## 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, 2013

# COMPANY INFORMATION

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

# NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 22nd Annual General Meeting of the Shareholders of Pace (Pakistan) Limited ("the Company" or "PACE") will be held on Tuesday, 29 October 2013 at 10:30 a.m. at 2nd Floor, Pace Shopping Mall, Fortress Stadium, Lahore Cantt. Lahore, the Registered Office of the Company, to transact the following business:

1. To confirm the minutes of Annual General Meeting held on 31 October 2012;

2. To receive, consider and adopt the audited financial statements of the Company for the year ended 30 June 2013 together with the Directors' and Auditors' reports thereon;

3. To appoint the Auditors of the Company for the year ending 30 June 2014 and to fix their remuneration;

**By order of the Board**

Lahore
08 October 2013

**Sajjad Ahmad**
Company Secretary

**Notes:**

1) The Members Register will remain closed from 22 October 2013 to 29 October 2013 (both days inclusive). Transfers received at THK Associates (Pvt.) Limited, Ground Floor, State Life Building No. 3, Dr. Ziauddin Ahmad Road, Karachi, the Registrar and Shares Transfer Office of the Company, by the close of business on 21 October 2013 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, 2nd Floor, Pace Shopping Mall, Fortress Stadium, Lahore Cantt. Lahore, not less than 48 hours before the time of the meeting.

4) a) Individual beneficial owners of CDC entitled to attend and vote at the meeting must bring his/her participant ID and account/sub-account number along with original 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

The Board of Directors of Pace (Pakistan) Limited take pleasure in presenting their Annual Report together with the Audited Financial Statements for the year ended June 30, 2013.

**General Economic Overview.**

Decades of internal political dispute, low levels of foreign investment, large fiscal deficits, lack of meritocracy, unrelenting and crippling energy shortages, lack of infrastructure to support GDP growth, security and law and order situation, weak social sector reforms/indicators, increasing friction amongst state institutions have led to slow growth and underdevelopment in Pakistan. The economic situation weakened further in the first half of FY2013 as official reserves declined markedly, food and general inflation both reaccelerated in January following their earlier decline, and exports stagnated while imports contracted. The overall recent growth of GDP is registered at 3.6 % in FY13.

The pace of foreign direct investment at the start of fiscal year was slow which continued till February, but from March it picked up and in April reached to US$ 213.6 million and posted a growth of 289% over last year's US$ 59.6 million. During July-April FY13 the foreign direct investment witnessed a growth of 29.7% and stood at US$ 853.5 million compared to US$ 658.2 million in corresponding period of last fiscal year.

The main contributions in foreign direct inflows, on average were from United States, UAE and United Kingdom having share of 14.0, 12.6 and 10.2 percent, respectively. Trade deficit has been reduced to US$ 12.5 billion during July-April, FY13 as compared to US$12.9 billion in the comparable period of FY12. During July-April FY13, the worker's remittances stood at $11.6 billion against $10.9 billion last year, showing a growth of 6.4 percent. The inflationary trend in the economy subdued during 2012-13. The annualized inflation rate measured in terms of Consumer Price Index (CPI) for (July-May) 2012-13 averaged at 7.5 percent as against 10.9 percent recorded in the same period of 2011-12.

Despite all the gloomy news and events that have started to define Pakistan, our national resilience remains intact. CP Inflation while high is showing signs of becoming range bound. Foreign remittances continue to rise. Pakistan's banking system remains insulated from the Western banking meltdown. We have a booming Agrarian economy, despite devastating floods; corporate sector is moving into dairy, live-stock and value added processing.

These indicators show that Pakistan still has a large room for investment and business.

**Real Estate overview:**

The existing Pakistani Real Estate Market trend has been bullish since the last year. In some parts of the country, prices have escalated by 25% to 50% in the last couple of months. Improvement in this sector is boosting many other professions like architects, labor, contractors, etc and is creating jobs and business for many people. Real estate business in Punjab is exploring new heights, if we talk about the capital city of the province (Lahore) the city has expanded immensely in last decade and the process is still on.

By expanding the boundaries of Lahore, the concerned authorities have made it possible for millions of people to move to areas that offer a better account of lifestyle. With westwards and southwards expansion, the land value in extended parts of Lahore has magnified to a shocking extent. This mounting property value is backed by the fact that a lot of infrastructural development is done here.

Since the overall economy is expected to improve in FY 2014, the percentage of newly developed residential and commercial projects is expected to go up by **15 to 20%** according to experts. In view of the positive market growth, investment from foreign companies is expected to increase in the real estate sector by **10 to 15%**. Purchase prices of houses, apartments and residential plots will increase by **20 to 50%**. Rental rates will escalate as well by **10 to 25%**. A renewed interest is witnessed in agricultural land; the demand and value of which will further increase by **15 to 30% according to conservative estimates of experts**. Development of new industries is expected across various segments hence the demand and value of industrial land is expected to increase by **15 to 30%**.

The real estate and construction sector has recorded remarkable growth since last year. The increase in growth is due to rapid execution of work on the rehabilitation of the flood affected areas, increased investment in small scale construction and rapid implementation of housing schemes and other development projects.

**Company Performance and Financial Overview.**

During the year, the company has shown a heftier performance as compared to the previous year, with an aggregate increase in net sales by **79%**. Reduction in loss after tax from previous year is 66%. Company incurred after tax loss of Rs.507 Million during the year which is just 34% of the loss of the preceding year, which is indicative of better performance.

Comparison for the results of the year ended June 30, 2013 as against June 30, 2012 is as follows:

| | Year Ended June 30, 2013 | 2012 |
|---|---|---|
| | 'Rupees in thousand' | |
| Sales | **392,294** | 218,747 |
| Cost of sales | **422,569** | 374,064 |
| Gross loss | **(30,275)** | (155,317) |
| Other income | **182,562** | 68,082 |
| Finance cost | **(370,576)** | (464,568) |
| Loss before tax | **(506,834)** | (1,471.043) |
| Loss after tax | **(507,770)** | (1,471,916) |
| Loss per share-Basic and diluted | **(1.82)** | (5.28) |

Other income has shown a significant increase by 168% because of reversal of impairment loss on investment amounting to Rs.151 Million. Administrative and selling and other operating expenses have decreased by 11% during the year mainly because of management's strict actions for cutting expenses and controlling costs. Finance cost has decreased by 20%. These factors have cumulatively resulted in an improved performance by the company as reflected in a rigorous diminution in its loss after tax and loss per share by **66%**, as compared to the immediately preceding year.

**Status of Financial obligations:**

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

During the year, Company entered into the following successful restructuring arrangements with two of its lenders.

Al-Baraka Bank (Pakistan) Limited has offered and the Company has accepted to settle Rs 169.119 million of principal portion of debt out of Rs.360 million, against properties at various floors of Pace Fortress aggregating to 13,021 square feet.

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.

Both of these debt to assets swap transactions will be executed in the coming fiscal year i.e. 2013-2014.

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

At the close of financial year ended June 30, 2013 Company is facing liquidity crunch and current liabilities of the Company have exceeded its current assets by Rs. 2,292.835 million that may cast significant doubt about the company's ability to continue as a going concern. This is also mentioned by auditors in emphasis of matter paragraph of their report.

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.

Management of the Company has prepared cash flow projections 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 mitigants, 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.

**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) Limited fosters a risk aware corporate culture in all decision-making, and is committed to managing all risks 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 2013.

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.

**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 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.

**Change in Board of directors:**

During the year, Mr Imran Hafeez has been appointed as director of the company in place of Mr. Khaldoon Bin Latif. There are no other changes in the constitution of Board.

**Auditors:**

The present auditors M/s A.F Ferguson & Co., Chartered Accountants retire and offer themselves for reappointment. The Board of Directors has recommended their appointment as auditors of the company for the year ending June 30, 2014, at a fee to be mutually agreed.

**Human Resource (HR) & Remuneration Committee:**

Keeping in view the requirements of the Code of Corporate Governance of Pakistan, applicable to listed companies, the Board of Directors of the Company has formed a Human Resource 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.

Mr. Shehryar Ali Taseer (Chairman)
Mrs. Aamna Taseer
Miss. Shehrbano Taseer

**Board meetings during the year:**

Four Board meetings were held during the year in compliance with Code of Corporate Governance of listed companies and attendance by each director is given below:

| **Directors** | **Meetings Attended** |
|---|---|
| Suleman Ahmed Saeed Al Hoqani | - |
| Aamna Taseer | 4 |
| Shehryar Taseer | 4 |
| Shehrbano Taseer | 4 |
| Maheen Ghani Tasee | 4 |
| Jamal Said Al Ojaili | - |
| Khaldoon Bin Latif (Resigned) | - |
| Imran Hafeez | 1 |
| Imran Saeed Chaudhry | - |
| Syed Etrat Hussain Rizvi (Alternate director to Mr. Hoqani) | 1 |

**Trading of Directors**

During the year no trading in the Company's share was 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 of three non-executive directors including the Chairman of the Committee.

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** |
|---|---|
| Mr. Shehryar Ali Taseer | 5 |
| Miss. Shehrbano Taseer | 5 |
| Mrs. Maheen Ghani Taseer | 5 |

**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 as on June 30, 2013 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
7. The system of internal control is sound in design and has been adequately implemented and monitored through out the year.

**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 05, 2013

**Aamna Taseer**
Chief Executive Officer

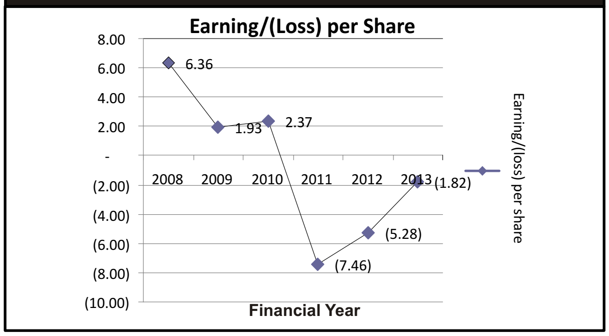
# KEY OPERATING AND FINANCIAL INDICATORS

**KEY INDICATORS** **Rupees in thousands**

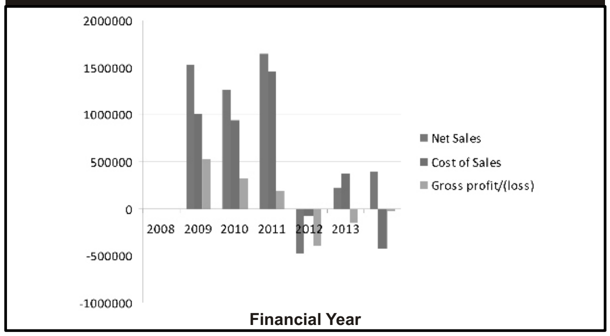
| | | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|---|---|
| **Operating result** | | | | | | | |
| Net Sales | | 1,530,498 | 1,261,809 | 1,649,336 | (476,405) | 218,747 | 392,294 |
| Gross profit/(loss) | | 525,612 | 317,376 | 190,939 | (402,012) | (155,317) | (30,275) |
| Profit from operation | | 1,699,553 | 618,387 | 914,133 | (1,649,605) | (1,006,475) | (136,258) |
| Profit / (loss) before tax | | 1,453,293 | 345,796 | 702,923 | (2,134,562) | (1,471,043) | (506,834) |
| Profit /(loss)after tax | | 1,406,970 | 436,796 | 633,164 | (2,080,561) | (1,471,916) | (507,770) |
| **Financial Position** | | | | | | | |
| Shareholder's equity | | 4,560,706 | 5,194,399 | 6,486,146 | 4,405,483 | 2,932,538 | 2,424,327 |
| Property,plant & Equipment | | 434,385 | 474,066 | 550,444 | 516,419 | 577,075 | 465,635 |
| Net current assets | | 3,414,154 | 3,007,927 | 2,320,745 | 1,858,925 | (1,639,203) | (2,292,835) |
| **Profitability** | | | | | | | |
| Gross profit /(loss) | % | 34.34 | 25.15 | 11.58 | (84.38) | (71.00) | (7.72) |
| Operating profit /(loss) | % | 111.05 | 49.01 | 55.42 | (346.26) | (460.11) | (34.73) |
| Profit /(loss) before tax | % | 94.96 | 27.40 | 42.62 | (448.06) | (672.49) | (129.20) |
| Profit /(loss) after tax | % | 91.93 | 34.62 | 38.39 | (436.72) | (672.89) | (129.44) |
| **Performance** | | | | | | | |
| Fixed assets turnover | Times | 3.52 | 2.66 | 3.00 | (0.92) | 0.38 | 0.84 |
| Return on equity | % | 36.38 | 8.96 | 10.84 | (38.20) | (40.12) | (18.96) |
| Return on capital employed | % | 23.76 | 5.12 | 6.88 | (24.24) | (28.02) | (19.22) |
| **Liquidity** | | | | | | | |
| Current Ratio | Times | 13.06 | 13.41 | 3.47 | 2.74 | 0.64 | 0.55 |
| Quick | Times | 8.86 | 7.27 | 2.31 | 1.23 | 0.20 | 0.18 |
| **Valuation** | | | | | | | |
| Earning per share | Rs | 6.36 | 1.93 | 2.37 | (7.46) | (5.28) | (1.82) |
| Break up vale per share | Rs | 20.69 | 22.31 | 23.26 | 15.80 | 10.52 | 8.69 |

# PERFORMANCE AT A GLANCE

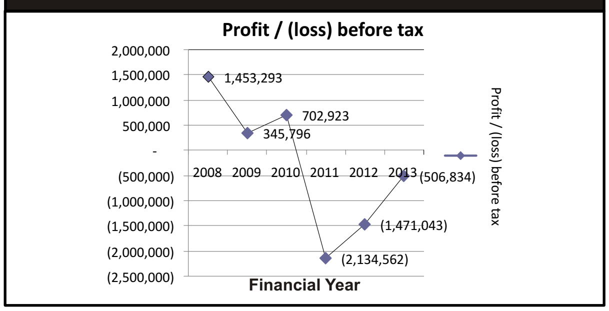
## Earning / (loss) per Share



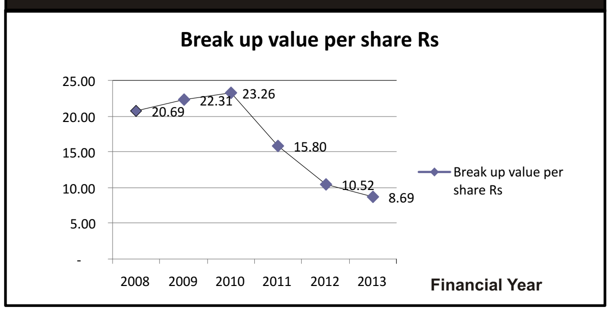

## Net Sales, COS & Gross Profit / (loss)



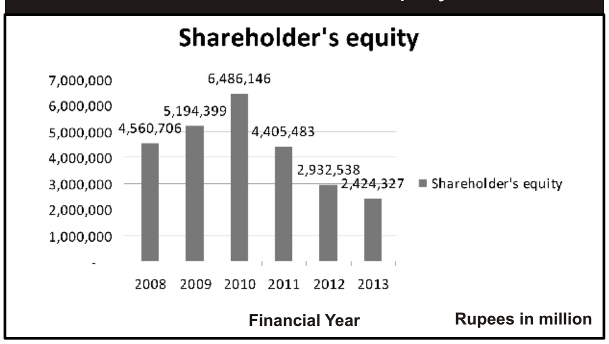

## Profit / (loss) Before Tax



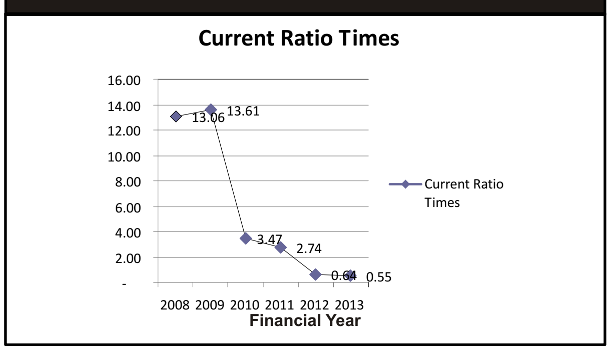

## Break-up Value




## Share Holder's Equity




## Current Ratio



## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

### PACE (PAKISTAN) LIMITED ("THE COMPANY")
### FOR THE YEAR ENDED 30 JUNE 2013

This statement is being presented to comply with the Code of Corporate Governance (The Code) contained in the Listing Regulations of Karachi Stock Exchange (Guarantee) Limited and Lahore Stock Exchange (Guarantee) Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1) The company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes:

| **Category** | **Names** |
|---|---|
| Independent Directors | N/A |
| Executive Directors | Mrs. Aamna Taseer<br>Mr. Imran Hafeez |
| Non-Executive Directors | Mr. Jamal Said Al-Ojaili<br>Mr. Imran Saeed Chaudhry<br>Mr. Shehryar Ali Taseer<br>Mrs. Maheen Ghani Taseer<br>Ms. Shehrbano Taseer<br>Mr. Sulaiman Ahmed Saeed Al-Hoqani |

The requirement of Independent Directors in composition of Board under the Code will be considered at the time of next election of directors.

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 NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4) A casual vacancy occurring on 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.

   Two directors of the Company obtained certification under Director's Training Program offered by The University of Lahore.

10) There were no new appointments of the CFO, Company Secretary or Head of Internal Audit during the year. However, all such appointments including their remuneration and terms and conditions of appointment are approved by the Board.

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 three members, of whom all are non-executive directors. The Chairman of the Committee is not an independent director and will be changed on the next election date to bring the composition of the Audit Committee in line with the requirements of the Code.

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 suitably 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.

For and on behalf of the Board

Lahore
October 05, 2013

**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's 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, 2013.

Lahore:
October 08, 2013

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

# AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Pace (Pakistan) Limited as at June 30, 2013 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 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, 2013 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 2,292.835 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 08, 2013

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

# BALANCE SHEET
## AS AT JUNE 30, 2013

| | Note | June 30, 2013 | June 30, 2012 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| **EQUITY AND LIABILITIES** | | | |
| **CAPITAL AND RESERVES** | | | |
| Authorised capital | | | |
| 600,000,000 (2012: 600,000,000) | | | |
| ordinary shares of Rs 10 each | | **6,000,000** | 6,000,000 |
| Issued, subscribed and paid up capital | | | |
| 278,876,604 (2012: 278,876,604) | | | |
| ordinary shares of Rs 10 each | 5 | **2,788,766** | 2,788,766 |
| Reserves | | **271,690** | 272,131 |
| Unappropriated loss | | **(636,129)** | (128,359) |
| | | **2,424,327** | 2,932,538 |
| **NON-CURRENT LIABILITIES** | | | |
| Long term finances - secured | 6 | **-** | - |
| Redeemable capital - secured (non-participatory) | 7 | **-** | - |
| Liabilities against assets subject to finance lease | 8 | **-** | 227 |
| Foreign currency convertible bonds - unsecured | 9 | **-** | - |
| Deferred liabilities | 10 | **25,553** | 36,650 |
| Advances against sale of property | 11 | **-** | 97,629 |
| | | **25,553** | 134,506 |
| **CURRENT LIABILITIES** | | | |
| Advances against sale of property | 11 | **98,953** | - |
| Current portion of long term liabilities | 12 | **3,853,042** | 3,745,248 |
| Short term finance - secured | 13 | **96,443** | 100,000 |
| Creditors, accrued and other liabilities | 14 | **216,185** | 199,927 |
| Accrued finance cost | 15 | **794,514** | 505,049 |
| | | **5,059,137** | 4,550,224 |
| **CONTINGENCIES AND COMMITMENTS** | 16 | **-** | - |
| | | **7,509,017** | 7,617,268 |

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

**Lahore**
October 05, 2013

**Aamna Taseer**
Chief Executive

| | Note | June 30, 2013 | June 30, 2012 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| **ASSETS** | | | |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 17 | **595,832** | 710,684 |
| Intangible assets | 18 | **7,696** | 8,248 |
| Investment property | 19 | **3,145,137** | 3,167,645 |
| Investments | 20 | **852,528** | 701,238 |
| Long term advances and deposits | 21 | **13,619** | 13,822 |
| Deferred taxation | 22 | **-** | - |
| | | **4,614,812** | 4,601,637 |
| **CURRENT ASSETS** | | | |
| Stock-in-trade | 23 | **1,859,146** | 1,982,420 |
| Trade debts - unsecured | 24 | **649,827** | 721,249 |
| Advances, deposits, prepayments and other receivables | 25 | **209,812** | 164,170 |
| Income tax recoverable | | **42,002** | 35,181 |
| Cash and bank balances | 26 | **5,515** | 8,001 |
| | | **2,766,302** | 2,911,021 |
| Disposal group held-for-sale | 27 | **127,903** | 104,610 |
| | | **2,894,205** | 3,015,631 |
| | | **7,509,017** | 7,617,268 |

**Shehryar Ali Taseer**
Director

# PROFIT AND LOSS ACCOUNT
## FOR THE YEAR ENDED JUNE 30, 2013

| | | Note | 2013 | 2012 |
|---|---|---|---|---|
| | | | (Rupees in thousand) | |
| Sales | | 28 | **392,294** | 239,934 |
| Less: Sales return | | 28.2 | **-** | (21,187) |
| | | | **392,294** | 218,747 |
| Cost of sales | | 29 | **(422,569)** | (374,064) |
| **Gross loss** | | | **(30,275)** | (155,317) |
| Administrative and selling expenses | | 30 | **(210,171)** | (231,199) |
| Other income | | 31 | **182,562** | 68,082 |
| Other operating expenses | | 32 | **(129,103)** | (121,450) |
| | | | **(186,987)** | (439,884) |
| Finance costs | | 33 | **(370,576)** | (464,568) |
| Changes in fair value of investment property | | 19 | **50,729** | (566,591) |
| **Loss before tax** | | | **(506,834)** | (1,471,043) |
| Taxation | | 34 | **(936)** | (873) |
| **Loss for the year** | | | **(507,770)** | (1,471,916) |
| **Other comprehensive loss** | | | | |
| *Items that will not be reclassified to profit or loss* | | | **-** | - |
| *Items that may be reclassified subsequently to profit or loss* | | | | |
| Changes in fair value of available for sale investments | | | **(441)** | (1,029) |
| **Total comprehensive loss for the year** | | | **(508,211)** | (1,472,945) |
| Loss per share attributable to ordinary shareholders | | | | |
| **-** basic loss per share | Rupees | 39 | **(1.82)** | (5.28) |
| **-** diluted loss per share | Rupees | 39 | **(1.82)** | (5.28) |

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

| | | |
|---|---|---|
| **Lahore** | **Aamna Taseer** | **Shehryar Ali Taseer** |
| October 05, 2013 | Chief Executive | Director |

# STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED JUNE 30, 2013

(Rupees in thousand)

| | Share capital | Share premium reserve | Reserve for changes in fair value of investments | Unappropriated profit/(loss) | Total |
|---|---|---|---|---|---|
| **Balance as on June 30, 2011** | **2,788,766** | **273,265** | **(105)** | **1,343,557** | **4,405,483** |
| **Total comprehensive loss for the year** | | | | | |
| Loss for the year | - | - | - | (1,471,916) | (1,471,916) |
| Other comprehensive loss for the year: | | | | | |
| Changes in fair value of available for sale investments | - | - | (1,029) | - | (1,029) |
| | - | - | (1,029) | (1,471,916) | (1,472,945) |
| **Total contributions by and distributions to owners of the Company recognised directly in equity** | - | - | - | - | - |
| **Balance as on June 30, 2012** | **2,788,766** | **273,265** | **(1,134)** | **(128,359)** | **2,932,538** |
| **Total comprehensive loss for the year** | | | | | |
| Loss for the year | - | - | - | (507,770) | (507,770) |
| Other comprehensive loss for the year: | | | | | |
| Changes in fair value of available for sale investments | - | - | (441) | - | (441) |
| | - | - | (441) | (507,770) | (508,211) |
| **Total contributions by and distributions to owners of the Company recognised directly in equity** | - | - | - | - | - |
| **Balance as on June 30, 2013** | **2,788,766** | **273,265** | **(1,575)** | **(636,129)** | **2,424,327** |

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

**Lahore**
October 05, 2013

**Aamna Taseer**
Chief Executive

**Shehryar Ali Taseer**
Director

# CASH FLOW STATEMENT
## FOR THE YEAR ENDED JUNE 30, 2013

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| **Cash flow from operating activities** | | | |
| Cash generated from operations | 36 | **49,226** | 169,194 |
| Net increase / (decrease) in advances against sale of property | | **1,324** | (14,701) |
| Finance costs paid | | **(25,443)** | (33,907) |
| Gratuity and leave encashment paid | | **(3,304)** | (4,698) |
| Taxes paid | | **(7,757)** | (8,439) |
| **Net cash generated from operating activities** | | **14,046** | 107,449 |
| **Cash flow from investing activities** | | | |
| Purchase of property, plant and equipment | | **(98)** | (7,178) |
| Proceeds from sale of property, plant and equipment | | **5,568** | 8,918 |
| Decrease / (increase) in long term loans and deposits | | **64** | (289) |
| Markup received | | **655** | 1,366 |
| Proceeds from disposal of investment | | **-** | 13,000 |
| Investment in equity instruments | | **-** | (91,434) |
| **Net cash generated from / (used in) investing activities** | | **6,189** | (75,617) |
| **Cash flow from financing activities** | | | |
| Repayment of long term finances | | **(17,216)** | (77,592) |
| Payment of finance lease liabilities | | **(1,948)** | (5,591) |
| **Net cash used in financing activities** | | **(19,164)** | (83,183) |
| **Net increase / (decrease) in cash and cash equivalents** | | **1,071** | (51,351) |
| **Cash and cash equivalents at the beginning of the year** | | **(91,999)** | (40,648) |
| **Cash and cash equivalents at the end of the year** | 37 | **(90,928)** | (91,999) |

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

| | | |
|---|---|---|
| **Lahore** | **Aamna Taseer** | **Shehryar Ali Taseer** |
| October 05, 2013 | Chief Executive | Director |

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED JUNE 30, 2013

**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 2nd and 3rd 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 507.770 million (2012: Rs 1,471.916 million). As at the reporting date, the current liabilities of the Company have exceeded its current assets by Rs 2,292.835 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. Restructurings with National Bank of Pakistan and Al Baraka Bank (Pakistan) Limited were envisaged to be effective during the year. However, due to delays in obtaining No Objection Certificates from other lenders the restructurings 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 however, is continuously engaged with its lenders for restructuring of its borrowings and during the year was able to negotiate a mechanism for settlement of the short term finance from PAIR Investment Company Limited (PAIR) as referred to in note 13. PAIR offered, which the Company has accepted 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. Similarly subsequent to the year end Al-Baraka Bank (Pakistan) Limited offered, which the Company has accepted to settle Rs 169.119 million of the principal amount against properties at various floors at Pace Fortress aggregating to Rs 13,021 square feet.

The Company 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 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:

- Amendments to IAS 1, 'Financial statement presentation' regarding other comprehensive income, emphasizes on the requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The application of the amendment has not affected the results or net assets of the Company as it is only concerned with presentation and disclosures.

- IAS 12 (Amendments), 'Income taxes', on deferred tax. These are applicable on accounting periods beginning on or after January 01, 2012. IAS 12, 'Income taxes', currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery shall be through use or through sale when the asset is measured using the fair value model in IAS 40, 'Investment property'. This amendment therefore introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, ‘Income taxes - recovery of revalued non-depreciable assets’, shall no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn. The application of these amendments have 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, 2013 or later periods, and the Company has not early adopted them:

- 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 will 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 Company shall apply these amendments for the financial reporting period commencing on July 01, 2013 and does not expect to have any material impact on its financial statements.

- IFRS 9 - ‘Financial instruments’ - 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 11, 'Joint Arrangements', applicable from January 01, 2013, is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. The Company shall apply this standard from July 01, 2013 and does not expect to have any material impact on its financial statements.

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

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

- IAS 19 (Amendments), 'Employee benefits' is applicable on accounting periods beginning on or after January 01, 2013. These amendments shall eliminate the corridor approach and calculate finance costs on a net funding basis. The Company shall apply these amendments from July 01, 2013 and its impact on retained earnings shall be Rs 0.949 million due to recognition of current unrecognised actuarial gains on its defined benefit plan.

- 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 Company shall apply the revised standard from July 01, 2013 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.

**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, 2013. Projected Unit Credit Method, using the following significant assumptions for valuation of the scheme:

- Discount rate 10.50 percent per annum (2012: 13 percent per annum)
- Expected rate of increase in salary level 9.50 percent per annum (2012: 12 percent per annum)

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

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

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

The latest actuarial valuation was carried out as at June 30, 2013. Projected Unit Credit Method, using the following significant assumptions is used for valuation of accumulating compensated absences:

| | |
|---|---|
| - Discount rate | 10.50% (2012: 13%) |
| - Expected increase in salary | 9.50% (2012: 12%) |
| - Expected mortality rate | EFU 61-66 mortality table adjusted for Company's Experience |
| - Expected withdrawal and early retirement rate | Based on experience |
| - Average number of leaves accumulated per annum by employees | 10 days (2012: 10 days) |

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

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

**4.6 Investment property**

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

The investment property of the Company has been valued by independent professionally qualified valuers as at June 30, 2013. 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.

**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**

| **2013** | 2012 | | **2013** | 2012 |
|---|---|---|---|---|
| **(Number of shares)** | | | **(Rupees in thousand)** | |
| **201,704,516** | 201,704,516 | Ordinary shares of Rs 10 each fully paid in cash | **2,017,045** | 2,017,045 |
| **77,172,088** | 77,172,088 | Ordinary shares of Rs 10 each issued as fully paid bonus shares | **771,721** | 771,721 |
| **278,876,604** | 278,876,604 | | **2,788,766** | 2,788,766 |

First Capital Securities Corporation Limited and Worldcall Telecom Limited, associated undertakings, hold 26,723,615 (2012: 24,055,407) and 6,959,290 (2012: 6,959,290) ordinary shares of the Company, respectively.

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| **6. Long term finances - secured** | | | |
| Syndicate term finance facility | 6.1 | **305,412** | 322,408 |
| National Bank of Pakistan - term finance | 6.2 | **39,780** | 40,000 |
| Soneri Bank - demand finance | 6.3 | **27,422** | 27,422 |
| Al Baraka Bank (Pakistan) Limited - musharika based agreement | 6.4 | **360,000** | 360,000 |
| | | **732,614** | 749,830 |
| Less: Current portion shown under current liabilities | 12 | **(732,614)** | (749,830) |
| | | **-** | - |

**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% (2012: 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.

During the year, NBP, one of the syndicate members, offered restructured terms for its portion, which the Company accepted for aggregate amount of Rs 209.565 million. Restructuring entailed the creation of exclusive charge over identified properties of Pace Gujranwala, Pace Model Town and Pace Model Town (Extension) within a stipulated time. The Company approached other lenders to release their charge over the aforementioned properties. However, some of the other lenders did not agree to release their charge. Consequently the restructuring agreement was not executed.

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

**National Bank of Pakistan**

- Settlement of NBP's portion of Rs 279.286 million, inclusive of markup of Rs 80.768 million as at April 30, 2013 against property situated at the ground and mezzanine floors of Pace Towers measuring a total of 9,120 square feet.

- Waiver of accrued markup amounting to Rs 60.486 million as at April 30, 2013.

**Habib Bank Limited**

- Settlement of Habib Bank Limited's share of Rs 144.448 million, inclusive of markup of Rs 37.565 million as at March 31, 2013 against the properties at Pace Model Town Extension, Pace MM Alam, Pace Fortress, Pace Gujranwala and Pace Gujrat measuring 2,022, 625, 1,267, 418, 1,396 square feet, respectively.

- Waiver of accrued markup amounting to Rs 18.584 million as at March 31, 2013.

None of the syndicate members 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% (2012: 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.

During the year, National Bank of Pakistan (NBP) offered certain restructuring terms, which the Company accepted. However, the restructuring was contingent upon the restructuring of NBP's portion of Syndicate Term Finance Facility (STFF) as referred to in note 6.1 that could not be executed due to the reason mentioned in note 6.1. Consequently, the restructuring of this term loan was also not executed.

The Company is in negotiation with NBP to settle the entire principal and accrued markup against property available at Pace Towers on similar terms as offered to NBP for STFF. The proposal is in early stage and a formal plan of the properties available for settlement is to be decided by the Company.

**6.3 Soneri Bank - demand finance**

**Terms of repayment**

This loan is part of total demand finance facility limit of Rs 44.688 Million (2012: Rs 44.688 Million) and carries markup @ 6 months KIBOR + 3% (2012: 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.

The Company is in negotiation with the bank to restructure the existing loan. Following are the salient features of the proposal sent by the Company to the bank:

- Tenure of restructured facility will be 3.5 years inclusive of six months grace period.

- Markup on restructured facility shall be charged at the 3 months KIBOR plus 0.5%.

- Relaxation in payment of existing markup.

Soneri bank has not yet formally responded to the proposal.

**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 (2012: 400 million) under a musharika based arrangement with Al Baraka Bank (Pakistan) Limited and carries markup @ 3 months KIBOR + 3.5% (2012: 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 current year, the bank agreed to and the Company accepted to restructure the entire amount. Restructuring entailed the creation of exclusive charge over identified properties of Pace Gujranwala, Pace Model Town and Pace Model Town (Extension) within a stipulated time. The Company approached other lenders to release their charge over the aforementioned properties. However, some of the lenders did not agree to release their charge, consequently the restructuring agreement could not be implemented.

The Company has negotiated with the bank to settle principal against certain identified properties. Subsequent to the year end, the bank has offered, which the Company has accepted to settle Rs 169.119 million against properties at various floors of Pace Fortress aggregating to 13,021 square feet. As at June 30, 2013, the Company has 11,499 square feet out of 13,021 square feet available at Pace Fortress. The Company has recognised loss on available inventory and provision for restructuring amounting to Rs 46.004 million and Rs 21.754 million, respectively.

| | Note | **2013** | 2012 |
|---|---|---|---|
| | | **(Rupees in thousand)** | |
| **7. Redeemable capital - secured (non-participatory)** | | | |
| Term finance certificates | | **1,498,200** | 1,498,200 |
| Less: Current portion shown under current liabilities | 12 | **(1,498,200)** | (1,498,200) |
| | | **-** | - |

**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% (2012: 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 1,198.1 million, which, under the terms of the agreement were due for repayment in period subsequent to June 30, 2014. However, as the Company could not repay on a timely basis the installments due uptil year ended June 30, 2013 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 | 2013 | 2012 |
|---|---|---|---|
| **8. Liabilities against assets subject to finance lease** | | **(Rupees in thousand)** | |
| Present value of minimum lease payments | | **30,507** | 33,563 |
| Less: Current portion shown under current liabilities | 12 | **(30,507)** | (33,336) |
| | | **-** | 227 |

The minimum lease payments have been discounted at an implicit interest rate ranging from 9% to 18% (2012: 12.31% to 17.94%) 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 11.639 million (2012: Rs 12.728 million).

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

| | | | **(Rupees in thousand)** | |
|---|---|---|---|---|
| | **Minimum lease payments** | **Future finance charge** | **Present value of lease liability** | |
| | | | **2013** | **2012** |
| Not later than one year | 32,909 | 2,402 | **30,507** | 33,336 |
| Later than one year and not later than five years | - | - | **-** | 227 |
| | 32,909 | 2,402 | **30,507** | 33,563 |

| | Note | 2013 | 2012 |
|---|---|---|---|
| **9. Foreign currency convertible bonds - unsecured** | | **(Rupees in thousand)** | |
| Opening balance | | **1,463,882** | 1,254,643 |
| Markup accrued during the year | | **55,668** | 87,789 |
| | | **1,519,550** | 1,342,432 |
| Exchange loss for the year | | **72,171** | 121,450 |
| | | **1,591,721** | 1,463,882 |
| Less: Current portion shown under current liabilities | 12 | **(1,591,721)** | (1,463,882) |
| | | **-** | - |

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, 2013.

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

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| **10. Deferred liabilities** | | | |
| Staff gratuity | 10.1 | **24,132** | 35,251 |
| Leave encashment | 10.2 | **1,421** | 1,399 |
| Deferred taxation | 22 | **-** | - |
| | | **25,553** | 36,650 |

**10.1 Staff gratuity**

The amounts recognised in the balance sheet are as follows:

| | | 2013 | 2012 |
|---|---|---|---|
| Present value of defined benefit obligation | | **23,183** | 28,523 |
| Unrecognised experience gains | | **949** | 6,728 |
| Liability as at June 30 | | **24,132** | 35,251 |
| Opening balance | | **35,251** | 31,611 |
| Charge to profit and loss account | 10.1.1 | **7,295** | 7,963 |
| Benefits paid during the year | | **(3,117)** | (4,323) |
| Benefits payable during the year | | **(15,297)** | - |
| Liability as at June 30 | | **24,132** | 35,251 |

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

| | 2013 | 2012 |
|---|---|---|
| Opening balance | **28,523** | 23,260 |
| Service cost | **5,414** | 5,711 |
| Interest cost | **2,988** | 3,256 |
| Benefits paid during the year | **(3,117)** | (4,323) |
| Benefits payable during the year | **(15,297)** | - |
| Experience gain | **4,672** | 619 |
| Present value of defined benefit obligation as at June 30 | **23,183** | 28,523 |

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

| | 2013 | 2012 |
|---|---|---|
| Service cost | **5,414** | 5,711 |
| Interest cost | **2,988** | 3,256 |
| Actuarial gain recognised during the period | **(1,107)** | (1,004) |
| Charge to profit and loss account | **7,295** | 7,963 |

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

| | 2013 | 2012 |
|---|---|---|
| Cost of sales | **948** | 1,035 |
| Administrative and selling expenses | **6,347** | 6,928 |
| | **7,295** | 7,963 |

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

| | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|
| | (Rupees in thousand) | | | | |
| Present value of defined benefit obligation | **23,183** | 28,523 | 23,260 | 28,939 | 30,236 |
| Fair value of plan assets | **-** | - | - | - | - |
| Deficit | **(23,183)** | (28,523) | (23,260) | (28,939) | (30,236) |
| Experience adjustment on obligation | **-20%** | -2% | 24% | 15% | 4% |

**10.2 Leave encashment**

| | 2013 | 2012 |
|---|---|---|
| | (Rupees in thousand) | |
| The amounts recognised in the balance sheet are as follows: | | |
| Opening balance | **1,399** | 1,217 |
| Charge to profit and loss account | **587** | 842 |
| Benefits payable during the year | **(377)** | (660) |
| Benefits paid during the year | **(188)** | - |
| Liability as at June 30 | **1,421** | 1,399 |

## 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.

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| Advance against sale of property | | | |
| - Long term | | **-** | 97,629 |
| - Short term | | **98,953** | - |
| | 11.1 | **98,953** | 97,629 |

**11.1** This includes the following amounts due to related parties:

| | 2013 | 2012 |
|---|---|---|
| First Capital Investment Limited | **16,575** | 16,497 |
| First Capital Securities Corporation Limited | **47,483** | 47,257 |
| Shaheen Insurance Company Limited | **-** | 7,849 |
| | **64,058** | 71,603 |

**11.2** Construction work on Pace Towers had been suspended till May 2013. The Company has re-commenced construction work of Pace Towers in June 2013 and expects that advances received against sale of property shall be adjusted in the year ending June 30, 2014. Consequently, such advances have been presented in current liabilities.

## 12. Current portion of long term liabilities

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| Current portion of long term finances -secured | 6 | **732,614** | 749,830 |
| 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 | **30,507** | 33,336 |
| Current portion of foreign currency convertible bonds - unsecured | 9 | **1,591,721** | 1,463,882 |
| | | **3,853,042** | 3,745,248 |

**12.1** Overdue principal included in current maturity as at June 30, 2013 are as follows:

| | 2013 | 2012 |
|---|---|---|
| Long term finances - secured: | | |
| - Syndicate term finance facility | **225,413** | 82,409 |
| - National Bank of Pakistan- term finance | **23,780** | 8,000 |
| - Soneri Bank - demand finance | **27,422** | 27,422 |
| - Al Baraka Bank (Pakistan) Limited - musharika based agreement | **360,000** | 200,000 |
| Redeemable capital - secured (non-participatory) | **300,120** | 600 |
| Foreign currency convertible bonds - unsecured | **1,591,721** | 1,463,882 |
| Liabilities against assets subject to finance lease | **18,781** | 19,589 |
| | **2,547,237** | 1,801,902 |

## 13. Short term finance - Secured

This represents short term finance of Rs 96.443 million (2012: Rs 100 million) provided by PAIR Investment Company Limited (formerly Pak-Iran Joint Investment Company Limited) and carries markup @ 1 month KIBOR + 3.5% (2012: 3 months KIBOR + 3.5%). The entire amount of loan along with the accrued markup as on October 15, 2012 was restructured during the year and is now repayable in 17 monthly installments commencing from November 15, 2012. As on June 30, 2013, overdue principal amounts to Rs 39.636 million.

**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.

During the year, the entire amount of loan along with the accrued markup as on October 15, 2012 was restructured. However, the Company could not make payments in accordance with the restructured terms and further decided to settle the loan through debt to asset swap. 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. As at June 30, 2013, the Company has 11,240 square feet out of 11,833 square feet available at Pace MM Alam. Following are the key terms:

- The Company will procure No Objection Certificates (NOCs) from National Bank of Pakistan (NBP) having joint charge over the aforementioned properties.

- The Company has First Right of Refusal for 18 months to buy back these properties.

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | **(Rupees in thousand)** | |
| **14. Creditors, accrued and other liabilities** | | | |
| Trade creditors | 14.1 | **71,348** | 102,561 |
| Advances from customers | | **5,204** | 5,434 |
| Licensee fee received in advance | | **4,722** | 5,893 |
| Accrued liabilities | | **49,399** | 35,117 |
| Licensee security deposits | | **18,951** | 16,495 |
| Payable to contractors | | **2,699** | 2,699 |
| Retention money | | **362** | 362 |
| Withholding tax payable | | **16,403** | 13,235 |
| Others | 14.2 | **47,097** | 18,131 |
| | | **216,185** | 199,927 |

**14.1** This includes Nil (2012: Rs 59.323 million) due to Shaheen Insurance Company Limited, a related party.

**14.2** This includes a provision of Rs 21.754 million in respect of debt to assets swap with Al Baraka Bank (Pakistan) Limited as referred to in note 6.4.

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | **(Rupees in thousand)** | |
| **15. Accrued finance cost** | | | |
| Long term finances -secured | 15.1 | **247,707** | 168,001 |
| Short term finance -secured | 15.2 | **35,665** | 24,197 |
| Redeemable capital - secured (non-participatory) | 15.3 | **495,236** | 310,439 |
| Liabilities against assets subject to finance lease | 15.4 | **15,906** | 2,412 |
| | | **794,514** | 505,049 |

**15.1** This includes overdue markup of Rs 225.534 million (2012: Rs 135.016 million).

**15.2** This includes overdue markup of Rs 15.092 million (2012: Rs 20.365 million).

**15.3** This includes overdue markup of Rs 431.733 million (2012: Rs 232.945 million).

**15.4** This includes overdue markup of Rs 2.401 million (2012: Rs 2.384 million) and late payment charges of Rs 13.586 million (2012: Nil).

**16. Contingencies and commitments**

**16.1 Contingencies**

(i) Claims against the Company not acknowledged as debts Rs 21.644 million (2012: 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 (2012: Rs 900 million) as per the approval of shareholders through the special resolution dated July 29, 2006.

**16.2 Commitments**

(i) Contract for purchase of properties from Pace Barka Properties Limited, amounting to Rs 391.985 million (2012: Rs 426.346 million).

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

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | **(Rupees in thousand)** | |
| Not later than one year | | **6,300** | 6,300 |
| Later than one year and not later than five years | | **33,469** | 29,925 |
| Later than five years | | **757,131** | 761,975 |
| | | **796,900** | 798,200 |

**17. Property, plant and equipment**

| | Note | 2013 | 2012 |
|---|---|---|---|
| Operating fixed assets | | | |
| - owned assets | 17.1 | **465,635** | 577,075 |
| - assets subject to finance lease | 17.2 | **2,642** | 6,152 |
| Capital work in progress | 17.3 | **127,555** | 127,457 |
| | | **595,832** | 710,684 |

**17.1 Owned assets**

**2013** (Rupees in thousand)

| | Cost as at June 30, 2012 | 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 as at June 30, 2012 | Depreciation & impairment 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 | - | (4,737) | 42,083 | 119,211 | 5% |
| Buildings on leasehold land *** | 214,226 | - (8,904) | - | - | 205,322 | 44,541 | 70,941 (135) | - | - | 115,347 | 89,975 | 3% |
| Plant and machinery | 81,171 | - | - | - | 81,171 | 48,797 | 3,237 | - | - | 52,034 | 29,137 | 10% |
| Electrical equipment | 75,844 | - | - | - | 75,844 | 28,889 | 4,695 | - | - | 33,584 | 42,260 | 10% |
| Office equipment and appliances | 11,683 | - | - | - | 11,683 | 6,782 | 490 | - | - | 7,272 | 4,411 | 10% |
| Furniture and fixtures | 11,784 | - | - | - | 11,784 | 5,199 | 659 | - | - | 5,858 | 5,926 | 10% |
| Computers | 9,466 | - | - | - | 9,466 | 8,104 | 450 | - | - | 8,554 | 912 | 33% |
| Vehicles | 41,311 | - | 5,103 | - | 46,414 | 20,881 | 4,391 | 2,491 | - | 27,763 | 18,651 | 20% |
| | 780,107 | - (8,904) | 5,103 | (18,176) | 758,130 | 203,032 | 91,844 (135) | 2,491 | (4,737) | 292,495 | 465,635 | |

**2012**

| | Cost as at June 30, 2011 | Additions/ transfers/ (deletions) | Transfers from assets subject to finance lease | Transfers to disposal group held-for-sale | Cost as at June 30, 2012 | Accumulated depreciation as at June 30, 2011 | Depreciation charge for the year/ (deletions) | Transfers from assets subject to finance lease | Transfers to disposal group held-for-sale | Accumulated depreciation as at June 30, 2012 | Book value as at June 30, 2012 | Depreciation rate |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Freehold land * | 155,152 | - | - | - | 155,152 | - | - | - | - | - | 155,152 | |
| Leasehold land ** | - | - | - | - | - | - | - | - | - | - | - | |
| Buildings on freehold land | 179,470 | - | - | - | 179,470 | 32,490 | 7,349 | - | - | 39,839 | 139,631 | 5% |
| Buildings on leasehold land *** | 135,137 | 79,089 | - | - | 214,226 | 41,504 | 3,037 | - | - | 44,541 | 169,685 | 3% |
| Plant and machinery | 81,171 | - | - | - | 81,171 | 45,200 | 3,597 | - | - | 48,797 | 32,374 | 10% |
| Electrical equipment | 69,172 | 6,672 | - | - | 75,844 | 23,672 | 5,217 | - | - | 28,889 | 46,955 | 10% |
| Office equipment and appliances | 11,673 | 10 | - | - | 11,683 | 6,238 | 544 | - | - | 6,782 | 4,901 | 10% |
| Furniture and fixtures | 11,784 | - | - | - | 11,784 | 4,467 | 732 | - | - | 5,199 | 6,585 | 10% |
| Computers | 9,466 | - | - | - | 9,466 | 7,433 | 671 | - | - | 8,104 | 1,362 | 33% |
| Vehicles | 47,201 | 7,169 (13,059) | - | - | 41,311 | 22,804 | 4,782 (6,705) | - | - | 20,881 | 20,430 | 20% |
| | 700,226 | 92,940 (13,059) | - | - | 780,107 | 183,808 | 25,929 (6,705) | - | - | 203,032 | 577,075 | |

* Freehold land represents the uncovered area of Main Boulevard Project, MM 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. 131/A, Airport Road, near Allama Iqbal International Airport, Lahore Cantt. The Company secured the bid for the said piece of land on behalf of Pace Barka Properties Limited (PBPL), an associated undertaking, since at the time of bidding PBPL was in the process of incorporation. Subsequent to the bidding, payment was made by PBPL but the Ministry of Defence refused to transfer the said piece of land in the name of PBPL as it was not the original bidder, therefore the legal ownership has been transferred in the name of the Company. Consequently, to avoid additional transaction costs relating to transfer of legal ownership, the Company has entered into an agreement with PBPL, whereby the possession of the land and its beneficial ownership has been transferred to PBPL through an Irrevocable General Power of Attorney dated May 15, 2007.

*** Building on leasehold land represents 9,357 square feet (2012: 9,503 square feet) relating to 2nd and 3rd floors of Fortress Project, Lahore the right of which has been acquired for 33 years (2012: 33 years) from Fortress Stadium management, Lahore Cantt.

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

| | Note | **June 2013** | June 2012 |
|---|---|---|---|
| | | **(Rupees in thousand)** | |
| Cost of sales | 29 | **14,432** | 15,518 |
| Administrative and selling expenses | 17.1.1.1 & 30 | **77,412** | 10,411 |
| | | **91,844** | 25,929 |

**17.1.1.1** Includes an amount of Rs 65.865 million (2012: Nil) charged as impairment loss on 2nd and 3rd floors of Fortress Project. As at June 30, 2013, the carrying value significantly exceeds the fair value less costs to 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 are estimated at 10% of the fair value.

**17.1.2 Disposal of owned assets**

(Rupees in thousand)

| Particular of Assets | Sold to | Cost | Accumulated depreciation | Sales proceeds | Mode of Disposal |
|---|---|---|---|---|---|
| Shop | First Capital Investments Limited | 8,904 | 135 | 5,568 | - Negotiation - |
| | (a related party) | 8,904 | 125 | 5,568 | |

**17.2 Assets subject to finance lease**

(Rupees in thousand)

| | 2013 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **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 | 2,642 | 20% |
| | | (5,103) | | | (2,491) | | | |
| Plant and machinery | 57,500 | - | 57,500 | 57,500 | - | 57,500 | - | 33% |
| | 68,515 | - | 63,412 | 62,363 | 898 | 60,770 | 2,642 | |
| | | (5,103) | | | (2,491) | | | |

| | 2012 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Cost as at June 30, 2011** | **Additions/ (deletions)/ (transfers)** | **Cost as at June 30, 2012** | **Accumulated depreciation as at June 30, 2011** | **Depreciation charge for the year** | **Accumulated depreciation as at June 30, 2012** | **Book value as at June 30, 2012** | **Depreciation rate** |
| Vehicles | 11,015 | | 11,015 | 3,325 | 1,538 | 4,863 | 6,152 | 20% |
| Plant and machinery | 57,500 | - | 57,500 | 39,931 | 17,569 | 57,500 | - | 33% |
| | | - | | | - | | | |
| | 68,515 | - | 68,515 | 43,256 | 19,107 | 62,363 | 6,152 | |
| | | - | | | - | | | |

**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 Tower located at 27 H Gulberg III Lahore, which the Company intends to retain for its own use. This also includes borrowing costs of Rs 16.823 million (2012: Rs 16.823 million).

**18 Intangible assets**

(Rupees in thousand)

| | 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 | 7,013 |
| | 12,386 | | 12,386 | 4,139 | 551 | 4,690 | 7,696 |

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

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

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

**19. Investment Property**

| | Note | Cost as at June 30, 2013 | Cost as at June 30, 2012 | Fair Value as at June 30 2013 | Fair Value as at June 30 2012 |
|---|---|---|---|---|---|
| | | (Rupees in thousand) | | (Rupees in thousand) | |
| Opening value | | **1,663,214** | 1,730,415 | 3,167,645 | 3,828,426 |
| - Transfer from disposal group held for sale | 27 | **67,201** | - | **94,190** | - |
| - Disposal of investment property | | **(15,035)** | - | **(20,985)** | - |
| - Transfer to disposal group held for sale | 27 | **(68,219)** | (67,201) | **(146,442)** | (94,190) |
| Closing value before revaluation as at June 30 | | **1,647,161** | 1,663,214 | **3,094,408** | 3,734,236 |
| Fair value gain / (loss) recognised in profit and loss account | | **-** | - | **50,729** | (566,591) |
| Fair value as at June 30 | | **1,647,161** | 1,663,214 | **3,145,137** | 3,167,645 |

**20. Investments**

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| Equity instruments of | | | |
| - subsidiaries - unquoted | 20.1 | **91,670** | 91,670 |
| - associate - unquoted | 20.2 | **758,651** | 606,921 |
| Available for sale - quoted | 20.3 | **2,207** | 2,648 |
| | | **852,528** | 701,238 |

**20.1. Subsidiaries - unquoted**

| | 2013 | 2012 |
|---|---|---|
| Pace Woodlands (Private) Limited<br>3,000 (2012: 3,000) fully paid ordinary shares of Rs 10 each<br>Equity held 52% (2012: 52%) | **30** | 30 |
| Pace Super Mall (Private) Limited<br>9,161,528 (2012: 9,161,528) fully paid ordinary shares of Rs 10 each<br>Equity held 57% (2012: 57%) | **91,615** | 91,615 |
| Pace Gujrat (Private) Limited<br>2,450 (2012: 2,450) fully paid ordinary shares of Rs 10 each<br>Equity held 100% (2012: 100%) | **25** | 25 |
| | **91,670** | 91,670 |

**20.2 Associate - unquoted**

| | Note | 2013 | 2012 |
|---|---|---|---|
| Pace Barka Properties Limited<br>75,875,000 (2012: 75,875,000) fully paid<br>ordinary shares of Rs 10 each<br>Equity held 24.9% (2012: 24.9%) | | **758,651** | 758,651 |
| | | **758,651** | 758,651 |
| Less: Cumulative impairment losses recognised | 20.2.1 | **-** | (151,730) |
| | | **758,651** | 606,921 |

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | **(Rupees in thousand)** | |
| **20.2.1 Cumulative impairment losses recognized** | | | |
| Opening balance | | **151,730** | 154,980 |
| Reversed during the year | 31.2 | **(151,730)** | - |
| Derecognised on disposal of investment | | **-** | (3,250) |
| As at June 30 | | **-** | 151,730 |

**20.3 Available for sale - quoted**

| | Note | 2013 | 2012 |
|---|---|---|---|
| Worldcall Telecom Limited<br>912 (2012: 912) fully paid ordinary shares of Rs 10 each | | **6** | 6 |
| Shaheen Insurance Company Limited<br>294,037 (2012: 294,037) fully paid ordinary shares of Rs 10 each | | **3,776** | 3,776 |
| | | **3,782** | 3,782 |
| Less: Cumulative fair value loss | 20.3.1 | **(1,575)** | (1,134) |
| | | **2,207** | 2,648 |

**20.3.1 Cumulative fair value loss**

| | 2013 | 2012 |
|---|---|---|
| Opening balance | **1,134** | 105 |
| Fair value loss during the year | **441** | 1,029 |
| As at June 30 | **1,575** | 1,134 |

**21. Long term advances and deposits**

| | 2013 | 2012 |
|---|---|---|
| Lease key money | **-** | 139 |
| Security deposits | **13,619** | 13,683 |
| | **13,619** | 13,822 |

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

**22. Deferred taxation**

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

| | 2013 | 2012 |
|---|---|---|
| Accelerated tax depreciation | **260,473** | 275,349 |
| Employee retirement benefits | **(14,430)** | (12,828) |
| Provision for doubtful receivables | **(41,749)** | (39,907) |
| Loss on remeasurement of assets of disposal group | **(11,192)** | - |
| Provision for restructuring | **(7,614)** | - |
| Deferred cost | **(241)** | (301) |
| Unused tax losses | **(185,247)** | (222,313) |
| | **-** | - |

**22.1** 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 Company has not recognised deferred tax assets of Rs 902.183 million (2012: Rs 713.310) in respect of tax losses and Rs 15.504 million (2012: Rs 19.313 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 15.504 million would not be available for carry forward against future tax liabilities subsequent to years 2014 through 2015. Tax losses amounting to Rs 59.297 million, Rs 1,214.010 million, Rs 788.658 million and Rs 407.218 million will expire in year 2015, 2017, 2018 and 2019 respectively.

## 23. Stock-in-trade

| | Note | **2013** | 2012 |
|---|---|---|---|
| | | **(Rupees in thousand)** | |
| Work in process - Pace Towers | 23.1 & 23.2 | **1,031,748** | 1,043,613 |
| Shops and houses | 23.3 | **241,005** | 266,276 |
| Pace Barka Properties Limited - Pace Circle | | **562,327** | 640,792 |
| Pace Super Mall (Private) Limited | | **21,600** | 21,600 |
| Woodland plots | | **1,433** | 9,216 |
| | | **1,858,113** | 1,981,497 |
| Stores inventory | | **1,033** | 923 |
| | | **1,859,146** | 1,982,420 |

**23.1** Included in work in process are borrowing costs of Rs 210.048 million (2012: Rs 210.048 million).

**23.2** The charge amounting to Rs 1,200.5 million (2012: 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.

**23.3** Shops and houses with a cost of Rs 195.355 million are being valued at net realisable value of Rs 149.351 million, pursuant to the settlement agreement with Al Baraka Bank (Pakistan) Limited as referred to in note 6.4.

## 24. Trade debts - unsecured

| | Note | **2013** | 2012 |
|---|---|---|---|
| | | **(Rupees in thousand)** | |
| Considered good | 24.1 | **649,827** | 721,249 |
| Considered doubtful | | **119,282** | 109,709 |
| | | **769,109** | 830,958 |
| Less: Provision for doubtful debts | 24.2 | **(119,282)** | (109,709) |
| | | **649,827** | 721,249 |

**24.1** This includes amount of Rs 6.681 million (2012: Rs 6.681 million) receivable from First Capital Securities Corporation Limited, a related party.

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | **(Rupees in thousand)** | |

**24.2 Provision for doubtful debts**

| | Note | 2013 | 2012 |
|---|---|---|---|
| Opening balance | | **109,709** | 42,096 |
| Add: provision during the year | 30 | **9,573** | 67,613 |
| Balance as at June 30 | | **119,282** | 109,709 |

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

| | Note | 2013 | 2012 |
|---|---|---|---|
| Advances - considered good | | | |
| - to employees | | **5,997** | 3,106 |
| - to suppliers | 25.1 | **25,364** | 2,574 |
| Advances - considered doubtful | | **-** | 4,311 |
| Security deposits | | **12,388** | 13,356 |
| Advances to contractors | 25.2 | **140,066** | 134,068 |
| Others - considered good | 25.3 | **25,997** | 11,066 |
| | | **209,812** | 168,481 |
| Less: Provision for doubtful advances | 25.4 | **-** | (4,311) |
| | | **209,812** | 164,170 |

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

| | 2013 | 2012 |
|---|---|---|
| World Press (Private) Limited | **2,019** | - |
| Media Times (Private) Limited | **22,913** | 900 |
| | **24,932** | 900 |

These are interest free.

**25.2** This includes an interest free amount of Rs 133.845 million (2012: Rs 128.147 million) advanced to Trident Construct (Private) Limited, a related party.

**25.3** This includes the following interest free amounts due from related parties:

| | 2013 | 2012 |
|---|---|---|
| | **(Rupees in thousand)** | |
| First Capital Securities Corporation Limited | **904** | 1,976 |
| First Capital Investment Limited | **1,883** | - |
| First Capital Equities Limited | **1,809** | - |
| Media Times (Private) Limited | **4,996** | - |
| Pace Barka Properties Limited | **2,000** | - |
| Shaheen Insurance Company Limited | **-** | 1,268 |
| World Press (Private) Limited | **-** | 105 |
| | **11,592** | 3,349 |

**25.4 Provision for doubtful advances**

| | 2013 | 2012 |
|---|---|---|
| Opening balance | **4,311** | - |
| Less: written off against provision | **(4,311)** | 4,311 |
| Closing balance | **-** | 4,311 |

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| **26. Cash and bank balances** | | | |
| At banks | | | |
| - in saving accounts | 26.1 & 26.2 | **1,446** | 7,140 |
| - in current accounts | | **819** | 837 |
| | | **2,265** | 7,977 |
| In hand | | **30** | 24 |
| In transit | | **3,220** | - |
| | | **5,515** | 8,001 |

**26.1** The balances in saving accounts bear markup ranging from 5% to 12% per annum (2012: 5% to 12%).

**26.2** This includes Rs 0.006 million (2012: 0.456 million) placed in Debt Servicing Reserve Account of National Bank of Pakistan.

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| **27. Disposal group held-for-sale** | | | |
| Assets of disposal group - A | 27.1 | **-** | 104,610 |
| Assets of disposal group - B | 27.2 | **127,903** | - |
| | | **127,903** | 104,610 |

**27.1 Assets of disposal group - A**

| | 2013 | 2012 |
|---|---|---|
| Investment property | **-** | 94,190 |
| Stock-in-trade | **-** | 10,420 |
| | **-** | 104,610 |

The restructuring with Al-Baraka Bank was not executed due to the reason mentioned in note 6.4. Therefore, in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", the Company re-classified those properties from disposal group held-for-sale to investment property and stock-in-trade, respectively.

| | 2013 | 2012 |
|---|---|---|
| | (Rupees in thousand) | |
| **27.2 Assets of disposal group - B** | | |
| Investment property | **114,465** | - |
| Property, plant and equipment | **13,438** | - |
| | **127,903** | - |

As referred to in note 13, the Company entered into debt to asset swap arrangement with PAIR Investment Company Limited. Consequently, these properties are classified as held for sale in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | **(Rupees in thousand)** | |

**28. Sales**

| | Note | 2013 | 2012 |
|---|---|---|---|
| Shops, houses and commercial buildings | | | |
| - at completion of project basis | | **142,818** | 55,580 |
| - at percentage of completion basis | 28.1 | **17,714** | - |
| Plots | | **13,733** | - |
| Licensee fee | | **39,154** | 27,261 |
| Display advertisements and miscellaneous income | | **15,491** | 14,659 |
| Service charges | | **163,384** | 142,434 |
| | | **392,294** | 239,934 |

**28.1 Sales recognised at percentage of completion basis**

| | 2013 | 2012 |
|---|---|---|
| Revenue recognised to date | **624,756** | 607,042 |
| Aggregate cost incurred to date | **(560,837)** | (547,746) |
| Recognised profit to date | **63,919** | 59,296 |

**28.1.1** 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 17.714 million (2012: Nil). Amount received against these agreements amounts to Rs 3 million (2012: Nil).

**28.2** This represents the effect of change in estimate of percentage of completion of 'Pace Towers' project which resulted in decrease in amount of revenue recognised with corresponding impact on receivables and advance against sale of property.

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | **(Rupees in thousand)** | |

**29. Cost of sales**

| | Note | 2013 | 2012 |
|---|---|---|---|
| Shops and commercial buildings sold | | | |
| - at percentage of completion basis | 29.1 | **13,092** | 33,589 |
| - at completion of project basis | 29.2 | **85,304** | 53,225 |
| Pace circle | | **78,466** | - |
| Plots sold | | **7,834** | - |
| Stores operating expenses | 29.3 | **237,873** | 287,250 |
| | | **422,569** | 374,064 |

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

| | Note | 2013 | 2012 |
|---|---|---|---|
| Opening work in process | | **1,043,613** | 1,204,659 |
| Project development costs | | **1,227** | - |
| Transferred to capital work in progress | | **-** | (127,457) |
| Closing work in process | 23 | **(1,031,748)** | (1,043,613) |
| Cost of apartments and commercial buildings sold during the year | | **13,092** | 33,589 |

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| **29.2 Shops and houses sold at completion of project basis** | | | |
| Opening inventory of shops and houses | | **266,276** | 403,510 |
| Transferred to property, plant & equipment | 17.1 | **-** | (79,089) |
| Project development cost during the year | | **-** | 5,500 |
| Repurchased during the year | | **59,642** | - |
| Shops swapped during the year | | **(10,029)** | - |
| Transferred from disposal group held-for-sale | | **10,420** | - |
| Transferred to disposal group held-for-sale | 27 | **-** | (10,420) |
| Closing inventory of shops and houses | 23 | **(241,005)** | (266,276) |
| Cost of shops and houses sold during the year | | **85,304** | 53,225 |

**29.3 Stores operating expenses**

| | Note | 2013 | 2012 |
|---|---|---|---|
| Salaries, wages and benefits | 29.3.1 | **37,146** | 31,345 |
| Rent, rates and taxes | 29.3.2 | **9,952** | 8,024 |
| Insurance | | **3,811** | 27,000 |
| Fuel and power | | **153,062** | 177,662 |
| Depreciation on owned assets | 17.1.1 | **14,432** | 15,518 |
| Repairs and maintenance | | **7,238** | 11,267 |
| Janitorial and security charges | | **11,840** | 16,408 |
| Others | | **392** | 26 |
| | | **237,873** | 287,250 |

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

| | 2013 | 2012 |
|---|---|---|
| Current service cost | **704** | 742 |
| Interest cost | **388** | 423 |
| Actuarial gains on liability | **(144)** | (130) |
| | **948** | 1,035 |

**29.3.2** This is net of Rs 2 million (2012: Nil), which represents common costs charged by the Company to Pace Barka Properties Limited, a related party.

| | Note | 2013 | 2012 |
|---|---|---|---|
| **30. Administrative and selling expenses** | | **(Rupees in thousand)** | |
| Salaries, wages and benefits | 30.1 | **48,796** | 51,844 |
| Travelling and conveyance | | **3,860** | 5,626 |
| Rent, rates and taxes | | **767** | 3,306 |
| Insurance | | **4,187** | 5,840 |
| Printing and stationery | | **1,348** | 1,324 |
| Repairs and maintenance | | **6,180** | 11,254 |
| Motor vehicles running | | **9,525** | 15,152 |
| Communications | | **5,017** | 4,453 |
| Advertising and sales promotion | | **4,762** | 10,980 |
| Depreciation and impairment on: | | | |
| - owned assets | 17.1.1 | **77,412** | 10,411 |
| - assets subject to finance lease | 17.2.1 | **898** | 19,107 |
| Amortisation on intangible assets | 18.1 | **551** | 560 |
| Auditors' remuneration | 30.2 | **3,250** | 2,165 |
| Legal and professional | | **4,853** | 6,360 |
| Commission on sales | | **21,042** | 1,427 |
| Office expenses | | **5,681** | 5,989 |
| Other expenses | | **2,469** | 3,477 |
| Provision for doubtful debts | 24.2 | **9,573** | 67,613 |
| Provision for doubtful advances | 25 | **-** | 4,311 |
| | | **210,171** | 231,199 |

**30.1 Salaries, wages and benefits include following In respect of gratuity:**

| | 2013 | 2012 |
|---|---|---|
| Current service cost | **4,710** | 4,969 |
| Interest cost | **2,600** | 2,833 |
| Actuarial gains on liability | **(963)** | (874) |
| | **6,347** | 6,928 |

**30.2 Auditors' remuneration**

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

| | 2013 | 2012 |
|---|---|---|
| Statutory audit | **1,600** | 1,300 |
| Certification and sundry services | **450** | 130 |
| Half yearly review | **500** | 450 |
| Out of pocket expenses | **700** | 285 |
| | **3,250** | 2,165 |

**31. Other income**

| | Note | 2013 | 2012 |
|---|---|---|---|
| **Income from financial assets** | | | |
| Markup on bank accounts | | **655** | 1,366 |
| Commission on guarantee | 31.1 | **1,500** | 1,500 |
| Deferred income | | **-** | 17,569 |
| **Income from non-financial assets** | | | |
| Gain on sale of property, plant and equipment | | **-** | 2,564 |
| Liabilities written back | | **-** | 20,974 |
| Reversal of impairment loss on investment | 31.2 | **151,730** | - |
| Gain on swap of shops | | **12,265** | - |
| Rental income | | **9,486** | 9,364 |
| Others | | **6,926** | 14,745 |
| | | **182,562** | 68,082 |

**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 | 2013 | 2012 |
|---|---|---|---|
| | | **(Rupees in thousand)** | |
| **32. Other operating expenses** | | | |
| Exchange loss on foreign currency convertible bonds | 9 | **72,171** | 121,450 |
| 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** | - |
| | | **129,103** | 121,450 |
| **33. Finance costs** | | | |
| Markup on | | | |
| - Long term finances - secured | | **100,217** | 131,497 |
| - Foreign currency convertible bonds - unsecured | | **55,668** | 87,789 |
| - Redeemable capital - secured (non-participatory) | | **184,797** | 223,602 |
| - Short term finance -secured | | **13,798** | 16,281 |
| - Liabilities against assets subject to finance lease | | **13,667** | 2,064 |
| | | **368,147** | 461,233 |
| Bank charges and processing fee | | **2,429** | 3,335 |
| | | **370,576** | 464,568 |
| **34. Taxation** | | | |
| Current | | | |
| - Current year | | **936** | 1,062 |
| - Prior years | | **-** | (189) |
| | | **936** | 873 |
| Deferred | | **-** | - |
| | | **936** | 873 |

**34.1 Tax charge reconciliation**

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

| | 2013 | 2012 |
|---|---|---|
| Applicable tax rate | **35.00** | 35.00 |
| Tax effect of amounts that are: | | |
| Income / (loss) not chargeable to tax | **1.23** | (13.06) |
| Effect of change in prior years' tax | **-** | (0.15) |
| Effect of income taxed at reduced rates | **0.48** | 0.07 |
| Effect of deferred tax asset not recognised on taxable loss | **(36.89)** | (21.92) |
| | **(35.18)** | (35.06) |
| Average effective tax rate charged to profit and loss account | **(0.18)** | (0.06) |

**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, 2013 are estimated approximately at Rs 3,106.944 million (2012: Rs 2,678.708 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 5.081 million (2012: Rs 4.417 million).

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

| | Chief Executive | | Directors | | Executives | |
|---|---|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| | (Rupees in thousand) | | (Rupees in thousand) | | (Rupees in thousand) | |
| **Short term employee benefits** | | | | | | |
| Managerial remuneration | **1,600** | 1,412 | **3,387** | 2,598 | **8,347** | 11,820 |
| Housing | **640** | 635 | **1,355** | 1,169 | **3,339** | 5,319 |
| Utilities | **160** | 353 | **339** | 650 | **835** | 2,955 |
| | **2,400** | 2,400 | **5,081** | 4,417 | **12,521** | 20,094 |

| | Chief Executive | | Directors | | Executives | |
|---|---|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| **Number of persons** | 1 | 1 | 2 | 3 | 6 | 17 |

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

| | Note | 2013 | 2012 |
|---|---|---|---|
| **36. Cash generated from operations** | | **(Rupees in thousand)** | |
| Loss before tax | | **(506,834)** | (1,471,043) |
| Adjustment for: | | | |
| Depreciation and impairment on: | | | |
| - owned assets | 17.1 | **91,845** | 25,929 |
| - assets subject to finance lease | 17.2 | **898** | 19,107 |
| Amortisation on intangible assets | 18 | **551** | 560 |
| Gain on sale of property, plant and equipment | 31 | **-** | (2,564) |
| Loss on sale of property, plant and equipment | 32 | **3,201** | - |
| Gain on swap of shops | 31 | **(12,265)** | - |
| Exchange loss on foreign currency convertible bonds | 9 | **72,171** | 121,450 |
| Provision for doubtful receivables | 30 | **9,573** | 67,613 |
| Provision for gratuity and leave encashment | 10 | **7,882** | 8,805 |
| 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 | **370,576** | 464,568 |
| Markup income | 31 | **(655)** | (1,366) |
| Changes in fair value of investment property | 19 | **(50,729)** | 566,591 |
| Deferred income | 31 | **-** | (17,569) |
| Liabilities written back | 31 | **-** | (20,974) |
| Advances written off | | **-** | 6,668 |
| Loss before working capital changes | | **(111,785)** | (232,225) |
| Effect on cash flow due to working capital changes: | | | |
| Decrease in stock-in-trade | | **123,666** | 81,178 |
| Decrease in trade debts | | **16,269** | 230,331 |
| (Increase) / decrease in advances, deposits and other receivables | | **(19,895)** | 32,289 |
| Increase in creditors, accrued and other liabilities | | **40,971** | 57,621 |
| | | **161,011** | 401,419 |
| | | **49,226** | 169,194 |

**37. Cash and cash equivalents**

| | Note | 2013 | 2012 |
|---|---|---|---|
| Short term finance - secured | 13 | **(96,443)** | (100,000) |
| Cash and bank balances | 26 | **5,515** | 8,001 |
| | | **(90,928)** | (91,999) |

**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:

| | 2013 | 2012 |
|---|---|---|
| Foreign currency convertible bonds - USD | **16,110,535** | 15,540,153 |

The following significant exchange rates were applied during the year:

**Rupees per USD**

| | | |
|---|---|---|
| Average rate | **97.60** | 90.31 |
| Reporting date rate | **98.80** | 94.20 |

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 79.586 million (2012: Rs 77.513 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:

| | 2013 | 2012 |
|---|---|---|
| | (Rupees in thousand) | |
| **FIXED RATE INSTRUMENTS** | | |
| **Financial Assets** | | |
| Bank balances - savings accounts | **(1,446)** | (7,140) |
| **Financial liabilities** | | |
| Foreign currency convertible bonds - unsecured | **1,591,721** | 1,463,882 |
| **Net interest rate risk** | **1,590,275** | 1,456,742 |
| **FLOATING RATE INSTRUMENTS** | | |
| **Financial liabilities** | | |
| Redeemable capital - secured (non-participatory) | **1,498,200** | 1,498,200 |
| Liabilities against assets subject to finance lease | **30,507** | 33,563 |
| Short term finance - secured | **96,443** | 100,000 |
| Long term finances - secured | **732,614** | 749,830 |
| **Net interest rate risk** | **2,357,764** | 2,381,593 |

**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 23.697 million (2012: Rs 24.232 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:

| | 2013 | 2012 |
|---|---|---|
| | (Rupees in thousand) | |
| Long term advances and deposits | **13,619** | 13,822 |
| Trade debts - unsecured | **769,109** | 830,958 |
| Advances, deposits, prepayments and other receivables | | |
| - Advances to employees - considered good | **5,997** | 3,106 |
| - Security deposits | **12,388** | 13,356 |
| - Others - considered good | **25,997** | 11,066 |
| Cash and bank balances | **5,515** | 8,001 |
| | **832,625** | 880,309 |

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

| | | |
|---|---|---|
| - Not past due | **-** | 11,145 |
| - Past due 0 - 365 days | **87,056** | 49,378 |
| - 1 - 2 years | **173,618** | 299,989 |
| - More than 2 years | **508,435** | 470,446 |
| | **769,109** | 830,958 |

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 |

Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Company. Furthermore, the Company transfers the legal title of sold properties only after complete settlement of debt. Accordingly, the credit risk is minimal.

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

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

| | Rating Short term | Long term | Rating Agency | 2013 | 2012 |
|---|---|---|---|---|---|
| | | | | (Rupees in thousand) | |
| KASB Bank | A3 | BBB | PACRA | **96** | 55 |
| Allied Bank Limited | A1+ | AA+ | PACRA | **190** | 159 |
| Faysal Bank Limited | A-1+ | AA | JCR-VIS | **47** | 815 |
| United Bank Limited | A-1+ | AA+ | JCR-VIS | **6** | - |
| Soneri Bank Limited | A1+ | AA- | PACRA | **5** | 5 |
| Habib Bank Limited | A-1+ | AA+ | JCR-VIS | **12** | 1 |
| Standard Chartered Bank (Pakistan) Limited | A1+ | AAA | PACRA | **114** | 326 |
| Silk Bank Limited | A-2 | A- | JCR-VIS | **67** | 65 |
| NIB Bank limited | A1+ | AA- | PACRA | **1** | 1 |
| Burj Bank Limited | A-1 | A | JCR-VIS | **1** | 3 |
| Bank Alfalah Limited | A1+ | AA | PACRA | **976** | - |
| Al Baraka Bank (Pakistan) Limited | A-1 | A | JCR-VIS | **719** | 4,429 |
| HSBC Bank Limited | F1+ | AA- | Fitch | **-** | - |
| National Bank of Pakistan | A-1+ | AAA | JCR-VIS | **26** | 2,113 |
| Askari Bank Limited | A1+ | AA | PACRA | **5** | 5 |
| | | | | **2,265** | 7,977 |

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.

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 | - | - |
| | **4,960,184** | **4,960,184** | **-** | **-** |

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

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

**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.

| | 2013 (Rupees in thousand) Available for sale | Loans and receivables | Total | 2012 Total |
|---|---|---|---|---|
| **Assets as per balance sheet** | | | | |
| Long term advances and deposits | - | 13,619 | **13,619** | 13,822 |
| Trade debts - unsecured | - | 649,827 | **649,827** | 721,249 |
| Investments | 2,207 | - | **2,207** | 2,648 |
| Advances, deposits, prepayments and other receivables | | | | |
| - Advances to employees - considered good | - | 5,997 | **5,997** | 3,106 |
| - Security deposits | - | 12,388 | **12,388** | 13,356 |
| - Others - considered good | - | 25,997 | **25,997** | 11,066 |
| Cash and bank balances | - | 5,515 | **5,515** | 8,001 |
| | 2,207 | 713,343 | **715,550** | 773,248 |

| | Financial liabilities at amortized cost 2013 (Rupees in thousand) | 2012 |
|---|---|---|
| **Liabilities as per balance sheet** | | |
| Long term finances - secured | **732,614** | 749,830 |
| Redeemable capital - secured (non-participatory) | **1,498,200** | 1,498,200 |
| Liabilities against assets subject to finance lease | **30,507** | 33,563 |
| Foreign currency convertible bonds - unsecured | **1,591,721** | 1,463,882 |
| Short term finance - secured | **96,443** | 100,000 |
| Creditors, accrued and other liabilities | **216,185** | 199,927 |
| Accrued finance cost | **794,514** | 505,049 |
| | **4,960,184** | 4,550,451 |

**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, 2013 and June 30, 2012 are as follows:

| | Note | 2013 (Rupees in thousand) | 2012 |
|---|---|---|---|
| Borrowings | | **3,822,535** | 3,711,912 |
| Less: Cash and cash equivalents | 37 | **(90,928)** | (91,999) |
| Net debt | | **3,913,463** | 3,803,911 |
| Total equity | | **2,424,327** | 2,932,538 |
| Total capital | | **6,337,790** | 6,736,449 |
| Gearing ratio | | **62%** | 56% |

## 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:

### 39.1 Basic loss per share

| | | 2013 | 2012 |
|---|---|---|---|
| Loss for the year | **Rupees in thousand** | **(507,770)** | (1,471,916) |
| Weighted average number of ordinary shares outstanding during the year | **In thousand** | **278,877** | 278,877 |
| Basic loss per share | **Rupees** | **(1.82)** | (5.28) |

### 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.

| | | 2013 | 2012 |
|---|---|---|---|
| Loss for the year for calculation of basic loss per share | **Rupees in thousand** | **(507,770)** | (1,471,916) |
| Interest on FCCB | **Rupees in thousand** | **55,668** | 87,789 |
| Exchange loss on FCCB during the year | **Rupees in thousand** | **72,171** | 121,450 |
| Loss used to determine diluted loss per share | **Rupees in thousand** | **(379,931)** | (1,262,677) |
| 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** | **106,015** | 92,923 |
| Weighted average number of ordinary shares for loss per share | | **384,892** | 371,800 |
| Dilutive loss per share | **Rupees** | **(0.99)** | (3.40) |

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 | 2013 | 2012 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| i. Associate | Guarantee commission income | **1,500** | 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 | **28,835** | - |
| ii. Others | Purchase of goods & services | **9,464** | 39,713 |
| | Purchase of property plant & equipment | **-** | 340 |
| | Funds transferred | **3,324** | - |
| | Liabilities settled on behalf of related parties | **31,923** | - |
| | Rental income | **7,986** | 7,260 |
| | Disposal of property, plant and equipment | **5,568** | - |

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

## 41. Number of employees

| | 2013 | 2012 |
|---|---|---|
| Total number of employees as at June 30 | **304** | 305 |
| Average number of employees during the year | **310** | 312 |

## 42. Date of authorisation

These financial statements were authorised for issue on October 05, 2013 by the board of directors of the Company.

## 43. Corresponding figures

Corresponding figures have been re-arranged, wherever necessary, for the purposes of comparison. Significant re-arrangement made is of "Income tax recoverable" of Rs 35.181 million previously classified in "Advances, deposits, prepayments and other receivables" now presented separately as it is considered more appropriate for the purpose of presentation.

| | | |
|---|---|---|
| **Lahore** | **Aamna Taseer** | **Shehryar Ali Taseer** |
| October 05, 2013 | Chief Executive | Director |

# CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED
## JUNE 30, 2013

# 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 Group') as at June 30, 2013 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 annexed to the financial statements, the Group has changed its accounting policies on initial application of standards, amendments or interpretations to existing standards.

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, 2013 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 1,998.227 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 08, 2013

**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, 2013.

**Company Performance and Financial Overview.**

During the year, the Group has shown a healthier performance as compared to the previous year, with an aggregate increase in net sales by 79%. Reduction in loss after tax from previous year is 73%. Company incurred after tax loss of Rs 385 Million during the year which is just 27% of the loss of the preceding year, which is indicative of better performance.

Comparison for the results of the year ended June 30, 2013 as against June 30, 2012 is as follows:

| | **Year Ended June 30,** | |
|---|---|---|
| | **2013** | 2012 |
| | **Rupees in thousand** | |
| Sales | **392,294** | 218,747 |
| Cost of sales | **425,311** | 371,773 |
| Gross loss | **(33,017)** | (153,026) |
| Other income | **182,563** | 69,671 |
| Finance cost | **(370,577)** | (464,763) |
| Loss before tax | **(505,643)** | (1,402,238) |
| Loss after tax | **(385,732)** | (1,433,216) |
| Loss per share-Basic and diluted | **(1.38)** | (5.14) |

Other income has shown a significant increase by 162% mainly because of reversal of impairment loss on investment of Pace (Pakistan) Limited, which amounts to Rs.151 Million. Administrative and other expenses have decreased by 11% during the year. Finance cost has decreased by 20%. These factors have cumulatively resulted in an improved performance by the company as reflected in a rigorous diminution in its loss after tax and loss per share by 73%, 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 comprising shops & houses. 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 and accordingly the sales will be booked in Company's account.

**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.

Pace (Pakistan) Limited 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 05, 2013

**Aamna Taseer**
Chief Executive Officer

# CONSOLIDATED BALANCE SHEET
## AS AT JUNE 30, 2013

| | Note | June 30, 2013 | June 30, 2012 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| **EQUITY AND LIABILITIES** | | | |
| **CAPITAL AND RESERVES** | | | |
| Authorised capital | | | |
| 600,000,000 (2012: 600,000,000) | | | |
| ordinary shares of Rs 10 each | | **6,000,000** | 6,000,000 |
| Issued, subscribed and paid up capital | | | |
| 278,876,604 (2012: 278,876,604) | | | |
| ordinary shares of Rs 10 each | 5 | **2,788,766** | 2,788,766 |
| Reserves | | **278,764** | 394,965 |
| Unappropriated (loss) / profit | | **(147,082)** | 238,553 |
| | | **2,920,448** | 3,422,284 |
| **NON-CONTROLLING INTEREST** | | **87,678** | 87,775 |
| | | **3,008,126** | 3,510,059 |
| **NON-CURRENT LIABILITIES** | | | |
| Long term finances - secured | 6 | **-** | - |
| Redeemable capital - secured (non-participatory) | 7 | **-** | - |
| Liabilities against assets subject to finance lease | 8 | **-** | 227 |
| Foreign currency convertible bonds - unsecured | 9 | **-** | - |
| Deferred liabilities | 10 | **25,553** | 36,650 |
| Deferred taxation | 11 | **44,200** | 165,047 |
| Advances against sale of property | 12 | **-** | 98,629 |
| | | **69,753** | 300,553 |
| **CURRENT LIABILITIES** | | | |
| Advances against sale of property | 12 | **99,953** | - |
| Current portion of long term liabilities | 13 | **3,853,042** | 3,745,248 |
| Short term finance - secured | 14 | **96,443** | 100,000 |
| Creditors, accrued and other liabilities | 15 | **251,586** | 235,009 |
| Accrued finance cost | 16 | **794,514** | 505,049 |
| Taxation | | **5,534** | 5,534 |
| | | **5,101,072** | 4,590,840 |
| **CONTINGENCIES AND COMMITMENTS** | 17 | **-** | - |
| | | **8,178,951** | 8,401,452 |

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

**Lahore**
October 05, 2013

**Aamna Taseer**
Chief Executive

| | Note | June 30, 2013 | June 30, 2012 |
|---|---|---|---|
| | | **(Rupees in thousand)** | |
| **ASSETS** | | | |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 18 | **595,832** | 710,684 |
| Intangible assets | 19 | **7,696** | 8,248 |
| Investment property | 20 | **3,145,137** | 3,167,645 |
| Investments | 21 | **1,185,919** | 1,149,272 |
| Long term advances and deposits | 22 | **13,619** | 13,822 |
| | | **4,948,203** | 5,049,671 |
| **CURRENT ASSETS** | | | |
| Stock-in-trade | 23 | **2,193,553** | 2,316,432 |
| Trade debts - unsecured | 24 | **650,129** | 721,551 |
| Advances, deposits, prepayments and other receivables | 25 | **211,461** | 165,820 |
| Income tax recoverable | | **42,055** | 35,234 |
| Cash and bank balances | 26 | **5,647** | 8,134 |
| | | **3,102,845** | 3,247,171 |
| Disposal group held-for-sale | 27 | **127,903** | 104,610 |
| | | **3,230,748** | 3,351,781 |
| | | **8,178,951** | 8,401,452 |

**Shehryar Ali Taseer**
Director

# CONSOLIDATED PROFIT AND LOSS ACCOUNT
## FOR THE YEAR ENDED JUNE 30, 2013

| | | Note | 2013 | 2012 |
|---|---|---|---|---|
| | | | (Rupees in thousand) | |
| Sales | | 28 | **392,294** | 239,934 |
| Less: Sales return | | 28.2 | **-** | (21,187) |
| | | | **392,294** | 218,747 |
| Cost of sales | | 29 | **(425,311)** | (371,773) |
| **Gross loss** | | | **(33,017)** | (153,026) |
| Administrative and selling expenses | | 30 | **(207,355)** | (255,872) |
| Other income | | 31 | **182,563** | 69,671 |
| Other operating expenses | | 32 | **(129,103)** | (121,450) |
| | | | **(186,912)** | (460,677) |
| Finance costs | | 33 | **(370,577)** | (464,763) |
| Changes in fair value of investment property | | 20 | **50,729** | (566,591) |
| Share of profit / (loss) from associate - net of tax | | 21.1.1 | **1,117** | (27,625) |
| Gain on bargain purchase | | | **-** | 117,418 |
| **Loss before tax** | | | **(505,643)** | (1,402,238) |
| Taxation | | 34 | **119,911** | (30,978) |
| **Loss for the year** | | | **(385,732)** | (1,433,216) |
| **Other comprehensive loss** | | | | |
| *Items that will not be reclassified to profit or loss* | | | **-** | - |
| *Items that may be reclassified subsequently to profit or loss* | | | | |
| Changes in fair value of available for sale investments | | | **(441)** | (1,029) |
| Share in associate's changes in fair value of available for sale investments - net of tax | | | **(115,760)** | (255,385) |
| | | | **(116,201)** | (256,414) |
| **Total comprehensive loss for the year** | | | **(501,933)** | (1,689,630) |
| Attributable to: | | | | |
| Equity holders of the parent | | | **(501,836)** | (1,689,505) |
| Non-controlling interest | | | **(97)** | (125) |
| | | | **(501,933)** | (1,689,630) |
| Loss per share attributable to ordinary shareholders | | | | |
| - basic loss per share | Rupees | 40 | **(1.38)** | (5.14) |
| - diluted loss per share | Rupees | 40 | **(1.38)** | (5.14) |

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

| | | |
|---|---|---|
| **Lahore** | **Aamna Taseer** | **Shehryar Ali Taseer** |
| October 05, 2013 | Chief Executive | Director |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED JUNE 30, 2013

(Rupees in thousand)

| | Attributable to equity holders of the parent | | | | | | Non-Controlling Interest | Total Equity |
|---|---|---|---|---|---|---|---|---|
| | Share capital | Share premium reserve | Reserve for changes in fair value of investments | Share in reserves of associate | Unappro-priated profit/(loss) | Total | | |
| **Balance as on June 30, 2011** | **2,788,766** | **273,265** | **(105)** | **378,219** | **1,671,644** | **5,111,789** | **(15,514)** | **5,096,275** |
| **Total comprehensive loss for the year** | | | | | | | | |
| Loss for the year | - | - | - | - | (1,433,091) | (1,433,091) | (125) | (1,433,216) |
| Other comprehensive loss for the year: | | | | | | | | |
| Changes in fair value of available for sale investments - net of tax | - | - | (1,029) | (255,385) | - | (256,414) | - | (256,414) |
| | - | - | (1,029) | (255,385) | (1,433,091) | (1,689,505) | (125) | (1,689,630) |
| **Total contributions by and distributions to owners of the Company recognised directly in equity** | - | - | - | - | - | - | - | - |
| Non - controlling interest arising on business combination | - | - | - | - | - | - | 103,414 | 103,414 |
| **Balance as on June 30, 2012** | **2,788,766** | **273,265** | **(1,134)** | **122,834** | **238,553** | **3,422,284** | **87,775** | **3,510,059** |
| **Total comprehensive loss for the year** | | | | | | | | |
| Loss for the year | - | - | - | - | (385,635) | (385,635) | (97) | (385,732) |
| Other comprehensive loss for the year: | | | | | | | | |
| Changes in fair value of available for sale investments - net of tax | - | - | (441) | (115,760) | - | (116,201) | - | (116,201) |
| | - | - | (441) | (115,760) | (385,635) | (501,836) | (97) | (501,933) |
| **Total contributions by and distributions to owners of the Company recognised directly in equity** | - | - | - | - | - | - | - | - |
| **Balance as on June 30, 2013** | **2,788,766** | **273,265** | **(1,575)** | **7,074** | **(147,082)** | **2,920,448** | **87,678** | **3,008,126** |

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

**Lahore**
October 05, 2013

**Aamna Taseer**
Chief Executive

**Shehryar Ali Taseer**
Director

# CONSOLIDATED CASH FLOW STATEMENT
## FOR THE YEAR ENDED JUNE 30, 2013

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| **Cash flow from operating activities** | | | |
| Cash generated from operations | 36 | **49,225** | 211,988 |
| Net increase / (decrease) in advances against sale of property | | **1,324** | (14,701) |
| Finance costs paid | | **(25,444)** | (67,698) |
| Gratuity and leave encashment paid | | **(3,304)** | (4,698) |
| Taxes paid | | **(7,757)** | (8,389) |
| **Net cash generated from operating activities** | | **14,044** | 116,502 |
| **Cash flow from investing activities** | | | |
| Purchase of property, plant and equipment | | **(98)** | (7,178) |
| Proceeds from sale of property, plant and equipment | | **5,568** | 8,918 |
| Decrease / (increase) in long term loans and deposits | | **64** | (289) |
| Markup received | | **656** | 2,295 |
| Proceeds from disposal of investment | | **-** | 13,000 |
| Acquisition of subsidiary | | **-** | (91,428) |
| **Net cash generated from / (used in) investing activities** | | **6,190** | (74,682) |
| **Cash flow from financing activities** | | | |
| Repayment of long term finances | | **(17,216)** | (83,229) |
| Payment of finance lease liabilities | | **(1,948)** | (5,591) |
| **Net cash used in financing activities** | | **(19,164)** | (88,820) |
| **Net increase / (decrease) in cash and cash equivalents** | | **1,070** | (47,000) |
| **Cash and cash equivalents at the beginning of the year** | | **(91,866)** | (44,866) |
| **Cash and cash equivalents at the end of the year** | 37 | **(90,796)** | (91,866) |

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

**Lahore**
October 05, 2013

**Aamna Taseer**
Chief Executive

**Shehryar Ali Taseer**
Director

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED JUNE 30, 2013

**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 501.933 million (2012: Rs 1,689.630 million). As at the reporting date, the current liabilities of the Group have exceeded its current assets by Rs 1,998.227 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. Restructurings with National Bank of Pakistan and Al Baraka Bank (Pakistan) Limited were envisaged to be effective during the year. However, due to delays in obtaining No Objection Certificates from other lenders the restructurings 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 however, is continuously engaged with its lenders for restructuring of its borrowings and during the year was able to negotiate a mechanism for settlement of the short term finance from PAIR Investment Company Limited (PAIR) as referred to in note 14. PAIR offered, which the Group has accepted, 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. Similarly subsequent to the year end Al-Baraka Bank (Pakistan) Limited offered, which the Group has accepted to settle Rs 169.119 million of the principal amount against properties at various floors at Pace Fortress aggregating to Rs 13,021 square feet.

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 Company 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:

- Amendments to IAS 1, 'Financial statement presentation' regarding other comprehensive income, emphasizes on the requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The application of the amendment has not affected the results or net assets of the Group as it is only concerned with presentation and disclosures.

- IAS 12 (Amendments), 'Income taxes', on deferred tax. These are applicable on accounting periods beginning on or after January 01, 2012. IAS 12, 'Income taxes', currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery shall be through use or through sale when the asset is measured using the fair value model in IAS 40, 'Investment property'. This amendment therefore introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, 'Income taxes - recovery of revalued non-depreciable assets', shall no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn. The application of these amendments have 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, 2013 or later periods, and the Group has not early adopted them:

- 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 will 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 Group shall apply these amendments for the financial reporting period commencing on July 01, 2013 and does not expect to have any material impact on its financial statements.

- IFRS 9 - 'Financial instruments' - 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.

- Amendments to IFRS 10, 11 and 12 on transition guidance 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 Group shall apply this standard from July 01, 2013 and does not expect to have any material impact on its financial statements.

- Amendments to IFRS 10, Consolidated financial statements', IFRS 12 and IAS 27 for investment entities are applicable on accounting periods beginning on or after January 01, 2014. according to which many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead, they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an 'investment entity' definition and which display particular characteristics. Changes have also been made to IFRS 12 to introduce disclosures that an investment entity needs to make. The Group shall apply this standard from July 01, 2014 and does not expect to have any material impact on its financial statements.

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

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

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

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

- IAS 19 (Amendments), 'Employee benefits' is applicable on accounting periods beginning on or after January 01, 2013. These amendments shall eliminate the corridor approach and calculate finance costs on a net funding basis. The Group shall apply these amendments from July 01, 2013 and its impact on retained earnings shall be Rs 0.949 million due to recognition of current unrecognised actuarial gains on its defined benefit plan.

- 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 Group shall apply the revised standard from July 01, 2013 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 the revised standard from July 01, 2013 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.

**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 accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially 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, 2013. Projected Unit Credit Method, using the following significant assumptions for valuation of the scheme:

- Discount rate 10.50 percent per annum (2012: 13 percent per annum)
- Expected rate of increase in salary level 9.50 percent per annum (2012: 12 percent per annum)

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

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

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

The latest actuarial valuation was carried out as at June 30, 2013. Projected Unit Credit Method, using the following significant assumptions is used for valuation of accumulating compensated absences:

| | |
|---|---|
| - Discount rate | 10.50% (2012: 13%) |
| - Expected increase in salary | 9.50% (2012: 12%) |
| - Expected mortality rate | EFU 61-66 mortality table adjusted for Group's experience |
| - Expected withdrawal and early retirement rate | Based on experience |
| - Average number of leaves accumulated per annum by employees | 10 days (2012: 10 days) |

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

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

### 4.7 Investment property

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

The investment property of the Group has been valued by independent professionally qualified valuers as at June 30, 2013. 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 inertest 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**

| 2013 | 2012 | | 2013 | 2012 |
|---|---|---|---|---|
| (Number of shares) | | | (Rupees in thousand) | |
| **201,704,516** | 201,704,516 | Ordinary shares of Rs 10 each fully paid in cash | **2,017,045** | 2,017,045 |
| **77,172,088** | 77,172,088 | Ordinary shares of Rs 10 each issued as fully paid bonus shares | **771,721** | 771,721 |
| **278,876,604** | 278,876,604 | | **2,788,766** | 2,788,766 |

First Capital Securities Corporation Limited and Worldcall Telecom Limited, associated undertakings, hold 26,723,615 (2012: 24,055,407) and 6,959,290 (2012: 6,959,290) ordinary shares of the holding Company respectively.

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| **6. Long term finances - secured** | | | |
| Syndicate term finance facility | 6.1 | **305,412** | 322,408 |
| National Bank of Pakistan - term finance | 6.2 | **39,780** | 40,000 |
| Soneri Bank - demand finance | 6.3 | **27,422** | 27,422 |
| Al Baraka Bank (Pakistan) Limited - musharika based agreement | 6.4 | **360,000** | 360,000 |
| | | **732,614** | 749,830 |
| Less: Current portion shown under current liabilities | 13 | **(732,614)** | (749,830) |
| | | **-** | - |

### 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% (2012: 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.

During the year, NBP, one of the syndicate members, offered restructured terms for its portion, which the Group accepted for aggregate amount of Rs 209.565 million. Restructuring entailed the creation of exclusive charge over identified properties of Pace Gujranwala, Pace Model Town and Pace Model Town (Extension) within a stipulated time. The Group approached other lenders to release their charge over the aforementioned properties. However, some of the other lenders did not agree to release their charge. Consequently the restructuring agreement was not executed.

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

**National Bank of Pakistan**

- Settlement of NBP's portion of Rs 279.286 million, inclusive of markup of Rs 80.768 million as at April 30, 2013 against property situated at the ground and mezzanine floors of Pace Towers measuring a total of 9,120 square feet.

- Waiver of accrued markup amounting to Rs 60.486 million as at April 30, 2013.

**Habib Bank Limited**

- Settlement of Habib Bank Limited's share of Rs 144.448 million, inclusive of markup of Rs 37.565 million as at March 31, 2013 against the properties at Pace Model Town Extension, Pace MM Alam, Pace Fortress, Pace Gujranwala and Pace Gujrat measuring 2,022, 625, 1,267, 418, 1,396 square feet, respectively.

- Waiver of accrued markup amounting to Rs 18.584 million as at March 31, 2013.

None of the syndicate members 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% (2012: 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.

During the year, National Bank of Pakistan (NBP) offered certain restructuring terms, which the Group accepted. However, the restructuring was contingent upon the restructuring of NBP's portion of Syndicate Term Finance Facility (STFF) as referred to in note 6.1 that could not be executed due to the reason mentioned in note 6.1. Consequently, the restructuring of this term loan was also not executed.

The Group is in negotiation with NBP to settle the entire principal and accrued markup against property available at Pace Towers on similar terms as offered to NBP for STFF. The proposal is in early stage and a formal plan of the properties available for settlement is to be decided by the Group.

**6.3 Soneri Bank - demand finance**

**Terms of repayment**

This loan is part of total demand finance facility limit of Rs 44.688 Million (2012: Rs 44.688 Million) and carries markup @ 6 months KIBOR + 3% (2012: 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.

The Group is in negotiation with the bank to restructure the existing loan. Following are the salient features of the proposal sent by the Group to the bank:

- Tenure of restructured facility will be 3.5 years inclusive of six months grace period.
- Markup on restructured facility shall be charged at the 3 months KIBOR plus 0.5%.
- Relaxation in payment of existing markup.

Soneri bank has not yet formally responded to the proposal.

### 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 (2012: 400 million) under a musharika based arrangement with Al Baraka Bank (Pakistan) Limited and carries markup @ 3 months KIBOR + 3.5% (2012: 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 current year, the bank agreed to and the Group accepted to restructure the entire amount. Restructuring entailed the creation of exclusive charge over identified properties of Pace Gujranwala, Pace Model Town and Pace Model Town (Extension) within a stipulated time. The Group approached other lenders to release their charge over the aforementioned properties. However, some of the lenders did not agree to release their charge, consequently the restructuring agreement could not be implemented.

The Group has negotiated with the bank to settle principal against certain identified properties. Subsequent to the year end, the bank has offered, which the Group has accepted to settle Rs 169.119 million against properties at various floors of Pace Fortress aggregating to 13,021 square feet. As at June 30, 2013, the Group has 11,499 square feet out of 13,021 square feet available at Pace Fortress. The Group has recognised loss on available inventory and provision for restructuring amounting to Rs 46.004 million and Rs 21.754 million, respectively.

| | Note | **2013** | 2012 |
|---|---|---|---|
| | | **(Rupees in thousand)** | |
| **7. Redeemable capital - secured (non-participatory)** | | | |
| Term finance certificates | | **1,498,200** | 1,498,200 |
| Less: Current portion shown under current liabilities | 13 | **(1,498,200)** | (1,498,200) |
| | | **-** | - |

**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% (2012: 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 1,198.1 million, which, under the terms of the agreement were due for repayment in period subsequent to June 30, 2014. However, as the Group could not repay on a timely basis the installments due uptil year ended June 30, 2013 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.

## 8. Liabilities against assets subject to finance lease

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| Present value of minimum lease payments | | **30,507** | 33,563 |
| Less: Current portion shown under current liabilities | 13 | **(30,507)** | (33,336) |
| | | **-** | 227 |

The minimum lease payments have been discounted at an implicit interest rate ranging from 9% to 18% (2012: 12.31% to 17.94%) 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 11.639 million (2012: Rs 12.728 million).

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

| | Minimum lease payments | Future finance charge | Present value of lease liability 2013 | Present value of lease liability 2012 |
|---|---|---|---|---|
| | | | (Rupees in thousand) | |
| Not later than one year | 32,909 | 2,402 | **30,507** | 33,336 |
| Later than one year and not later than five years | - | - | **-** | 227 |
| | 32,909 | 2,402 | **30,507** | 33,563 |

## 9. Foreign currency convertible bonds - unsecured

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| Opening balance | | **1,463,882** | 1,254,643 |
| Markup accrued during the year | | **55,668** | 87,789 |
| | | **1,519,550** | 1,342,432 |
| Exchange loss for the year | | **72,171** | 121,450 |
| | | **1,591,721** | 1,463,882 |
| Less: Current portion shown under current liabilities | 13 | **(1,591,721)** | (1,463,882) |
| | | **-** | - |

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, 2013.

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

| | Note | **2013** | 2012 |
|---|---|---|---|
| | | **(Rupees in thousand)** | |
| **10. Deferred liabilities** | | | |
| Staff gratuity | 10.1 | **24,132** | 35,251 |
| Leave encashment | 10.2 | **1,421** | 1,399 |
| | | **25,553** | 36,650 |

**10.1 Staff gratuity**

The amounts recognised in the balance sheet are as follows:

| | Note | **2013** | 2012 |
|---|---|---|---|
| Present value of defined benefit obligation | | **23,183** | 28,523 |
| Unrecognised experience gains | | **949** | 6,728 |
| Liability as at June 30 | | **24,132** | 35,251 |
| | | | |
| Opening balance | | **35,251** | 31,611 |
| Charge to profit and loss account | 10.1.1 | **7,295** | 7,963 |
| Benefits paid during the year | | **(3,117)** | (4,323) |
| Benefits payable during the year | | **(15,297)** | - |
| Liability as at June 30 | | **24,132** | 35,251 |

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

| | **2013** | 2012 |
|---|---|---|
| Opening balance | **28,523** | 23,260 |
| Service cost | **5,414** | 5,711 |
| Interest cost | **2,988** | 3,256 |
| Benefits paid during the year | **(3,117)** | (4,323) |
| Benefits payable during the year | **(15,297)** | - |
| Experience gain | **4,672** | 619 |
| Present value of defined benefit obligation as at June 30 | **23,183** | 28,523 |

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

| | **2013** | 2012 |
|---|---|---|
| Service cost | **5,414** | 5,711 |
| Interest cost | **2,988** | 3,256 |
| Actuarial gain recognised during the period | **(1,107)** | (1,004) |
| Charge to profit and loss account | **7,295** | 7,963 |

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| **10.1.1 Charge for the year has been allocated as follows:** | | | |
| Cost of sales | | **948** | 1,035 |
| Administrative and selling expenses | | **6,347** | 6,928 |
| | | **7,295** | 7,963 |

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

| | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|
| | (Rupees in thousand) | | | | |
| Present value of defined benefit obligation | **23,183** | 28,523 | 23,260 | 28,939 | 30,236 |
| Fair value of plan assets | **-** | - | - | - | - |
| Deficit | **(23,183)** | (28,523) | (23,260) | (28,939) | (30,236) |
| Experience adjustment on obligation | **-20%** | -2% | 24% | 15% | 4% |

| | Note | 2013 | 2012 |
|---|---|---|---|
| **10.2 Leave encashment** | | (Rupees in thousand) | |

The amounts recognised in the balance sheet are as follows:

| | | |
|---|---|---|
| Opening balance | **1,399** | 1,217 |
| Charge to profit and loss account | **587** | 842 |
| Benefits payable during the year | **(377)** | (660) |
| Benefits paid during the year | **(188)** | - |
| Liability as at June 30 | **1,421** | 1,399 |

## 11. Deferred taxation

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

| | | | |
|---|---|---|---|
| Accelerated tax depreciation | | **260,473** | 275,349 |
| Employee retirement benefits | | **(14,430)** | (12,828) |
| Provision for doubtful receivables | | **(41,749)** | (39,907) |
| Loss on remeasurement of assets of disposal group | | **(11,192)** | - |
| Provision for restructuring | | **(7,614)** | - |
| Deferred cost | | **(241)** | (301) |
| Unused tax losses | | **(185,247)** | (222,313) |
| Investment in associate | | **44,200** | 165,047 |
| | | **44,200** | 165,047 |
| The gross movement in deferred tax liability during the year is as follows: | | | |
| Opening balance | | **165,047** | - |
| (Income) / expense for the period | 34 | **(120,847)** | 165,047 |
| Closing balance | | **44,200** | 165,047 |

## 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.

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| Advance against sale of property | | | |
| - Long term | | **-** | 98,629 |
| - Short term | | **98,953** | - |
| | 12.1 | **98,953** | 98,629 |

**12.1** This includes the following amounts due to related parties:

| | 2013 | 2012 |
|---|---|---|
| First Capital Investment Limited | **16,575** | 16,497 |
| First Capital Securities Corporation Limited | **47,483** | 47,257 |
| Shaheen Insurance Company Limited | **-** | 7,849 |
| | **64,058** | 71,603 |

**12.2** Construction work on Pace Towers had been suspended till May 2013. The Group has re-commenced construction work of Pace Towers in June 2013 and expects that advances received against sale of property shall be adjusted in the year ending June 30, 2014. Consequently, such advances have been presented in current liabilities.

## 13. Current portion of long term liabilities

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| Current portion of long term finances -secured | 6 | **732,614** | 749,830 |
| 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 | **30,507** | 33,336 |
| Current portion of foreign currency convertible bonds - unsecured | 9 | **1,591,721** | 1,463,882 |
| | | **3,853,042** | 3,745,248 |

**13.1** Overdue principal included in current maturity as at June 30, 2013 are as follows:

| | 2013 | 2012 |
|---|---|---|
| Long term finances - secured: | | |
| - Syndicate term finance facility | **225,413** | 82,409 |
| - National Bank of Pakistan- term finance | **23,780** | 8,000 |
| - Soneri Bank - demand finance | **27,422** | 27,422 |
| - Al Baraka Bank (Pakistan) Limited - musharika based agreement | **360,000** | 200,000 |
| Redeemable capital - secured (non-participatory) | **300,120** | 600 |
| Foreign currency convertible bonds - unsecured | **1,591,721** | 1,463,882 |
| Liabilities against assets subject to finance lease | **18,781** | 19,589 |
| | **2,547,237** | 1,801,902 |

## 14. Short term finance - Secured

This represents short term finance of Rs 96.443 million (2012: Rs 100 million) provided by PAIR Investment Company Limited (formerly Pak-Iran Joint Investment Company Limited) and carries markup @ 1 month KIBOR + 3.5% (2012: 3 months KIBOR + 3.5%). The entire amount of loan along with the accrued markup as on October 15, 2012 was restructured during the year and is now repayable in 17 monthly installments commencing from November 15, 2012. As on June 30, 2013, overdue principal amounts to Rs 39.636 million.

**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 pari passu with that of National Bank of Pakistan to the extent of Rs 66.667 million as referred to in note 6.2.

During the year, the entire amount of loan along with the accrued markup as on October 15, 2012 was restructured. However, the Group could not make payments in accordance with the restructured terms and further decided to settle the loan through debt to asset swap. 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. As at June 30, 2013, the Group has 11,240 square feet out of 11,833 square feet available at Pace MM Alam. Following are the key terms:

- The Group will procure No Objection Certificates (NOCs) from National Bank of Pakistan (NBP) having joint charge over the aforementioned properties.

- The Group has First Right of Refusal for 18 months to buy back these properties.

## 15. Creditors, accrued and other liabilities

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| Trade creditors | 15.1 | **104,242** | 135,455 |
| Advances from customers | | **5,204** | 5,434 |
| Licensee fee received in advance | | **4,722** | 5,893 |
| Accrued liabilities | | **49,694** | 35,464 |
| Licensee security deposits | | **18,951** | 16,495 |
| Payable to contractors | | **2,699** | 2,699 |
| Retention money | | **362** | 362 |
| Withholding tax payable | | **16,412** | 13,244 |
| Others | 15.2 | **49,300** | 19,963 |
| | | **251,586** | 235,009 |

**15.1** This includes Nil (2012: Rs 59.323 million) due to Shaheen Insurance Company Limited, a related party.

**15.2** This includes a provision of Rs 21.754 million in respect of debt to assets swap with Al Baraka Bank (Pakistan) Limited as referred to in note 6.4.

## 16. Accrued finance cost

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| Long term finances -secured | 16.1 | **247,707** | 168,001 |
| Short term finance -secured | 16.2 | **35,665** | 24,197 |
| Redeemable capital - secured (non-participatory) | 16.3 | **495,236** | 310,439 |
| Liabilities against assets subject to finance lease | 16.4 | **15,906** | 2,412 |
| | | **794,514** | 505,049 |

**16.1** This includes overdue markup of Rs 225.534 million (2012: Rs 135.016 million).

**16.2** This includes overdue markup of Rs 15.092 million (2012: Rs 20.365 million).

**16.3** This includes overdue markup of Rs 431.733 million (2012: Rs 232.945 million).

**16.4** This includes overdue markup of Rs 2.401 million (2012: Rs 2.384 million) and late payment charges of Rs 13.586 million (2012: Nil).

**17. Contingencies and commitments**

**17.1 Contingencies**

(i) Claims against the Group not acknowledged as debts Rs 21.644 million (2012: 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 (2012: Rs 900 million) as per the approval of shareholders through the special resolution dated July 29, 2006.

**17.2 Commitments**

(i) Contract for purchase of properties from Pace Barka Properties Limited, amounting to Rs 391.985 million (2012: Rs 426.346 million).

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

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| Not later than one year | | **6,300** | 6,300 |
| Later than one year and not later than five years | | **33,469** | 29,925 |
| Later than five years | | **757,131** | 761,975 |
| | | **796,900** | 798,200 |

**18. Property, plant and equipment**

| | Note | 2013 | 2012 |
|---|---|---|---|
| Operating fixed assets | | | |
| - owned assets | 18.1 | **465,635** | 577,075 |
| - assets subject to finance lease | 18.2 | **2,642** | 6,152 |
| Capital work in progress | 18.3 | **127,555** | 127,457 |
| | | **595,832** | 710,684 |

**18.1 Owned assets**

(Rupees in thousand)

**2013**

| | Cost as at June 30, 2012 | 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 as at June 30, 2012 | Depreciation & impairment 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 | - | (4,737) | 42,083 | 119,211 | 5% |
| Buildings on leasehold land *** | 214,226 | - (8,904) | - | - | 205,322 | 44,541 | 70,941 (135) | - | - | 115,347 | 89,975 | 3.03% |
| Plant and machinery | 81,171 | - | - | - | 81,171 | 48,797 | 3,237 | - | - | 52,034 | 29,137 | 10% |
| Electrical equipment | 75,844 | - | - | - | 75,844 | 28,889 | 4,695 | - | - | 33,584 | 42,260 | 10% |
| Office equipment and appliances | 11,683 | - | - | - | 11,683 | 6,782 | 490 | - | - | 7,272 | 4,411 | 10% |
| Furniture and fixtures | 11,784 | - | - | - | 11,784 | 5,199 | 659 | - | - | 5,858 | 5,926 | 10% |
| Computers | 9,466 | - | - | - | 9,466 | 8,104 | 450 | - | - | 8,554 | 912 | 33% |
| Vehicles | 41,311 | - | 5,103 | - | 46,414 | 20,881 | 4,391 | 2,491 | - | 27,763 | 18,651 | 20% |
| | 780,107 | - (8,904) | 5,103 | (18,176) | 758,130 | 203,032 | 91,844 (135) | 2,491 | (4,737) | 292,495 | 465,635 | |

**2012**

| | Cost as at June 30, 2011 | Additions/ (deletions) | Transfers from assets subject to finance lease | Transfers to disposal group held-for-sale | Cost as at June 30, 2012 | Accumulated depreciation as at June 30, 2011 | Depreciation charge for the year/ (deletions) | Transfers from assets subject to finance lease | Transfers to disposal group held-for-sale | Accumulated depreciation as at June 30, 2012 | Book value as at June 30, 2012 | Depreciation rate |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Freehold land * | 155,152 | - | - | - | 155,152 | - | - | - | - | - | 155,152 | |
| Leasehold land ** | - | - | - | - | - | - | - | - | - | - | - | |
| Buildings on freehold land | 179,470 | - | - | - | 179,470 | 32,490 | 7,349 | - | - | 39,839 | 139,631 | 5% |
| Buildings on leasehold land *** | 135,137 | 79,089 | - | - | 214,226 | 41,504 | 3,037 | - | - | 44,541 | 169,685 | 3.03% |
| Plant and machinery | 81,171 | - | - | - | 81,171 | 45,200 | 3,597 | - | - | 48,797 | 32,374 | 10% |
| Electrical equipment | 69,172 | 6,672 | - | - | 75,844 | 23,672 | 5,217 | - | - | 28,889 | 46,955 | 10% |
| Office equipment and appliances | 11,673 | 10 | - | - | 11,683 | 6,238 | 544 | - | - | 6,782 | 4,901 | 10% |
| Furniture and fixtures | 11,784 | - | - | - | 11,784 | 4,467 | 732 | - | - | 5,199 | 6,585 | 10% |
| Computers | 9,466 | - | - | - | 9,466 | 7,433 | 671 | - | - | 8,104 | 1,362 | 33% |
| Vehicles | 47,201 | 7,169 (13,059) | - | - | 41,311 | 22,804 | 4,782 (6,705) | - | - | 20,881 | 20,430 | 20% |
| | 700,226 | 92,940 (13,059) | - | - | 780,107 | 183,808 | 25,929 (6,705) | - | - | 203,032 | 577,075 | |

* Freehold land represents the uncovered area of Main Boulevard Project, MM 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. 131/A, Airport Road, near Allama Iqbal International Airport, Lahore Cantt. The Company secured the bid for the said piece of land on behalf of Pace Barka Properties Limited (PBPL), an associated undertaking, since at the time of bidding PBPL was in the process of incorporation. Subsequent to the bidding, payment was made by PBPL but the Ministry of Defence refused to transfer the said piece of land in the name of PBPL as it was not the original bidder, therefore the legal ownership has been transferred in the name of the Company. Consequently, to avoid additional transaction costs relating to transfer of legal ownership, the Company has entered into an agreement with PBPL, whereby the possession of the land and its beneficial ownership has been transferred to PBPL through an Irrevocable General Power of Attorney dated May 15, 2007.

*** Building on leasehold land represents 9,357 square feet (2012: 9,503 square feet) relating to 2nd and 3rd floors of Fortress Project, Lahore the right of which has been acquired for 33 years (2012: 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 2013 | June 2012 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| Cost of sales | - note 29.3 | 14,432 | 15,518 |
| Administrative and selling expenses | - note 18.1.1.1 & 30 | 77,412 | 10,411 |
| | | 91,844 | 25,929 |

**18.1.1.1** Includes an amount of Rs 65.865 million (2012: Nil) charged as impairment loss on 2nd and 3rd floors of Fortress Project. As at June 30, 2013, the carrying value significantly exceeds the fair value less costs to 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 are estimated at 10% of the fair value.

**18.1.2 Disposal of owned assets**

(Rupees in thousand)

| Particular of Assets | Sold to | Cost | Accumulated depreciation | Sales proceeds | Mode of Disposal |
|---|---|---|---|---|---|
| Shop | First Capital Investments Limited (a related party) | 8,904 | 135 | 5,568 | - Negotiation - |
| | | 8,904 | 135 | 5,568 | |

**18.2 Assets subject to finance lease**

(Rupees in thousand)

| 2013 | 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 | 2,642 | 20% |
| | | (5,103) | | | (2,491) | | | |
| Plant and machinery | 57,500 | - | 57,500 | 57,500 | - | 57,500 | - | 33% |
| | 68,515 | - | 63,412 | 62,363 | 898 | 60,770 | 2,642 | |
| | | (5,103) | | | (2,491) | | | |

| 2012 | Cost as at June 30, 2011 | Additions/ (deletions)/ (transfers) | Cost as at June 30, 2012 | Accumulated depreciation as at June 30, 2011 | Depreciation charge for the year | Accumulated depreciation as at June 30, 2012 | Book value as at June 30, 2012 | Depreciation rate |
|---|---|---|---|---|---|---|---|---|
| Vehicles | 11,015 | | 11,015 | 3,325 | 1,538 | 4,863 | 6,152 | 20% |
| Plant and machinery | 57,500 | - | 57,500 | 39,931 | 17,569 | 57,500 | - | 33% |
| | | - | | | - | | | |
| | 68,515 | - | 68,515 | 43,256 | 19,107 | 62,363 | 6,152 | |
| | | - | | | - | | | |

**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 Tower located at 27 H Gulberg III Lahore, which the Group intends to retain for its own use. This also includes borrowing costs of Rs 16.823 million (2012: Rs 16.823 million).

## 19 Intangible assets

(Rupees in thousand)

**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 | 7,013 |
| | 12,386 | | 12,386 | 4,139 | 551 | 4,690 | 7,696 |

**2012**

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

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

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

## 20. Investment Property

| | Note | Cost as at June 30, 2013 | Cost as at June 30, 2012 | Fair Value as at June 30 2013 | Fair Value as at June 30 2012 |
|---|---|---|---|---|---|
| | | (Rupees in thousand) | | (Rupees in thousand) | |
| Opening value | | **1,663,214** | 1,730,415 | 3,167,645 | 3,828,426 |
| - Transfer from disposal group held for sale | 27 | **67,201** | - | **94,190** | - |
| - Disposal of investment property | | **(15,035)** | - | **(20,985)** | - |
| - Transfer to disposal group held for sale | 27 | **(68,219)** | (67,201) | **(146,442)** | (94,190) |
| Closing value before revaluation as at June 30 | | **1,647,161** | 1,663,214 | **3,094,408** | 3,734,236 |
| Fair value gain / (loss) recognised in profit and loss account | | **-** | - | **50,729** | (566,591) |
| Fair value as at June 30 | | **1,647,161** | 1,663,214 | **3,145,137** | 3,167,645 |

## 21. Investments

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| Associate - unquoted | 21.1 | **1,183,712** | 1,146,625 |
| Available for sale - quoted | 21.2 | **2,207** | 2,648 |
| | | **1,185,919** | 1,149,272 |

### 21.1 Associate - unquoted

| | Note | 2013 | 2012 |
|---|---|---|---|
| Pace Barka Properties Limited 75,875,000 (2012: 75,875,000) fully paid ordinary shares of Rs 10 each | 21.1.1 | **1,183,712** | 1,298,355 |
| Equity held 24.9% (2012: 24.9%) | | | |
| | | **1,183,712** | 1,298,355 |
| Less: Cumulative impairment losses recognised | 21.1.3 | **-** | (151,730) |
| | | **1,183,712** | 1,146,625 |

### 21.1.1 Pace Barka Properties Limited

| | 2013 | 2012 |
|---|---|---|
| Cost | **758,651** | 758,651 |
| Brought forward amounts of post acquisition reserves and profits and negative goodwill recognised directly in profit and loss account | **539,704** | 687,772 |
| | **1,298,355** | 1,446,423 |
| Share of movement in reserves during the year | **(115,760)** | (120,443) |
| Share of profit / (loss) for the year | | |
| - before taxation | **3,297** | (23,043) |
| - provision for taxation | **(2,180)** | 9,838 |
| Loss on sale of investment | **-** | (14,420) |
| | **1,117** | (27,625) |
| Balance as on June 30 | **1,183,712** | 1,298,355 |

**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 thousand) | | | |
| **June 2013** | | | | | |
| Pace Barka Properties Limited | 24.90% | 1,491,193 | 290,447 | 120,442 | 1,117 |
| **June 2012** | | | | | |
| Pace Barka Properties Limited | 24.90% | 1,629,578 | 311,865 | 8,352 | (13,206) |

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| **21.1.3 Cumulative impairment losses recognised** | | | |
| Opening balance | | **151,730** | 154,980 |
| Reversed during the year | 31.2 | **(151,730)** | - |
| Derecognised on disposal of investment | | **-** | (3,250) |
| As at June 30 | | **-** | 151,730 |
| **21.2 Available for sale - quoted** | | | |
| Worldcall Telecom Limited | | | |
| 912 (2012: 912) fully paid ordinary shares of Rs 10 each | | **6** | 6 |
| Shaheen Insurance Company Limited | | | |
| 294,037 (2012: 294,037) fully paid ordinary shares of Rs 10 each | | **3,776** | 3,776 |
| | | **3,782** | 3,782 |
| Less: Cumulative fair value loss | 21.2.1 | **(1,575)** | (1,134) |
| | | **2,207** | 2,648 |
| **21.2.1 Cumulative fair value loss** | | | |
| Opening balance | | **1,134** | 105 |
| Fair value loss during the year | | **441** | 1,029 |
| As at June 30 | | **1,575** | 1,134 |
| **22. Long term advances and deposits** | | | |
| Lease key money | | **-** | 139 |
| Security deposits | | **13,619** | 13,683 |
| | | **13,619** | 13,822 |

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

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| **23. Stock-in-trade** | | | |
| Work in process - Pace Towers | 23.1 & 23.2 | **1,031,748** | 1,043,613 |
| Shops and houses | 23.3 | **242,017** | 267,288 |
| Pace Barka Properties Limited - Pace Circle | | **562,327** | 640,792 |
| Pace Super Mall (Private) Limited | | **354,600** | 354,600 |
| Woodland plots | | **1,828** | 9,216 |
| | | **2,192,520** | 2,315,509 |
| Stores inventory | | **1,033** | 923 |
| | | **2,193,553** | 2,316,432 |

**23.1** Included in work in process are borrowing costs of Rs 210.048 million (2012: Rs 210.048 million).

**23.2** The charge amounting to Rs 1,200.5 million (2012: 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.

**23.3** Shops and houses with a cost of Rs 195.355 million are being valued at net realisable value of Rs 149.351 million, pursuant to the settlement agreement with Al Baraka Bank (Pakistan) Limited as referred to in note 6.4.

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| **24. Trade debts - unsecured** | | | |
| Considered good | 24.1 | **650,129** | 721,551 |
| Considered doubtful | | **119,282** | 109,709 |
| | | **769,411** | 831,260 |
| Less: Provision for doubtful debts | 24.2 | **(119,282)** | (109,709) |
| | | **650,129** | 721,551 |

**24.1** This includes amount of Rs 6.681 million (2012: Rs 6.681 million) receivable from First Capital Securities Corporation Limited, a related party.

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| **24.2 Provision for doubtful debts** | | | |
| Opening balance | | **109,709** | 42,096 |
| Add: provision during the year | 31 | **9,573** | 67,613 |
| Balance as at June 30 | | **119,282** | 109,709 |

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| **25. Advances, deposits, prepayments and other receivables** | | | |
| Advances - considered good | | | |
| - to employees | | **6,017** | 3,126 |
| - to suppliers | 25.1 | **25,364** | 2,574 |
| Advances - considered doubtful | | **-** | 4,311 |
| Security deposits | | **13,018** | 13,987 |
| Advances to contractors | 25.2 | **140,066** | 134,068 |
| Others - considered good | 25.3 | **26,996** | 12,065 |
| | | **211,461** | 170,131 |
| Less: Provision for doubtful advances | 25.4 | **-** | (4,311) |
| | | **211,461** | 165,820 |

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

| | 2013 | 2012 |
|---|---|---|
| World Press (Private) Limited | **2,019** | - |
| Media Times (Private) Limited | **22,913** | 900 |
| | **24,932** | 900 |

These are interest free.

**25.2** This includes an interest free amount of Rs 133.845 million (2012: Rs 128.147 million) advanced to Trident Construct (Private) Limited, a related party.

**25.3** This includes the following interest free amounts due from related parties:

| | 2013 | 2012 |
|---|---|---|
| | (Rupees in thousand) | |
| First Capital Securities Corporation Limited | **904** | 1,976 |
| First Capital Investment Limited | **1,883** | - |
| First Capital Equities Limited | **1,809** | - |
| Media Times (Private) Limited | **4,996** | - |
| Pace Barka Properties Limited | **2,000** | - |
| Shaheen Insurance Company Limited | **-** | 1,268 |
| World Press (Private) Limited | **-** | 105 |
| | **11,592** | 3,349 |

**25.4 Provision for doubtful advances**

| | 2013 | 2012 |
|---|---|---|
| Opening balance | **4,311** | - |
| Less: written off against provision | **(4,311)** | 4,311 |
| Closing balance | **-** | 4,311 |

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| **26. Cash and bank balances** | | | |
| At banks | | | |
| - in saving accounts | 26.1 & 26.2 | **1,465** | 7,159 |
| - in current accounts | | **926** | 944 |
| | | **2,391** | 8,103 |
| In hand | | **36** | 31 |
| In transit | | **3,220** | - |
| | | **5,647** | 8,134 |

**26.1** The balances in saving accounts bear markup ranging from 5% to 12% per annum (2012: 5% to 12%).

**26.2** This includes Rs 0.006 million (2012: 0.456 million) placed in Debt Servicing Reserve Account of National Bank of Pakistan.

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| **27. Disposal group held-for-sale** | | | |
| Assets of disposal group - A | 27.1 | **-** | 104,610 |
| Assets of disposal group - B | 27.2 | **127,903** | - |
| | | **127,903** | 104,610 |

**27.1 Assets of disposal group - A**

| | 2013 | 2012 |
|---|---|---|
| Investment property | **-** | 94,190 |
| Stock-in-trade | **-** | 10,420 |
| | **-** | 104,610 |

The restructuring with Al-Baraka Bank was not executed due to the reason mentioned in note 6.4. 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 stock-in-trade, respectively.

| | 2013 | 2012 |
|---|---|---|
| | (Rupees in thousand) | |
| **27.2 Assets of disposal group - B** | | |
| Investment property | **114,465** | - |
| Property, plant and equipment | **13,438** | - |
| | **127,903** | - |

As referred to in note 14, the Group entered into debt to asset swap arrangement with PAIR Investment Company Limited. Consequently, these properties are classified as held for sale in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | **(Rupees in thousand)** | |

## 28. Sales

| | Note | 2013 | 2012 |
|---|---|---|---|
| Shops, houses and commercial buildings | | | |
| - at completion of project basis | | **142,818** | 55,580 |
| - at percentage of completion basis | 28.1 | **17,714** | - |
| Plots | | **13,733** | - |
| Licensee fee | | **39,154** | 27,261 |
| Display advertisements and miscellaneous income | | **15,491** | 14,659 |
| Service charges | | **163,384** | 142,434 |
| | | **392,294** | 239,934 |

**28.1 Sales recognised at percentage of completion basis**

| | 2013 | 2012 |
|---|---|---|
| Revenue recognised to date | **624,756** | 607,042 |
| Aggregate cost incurred to date | **(560,837)** | (547,746) |
| Recognised profit to date | **63,919** | 59,296 |

**28.1.1** 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 17.714 million (2012: Nil). Amount received against these agreements amounts to Rs 3 million (2012: Nil).

**28.2** This represents the effect of change in estimate of percentage of completion of 'Pace Towers' project which resulted in decrease in amount of revenue recognised with corresponding impact on receivables and advance against sale of property.

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | **(Rupees in thousand)** | |

## 29. Cost of sales

| | Note | 2013 | 2012 |
|---|---|---|---|
| Shops and commercial buildings sold | | | |
| - at percentage of completion basis | 29.1 | **13,092** | 33,589 |
| - at completion of project basis | 29.2 | **85,304** | 43,346 |
| Pace circle | | **78,466** | - |
| Plots sold | | **10,576** | - |
| Stores operating expenses | 29.3 | **237,873** | 294,838 |
| | | **425,311** | 371,773 |

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

| | Note | 2013 | 2012 |
|---|---|---|---|
| Opening work in process | | **1,043,613** | 1,204,659 |
| Project development costs | | **1,227** | - |
| Transferred to capital work in progress | | **-** | (127,457) |
| Closing work in process | 23 | **(1,031,748)** | (1,043,613) |
| Cost of apartments and commercial buildings sold / (reversed) during the year | | **13,092** | 33,589 |

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | (Rupees in thousand) | |

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

| | Note | 2013 | 2012 |
|---|---|---|---|
| Opening inventory of shops and houses | | **267,288** | 394,643 |
| Transferred to property, plant & equipment | 18.1 | **-** | (79,089) |
| Project development cost during the year | | **-** | 5,500 |
| Repurchased during the year | | **59,642** | - |
| Shops swapped during the year | | **(10,029)** | - |
| Transferred from disposal group held-for-sale | | **10,420** | - |
| Transferred to disposal group held-for-sale | 27.1 | **-** | (10,420) |
| Closing inventory of shops and houses | 23 | **(242,017)** | (267,288) |
| Cost of shops and houses sold during the year | | **85,304** | 43,346 |

**29.3 Stores operating expenses**

| | Note | 2013 | 2012 |
|---|---|---|---|
| Salaries, wages and benefits | 29.3.1 | **37,146** | 31,345 |
| Rent, rates and taxes | 29.3.2 | **9,952** | 8,024 |
| Insurance | | **3,811** | 27,000 |
| Fuel and power | | **153,062** | 177,662 |
| Depreciation on owned assets | 18.1.1 | **14,432** | 15,518 |
| Repairs and maintenance | | **7,238** | 11,267 |
| Janitorial and security charges | | **11,840** | 23,996 |
| Others | | **392** | 26 |
| | | **237,873** | 294,838 |

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

| | | 2013 | 2012 |
|---|---|---|---|
| Current service cost | | **704** | 742 |
| Interest cost | | **388** | 423 |
| Actuarial gains on liability | | **(144)** | (130) |
| | | **948** | 1,035 |

**29.3.2** This is net of Rs 2 million (2012: Nil), which represents common costs charged by the Company to Pace Barka Properties Limited, an associate.

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| **30. Administrative and selling expenses** | | | |
| Salaries, wages and benefits | 30.1 | **48,796** | 51,844 |
| Travelling and conveyance | | **3,860** | 5,626 |
| Rent, rates and taxes | | **767** | 3,306 |
| Insurance | | **4,187** | 5,840 |
| Printing and stationery | | **1,348** | 1,324 |
| Repairs and maintenance | | **6,180** | 11,254 |
| Motor vehicles running | | **9,525** | 15,152 |
| Communications | | **5,017** | 4,453 |
| Advertising and sales promotion | | **4,762** | 10,980 |
| Depreciation and impairment on: | | | |
| - owned assets | 18.1.1 | **77,412** | 10,411 |
| - assets subject to finance lease | 18.2.1 | **898** | 19,107 |
| Amortisation on intangible assets | 19.1 | **551** | 560 |
| Auditors' remuneration | 30.2 | **3,545** | 2,416 |
| Legal and professional | | **4,877** | 6,360 |
| Commission on sales | | **21,042** | 1,427 |
| Office expenses | | **2,546** | 6,715 |
| Other expenses | | **2,469** | 27,173 |
| Provision for doubtful debts | 24.2 | **9,573** | 67,613 |
| Provision for doubtful advances | 25 | **-** | 4,311 |
| | | **207,355** | 255,872 |

**30.1 Salaries, wages and benefits include following In respect of gratuity:**

| | 2013 | 2012 |
|---|---|---|
| Current service cost | **4,710** | 4,969 |
| Interest cost | **2,600** | 2,833 |
| Actuarial gains on liability | **(963)** | (874) |
| | **6,347** | 6,928 |

**30.2 Auditors' remuneration**

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

| | 2013 | 2012 |
|---|---|---|
| Statutory audit | **1,885** | 1,500 |
| Certification and sundry services | **450** | 130 |
| Half yearly review | **500** | 450 |
| Out of pocket expenses | **710** | 336 |
| | **3,545** | 2,416 |

**31. Other income**

| | Note | 2013 | 2012 |
|---|---|---|---|
| **Income from financial assets** | | | |
| Markup on bank accounts | | **656** | 2,295 |
| Commission on guarantee | 31.1 | **1,500** | 1,500 |
| Deferred income | | **-** | 17,569 |
| **Income from non-financial assets** | | | |
| Gain on sale of property, plant and equipment | | **-** | 2,564 |
| Liabilities written back | | **-** | 20,974 |
| Reversal of impairment loss on investment | 31.2 | **151,730** | - |
| Gain on swap of shops and counters | | **12,265** | - |
| Rental income | | **9,486** | 9,364 |
| Others | | **6,926** | 15,405 |
| | | **182,563** | 69,671 |

**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 | 2013 | 2012 |
|---|---|---|---|
| | | **(Rupees in thousand)** | |
| **32. Other operating expenses** | | | |
| Exchange loss on foreign currency convertible bonds | 9 | **72,171** | 121,450 |
| 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** | - |
| | | **129,103** | 121,450 |
| **33. Finance costs** | | | |
| Markup on | | | |
| - Long term finances - secured | | **100,217** | 131,497 |
| - Foreign currency convertible bonds - unsecured | | **55,668** | 87,789 |
| - Redeemable capital - secured (non-participatory) | | **184,797** | 223,602 |
| - Short term finance -secured | | **13,798** | 16,281 |
| - Liabilities against assets subject to finance lease | | **13,667** | 2,064 |
| | | **368,147** | 461,233 |
| Bank charges and processing fee | | **2,430** | 3,530 |
| | | **370,577** | 464,763 |
| **34. Taxation** | | | |
| Current | | | |
| - Current year | | **936** | 1,062 |
| - Prior years | | **-** | (189) |
| | | **936** | 873 |
| Deferred | | **(120,847)** | 30,105 |
| | | **(119,911)** | 30,978 |

| **34.1 Tax charge reconciliation** | **2013 %** | 2012 % |
|---|---|---|
| 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 | **1.23** | (16.63) |
| Associate results reported net of tax | **23.99** | 2.50 |
| Effect of change in prior years' tax | **-** | (0.16) |
| Effect of income taxed at reduced rates | **0.48** | 0.07 |
| Effect of deferred tax asset not recognised on taxable loss | **(36.99)** | (22.99) |
| | **(11.29)** | (37.21) |
| Average effective tax rate charged to profit and loss account | **23.71** | (2.21) |

**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, 2013 are estimated approximately at Rs 3,106.944 million (2012: Rs 2,678.708 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 5.081 million (2012: Rs 4.417 million).

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

| | Chief Executive | | Directors | | Executives | |
|---|---|---|---|---|---|---|
| | **2013** | **2012** | **2013** | **2012** | **2013** | **2012** |
| | **(Rupees in thousand)** | | **(Rupees in thousand)** | | **(Rupees in thousand)** | |
| **Short term employee benefits** | | | | | | |
| Managerial remuneration | **1,600** | 1,412 | **3,387** | 2,598 | **8,347** | 11,820 |
| Housing | **640** | 635 | **1,355** | 1,169 | **3,339** | 5,319 |
| Utilities | **160** | 353 | **339** | 650 | **835** | 2,955 |
| | **2,400** | 2,400 | **5,081** | 4,417 | **12,521** | 20,094 |

| | Chief Executive | | Directors | | Executives | |
|---|---|---|---|---|---|---|
| | **2013** | **2012** | **2013** | **2012** | **2013** | **2012** |
| **Number of persons** | 1 | 1 | 2 | 3 | 6 | 17 |

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

## 36. Cash generated from operations

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| Loss before tax | | **(505,643)** | (1,402,238) |
| Adjustment for: | | | |
| Depreciation and impairment on: | | | |
| - owned assets | 18.1 | **91,844** | 25,929 |
| - assets subject to finance lease | 18.2 | **898** | 19,107 |
| Amortisation on intangible assets | 19 | **551** | 560 |
| Share of (loss) / profit from associated companies | | **(1,117)** | 27,625 |
| Gain on sale of property, plant and equipment | 31 | **-** | (2,564) |
| Loss on sale of property, plant and equipment | 32 | **3,201** | - |
| Gain on swap of shops | 31 | **(12,265)** | - |
| Exchange loss on foreign currency convertible bonds | 9 | **72,171** | 121,450 |
| Provision for doubtful receivables | 24.2 | **9,573** | 67,613 |
| Provision for gratuity and leave encashment | 10 | **7,882** | 8,805 |
| Provision against debt to assets swap | 32 | **21,754** | - |
| Reversal of impairment loss on investment | 31 | **(151,730)** | - |
| Loss on classification to disposal group held-for-sale | 32 | **31,977** | - |
| Finance costs | 33 | **370,577** | 464,763 |
| Markup income | 31 | **(656)** | (2,295) |
| Changes in fair value of investment property | 20 | **(50,729)** | 566,591 |
| Deferred income | 31 | **-** | (17,569) |
| Liabilities written back | 31 | **-** | (20,974) |
| Advances written off | | **-** | 6,668 |
| Gain on bargain purchase | | **-** | (117,418) |
| Loss before working capital changes | | **(111,712)** | (253,947) |
| Effect on cash flow due to working capital changes: | | | |
| Decrease in stock-in-trade | | **123,272** | 108,399 |
| Decrease in trade debts | | **16,269** | 230,331 |
| Increase in due from related parties | | **-** | (927) |
| Decrease in advances, deposits and other receivables | | **(19,895)** | 41,585 |
| Increase in creditors, accrued and other liabilities | | **41,291** | 86,547 |
| | | **160,937** | 465,935 |
| | | **49,225** | 211,988 |

## 37. Cash and cash equivalents

| | Note | 2013 | 2012 |
|---|---|---|---|
| Short term finance - secured | 14 | **(96,443)** | (100,000) |
| Cash and bank balances | 26 | **5,647** | 8,134 |
| | | **(90,796)** | (91,866) |

## 38. Operating Segments

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

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

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

**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".

**38.2 Segment information**

(Rupees in thousand)

| | Real estate sales | | Investment properties | | Others | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Segment revenue | 174,265 | 34,393 | 39,154 | 27,261 | 178,875 | 157,093 | 392,294 | 218,747 |
| Segment expenses - Cost of sales | 187,438 | 76,935 | 42,718 | 73,539 | 195,155 | 221,299 | 425,311 | 371,773 |
| Gross loss | (13,173) | (42,542) | (3,564) | (46,278) | (16,280) | (64,206) | (33,017) | (153,026) |
| Changes in fair value of investment property | | | 50,729 | (566,591) | | | 50,729 | (566,591) |
| **Segment results** | (13,173) | (42,542) | 47,165 | (612,869) | (16,280) | (64,206) | 17,712 | (719,617) |
| Administrative and selling expenses | | | | | | | (207,355) | (255,872) |
| Other income | | | | | | | 182,563 | 69,671 |
| Finance costs | | | | | | | (370,577) | (464,763) |
| Other operating expenses | | | | | | | (129,103) | (121,450) |
| Share of profit from associates | | | | | | | 1,117 | (27,625) |
| Gain on bargain purchase | | | | | | | - | 117,418 |
| **Loss before tax** | | | | | | | (505,643) | (1,402,238) |
| Taxation | | | | | | | 119,911 | (30,978) |
| **Loss for the year** | | | | | | | (385,732) | (1,433,216) |
| **38.2.1 Segment assets** | 2,983,748 | 3,172,051 | 3,145,137 | 3,167,645 | - | - | 6,128,885 | 6,339,696 |
| Unallocated assets | | | | | | | 2,050,066 | 2,061,756 |
| | | | | | | | 8,178,951 | 8,401,452 |
| **38.2.2 Segment liabilities** | 3,232,715 | 3,063,772 | 18,951 | 16,495 | - | - | 3,251,666 | 3,080,267 |
| Unallocated liabilities | | | | | | | 1,919,159 | 1,811,126 |
| | | | | | | | 5,170,825 | 4,891,393 |
| **38.2.3 Capital expenditure** | - | - | - | - | - | - | - | - |
| Unallocated | | | | | | | 98 | 7,178 |
| **38.2.4 Depreciation/amortisation** | - | - | - | - | - | - | - | - |
| Unallocated | | | | | | | 93,293 | 45,596 |
| | | | | | | | 93,293 | 45,596 |

**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:

| | **2013** | 2012 |
|---|---|---|
| Foreign currency convertible bonds - USD | **16,110,535** | 15,540,153 |

The following significant exchange rates were applied during the year:

| | | |
|---|---|---|
| **Rupees per USD** | | |
| Average rate | **97.60** | 90.31 |
| Reporting date rate | **98.80** | 94.20 |

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 79.586 million (2012: Rs 77.513 million) higher / lower, mainly as a result of foreign exchange losses / gains on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis.

**(ii) Other price risk**

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

**(iii) Interest rate risk**

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

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

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

| | 2013 | 2012 |
|---|---|---|
| | (Rupees in thousand) | |
| **FIXED RATE INSTRUMENTS** | | |
| **Financial Assets** | | |
| Bank balances - savings accounts | **(1,465)** | (7,159) |
| **Financial liabilities** | | |
| Foreign currency convertible bonds - unsecured | **1,591,721** | 1,463,882 |
| **Net interest rate risk** | **1,590,256** | 1,456,723 |
| **FLOATING RATE INSTRUMENTS** | | |
| **Financial liabilities** | | |
| Redeemable capital - secured (non-participatory) | **1,498,200** | 1,498,200 |
| Liabilities against assets subject to finance lease | **30,507** | 33,563 |
| Short term finance - secured | **96,443** | 100,000 |
| Long term finances - secured | **732,614** | 749,830 |
| **Net interest rate risk** | **2,357,764** | 2,381,593 |

**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 23.697 million (2012: Rs 24.254 million) higher / lower, mainly as a result of higher / lower interest expense on floating rate borrowings.

**(b) Credit risk**

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

**(i) Exposure to credit risk**

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

| | 2013 | 2012 |
|---|---|---|
| | (Rupees in thousand) | |
| Long term advances and deposits | **13,619** | 13,822 |
| Trade debts - unsecured | **769,411** | 831,260 |
| Advances, deposits, prepayments and other receivables | | |
| - Advances to employees - considered good | **6,017** | 3,126 |
| - Security deposits | **13,018** | 13,987 |
| - Others - considered good | **26,996** | 12,065 |
| Cash and bank balances | **5,647** | 8,134 |
| | **834,708** | 882,394 |
| The age of trade debts at balance sheet date is as follows: | | |
| - Not past due | **-** | 11,145 |
| - Past due 0 - 365 days | **87,056** | 49,378 |
| - 1 - 2 years | **173,920** | 299,989 |
| - More than 2 years | **508,435** | 470,748 |
| | **769,411** | 831,260 |
| 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 |

Due to the Group's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Group. Furthermore, the Group transfers the legal title of sold properties only after complete settlement of debt. Accordingly, the credit risk is minimal.

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

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

| | Rating Short term | Long term | Rating Agency | 2013 | 2012 |
|---|---|---|---|---|---|
| | | | | (Rupees in thousand) | |
| KASB Bank | A3 | BBB | PACRA | **96** | 55 |
| Allied Bank Limited | A1+ | AA+ | PACRA | **190** | 159 |
| Faysal Bank Limited | A-1+ | AA | JCR-VIS | **47** | 941 |
| United Bank Limited | A-1+ | AA+ | JCR-VIS | **6** | - |
| Soneri Bank Limited | A1+ | AA- | PACRA | **5** | 5 |
| Habib Bank Limited | A-1+ | AA+ | JCR-VIS | **12** | 1 |
| Standard Chartered Bank (Pakistan) Limited | A1+ | AAA | PACRA | **114** | 326 |
| Silk Bank Limited | A-2 | A- | JCR-VIS | **67** | 65 |
| NIB Bank limited | A1+ | AA- | PACRA | **13** | 1 |
| Burj Bank Limited | A-1 | A | JCR-VIS | **1** | 3 |
| Bank Alfalah Limited | A1+ | AA | PACRA | **985** | - |
| Al Baraka Bank (Pakistan) Limited | A-1 | A | JCR-VIS | **719** | 4,429 |
| HSBC Bank Limited | F1+ | AA- | Fitch | **-** | - |
| National Bank of Pakistan | A-1+ | AAA | JCR-VIS | **26** | 2,113 |
| Askari Bank Limited | A1+ | AA | PACRA | **5** | 5 |
| Bank of Punjab | A1+ | AA- | PACRA | **105** | - |
| | | | | **2,391** | 8,103 |

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.

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 | - | - |
| | **4,995,585** | **4,995,585** | **-** | **-** |

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

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

### 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.

| | 2013 (Rupees in thousand) | | | 2012 |
|---|---|---|---|---|
| **Assets as per balance sheet** | **Available for sale** | **Loans and receivables** | **Total** | **Total** |
| Long term advances and deposits | - | 13,619 | **13,619** | 13,822 |
| Trade debts - unsecured | - | 650,129 | **650,129** | 721,551 |
| Investments | 2,207 | - | **2,207** | 2,648 |
| Advances, deposits, prepayments and other receivables | | | | |
| - Advances to employees - considered good | - | 6,017 | **6,017** | 3,126 |
| - Security deposits | - | 13,018 | **13,018** | 13,987 |
| - Others - considered good | - | 26,996 | **26,996** | 12,065 |
| Cash and bank balances | - | 5,647 | **5,647** | 8,134 |
| | 2,207 | 716,426 | **717,633** | 775,333 |

| | Financial liabilities at amortized cost | |
|---|---|---|
| | **2013** | 2012 |
| **Liabilities as per balance sheet** | (Rupees in thousand) | |
| Long term finances - secured | **732,614** | 749,830 |
| Redeemable capital - secured (non-participatory) | **1,498,200** | 1,498,200 |
| Liabilities against assets subject to finance lease | **30,507** | 33,563 |
| Foreign currency convertible bonds - unsecured | **1,591,721** | 1,463,882 |
| Short term finance - secured | **96,443** | 100,000 |
| Creditors, accrued and other liabilities | **251,586** | 235,009 |
| Accrued finance cost | **794,514** | 505,049 |
| | **4,995,585** | 4,585,533 |

### 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, 2013 and June 30, 2012 are as follows:

| | **Note** | **2013** | 2012 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| Borrowings | | **3,822,535** | 3,711,912 |
| Less: Cash and cash equivalents | 37 | **(90,796)** | (91,866) |
| Net debt | | **3,913,331** | 3,803,778 |
| Total equity | | **2,920,448** | 3,422,284 |
| Total capital | | **6,833,779** | 7,226,062 |
| Gearing ratio | | **57%** | 53% |

## 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:

### 40.1 Basic loss per share

| | | **2013** | 2012 |
|---|---|---|---|
| Loss for the year | **Rupees in thousand** | (385,635) | (1,433,091) |
| Weighted average number of ordinary shares outstanding during the year | **In thousand** | 278,877 | 278,877 |
| Basic loss per share | **Rupees** | (1.38) | (5.14) |

### 40.2 Diluted loss per share

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

| | | **2013** | 2012 |
|---|---|---|---|
| Loss for the year for calculation of basic loss per share | **Rupees in thousand** | **(385,635)** | (1,433,091) |
| Interest on FCCB | **Rupees in thousand** | **55,668** | 87,789 |
| Exchange loss on FCCB during the year | **Rupees in thousand** | **72,171** | 121,450 |
| Loss used to determine diluted loss per share | **Rupees in thousand** | **(257,796)** | (1,223,852) |
| 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** | **106,015** | 92,923 |
| Weighted average number of ordinary shares for loss per share | | **384,892** | 371,800 |
| Dilutive loss per share | **Rupees** | **(0.67)** | (3.29) |

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

## 41. Transactions with related parties

The related parties comprise associates, other related companies and key management personnel. The 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 | 2013 | 2012 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| i. Associate | Guarantee commission income | **1,500** | 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 | **28,835** | - |
| ii. Others | Purchase of goods & services | **9,464** | 39,713 |
| | Purchase of property plant & equipment | **-** | 340 |
| | Funds transferred | **3,324** | - |
| | Liabilities settled on behalf of related parties | **31,923** | - |
| | Rental income | **7,986** | 7,260 |
| | Disposal of property, plant and equipment | **5,568** | - |
| | Interest on borrowings | **-** | 7,667 |

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

## 42. Number of employees

| | 2013 | 2012 |
|---|---|---|
| Total number of employees as at June 30 | **304** | 305 |
| Average number of employees during the year | **310** | 312 |

## 43. Detail of subsidiaries

| Year ended June 30, 2013 | Accounting year end | Percentage of holding | Country of Incorporation |
|---|---|---|---|
| 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 |
| **Year ended June 30, 2012** | | | |
| Pace Woodlands (Private) Limited | 30-Jun-12 | 52% | Pakistan |
| Pace Gujrat (Private) Limited | 30-Jun-12 | 100% | Pakistan |
| Pace Supermall (Private) Limited | 30-Jun-12 | 69% | Pakistan |

**44. Date of authorisation**

These financial statements were authorised for issue on October 05, 2013 by the Board of Directors of the holding Company.

**45. Corresponding figures**

Corresponding figures have been re-arranged, wherever necessary, for the purposes of comparison. Significant re-arrangement made is of "Income tax recoverable" of Rs 35.234 million previously classified in "Advances, deposits, prepayments and other receivables" now presented separately as it is considered more appropriate for the purpose of presentation.

| | | |
|---|---|---|
| **Lahore** | **Aamna Taseer** | **Shehryar Ali Taseer** |
| October 05, 2013 | Chief Executive | Director |

# PATTERN OF SHAREHOLDING
# AS AT JUNE 30, 2013

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

| No. of Shareholders | Shareholdings From | | Shareholdings To | Shares Held |
|---|---|---|---|---|
| 2033 | 1 | - | 100 | 156,489 |
| 1054 | 101 | - | 500 | 418,748 |
| 3690 | 501 | - | 1000 | 2,464,902 |
| 1950 | 1001 | - | 5000 | 5,560,361 |
| 637 | 5001 | - | 10000 | 5,518,495 |
| 214 | 10001 | - | 15000 | 2,837,314 |
| 186 | 15001 | - | 20000 | 3,552,301 |
| 140 | 20001 | - | 25000 | 3,350,695 |
| 68 | 25001 | - | 30000 | 1,956,442 |
| 36 | 30001 | - | 35000 | 1,212,642 |
| 41 | 35001 | - | 40000 | 1,607,500 |
| 27 | 40001 | - | 45000 | 1,180,043 |
| 106 | 45001 | - | 50000 | 5,282,738 |
| 10 | 50001 | - | 55000 | 536,693 |
| 14 | 55001 | - | 60000 | 825,500 |
| 14 | 60001 | - | 65000 | 886,579 |
| 14 | 65001 | - | 70000 | 971,500 |
| 17 | 70001 | - | 75000 | 1,262,000 |
| 13 | 75001 | - | 80000 | 1,014,984 |
| 7 | 80001 | - | 85000 | 585,893 |
| 8 | 85001 | - | 90000 | 708,243 |
| 4 | 90001 | - | 95000 | 379,000 |
| 44 | 95001 | - | 100000 | 4,393,500 |
| 8 | 100001 | - | 105000 | 829,148 |
| 5 | 105001 | - | 110000 | 546,500 |
| 3 | 110001 | - | 115000 | 341,500 |
| 4 | 115001 | - | 120000 | 472,501 |
| 10 | 120001 | - | 125000 | 1,241,500 |
| 3 | 125001 | - | 130000 | 390,000 |
| 4 | 130001 | - | 135000 | 538,083 |
| 5 | 135001 | - | 140000 | 695,500 |
| 20 | 145001 | - | 150000 | 2,994,800 |
| 2 | 150001 | - | 155000 | 301,124 |
| 1 | 160001 | - | 165000 | 165,000 |
| 2 | 165001 | - | 170000 | 335,887 |
| 2 | 170001 | - | 175000 | 350,000 |

| No. of Shareholders | Shareholdings From | | Shareholdings To | Shares Held |
|---|---|---|---|---|
| 1 | 175001 | - | 180000 | 178,000 |
| 2 | 185001 | - | 190000 | 374,011 |
| 1 | 190001 | - | 195000 | 195,000 |
| 20 | 195001 | - | 200000 | 3,994,011 |
| 1 | 205001 | - | 210000 | 207,000 |
| 1 | 210001 | - | 215000 | 215,000 |
| 2 | 220001 | - | 225000 | 446,000 |
| 1 | 240001 | - | 245000 | 242,000 |
| 3 | 245001 | - | 250000 | 750,000 |
| 1 | 270001 | - | 275000 | 275,000 |
| 2 | 280001 | - | 285000 | 568,500 |
| 1 | 285001 | - | 290000 | 290,000 |
| 7 | 295001 | - | 300000 | 2,097,000 |
| 1 | 300001 | - | 305000 | 300,500 |
| 2 | 305001 | - | 310000 | 619,000 |
| 2 | 320001 | - | 325000 | 643,551 |
| 1 | 330001 | - | 335000 | 334,400 |
| 1 | 345001 | - | 350000 | 350,000 |
| 1 | 350001 | - | 355000 | 353,500 |
| 1 | 360001 | - | 365000 | 365,000 |
| 2 | 370001 | - | 375000 | 750,000 |
| 1 | 375001 | - | 380000 | 375,211 |
| 1 | 390001 | - | 395000 | 394,200 |
| 5 | 395001 | - | 400000 | 2,000,000 |
| 3 | 400001 | - | 405000 | 1,205,821 |
| 2 | 415001 | - | 420000 | 836,000 |
| 1 | 420001 | - | 425000 | 425,000 |
| 1 | 435001 | - | 440000 | 435,037 |
| 1 | 445001 | - | 450000 | 450,000 |
| 2 | 460001 | - | 465000 | 928,838 |
| 1 | 470001 | - | 475000 | 475,000 |
| 9 | 495001 | - | 500000 | 4,500,000 |
| 1 | 525001 | - | 530000 | 525,716 |
| 2 | 595001 | - | 600000 | 1,200,000 |
| 1 | 615001 | - | 620000 | 620,000 |
| 1 | 685001 | - | 690000 | 690,000 |
| 1 | 710001 | - | 715000 | 715,000 |
| 1 | 715001 | - | 720000 | 720,000 |
| 1 | 725001 | - | 730000 | 730,000 |
| 2 | 750001 | - | 755000 | 1,506,618 |
| 1 | 770001 | - | 775000 | 771,000 |
| 1 | 795001 | - | 800000 | 800,000 |
| 1 | 860001 | - | 865000 | 862,500 |
| 1 | 930001 | - | 935000 | 932,470 |
| 1 | 935001 | - | 940000 | 939,500 |
| 1 | 990001 | - | 995000 | 991,000 |
| 1 | 995001 | - | 1000000 | 1,000,000 |
| 1 | 1020001 | - | 1025000 | 1,025,000 |
| 1 | 1035001 | - | 1040000 | 1,037,500 |

| No. of Shareholders | Shareholdings | | | Shares Held |
|---|---|---|---|---|
| | From | | To | |
| 1 | 1205001 | - | 1210000 | 1,210,000 |
| 2 | 1245001 | - | 1250000 | 2,500,000 |
| 1 | 1495001 | - | 1500000 | 1,500,000 |
| 1 | 1725001 | - | 1730000 | 1,726,000 |
| 1 | 1930001 | - | 1935000 | 1,934,500 |
| 3 | 1995001 | - | 2000000 | 6,000,000 |
| 1 | 2080001 | - | 2085000 | 2,082,695 |
| 1 | 2395001 | - | 2400000 | 2,400,000 |
| 1 | 2720001 | - | 2725000 | 2,725,000 |
| 1 | 2995001 | - | 3000000 | 3,000,000 |
| 1 | 3185001 | - | 3190000 | 3,188,000 |
| 1 | 4290001 | - | 4295000 | 4,290,268 |
| 1 | 4295001 | - | 4300000 | 4,300,000 |
| 1 | 4300001 | - | 4305000 | 4,300,571 |
| 1 | 4425001 | - | 4430000 | 4,427,500 |
| 1 | 4970001 | - | 4975000 | 4,971,117 |
| 1 | 5045001 | - | 5050000 | 5,050,000 |
| 1 | 6955001 | - | 6960000 | 6,959,290 |
| 1 | 7330001 | - | 7335000 | 7,334,807 |
| 1 | 9970001 | - | 9975000 | 9,972,308 |
| 1 | 15780001 | - | 15785000 | 15,782,931 |
| 1 | 21800001 | - | 21805000 | 21,803,661 |
| 1 | 27595001 | - | 27600000 | 27,600,000 |
| 1 | 37310001 | - | 37315000 | 37,314,967 |
| | | | | |
| **10523** | | | | **278,876,604** |

# PATTERN OF SHAREHOLDING
# AS AT JUNE 30, 2013

| Categories of Shareholders | Shares held | Percentage |
|---|---|---|
| Directors, Chief Executive Officer, and their spouse and minor children | 25,523,367 | 9.152 |
| Associated Companies, undertakings and related parties. | 33,682,905 | 12.078 |
| NIT and ICP | 525,716 | 0.189 |
| Banks, Development Financial Institutions, Non Banking Financial Institutions | 40,684,641 | 14.589 |
| Insurance Companies | 425,711 | 0.153 |
| Modarabas and Mutual Funds | 4,459,039 | 1.599 |
| Share holders holding 10% or more | 37,314,967 | 13.380 |
| General Public | | |
| a) Local | 104,342,658 | 37.415 |
| b) Foreign | 5,773,939 | 2.070 |
| Others: | | |
| - Public Sector Companies and Corporations | 13,111,497 | 4.702 |
| - Foreign Companies | 50,347,131 | 18.054 |

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

# PATTERN OF SHAREHOLDING AS PER LISTING REGULATIONS AS AT JUNE 30, 2013

| Shareholders' Category | Number of Shares held |
|---|---|
| **Associated Companies, undertaking and related parties** | |
| First Capital Securities Corporation Limited | 26,723,615 |
| Worldcall Telecom Limited | 6,959,290 |
| **Mutual Fund** | - |
| **Directors and their Spouse and Minor Children** | |
| Aamna Taseer (CEO/Director) | 587 |
| Shehryar Ali Taseer (Director) | 500 |
| Shahrbano Taseer (Director) | 500 |
| Maheen Ghani Taseer (Director) | 587 |
| Imran Hafeez (Director) | 987 |
| Jamal Said Al-Ojaili (Director) | 587 |
| Imran Saeed Chaudhry (Director) | 4,300,571 |
| Sulieman Ahmed Saeed Al-Hoqani (Director) | 21,219,048 |
| **Executive** | |
| **Public Sector Companies and Corporations** | 13,111,497 |
| **Banks Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Takaful, Modaraba and Pension Funds** | 45,569,391 |
| **Shareholders holding 5% or more voting interest in the Company** | |
| Sulaiman Ahmed Saeed Al-Hoqani | 21,219,048 |
| Pioneer Services Limited | 21,803,661 |
| First Capital Securities Corporation Limited | 26,723,615 |
| Sisley Group Company Limited | 27,600,000 |
| National Bank of Pakistan | 37,314,967 |

# 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 29 October 2013 at 10:30 a.m. and at any adjournment thereof.

Signature this ___________________ Day of _________________ 2013.

(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.