

# Pace (Pakistan) Limited

## Annual Report 2014



**PACE**   
Building the Future  
Building Pakistan

**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, 2014**

## COMPANY INFORMATION

<b>Board of Directors</b>	Shehryar Ali Taseer (Chairman) Aamna Taseer (CEO) Shehribano Taseer Imran Hafeez Kanwar Latafat Ali Khan Imran Saeed Chaudhry Sulaiman Ahmed Saeed Al-Hoqani Syed Abid Raza	Non-Executive Executive Non-Executive Executive Non-Executive Non-Executive Non-Executive Independent
<b>Chief Financial Officer</b>	Imran Hafeez	
<b>Audit Committee</b>	Kanwar Latafat Ali Khan (Chairman) Shehryar Ali Taseer Shehribano Taseer Syed Abid Raza	
<b>Human Resource and Remuneration (HR&amp;R) Committee</b>	Shehryar Ali Taseer (Chairman) Aamna Taseer Kanwar Latafat Ali Khan	
<b>Company Secretary</b>	Sajjad Ahmad	
<b>Auditors</b>	A.F. Ferguson & Co.	
<b>Legal Advisers</b>	Chartered Accountants M/s. Imtiaz Siddiqui & Associates	
<b>Bankers</b>	Allied Bank Limited Albaraka Bank (Pakistan) Limited Askari Bank Limited Bank Al-Jalal Limited Faysal Bank Limited Habib Bank Limited KASB Bank Limited National Bank of Pakistan NIB Bank Limited Silk Bank Limited Soneri Bank Limited Poir Investment Company Limited The Bank of Punjab	
<b>Registrar and Shares Transfer Office</b>	THK Associates (Pvt.) Limited Ground Floor State Life Building No.3, Dr. Zia-ud-Din Ahmed Road Karachi ☎ (021) 111-000-322	
<b>Registered Office/Head Office</b>	2 <sup>nd</sup> 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 23<sup>rd</sup> Annual General Meeting of the Shareholders of Pace (Pakistan) Limited ("the Company" or "PACE") will be held on Friday, 31 October 2014 at 11:00 a.m. 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 Extra Ordinary General Meeting held on 30 April 2014;
2. To receive, consider and adopt the audited financial statements of the Company for the year ended 30 June 2014 together with the Directors' and Auditors' reports thereon;
3. To appoint the Auditors of the Company for the year ending 30 June 2015 and to fix their remuneration;

**By order of the Board**

Lahore  
03 October 2014

**Sajjad Ahmad**  
Company Secretary

### **Notes:**

- 1) The Members Register will remain closed from 24 October 2014 to 31 October 2014 (both days inclusive). Transfers received at IIK 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 2014 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.
  - 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 CNIC 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 CNIC or Passport. The proxy form shall be witnessed by two witnesses with their names, addresses and CNIC numbers. The proxy shall produce his/her original CNIC 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

### General Economic Overview:

The outgoing year witnessed global recovery as the world economy started picking up in the second half of last year and the global outlook indicates some signs of optimism. In South Asia economic performance of Pakistan is improving quantitatively and qualitatively as growth is broad based and touched all sectors of the economy and is the highest achievement since 2008-09.

Major success of the outgoing fiscal year includes: picking up economic growth, inflation contained at single digit, improvement in tax collection, reduction in fiscal deficit, achieving of GSP plus status by EU, worker remittances touches new height, successful launching of Euro Bond, auction of long pending 3G and 4G licenses; foreign exchange reserves significantly rise, Rupee strengthened and stock market created new history.

Government has introduced a comprehensive agenda of reforms which is highly focused on inclusive growth to reinvigorate the economy, spur growth, maintain price stability, provide jobs to the youth and rebuild the key infrastructure of the economy. The GDP growth accelerates to 4.14 percent in 2013-14 against the growth of 3.70 percent recorded in the same period last year. The growth momentum is broad based, as all sectors namely agriculture, industry and services have supported economic growth.

Per capita income in dollar terms recorded a growth of 3.5 percent in 2013-14 as compared to 1.44 percent last year. The per capita income in dollar terms has reached to \$ 1,386 in 2013-14. Total investment is recorded at 13.99 percent of GDP, Fix investment is registered at 12.39 percent of GDP. Private investment witnessed at 8.94 percent of GDP. Investment has been hard hit by internal and external factors during the last few years.

### Real Estate overview:

Real Estate is a promising and growing sector of the Pakistani economy. Pakistan spends \$5.2 billion on construction in a year and according to the Pakistan Bureau of Statistics, construction output accounts for 2% of GDP. Recently, with the increase in the rate of urbanization, there has been a rise in the demand of residential properties.

The Pakistani Government is also taking steps to

maintain the favorable returns of the real estate sector and hence dropped interest rates on mortgage loans. This has attracted many overseas Pakistani's and foreigners who have hedged their investments in this sector to reap huge profits.

The share of construction in industrial sector is 11.48 percent and is one of the potential components of industries. The construction sector has registered a growth of 11.31 percent against the growth of 1.68 percent of last year. This is also highest growth level achieved since 2008-09. Three main drivers of economic growth are consumption, investment and export. Pakistani society like other developing countries is a consumption oriented society, having high marginal propensity to consume.

### Company Performance and Financial Overview:

During the period, the company has shown a heftier performance as compared to the previous year, with an aggregate increase in sales by 19%. Reduction in net loss after tax from previous year is 63%. Company incurred a net after tax loss of Rs 189.6 Million during the period which is indicative of enhanced operational growth.

Comparison for the results of the year ended June 30, 2014 as against June 30, 2013 is as follows:

	Year Ended June 30,	
	2014	2013
	'Rupees in thousand'	
Sales	466,466	392,294
Sales return	(103,845)	-
Gross profit/(loss)	93,896	(30,419)
Other income	44,401	182,562
Finance cost	(274,168)	(370,576)
Net loss before tax	(186,012)	(507,941)
Net loss after tax	(189,638)	(508,877)
Loss per share-Basic and diluted	(0.68)	(1.82)

In light of the liquidity issues of the company due to stuck-up receivables management took a strategic decision of cancellation of sales made to the customers who have defaulted in payments of their installments as per the agreed terms of sales. Due to this decision company has to recognize the sales returns of PKR 103.8 million and corresponding reversal of cost of sales of PKR 91.4 million. This resulted in availability of inventory to the company which can be sold out at better terms and conditions.

## Pace (Pakistan) Limited

### Status of Financial obligations:

Amount payable to financial institutions and lenders in respect of company's borrowings is currently in overdue status because of the liquidity issues in company, however rescheduling/settlements of the debts and financial obligations is in process and management is hopeful to complete it on favorable terms in near future.

However Company entered into the following successful restructuring arrangements with two of its lenders:

- Soneri Bank has agreed to and the company has accepted to restructure entire principal of Rs 27.420 million and markup as on Dec 31, 2013 of Rs 12.130 million.
- The AlBaraka Bank and the Company have agreed to settle principal of Rs 242.291 million against properties at first floor of Pace Towers, aggregating to 17,950 square feet along with the waiver of accrued markup and late payment charges of Rs 147.038 million on certain conditions.

### Company's ability to continue as a Going Concern:

At the close of financial year ended June 30, 2014 Company is facing liquidity crunch and current liabilities of the Company have exceeded its current assets by Rs 2,569.572 million that may cast significant doubt about the company's ability to continue as a going concern.

The Company's ability to continue as a going concern is dependent on the ability of the Company to restructure its long term borrowings on account of relaxation in terms of repayment as well as its ability to generate funds from realization of its receivables and inventory, with resultant liquidity being utilized for completion and sale of its 'Pace Towers' Project.

Following are the summary cash flows prepared by the management of the Company based on the plans and intentions of expected sale and recoveries from Pace Tower and relaxations availed and/or settlement/adjustment of outstanding debt obligations. These cash flows have been prepared on the basis of current status of negotiations with the financial lenders and cash flows expected to be generated from sale of existing inventories and Pace tower sales. These cash flows are a result of prudent assumptions and conservative estimates given by our sales agent on the basis of sales plans developed for Pace tower. On the basis of these mitigates, management of the Company is confident that the company will be able to meet its

commitments with the stakeholders and will revive its profitability very soon:

	Year ending June 30			
	2015	2016	2017	2018
	(Rs in millions)			
<b>Cash flow (used in) / from operating activities</b>				
From existing projects *	176	222	189	(227)
From planned projects	-	350	1,638	2,126
	176	572	1,827	1,899
<b>Cash flow from financing activities</b>				
Repayment of long term loans	(9)	(9)	(9)	-
Repayment of lease liabilities	(27)	-	-	-
	(36)	(9)	(9)	-
<b>Net inflow - available for repayment of borrowings</b>	79	563	1,822	1,899
<b>Settlement of borrowings against properties (Debt to Assets Swap)</b>	669	-	-	-

### Risk management:

The board recognizes that risk is an integral component of the business, and that it is characterized by both threat and opportunity. Pace Pakistan fosters a risk aware corporate culture in all decision-making, and is committed to managing all risk in a proactive and effective manner through competent risk management. To support this commitment, risk is analyzed in order to inform the management decisions taken at all levels within the organization. Due to the limitations inherent in any risk management system, the process for identifying, evaluating and managing the material business risks is designed to manage, rather than eliminate, risk and to provide reasonable, but not absolute assurance, against material misstatement or loss. Certain risks, for example natural disasters, cannot be managed to an acceptable degree using internal controls. Such major risks are transferred to third parties in the local insurance markets, to the extent considered appropriate.

### Internal controls:

The directors and management are responsible for the Company's system of internal controls and for reviewing annually its effectiveness in providing shareholders with a return on their investments that is consistent with a responsible assessment and management of risks. This includes reviewing financial, operational and compliance controls and risk management procedures and their effectiveness. The directors have completed their annual review and assessment for year ended 2014.

The board and audit committee regularly review reports of the internal audit function of the company related to the Company's control framework in order to satisfy the internal control requirements. The company's internal Audit function performs reviews of the integrity and effectiveness of control activities and provides regular reports to the Audit Committee and the Board.

## Pace (Pakistan) Limited

### Our commitment to diversity:

We at Pace Pakistan Limited believe in diversity, wherever we operate and across every part of our business, we strive to create an inclusive culture in which difference is recognized and valued. By bringing together men and women from diverse backgrounds and giving each person the equal opportunity to contribute their skills, experience and perspectives, we believe that we are able to develop the best solutions to challenges and deliver sustainable value for our stakeholders.

### Health and Safety measures:

We are committed to achieving our goal of zero harm. This is supported by our management system which provides the framework for incorporating hazard identification, risk assessment and risk management into all aspects of the operations. Safe operations that protect our people and assets are a priority and we work systematically to mitigate risks that are critical to operating safely.

We emphasize on improved leadership engagement around safety risk and to improve our health management processes, improve our understanding of fitness for work and wellness risks within our workforce.

Occupational health and safety is a top priority at the Company. We will strive to ensure safe working conditions, equipment and work sites. The Company promotes Employee involvement and accountability in identifying, preventing and eliminating hazardous conditions and the risks of Employee injury.

Health and safety in the working environment, product quality and operating efficiency are inseparable. The Company will ensure continuous improvement in health and safety performance through close cooperation among management, Employees and unions, which will contribute to the health and safety of employees and the success of the organization.

The Company is committed to:

- make employee health and safety a priority in all aspects of management practices;
- establish, communicate and enforce, with the Employees' involvement, work site-specific rules and safe work methods;
- promote and develop the awareness, leadership and accountability of employees in health and safety through their involvement in continuous improvement processes;

- measure its health and safety performance in accordance with established standards, and communicate the results to the Employees.

### People and Human Resource Development:

Our People strategy, together with our employee commitment, forms the framework that guides how we attract, develop, engage and retain talented people, while ensuring alignment with our business strategy. In line with our Employment policy, we seek safe and effective working relationships at all levels within the Group.

We employ on the basis of job requirements and adhere to the laws pertaining to non-discrimination on grounds of age, ethnic or social origin, gender, sexual orientation, politics, religion or disability.

Our employees' diversity of skills, ideas and experiences helps to ensure that we respond innovatively and sensitively to the challenges faced across the Company. The Company's human resource development is founded on a strong set of values. The policies seek to instill spirit of trust, transparency and dignity among all employees and thus have contributed to continuous growth.

We have a full-fledged HR department that is responsible for making this all happen. We offer our employees a rounded total rewards package, the principles of which are consistent across the all levels, designed to be competitive, in compliance with all applicable laws and regulations, and appropriately balanced.

### Appropriations:

Keeping in view the financial constraints and requirements of the company, the board has not recommended any dividend for the year under review.

### Changes in Board of Directors:

Election of directors was held during the month of April 2014 and all the retiring/existing directors were re-appointed for a further period of three years, except Mr. Jamal Said Al-Ojaili.

Syed Abid Raza was elected on the Board of the Company in place of Mr. Jamal Said Al-Ojaili, the retiring director. Subsequent to the year Mr. Kanwar Latafat Ali Khan appointed as director in place of Mrs. Maheen Ghani Taseer.

### Auditors:

The present auditors M/s A.F Ferguson & Co., Chartered

## Pace (Pakistan) Limited

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, 2015, at a fee to be mutually agreed.

### Human Resource Committee:

Keeping in view the requirements of the code of the corporate governance of Pakistan, applicable to the listed companies, the Board of Directors of the Company has formed an HR and Remuneration Committee. It comprises 3 members, two of whom are non-executive directors and the chairman of the committee is a non-executive director. The names of the members of the committee are mentioned below.

Shehryar Ali Taseer (Chairman)  
Aamna Taseer  
Kanwar Latafat Ali Khan

### Board Meetings during the year

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

Directors	Meetings Attended
Aamna Taseer	5
Shehryar Ali Taseer	5
Shehribano Taseer	5
Maheen Ghani Taseer (Resigned)	4
Imran Saeed Chaudhry	2
Imran Hafeez	5
Sulaiman Ahmed Saeed Al-Hoqani	1
Jamal Said Al-Ojaili (Retired)	-
Syed Abid Raza	-
Kanwar Latafat Ali Khan	-

The Directors who could not attend the meeting were duly granted leave by the Board.

### Trading of Directors

During the year under review no trading in the Company shares were carried out by the Directors, CEO, CFO, Company Secretary and their spouses including any minor children.

### Audit Committee:

The Board has formed an Audit Committee. It comprises four non-executive directors and chairman of the committee Mr. Kanwar Latafat Ali Khan is non-executive director.

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 of Corporate Governance. Attendance of the members of the committee at the meetings is given below:

Audit Committee Member	Meetings Attended
Kanwar Latafat Ali Khan	-
Shehryar Ali Taseer	6
Maheen Ghani Taseer	6
Shehribano Taseer	6
Syed Abid Raza	-

During the financial year the board has re-constitute the audit committee which comprise four board members as above.

### Integrity and compliance

Maintaining a strong and ethical culture is fundamental to the way we work at Pace Pakistan Limited. We are committed to conducting our business with integrity, one of our core values, and believe our values and good ethical standards are key to executing our strategy.

We are committed, in principle and practice, to transparency consistent with good governance and commercial confidentiality. We issue information in a timely way on the Group's operational, financial and sustainable development performance through a number of channels.

### Compliance with Laws, Rules & Regulations

Employees are required to comply fully with all laws, rules and regulations affecting the Company's business and its conduct in business matters. It is the Company's policy to abide by the national and local laws of nation and communities in which business of the Company is conducted. Beyond the strictly legal aspects involved, employees at all times are expected to act honestly and maintain the highest standards of ethics and business conduct, consistent with the professional image of the Company.

### Pattern of Shareholding:

The pattern of shareholding on June 30, 2014 as required under section 236 of the Company's 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 and all transactions entered into were for the purpose of business of 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 key operating and financial data for the last six years is Annexed.

6. The Company is in compliance with the requirement of training programs for Directors

### The Path Forward

Through the delivery of key development projects in 2015 in form of Pace Towers and significant investment and share in pace Circle, we look forward to onboarding significant operating cash flows by successfully converting non-income-producing assets to cash flowing operating assets.

While we will continue to focus on improving our capital structure over the coming years, we will also look to make diligent and sound investment decisions when compelling opportunities arise.

With best-in-class assets and properties in prime irreplaceable dense cluster locations and a great team, we hope that our investors continue to focus on our fundamentals as a high-quality, innovative company in real estate sector of Pakistan with a unique built-in platform for growth.

Our unparalleled team has done an extraordinary job in a tough environment and we admire their untiring efforts, dedication and commitment to the Company

For and on behalf of the Board of Directors

Lahore:  
October 02, 2014

Aamna Taseer  
Chief Executive Officer

**KEY OPERATING AND FINANCIAL INDICATORS**

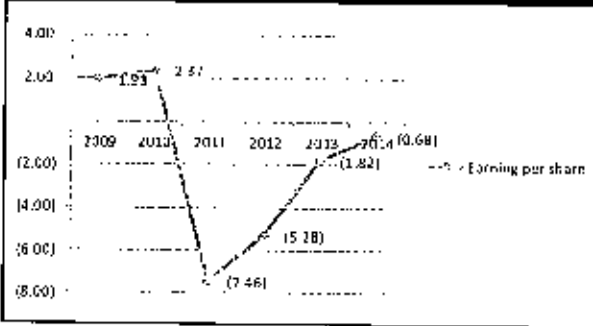
**KEY INDICATORS**

**Rupees in thousands**

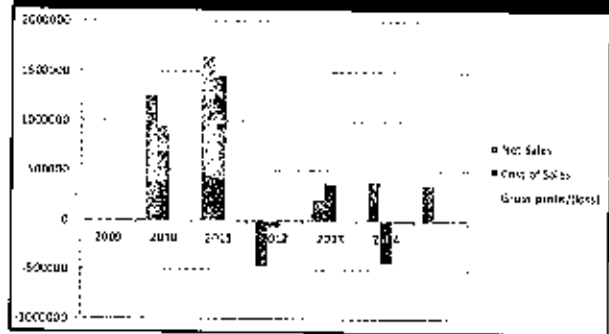
		2009	2010	2011	2012	2013	2014
<b>Operating result</b>							
Net Sales		1,261,809	1,649,336	(476,405)	218,747	392,294	362,621
Cost of Sales		944,433	1,458,397	(74,393)	374,064	(432,713)	(268,725)
Gross profit/(loss)		317,376	190,939	(402,012)	(155,317)	(30,419)	93,896
Profit / (loss) from operation		618,387	914,133	(1,649,605)	(1,006,475)	(137,365)	88,156
Profit / (loss) before tax		345,796	702,923	(2,134,562)	(1,471,043)	(507,941)	(186,012)
Profit / (loss) after tax		436,796	633,164	(2,080,561)	(1,471,916)	(508,877)	(189,638)
<b>Financial Position</b>							
Shareholder's equity		5,194,399	6,486,146	4,405,483	2,939,266	2,425,276	2,230,643
Property, plant & Equipment		474,066	550,444	516,419	577,075	465,635	455,206
Net current assets		3,007,927	2,320,745	1,858,925	(1,639,203)	(2,292,835)	(2,569,572)
<b>Profitability</b>							
Gross profit / (loss)	%	25.15	11.58	(84.38)	(71.00)	(7.75)	25.89
Operating profit / (loss)	%	49.01	55.42	(346.26)	(460.11)	(35.02)	24.31
Profit / (loss) before tax	%	27.40	42.62	(448.06)	(672.49)	(129.48)	(51.30)
Profit / (loss) after tax	%	34.62	38.39	(436.72)	(672.89)	(129.72)	(52.30)
<b>Performance</b>							
Fixed assets turnover	Times	2.66	3.00	(0.92)	0.38	0.84	0.80
Return on equity	%	8.96	10.84	(38.20)	(40.12)	(18.96)	(8.15)
Return on capital employed	%	5.12	6.88	(24.24)	(28.02)	(19.22)	(8.27)
<b>Liquidity</b>							
Current Ratio	Times	13.41	3.47	2.74	0.64	0.55	0.51
Quick	Times	7.27	2.31	1.23	0.21	0.16	0.14
<b>Valuation</b>							
Earning per share	Rs	1.93	2.37	(7.46)	(5.28)	(1.82)	(0.68)
Break up value per share	Rs	22.31	23.26	15.80	10.52	8.69	7.99

PERFORMANCE AT A GLANCE

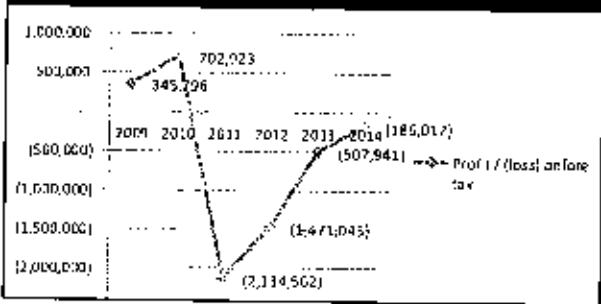
Earning per Share



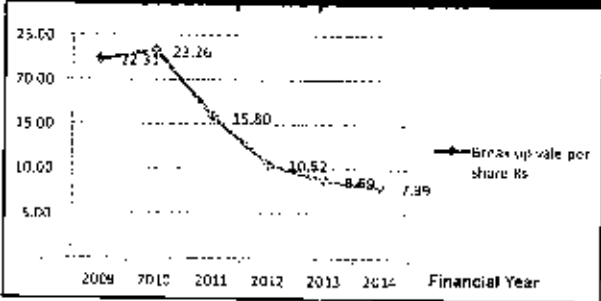
Net Sales, COS & Gross Profit / (loss)



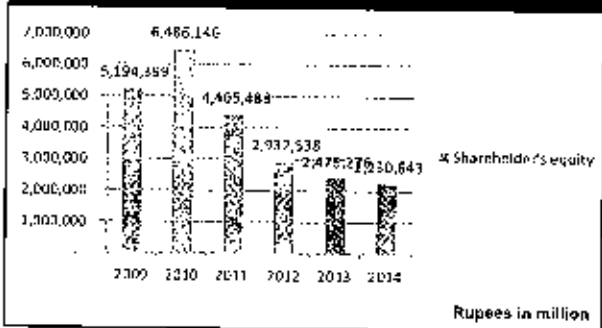
Profit / (loss) Before Tax



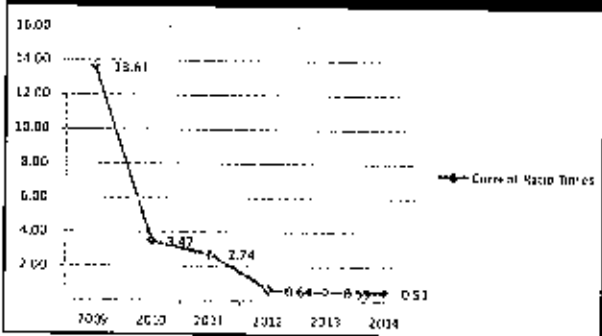
Break-up Value



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 2014**

This statement is being presented to comply with the Code of Corporate Governance (The Code) contained in the Listing Regulations of Karachi Stock Exchange Limited and Lahore Stock Exchange 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:

Category	Names
Independent Director	Syed Abid Raza
Executive Directors	Aamna Taseer Imran Hafeez
Non-Executive Directors	Shehryar Ali Taseer Shehrbano Taseer Imran Saeed Chaudhry Kanwar Latafat Ali Khan * Sulaiman Ahmed Saeed Ali -Hoqani

\*appointed subsequent to year ended to fill casual vacancy.

The Independent director meets the criteria of the independence under clause i(b) of the Code:

- 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.

## Pace (Pakistan) Limited

During the year no director on the board attended training as required under the code. However, subsequent to the year one director attended the training program and attained certification under the 'Director Certification Training' program conducted by University of Lahore.

- 10) The board has approved the appointment of head of Internal Auditor including his remuneration and terms and conditions of employment and there were no new appointments of the CFO and Company Secretary during the year.
- 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 the 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 four members. The Chairman of the Committee is an independent director.
- 16) The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
- 17) The Board of the Company has formed a Human Resource and Remuneration (HR&R) Committee. It comprises 3 members, of whom 2 are non-executive directors and the chairman of the committee is a non-executive director.
- 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) We confirm that all other material principles enshrined in the Code have been complied with.
- 24) The Board has in plan a mechanism for evaluation of performance of the Board.

For and on behalf of the Board

Lahore  
October 02, 2014

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, 2014.

We draw attention to note 9 of the statement of compliance, which states that during the year ended June 30, 2014, no director on the Board attended training as required under the code. However, subsequent to the year end, one director attended training program and attained certification under the 'Directors Certification Training' program conducted by the University of Lahore.

Lahore:  
October 04, 2014

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

**AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed balance sheet of Pace (Pakistan) Limited as at June 30, 2014 and the related profit and loss account, statement of changes in equity and cash flow statement 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 and change in accounting policy as referred to in note 4.5.1 to the annexed financial statements 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, statement of changes in equity and cash flow statement 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, 2014 and of the loss, changes in equity and its cash flows 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 2,569.572 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 04, 2014

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

## Pace (Pakistan) Limited

### BALANCE SHEET

AS AT JUNE 30, 2014

	Note	June 30, 2014	June 30, 2013 (Restated)
(Rupees in thousand)			
<b>EQUITY AND LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
Authorised capital			
600,000,000 (2013: 600,000,000)			
ordinary shares of Rs 10 each		<u>6,000,000</u>	<u>6,000,000</u>
Issued, subscribed and paid up capital			
278,876,604 (2013: 278,876,604)			
ordinary shares of Rs 10 each	5	2,788,766	2,788,766
Reserves		272,209	271,690
Accumulated loss		<u>(830,332)</u>	<u>(635,180)</u>
		<u>2,230,643</u>	<u>2,425,276</u>
<b>NON-CURRENT LIABILITIES</b>			
Long term finances - secured	6	-	-
Redeemable capital - secured (non-participatory)	7	-	-
Liabilities against assets subject to finance lease	8	-	-
Foreign currency convertible bonds - unsecured	9	-	-
Deferred liabilities	10	34,654	24,604
		<u>34,654</u>	<u>24,604</u>
<b>CURRENT LIABILITIES</b>			
Advances against sale of property	11	131,678	98,953
Current portion of long term liabilities	12	3,746,097	3,853,042
Short term finance - secured	13	96,443	96,443
Creditors, accrued and other liabilities	14	231,634	216,185
Accrued finance cost	15	1,091,217	794,514
		<u>5,297,069</u>	<u>5,059,137</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	16	-	-
		<u>7,562,366</u>	<u>7,509,017</u>

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

Labore  
October 02, 2014

Aamna Taseer  
Chief Executive

## Pace (Pakistan) Limited

	Note	June 30, 2014	June 30, 2013 (Restated)
(Rupees in thousand)			
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	17	592,660	595,832
Intangible assets	18	7,145	7,696
Investment property	19	3,370,166	3,145,137
Long term investments	20	851,279	852,528
Long term advances and deposits	21	13,619	13,619
Deferred taxation	22	-	-
		4,834,869	4,614,812
<b>CURRENT ASSETS</b>			
Stock-in-trade	23	1,968,645	1,859,146
Trade debts - unsecured	24	630,465	649,827
Advances, deposits, prepayments and other receivables	25	78,880	209,812
Income tax recoverable		47,885	42,002
Cash and bank balances	26	1,622	5,515
		2,727,497	2,766,302
Disposal group held-for-sale	27	-	127,903
		2,727,497	2,894,205
		7,562,366	7,509,017

Shehryar Ali Taseer  
Director

## Pace (Pakistan) Limited

### PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014	2013 (Restated)
(Rupees in thousand)			
Sales	28	466,466	392,294
Less: Sales return	28.1	(103,845)	-
		362,621	392,294
Cost of sales	29	(268,725)	(422,713)
<b>Gross profit / (loss)</b>		<b>93,896</b>	<b>(30,419)</b>
Administrative and selling expenses	30	(159,214)	(211,134)
Other income	31	44,401	182,562
Other operating expenses	32	(1,491)	(129,103)
		(22,408)	(188,094)
Finance costs	33	(274,168)	(370,576)
Changes in fair value of investment property	19	110,564	50,729
<b>Loss before tax</b>		<b>(186,012)</b>	<b>(507,941)</b>
Taxation	34	(3,626)	(936)
<b>Loss for the year</b>		<b>(189,638)</b>	<b>(508,877)</b>
<b>Other comprehensive loss</b>			
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurement of net defined benefit liability - net of tax		(5,514)	(4,672)
<i>Items that may be reclassified subsequently to profit or loss</i>			
Changes in fair value of available for sale investments		(300)	(441)
Loss during the year transferred to profit and loss on account of derecognition of investment		819	-
		519	(441)
<b>Total comprehensive loss for the year</b>		<b>(194,633)</b>	<b>(513,990)</b>
<b>Loss per share attributable to ordinary shareholders</b>			
- basic loss per share	Rupees	39.1	(0.68)
- diluted loss per share	Rupees	39.2	(0.68)

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

Lahore  
October 02, 2014

Aamna Taseer  
Chief Executive

Shchryar Ali Taseer  
Director

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED JUNE 30, 2014**

	Share capital	Share premium reserve	Reserve for changes in fair value of investments	Unappropriated profit/(loss)	Total
Balance as on June 30, 2012	2,788,766	273,265	(1,134)	(128,359)	2,932,538
Effect of change in accounting policy (note - 4.5.f)	-	-	-	6,728	6,728
<b>Balance as on June 30, 2012 (Restated)</b>	<b>2,788,766</b>	<b>273,265</b>	<b>(1,134)</b>	<b>(121,631)</b>	<b>2,939,266</b>
<b>Total comprehensive loss for the year</b>					
Loss for the year	-	-	-	(508,877)	(508,877)
Other comprehensive loss for the year:					
Remeasurement of net defined benefit liability net of tax - restated	-	-	-	(4,672)	(4,672)
Changes in fair value of available for sale investments	-	-	(441)	-	(441)
			(441)	(513,549)	(513,990)
<b>Total contributions by and distributions to owners of the Company recognised directly in equity</b>					
Balance as on June 30, 2013 (Restated)	2,788,766	273,265	(1,575)	(635,180)	2,425,276
<b>Total comprehensive loss for the year</b>					
Loss for the year	-	-	-	(189,638)	(189,638)
Other comprehensive loss for the year:					
Remeasurement of net defined benefit liability net of tax	-	-	-	(5,514)	(5,514)
Changes in fair value of available for sale investments	-	-	519	-	519
			519	(195,152)	(194,633)
<b>Total contributions by and distributions to owners of the Company recognised directly in equity</b>					
Balance as on June 30, 2014	2,788,766	273,265	(1,056)	(830,332)	2,230,643

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

Lahore  
October 02, 2014

Aamna Taseer  
Chief Executive

Shehryar Ali Taseer  
Director

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2014**

	Note	2014 (Rupees in thousand)	2013
<b>Cash flow from operating activities</b>			
Cash generated from operations	36	162,400	50,549
Finance costs paid		(32,686)	(25,443)
Gratuity and leave encashment paid		(3,875)	(3,304)
Taxes paid		(9,509)	(7,757)
<b>Net cash generated from operating activities</b>		<b>116,330</b>	<b>14,045</b>
<b>Cash flow from investing activities</b>			
Purchase of property, plant and equipment		(7,906)	(98)
Proceeds from sale of property, plant and equipment		624	5,568
Decrease in long term loans and deposits		-	64
Markup received		375	655
Proceeds from disposal of investment		979	-
Investment in equity instruments		(29)	-
<b>Net cash (used in) / generated from investing activities</b>		<b>(5,957)</b>	<b>6,189</b>
<b>Cash flow from financing activities</b>			
Repayment of long term finances		(110,292)	(17,216)
Repayment of finance lease liabilities		(3,974)	(1,948)
<b>Net cash used in financing activities</b>		<b>(114,266)</b>	<b>(19,164)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(3,893)</b>	<b>1,070</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>(90,928)</b>	<b>(91,998)</b>
<b>Cash and cash equivalents at the end of the year</b>	37	<b>(94,821)</b>	<b>(90,928)</b>

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

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

### 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. The address of the registered office of the Company is 2<sup>nd</sup> and 3<sup>rd</sup> floor Pace Mall, Fortress Stadium, Lahore.

### 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 189.638 million (2013: Rs 508.877 million). As at the reporting date, the current liabilities of the Company have exceeded its current assets by Rs 2,569.572 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. Settlements with Al Baraka Bank (Pakistan) Limited (ABBPL) and PAIR Investment Company Limited were envisaged to be effective during the current year. However, due to refusal by the management of the Fortress to transfer the property's right directly to the bank and delays in obtaining No Objection Certificates from other lenders the settlements were not completed. As a consequence, the Company has also been unable to realise its existing receivables from customers and is 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.

The management of the Company is continuously engaged with its lenders for restructuring of its borrowings and during the year was able to negotiate a mechanism for restructuring of demand finance from Soneri Bank as referred to in note 6.3. Soneri Bank offered to restructure entire principal of Rs 27.420 million and markup as on Dec 31, 2013 of Rs 12.130 million. However, legal documentation has not been finalized. Similarly subsequent to year end ABBPL and the Company have agreed to settle principal of Rs 242.291 million and waive markup and late payment charges of Rs 147.038 million on conditions mentioned in note 6.4.

The Company has also approached other lenders referred to in note 6 and 7 of these financial statements for restructuring/settlements of loans. As per the proposals the Company expects the following:

- Relaxation in payment terms of principal outstanding and over due markup;
- Settlement of principal amounts against properties of the Company; and
- Waiver of overdue markup;

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

The financial statements have 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;
- the Company will be able to settle loans against its properties; and
- the Company will be able to readily realise its receivables and inventory and be able to utilise the resultant liquidity for completion and sale of the 'Pace Towers' Project.

The financial statements consequently, do not include any adjustment relating to the realisation 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 applicable to the Company**

There were certain new standards, amendments to the approved accounting standards and new interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). Interpretations which became effective during the year but are considered not to be relevant or have any significant effect on the Company's operations and are, therefore, not disclosed in the financial statements except for the amendments as explained below:

- Annual improvements to IFRSs 2011 are applicable on accounting periods beginning on or after January 1, 2013. This set of amendments includes changes to five standards: IFRS 1, 'First time adoption', IAS 1, 'Financial statement presentation', IAS 16, 'Property plant and equipment', IAS 32, 'Financial instruments; Presentation' and IAS 34, 'Interim financial reporting'. The application of these amendments have no material impact on the Company's financial statements.

- 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 application of this amendment has no material impact on the Company's financial statements.

Amendments to IFRS 10, 11 and 12 on transition guidance are applicable on accounting periods beginning on or after January 01, 2013. These amendments also provide additional transition relief in IFRSs 10, 11 and 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. For disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before IFRS 12 is first applied. The application of this amendment has no material impact on the Company's financial statements.

- IAS 19 (Amendments), 'Employee benefits' is applicable on accounting periods beginning on or after January 01, 2013. These amendments eliminate the corridor approach and calculate finance costs on a net funding basis. IAS 19 (revised) amends the accounting for employment benefits. The Company has applied the standard retrospectively in accordance with the transition provisions of the standard. The impact on the Company's financial statements has been explained in note 4.5.1.

- IAS 27 (Revised 2011), 'Separate financial statements' is applicable on accounting periods beginning on or after January 1, 2013. It includes the provisions on separate financial statements that are left after the control provisions of IAS 27 which have been included in the new IFRS 10. The application of this standard 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, 2014 or later periods, and the Company has not early adopted them:

- Annual improvements 2012 applicable for annual periods beginning on or after July 1, 2014. These amendments include changes from the 2010-12 cycle of the annual improvements project, that affect 7 standards: IFRS 2, 'Share-based payment', IFRS 3, 'Business Combinations', IFRS 8, 'Operating segments', IFRS 13, 'Fair value measurement', IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets', consequential amendments to IFRS 9, 'Financial instruments', IAS 37, 'Provisions, contingent liabilities and contingent assets', and IAS 39, 'Financial instruments – Recognition and measurement'.

- Annual improvements 2013 applicable for annual periods beginning on or after July 1, 2014. The amendments include changes from the 2011-13 cycle of the annual improvements project that affect 4 standards: IFRS 1, 'First time adoption', IFRS 3, 'Business combinations', IFRS 13, 'Fair value measurement' and IAS 40, 'Investment property'.

- IFRS 9 - 'Financial instruments' - classification and measurement. This is applicable on accounting periods beginning on or after January 01, 2015. This standard on classification and measurement of financial assets and financial liabilities will replace IAS 39, 'Financial instruments: Recognition and measurement'. IFRS 9 has two measurement categories: amortised cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For liabilities, the standard retains most of the IAS 39 requirements. These include amortised-cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the

fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. This change will mainly affect financial institutions. The Company shall apply this standard from July 01, 2015 and does not expect to have a material impact on its financial statements.

- IFRS 10 - 'Consolidated financial statements' is applicable on accounting periods beginning on or after January 01, 2015. This standard 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. The standard provides additional guidance to assist in determining control where this is difficult to assess. The Company shall apply this standard from July 01, 2015 and does not expect to have a material impact on its financial statements.

- IFRS 11 - 'Joint arrangements' is applicable on accounting periods beginning on or after January 01, 2015. IFRS 11 is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the parties to 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 therefore accounts for its share of assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and therefore equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. The Company shall apply this standard from July 01, 2015 and does not expect to have a 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, 2015. 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, 2015 and does not expect to have a material impact on its financial statements.

- IFRS 13 - 'Fair value measurement'. This is applicable on accounting periods beginning on or after January 01, 2015. 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, 2015 and does not expect to have a material impact on its financial statements.

- IAS 28 (Revised 2011), 'Associates and joint ventures' is applicable on accounting periods beginning on or after January 1, 2013. It includes the requirements for associates and joint ventures that have to be equity accounted following the issue of IFRS 11. The Company shall apply this standard from July 01, 2015 and does not expect to have a material impact on its financial statements.

- IAS 32 (Amendments), 'Financial instruments: Presentation', on offsetting financial assets and financial liabilities is applicable on accounting periods beginning on or after January 01, 2014. These amendments update the application guidance in IAS 32, 'Financial instruments: Presentation', to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The Company shall apply these amendments from July 01, 2014 and does not expect to have a material impact on its financial statements.

- IAS 36 (Amendments), 'Impairment of assets' is applicable on accounting periods beginning on or after January 01, 2014. These amendments address the disclosure of information about the recoverable amount

of impaired assets if that amount is based on fair value less costs of disposal. The Company shall apply the revised standard from July 01, 2014 and does not expect to have a material impact on its financial statements.

- IAS 39 (Amendment), 'Financial Instruments: Recognition and Measurement' on novation of derivatives is applicable on accounting period beginning on or after January 01, 2014. This amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument to a central counter party meets specified criteria. The application of this standard has no material impact on the Company's financial statements.

- 'IFRIC 21, 'Levies' is applicable on accounting period beginning on or after July 01, 2014. It sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when should a liability be recognised. The Company is not currently subjected to significant levies so the impact on the Company's financial statements is not material.

### **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 recognised 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 lease are capitalised at the 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.

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 amortised 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, 2014. Projected Unit Credit Method, using the following significant assumptions for valuation of the scheme:

- Discount rate 13.25 percent per annum (2013: 10.50 percent per annum)
- Expected rate of increase in salary level 12.25 percent per annum (2013: 9.50 percent per annum)

The Company's revised policy with regard to experience gains and losses is to recognize as they occur in other comprehensive income 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, 2014. Projected Unit Credit Method, using the following significant assumptions is used for valuation of accumulating compensated absences:

- |   |   |
|---|---|
| - Discount rate   | 13.25% (2013: 10.50%)   |
| - Expected increase in salary                                 | 12.25% (2013: 9.50%)  |
| - Expected mortality rate                                     | As per SLIC (2001-2005) mortality table with one year Setback |
| - Expected withdrawal and early retirement rate               | Based on experience   |
| - Average number of leaves accumulated per annum by employees | 10 days (2013: 10 days)                                       |

The Company's revised policy with regard to experience gains and losses is to recognize as they occur in other comprehensive income approach under IAS 19 'Employee Benefits'.

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

**4.5.1 Change in Accounting Policy**

IAS 19 (revised) 'Employee benefits'. IAS 19 (revised) amends the accounting for employment benefits. The Company has applied the standard retrospectively in accordance with the transition provisions of the standard. The impact on the Company has been in the following areas:

- Actuarial gains and losses as they occur in other comprehensive income, instead of past policy, where actuarial gains and losses were recognised as income or expense in accordance with minimum recommended approach under the previous standard IAS 19 - 'Employees benefits';

- The standard requires past service cost to be recognised immediately in profit or loss account. Since there are no unrecognised past service costs there is no impact of this provision on the financial statements of the Company.

- The standard replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year. There is no change to determining the discount rate; this is to reflect the yield on high quality corporate bonds. Since there are no plan assets there is no impact of this provision on the financial statements of the Company.

- There is a new term "remeasurements". This is made up of actuarial gains and losses, the difference between actual investment returns and the return implied by the net interest cost.

- The change has been accounted for in accordance with the requirements of IAS 19 - Employee Benefits (Revised), as required under IAS 8 - Accounting Policies, Change in Accounting Estimates and Errors such a change to be applied retrospectively. However as the retrospective application does not has a material effect on the information in the statement of financial position at the beginning of the preceding period; a third statement of financial position as at the beginning of the preceding period has not been presented in accordance with IAS 1 - "Presentation of Financial Statements".

- Effect of change in accounting policy are as follows:

**Effect on Balance sheet:**

	As at June 30, 2013			As at June 30, 2012		
	Before restatement	As restated	Re-statement	Before restatement	As restated	Re-statement
Deferred liabilities	24,132	23,183	(949)	35,251	28,523	(6,728)
Accumulated loss	636,129	635,180	(949)	128,359	121,631	(6,728)

**Effect on other comprehensive income:**

	As at June 30, 2013			As at June 30, 2012		
	Before restatement	As restated	Re-statement	Before restatement	As restated	Re-statement
Remeasurement - net of tax	-	(4,672)	(4,672)	-	619	619

**Effect on profit and loss, earnings per share and cash flows:**

The restatement has no material impact on profit and loss, earnings per share and cash flows of the Company.

#### 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, 2014. 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 equity as a revaluation reserve for investment property. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the profit and loss account. Upon the disposal of such investment property, any surplus previously recorded in equity is transferred to retained earnings, the transfer is not made through the profit and loss account.

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

#### 4.7 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 recognised amount and the Company intends either to settle on a net basis or to realise 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 recognised 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 recognised 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 buyer's investment, to the date of the financial statements, is adequate to demonstrate a commitment to pay for the property;
- construction is beyond a preliminary stage;
- the buyer is committed. Buyer is unable to require a refund except, for non delivery of the unit. Management believes that the likelihood of the 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 recognised 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 capitalised are net of any investment income on the temporary investment of borrowed funds.

All other borrowing costs are recognised 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 recognised in the income statement is calculated using the effective interest rate method.

## Pace (Pakistan) Limited

### 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

2014 (Number of shares)	2013		2014 (Rupees in thousand)	2013
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, an associated undertaking, holds 26,723,615 (2013: 26,723,615) ordinary shares of the Company.

	Note	2014 (Rupees in thousand)	2013
<b>6. Long term finances - secured</b>			
Syndicate term finance facility	6.1	305,412	305,412
National Bank of Pakistan - term finance	6.2	39,780	39,780
Soneri Bank - demand finance	6.3	27,422	27,422
Al Baraka Bank (Pakistan) Limited - musharika based agreement	6.4	<u>242,292</u>	360,000
		614,906	732,614
Less: Current portion shown under current liabilities	12	<u>(614,906)</u>	<u>(732,614)</u>

#### 6.1 Syndicate term finance facility

##### Terms of repayment

This loan had been obtained from syndicate comprising of National Bank of Pakistan (NBP) and Habib Bank Limited (HBL). As per the original agreement, the loan was repayable in 10 quarterly installments ending on November 04, 2013 and carries markup @ rate of 3 months KIBOR plus 3.5% (2013: 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 and related sale proceeds out of the two

projects; assignment of rights and benefits under all agreements of the two projects; and assignment of all present and future net operational income and cash flows of Pace Model Town, Pace MM Alam, Pace Gujranwala, Pace Fortress and Pace Gujrat project.

The Company is in negotiation with both of the syndicate members to settle their entire principal and accrued markup with properties at Pace Towers. Following are the salient features of the proposals sent by the Company to the banks:

**National Bank of Pakistan**

- Settlement of bank's portion of Syndicate term finance facility (STFF) of Rs 282.693 million, inclusive of markup of Rs 84.175 million as at June 30, 2013 together with the term finance with the same bank of Rs 54.406 million, inclusive of mark up of Rs. 14.626 million referred to in note 6.2 against property situated at the ground and mezzanine floors of Pace Towers measuring a total of 9,765 square feet.

- Waiver of accrued markup of STFF and term finance amounting to Rs 74,100 million as at June 30, 2013.

**Habib Bank Limited**

- Settlement of bank's share of Rs 153.857 million, inclusive of markup of Rs 46.963 million as at June 30, 2013 against property situated at ground floor of Pace Towers measuring a total of 4,237 square feet.

- Waiver of accrued markup amounting to Rs 35.222 million as at June 30, 2013.

None of the banks have formally responded to the proposals.

**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 January 12, 2012 after expiry of one year of grace period and carries markup @ rate of 3 months KIBOR plus 3.5% (2013: 3 months KIBOR plus 3.5%).

**Security**

The facility is secured against a 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. The charge ranks pari passu with that of PAIR Investment Company Limited as referred to in note 13.

The Company is in negotiation with the bank to settle the entire principal and accrued markup together with its portion of STFF against property available at Pace Towers as referred to note 6.1.

**6.3 Soneri Bank - demand finance**

**Terms of repayment**

This loan is part of total demand finance facility limit of Rs 44.688 Million (2013: Rs 44.688 Million) and carries markup @ 6 months KIBOR + 3% (2013: 6 months KIBOR + 3%). The loan was originally repayable in 8 equal quarterly installments ending on June 30, 2012.

**Security**

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

## Pace (Pakistan) Limited

Arca Lahore.

During the year, the bank has agreed to and the company has accepted to restructure entire principal of Rs 27.420 million and markup as on Dec 31, 2013 of Rs 12.130 million. However legal documentation has not been finalized. Following are the key terms:

- Tenure of restructured facility will be 3.5 years inclusive of six months grace period. Repayments will be made in twelve quarterly installments after expiry of the grace period.
- Markup on restructured facility shall be charged at 3 months KIBOR plus 1.0%.

#### 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 (2013: 400 million) under a musharika based arrangement with Al Baraka Bank (Pakistan) Limited and carries markup @ 3 months KIBOR + 3.5% (2013: 3 months KIBOR + 3.5%). The loan was repayable in 10 equal quarterly installments ending on August 20, 2013.

##### Security

The loan is secured by a 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.

During the year, the bank and the Company agreed to settle Rs 169.119 million against properties at various floors of Pace Fortress aggregating to 13,021 square feet. However, the agreement could not be executed as the management of the Fortress refused to transfer the property's right directly to the bank. Consequently loss on available inventory and provision for restructuring of Rs 46.004 million and Rs 21.754 million, respectively recognized last year have been reversed in the current year.

Subsequent to the year end, the bank and the Company have agreed to settle principal of Rs 242.291 million against properties at first floor of Pace Towers, aggregating to 17,950 square feet along with the waiver of accrued markup and late payment charges of Rs 147.038 million on certain conditions, inter alia including:

- The Company will procure No Objection Certificates from National Bank of Pakistan and Habib Bank Limited having joint charge over the aforementioned properties.
- The bank will continue to hold its charge over Pace Towers uptill the finishing work on aforementioned properties is complete.

	Note	2014	2013
		(Rupees in thousand)	
<b>7. Redeemable capital - secured (non-participatory)</b>			
Term finance certificates		1,498,200	1,498,200
Less: Current portion shown under current liabilities	12	(1,498,200)	(1,498,200)
		-	-

## Pace (Pakistan) Limited

### Terms of repayment

This represents term finance certificates (TFC's) listed on Lahore Stock Exchange issued for a period of 5 years. On September 27, 2010, 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 holders, addendum to the trust deed was executed between the Company and trustee 'IGI Investment Bank Limited' under which the Company was 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. The TFC's carry a markup of 6 months KIBOR plus 2% (2013: 6 months 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 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 The aggregate current portion of Rs 1,498.2 million includes principal installments aggregating to Rs 599,040 million, which, under the terms of the agreement were due for repayment in period subsequent to June 30, 2015. However, as the Company could not repay on a timely basis the installments due upto year ended June 30, 2014 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.

	Note	2014	2013
		(Rupees in thousand)	
<b>8. Liabilities against assets subject to finance lease</b>			
Present value of minimum lease payments		26,533	30,507
Less: Current portion shown under current liabilities	12	(26,533)	(30,507)
		-	-

The minimum lease payments have been discounted at an implicit interest rate ranging from 9% to 18% (2013: 9% to 18%) 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 11,500 million (2013: Rs 11,639 million).

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

	Minimum lease payments	Future finance charge	(Rupees in thousand)	
			Present value of lease liability	
			2014	2013
Not later than one year	28,843	2,310	26,533	30,507
Later than one year and not later than five years	-	-	-	-
	28,843	2,310	26,533	30,507

## Pace (Pakistan) Limited

	Note	2014	2013
		(Rupees in thousand)	
<b>9. Foreign currency convertible bonds - unsecured</b>			
Opening balance		1,591,721	1,463,882
Markup accrued during the year		15,543	55,668
		<u>1,607,264</u>	<u>1,519,550</u>
Exchange (gain) / loss for the year		(806)	72,171
		<u>1,606,458</u>	<u>1,591,721</u>
Less: Current portion shown under current liabilities	12	<u>(1,606,458)</u>	<u>(1,591,721)</u>
		<u>-</u>	<u>-</u>

The Company issued 25,000 convertible bonds of USD 1,000 each on January 5, 2008 amounting to USD 25 million. The foreign currency convertible bonds (FCCB) were listed on the Singapore Stock Exchange and became redeemable on December 28, 2012 at the accreted principal amount. The bonds carry a markup of 5.5% per annum, compounded semi-annually, accretive (up till December 28, 2012) 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. In aggregate USD 13 million bond have been converted into ordinary shares as at June 30, 2014.

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

	Note	2014	2013
		(Restated)	
		(Rupees in thousand)	
<b>10. Deferred liabilities</b>			
Staff gratuity	10.1	32,041	23,183
Leave encashment	10.2	2,613	1,421
Deferred taxation	22	-	-
		<u>34,654</u>	<u>24,604</u>

### 10.1 Staff gratuity

Opening balance		23,183	28,523
Charge to profit and loss account	10.1.1	7,794	8,402
Benefits paid during the year		(1,180)	(3,117)
Benefits payable during the year		(2,434)	(15,297)
Remeasurement chargeable in Other comprehensive income		4,678	4,672
Liability as at June 30		<u>32,041</u>	<u>23,183</u>

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

Opening balance		23,183	22,991
Service cost		5,550	5,414
Interest cost		2,244	2,989
Benefits paid during the year		(1,180)	(5,117)
Benefits payable during the year		(2,434)	(9,766)
Remeasurement chargeable in Other comprehensive income		4,678	4,672
Present value of defined benefit obligation as at June 30		<u>32,041</u>	<u>23,183</u>

## Pace (Pakistan) Limited

	Note	2014	2013 (Restated)
		(Rupees in thousand)	
The amounts recognised in the profit and loss account are as follows:			
Service cost		5,550	5,414
Interest cost		2,244	2,988
Actuarial gain recognised during the year		-	-
Charge to profit and loss account		<u>7,794</u>	<u>8,402</u>

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

Cost of sales	1,013	1,092
Administrative, general and other expenses	6,781	7,310
	<u>7,794</u>	<u>8,402</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:

	2014	2013	2012	2011	2010
(Rupees in thousand)					
Present value of defined benefit obligation	32,041	23,183	28,523	23,260	28,939
Fair value of plan assets	-	-	-	-	-
Deficit	<u>(32,041)</u>	<u>(23,183)</u>	<u>(28,523)</u>	<u>(23,260)</u>	<u>(28,939)</u>
Experience adjustment on obligation	-15%	-20%	-2%	24%	15%

### 10.2 Leave encashment

The amounts recognised in the balance sheet are as follows:

	2014	2013
(Rupees in thousand)		
Opening balance	1,421	1,399
Charge to profit and loss account	617	587
Benefits payable during the year	-	(377)
Benefits paid during the year	(260)	(188)
Remeasurement chargeable in Other comprehensive income	835	-
Liability as at June 30	<u>2,613</u>	<u>1,421</u>

### 11. Advances against sale of property

This principally represents advances received from various parties against sale of apartments and houses in Pace Towers project, Lahore. This includes the following amounts due to related parties:

	2014	2013
(Rupees in thousand)		
First Capital Investment Limited	15,739	16,575
First Capital Securities Corporation Limited	45,081	47,483
	<u>60,820</u>	<u>64,058</u>

## Pace (Pakistan) Limited

	Note	2014 (Rupees in thousand)	2013
<b>12. Current portion of long term liabilities</b>			
Current portion of long term finances -secured	6	614,906	732,614
Current portion of redeemable capital - secured (non-participatory)	7	1,498,200	1,498,200
Current portion of liabilities against assets subject to finance lease	8	26,533	30,507
Current portion of foreign currency convertible bonds - unsecured	9	1,606,458	1,591,721
		<u>3,746,097</u>	<u>3,853,042</u>
<b>12.1 Overdue principal included in current maturity as at June 30, 2014 are as follows:</b>			
Long term finances - secured:			
- Syndicate term finance facility		305,413	225,413
- National Bank of Pakistan- term finance		39,780	23,780
- Soneri Bank - demand finance		27,422	27,422
- Al Baraka Bank (Pakistan) Limited			
- Musharika based agreement		242,291	360,000
Redeemable capital - secured (non-participatory)		599,640	300,120
Foreign currency convertible bonds - unsecured		1,606,458	1,591,721
Liabilities against assets subject to finance lease		15,833	18,781
		<u>2,836,037</u>	<u>2,547,237</u>

### 13. Short term finance - Secured

This represents short term finance of Rs 96.443 million (2013: Rs 96.443 million) provided by PAIR Investment Company Limited (formerly Pak-Iran Joint Investment Company Limited) and carries markup @ 1 month KIBOR + 3.5% (2013: 1 months KIBOR + 3.5%). The entire amount of loan is overdue as at June 30, 2014.

#### 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. The charge ranks parri passu with that of National Bank of Pakistan to the extent of Rs 66.667 million as referred to in note 6.2.

Last year PAIR Investment Company Limited offered to settle principal portion and accrued markup as on March 31, 2013 amounting to Rs 129 million against properties at various floors of Pace MM Alam aggregating to 11,833 square feet, however, the agreement was not executed as the Company could not procure No Objection Certificate from National Bank of Pakistan having joint charge over the aforementioned properties.

## Pace (Pakistan) Limited

	Note	2014 (Rupees in thousand)	2013
<b>14. Creditors, accrued and other liabilities</b>			
Trade creditors		85,870	71,348
Advances from customers		6,469	5,204
Licensee fee received in advance		4,290	4,722
Accrued liabilities		51,467	49,399
Licensee security deposits		25,173	18,951
Payable to contractors		2,699	2,699
Retention money		943	362
Withholding tax payable		22,799	16,403
Others		31,924	47,097
		<u>231,634</u>	<u>216,185</u>
<b>15. Accrued finance cost</b>			
Long term finances - secured	15.1	351,902	247,707
Short term finance - secured	15.2	48,464	35,665
Redeemable capital - secured (non-participatory)	15.3	668,128	495,236
Liabilities against assets subject to finance lease	15.4	22,723	15,906
		<u>1,091,217</u>	<u>794,514</u>
<b>15.1</b> This includes overdue markup of Rs 327.376 million (2013: Rs 225.534 million).			
<b>15.2</b> This includes overdue markup of Rs 20.074 million (2013: Rs 15.092 million).			
<b>15.3</b> This includes overdue markup of Rs 600.802 million (2013: Rs 431.733 million).			
<b>15.4</b> This includes overdue markup of Rs 2.310 million (2013: Rs 2.401 million) and late payment charges of Rs. 20.426 million (2013: Rs 13.586 million).			
<b>16. Contingencies and commitments</b>			
<b>16.1 Contingencies</b>			
(i) Claims against the Company not acknowledged as debts Rs 21.644 million (2013: 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 (2013: Rs 900 million) as per the approval of shareholders through the special resolution dated July 29, 2006.			
<b>16.2 Commitments</b>			
(i) Contract for purchase of properties from Pace Barka Properties Limited, amounting to Rs 384.379 million (2013: Rs 391.985 million).			

## Pace (Pakistan) Limited

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

	Note	2014 (Rupees in thousand)	2013
Not later than one year		7,875	6,300
Later than one year and not later than five years		35,438	33,469
Later than five years		742,287	757,131
		785,600	796,900

### 17. Property, plant and equipment

Operating fixed assets			
- owned assets	17.1	455,206	465,635
- assets subject to finance lease	17.2	2,113	2,642
Capital work in progress	17.3	135,341	127,555
		592,660	595,832



• Freehold land represents the uncovered area of Main Boulevard Project, M/M Alam Road Project, Model Town Link Road Project, Gujranwala Project, Gujrat Project and Woodland 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. 13 1/4, 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 9,357 square feet (2013: 9,357 square feet) relating to 2nd and 3rd floors of Fortress Project, 1 share the right of which has been acquired for 33 years (2013: 33 years) from Fortress Stadium management, Lahore Cantt.

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

	Note	June 2014	June 2013
Cost of sales	29.3	12,692	14,432
Administrative and selling expenses	17.1.1.1 & 50	10,429	77,412
		<u>23,121</u>	<u>91,844</u>

17.1.1.1 Includes an amount of Nil (2013: Rs. 65.865 million) charged as impairment loss on 2<sup>nd</sup> and 3<sup>rd</sup> floors of Fortress Project. As at June 30, 2013, the carrying value significantly exceeded the fair value less costs in sell of the aforementioned properties. Consequently, carrying values were reduced to fair value less cost to sell. Fair value is determined by an independent valuer based on similar transactions available in the market place. Costs to sell were estimated at 10% of the fair value.

17.1.2 Disposal of owned assets

Particular of Assets	Sold to	Cost	Accumulated depreciation	(Rupees in thousand)	
				Sales proceeds	Mode of Disposal
Suzuki Liana Vehicle	Shahid Jabar, Company employee	760	577	600	- Negotiation -
Honda CD-70 Motor Bike	Muhammed Munir Mhgal Company employee	52	41	24	- Negotiation -
		<u>812</u>	<u>618</u>	<u>624</u>	

	(Rupees in thousand)							
	2014			2013				
17.2 Assets subject to finance lease	Cost as at June 30, 2013	Additions/ (deletions)/ (transfers)	Cost as at June 30, 2014	Accumulated depreciation as at June 30, 2012	Depreciation charge for the year/ (transfer)	Accumulated depreciation as at June 30, 2013	Book value as at June 30, 2013	Depreciation rate
Vehicles	5,912	-	5,912	3,270	529	3,799	2,113	20%
Plant and machinery	57,500	-	57,500	57,500	-	57,500	-	33%
	63,412	-	63,412	60,770	529	61,299	2,113	
	Cost as at June 30, 2012	Additions/ (deletions)/ (transfers)	Cost as at June 30, 2013	Accumulated depreciation as at June 30, 2012	Depreciation charge for the year/ (transfer)	Accumulated depreciation as at June 30, 2013	Book value as at June 30, 2013	Depreciation rate
Vehicles	11,015	-	5,912	4,863	898	3,270	2,642	20%
Plant and machinery	57,500	(5,103)	57,500	57,500	(2,491)	57,500	-	33%
	68,515	-	63,412	62,363	898	60,770	2,642	
		(5,103)			(2,491)			

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

17.3 Capital Work in progress

This represents the 3rd floor measuring 21,813 square feet of Pace Towers located at 27 11 Gulberg III Lahore, which the Company intends to retain for its own use. This also includes borrowing costs of Rs 21,520 million (2013: Rs 16,823 million). During the year borrowing cost of Rs 4,700 million (2013: Nil) was capitalized at effective rate of 6.9%.

18 Intangible assets	(Rupees in thousand)						
	2014				2013		
	Cost as at June 30, 2013	Additions/ (deletions)	Cost as at June 30, 2014	Accumulated amortisation as at June 30, 2013	Amortisation charge for the year	Accumulated amortisation as at June 30, 2014	Book value as at June 30, 2014
Softwares	2,878	-	2,878	2,195	76	2,271	607
Dark fiber *	9,508	-	9,508	2,495	475	2,970	6,538
	12,386		12,386	4,690	551	5,241	7,145
	Cost as at June 30, 2012	Additions/ (deletions)	Cost as at June 30, 2013	Accumulated amortisation as at June 30, 2012	Amortisation charge for the year	Accumulated amortisation as at June 30, 2013	Book value as at June 30, 2013
Softwares	2,878	-	2,878	2,119	76	2,195	683
Dark fiber *	9,508	-	9,508	2,020	475	2,495	7,013
	12,386		12,386	4,139	551	4,690	7,696

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

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

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### 19. Investment Property

	Note	Cost as at June 30,		Fair Value as at June 30,	
		2014	2013	2014	2013
(Rupees in thousand)					
Opening value		1,647,161	1,663,214	3,145,137	3,167,645
- Transfer from disposal group held for sale	27	68,219	67,201	114,465	94,190
- Disposal of investment property		-	(15,035)	-	(20,985)
- Transfer to disposal group held for sale	27	-	(68,219)	-	(146,442)
Closing value before revaluation as at June 30		<u>1,715,380</u>	<u>1,647,161</u>	<u>3,259,602</u>	<u>3,094,408</u>
Fair value gain recognised in profit and loss account		-	-	110,564	50,729
Fair value as at June 30		<u>1,715,380</u>	<u>1,647,161</u>	<u>3,370,166</u>	<u>3,145,137</u>

### 20. Long term investments

	Note	2014	2013
(Rupees in thousand)			
Equity instruments of:			
- subsidiaries - unquoted	20.1	91,670	91,670
- associate - unquoted	20.2	758,651	758,651
Available for sale - quoted	20.3	958	2,208
		<u>851,279</u>	<u>852,528</u>

#### 20.1. Subsidiaries - unquoted

Pace Woodlands (Private) Limited 3,000 (2013: 3,000) fully paid ordinary shares of Rs 10 each Equity held 52% (2013: 52%)		30	30
Pace Super Mall (Private) Limited 9,161,528 (2013: 9,161,528) fully paid ordinary Shares of Rs 10 each Equity held 57% (2013: 57%)		91,615	91,615
Pace Gujrat (Private) Limited 2,450 (2013: 2,450) fully paid ordinary shares of Rs 10 each Equity held 100% (2013: 100%)		25	25

#### 20.2 Associate - unquoted

Pace Barka Properties Limited 75,875,000 (2013: 75,875,000) fully paid ordinary shares of Rs 10 each Equity held 24.9% (2013: 24.9%)		758,651	758,651
Less: Cumulative impairment losses recognised	20.2.1	-	-
		<u>758,651</u>	<u>758,651</u>

## Pace (Pakistan) Limited

	Note	2014 (Rupees in thousand)	2013
<b>20.2.1 Cumulative impairment losses recognised</b>			
Opening balance		-	151,730
Reversed during the year	31.2	-	(151,730)
As at June 30		<u>-</u>	<u>-</u>
<b>20.3 Available for sale - quoted</b>			
Worldcall Telecom Limited 912 (2013: 912) fully paid ordinary shares of Rs 10 each		6	6
Shaheen Insurance Company Limited 158,037 (2013: 294,037) fully paid ordinary shares of Rs 10 each		<u>2,008</u>	<u>3,776</u>
		<u>2,014</u>	<u>3,782</u>
Less: Cumulative fair value loss	20.3.1	<u>(1,056)</u>	<u>(1,575)</u>
		<u>958</u>	<u>2,207</u>
<b>20.3.1 Cumulative fair value loss</b>			
Opening balance		1,575	1,134
Fair value loss during the year		300	441
Transferred to profit and loss account on derecognition of investment		<u>(819)</u>	<u>-</u>
As at June 30		<u>1,056</u>	<u>1,575</u>
<b>21. Long term advances and deposits</b>			
These are in the ordinary course of business and are interest free.			
<b>22. Deferred taxation</b>			
The liability/(asset) for deferred taxation comprises temporary differences relating to:			
Accelerated tax depreciation		268,514	260,473
Employee retirement benefits		(17,615)	(14,430)
Provision for doubtful receivables		(46,732)	(41,749)
Loss on remeasurement of assets of disposal group		-	(11,192)
Provision for restructuring		-	(7,614)
Deferred cost		(193)	(241)
Unused tax losses		<u>(203,974)</u>	<u>(185,247)</u>
		<u>-</u>	<u>-</u>
<b>22.1</b>	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 recognised to the extent that the realisation of related tax benefits through future taxable profits is probable. The Company has not recognised deferred tax assets of Rs 1,050.066 million (2013: Rs 902.183 million) in respect of tax losses and Rs 3.626 million (2013: Rs 15.504 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		

## Pace (Pakistan) Limited

foreseeable future. Minimum tax paid u/s 113 aggregating to Rs 3.625 million would not be available for carry forward against future tax liabilities subsequent to years 2015 through 2019. Tax losses amounting to Rs 59,297 million, Rs 1,214,010 million, Rs 788,658 million, Rs 535,643 million and Rs 349,084 million will expire in year 2015, 2017, 2018, 2019 and 2020 respectively.

	Note	2014	2013
(Rupees in thousand)			
<b>23. Stock-in-trade</b>			
Work in process - Pace Towers	23.1 & 23.2	1,134,710	1,031,748
Shops and houses		282,804	241,005
Pace Barka Properties Limited - Pace Circle		528,748	562,327
Pace Super Mall (Private) Limited		21,600	21,600
Woodland plots		-	1,433
		<u>1,967,862</u>	<u>1,858,113</u>
Stores inventory		783	1,033
		<u><u>1,968,645</u></u>	<u><u>1,859,146</u></u>

23.1 Included in work in process are borrowing costs of Rs 268.690 million (2013: Rs 210.048 million). During the year borrowing cost of Rs 58.650 million (2013: Nil) was capitalized at effective rate of 6.92%.

23.2 The charge amounting to Rs 1,200.5 million (2013: 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	2014	2013
(Rupees in thousand)			
<b>24. Trade debts - unsecured</b>			
Considered good	24.1	630,465	649,827
Considered doubtful		133,519	119,282
		<u>763,984</u>	<u>769,109</u>
Less: Provision for doubtful debts	24.2	<u>(133,519)</u>	<u>(119,282)</u>
		<u><u>630,465</u></u>	<u><u>649,827</u></u>

24.1 This includes amount of Rs 6.681 million (2013: Rs 6.681 million) receivable from First Capital Securities Corporation Limited, a related party.

	Note	2014	2013
(Rupees in thousand)			
<b>24.2 Provision for doubtful debts</b>			
Opening balance		119,282	109,709
Add: Provision during the year	30	14,237	9,573
Balance as at June 30		<u>133,519</u>	<u>119,282</u>

## Pace (Pakistan) Limited

	Note	2014 (Rupees in thousand)	2013
<b>25. Advances, deposits, prepayments and other receivables</b>			
Advances - considered good			
- to employees		7,019	5,997
- to suppliers	25.1	15,982	25,364
Security deposits		12,272	12,388
Prepayments		456	-
Advances to contractors	25.2	5,921	140,066
Others - considered good	25.3	37,230	25,997
		<u>78,880</u>	<u>209,812</u>
Less: Provision for doubtful advances	25.4	-	-
		<u>78,880</u>	<u>209,812</u>
<b>25.1</b> This includes the following interest free amounts due from related parties:			
World Press (Private) Limited		1,993	2,019
Media Times (Private) Limited		6,525	22,913
		<u>8,518</u>	<u>24,932</u>
<b>25.2</b> This includes an interest free amount of Nil (2013: Rs 133.845 million) advanced to Trident Construct (Private) Limited, a related party.			
	Note	2014	2013
		(Rupees in thousand)	
<b>25.3</b> This includes the following interest free amounts			
Media Times (Private) Limited		13,781	4,996
First Capital Securities Corporation Limited		-	904
First Capital Investment Limited		-	1,883
First Capital Equities Limited		-	1,809
Pace Barka Properties Limited		-	2,000
		<u>13,781</u>	<u>11,592</u>
<b>25.4</b> Provision for doubtful advances			
Opening balance		-	4,311
Less: written off against provision		-	(4,311)
Closing balance		<u>-</u>	<u>-</u>
<b>26. Cash and bank balances</b>			
At banks			
- in saving accounts	26.1 & 26.2	916	1,446
- in current accounts		659	819
		<u>1,575</u>	<u>2,265</u>
In hand		47	30
In transit		-	3,220
		<u>1,622</u>	<u>5,515</u>

## Pace (Pakistan) Limited

26.1 The balances in saving accounts bear markup ranging from 5% to 12% per annum (2013: 5% to 12%).

26.2 This includes Rs 0.006 million (2013: Rs 0.006 million) placed in Debt Servicing Reserve Account of National Bank of Pakistan.

	Note	2014	2013
(Rupees in thousand)			
<b>27. Disposal group held-for-sale</b>			
Assets of disposal group	27.1	-	127,903
		-	127,903
<b>27.1 Assets of disposal group</b>			
Investment property		-	114,465
Property, plant and equipment		-	13,438
		-	127,903

The settlement with PAIR Investment Company Limited was not executed due to the reason mentioned in note 13. Therefore, in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", the Company has re-classified those properties from disposal group held-for-sale to investment property and property plant and equipment, respectively.

	Note	2014	2013
(Rupees in thousand)			
<b>28. Sales</b>			
Shops, houses and commercial buildings			
- at completion of project basis		84,278	142,818
- at percentage of completion basis		134,309	17,714
Plots		3,200	13,733
Licensee fee		39,145	39,154
Display advertisements and miscellaneous income		18,448	15,491
Service charges		187,086	163,384
		466,466	392,294
<b>28.1 Sales return</b>			
At percentage of completion basis	28.1.1	(103,845)	-
		(103,845)	-

28.1.1 This represents reversal of sales of commercial floor against which agreement have been cancelled as per mutual understanding of the buyer and the Company.

	Note	2014	2013
(Rupees in thousand)			
<b>28.2 Sales recognised at percentage of completion basis</b>			
Revenue recognised to date		655,220	624,756
Aggregate cost incurred to date		(554,910)	(560,837)
Recognised profit to date		100,310	63,919

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28.2.1 The revenue arising from agreements, that meet the criteria for revenue recognition on the basis of percentage of completion method, during the year is Rs 30.464 million (2013: Rs 17.714 million). Amount received against these agreements amounts to Rs 44.246 million (2013: Rs 3 million).

	Note	2014	2013 (Restated)
(Rupees in thousand)			
<b>29. Cost of sales</b>			
Shops and commercial buildings sold			
- at percentage of completion basis	29.1	(5,738)	13,092
- at completion of project basis	29.2	(30,888)	85,304
Pace circle		46,768	78,466
Plots sold		1,433	7,834
Stores operating expenses	29.3	257,150	238,017
		<u>268,725</u>	<u>422,713</u>
<b>29.1 Shops and commercial buildings sold at percentage of completion basis</b>			
Opening work in process		1,031,748	1,043,613
Project development costs	29.1.1	97,224	1,227
Closing work in process	23	(1,134,710)	(1,031,748)
Cost of apartments and commercial buildings (reversed) / sold during the year	29.1.2	<u>(5,738)</u>	<u>13,092</u>
<b>29.1.1 This includes borrowing cost capitalized of Rs 58.650 million (2013: Nil)</b>			
<b>29.1.2 Cost of shops and houses (reversed) / sold during the year</b>			
Cost of shops and houses sold during the year		85,509	-
Cost of apartments and commercial buildings reversed during the year		(91,455)	-
		<u>(5,946)</u>	<u>-</u>
<b>29.2 Shops and houses sold at completion of project basis</b>			
Opening inventory of shops and houses		241,005	266,276
Repurchased during the year		10,911	59,642
Shops swapped during the year		-	(10,029)
Transferred from disposal group held-for-sale		-	10,420
Closing inventory of shops and houses	23	(282,804)	(241,005)
Cost of shops and houses sold during the year	29.2.1	<u>(30,888)</u>	<u>85,304</u>
<b>29.2.1 Cost of shops and houses (reversed) / sold during the year</b>			
Cost of shops and houses sold during the year		15,117	-
Reversal of net realisable value loss	6.4	(46,005)	-
		<u>(30,888)</u>	<u>-</u>

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	Note	2014	2013 (Restated)
(Rupees in thousand)			
<b>29.3 Stores operating expenses</b>			
Salaries, wages and benefits	29.3.1	42,617	37,290
Rent, rates and taxes	29.3.2	12,215	9,952
Insurance		2,828	3,811
Fuel and power		159,971	153,062
Depreciation on owned assets	17.1.1	12,692	14,432
Repairs and maintenance		10,335	7,238
Janitorial and security charges		15,473	11,840
Others		1,019	392
		<u>257,150</u>	<u>238,017</u>
<b>29.3.1 Salaries, wages and benefits include following in respect of gratuity:</b>			
Current service cost		721	704
Interest cost		292	388
		<u>1,013</u>	<u>1,092</u>

**29.3.2** This is net of Rs 2.64 million (2013: Rs 2 million), which represents common costs charged by the Company to Pace Barka Properties Limited, a related party.

	Note	2014	2013 (Restated)
(Rupees in thousand)			
<b>30. Administrative and selling expenses</b>			
Salaries, wages and benefits	30.1	48,031	49,759
Travelling and conveyance		3,965	3,860
Rent, rates and taxes		1,836	767
Insurance		1,610	4,187
Printing and stationery		1,732	1,348
Repairs and maintenance		4,215	6,180
Motor vehicles running		11,913	9,525
Communications		3,981	5,017
Advertising and sales promotion		15,301	4,762
Depreciation and impairment on:			
- owned assets	17.1.1	10,429	77,412
- assets subject to finance lease	17.2.1	529	898
Amortisation on intangible assets	18.1	551	551
Auditors' remuneration	30.2	3,300	3,250
Legal and professional		4,806	4,853
Commission on sales		27,317	21,042
Office expenses		4,384	5,681
Other expenses		1,077	2,469
Provision for doubtful debts	24.2	14,237	9,573
Provision for doubtful advances	25	-	-
		<u>159,214</u>	<u>211,134</u>
<b>30.1 Salaries, wages and benefits include following in respect of gratuity:</b>			
Current service cost		4,829	4,710
Interest cost		1,952	2,600
		<u>6,781</u>	<u>7,310</u>

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	Note	2014 (Rupees in thousand)	2013
<b>30.2 Auditors' remuneration</b>			
The charges for auditors' remuneration includes the following in respect of auditors' services for:			
Statutory audit		1,750	1,600
Certification and sundry services		550	450
Half yearly review		600	500
Out of pocket expenses		400	700
		<u>3,300</u>	<u>3,250</u>
<b>31. Other income</b>			
<b>Income from financial assets</b>			
Markup on bank accounts		375	655
Commission on guarantee	31.1	1,238	1,500
<b>Income from non-financial assets</b>			
Gain on sale of property, plant and equipment		430	-
Provision no longer required written back	6.4	21,754	-
Rental income		8,796	9,486
Exchange gain on foreign currency convertible bonds		806	-
Reversal of impairment loss on investment	31.2	-	151,730
Gain on swap of shops		-	12,265
Others		11,002	6,926
		<u>44,401</u>	<u>182,562</u>

31.1 This represents commission income on guarantee provided on behalf of Pace Barka Properties Limited, an associate.

31.2 This represents reversal of impairment on investment based on assessment of recoverable amount.

	Note	2014 (Rupees in thousand)	2013
<b>32. Other operating expenses</b>			
Loss on sale of Investment		819	-
Loss on classification of investment property from disposal group		672	-
Exchange loss on foreign currency convertible bonds	9	-	72,171
Loss on sale of property, plant and equipment		-	3,201
Loss on classification of investment property to disposal group		-	31,977
Provision against debt to asset swap		-	21,754
		<u>1,491</u>	<u>129,103</u>

## Pace (Pakistan) Limited

	Note	2014 (Rupees in thousand)	2013
<b>33. Finance costs</b>			
Markup on:			
- Long term finances - secured		78,541	100,217
- Foreign currency convertible bonds - unsecured		8,127	55,668
- Redeemable capital - secured (non-participatory)		165,744	184,797
- Short term finance -secured		12,339	13,798
- Liabilities against assets subject to finance lease		<u>6,918</u>	<u>13,667</u>
		271,669	368,147
Bank charges and processing fee		2,499	2,429
		<u>274,168</u>	<u>370,576</u>

### 34. Taxation

Current	34.2	3,626	936
Deferred		-	-
		<u>3,626</u>	<u>936</u>

#### 34.1 Tax charge reconciliation

	2014	2013
Numerical reconciliation between the average effective tax rate and the applicable tax rate.		
Applicable tax rate	35.00	35.00
Tax effect of amounts that are:		
Income / (loss) not chargeable to tax	20.80	1.23
Minimum tax for the year	(1.95)	-
Effect of income taxed at reduced rates	-	0.48
Effect of deferred tax asset not recognised on taxable loss	(55.80)	(36.89)
	<u>(36.95)</u>	<u>(35.18)</u>
Average effective tax rate charged to profit and loss account	<u>(1.95)</u>	<u>(0.18)</u>

**34.2** The provision for current taxation for the year represents the tax liability under section 113 and 154 of the Income Tax Ordinance, 2001.

For the purposes of current taxation, the tax losses available for carry forward as at June 30, 2014 are estimated approximately at Rs 3,626.186 million (2013: Rs 3,106.944 million).

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

The aggregate amount charged in the financial statements for the year for remuneration to directors is Rs 6.406 million (2013: Rs 5.081 million).

## Pace (Pakistan) Limited

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

	Chief Executive		Directors		Executives	
	2014	2013	2014	2013	2014	2013
	(Rupees in thousand)		(Rupees in thousand)		(Rupees in thousand)	
<b>Short term employee benefits</b>						
Managerial remuneration	1,900	1,600	4,271	3,387	8,554	8,347
Housing	760	640	1,708	1,355	3,422	3,339
Utilities	190	160	427	339	855	835
	<b>2,850</b>	<b>2,400</b>	<b>6,406</b>	<b>5,081</b>	<b>12,831</b>	<b>12,521</b>

	Chief Executive		Directors		Executives	
	2014	2013	2014	2013	2014	2013
<b>Number of persons</b>	1	1	2	2	10	6

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

	Note	2014	2013
		(Rupees in thousand)	
<b>36. Cash generated from operations</b>			
Loss before tax		(186,012)	(507,941)
Adjustment for:			
Depreciation and impairment on:			
- owned assets	17.1	23,121	91,844
- assets subject to finance lease	17.2	529	898
Amortisation on intangible assets	18	550	551
Gain on sale of property, plant and equipment	31	(430)	-
Provision no longer required written back	31	(21,754)	-
Reversal of net realisable value loss	29.2.1	(46,005)	-
Loss on sale of property, plant and equipment	32	-	3,201
Loss on sale of investment	32	819	-
Gain on swap of shops	31	-	(12,265)
Exchange (gain) / loss on foreign currency convertible bonds	9	(806)	72,171
Provision for doubtful receivables	30	14,237	9,573
Provision for gratuity and leave encashment	10	8,411	8,989
Provision against debt to assets swap	32	-	21,754
Reversal of impairment loss on investment	20.2.1	-	(151,730)
Loss on classification to disposal group held-for-sale	32	-	31,977
Finance costs	33	274,168	370,576
Markup income	31	(375)	(655)
Changes in fair value of investment property	19	(110,564)	(50,729)
Loss on classification of investment property from disposal group	32	672	-
Loss before working capital changes		<b>(43,439)</b>	<b>(111,786)</b>
Effect on cash flow due to working capital changes:			
(Increase) / decrease in stock-in-trade		(146)	123,666
Decrease in trade debts		5,125	16,269
Decrease / (increase) in advances, deposits and other receivables		130,932	(19,895)
Net increase in advances against sale of property		32,725	1,324
Increase in creditors, accrued and other liabilities		37,203	40,971
		<b>205,839</b>	<b>162,335</b>
		<b>162,400</b>	<b>50,549</b>

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	Note	2014	2013
(Rupees in thousand)			
<b>37. Cash and cash equivalents</b>			
Short term finance - secured	13	(96,443)	(96,443)
Cash and bank balances	26	1,622	5,515
		<u>(94,821)</u>	<u>(90,928)</u>

### 38. Financial risk management

#### 38.1 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:

	2014	2013
Foreign currency convertible bonds - USD	<u>16,267,933</u>	<u>16,110,535</u>

The following significant exchange rates were applied during the year:

#### Rupees per USD

Average rate	98.75	97.60
Reporting date rate	98.75	98.80

If the functional currency, at reporting date, had weakened/strengthened by 5% against the USD with all other variables held constant, post-tax loss for the year would have been Rs 80.363 million (2013: Rs 79.586 million) higher / lower, mainly as a result of foreign exchange gains / losses 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:

	2014	2013
	(Rupees in thousand)	
<b>FIXED RATE INSTRUMENTS</b>		
<b>Financial Assets</b>		
Bank balances - savings accounts	(916)	(1,446)
<b>Financial liabilities</b>		
Foreign currency convertible bonds - unsecured	1,606,458	1,591,721
<b>Net interest rate risk</b>	1,605,542	1,590,275
<b>FLOATING RATE INSTRUMENTS</b>		
<b>Financial liabilities</b>		
Redeemable capital - secured (non-participatory)	1,498,200	1,498,200
Liabilities against assets subject to finance lease	26,533	30,507
Short term finance - secured	96,443	96,443
Long term finances - secured	614,906	732,614
<b>Net interest rate risk</b>	2,236,082	2,357,764

**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 22.969 million (2013: Rs 23.697 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:

	2014	2013
	(Rupees in thousand)	
Long term advances and deposits	13,619	13,619
Trade debts - unsecured	763,984	769,109
Advances, deposits, prepayments and other receivables		
- Advances to employees - considered good	7,019	5,997
- Security deposits	12,272	12,388
- Others - considered good	37,230	25,997
Cash and bank balances	1,622	5,515
	835,746	832,625

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

- Not past due	-	-
- Past due 0 - 365 days	138,376	87,056
- 1 - 2 years	229,967	173,618
- More than 2 years	395,641	508,435
	763,984	769,109

The age of related party trade debt at balance sheet date is as follows:

<b>First Capital Securities Corporation Limited</b>		
- More than 2 years	6,681	6,681

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.

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### (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 counter party default rate:

	Rating Short term	Long term	Rating Agency	2014	2013
(Rupees in thousand)					
KASB Bank	A3	BBB	PACRA	171	96
Allied Bank Limited	A1-	AA+	PACRA	532	190
Faysal Bank Limited	A1+	AA	PACRA	9	47
United Bank Limited	A-1+	AA+	JCR-VIS	5	6
Soneri Bank Limited	A1+	AA-	PACRA	6	5
Habib Bank Limited	A-1+	AAA	JCR-VIS	1	12
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	17	114
Silk Bank Limited	A-2	A-	JCR-VIS	68	67
NIB Bank limited	A1-	AA-	PACRA	2	1
Burj Bank Limited	A-1	A	JCR-VIS	1	1
Bank Alfalah Limited	A1+	AA	PACRA	2	976
Al Baraka Bank (Pakistan) Limited	A1	A	PACRA	680	719
National Bank of Pakistan	A-1+	AAA	JCR-VIS	75	26
Askari Bank Limited	A1+	AA	PACRA	6	5
				<u>1,575</u>	<u>2,265</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 37) 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.

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The following are the contractual maturities of financial liabilities as at June 30, 2014:

	Carrying amount	Less than one year	One to five years	More than five years
	(Rupees in thousand)			
Long term finances - secured	614,906	614,906	-	-
Redeemable capital - secured (non-participatory)	1,498,200	1,498,200	-	-
Liabilities against assets subject to finance lease	26,533	26,533	-	-
Foreign currency convertible bonds - unsecured	1,606,458	1,606,458	-	-
Short term finance - secured	96,443	96,443	-	-
Creditors, accrued and other liabilities	231,634	231,634	-	-
Accrued finance cost	1,091,217	1,091,217	-	-
	<u>5,165,391</u>	<u>5,165,391</u>	-	-

The following are the contractual maturities of financial liabilities as at June 30, 2013:

	Carrying amount	Less than one year	One to five years	More than five years
	(Rupees in thousand)			
Long term finances - secured	732,614	732,614	-	-
Redeemable capital - secured (non-participatory)	1,498,200	1,498,200	-	-
Liabilities against assets subject to finance lease	30,507	30,507	-	-
Foreign currency convertible bonds - unsecured	1,591,721	1,591,721	-	-
Short term finance - secured	96,443	96,443	-	-
Creditors, accrued and other liabilities	216,185	216,185	-	-
Accrued finance cost	794,514	794,514	-	-
	<u>4,960,184</u>	<u>4,960,184</u>	-	-

### 38.2 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.

	2014 (Rupees in thousand)			2013
	Available for sale	Loans and receivables	Total	Total
<b>Assets as per balance sheet</b>				
Long term advances and deposits	-	13,619	13,619	13,619
Trade debts - unsecured	-	630,465	630,465	649,827
Investments	958	-	958	2,208
Advances, deposits, prepayments and other receivables				
- Advances to employees - considered good	-	7,019	7,019	5,997
- Security deposits	-	12,272	12,272	12,388
- Others - considered good	-	37,230	37,230	25,997
Cash and bank balances	-	1,622	1,622	5,515
	<u>958</u>	<u>702,227</u>	<u>703,185</u>	<u>715,551</u>

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Liabilities as per balance sheet	Financial liabilities at amortized cost	
	2014	2013
	(Rupees in thousand)	
Long term finances - secured	614,906	732,614
Redeemable capital - secured (non-participatory)	1,498,200	1,498,200
Liabilities against assets subject to finance lease	26,533	30,507
Foreign currency convertible bonds - unsecured	1,606,458	1,591,721
Short term finance - secured	96,443	96,443
Creditors, accrued and other liabilities	231,634	216,185
Accrued finance cost	1,091,217	794,514
	5,165,391	4,960,184

### 38.3 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 37. 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, 2014 and June 30, 2013 are as follows:

	Note	2014                      2013	
		(Rupees in thousand)	
Borrowings		3,719,564	3,822,535
Less: Cash and cash equivalents	37	(94,821)	(90,928)
Net debt		3,814,385	3,913,463
Total equity		2,230,643	2,425,276
Total capital		6,045,028	6,338,739
Gearing ratio		63%	62%

### 39. 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

		2014	2013 (Restated)
<b>39.1 Basic loss per share</b>			
Loss for the year	<b>Rupees in thousand</b>	(189,638)	(508,877)
Weighted average number of ordinary shares outstanding during the year	<b>In thousand</b>	278,877	278,877
Basic loss per share	<b>Rupees</b>	<u>(0.68)</u>	<u>(1.82)</u>

### 39.2 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.

		2014	2013 (Restated)
Loss for the year for calculation of basic loss per share	<b>Rupees in thousand</b>	(189,638)	(508,877)
Interest on FCCB	<b>Rupees in thousand</b>	15,543	55,668
Exchange (gain) / loss on FCCB during the year	<b>Rupees in thousand</b>	(806)	72,171
Loss used to determine diluted loss per share	<b>Rupees in thousand</b>	<u>(174,901)</u>	<u>(381,038)</u>
Weighted average number of ordinary shares outstanding during the year	<b>In thousand</b>	278,877	278,877
Assumed conversion of FCCB into ordinary shares	<b>In thousand</b>	108,693	106,015
Weighted average number of ordinary shares for loss per share	<b>In thousand</b>	<u>387,570</u>	<u>384,892</u>
Dilutive loss per share	<b>Rupees</b>	<u>(0.45)</u>	<u>(0.99)</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.

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

Relationship with the company	Nature of transactions	2014	2013
		(Rupees in thousand)	
i. Associate	Guarantee commission income	1,238	1,500
	Expenses paid/incurred by the Company	-	7,071
	Expenses paid/incurred on behalf of the Company	-	28,512
	Funds transferred to associate	-	4,504
	Funds transferred from associate	-	13,151
	Receipts against Pace circle sales	35,166	28,835
	Shared expense charged by the company	2,640	-
ii. Others	Purchase of goods & services	13,807	9,464
	Sale of services	2,008	-
	Funds transferred	-	3,324
	Liabilities settled on behalf of related parties	-	31,923
	Rental income	8,796	7,986
	Refund of advance	133,845	-
	Funds received on behalf of the customer	23,158	-
	Disposal of property, plant and equipment	-	5,568

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

	2014	2013
<b>41. Number of employees</b>		
Total number of employees as at June 30	297	304
Average number of employees during the year	309	310

**42. Date of authorisation**

These financial statements were authorised for issue on October 02, 2014 by the board of directors of the Company.

**43. Corresponding figures**

Corresponding figures have been re-arranged and reclassified, wherever necessary, for the purposes of comparison and better presentation as per reporting framework. However, no significant re-arrangements have been made.

Lahore  
October 02, 2014

Aamina Taseer  
Chief Executive

Shehryar Ali Taseer  
Director

**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**JUNE 30, 2014**

**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 'the Group') as at June 30, 2014 and the related consolidated profit and loss account, consolidated statement of changes in equity and consolidated cash flow statement together with the notes forming part thereof, for the year then ended. We have also expressed a separate opinion on the financial statements of Pace (Pakistan) Limited. Its subsidiary companies, Pace Woodlands (Private) Limited, Pace Gujrat (Private) Limited and Pace Supermall (Private) Limited were audited by other firms of auditors, whose reports have been furnished to us and our opinion in so far as it relates to the amounts included for such companies, is based solely on the reports of such other auditors. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As stated in note 2.3.1 and 4.6.1 to the annexed consolidated financial statements, the Group has changed its accounting policies on initial application of standards, amendments or interpretations to existing standards and deferred liabilities respectively.

In our opinion, the consolidated financial statements present fairly the financial position of Pace (Pakistan) Limited and its subsidiary companies (the Group) as at June 30, 2014 and the results of their 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 2,275.685 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 04, 2014

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

## DIRECTORS' REPORT TO THE SHAREHOLDERS

The directors of Pace (Pakistan) Limited are pleased to present annual audited consolidated financial statements of the Group for the year ended June 30, 2014.

### Group Performance and Financial Overview:

During the period, the group has shown some better performance as compared to the previous year, with an aggregate reduction in net sales by 7.5%. Reduction in net loss after tax from previous year is 54% and Group incurred a net after tax loss of Rs 177 Million during the period as compare to Rs 387 Million in previous year, which is indicative of enhanced operational growth.

Comparison for the results of the year ended June 30, 2014 as against June 30, 2013 is as follows:

	Year Ended June 30,	
	2014	2013
	Rupees in thousand	
Sales	466,467	392,294
Sales return	(103,845)	-
Cost of sales	(269,121)	(425,455)
Gross profit/(loss)	93,501	(33,161)
Other income	44,402	182,563
Finance cost	(274,177)	(370,577)
Net loss before tax	(174,911)	(506,750)
Net loss after tax	(177,013)	(386,839)
Loss per share-Basic and diluted	(0.63)	(1.39)

The sales return is due to reversal of sales of commercial floor in Pace Tower project against which agreement have been cancelled as per mutual understanding of the buyer and the Group. Other income has shown a significant decline by 76% because of reversal of impairment loss on investment property which amounts to Rs 151 Million in previous year.

Further finance cost has been reduced by 26% due to capitalization of borrowing costs on Pace Tower project in current year. These factors have cumulatively resulted in an improved performance by the Group as reflected in a rigorous diminution in its net loss after tax and loss per share by 55%, as compared to the immediately preceding year.

Our Subsidiaries PACE Woodlands (Pvt) Limited and PACE Gujrat (Pvt) Limited were incorporated as special purpose

entities and the projects for which these companies were incorporated, are completed in terms of construction and development and approval from shareholders has also been taken for the selling of the respective projects. The sale would take place as soon as the companies are able to get suitable buying offers so that the deals could be finalized in best interest of the companies.

### Future Outlook:

We are striving hard for delivery of Pace Tower project in 2015 along with key projects of Pace Gujrat and Pace Woodlands, to keep our brand name and goodwill intact. These deliveries will strengthen cash flow and improve our profitability. Our focus is on maximization of shareholder value through optimization of our investment portfolio and selection of projects that make commercial sense.

The Group seeks to build growth into its cash flows through the efficient sourcing and deployment of capital into high-quality and accretive opportunities in selected target markets, as well as into high-yield development opportunities that exist within the property portfolio. We focus on maximizing portfolio value and cash flows over the long-term, creating additional value through the selective disposition of assets at premium prices, and reinvesting and repositioning the portfolio on an on-going basis in higher growth markets.

We seek to build value by selecting and managing high-performance property management teams in local markets, who understand the importance of nurturing existing tenant relationships, achieving optimal returns while maintaining high occupancy levels, and ensuring properties are well-maintained and operating at costs consistent with the local market.

We are committed to growing our portfolio while slowly reducing our overall debt to gross book value ratio over the course of the year with major restructuring and debt settlement arrangements in progress.

We thank our employees, as none of our accomplishments would be possible without their hard work and strong commitment to the Group.

We are grateful for the confidence our investors have placed in us and will work hard to produce improving results for shareholders in the forthcoming year.

For and on behalf of the Board of Directors

Lahore:  
October 02, 2014

Aamna Taseer  
Chief Executive Officer

## Pace (Pakistan) Group

### CONSOLIDATED BALANCE SHEET

AS AT JUNE 30, 2014

	Note	June 30, 2014	June 30, 2013 (Restated)
(Rupees in thousand)			
<b>EQUITY AND LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
Authorised capital			
600,000,000 (2013: 600,000,000)			
ordinary shares of Rs 10 each		6,000,000	6,000,000
Issued, subscribed and paid up capital			
278,876,604 (2013: 278,876,604)			
ordinary shares of Rs 10 each	5	2,788,766	2,788,766
Reserves		252,229	278,764
Accumulated loss		(328,560)	(146,133)
		<u>2,712,435</u>	<u>2,921,397</u>
<b>NON-CONTROLLING INTEREST</b>		<u>87,578</u>	<u>87,678</u>
		<u>2,800,013</u>	<u>3,009,075</u>
<b>NON-CURRENT LIABILITIES</b>			
Long term finances - secured	6	-	-
Redeemable capital - secured (non-participatory)	7	-	-
Liabilities against assets subject to finance lease	8	-	-
Foreign currency convertible bonds - unsecured	9	-	-
Deferred liabilities	10	34,654	24,604
Deferred taxation	11	42,676	44,200
		<u>77,330</u>	<u>68,804</u>
<b>CURRENT LIABILITIES</b>			
Advances against sale of property	12	132,678	99,953
Current portion of long term liabilities	13	3,746,097	3,853,042
Short term finance - secured	14	96,443	96,443
Creditors, accrued and other liabilities	15	267,354	251,586
Accrued finance cost	16	1,091,217	794,514
Taxation		5,534	5,534
		<u>5,339,323</u>	<u>5,101,072</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	17	-	-
		<u>8,216,666</u>	<u>8,178,951</u>

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

Labore  
October 02, 2014

Aamna Taseer  
Chief Executive

## Pace (Pakistan) Group

	Note	June 30, 2014	June 30, 2013 (Restated)
(Rupees in thousand)			
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	18	592,660	595,832
Intangible assets	19	7,145	7,697
Investment property	20	3,370,166	3,145,137
Long term investments	21	1,169,438	1,185,918
Long term advances and deposits	22	13,619	13,619
		<u>5,153,028</u>	<u>4,948,203</u>
<b>CURRENT ASSETS</b>			
Stock-in-trade	23	2,302,657	2,193,553
Trade debts - unsecured	24	630,767	650,129
Advances, deposits, prepayments and other receivables	25	80,529	211,461
Income tax recoverable		47,938	42,055
Cash and bank balances	26	1,747	5,647
		<u>3,063,638</u>	<u>3,102,845</u>
Disposal group held-for-sale	27	-	127,903
		<u>3,063,638</u>	<u>3,230,748</u>
		<u><u>8,216,666</u></u>	<u><u>8,178,951</u></u>

Shehryar Ali Taseer  
Director

## Pace (Pakistan) Group

### CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2014

	Note	June 30, 2014	June 30, 2013 (Restated)
(Rupees in thousand)			
Sales	28	466,467	392,294
Less: Sales return	28.1	<u>(103,845)</u>	<u>-</u>
		362,622	392,294
Cost of sales	29	<u>(269,121)</u>	<u>(425,455)</u>
<b>Gross profit / (loss)</b>		<b>93,501</b>	<b>(33,161)</b>
Administrative and selling expenses	30	(159,532)	(208,318)
Other income	31	44,402	182,563
Other operating expenses	32	<u>(1,491)</u>	<u>(129,103)</u>
		(23,120)	(188,019)
Finance costs	33	(274,177)	(370,577)
Changes in fair value of investment property	20	110,564	50,729
Share of profit from associate - net of tax	21.1.1	<u>11,822</u>	<u>1,117</u>
<b>Loss before tax</b>		<b>(174,911)</b>	<b>(506,750)</b>
Taxation	34	<u>(2,102)</u>	<u>119,911</u>
<b>Loss for the year</b>		<b>(177,013)</b>	<b>(386,839)</b>
<b>Other comprehensive loss</b>			
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurement of net defined benefit liability - net of tax		(5,514)	(4,672)
<i>Items that may be reclassified subsequently to profit or loss</i>			
Changes in fair value of available for sale investments		(300)	(441)
Loss during the year transferred to profit and loss on account of derecognition of investment		819	-
Share in associate's changes in fair value of available for sale investments - net of tax		<u>(27,054)</u>	<u>(115,760)</u>
		(26,535)	(116,201)
<b>Total comprehensive loss for the year</b>		<b>(209,062)</b>	<b>(507,712)</b>
Attributable to:			
Equity holders of the parent		(208,962)	(507,615)
Non-controlling interest		<u>(100)</u>	<u>(97)</u>
		(209,062)	(507,712)
Loss per share attributable to ordinary shareholders			
- basic loss per share	Rupees 40.1	<u>(0.63)</u>	<u>(1.39)</u>
- diluted loss per share	Rupees 40.2	<u>(0.63)</u>	<u>(1.39)</u>

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

Lahore  
October 02, 2014

Aamna Taseer  
Chief Executive

Shehryar Ali Taseer  
Director

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED JUNE 30, 2014**

	Attributable to equity holders of the parcor				Non-Controlling Interest	Total Equity
	Share capital	Share premium reserve	Reserve for changes in fair value of investments	Share in reserves of associate		
Balance as on June 30, 2012	2,788,766	273,265	(1,134)	122,834	3,422,384	3,510,059
Effect of change in accounting policy (note - 4.6.1)	-	-	-	-	6,728	6,728
Balance as on June 30, 2012 (Restated)	2,788,766	273,265	(1,134)	122,834	3,429,012	3,516,787
<b>Total comprehensive loss for the year</b>						
Loss for the year	-	-	-	-	(386,742)	(386,839)
Other comprehensive loss for the year:						
Remeasurement of net defined benefit liability net of tax - restated	-	-	-	-	(4,672)	(4,672)
Changes in fair value of available for sale investments - net of tax	-	-	(441)	(115,760)	(116,201)	(116,201)
	-	-	(441)	(115,760)	(391,414)	(507,712)
<b>Total contributions by and distributions to owners of the Company recognised directly in equity</b>						
Loss for the year	-	-	-	-	-	-
Company recognised directly in equity	-	-	-	-	-	-
Balance as on June 30, 2013 (Restated)	2,788,766	273,265	(1,575)	7,074	(146,133)	3,009,075
<b>Total comprehensive loss for the year</b>						
Loss for the year	-	-	-	-	(176,913)	(177,013)
Other comprehensive loss for the year:						
Remeasurement of net defined benefit liability net of tax	-	-	-	-	(5,514)	(5,514)
Changes in fair value of available for sale investments - net of tax	-	-	519	(27,054)	(26,535)	(26,535)
	-	-	519	(27,054)	(182,427)	(209,062)
<b>Total contributions by and distributions to owners of the Company recognised directly in equity</b>						
Loss for the year	-	-	-	-	-	-
Company recognised directly in equity	-	-	-	-	-	-
Balance as on June 30, 2014	2,788,766	273,265	(1,056)	(19,980)	(328,560)	2,712,435

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

**Lahore**  
October 02, 2014

**Aamna Taseer**  
Chief Executive

**Shehryar Ali Taseer**  
Director

**CONSOLIDATED CASH FLOW STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2014**

	Note	2014 (Rupees in thousand)	2013
<b>Cash flow from operating activities</b>			
Cash generated from operations	36	162,401	50,549
Finance costs paid		(32,695)	(25,444)
Gratuity and leave encashment paid		(3,875)	(3,304)
Taxes paid		(9,509)	(7,757)
<b>Net cash generated from operating activities</b>		<b>116,322</b>	<b>14,044</b>
<b>Cash flow from investing activities</b>			
Purchase of property, plant and equipment		(7,906)	(98)
Proceeds from sale of property, plant and equipment		624	5,568
Decrease in long term loans and deposits		-	64
Markup received		376	656
Proceeds from disposal of investment		979	-
Investment in equity instruments		(29)	-
<b>Net cash (used in) / generated from investing activities</b>		<b>(5,956)</b>	<b>6,190</b>
<b>Cash flow from financing activities</b>			
Repayment of long term finances		(110,292)	(17,216)
Repayment of finance lease liabilities		(3,974)	(1,948)
<b>Net cash used in financing activities</b>		<b>(114,266)</b>	<b>(19,164)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(3,900)</b>	<b>1,070</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>(90,796)</b>	<b>(91,866)</b>
<b>Cash and cash equivalents at the end of the year</b>	37	<b>(94,696)</b>	<b>(90,796)</b>

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

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

### 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. The address of the registered office of the holding Company is 2nd and 3rd floor Pace Mall, Fortress Stadium, Lahore.

##### **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 209.062 million (2013: Rs 508.877 million). As at the reporting date, the current liabilities of the Group have exceeded its current assets by Rs 2,275.685 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. Settlements with Al Baraka Bank (Pakistan) Limited (ABBPL) and PAIR Investment Company Limited were envisaged to be effective during the current year. However, due to refusal by the management of the Fortress to transfer the property's right directly to the bank and delays in obtaining No Objection Certificates from other lenders the settlements were not completed. As a consequence, the Group has also been unable to realise its existing receivables from customers and is 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.

The management of the Group is continuously engaged with its lenders for restructuring of its borrowings and during the year was able to negotiate a mechanism for restructuring of demand finance from Soneri Bank as referred to in note 6.3. Soneri Bank offered to restructure entire principal of Rs 27.420 million and markup as on Dec 31, 2013 of Rs 12.130 million. However, legal documentation has not been finalized. Similarly subsequent to year end ABBPL and the Group have agreed to settle principal of Rs 242.291 million and waive markup and late payment charges of Rs 147.038 million on conditions mentioned in note 6.4.

The Group has also approached other lenders referred to in note 6 and 7 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;
- Settlement of principal amounts against properties of the Group; and
- Waiver of overdue markup;

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

The financial statements have 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;
- the Group will be able to settle loans against its properties; and
- the Group will be able to readily realise its receivables and inventory and be able to utilise the resultant liquidity for completion and sale of the 'Pace Towers' project.

The financial statements consequently, do not include any adjustment relating to the realisation 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 applicable to the Group

There were certain new standards, amendments to the approved accounting standards and new interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). Interpretations which became effective during the year but are considered not to be relevant or have any significant effect on the Group's operations and are, therefore, not disclosed in the financial statements except for the amendments as explained below:

- Annual improvements to IFRSs 2011 are applicable on accounting periods beginning on or after January 1, 2013. This set of amendments includes changes to five standards: IFRS 1, 'First time adoption', IAS 1, 'Financial statement presentation', IAS 16, 'Property plant and equipment', IAS 32, 'Financial instruments: Presentation' and IAS 34, 'Interim financial reporting'. The application of these amendments have no material impact on the Group's financial statements.

- 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 application of this amendment has no material impact on the Group's financial statements.

Amendments to IFRS 10, 11 and 12 on transition guidance are applicable on accounting periods beginning on or after January 01, 2013. These amendments also provide additional transition relief in IFRSs 10, 11 and 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. For disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before IFRS 12 is first applied. The application of this amendment has no material impact on the Group's financial statements.

- IAS 19 (Amendments), 'Employee benefits' is applicable on accounting periods beginning on or after January 01, 2013. These amendments eliminate the corridor approach and calculate finance costs on a net funding basis. IAS 19 (revised) amends the accounting for employment benefits. The Group has applied the standard retrospectively in accordance with the transition provisions of the standard. The impact on the Group's financial statements has been explained in note 4.5.1.

- IAS 27 (Revised 2011), 'Separate financial statements' is applicable on accounting periods beginning on or after January 1, 2013. It includes the provisions on separate financial statements that are left after the control provisions of IAS 27 which have been included in the new IFRS 10. The application of this standard 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, 2014 or later periods, and the Group has not early adopted them:

- Annual improvements 2012 applicable for annual periods beginning on or after July 1, 2014. These amendments include changes from the 2010-12 cycle of the annual improvements project, that affect 7 standards: IFRS 2, 'Share-based payment', IFRS 3, 'Business Combinations', IFRS 8, 'Operating segments', IFRS 13, 'Fair value measurement', IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets', 'Consequential amendments to IFRS 9, 'Financial instruments', IAS 37, 'Provisions, contingent liabilities and contingent assets', and IAS 39, 'Financial instruments – Recognition and measurement'.

- Annual improvements 2013 applicable for annual periods beginning on or after July 1, 2014. The amendments include changes from the 2011-13 cycle of the annual improvements project that affect 4 standards: IFRS 1, 'First time adoption', IFRS 3, 'Business combinations', IFRS 13, 'Fair value measurement' and IAS 40, 'Investment property'.

- IFRS 9 - 'Financial instruments' - classification and measurement. This is applicable on accounting periods beginning on or after January 01, 2015. This standard on classification and measurement of financial assets and financial liabilities will replace IAS 39, 'Financial instruments: Recognition and measurement'. IFRS 9 has two measurement categories: amortised cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For liabilities, the standard retains most of the IAS 39 requirements. These include amortised-cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. This change will mainly affect financial institutions. The Group shall apply this standard from July 01, 2015 and does not expect to have a material impact on its financial statements.

- IFRS 10 - 'Consolidated financial statements' is applicable on accounting periods beginning on or after January 01, 2015. This standard 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. The standard provides additional guidance to assist in determining control where this is difficult to assess. The Group shall apply this standard from July 01, 2015 and does not expect to have a material impact on its financial statements.

- IFRS 11 - 'Joint arrangements' is applicable on accounting periods beginning on or after January 01, 2015. IFRS 11 is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the parties to 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 therefore accounts for its share of assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and therefore equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. The Group shall apply this standard from July 01, 2015 and does not expect to have a 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, 2015. 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, 2015 and does not expect to have a material impact on its financial statements.

- IFRS 13 - 'Fair value measurement'. This is applicable on accounting periods beginning on or after January 01, 2015. 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, 2015 and does not expect to have a material impact on its financial statements.

- IAS 28 (Revised 2011), 'Associates and joint ventures' is applicable on accounting periods beginning on or after January 1, 2013. It includes the requirements for associates and joint ventures that have to be equity accounted following the issue of IFRS 11. The Group shall apply this standard from July 01, 2015 and does not expect to have a material impact on its financial statements.

- IAS 32 (Amendments), 'Financial instruments: Presentation', on offsetting financial assets and financial liabilities is applicable on accounting periods beginning on or after January 01, 2014. These amendments update the application guidance in IAS 32, 'Financial instruments: Presentation', to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The Group shall apply these amendments from July 01, 2014 and does not expect to have a material impact on its financial statements.

- IAS 36 (Amendments), 'Impairment of assets' is applicable on accounting periods beginning on or after January 01, 2014. These amendments address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The Group shall apply the revised standard from July 01, 2014 and does not expect to have a material impact on its financial statements.

- IAS 39 (Amendment), 'Financial Instruments: Recognition and Measurement' on novation of derivatives is applicable on accounting period beginning on or after January 01, 2014. This amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument to a central counter party meets specified criteria. The application of this standard has no material impact on the Group's financial statements.

- IFRIC 21, 'Levies' is applicable on accounting period beginning on or after July 01, 2014. It sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when should a liability be recognised. The Group is not currently subjected to significant levies so the impact on the Group's financial statements is not material.

### 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 recognised 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 43.

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 recognised directly in the income statement.

Inter-group transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised 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 recognises 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 Grouping 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 recognised 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 recognised in the income statement, 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. 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 recognised in the income statement. Details of associates is given in note 21.

#### **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 capitalised 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 18.1.

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 18.2.

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.

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 amortised 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, 2014. Projected Unit Credit Method, using the following significant assumptions for valuation of the scheme:

- Discount rate 13.25 percent per annum (2013: 10.50 percent per annum)
- Expected rate of increase in salary level 12.25 percent per annum (2013: 9.50 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'.

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- (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, 2014. Projected Unit Credit Method, using the following significant assumptions for valuation of accumulating compensated absences:

- Discount rate	13.25% (2013: 10.50%)
- Expected increase in salary	12.25% (2013: 9.50%)
- Expected mortality rate	As per SLIC (2001-2005) mortality table with one year setback
- Expected withdrawal and early retirement rate	Based on experience
- Average number of leaves accumulated per annum by employees	10 days (2013: 10 days)

The Group's revised policy with regard to experience gains and losses is to recognize as they occur in other comprehensive income approach under IAS 19 'Employee Benefits'.

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

### 4.6.1 Change in Accounting Policy

IAS 19 (revised) 'Employee benefits'. IAS 19 (revised) amends the accounting for employment benefits. The Group has applied the standard retrospectively in accordance with the transition provisions of the standard. The impact on the Group has been in the following areas:

- Actuarial gains and losses as they occur in other comprehensive income, instead of past policy, where actuarial gains and losses were recognised as income or expense in accordance with minimum recommended approach under the previous standard IAS 19 - 'Employees benefits';
- The standard requires past service cost to be recognised immediately in profit or loss account. Since there are no unrecognised past service costs there is no impact of this provision on the financial statements of the Group.
- The standard replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year. There is no change to determining the discount rate; this is to reflect the yield on high quality corporate bonds. Since there are no plan assets there is no impact of this provision on the financial statements of the Group.
- There is a new term "remeasurements". This is made up of actuarial gains and losses, the difference between actual investment returns and the return implied by the net interest cost.

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- The change has been accounted for in accordance with the requirements of IAS 19 - Employee Benefits (Revised), as required under IAS 8 - Accounting Policies, Change in Accounting Estimates and Errors such a change to be applied retrospectively. However as the retrospective application does not has a material effect on the information in the statement of financial position at the beginning of the preceding period; a third statement of financial position as at the beginning of the preceding period has not been presented in accordance with IAS 1 - "Presentation of Financial Statements".

- Effect of change in accounting policy are as follows:

(Rupees in thousands)

Effect on Balance sheet:

	As at June 30, 2013			As at June 30, 2012		
	Before restatement	As restated	Re-statement	Before restatement	As restated	Re-statement
Deferred liabilities	24,132	23,183	(949)	35,251	28,523	(6,728)
Accumulated loss	636,129	635,180	(949)	128,359	121,631	(6,728)

Effect on other comprehensive income:

	As at June 30, 2013			As at June 30, 2012		
	Before restatement	As restated	Re-statement	Before restatement	As restated	Re-statement
Remeasurement - net of tax	-	(4,672)	(4,672)	-	619	619

Effect on profit and loss, earnings per share and cash flows:

- The restatement has no material impact on profit and loss, earnings per share and cash flows of the Company.

#### 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, 2014. The fair value of the investment property is based on active market prices.

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

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

#### **4.8 Investments**

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

##### **Investments in equity instruments of 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 recognised amount and the Group intends either to settle on a net basis or to realise 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 recognised 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 recognised 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 recognised 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 capitalised are net of any investment income on the temporary investment of borrowed funds.

All other borrowing costs are recognised 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 recognised 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**

2014 (Number of shares)	2013		2014 (Rupees in thousand)	2013
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, an associated undertaking, holds 26,723,615 (2013: 26,723,615) ordinary shares of the holding Company.

## Pace (Pakistan) Group

	Note	2014 (Rupees in thousand)	2013
<b>6. Long term finances - secured</b>			
Syndicate term finance facility	6.1	305,412	305,412
National Bank of Pakistan - term finance	6.2	39,780	39,780
Soneri Bank - demand finance	6.3	27,422	27,422
Al Baraka Bank (Pakistan) Limited - musharika based agreement	6.4	242,292	360,000
		<u>614,906</u>	<u>732,614</u>
Less: Current portion shown under current liabilities	13	<u>(614,906)</u>	<u>(732,614)</u>
		<u>-</u>	<u>-</u>

### 6.1 Syndicate term finance facility

#### Terms of repayment

This loan had been obtained from syndicate comprising of National Bank of Pakistan (NBP) and Habib Bank Limited (HBL). As per the original agreement, the loan was repayable in 10 quarterly installments ending on November 04, 2013 and carries markup @ rate of 3 months KIBOR plus 3.5% (2013: 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 and related sale proceeds out of the two projects; assignment of rights and benefits under all agreements of the two projects; and assignment of all present and future net operational income and cash flows of Pace Model Town, Pace MM Alam, Pace Gujranwala, Pace Fortress and Pace Gujrat project.

The Group is in negotiation with both of the syndicate members to settle their entire principal and accrued markup with properties at Pace Towers. Following are the salient features of the proposals sent by the Group to the banks:

#### National Bank of Pakistan

- Settlement of bank's portion of Syndicate term finance facility (STFF) of Rs 282.693 million, inclusive of markup of Rs 84.175 million as at June 30, 2013 together with the term finance with the same bank of Rs 54.406 million, inclusive of mark up of Rs. 14.626 million referred to in note 6.2 against property situated at the ground and mezzanine floors of Pace Towers measuring a total of 9,765 square feet.

- Waiver of accrued markup of STFF and term finance amounting to Rs 74.100 million as at June 30, 2013.

#### Habib Bank Limited

- Settlement of bank's share of Rs 153.857 million, inclusive of markup of Rs 46.963 million as at June 30, 2013 against property situated at ground floor of Pace Towers measuring a total of 4,237 square feet.

- Waiver of accrued markup amounting to Rs 35.222 million as at June 30, 2013.

None of the banks have formally responded to the proposals.

**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 January 12, 2012 after expiry of one year of grace period and carries markup @ rate of 3 months KIBOR plus 3.5% (2013: 3 months KIBOR plus 3.5%).

**Security**

The facility is secured against a 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. The charge ranks pari passu with that of PAIR Investment Company Limited as referred to in note 14.

The Group is in negotiation with the bank to settle the entire principal and accrued markup together with its portion of STIF against property available at Pace Towers as referred to note 6.1.

**6.3 Soneri Bank - demand finance**

**Terms of repayment**

This loan is part of total demand finance facility limit of Rs 44.688 Million (2013: Rs 44.688 Million) and carries markup @ 6 months KIBOR + 3% (2013: 6 months KIBOR + 3%). The loan was originally repayable in 8 equal quarterly installments ending on June 30, 2012.

**Security**

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

During the year, the bank has agreed to and the group has accepted to restructure entire principal of Rs 27.420 million and markup as on Dec 31, 2013 of Rs 12.130 million. However legal documentataion has not been finalized. Following are the key terms:

- Tenure of restructured facility will be 3.5 years inclusive of six months grace period. Repayments will be made in twelve quartely installments after expiry of the grace period.
- Markup on restructured facility shall be charged at 3 months KIBOR plus 1.0%.

**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 (2013: 400 million) under a musharika based arrangement with Al Baraka Bank (Pakistan) Limited and carries markup @ 3 months KIBOR + 3.5% (2013: 3 months KIBOR + 3.5%). The loan was repayable in 10 equal quarterly installments ending on August 20, 2013.

**Security**

The loan is secured by a registered equitable mortgage of property located at plot no. 40 & 41, PBlock, 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.

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During the year, the bank and the Group agreed to settle Rs 169,119 million against properties at various floors of Pace Fortress aggregating to 13,021 square feet. However, the agreement could not be executed as the management of the Fortress refused to transfer the property's right directly to the bank. Consequently loss on available inventory and provision for restructuring of Rs 46,004 million and Rs 21,754 million, respectively recognized last year have been reversed in the current year.

Subsequent to the year end, the bank and the Group have agreed to settle principal of Rs 242,291 million against properties at first floor of Pace Towers, aggregating to 17,950 square feet along with the waiver of accrued markup and late payment charges of Rs 147,038 million on certain conditions, inter alia including:

- The Group will procure No Objection Certificates from National Bank of Pakistan and Habib Bank Limited having joint charge over the aforementioned properties.

- The bank will continue to hold its charge over Pace Towers uptill the finishing work on aforementioned properties is complete.

	Note	2014	2013
(Rupees in thousand)			
<b>7. Redeemable capital) - secured (non-participatory)</b>			
Term finance certificates		1,498,200	1,498,200
Less: Current portion shown under current liabilities	13	<u>(1,498,200)</u>	<u>(1,498,200)</u>
		<u>                    </u>	<u>                    </u>

### Terms of repayment

This represents term finance certificates (TFC's) listed on Lahore Stock Exchange issued for a period of 5 years. On September 27, 2010, 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 holders, addendum to the trust deed was executed between the Group and trustee 'IGI Investment Bank Limited' under which the Group was 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. The TFC's carry a markup of 6 months KIBOR plus 2% (2013: 6 months 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.

7.1 The aggregate current portion of Rs 1,498.2 million includes principal installments aggregating to Rs 599,040 million, which, under the terms of the agreement were due for repayment in period subsequent to June 30, 2015. However, as the Group could not repay on a timely basis the installments due upto year ended June 30, 2014 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.

## Pace (Pakistan) Group

	Note	2014 (Rupees in thousand)	2013
<b>8. Liabilities against assets subject to finance lease</b>			
Present value of minimum lease payments		26,533	30,507
Less: Current portion shown under current liabilities	13	<u>(26,533)</u>	<u>(30,507)</u>
		<u>-</u>	<u>-</u>

The minimum lease payments have been discounted at an implicit interest rate ranging from 9% to 18% (2013: 9% to 18%) 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 11.500 million (2013: Rs 11.639 million).

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

	Minimum lease payments	Future finance charge	(Rupees in thousand) Present value of lease liability	
			2014	2013
Not later than one year	28,843	2,310	26,533	30,507
Later than one year and not later than five years	-	-	-	-
	<u>28,843</u>	<u>2,310</u>	<u>26,533</u>	<u>30,507</u>

	Note	2014 (Rupees in thousand)	2013
<b>9. Foreign currency convertible bonds - unsecured</b>			
Opening balance		1,591,721	1,463,882
Markup accrued during the year		<u>15,543</u>	<u>55,668</u>
		1,607,264	1,519,550
Exchange (gain) / loss for the year		<u>(806)</u>	<u>72,171</u>
		1,606,458	1,591,721
Less: Current portion shown under current liabilities	13	<u>(1,606,458)</u>	<u>(1,591,721)</u>
		<u>-</u>	<u>-</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) were listed on the Singapore Stock Exchange and became redeemable on December 28, 2012 at the accreted principal amount. The bonds carry a markup of 5.5% per annum, compounded semi-annually, accretive (up till December 28, 2012) 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. In aggregate USD 13 million bond have been converted into ordinary shares as at June 30, 2014.

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

## Pace (Pakistan) Group

	Note	2014	2013 (Restated)
(Rupees in thousand)			
<b>10. Deferred liabilities</b>			
Staff gratuity	10.1	32,041	23,183
Leave encashment	10.2	2,613	1,421
		<u>34,654</u>	<u>24,604</u>

### 10.1 Staff gratuity

Opening balance		23,183	28,523
Charge to profit and loss account	10.1.1	7,794	8,402
Benefits paid during the year		(1,180)	(3,117)
Benefits payable during the year		(2,434)	(15,297)
Remeasurement chargeable in other comprehensive income		4,678	4,672
Liability as at June 30		<u>32,041</u>	<u>23,183</u>

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

Opening balance		23,183	22,991
Service cost		5,550	5,414
Interest cost		2,244	2,989
Benefits paid during the year		(1,180)	(3,117)
Benefits payable during the year		(2,434)	(9,766)
Remeasurement chargeable in other comprehensive income		4,678	4,672
Present value of defined benefit obligation as at June 30		<u>32,041</u>	<u>23,183</u>

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

Service cost		5,550	5,414
Interest cost		2,244	2,988
Actuarial gain recognised during the year		-	-
Charge to profit and loss account		<u>7,794</u>	<u>8,402</u>

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

Cost of sales		1,013	1,092
Administrative and selling expenses		6,781	7,310
		<u>7,794</u>	<u>8,402</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:

	2014	2013	2012	2011	2010
(Rupees in thousand)					
Present value of defined benefit obligation	32,041	23,183	28,523	23,260	28,939
Fair value of plan assets	-	-	-	-	-
Deficit	<u>(32,041)</u>	<u>(23,183)</u>	<u>(28,523)</u>	<u>(23,260)</u>	<u>(28,939)</u>
Experience adjustment on obligation	-15%	-20%	-2%	24%	15%

## Pace (Pakistan) Group

	Note	2014	2013
(Rupees in thousand)			
<b>10.2 Leave encashment</b>			
The amounts recognised in the balance sheet are as follows:			
Opening balance		1,421	1,399
Charge to profit and loss account		617	587
Benefits payable during the year		-	(377)
Benefits paid during the year		(260)	(188)
Remeasurement chargeable in other comprehensive income		835	-
Liability as at June 30		<u>2,613</u>	<u>1,421</u>

### 11. Deferred taxation

The liability for deferred taxation comprises temporary differences relating to:

Accelerated tax depreciation		268,514	260,473
Employee retirement benefits		(17,615)	(14,430)
Provision for doubtful receivables		(46,732)	(41,749)
Loss on remeasurement of assets of disposal group		-	(11,192)
Provision for restructuring		-	(7,614)
Deferred cost		(193)	(241)
Unused tax losses		(203,974)	(185,247)
Investment in associate		42,676	44,200
		<u>42,676</u>	<u>44,200</u>

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

Opening balance		44,200	165,047
Income for the year	34	(1,524)	(120,847)
Closing balance		<u>42,676</u>	<u>44,200</u>

**11.1** 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 recognised to the extent that the realisation of related tax benefits through future taxable profits is probable. The Group has not recognised deferred tax assets of Rs 1,117.974 million (2013: Rs 902.183 million) in respect of tax losses and Rs 3.626 million (2013: Rs 15.504 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 3.625 million would not be available for carry forward against future tax liabilities subsequent to years 2015 through 2019. Tax losses amounting to Rs 220.858 million, Rs 43.929 million, Rs 1,214.010 million, Rs 788.658 million, Rs 535.643 million and Rs 318.454 million will expire in year 2015, 2016, 2017, 2018, 2019 and 2020 respectively.

## Pace (Pakistan) Group

### 12. Advances against sale of property

This principally represents advances received from various parties against sale of apartments and houses in Pace Towers project, Lahore. This includes the following amounts due to related parties:

	Note	2014 (Rupees in thousand)	2013
First Capital Investment Limited		15,739	16,575
First Capital Securities Limited		45,081	47,483
		<u>60,820</u>	<u>64,058</u>

### 13. Current portion of long term liabilities

Current portion of long term finances -secured	6	614,906	732,614
Current portion of redeemable capital - secured (Non-participatory)	7	1,498,200	1,498,200
Current portion of liabilities against assets subject to finance lease	8	26,533	30,507
Current portion of foreign currency convertible bonds - unsecured	9	1,606,458	1,591,721
		<u>3,746,097</u>	<u>3,853,042</u>

#### 13.1 Overdue principal included in current maturity as at June 30, 2014 are as follows:

Long term finances - secured:			
- Syndicate term finance facility		305,413	225,413
- National Bank of Pakistan- term finance		39,780	23,780
- Soneri Bank - demand finance		27,422	27,422
- Al Baraka Bank (Pakistan) Limited - Musharika based agreement		242,291	360,000
Redeemable capital - secured (non-participatory)		599,640	300,120
Foreign currency convertible bonds - unsecured		1,606,458	1,591,721
Liabilities against assets subject to finance lease		15,033	18,781
		<u>2,836,037</u>	<u>2,547,237</u>

### 14. Short term finance - Secured

This represents short term finance of Rs 96.443 million (2013: Rs 96.443 million) provided by PAIR Investment Company Limited (formerly Pak-Iran Joint Investment Company Limited) and carries markup @ 1 month KIBOR + 3.5% (2013: 1 months KIBOR + 3.5%). The entire amount of loan is overdue as at June 30, 2014.

## Pace (Pakistan) Group

### 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-I, 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. The charge ranks pari passu with that of National Bank of Pakistan to the extent of Rs 66.667 million as referred to in note 6.2.

Last year PAIR Investment Company Limited offered to settle principal portion and accrued markup as on March 31, 2013 amounting to Rs 129 million against properties at various floors of Pace MM Alam aggregating to 11,833 square feet, however, the agreement was not executed as the Group could not procure No Objection Certificate from National Bank of Pakistan having joint charge over the aforementioned properties.

	Note	2014	2013
(Rupees in thousand)			
<b>15. Creditors, accrued and other liabilities</b>			
Trade creditors		118,764	104,242
Advances from customers		6,469	5,204
Licensee fee received in advance		4,290	4,722
Accrued liabilities		51,762	49,694
Licensee security deposits		25,173	18,951
Payable to contractors		2,699	2,699
Retention money		943	362
Withholding tax payable		22,807	16,412
Others		34,447	49,300
		267,354	251,586
<b>16. Accrued finance cost</b>			
Long term finances - secured	16.1	351,902	247,707
Short term finance - secured	16.2	48,464	35,665
Redeemable capital - secured (non-participatory)	16.3	668,128	495,236
Liabilities against assets subject to finance lease	16.4	22,723	15,906
		1,091,217	794,514

16.1 This includes overdue markup of Rs 327.376 million (2013: Rs 225.534 million).

16.2 This includes overdue markup of Rs 20.074 million (2013: Rs 15.092 million).

16.3 This includes overdue markup of Rs 600.802 million (2013: Rs 431.733 million).

16.4 This includes overdue markup of Rs 2.310 million (2013: Rs 2.401 million) and late payment charges of Rs 20.426 million (2013: Rs 13.586 million).

### 17. Contingencies and commitments

#### 17.1 Contingencies

(i) Claims against the Group not acknowledged as debts Rs 21.644 million (2013: 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 (2013: Rs 900 million) as per the approval of shareholders through the special resolution dated July 29, 2006.

## Pace (Pakistan) Group

### 17.2 Commitments

- (i) Contract for purchase of properties from Pace Barka Properties Limited, amounting to Rs 384,379 million (2013: Rs 391,985 million).
- (ii) The amount of future payments under operating leases and the period in which these payments will become due are as follows:

	Note	2014	2013
		(Rupees in thousand)	
Not later than one year		7,875	6,300
Later than one year and not later than five years		35,438	33,469
Later than five years		742,287	757,131
		785,600	796,900

### 18. Property, plant and equipment

Operating fixed assets			
- owned assets	18.1	455,206	465,635
- assets subject to finance lease	18.2	2,113	2,642
Capital work in progress	18.3	135,341	127,555
		592,660	595,832

# Pace (Pakistan) Group

## 18.1 Owned assets

	(Rupees in thousand)											
	2014					2013						
	Cost as at June 30, 2013	Additions/transfers/(deletions)	Transfers from assets subject to finance lease	Transfers from/(to) disposal group held-for-sale	Cost as at June 30, 2014	Accumulated depreciation & impairment as at June 30, 2014	Depreciation charge for the year/(deletions)	Transfers from assets subject to finance lease	Transfers from/(to) disposal group held-for-sale	Accumulated depreciation & impairment as at June 30, 2014	Book value as at June 30, 2014	Depreciation Rate
Freehold land *	155,152	-	-	-	155,152	-	-	-	-	-	155,152	-
Leasehold land **	-	-	-	-	-	-	-	-	-	-	-	-
Buildings on freehold land	179,470	-	-	18,176	197,646	42,083	5,360	-	5,409	53,432	126,018	3%
Buildings on leasehold land ***	205,322	-	-	-	205,322	115,347	4,964	-	-	120,311	85,011	3%
Plant and machinery	81,171	-	-	-	81,171	52,804	7,914	-	-	54,948	26,223	10%
Electrical equipment	75,844	-	-	-	75,844	33,584	4,239	-	-	37,343	38,001	10%
Office equipment and appliances	11,683	-	-	-	11,683	7,272	441	-	-	7,713	3,970	10%
Furniture and fixtures	11,784	-	-	-	11,784	5,858	593	-	-	6,451	5,313	10%
Computers	9,466	119	-	-	9,585	8,554	701	-	-	8,855	730	33%
Vehicles	46,414	-	-	-	46,414	27,763	3,689	-	-	30,834	14,768	20%
	780,187	(812)	-	18,176	775,611	297,493	31,121	-	5,409	320,407	455,206	
							(816)					
	Cost as at June 30, 2013	Additions/transfers/(deletions)	Transfers from assets subject to finance lease	Transfers to disposal group held-for-sale	Cost as at June 30, 2013	Accumulated depreciation & impairment as at June 30, 2012	Depreciation charge for the year/(deletions)	Transfers from assets subject to finance lease	Transfers to disposal group held-for-sale	Accumulated depreciation & impairment as at June 30, 2013	Book value as at June 30, 2013	Depreciation Rate
Freehold land *	155,152	-	-	-	155,152	-	-	-	-	-	155,152	-
Leasehold land **	-	-	-	-	-	-	-	-	-	-	-	-
Buildings on freehold land	179,470	-	-	(18,176)	161,294	39,839	6,981	-	(4,237)	42,083	119,211	3%
Buildings on leasehold land ***	214,226	(8,904)	-	-	205,322	44,341	70,941	-	-	115,347	89,975	3%
Plant and machinery	81,171	-	-	-	81,171	48,797	(135)	-	-	52,014	29,117	10%
Electrical equipment	75,844	-	-	-	75,844	28,889	3,237	-	-	31,584	42,260	10%
Office equipment and appliances	11,683	-	-	-	11,683	6,782	440	-	-	7,272	4,411	10%
Furniture and fixtures	11,784	-	-	-	11,784	5,199	659	-	-	5,828	5,926	10%
Computers	9,466	-	-	-	9,466	8,104	(130)	-	-	8,554	912	33%
Vehicles	41,311	-	5,103	-	46,414	20,881	4,391	2,491	-	27,763	18,651	20%
	780,187	(8,904)	5,103	(18,176)	758,130	205,032	91,844	2,491	(4,237)	292,495	465,635	
							(135)					

Freehold land represents the uncovered area of Main Boulevard Project, M.M. Akari Road Project, Model Town Link Road Project, Gujrat Project and Woodland Project which is not saleable in the ordinary course of business.

Leasehold land represents a piece of land transferred in the name of the holding 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 holding Company secured the bid for the said piece of land on behalf of Pace Barika 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 holding Company. Consequently, to avoid additional transaction costs relating to transfer of legal ownership, the holding 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 9,357 square feet (2013: 9,357 square feet) relating to 2nd and 3rd floors of Fortress Project, Lahore the right of which has been acquired for 35 years (2013: 33 years) from Fortress Stadium management, Lahore Cantt

18.1.1 The depreciation and impairment charge for the year has been allocated as follows:

	June 2014	June 2013
Cost of sales	12,692	14,432
Administrative and selling expenses	10,429	77,412
	<u>23,121</u>	<u>91,844</u>

18.1.1.1 Includes an amount of NUL (2013: Rs 65.865 million) charged as impairment less on 2nd and 3rd floors of Fortress Project. As at June 30, 2013, the carrying value significantly exceeded the fair value less costs in sell of the aforementioned properties. Consequently, carrying values were reduced to fair value less cost to sell. Fair value is determined by an independent valuer based on similar transactions available in the market place. Costs to sell were estimated at 10% of the fair value.

18.1.2 Disposal of owned assets

Particular of Assets	Sold to	Cost	Accumulated depreciation	(Rupees in thousand)	
				Sales proceeds	Mode of Disposal
Suzuki Liana Vehicle	Shahid Jabar, Company employee	760	577	600	- Negotiation -
Honda CD-70 Motor Bike	Muhammad Munir Mugal, Company employee	52	41	24	- Negotiation -
		<u>812</u>	<u>618</u>	<u>624</u>	

18.2 Assets subject to finance lease	(Rupees in thousand)							
	2014				2013			
	Cost as at June 30, 2013	Additions/ (deletions)/ (transfers)	Cost as at June 30, 2014	Accumulated depreciation as at June 30, 2013	Depreciation charge for the year	Accumulated depreciation as at June 30, 2014	Book value as at June 30, 2014	Depreciation rate
Vehicles	5,912	-	5,912	3,270	529	3,799	2,113	20%
Plant and machinery	57,500	-	57,500	57,500	-	57,500	-	33%
	63,412	-	63,412	60,770	529	61,299	2,113	
	2013				2012			
	Cost as at June 30, 2012	Additions/ (deletions)/ (transfers)	Cost as at June 30, 2013	Accumulated depreciation as at June 30, 2012	Depreciation charge for the year	Accumulated depreciation as at June 30, 2013	Book value as at June 30, 2013	Depreciation rate
Vehicles	11,015	-	5,912	4,863	898	3,270	3,642	20%
Plant and machinery	57,500	(5,103)	57,500	57,500	(2,491)	57,500	-	33%
	68,515	(5,103)	63,412	62,363	898	63,261	2,642	

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

### 18.3 Capital Work in progress

This represents the 3rd floor measuring 21,813 square feet of Pace Towers located at 27 H Gulberg III Lahore, which the Group intends to retain for its own use. This also includes borrowing costs of Rs. 21,520 million (2013: Rs. 16,823 million). During the year borrowing cost of Rs. 4,700 million (2013: Nil) was capitalized at effective rate of 6.99%.

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19 Intangible assets	(Rupees in thousand)						
	2014				2013		
	Cost as at June 30, 2013	Additions/ (deletions)	Cost as at June 30, 2014	Accumulated amortisation as at June 30, 2013	Amortisation charge for the year	Accumulated amortisation as at June 30, 2014	Book value as at June 30, 2014
Softwares	2,878	-	2,878	2,195	76	2,271	607
Dark fiber *	9,508	-	9,508	2,495	475	2,970	6,538
	12,386		12,386	4,690	551	5,241	7,145
	2013						
	Cost as at June 30, 2012	Additions/ (deletions)	Cost as at June 30, 2013	Accumulated amortisation as at June 30, 2012	Amortisation charge for the year	Accumulated amortisation as at June 30, 2013	Book value as at June 30, 2013
Softwares	2,878	-	2,878	2,119	76	2,195	683
Dark fiber *	9,508	-	9,508	2,020	475	2,495	7,014
	12,386		12,386	4,139	551	4,690	7,697

\* This represents purchase of right to use optical fiber at Group's properties for 20 years from Worldcall Telecom Limited.

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

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### 20. Investment Property

	Note	Cost as at June 30,		Fair Value as at June 30	
		2014	2013	2014	2013
(Rupees in thousand)					
Opening value		1,647,161	1,663,214	3,145,137	3,167,645
- Transfer from disposal group held for sale	27	68,219	67,201	114,465	94,190
- Disposal of investment property		-	(15,035)	-	(20,985)
- Transfer to disposal group held for sale	27	-	(68,219)	-	(146,442)
Closing value before revaluation as at June 30		1,715,380	1,647,161	3,259,602	3,094,408
Fair value gain recognised in profit and loss account		-	-	110,564	50,729
Fair value as at June 30		<u>1,715,380</u>	<u>1,647,161</u>	<u>3,370,166</u>	<u>3,145,137</u>

### 21. Long term investments

	Note	2014	2013
(Rupees in thousand)			
Associate - unquoted	21.1	1,168,480	1,183,712
Available for sale - quoted	21.2	958	2,207
		<u>1,169,438</u>	<u>1,185,918</u>

#### 21.1 Associate - unquoted

Pace Barka Properties Limited  
75,875,000 (2013: 75,875,000) fully paid  
ordinary shares of Rs 10 each  
Equity held 24.9% (2013: 24.9%)

	21.1.1	1,168,480	1,183,712
		<u>1,168,480</u>	<u>1,183,712</u>
Less: Cumulative impairment losses recognised	21.1.3	-	-
		<u>1,168,480</u>	<u>1,183,712</u>

#### 21.1.1 Pace Barka Properties Limited

Cost		758,651	758,651
Brought forward amounts of post acquisition reserves and profits and negative goodwill recognised directly in profit and loss account		425,061	539,704
		<u>1,183,712</u>	<u>1,298,355</u>
Share of movement in reserves during the year		(27,054)	(115,760)
Share of profit for the year			
- before taxation		18,232	3,297
- provision for taxation		(6,410)	(2,180)
		<u>11,822</u>	<u>1,117</u>
Balance as on June 30		<u>1,168,480</u>	<u>1,183,712</u>

## Pace (Pakistan) Group

21.1.2 The Group's share of the assets, liabilities and result of its associate, incorporated in Pakistan is as follows:

	Percentage Interest held	Assets	Liabilities	Revenues	Profit / (Loss)
(Rupees in thousands)					
<b>June 2014</b>					
Pace Barka Properties Limited	24.86%	1,495,021	309,440	116,355	11,842
<b>June 2013</b>					
Pace Barka Properties Limited	24.86%	1,491,281	290,464	120,442	1,117

	Note	2014	2013
(Rupees in thousand)			
<b>21.1.3 Cumulative impairment losses recognised</b>			
Opening balance		-	151,730
Reversed during the year	31.2	-	(151,730)
As at June 30		-	-

### 21.2 Available for sale - quoted

Worldcall Telecom Limited 912 (2013: 912) fully paid ordinary shares of Rs 10 each		6	6
Shaheen Insurance Company Limited 294,037 (2013: 294,037) fully paid ordinary shares of Rs 10 each		<u>2,008</u>	<u>3,776</u>
		<u>2,014</u>	<u>3,782</u>
Less: Cumulative fair value loss	21.2.1	<u>(1,056)</u>	<u>(1,575)</u>
		<u>958</u>	<u>2,207</u>

### 21.2.1 Cumulative fair value loss

Opening balance		1,575	1,134
Fair value loss during the year		300	441
Transferred to profit and loss account on derecognition of investment		<u>(819)</u>	<u>-</u>
As at June 30		<u>1,056</u>	<u>1,575</u>

### 22. Long term advances and deposits

These are in the ordinary course of business and are interest free.

### 23. Stock-in-trade

Work in process - Pace Towers	23.1 & 23.2	1,134,710	1,031,748
Shops and houses		283,816	242,017
Pace Barka Properties Limited - Pace Circle		528,748	562,327
Pace Supermall (Private) Limited		354,600	354,600
Woodland plots		-	1,828
		<u>2,301,874</u>	<u>2,192,520</u>
Stores inventory		783	1,033
		<u>2,302,657</u>	<u>2,193,553</u>

## Pace (Pakistan) Group

- 23.1 Included in work in process are borrowing costs of Rs 268.690 million (2013: Rs 210.048 million). During the year borrowing cost of Rs 58.650 million (2013: Nil) was capitalized at effective rate of 6.92%.
- 23.2 The charge amounting to Rs 1,200.5 million (2013: 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	2014	2013
(Rupees in thousand)			
<b>24. Trade debts - unsecured</b>			
Considered good	24.1	630,767	650,129
Considered doubtful		<u>133,519</u>	<u>119,282</u>
		764,286	769,411
Less: Provision for doubtful debts	24.2	<u>(133,519)</u>	<u>(119,282)</u>
		<u>630,767</u>	<u>650,129</u>

- 24.1 This includes amount of Rs 6.681 million (2013: Rs 6.681 million) receivable from First Capital Securities Corporation Limited, a related party.

	Note	2014	2013
(Rupees in thousand)			
<b>24.2 Provision for doubtful debts</b>			
Opening balance		119,282	109,709
Add: Provision during the year	30	<u>14,237</u>	<u>9,573</u>
Balance as at June 30		<u>133,519</u>	<u>119,282</u>

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

Advances - considered good			
- to employees		7,039	6,017
- to suppliers	25.1	15,982	25,364
Security deposits		12,902	13,018
Prepayments		456	-
Advances to contractors	25.2	5,921	140,066
Others - considered good	25.3	<u>38,229</u>	<u>26,996</u>
		80,529	211,461
Less: Provision for doubtful advances	25.4	-	-
		<u>80,529</u>	<u>211,461</u>

- 25.1 This includes the following interest free amounts due from related parties:

World Press (Private) Limited	1,993	2,019
Media Times (Private) Limited	<u>6,525</u>	<u>22,913</u>
	<u>8,518</u>	<u>24,932</u>

- 25.2 This includes an interest free amount of Nil (2013: Rs 133.845 million) advanced to Trident Construct (Private) Limited, a related party.

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	Note	2014	2013
		(Rupees in thousand)	
<b>25.3</b>	This includes the following interest free amounts due from related parties:		
	Media Times (Private) Limited	13,781	4,996
	First Capital Securities Corporation Limited	-	904
	First Capital Investment Limited	-	1,883
	First Capital Equities Limited	-	1,809
	Pace Barka Properties Limited	-	2,000
		13,781	11,592
<b>25.4</b>	<b>Provision for doubtful advances</b>		
	Opening balance	-	4,311
	Less: written off against provision	-	(4,311)
	Closing balance	-	-
<b>26.</b>	<b>Cash and bank balances</b>		
	At banks		
	- in saving accounts	26.1 & 26.2	936
	- in current accounts		1,465
		764	926
		1,700	2,391
	In hand	47	36
	In transit	-	3,220
		1,747	5,647

26.1 The balances in saving accounts bear markup ranging from 5% to 12% per annum (2013: 5% to 12%).

26.2 This includes Rs 0.006 million (2013: Rs 0.006 million) placed in Debt Servicing Reserve Account of National Bank of Pakistan.

	Note	2014	2013
		(Rupees in thousand)	
<b>27.</b>	<b>Disposal group held-for-sale</b>		
	Assets of disposal group	27.1	-
			127,903
		-	127,903
<b>27.1</b>	<b>Assets of disposal group</b>		
	Investment property	-	114,465
	Property, plant and equipment	-	13,438
		-	127,903

The settlement with PAIR Investment Company Limited was not executed due to the reason mentioned in note 14. Therefore, in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", the Group re-classified those properties from disposal group held-for-sale to investment property and property plant and equipment, respectively.

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	Note	2014	2013
(Rupees in thousand)			
<b>28. Sales</b>			
Shops, houses and commercial buildings			
- at completion of project basis		84,618	142,818
- at percentage of completion basis		133,970	17,714
Plots		3,200	13,733
Licensee fee		39,145	39,154
Display advertisements and miscellaneous income		18,448	15,491
Service charges		187,086	163,384
		<u>466,467</u>	<u>392,294</u>

### 28.1 Sales return

At percentage of completion basis	28.1.1	(103,845)	-
		<u>(103,845)</u>	<u>-</u>

28.1.1 This represents reversal of sales of commercial floor against which agreement have been cancelled as per mutual understanding of the buyer and the Group.

	Note	2014	2013
(Rupees in thousand)			
<b>28.2 Sales recognised at percentage of completion basis</b>			
Revenue recognised to date		655,220	624,756
Aggregate cost incurred to date		(554,910)	(560,837)
Recognised profit to date		<u>100,310</u>	<u>63,919</u>

28.2.1 The revenue arising from agreements, that meet the criteria for revenue recognition on the basis of percentage of completion method, during the year is Rs 30.464 million (2013: Rs 17.714 million). Amount received against these agreements amounts to Rs 44.246 million (2013: Rs 3 million).

	Note	2014	2013
(Rupees in thousand)			
<b>29. Cost of sales</b>			
Shops and commercial buildings sold			
- at percentage of completion basis	29.1	(5,738)	13,092
- at completion of project basis	29.2	(30,888)	85,304
Pace circle		46,768	78,466
Plots sold		1,828	10,576
Stores operating expenses	29.3	257,151	238,017
		<u>269,121</u>	<u>425,455</u>
<b>29.1 Shops and commercial buildings sold at percentage of completion basis</b>			
Opening work in process		1,031,748	1,043,613
Project development costs	29.1.1	97,224	1,227
Closing work in process	23	(1,134,710)	(1,031,748)
Cost of apartments and commercial buildings (reversed) / sold during the year	29.1.2	<u>(5,738)</u>	<u>13,092</u>

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29.1.1 This includes borrowing cost capitalized of Rs 58.650 million (2013: Nil)

	Note	2014	2013 (Restated)
(Rupees in thousand)			
<b>29.1.2 Cost of shops and houses (reversed) / sold during the year</b>			
Cost of shops and houses sold during the year		85,509	-
Cost of apartments and commercial buildings reversed during the year		(91,455)	-
		<u>(5,946)</u>	<u>-</u>

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

Opening inventory of shops and houses		242,017	267,288
Repurchased during the year		10,911	59,642
Shops swapped during the year		-	(10,029)
Transferred from disposal group held-for-sale		-	10,420
Closing inventory of shops and houses	23	(283,816)	(242,017)
Cost of shops and houses sold during the year	29.2.1	<u>(30,888)</u>	<u>85,304</u>

**29.2.1 Cost of shops and houses (reversed) / sold during the year**

Cost of shops and houses sold during the year		15,117	-
Reversal of net realisable value loss	6.4	(46,005)	-
		<u>(30,888)</u>	<u>-</u>

**29.3 Stores operating expenses**

Salaries, wages and benefits	29.3.1	42,617	37,290
Rent, rates and taxes	29.3.2	12,215	9,952
Insurance		2,828	3,811
Fuel and power		159,971	153,062
Depreciation on owned assets	17.1.1	12,692	14,432
Repairs and maintenance		10,335	7,238
Janitorial and security charges		15,474	11,840
Others		1,019	392
		<u>257,151</u>	<u>238,017</u>

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

Current service cost	721	704
Interest cost	292	388
	<u>1,013</u>	<u>1,092</u>

29.3.2 This is net of Rs 2.64 million (2013: Rs 2 million), which represents common costs charged by the Group to Pace Barka Properties Limited, an associate.

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	Note	2014	2013 (Restated)
(Rupees in thousand)			
<b>30. Administrative and selling expenses</b>			
Salaries, wages and benefits	30.1	48,031	49,759
Travelling and conveyance		3,965	3,860
Rent, rates and taxes		1,836	767
Insurance		1,610	4,187
Printing and stationery		1,732	1,348
Repairs and maintenance		4,215	6,180
Motor vehicles running		11,913	9,525
Communications		3,981	5,017
Advertising and sales promotion		15,301	4,762
Depreciation and impairment on:			
- owned assets	17.1.1	10,429	77,412
- assets subject to finance lease	17.2.1	529	898
Amortisation on intangible assets	18.1	550	551
Auditors' remuneration	30.2	3,595	3,545
Legal and professional		4,830	4,877
Commission on sales		27,317	21,042
Office expenses		4,384	2,546
Other expenses		1,077	2,469
Provision for doubtful debts	24.2	14,237	9,573
Provision for doubtful advances	25	-	-
		<u>159,532</u>	<u>208,318</u>
<b>30.1 Salaries, wages and benefits include following in respect of gratuity:</b>			
Current service cost		4,829	4,710
Interest cost		1,952	2,600
		<u>6,781</u>	<u>7,310</u>
<b>30.2 Auditors' remuneration</b>			
The charges for auditors' remuneration includes the following in respect of auditors' services for:			
Statutory audit			
- Parent		1,750	1,600
- Subsidiaries		275	275
Certification and sundry services		550	450
Half yearly review		600	500
Out of pocket expenses			
- Parent		400	700
- Subsidiaries		20	20
		<u>3,595</u>	<u>3,545</u>

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	Note	2014 (Rupees in thousand)	2013
<b>31. Other income</b>			
<b>Income from financial assets</b>			
Markup on bank accounts		376	656
Commission on guarantee	31.1	1,238	1,500
<b>Income from non-financial assets</b>			
Gain on sale of property, plant and equipment		430	-
Provision no longer required written back	6.4	21,754	-
Rental income		8,796	9,486
Exchange gain on foreign currency convertible bonds		806	-
Reversal of impairment loss on investment	31.2	-	151,730
Gain on swap of shops		-	12,265
Others		11,002	6,926
		<u>44,402</u>	<u>182,563</u>

31.1 This represents commission income on guarantee provided on behalf of Pace Barka Properties Limited, an associate.

31.2 This represents reversal of impairment on investment based on assessment of recoverable amount.

	Note	2014 (Rupees in thousand)	2013
<b>32. Other operating expenses</b>			
Loss on sale of Investment		819	-
Loss on classification of investment property from disposal group		672	-
Exchange loss on foreign currency convertible bonds	9	-	72,171
Loss on sale of property, plant and equipment		-	3,201
Loss on classification of investment property to disposal group		-	31,977
Provision against debt to asset swap		-	21,754
		<u>1,491</u>	<u>129,103</u>
<b>33. Finance costs</b>			
Markup on:			
- Long term finances - secured		78,541	100,217
- Foreign currency convertible bonds - unsecured		8,127	55,668
- Redeemable capital - secured (non-participatory)		165,744	184,797
- Short term finance -secured		12,339	13,798
- Liabilities against assets subject to finance lease		6,918	13,667
		<u>271,669</u>	<u>368,147</u>
Bank charges and processing fee		2,508	2,430
		<u>274,177</u>	<u>370,577</u>
<b>34. Taxation</b>			
Current	34.2	3,626	936
Deferred		(1,524)	(120,847)
		<u>2,102</u>	<u>(119,911)</u>

## Pace (Pakistan) Group

### 34.1 Tax charge reconciliation

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

	2014 %	2013 %
Applicable tax rate	35.00	35.00
Tax effect of amounts that are:		
Income / (loss) not chargeable to tax	22.12	1.23
Minimum tax for the year	(2.07)	-
Associate results reported net of tax	6.76	23.99
Effect of income taxed at reduced rates	-	0.48
Effect of deferred tax asset not recognised on taxable loss	(63.01)	(37.04)
	<u>(36.20)</u>	<u>(11.34)</u>
Average effective tax rate charged to profit and loss account	<u>(1.20)</u>	<u>23.66</u>

34.2 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, 2014 are estimated approximately at Rs 3,850.842 million (2013: Rs 3,106.944 million).

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

The aggregate amount charged in the financial statements for the year for remuneration to directors is Rs 6.406 million (2013: Rs 5.081 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:

	<u>Chief Executive</u>		<u>Directors</u>		<u>Executives</u>	
	2014	2013	2014	2013	2014	2013
	(Rupees in thousand)		(Rupees in thousand)		(Rupees in thousand)	
<b>Short term employee benefits</b>						
Managerial remuneration	1,900	1,600	4,271	3,387	8,554	8,347
Housing	760	640	1,708	1,355	3,422	3,339
Utilities	190	160	427	339	855	835
	<u>2,850</u>	<u>2,400</u>	<u>6,406</u>	<u>5,081</u>	<u>12,831</u>	<u>12,521</u>
	2014	2013	2014	2013	2014	2013
<b>Number of persons</b>	1	1	2	2	10	6

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

## Pace (Pakistan) Group

	Note	2014	2013
		(Rupees in thousand)	
<b>36. Cash generated from operations</b>			
Loss before tax		(174,911)	(506,750)
Adjustment for:			
Depreciation and impairment on:			
- owned assets	18.1	23,121	91,844
- assets subject to finance lease	18.2	529	898
Amortisation on intangible assets	19	550	551
Share of profit from associate	21	(11,822)	(1,117)
Gain on sale of property, plant and equipment	31	(430)	-
Loss on sale of property, plant and equipment	32	-	3,201
Gain on swap of shops	31	-	(12,265)
Exchange (gain) / loss on foreign currency convertible bonds	9	(806)	72,171
Provision for doubtful receivables	24.2	14,237	9,573
Provision for gratuity and leave encashment	10	8,411	8,989
Provision against debt to assets swap	32	-	21,754
Reversal of impairment loss on investment	21, 1.3	-	(151,730)
Loss on classification to disposal group held-for-sale	32	-	31,977
Finance costs	33	274,177	370,577
Markup income	31	(376)	(656)
Changes in fair value of investment property	20	(110,564)	(50,729)
Provision no longer required written back	31	(21,754)	-
Reversal of net realisable value loss	29.2.1	(46,005)	-
Loss on sale of Investment	32	819	-
Loss on classification of investment property from disposal group	32	672	-
Loss before working capital changes		<u>(44,152)</u>	<u>(111,712)</u>
Effect on cash flow due to working capital changes:			
Decrease in stock-in-trade		249	123,272
Decrease in trade debts		5,126	16,269
Decrease / (increase) in advances, deposits and other receivables		130,931	(19,895)
Net increase in advances against sale of property		32,725	1,324
Increase in creditors, accrued and other liabilities		37,522	41,291
		<u>206,553</u>	<u>162,261</u>
		<u>162,401</u>	<u>50,549</u>
<b>37. Cash and cash equivalents</b>			
Short term finance - secured	13	(96,443)	(96,443)
Cash and bank balances	26	1,747	5,647
		<u>(94,696)</u>	<u>(90,796)</u>
<b>38. Operating Segments</b>			
<p>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.</p> <p>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.</p>			

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## Pace (Pakistan) Group

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

38.1 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 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".

## Pace (Pakistan) Group

38.2 Segment Information	(Rupees in thousand)							
	Real estate sales		Investment properties		Others		Total	
	2014	2013	2014	2013	2014	2013		
Segment revenue	117,943	174,265	39,145	39,154	205,534	178,875	362,622	392,294
Segment expenses - Cost of sales	11,970	187,438	41,140	42,718	216,011	195,155	269,121	425,311
Gross profit / (loss)	105,973	(13,173)	(1,995)	(3,564)	(10,477)	(16,280)	93,501	(33,017)
Changes in fair value of investment property	-	-	110,564	50,729	-	-	110,564	50,729
Segment results	105,973	(13,173)	108,569	47,165	(10,477)	(16,280)	204,065	17,712
Administrative and selling expenses							(159,532)	(208,318)
Other operating income							44,402	182,503
Finance costs							(274,177)	(370,577)
Other operating expenses							(1,491)	(129,103)
Share of profit from associate - net of tax							11,822	1,117
Loss before tax							(174,911)	(506,606)
Taxation							(2,102)	119,911
Loss for the year							(177,013)	(386,695)
38.2.1 Segment assets	2,939,345	2,983,748	3,370,166	3,145,137	-	-	6,309,511	6,128,885
Unallocated assets							1,907,155	2,050,066
							8,216,666	8,178,951
38.2.2 Segment liabilities	3,280,758	3,232,715	25,173	18,951	-	-	3,305,931	3,251,666
Unallocated liabilities							2,110,722	1,918,210
							5,416,653	5,169,876
38.2.3 Capital expenditure	-	-	-	-	-	-	7,906	98
Unallocated							7,906	98
38.2.4 Depreciation/amortisation	-	-	-	-	-	-	24,200	93,293
Unallocated							24,200	93,293

**39. Financial risk management**

**39.1 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>2014</b>	<b>2013</b>
Foreign currency convertible bonds - USD	<u>16,267,933</u>	<u>16,110,535</u>

The following significant exchange rates were applied during the year:

**Rupees per USD**

Average rate	98.75	97.60
Reporting date rate	98.75	98.80

If the functional currency, at reporting date, had weakened/strengthened by 5% against the USD with all other variables held constant, post-tax loss for the year would have been Rs 80.363 million (2013: Rs 79.586 million) higher / lower, mainly as a result of foreign exchange gains / losses 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.

## Pace (Pakistan) Group

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:

	2014	2013
	(Rupees in thousand)	
<b>FIXED RATE INSTRUMENTS</b>		
<b>Financial Assets</b>		
Bank balances - savings accounts	(936)	(1,465)
<b>Financial liabilities</b>		
Foreign currency convertible bonds - unsecured	1,606,458	1,591,721
<b>Net interest rate risk</b>	1,605,522	1,590,256
<b>FLOATING RATE INSTRUMENTS</b>		
<b>Financial liabilities</b>		
Redeemable capital - secured (non-participatory)	1,498,200	1,498,200
Liabilities against assets subject to finance lease	26,533	30,507
Short term finance - secured	96,443	96,443
Long term finances - secured	614,906	732,614
<b>Net interest rate risk</b>	2,236,082	2,357,764

### Fair value sensitivity analysis for fixed rate instruments

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

### Cash flow sensitivity analysis for variable rate instruments

If interest rates on 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 22.969 million (2013: Rs 23.697 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.

## Pace (Pakistan) Group

(i) **Exposure to credit risk**

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

	2014	2013
	(Rupees in thousand)	
Long term advances and deposits	13,619	13,619
Trade debts - unsecured	764,286	769,411
Advances, deposits, prepayments and other receivables		
- Advances to employees - considered good	7,839	6,017
- Security deposits	12,902	13,018
- Others - considered good	38,229	26,996
Cash and bank balances	1,747	5,647
	837,822	834,708

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

- Not past due	-	-
- Past due 0 - 365 days	138,376	87,056
- 1 - 2 years	230,269	173,920
- More than 2 years	395,641	508,435
	764,286	769,411

The age of related party trade debt at balance sheet date is as follows:

**First Capital Securities Corporation Limited**

- More than 2 years	6,681	6,681
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Due to the Group's long standing business relationships with these counter parties 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.

## Pace (Pakistan) Group

### (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 counter party default rate:

	Rating		Rating Agency	2014	2013
	Short term	Long term		(Rupees in thousand)	
KASB Bank	A3	BBB	PACRA	171	96
Allied Bank Limited	A1+	AA+	PACRA	532	190
Faysal Bank Limited	A1+	AA	PACRA	9	47
United Bank Limited	A-1+	AA+	JCR-VIS	5	6
Soneri Bank Limited	A1+	AA-	PACRA	6	5
Habib Bank Limited	A-1+	AAA	JCR-VIS	1	12
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	17	114
Silk Bank Limited	A-2	A-	JCR-VIS	68	67
NIB Bank limited	A1+	AA-	PACRA	14	13
Burj Bank Limited	A-1	A	JCR-VIS	1	1
Bank Alfalah Limited	A1+	AA	PACRA	11	985
Al Baraka Bank (Pakistan) Limited	A1	A	PACRA	680	719
National Bank of Pakistan	A-1+	AAA	JCR-VIS	75	26
Askari Bank Limited	A1+	AA	PACRA	7	5
Bank of Punjab	A1+	AA-	PACRA	103	105
				<u>1,700</u>	<u>2,391</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 Group will encounter difficulties in meeting obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash due to the availability of funding through an adequate amount of committed credit facilities. Due to dynamic nature of the business the Group maintains flexibility in funding by maintaining committed credit lines available.

Management monitors the forecasts of the Group's cash and cash equivalents (note 37) 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.

## Pace (Pakistan) Group

The following are the contractual maturities of financial liabilities as at June 30, 2014:

	Carrying amount	Less than one year	One to five years	More than five years
(Rupees in thousand)				
Long term finances - secured	614,906	614,906	-	-
Redeemable capital - secured (non-participatory)	1,498,200	1,498,200	-	-
Liabilities against assets subject to finance lease	26,533	26,533	-	-
Foreign currency convertible bonds - unsecured	1,606,458	1,606,458	-	-
Short term finance - secured	96,443	96,443	-	-
Creditors, accrued and other liabilities	267,354	267,354	-	-
Accrued finance cost	1,091,217	1,091,217	-	-
	<u>5,201,111</u>	<u>5,201,111</u>	<u>-</u>	<u>-</u>

The following are the contractual maturities of financial liabilities as at June 30, 2013:

	Carrying amount	Less than one year	One to five years	More than five years
(Rupees in thousand)				
Long term finances - secured	732,614	732,614	-	-
Redeemable capital - secured (non-participatory)	1,498,200	1,498,200	-	-
Liabilities against assets subject to finance lease	30,507	30,507	-	-
Foreign currency convertible bonds - unsecured	1,591,721	1,591,721	-	-
Short term finance - secured	96,443	96,443	-	-
Creditors, accrued and other liabilities	251,586	251,586	-	-
Accrued finance cost	794,514	794,514	-	-
	<u>4,995,585</u>	<u>4,995,585</u>	<u>-</u>	<u>-</u>

### 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.

	2014 (Rupees in thousand)			2013
	Available for sale	Loans and receivables	Total	Total
<b>Assets as per balance sheet</b>				
Long term advances and deposits	-	13,619	13,619	13,619
Trade debts - unsecured	-	630,767	630,767	650,129
Investments	958	-	958	2,2078
Advances, deposits, prepayments and other receivables				
- Advances to employees - considered good	-	7,039	7,039	6,017
- Security deposits	-	12,902	12,902	13,018
- Others - considered good	-	38,229	38,229	26,996
Cash and bank balances	-	1,747	1,747	5,647
	<u>958</u>	<u>704,303</u>	<u>705,261</u>	<u>717,633</u>

## Pace (Pakistan) Group

	Financial liabilities at amortized cost	
	2014	2013
	(Rupees in thousand)	
<b>Liabilities as per balance sheet</b>		
Long term finances - secured	614,906	732,614
Redeemable capital - secured (non-participatory)	1,498,200	1,498,200
Liabilities against assets subject to finance lease	26,533	30,507
Foreign currency convertible bonds - unsecured	1,606,458	1,591,721
Short term finance - secured	96,443	96,443
Creditors, accrued and other liabilities	267,354	251,586
Accrued finance cost	1,091,217	794,514
	<u>5,201,111</u>	<u>4,995,585</u>

### 39.3 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders through repurchase of shares, issue new shares or sell assets to reduce debt. Consistent with others in the industry and the requirements of the lenders the Group monitors the capital structure on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings including current and non-current borrowings, as disclosed in note 6, 7, 8 and 13 less cash and cash equivalents as disclosed in note 37. 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, 2014 and June 30, 2013 are as follows:

	Note	2014	2013
		(Rupees in thousand)	
Borrowings		3,719,564	3,822,535
Less: Cash and cash equivalents	37	(94,696)	(90,796)
Net debt		<u>3,814,260</u>	<u>3,913,331</u>
Total equity		<u>2,712,435</u>	<u>2,921,397</u>
Total capital		<u>6,526,695</u>	<u>6,834,728</u>
Gearing ratio		58%	57%

### 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) Group

		2014	2013 (Restated)
<b>40.1 Basic loss per share</b>			
Loss for the year	Rupees in thousand	(176,913)	(386,742)
Weighted average number of ordinary shares outstanding during the year	In thousand	278,877	278,877
Basic loss per share	Rupees	<u>(0.63)</u>	<u>(1.39)</u>
<b>40.2 Diluted loss per share</b>			

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.

		2014	2013 (Restated)
Loss for the year for calculation of basic loss per share	Rupees in thousand	(176,913)	(386,742)
Interest on FCCB	Rupees in thousand	15,543	55,668
Exchange (gain) / loss on FCCB during the year	Rupees in thousand	(806)	72,171
Loss used to determine diluted loss per share	Rupees in thousand	<u>(162,176)</u>	<u>(258,903)</u>
Weighted average number of ordinary shares outstanding during the year	In thousand	278,877	278,877
Assumed conversion of FCCB into ordinary shares	In thousand	108,693	106,015
Weighted average number of ordinary shares for loss per share	In thousand	<u>387,570</u>	<u>384,892</u>
Dilutive loss per share	Rupees	<u>(0.42)</u>	<u>(0.67)</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.

## Pace (Pakistan) Group

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

Relationship with the company	Nature of transactions	2014	2013
		(Rupees in thousand)	
i. Associate	Guarantee commission income	1,238	1,500
	Expenses paid/incurred by the Company	-	7,071
	Expenses paid/incurred on behalf of the Company	-	28,512
	Funds transferred to associate	-	4,504
	Funds transferred from associate	-	13,151
	Receipts against Pace circle sales	35,166	28,835
	Shared expense charged by the company	2,640	-
ii. Others	Purchase of goods & services	13,807	9,464
	Sale of services	2,008	-
	Funds transferred	-	3,324
	Liabilities settled on behalf of related parties	-	31,923
	Rental income	8,796	7,986
	Refund of advance	133,845	-
	Funds received on behalf of the customer	23,158	-
Disposal of property, plant and equipment	-	5,568	

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

### 42. Number of employees

	2014	2013
Total number of employees as at June 30	297	304
Average number of employees during the year	309	310

### 43. Detail of subsidiaries

	Accounting year end	Percentage of holding	Country of Incorporation
<b>Year ended June 30, 2014</b>			
Pace Woodlands (Private) Limited	30-Jun-14	52%	Pakistan
Pace Gujrat (Private) Limited	30-Jun-14	100%	Pakistan
Pace Supermall (Private) Limited	30-Jun-14	69%	Pakistan
<b>Year ended June 30, 2013</b>			
Pace Woodlands (Private) Limited	30-Jun-13	52%	Pakistan
Pace Gujrat (Private) Limited	30-Jun-13	100%	Pakistan
Pace Supermall (Private) Limited	30-Jun-13	69%	Pakistan

**44. Date of authorisation**

These financial statements were authorised for issue on October 02, 2014 by the Board of Directors of the holding Company.

**45. Corresponding figures**

Corresponding figures have been re-arranged and reclassified, wherever necessary, for the purposes of comparison and better presentation as per reporting framework. However, no significant re-arrangements have been made.

Lahore  
October 02, 2014

**Aamna Taseer**  
Chief Executive

**Shehryar Ali Taseer**  
Director

## Pace (Pakistan) Limited

### PATTERN OF SHAREHOLDING AS AT JUNE 30, 2014

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

No. of Shareholders	Shareholdings		Shares Held
	From	To	
2002	1	100	151,573
929	101	500	368,281
3464	501	1000	2,280,677
1703	1001	5000	4,734,514
542	5001	10000	4,616,509
183	10001	15000	2,435,936
141	15001	20000	2,653,852
125	20001	25000	2,978,829
74	25001	30000	2,143,977
41	30001	35000	1,380,812
30	35001	40000	1,170,000
23	40001	45000	1,006,523
91	45001	50000	4,525,377
20	50001	55000	1,068,193
21	55001	60000	1,238,020
14	60001	65000	888,025
12	65001	70000	827,872
16	70001	75000	1,182,706
8	75001	80000	627,000
4	80001	85000	338,275
6	85001	90000	531,000
4	90001	95000	370,500
65	95001	100000	6,497,624
6	100001	105000	616,525
6	105001	110000	652,000
3	110001	115000	338,500
5	115001	120000	600,000
7	120001	125000	864,500
7	125001	130000	906,500
4	130001	135000	532,083
4	135001	140000	555,000
1	140001	145000	141,500
17	145001	150000	2,549,500
4	150001	155000	608,000
2	160001	165000	327,500
2	165001	170000	339,500

## Pace (Pakistan) Limited

No. of Shareholders	Shareholdings		Shares Held
	From	To	
3	175001	-	175000
1	185001	-	185000
1	190001	-	190000
22	195001	-	200000
2	205001	-	205000
1	210001	-	210000
1	220001	-	215000
4	240001	-	220000
3	245001	-	225000
1	270001	-	240000
6	280001	-	250000
1	285001	-	265000
1	295001	-	270000
2	300001	-	275000
1	305001	-	290000
1	320001	-	295000
3	330001	-	300000
1	345001	-	305000
1	350001	-	325000
2	360001	-	330000
2	370001	-	335000
1	375001	-	340000
1	390001	-	350000
2	395001	-	380000
2	400001	-	400000
1	415001	-	405000
1	420001	-	415000
2	435001	-	425000
2	445001	-	450000
1	460001	-	465000
1	470001	-	490000
7	495001	-	500000
1	525001	-	510000
1	595001	-	525000
1	615001	-	530000
3	685001	-	600000
2	710001	-	605000
1	715001	-	620000
1	725001	-	650000
1	750001	-	655000
1	770001	-	665000
1	795001	-	690000
1	860001	-	700000
3	930001	-	710000
1	935001	-	750000
1	990001	-	800000
1	995001	-	830000
1	1020001	-	840000
1	1035001	-	870000

## Pace (Pakistan) Limited

No. of Shareholders	Shareholdings		Shares Held
	From	To	
1	895001	900000	900,000
1	930001	935000	932,470
1	935001	940000	939,500
1	945001	950000	950,000
3	995001	1000000	3,000,000
1	1020001	1025000	1,025,000
1	1120001	1125000	1,125,000
1	1130001	1135000	1,131,000
1	1150001	1155000	1,150,500
1	1195001	1200000	1,196,000
3	1245001	1250000	3,750,000
1	1295001	1300000	1,300,000
1	1390001	1395000	1,392,000
1	1495001	1500000	1,500,000
1	1995001	2000000	2,000,000
1	2000001	2005000	2,004,500
1	2080001	2085000	2,082,695
1	2140001	2145000	2,141,500
1	3510001	3515000	3,510,500
1	4280001	4285000	4,283,000
1	4290001	4295000	4,290,268
1	4295001	4300000	4,300,000
1	4300001	4305000	4,300,571
1	4970001	4975000	4,971,117
1	5045001	5050000	5,050,000
1	5795001	5800000	5,799,000
1	6495001	6500000	6,500,000
1	6955001	6960000	6,959,290
1	7330001	7335000	7,334,915
1	9970001	9975000	9,972,200
1	16245001	16250000	16,247,931
1	21800001	21805000	21,803,661
1	27595001	27600000	27,600,000
1	27875001	27880000	27,879,000
9725			278,776,604

**PATTERN OF SHAREHOLDING  
AS AT JUNE 30, 2014**

Categories of Shareholders	Shares held	Percentage
Directors, Chief Executive Officer, and their spouse and minor children	25,522,780	9.15
Associated Companies, undertakings and related parties.	7,504,915	2.69
NIT and ICP	-	-
Banks, Development Financial Institutions, Non Banking Financial Institutions	30,248,587	10.85
Insurance Companies	425,711	0.15
Mudarabas and Mutual Funds	557,255	0.20
Share holders holding 10% or more	27,879,000	10.00
General Public		
a) Local	115,007,805	41.24
b) Foreign	13,098,347	4.70
Others:		
- Public Sector Companies and Corporations	36,175,073	12.97
- Foreign Companies	50,336,131	18.05

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

**PATTERN OF SHAREHOLDING AS PER LISTING REGULATIONS  
AS AT JUNE 30, 2014**

<u>Shareholders' Category</u>	<u>Number of Shares held</u>
<b>Associated Companies, undertaking and related parties</b>	
First Capital Securities Corporation Limited	7,504,915
<b>Mutual Fund</b>	
<b>Directors and their Spouse and Minor Children</b>	
Aamna Taseer (CEO/Director)	587
Shehryar Ali Taseer (Director)	500
Shahrbano Taseer (Director)	500
Maheen Ghani Taseer (Director)	587
Imran Hafeez (Director)	987
Imran Saeed Chaudhry (Director)	4,300,571
Sulaiman Ahmed Saeed Al-Hoqani (Director)	21,219,048
Syed Abid Raza (Director)	500
<b>Executive</b>	
<b>Public Sector Companies and Corporations</b>	<b>36,175,073</b>
<b>Banks Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Takaful, Modaraba and Pension Funds</b>	<b>31,231,553</b>
<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
Sisley Group Company Limited	27,600,000
National Bank of Pakistan	27,879,000

# 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 2014 at 11:00 a.m. and at any adjournment thereof.

Signature this \_\_\_\_\_ Day of \_\_\_\_\_ 2014.

(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.





**Head office:**

2nd & 3rd Floor, Pace Shopping Mall  
Fortress Stadium, Lahore Cantt. Lahore  
Pakistan

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Fax: +92-42- 36623121-22

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