011
(Rupees in thousand)			
<b>22.2.1 Cumulative fair value loss</b>			
As at July 1		105	3
Fair value loss during the year		1,029	102
As at June 30		1,134	105

### 23. Long term advances and deposits

Lease key money		139	650
Security deposits		13,683	12,883
		13,822	13,533

23.1 These are in the ordinary course of business

### 24. Advance against purchase of property - unsecured

#### Related parties

Pace Barka Properties Limited		-	640,792
Pace Super Mall (Private) Limited		-	21,600
		-	662,392

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

### 25. Stock-in-trade

Work in process - Pace Towers	25.1 & 25.2	1,043,613	1,204,659
Shops and houses		267,288	394,643
Pace Barka Properties Limited - Pace Circle		640,792	-
Pace Supermall (Private) Limited - Land		354,600	-
Woodland plots		9,216	46,316
		2,315,509	1,645,618
Stores inventory		923	787
		2,316,432	1,646,405

25.1 Included in work in process are borrowing costs of Rs 238.659 million (2011: Rs 238.659 million).

25.2 The charge amounting to Rs 1,200.5 million (2011: Rs 1,200.5 million) has been registered against work in process with lenders as security against long term loans and redeemable capital as referred to in note 6 and note 8 respectively.

	Note	2012	2011
(Rupees in thousand)			
<b>26. Trade debts - unsecured</b>			
Considered good	26.1	721,551	1,019,495
Considered doubtful		109,709	42,096
		831,260	1,061,591
Less: Provision for doubtful debts	26.2	(109,709)	(42,096)
		721,551	1,019,495

26.1 This includes amount of Rs 1.976 million (2011: Rs 103.115 million) receivable from First Capital Securities Corporation Limited, a related party.

## Pace (Pakistan) Group

	Note	2012	2011
(Rupees in thousand)			
<b>26.2 Provision for doubtful debts</b>			
Balance as at July 1		42,096	13,446
Add: provision during the year	33	67,613	28,650
Balance as at June 30		109,709	42,096
<b>27. Due form related parties - unsecured</b>			
Due from related parties - unsecured	27.1	-	18,506
<b>27.1</b> These advances are considered good and carry mark up at the rate ranging from 16.5% to 17.5% per annum (2011: 16.5% to 17.5%).			
	Note	2012	2011
(Rupees in thousand)			
<b>28. Advances, deposits, prepayments and other receivables</b>			
Advances - considered good			
- to employees		3,126	7,785
- to suppliers		2,574	2,067
Advances - considered doubtful		4,311	-
Security deposits		13,987	23,459
Advances to contractors	28.1	134,068	171,700
Income tax recoverable from government		35,234	27,718
Others - considered good	28.2	12,065	9,042
		205,365	241,771
Less: Provision for doubtful advances	33	(4,311)	-
		201,054	241,771
<b>28.1</b> This includes the following amounts due from related parties:			
Trident Construct (Private) Limited		128,147	165,490
Media Times (Pvt) Limited		900	-
		129,047	165,490
These are under normal course of business and interest free.			
<b>28.2</b> This includes the following amounts due from related parties:			
First Capital Securities Corporation Limited		1,976	587
Shaheen Insurance Company Limited		1,268	1,268
		3,244	1,855
These are under normal course of business and interest free.			

## Pace (Pakistan) Group

	Note	2012	2011
		(Rupees in thousand)	
<b>29. Cash and bank balances</b>			
At banks			
- in saving accounts	29.1 & 29.2	7,159	55,175
- in current accounts	29.3	944	4,417
		8,103	59,592
In hand including credit card sales Rs 0.031 million (2011: Rs. Nil)		31	-
		8,134	59,592

**29.1** The balances in saving accounts bear mark up which ranges from 5% to 12% per annum (2011: 5% to 12%).

**29.2** This includes Rs 0.456 million (2011: 53.87 million) placed in Debt Servicing Reserve Account of National Bank of Pakistan.

**29.3** This includes Nil (2011: Rs 4.03 million) placed in Debt Servicing Reserve Account of Al-Baraka Bank (Pakistan) Limited.

### 30. Disposal group held-for-sale

The management of the Group during the year decided to settle part of its investment property and inventory against overdue obligations to lenders. As referred to in note 6.4, subsequent to the year end the Group entered into debt to asset swap arrangement with Al-Baraka Bank (Pakistan) Limited. Consequently, surrendered shops are classified as held for sale in accordance with IFRS 5, "Non-current Assets Held for Sale and Discontinued Operation".

	Note	2012	2011
		(Rupees in thousand)	
<b>Assets of disposal group</b>			
Investment property		94,190	-
Stock-in-trade		10,420	-
		104,610	-

### 31. Sales

Shops, houses and commercial buildings			
- at completion of project basis		55,580	164,815
- at percentage of completion basis	31.1	-	-
Plots		-	25,461
Licensee fee		27,261	32,447
Display advertisements and miscellaneous income		14,659	15,437
Service charges		142,434	126,766
Sale of commodities		-	6,196
		239,934	371,122

**31.1** The revenue arising from agreements, that meet the criteria for revenue recognition on basis of percentage of completion method, during the year is Nil (2011: Nil). Amount received against these agreements amounts to Nil (2011: Rs 45.173 million).



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	Note	2012	2011
(Rupees in thousand)			
<b>31.2 Sales return</b>			
- at completion of project basis	31.2.1	-	451,225
- at percentage of completion basis	31.2.2	<b>21,187</b>	396,302
		<b>21,187</b>	847,527
		<b>21,187</b>	847,527
<b>31.2.1</b> This represents reversal of sale of shops, houses and commercial buildings against which agreements have been cancelled as per mutual understanding of the buyer and the Group.			
<b>31.2.2</b> During the current year the Group has reassessed its estimates of total sales value and costs for completion of 'Pace Towers' project which has resulted in decrease in amount of revenue recognised with corresponding impact on receivables and advance against sale of property.			
	Note	2012	2011
(Rupees in thousand)			
<b>32. Cost of sales</b>			
Shops and commercial buildings sold			
- at percentage of completion basis	32.1	<b>33,589</b>	(333,353)
- at completion of project basis	32.2	<b>43,346</b>	(113,381)
Plots sold		-	18,951
Commodities sold		-	5,959
Stores operating expenses	32.3	<b>294,838</b>	342,215
		<b>371,773</b>	(79,609)
		<b>371,773</b>	(79,609)
<b>32.1 Shops and commercial buildings sold at percentage of completion basis</b>			
Opening work in process		<b>1,204,659</b>	871,118
Project development costs		-	188
Transferred to capital work in progress		<b>(127,457)</b>	-
Closing work in process	25	<b>(1,043,613)</b>	(1,204,659)
Cost of apartments and commercial buildings sold / (reversed) during the year		<b>33,589</b>	(333,353)
		<b>33,589</b>	(333,353)
<b>32.2 Shops and houses sold at completion of project basis</b>			
Opening inventory of shops and houses		<b>394,643</b>	173,905
Transferred to property, plant & equipment	19.1	<b>(79,089)</b>	-
Transferred from investment property		-	116,305
Transferred to investment property	21	-	(12,639)
Project development cost during the year		<b>5,500</b>	3,691
Transferred to disposal group held-for-sale	30	<b>(10,420)</b>	-
Closing inventory of shops and houses	25	<b>(267,288)</b>	(394,643)
Cost of shops and houses sold / (reversed) during the year	32.2.1	<b>43,346</b>	(113,381)
		<b>43,346</b>	(113,381)

## Pace (Pakistan) Group

	Note	2012	2011
<b>32.2.1 Cost of shops and houses sold / reversed during the year</b>			
		<b>(Rupees in thousand)</b>	
Cost of shops and houses sold during the year		43,346	154,147
Cost of sale of shops and houses reversed during the year		-	(267,528)
		<b>43,346</b>	<b>(113,381)</b>
<b>32.3 Stores operating expenses</b>			
Salaries, wages and benefits	32.3.1	31,345	26,370
Rent, rates and taxes		8,024	7,390
Insurance		27,000	25,768
Fuel and power		177,662	151,921
Depreciation on owned assets	19.1.1	15,518	16,220
Repairs and maintenance		11,267	86,051
Janitorial and security charges		23,996	14,818
Others		26	13,677
		<b>294,838</b>	<b>342,215</b>
<b>32.3.1 Salaries, wages and benefits include following in respect of gratuity:</b>			
Current service cost		742	858
Interest cost		423	452
Actuarial gains on liability		(130)	-
		<b>1,035</b>	<b>1,310</b>
<b>33. Administrative and selling expenses</b>			
Salaries, wages and benefits	33.1	51,844	54,699
Travelling and conveyance		5,626	7,077
Rent, rates and taxes		3,306	7,777
Insurance		5,840	9,436
Printing and stationery		1,324	2,028
Repairs and maintenance		11,254	31,286
Motor vehicles running		15,152	11,183
Communications		4,453	5,135
Advertising and sales promotion		10,980	17,576
Depreciation on:			
- property, plant and equipment	19.1.1	10,411	22,270
- assets subject to finance lease	19.2.1	19,107	21,726
Amortisation on intangible assets	20.1	560	565
Auditors' remuneration	33.2	2,416	2,065
Legal and professional		6,360	4,996
Commission on sales		1,427	10,133
Office expenses		6,715	10,371
Other expenses		27,173	16,842
Entertainment expenses		-	28
Provision for doubtful debts	26.2	67,613	28,650
Provision for doubtful advances	28	4,311	-
		<b>255,872</b>	<b>263,843</b>

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	Note	2012	2011
		(Rupees in thousand)	
<b>33.1</b>			
Salaries, wages and benefits include following			
In respect of gratuity:			
Current service cost		4,969	5,744
Interest cost		2,833	3,021
Actuarial gains on liability		(874)	-
		6,928	8,765
<b>33.2</b>			
<b>Auditors' remuneration</b>			
The charges for auditors' remuneration includes the following in respect of auditors' services for:			
Statutory audit		1,500	1,485
Certification and sundry services		130	130
Half yearly review		450	450
Out of pocket expenses		336	-
		2,416	2,065
<b>34. Other operating income</b>			
<b>Income from financial assets</b>			
Mark up on bank accounts		2,295	2,950
Mark up on balances with related parties		-	2,765
Commission on guarantee	34.1	1,500	1,500
Rental income		9,364	6,600
Others		15,405	8,317
<b>Income from non-financial assets</b>			
Gain on sale of property, plant and equipment		2,564	2,726
Gain on sale of investment property		-	8,000
Liabilities written back		20,974	495
Deferred income		17,569	19,167
		69,671	52,520
<b>34.1</b>			
This represents commission income on guarantee provided on behalf of Pace Barka Properties Limited, an associate.			
	Note	2012	2011
		(Rupees in thousand)	
<b>35. Other operating expenses</b>			
Exchange loss on foreign currency convertible bonds	10	121,450	6,499
Loss on sale of shares		-	75,000
Impairment loss on available for sale investments		-	154,980
		121,450	236,479

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	2012	2011
	(Rupees in thousand)	
<b>36. Finance costs</b>		
Mark up on		
- Long term finances - secured	131,497	155,886
- Foreign currency convertible bonds	87,789	78,073
- Term finance certificates	223,602	224,448
- Short term finance -secured	16,281	21,055
- Finance lease	2,064	5,406
	461,233	484,868
Bank charges and processing fee	3,530	20,213
	464,763	505,081
<b>37. Taxation</b>		
Current		
- Current year	1,062	880
- Prior years	(189)	(57,000)
	873	(56,120)
Deferred	30,105	2,119
Group	30,978	(54,001)
Associated	(9,838)	(18,195)
	21,140	(72,196)

**37.1** In view of the available income tax losses and gross loss during the year, the provision for current taxation represents tax under 'Final Tax Regime'. 'Final Tax Regime' is not available for set off against normal tax liabilities arising in future years.

For the purposes of current taxation, the tax losses available for carry forward as at June 30, 2012 are estimated approximately at Rs 2,678.708 million (2011: Rs 1,851.151 million).

### 38. Remuneration of Chief Executive, Directors and Executives

The aggregate amount charged in the financial statements for the year for remuneration to directors is Rs 4.417 million (2011: Rs 4.763 million).

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

	Chief Executive		Directors		Executives	
	2012	2011	2012	2011	2012	2011
	(Rupees in thousand)		(Rupees in thousand)		(Rupees in thousand)	
<b>Short term employee benefits</b>						
Managerial remuneration	1,412	271	2,598	3,175	11,820	11,696
Housing	635	108	1,169	1,270	5,319	4,678
Utilities	353	27	650	318	2,955	1,170
Medical expenses	-	-	-	-	-	506
Fuel expenses	-	-	-	-	-	2,467
Mobile expenses	-	-	-	-	-	551
Post employment benefits	-	-	-	-	-	4,666
	2,400	406	4,417	4,763	20,094	25,734

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	Chief Executive		Directors		Executives	
	2012	2011	2012	2011	2012	2011
<b>Number of persons</b>	1	1	3	3	17	29

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

	Note	2012	2011
<b>(Rupees in thousand)</b>			
<b>39. Cash generated from operations</b>			
Loss before tax		<b>(1,412,076)</b>	(2,629,335)
Adjustment for:			
Depreciation on:			
- owned assets	19.1	<b>25,929</b>	38,490
- assets subject to finance lease	19.2	<b>19,107</b>	21,726
Amortisation on intangible assets	20	<b>560</b>	565
Share of profit from associated companies		<b>37,463</b>	491,498
Gain on sale of property, plant and equipment	34	<b>(2,564)</b>	(2,726)
Exchange loss on foreign currency convertible bonds	10	<b>121,450</b>	6,499
Provision for doubtful receivables	26	<b>67,613</b>	28,650
Provision for gratuity and leave encashment		<b>8,805</b>	11,648
Impairment loss on investment		-	154,980
Loss on disposal of investment		-	75,000
Finance costs	36	<b>464,763</b>	505,081
Mark up income		<b>(2,295)</b>	(2,765)
Changes in fair value of investment property	21	<b>566,591</b>	788,158
Gain on disposal of investment property		-	100,00
Deferred income	34	<b>(17,569)</b>	(19,167)
Liabilities written back	34	<b>(20,974)</b>	-
Advances written off		<b>6,668</b>	-
Gain on bargain purchase	45	<b>(117,418)</b>	-
Loss before working capital changes		<b>(253,947)</b>	(431,698)
Effect on cash flow due to working capital changes:			
Decrease / (increase) in stock-in-trade		<b>108,399</b>	(431,168)
Decrease in trade debts		<b>230,331</b>	666,200
Increase in due from related parties		<b>(927)</b>	(2,756)
Increase in advance against purchase of property		<b>-</b>	(95,035)
Decrease in advances, deposits and other receivables		<b>41,585</b>	121,711
Increase in creditors, accrued and other liabilities		<b>86,547</b>	21,174
		<b>465,935</b>	280,126
		<b>211,988</b>	(151,572)
<b>40. Cash and cash equivalents</b>			
Short term finance - secured	14	<b>(100,000)</b>	(104,457)
Cash and bank balances	29	<b>8,134</b>	59,592
		<b>(91,866)</b>	(44,865)

#### **41. Operating Segments**

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

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

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

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

**(a) Real Estate**

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

**(b) Investment Properties**

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

**(c) Others**

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

41.2 Segment information	Real estate sales		Investment properties		Others		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
Segment revenue	34,393	(657,251)	27,261	32,447	157,093	148,399	218,747	(476,405)
Segment expenses								
- Cost of sales	76,935	(44,339)	73,539	23,308	221,299	100,640	371,773	79,609
Gross (loss)/profit	(42,542)	(612,912)	(46,278)	9,139	(64,206)	47,759	(153,026)	(396,796)
- Changes in fair value of investment property	-	-	(566,591)	(788,158)	-	-	(566,591)	(788,158)
<b>Segment results</b>	<b>(42,542)</b>	<b>(612,912)</b>	<b>(612,869)</b>	<b>(779,019)</b>	<b>(64,206)</b>	<b>47,759</b>	<b>(719,617)</b>	<b>(1,184,954)</b>
Administrative and selling expenses							(255,872)	(263,843)
Other operating income							69,671	52,520
Finance costs							(464,763)	(505,081)
Other operating expenses							(121,450)	(236,479)
Share of profit from associates							(37,463)	(491,498)
Gain on bargain purchase							117,418	-
<b>Loss before tax</b>							<b>(1,412,076)</b>	<b>(2,629,335)</b>
Taxation								
- Group							(873)	54,001
- Associated Companies							(20,267)	18,195
<b>Loss for the year</b>							<b>(1,433,216)</b>	<b>(2,557,139)</b>
<b>41.2.1 Segment assets</b>	<b>3,172,051</b>	<b>3,499,992</b>	<b>3,167,645</b>	<b>3,828,426</b>	<b>-</b>	<b>-</b>	<b>6,339,696</b>	<b>7,328,418</b>
Unallocated assets							2,061,756	2,030,410
							8,401,452	9,358,828
<b>41.2.2 Segment liabilities</b>	<b>3,063,772</b>	<b>2,977,444</b>	<b>16,495</b>	<b>17,183</b>	<b>-</b>	<b>-</b>	<b>3,080,267</b>	<b>2,994,627</b>
Unallocated liabilities							1,811,126	1,267,926
							4,891,393	4,262,553
<b>41.2.3 Capital expenditure</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Unallocated							7,178	1,474
							7,178	1,474
<b>41.2.4 Depreciation/amortisation</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>45,596</b>	<b>60,781</b>
Unallocated							45,596	60,781

**42. Financial risk management**

**42.1 Financial risk factors**

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

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

**(a) Market risk**

**(i) Currency risk**

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

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

	<b>2012</b>	<b>2011</b>
Foreign currency convertible bonds - USD	<u><b>15,540,153</b></u>	<u><b>14,583,759</b></u>

The following significant exchange rates were applied during the year:

**Rupees per USD**

Average rate	<b>90.31</b>	85.54
Reporting date rate	<b>94.20</b>	86.05

If the functional currency, at reporting date, had weakened/strengthened by 5% against the USD with all other variables held constant, post-tax loss profit for the year would have been Rs 77.513 million (2011: Rs 56.439 million) higher / lower, mainly as a result of foreign exchange losses / gains on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis.

**(ii) Other price risk**

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Group is not exposed to equity price risk since the investments in listed equity securities are immaterial.

**(iii) Interest rate risk**

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



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

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

	2012	2011
	(Rupees in thousand)	
<b>Financial Assets</b>		
<b>Floating rate instruments</b>		
Bank balances - savings accounts	7,159	55,175
<b>Financial liabilities</b>		
<b>Fixed rate instruments</b>		
Foreign currency convertible bonds - unsecured	<u>1,463,882</u>	<u>1,254,643</u>
<b>FLOATING RATE INSTRUMENTS</b>		
Redeemable capital - secured (non-participatory)	1,498,200	1,498,200
Liabilities against assets subject to finance lease	33,563	39,154
Short term finance - secured	100,000	104,457
Long term finances - secured	749,830	827,422
<b>Net exposure</b>	<u>2,381,593</u>	<u>2,469,233</u>
<b>Fair value sensitivity analysis for fixed rate instruments</b>		

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

**Cash flow sensitivity analysis for variable rate instruments**

If interest rates on redeemable capital, liabilities against assets subject to finance lease, term finances and short term finances, at the year end date, fluctuate by 1% higher / lower with all other variables held constant, post tax loss for the year would have been Rs 24.254 million (2011: Rs 16.124 million) higher / lower, mainly as a result of higher / lower interest expense on floating rate borrowings.

**(b) Credit risk**

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

**(i) Exposure to credit risk**

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

	2012	2011
	(Rupees in thousand)	
Long term advances and deposits	13,822	13,533
Trade debts - unsecured	831,260	1,061,591
Advances, deposits, prepayments and other receivables		
- Advances to employees - considered good	3,126	7,785
- Security deposits	13,987	23,459
- Others - considered good	12,065	9,042
Cash and bank balances	8,134	59,592
	<u>882,394</u>	<u>1,175,002</u>

## Pace (Pakistan) Group

2012                      2011  
(Rupees in thousand)

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

- Not past due	11,145	363,559
- Past due 0 - 365 days	49,378	440,366
- 1 - 2 years	299,989	70,930
- More than 2 years	470,748	186,736
	831,260	1,061,591

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. Furthermore, the Group transfers the legal title of sold properties only after complete settlement of debt. Accordingly, the credit risk is minimal.

### (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	2012	2011
				(Rupees in thousand)	
KASB Bank	BBB	AAA	Pacra	55	691
Allied Bank Limited	A1+	AA+	Pacra	159	540
Faysal Bank Limited	A1+	AA	Pacra	941	24
United Bank Limited	A1+	AA+	JCR-VIS	-	37
Soneri Bank Limited	A1+	AA-	Pacra	5	6
Habib Bank Limited	A-1+	AA+	JCR-VIS	1	67
Standard Chartered Bank Pakistan Limited	A1+	AAA	Pacra	326	98
Silk Bank Limited	A2	A -	JCR-VIS	65	64
NIB Bank limited	A1+	AA+	Pacra	1	34
Burj Bank Limited	A3	BBB+	JCR-VIS	3	1
Bank Al-Falah Limited	A1+	AA	Pacra	-	25
Al Baraka Bank Pakistan Limited	A1	A	JCR-VIS	4,429	4,128
HSBC Bank Limited	F1+	AA -	Fitch	-	1
National Bank of Pakistan	A-1+	AAA	JCR-VIS	2,113	53,872
Askari Bank Limited	A1+	AA	Pacra	5	5
				8,103	59,592

The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings.

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

### (c) Liquidity risk

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

## Pace (Pakistan) Group

Management monitors the forecasts of the Group's cash and cash equivalents (note 40) on the basis of expected cash flow. This is generally carried out in accordance with practice and limits set by the Group. In addition, the Group's liquidity management policy involves projecting cash flows in each quarter and considering the level of liquid assets necessary to meet its liabilities, monitoring balance sheet liquidity ratios against internal and external regulatory requirements, and maintaining debt financing plans. During the current year the Group remained under severe liquidity pressure. However the Group plans to improve its liquidity position through re-launching of its existing projects and improved recoveries as set out in note 2.2.

The following are the contractual maturities of financial liabilities as at June 30, 2012:

	Carrying amount	Less than one year	One to five years	More than five years
(Rupees in thousand)				
Long term finances - secured	749,830	749,830	-	-
Redeemable capital - secured (non-participatory)	1,498,200	1,498,200	-	-
Liabilities against assets subject to finance lease	33,563	33,336	227	-
Foreign currency convertible bonds - unsecured	1,463,882	1,463,882	-	-
Short term finance - secured	100,000	100,000	-	-
Creditors, accrued and other liabilities	235,009	235,009	-	-
Accrued finance cost	505,049	505,049	-	-
	<b>4,585,533</b>	<b>4,585,306</b>	<b>227</b>	<b>-</b>

The following are the contractual maturities of financial liabilities as at June 30, 2011:

	Carrying amount	Less than one year	One to five years	More than five years
(Rupees in thousand)				
Long term finances - secured	827,422	599,422	228,000	-
Long term finances - unsecured	-	-	5,637	-
Redeemable capital - secured (non-participatory)	1,498,200	600	1,198,080	299,520
Liabilities against assets subject to finance lease	39,154	37,264	1,890	-
Foreign currency convertible bonds - unsecured	1,254,643	6,076	1,248,567	-
Short term finance - secured	104,457	104,457	-	-
Creditors, accrued and other liabilities	169,006	360,006	-	-
Accrued finance cost	195,733	195,773	-	-
	<b>4,088,655</b>	<b>1,112,598</b>	<b>2,682,174</b>	<b>299,520</b>

### 42.2 Financial instruments by categories

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

	2012			2011
	(Rupees in thousand)			
	Available for sale	Loans and receivables	Total	Total
<b>Assets as per balance sheet</b>				
Long term advances and deposits	-	13,822	13,822	675,925
Trade debts - unsecured	-	721,551	721,551	1,019,495
Investments	2,648	-	2,648	1,311,550
Advances, deposits, prepayments and other receivables				
- Advances to employees - considered good	-	3,126	3,126	7,785
- Security deposits	-	13,987	13,987	23,459
- Others - considered good	-	12,065	12,065	9,042
Cash and bank balances	-	8,134	8,134	59,352
	<b>2,648</b>	<b>772,685</b>	<b>775,333</b>	<b>3,106,848</b>

**Financial liabilities at  
amortized cost**

**2012                      2011**  
**(Rupees in thousand)**

**Liabilities as per balance sheet**

Long term finances - secured	<b>749,830</b>	827,422
Redeemable capital - secured (non-participatory)	<b>1,498,200</b>	1,498,200
Liabilities against assets subject to finance lease	<b>33,563</b>	39,154
Foreign currency convertible bonds - unsecured	<b>1,463,882</b>	1,254,643
Short term finance - secured	<b>100,000</b>	104,457
Creditors, accrued and other liabilities	<b>235,009</b>	169,006
Accrued finance cost	<b>505,049</b>	195,773
	<b><u>4,585,533</u></b>	<b><u>4,088,655</u></b>

**42.3 Capital risk management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders through repurchase of shares, issue new shares or sell assets to reduce debt. Consistent with others in the industry and the requirements of the lenders the Group monitors the capital structure on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings including current and non-current borrowings, as disclosed in note 6, 8, 9 and 14 less cash and cash equivalents as disclosed in note 40. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt. The Group's strategy, which was unchanged from last year, was to maintain a gearing ratio of 60% debt and 40% equity. The gearing ratio as at year ended June 30, 2012 and June 30, 2011 are as follows:

	<b>Note</b>	<b>2012</b>	<b>2011</b>
		<b>(Rupees in thousand)</b>	
Borrowings		<b>3,711,912</b>	3,580,265
Less: Cash and cash equivalents	40	<b>(91,866)</b>	(44,865)
Net debt		<b><u>3,803,778</u></b>	<u>3,625,130</u>
Total equity		<b>3,422,284</b>	5,111,789
Total capital		<b><u>7,226,062</u></b>	<u>8,736,919</u>
Gearing ratio		<b>53%</b>	41%

**43. Loss per share**

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

## Pace (Pakistan) Group

2012  
2011  
(Rupees in thousand)

### 43.1 Basic loss per share

Loss for the year	<b>Rupees in thousand</b>	<b>(1,433,091)</b>	(2,551,779)
Weighted average number of ordinary shares outstanding during the year	<b>In thousand</b>	<b>278,877</b>	278,877
Basic loss per share	<b>Rupees</b>	<u><u><b>(5.14)</b></u></u>	<u><u>(9.15)</u></u>

### 43.2 Diluted loss per share

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

Loss for the year for calculation of basic loss per share	<b>Rupees in thousand</b>	<b>(1,433,091)</b>	(2,551,779)
Interest on FCCB	<b>Rupees in thousand</b>	<b>87,789</b>	78,073
Exchange loss on FCCB during the year	<b>Rupees in thousand</b>	<b>121,450</b>	6,499
Loss used to determine diluted loss per share	<b>Rupees in thousand</b>	<u><u><b>(1,223,852)</b></u></u>	<u><u>(2,467,207)</u></u>
Weighted average number of ordinary shares outstanding during the year	<b>In thousand</b>	<b>278,877</b>	278,877
Assumed conversion of FCCB into ordinary shares	<b>In thousand</b>	<b>92,923</b>	83,341
Weighted average number of ordinary shares for loss per share		<u><u><b>371,800</b></u></u>	<u><u>362,218</u></u>
Dilutive loss per share	<b>Rupees</b>	<u><u><b>(3.29)</b></u></u>	<u><u>(6.81)</u></u>

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

#### 44. Transactions with related parties

The related parties comprise associates, other related companies and key management personnel. The Group in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables and remuneration of key management personnel is disclosed in note 38. Other significant transactions with related parties are as follows:

Relationship with the company	Nature of transactions	2012	2011
		(Rupees in thousand)	
i. Associate	Advance against purchase of property	-	97,773
	Commission income	<b>1,500</b>	1,500
ii. Others	Purchase of goods & services	<b>39,713</b>	53,372
	Purchase of property plant & equipment	<b>340</b>	-
	Sales of goods and services	<b>7,260</b>	6,600

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

#### 45. Business combination

On June 30, 2012, Pace (Pakistan) Limited's holding in Pace Supermall (Private) Limited increased to the extent of 56.79%. Furthermore, Pace Gujrat (Private) Limited, a wholly owned subsidiary of Pace (Pakistan) Limited also acquired 12.05% shares in Pace Supermall (Private) Limited. Consequently, as of June 30, 2012 it became a subsidiary. Details of net assets acquired and bargain purchase are as follows:

		2012
		(Rupees in thousand)
Purchase consideration		
- paid in cash		91,435
- fair value of loan converted		19,435
- fair value of previously held interest		<b>180</b>
		<b>111,050</b>
Non-controlling interest		<b>103,414</b>
		<b>214,464</b>
Fair value of net assets acquired	45.1	<b>(331,882)</b>
Gain on bargain purchase		<b>(117,418)</b>

##### 45.1 Fair value of net assets acquired

The assets and liabilities arising from acquisition are as follows:

	Fair value	Acquire's carrying amount
	(Rupees in thousand)	
Stock in trade	<b>354,600</b>	184,035
Advances to staff - unsecured, considered good	<b>20</b>	20
Cash and bank	<b>7</b>	7
Advance against sale of property	<b>(22,600)</b>	(22,600)
Accrued liabilities	<b>(145)</b>	(145)
Net assets	<b>331,882</b>	161,317

**46. Detail of subsidiaries**

<b>Year ended June 30, 2012</b>	<b>Accounting year end</b>	<b>Percentage of holding</b>	<b>Country of Incorporation</b>
Pace Woodlands (Private) Limited	30-Jun-12	52%	Pakistan
Pace Gujrat (Private) Limited	30-Jun-12	100%	Pakistan
Pace Supermall (Private) Limited	30-Jun-12	69%	Pakistan
<b>Year ended June 30, 2011</b>			
Pace Woodlands (Private) Limited	30-Jun-11	52%	Pakistan
Pace Gujrat (Private) Limited	30-Jun-11	100%	Pakistan

**47. Date of authorisation**

These financial statements were authorised for issue on October 06 , 2012 by the board of directors of the Group.

**48. Corresponding figures**

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

	<b>(Rupees in thousand)</b>
"Assets subject to finance lease" has been reclassified to "Property, Plant and Equipment" as it is considered a better presentation under International Accounting Standard 16 - Property, Plant and Equipment.	25,259
"Capital work in progress" has been reclassified to "Property, Plant and Equipment" as it is considered a better presentation under International Accounting Standard 16 - Property, Plant and Equipment.	6,672
"Accrued finance cost" previously included in "Creditors, accrued and other liabilities" now presented separately as it is considered more appropriate for the purpose of presentation.	195,773

**Lahore**  
October 06, 2012

**Aamna Taseer**  
Chief Executive

**Shehryar Ali Taseer**  
Director

**PATTERN OF SHAREHOLDING  
AS AT JUNE 30, 2012**

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

No. of Shareholders	Shareholdings			Shares Held
	From		To	
2090	1	-	100	162,064
1055	101	-	500	405,111
3845	501	-	1000	2,575,425
2061	1001	-	5000	5,659,945
733	5001	-	10000	6,280,077
247	10001	-	15000	3,234,145
194	15001	-	20000	3,671,635
157	20001	-	25000	3,746,665
91	25001	-	30000	2,603,595
53	30001	-	35000	1,778,560
48	35001	-	40000	1,857,116
30	40001	-	45000	1,305,865
91	45001	-	50000	4,512,455
29	50001	-	55000	1,537,235
19	55001	-	60000	1,121,300
16	60001	-	65000	1,006,217
16	65001	-	70000	1,105,562
22	70001	-	75000	1,642,144
9	75001	-	80000	714,000
11	80001	-	85000	916,368
6	85001	-	90000	532,999
6	90001	-	95000	559,054
42	95001	-	100000	4,192,048
10	100001	-	105000	1,025,754
5	105001	-	110000	534,239
2	110001	-	115000	223,600
5	115001	-	120000	593,181
5	120001	-	125000	617,776
6	125001	-	130000	773,077
7	130001	-	135000	931,972
1	135001	-	140000	139,511
2	140001	-	145000	287,761
13	145001	-	150000	1,945,347
7	150001	-	155000	1,064,412
2	155001	-	160000	314,228
3	160001	-	165000	492,000



## Pace (Pakistan) Limited

No. of Shareholders	Shareholdings		Shares Held	
	From	To		
3	165001	-	170000	510,000
3	170001	-	175000	524,000
3	175001	-	180000	537,813
1	180001	-	185000	181,000
1	185001	-	190000	190,000
19	195001	-	200000	3,800,000
1	200001	-	205000	201,174
2	210001	-	215000	425,415
1	215001	-	220000	220,000
2	220001	-	225000	449,000
2	225001	-	230000	453,784
1	235001	-	240000	236,923
1	240001	-	245000	242,500
8	245001	-	250000	2,000,000
1	250001	-	255000	252,887
1	255001	-	260000	257,526
2	270001	-	275000	546,090
1	285001	-	290000	289,951
6	295001	-	300000	1,796,537
2	300001	-	305000	608,926
1	305001	-	310000	310,000
2	330001	-	335000	664,875
1	340001	-	345000	345,000
2	345001	-	350000	700,000
1	350001	-	355000	351,500
1	365001	-	370000	369,041
1	370001	-	375000	375,000
1	375001	-	380000	375,211
1	385001	-	390000	390,000
1	395001	-	400000	400,000
1	400001	-	405000	400,821
1	420001	-	425000	425,000
1	460001	-	465000	928,838
2	475001	-	480000	960,000
2	485001	-	490000	489,000
1	495001	-	500000	2,500,000
5	525001	-	530000	1,051,716
2	545001	-	550000	546,949
1	595001	-	600000	1,800,000
3	600001	-	605000	604,697
1	635001	-	640000	1,276,831
2	685001	-	690000	690,000
1	705001	-	710000	709,911
1	745001	-	750000	750,000
1	750001	-	755000	752,118
1	795001	-	800000	800,000
1	845001	-	850000	850,000
1	865001	-	870000	866,986
1	885001	-	890000	889,942

**Pace (Pakistan) Limited**

No. of Shareholders	Shareholdings		Shares Held	
	From	To		
1	930001	-	935000	932,470
1	945001	-	950000	949,115
1	1045001	-	1050000	1,046,501
1	1070001	-	1075000	1,073,331
1	1145001	-	1150000	1,150,000
1	1165001	-	1170000	1,165,699
1	1195001	-	1200000	2,397,809
2	1480001	-	1485000	1,482,695
1	1530001	-	1535000	1,532,536
1	2195001	-	2200000	2,200,000
1	2495001	-	2500000	5,000,000
2	3995001	-	4000000	4,000,000
1	4290001	-	4295000	4,290,268
1	4300001	-	4305000	8,600,679
2	4395001	-	4400000	4,400,000
1	4970001	-	4975000	4,971,117
1	5045001	-	5050000	5,050,000
1	6955001	-	6960000	6,959,290
1	7330001	-	7335000	7,334,807
1	9555001	-	9560000	9,557,645
1	9595001	-	9600000	9,595,410
1	11500001	-	11505000	11,500,600
1	13425001	-	13430000	13,425,668
1	15780001	-	15785000	15,782,931
1	21800001	-	21805000	21,803,661
1	37310001	-	37315000	37,314,967
<b>11070</b>				<b>278,876,604</b>

**PATTERN OF SHAREHOLDING  
AS AT JUNE 30, 2012**

Categories of Shareholders	Shares held	Percentage
Directors, Chief Executive Officer, and their spouse and minor children	25,522,380	9.152
Associated Companies, undertakings and related parties.	31,014,697	11.121
NIT and ICP	525,716	0.189
Banks, Development Financial Institutions, Non Banking Financial Institutions	43,910,641	15.746
Insurance Companies	625,711	0.224
Modarabas and Mutual Funds	2,005,575	0.719
Share holders holding 10% or more	37,314,967	13.380
General Public		
a) Local	110,150,136	39.498
b) Foreign	8,813,574	3.160
Others:		
- Public Sector Companies	33,561,043	12.034
- Foreign Companies	22,747,131	8.157

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

**PATTERN OF SHAREHOLDING AS PER LISTING REGULATIONS  
AS AT JUNE 30, 2012**

<b>Shareholders' Category</b>	<b>Number of Shares held</b>
<b>Associated Companies, undertaking and related parties</b>	
Worldcall Telecom Limited	6,959,290
First Capital Securities Corporation Limited	24,055,407
<b>Mutual Funds</b>	-
<b>Directors and their Spouse and Minor Children</b>	
Aamna Taseer (CEO/Director)	587
Shehryar Ali Taseer (Director)	500
Shehrbano Taseer (Director)	500
Maheen Ghani Taseer (Director)	587
Khaldoon Bin Latif (Director)	-
Jamal Said Al-Ojaili (Director)	587
Imran Saeed Chaudhry (Director)	4,300,571
Sulaiman Ahmad Saeed Al-Hoqani (Director)	21,219,048
<b>Executives</b>	-
<b>Public Sector Companies and Corporations</b>	33,561,043
<b>Banks Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Takaful, Modaraba and Pension Funds</b>	46,541,927
<b>Shareholders holding 5% or more voting interest in the Company</b>	
Sulaiman Ahmed Saeed Al-Hoqani	21,219,048
Pioneer Services Limited	21,803,661
First Capital Securities Corporation Limited	24,055,407
National Bank of Pakistan	37,314,967

# Pace (Pakistan) Limited

## FORM OF PROXY

The Company Secretary  
Pace (Pakistan) Limited  
2nd Floor, Pace Shopping Mall,  
Fortress Stadium, Lahore-Cantt., 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, 2nd Floor, Pace Shopping Mall, Fortress Stadium, Lahore-Cantt.,  
Lahore on 31 October 2012 at 12:00 noon and at any adjournment thereof.

Signature this \_\_\_\_\_ Day of \_\_\_\_\_ 2012.

(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.

