

**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, 2015**

## COMPANY INFORMATION

<b>Board of Directors</b>	Shehryar Ali Taseer (Chairman) Aamna Taseer (CEO) Shehrbano Taseer Imran Hafeez Kanwar Latafat Ali Khan Mohammed Imran Chaudhry Sulaiman Ahmed Saeed Al-Hoqani Syed Abid Raza	Non-Executive Executive Non-Executive Executive Independent Non-Executive Non-Executive Non-Executive
<b>Chief Financial Officer</b>	Imran Hafeez	
<b>Audit Committee</b>	Kanwar Latafat Ali Khan (Chairman) Shahryar Ali Taseer Shehrbano Taseer Syed Abid Raza	
<b>Human Resource and Remuneration (HR&amp;R) Committee</b>	Shehryar Ali Taseer (Chairman) Aamna Taseer Kanwar Latafat Ali Khan	
<b>Company Secretary</b>	Sajjad Ahmad	
<b>Auditors</b>	A.F. Ferguson & Co. Chartered Accountants	
<b>Legal Advisers</b>	M/s. Imtiaz Siddiqui & Associates	
<b>Bankers</b>	Allied Bank Limited Albaraka Bank (Pakistan) Limited Askari Bank Limited Bank Alfalah Limited Faysal Bank Limited Habib Bank Limited KASB Bank Limited National Bank of Pakistan NIB Bank Limited Silk Bank Limited Soneri Bank Limited Pair Investment Company Limited The Bank of Punjab United Bank Limited	
<b>Registrar and Shares Transfer Office</b>	THK Associates (Pvt.) Limited Ground Floor State Life Building No.3, Dr. Zia-ud-Din Ahmed Road Karachi  (021) 111-000-322	
<b>Registered Office/Head Office</b>	2 <sup>nd</sup> Floor, Pace Shopping Mall Fortress Stadium, Lahore Cantt Lahore, Pakistan  (042)-36623005/6/8 Fax: (042) 36623121, 36623122	

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 24<sup>th</sup> Annual General Meeting of the Shareholders of Pace (Pakistan) Limited (“the Company” or “PACE”) will be held on Saturday, 31 October 2015 at 11:00 a.m. at 2<sup>nd</sup> Floor, Pace Shopping Mall, Fortress Stadium, Lahore Cantt. Lahore, the Registered Office of the Company, to transact the following business:

1. To confirm the minutes of last Annual General Meeting held on 31 October 2014;
2. To receive, consider and adopt the audited financial statements of the Company for the year ended 30 June 2015 together with the Directors' and Auditors' reports thereon;
3. To appoint the Auditors of the Company for the year ending 30 June 2016 and to fix their remuneration;

**By order of the Board**

Lahore  
07 October 2015

**Sajjad Ahmad**  
Company Secretary

**Notes:**

- 1) The Members Register will remain closed from 24 October 2015 to 31 October 2015 (both days inclusive). Transfers received at THK Associates (Pvt.) Limited, Ground Floor, State Life Building No. 3, Dr. Ziauddin Ahmad Road, Karachi, the Registrar and Shares Transfer Office of the Company, by the close of business on 23 October 2015 will be treated in time for the purpose of Annual General Meeting.
- 2) A member eligible to attend and vote at the meeting may appoint another member as proxy to attend and vote in the meeting. Proxies in order to be effective must be received by the company at the Registered Office not later than 48 hours before the time for holding the meeting.
- 3) In order to be valid, an instrument of proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney, must be deposited at the registered office of the company, 2<sup>nd</sup> Floor, Pace Shopping Mall, Fortress Stadium, Lahore Cantt. Lahore, not less than 48 hours before the time of the meeting.
- 4) a) Individual beneficial owners of CDC entitled to attend and vote at the meeting must bring his/her participant ID and account/sub-account number along with original 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.

6) **Computerized National Identity Card (CNIC) / National Tax Number (NTN)**

CNIC or NTN of the shareholders is mandatory in terms of the directive of the Securities and Exchange Commission of Pakistan contained in S.R.O. 831(I)2012 dated 5 July 2012 for the issuance of future dividend warrants etc., and in the absence of such information, payment of dividend may be withheld in term of SECP's above mentioned directive. Therefore, the shareholders who have not yet provided their CNICs or NTN are once again advised to provide the attested copies of their CNICs or NTN (if not already provided) directly to our Independent Share Registrar, THK Associates (Pvt.) Limited without any further delay.

7) **Availability of Audited Financial Statements on Company's Website**

The Company has place the Audited Annual Financial Statements for the year ended 30 June 2015 along with Auditors and Directors Reports thereon on its website: [www.pacepakistan.com](http://www.pacepakistan.com)

8) **Transmission of Financial Statements to the Members through E-mail**

In pursuance of SECP notification S.R.O. 787 (I) 2014 dated 08 September 2014, the companies have been allowed to circulate their Annual Balance Sheet and Profit and Loss Accounts, Auditors, Report and Director's Report (Annual Financial Statements) along with Notice of Annual General Meeting (Notice) through E-mail to the members of the Company. Members desiring to avail this facility may provide the requisite information to the Company for which form may be downloaded from the Company's website: [www.pacepakistan.com](http://www.pacepakistan.com)



## DIRECTORS' REPORT TO THE SHAREHOLDERS

On the completion of yet another year, the Board of Directors of Pace (Pakistan) Limited take pleasure in presenting their Annual Report together with Audited Financial Statements of the Company along with the Auditors' Report for the year ended June 30<sup>th</sup>, 2015.

### Performance Outlook

#### General Economic Overview:

The revival of growth that started in 2013-14 has accelerated in 2014-15. The factors contributing this momentum in growth include the reform initiatives, commitment to a calibrated fiscal and monetary management and an overall improvement in macroeconomic situation. The impact of these factors was strengthened by a steep decline in oil prices, rise in foreign exchange buffers, growth in remittances and proceeds from privatization.

Fiscal year 2014-15 registered some remarkable achievements. Inflation hit the lowest level at 2.1 percent on YoY in April since 2003-04. The policy rate decelerated at 7 percent which was lowest in last 42 years, capital market created history, grading by international rating agencies improved, historical agreement with Chinese Government on China Pak Economic Corridor (CPEC), successfully reviews with IMF, issuance of Ijara Sakuk Bond after a period of 9 year, decline in unemployment rate from 6.2 to 6.0 percent etc. The GDP growth during 2014-15 remained at 4.24 percent as compared to last year 4.03 percent revised estimates.

Per Capita Income in dollar terms has registered a significant growth of 9.25 percent in 2014-15 as compared to 3.83 percent last year. The per capita income in dollar terms has increased from \$ 1,333 in 2012-13 to \$ 1,512 in 2014-15. The main contributing factors, of this rapid increase in per capita income include acceleration in real GDP growth, relatively lower growth in population and the consistent of Pak Rupee.

#### Real Estate Overview:

The contribution of construction in industrial sector is 12.0 percent and in GDP it contributes 2.4 percent and provides employment opportunities to 7.33 percent of labor force. This sub-sector is considered one of the potential components of industries.

Despite the newly imposed tax, which requires the property investors and brokers to pay 0.3 percent on

every banking transaction above PKR 50,000; the construction sector has recorded a growth of 7.0 percent against the growth of 7.2 percent last year.

#### Company Performance and Financial Overview:

During the current financial year, the Company recorded sales of PKR 413 million as compared to PKR 363 Million the last year, with an aggregate increase in sales by 14%. Increase in net loss after tax from previous year is 62%. Company incurred a net loss after tax of Rs. 306.880 million.

Comparison of the audited results for the year ended June 30, 2015 and the year ended June 30, 2014 are as follows:

	<b>Year Ended June 30,</b>	
	<b>2015</b>	<b>2014</b>
	<b>'Rupees in thousand'</b>	
Sales	<b>413,204</b>	466,466
Sales return	-	(103,845)
Gross profit	<b>5,311</b>	93,896
Other income	<b>32,349</b>	44,401
Finance cost	<b>(230,351)</b>	(274,168)
Loss before tax	<b>(302,748)</b>	(186,012)
Net loss after tax	<b>(306,880)</b>	(189,638)
Loss per share-Basic and diluted	<b>(1.10)</b>	(0.68)

The variance in other income is due to the reversal of provision against Debt to Asset SWAP of PKR 21.575 million during the previous year which was partially set-off by a gain on sale of shops and counters amounting to PKR 4.275 million. Main reason for decrease in finance cost is due to the penalty charged by Al Baraka Bank amounting to PKR 30.421 million during last year. No such penalty has been charged by the bank this year.

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

At the close of financial year ended June 30, 2015 Company is facing liquidity crunch and current liabilities of the Company have exceeded its current assets by PKR 2,791.693 million that may cast significant doubt about the company's ability to continue as a going concern.

The management of the Company is confident that by the restructuring of 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, the Company would be able to produce mark able results. The resultant liquidity would be utilized for completion and sale of its 'Pace Towers' Project.

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

However, Company has agreed in principle with the following lenders:

National bank of Pakistan has agreed in principle to settle the entire principal and accrued markup together with its portion of STFF against property available at Pace Towers.

Al Baraka Bank has agreed to settle principal of PKR 242.291 million against properties at first floor of Pace Towers, measuring to 17,950 square feet along with the waiver of accrued markup and late payment charges.

Habib bank has agreed settlement of bank's share of STFF of Rs 106.894 million, against properties situated at ground floor of Pace Towers and the third floor of Pace Model Town (Extension) measuring 4,238 square feet and 431 square feet respectively.

Pair Investment Company Limited (PAIR) has offered, which the Company has accepted, to settle Rs 138.750 million inclusive of mark up of Rs 42.307 million against the properties at mezzanine floor and basement of Pace Towers measuring 6,000 square feet and restructuring of Rs 15.950 million.

### **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 2015.

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 through 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 to our stakeholders.

### **Health and Safety measures:**

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

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

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

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

The Company is committed to:

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

### **People and Human Resource Development:**

Our People strategy, together with our employee

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

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

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

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

#### **Appropriations:**

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

#### **Changes in Board of Directors:**

During the year under review Mr. Imran Saeed Chaudhry resigned from the post of Directorship and subsequent to the year Mr. Mohammed Imran Chaudhry has been appointed as director of the Company to fill the casual vacancy. 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, 2016, at a fee to be mutually agreed.

#### **Human Resource Committee:**

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

executive director. The names of the members of the committee are mentioned below.

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

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

<b>Directors</b>	<b>Meetings Attended</b>
Aamna Taseer	4
Shehryar Ali Taseer	4
Shehrbano Taseer	4
Kanawar Latafat Ali Khan	3
Imran Saeed Chaudhry	-
Imran Hafeez	4
Syed Abid Raza	3
Sulaiman Ahmed Saeed Al-Hoqani	-

The Directors who could not attend the meeting and request for grant of leave were granted leave by the Board.

#### **Trading of Directors**

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

#### **Audit Committee**

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

<b>Audit Committee Member</b>	<b>Meetings Attended</b>
Kanawar Latafat Ali Khan (Chairman)	5
Shehryar Ali Taseer (Member)	6
Shehrbano Taseer (Member)	6
Syed Abid Raza (Member)	5

During the financial year there is no change in audit committee members.

#### **Integrity and compliance**

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

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

### **Compliance with Laws, Rules & Regulations**

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

### **Pattern of Shareholding:**

The pattern of shareholding on June 30, 2015 as required under section 236 of the Company's Ordinance 1984 and listing regulations is attached.

### **Corporate and Financial Reporting Framework:**

The Board of Directors of the company, for the purpose of establishing a framework of good corporate governance has fully adopted the Code of Corporate Governance, as per listing regulations of stock exchanges.

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

3. Appropriate accounting policies have been consistently applied in the preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment.
4. The international accounting standards, as applicable in Pakistan, have been followed in the preparation of financial statements and departure (if any) is adequately disclosed.
5. The key operating and financial data for the last six years is Annexed.
6. The Company is in compliance with the requirement of training programs for Directors

### **The Path Forward**

Through the delivery of key development projects in 2016 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 07, 2015

**Aamna Taseer**  
Chief Executive Officer

Annexure I

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

<b>Directors</b>	<b>Opening balance as on 01-07-2014</b>	<b>Purchase</b>	<b>Bonus</b>	<b>Sale</b>	<b>Closing balance as on 30-06-2015</b>
Aamna Taseer	587	-	-	-	587
Shehryar Ali Taseer	500	-	-	-	500
Shehrbano Taseer	500	-	-	-	500
Sulaiman Ahmed Saeed Al-Hoqani	21,219,048	-	-	-	21,219,048
Imran Saeed Chaudhry (Resigned)	4,300,571	127,000	-	986,000	3,441,571
Kanwar Latafat Ali Khan	587	-	-	-	587
Imran Hafeez	987	-	-	-	987
Syed Abid Raza	1,087	-	-	-	1,087
<b>Spouces</b>	-	-	-	-	-
<b>Minor Children</b>	-	-	-	-	-
<b>Chief Financial Officer</b>					
Imran Hafeez	-	-	-	-	987
<b>Company Secretary</b>					
Sajjad Ahmad	-	-	-	-	-

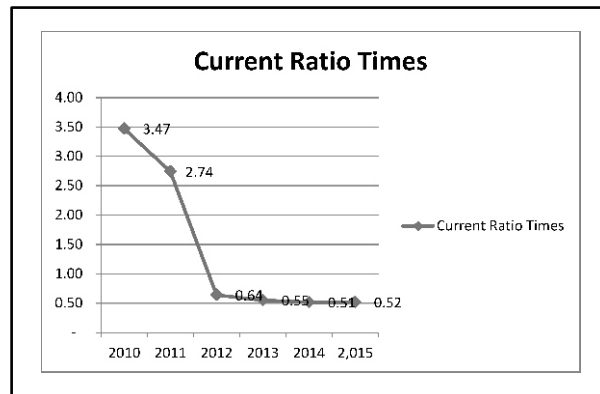
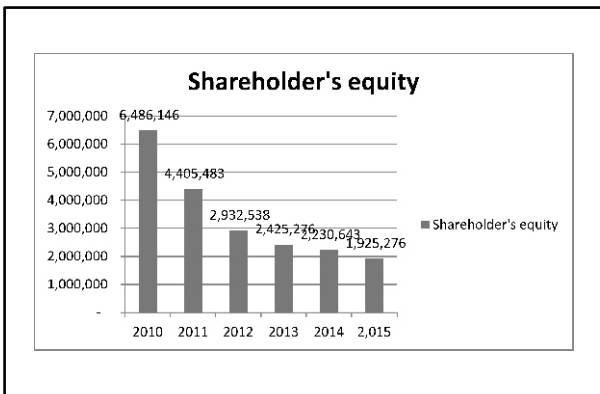
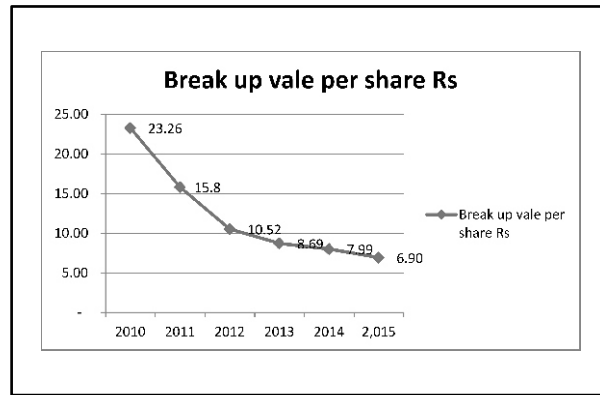
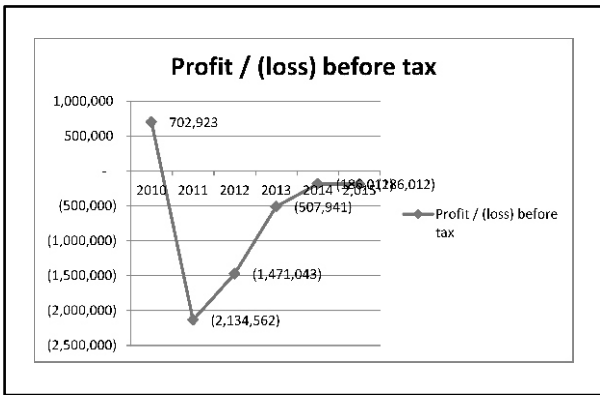
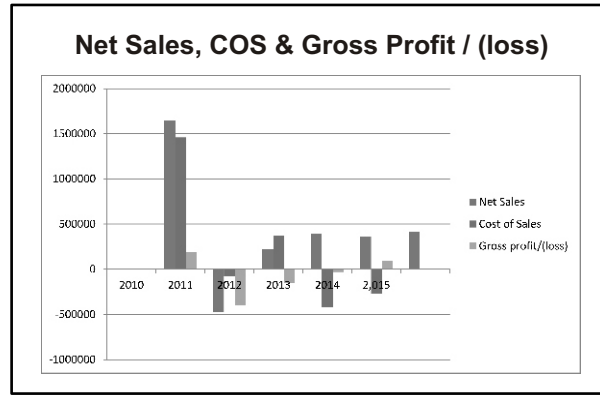
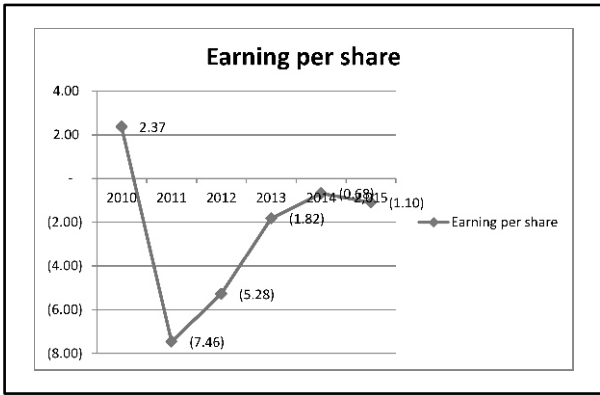
**KEY OPERATING AND FINANCIAL INDICATORS**

**KEY INDICATORS**

**Rupees in thousands**

		2010	2011	2012	2013	2014	2015
<b>Operating result</b>							
Net Sales		1,649,336	(476,405)	218,747	392,294	362,621	413,204
Cost of Sales		1,458,397	(74,393)	374,064	(422,713)	(268,725)	(407,893)
Gross profit/(loss)		190,939	(402,012)	(155,317)	(30,419)	93,896	5,311
Profit / (loss) from operation		914,133	(1,649,605)	(1,006,475)	(137,365)	88,156	(72,397)
Profit / (loss) before tax		702,923	(2,134,562)	(1,471,043)	(507,941)	(186,012)	(302,748)
Profit /(loss)after tax		633,164	(2,080,561)	(1,471,916)	(508,877)	(189,638)	(306,880)
<b>Financial Position</b>							
Shareholder's equity		6,486,146	4,405,483	2,939,266	2,425,276	2,230,643	1,925,276
Property, plant & Equipment		550,444	516,419	577,075	465,635	455,206	431,957
Net current assets		2,320,745	1,858,925	(1,639,203)	(2,292,835)	(2,569,572)	(2,791,693)
<b>Profitability</b>							
Gross profit /(loss)	%	11.58	-84.38	(71.00)	(7.75)	25.89	1.29
Operating profit /(loss)	%	55.42	-346.26	(460.11)	(35.02)	24.31	(17.52)
Profit /(loss) before tax	%	42.62	-448.06	(672.49)	(129.48)	(51.30)	(73.27)
Profit /(loss) after tax	%	38.39	-436.72	(672.89)	(129.72)	(52.30)	(74.27)
<b>Performance</b>							
Fixed assets turnover	Times	3.00	(0.92)	0.38	0.84	0.80	0.96
Return on equity	%	10.84	-38.2	(40.12)	(18.96)	(8.15)	(14.77)
Return on capital employed	%	6.88	-24.24	(28.02)	(19.22)	(8.27)	(14.52)
<b>Liquidity</b>							
Current Ratio	Times	3.47	2.74	0.64	0.55	0.51	0.52
Quick	Times	2.31	1.23	0.20	0.16	0.14	0.14
<b>Valuation</b>							
Earning per share	Rs	2.37	(7.46)	(5.28)	(1.82)	(0.68)	(1.10)
Break up vale per share	Rs	23.26	15.8	10.52	8.69	7.99	6.90

PERFORMANCE AT A GLANCE





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

**PACE (PAKISTAN) LIMITED (“THE COMPANY”)  
FOR THE YEAR ENDED 30 JUNE 2015**

This statement is being presented to comply with the Code of Corporate Governance (the “Code”) contained in Regulation No. 5.19 of the Karachi Stock Exchange Limited Regulations and Regulation No. 35 of Chapter XI contained in the Listing Regulations of Lahore Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed Company is managed in compliance with the best practices of corporate governance.

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

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

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

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

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

- 2) The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).
- 3) All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking Company, a DFI or an NBFII or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
- 4) A casual vacancy occurring on June 8, 2015 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) Two directors on the Board attended the training program and attained certification under the 'Director Certification Training program conducted by University of Lahore this year.



- 10) The Board has approved the appointment of head of Internal Auditor including his remuneration and terms and conditions of employment and there were no new appointments of the CFO and Company Secretary during the year.
- 11) The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
- 12) The financial statements of the Company were duly endorsed by the CEO and CFO before approval of the Board.
- 13) The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
- 14) The Company has complied with all the corporate and financial reporting requirements of the Code.
- 15) The Board has formed an Audit Committee. It comprises four members of whom three are non-executive directors and the Chairman of the committee is an independent director.
- 16) The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
- 17) The Board has formed a Human Resource and Remuneration (HR&R) Committee. It comprises of three members, of whom two are non-executive directors and the chairman of the committee is a non-executive director.
- 18) The Board has set up an effective internal audit function that is considered suitable qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
- 19) The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
- 20) The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
- 21) The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchange(s)
- 22) Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
- 23) The Board has in place a mechanism for evaluation of performance of the Board.
- 24) We confirm that all other material principles enshrined in the Code have been complied with.

For and on behalf of the Board

Lahore  
October 07, 2015

**Aamna Taseer**  
Chief Executive Officer

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Pace (Pakistan) Limited (the Company) for the year ended June 30, 2015 to comply with the Code contained in Regulation No. 5.19 of the Karachi Stock Exchange Limited Regulations and Regulation No. 35 of Chapter XI contained in the Listing Regulations of Lahore Stock Exchange, where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. 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 a 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 of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its 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 and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of 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 as applicable to the Company for the year ended June 30, 2015.

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

Lahore: October 09, 2015

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

We have audited the annexed balance sheet of Pace (Pakistan) Limited as at June 30, 2015 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, 2015 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 2,791.693 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.

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

Lahore, October 09, 2015

Name of Engagement Partner: Asad Aleem Mirza

**BALANCE SHEET**  
**AS AT JUNE 30, 2015**

	Note	June 30, 2015	June 30, 2014
(Rupees in thousand)			
<b>EQUITY AND LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
Authorised capital 600,000,000 (2014: 600,000,000) ordinary shares of Rs 10 each		<u><b>6,000,000</b></u>	<u>6,000,000</u>
Issued, subscribed and paid up capital 278,876,604 (2014: 278,876,604) ordinary shares of Rs 10 each	5	<b>2,788,766</b>	2,788,766
Reserves		<b>272,258</b>	272,209
Accumulated loss		<u><b>(1,135,748)</b></u>	<u>(830,332)</u>
		1,925,276	2,230,643
<b>NON-CURRENT LIABILITIES</b>			
Long term finances - secured	6	-	-
Redeemable capital - secured (non-participatory)	7	-	-
Liabilities against assets subject to finance lease	8	-	-
Foreign currency convertible bonds - unsecured	9	-	-
Deferred liabilities	10	<b>35,595</b>	34,654
		<b>35,595</b>	34,654
<b>CURRENT LIABILITIES</b>			
Advances against sale of property	11	<b>231,933</b>	131,678
Current portion of long term liabilities	12	<b>3,807,176</b>	3,746,097
Short term finance - secured	13	<b>96,443</b>	96,443
Creditors, accrued and other liabilities	14	<b>291,120</b>	231,634
Accrued finance cost	15	<b>1,368,075</b>	1,091,217
		<b>5,794,747</b>	5,297,069
<b>CONTINGENCIES AND COMMITMENTS</b>	16	-	-
		<u><b>7,755,618</b></u>	<u>7,562,366</u>

The annexed notes from 1 to 42 form an integral part of these financial statements.

Lahore  
October 07, 2015

Aamna Taseer  
Chief Executive

# Pace (Pakistan) Limited

	Note	June 30, 2015	June 30, 2014
		(Rupees in thousand)	
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	17	459,578	592,660
Intangible assets	18	6,609	7,145
Investment property	19	3,421,430	3,370,166
Long term investments	20	851,328	851,279
Long term advances and deposits	21	13,619	13,619
Deferred taxation	22	-	-
		4,752,564	4,834,869
<b>CURRENT ASSETS</b>			
Stock-in-trade	23	2,184,422	1,968,645
Trade debts - unsecured	24	676,181	630,465
Advances, deposits, prepayments and other receivables	25	85,740	78,880
Income tax recoverable		55,556	47,885
Cash and bank balances	26	1,155	1,622
		3,003,054	2,727,497
		7,755,618	7,562,366

**Shehryar Ali Taseer**  
Director

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED JUNE 30, 2015**

	Note	2015 (Rupees in thousand)	2014
Sales	27	413,204	466,466
Less: Sales return	27.1.1	-	(103,845)
		413,204	362,621
Cost of sales	28	(407,893)	(268,725)
<b>Gross profit</b>		5,311	93,896
Administrative and selling expenses	29	(137,520)	(159,214)
Other income	30	32,349	44,401
Other operating expenses	31	(49,537)	(1,491)
		(149,397)	(22,408)
Finance costs	32	(230,351)	(274,168)
Changes in fair value of investment property	19	77,000	110,564
<b>Loss before tax</b>		(302,748)	(186,012)
Taxation	33	(4,132)	(3,626)
<b>Loss for the year</b>		(306,880)	(189,638)
<b>Other comprehensive income/(loss)</b>			
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurement of net defined benefit liability - net of tax		1,464	(5,514)
<i>Items that may be reclassified subsequently to profit or loss</i>			
Changes in fair value of available for sale investments		49	(300)
Loss during the year transferred to profit and loss on account of derecognition of investment		-	819
		49	519
<b>Total comprehensive loss for the year</b>		(305,367)	(194,633)
Loss per share attributable to ordinary shareholders			
- basic loss per share	Rupees	38.1	(1.10)
- diluted loss per share	Rupees	38.2	(1.10)

The annexed notes from 1 to 42 form an integral part of these financial statements.

**Lahore**  
October 07, 2015

**Aamna Taseer**  
Chief Executive

**Shehryar Ali Taseer**  
Director

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED JUNE 30, 2015**

	Share capital	Share premium reserve	Reserve for changes in fair value of investments	Accumulated loss	Total
<b>Balance as on June 30, 2013</b>	2,788,766	273,265	(1,575)	(635,180)	2,425,276
<b>Total comprehensive loss for the year</b>					
Loss for the year	-	-	-	(189,638)	(189,638)
Other comprehensive loss for the year:					
Remeasurement of net defined benefit liability net of tax	-	-	-	(5,514)	(5,514)
Changes in fair value of available for sale investments	-	-	519	-	519
<b>Total contributions by and distributions to owners of the Company recognised directly in equity</b>	-	-	519	(195,152)	(194,633)
<b>Balance as on June 30, 2014</b>	<b>2,788,766</b>	<b>273,265</b>	<b>(1,056)</b>	<b>(830,332)</b>	<b>2,230,643</b>
<b>Total comprehensive loss for the year</b>					
Loss for the year	-	-	-	(306,880)	(306,880)
Other comprehensive loss for the year:					
Remeasurement of net defined benefit liability net of tax	-	-	-	1,464	1,464
Changes in fair value of available for sale investments	-	-	49	-	49
<b>Total contributions by and distributions to owners of the Company recognised directly in equity</b>	-	-	49	(305,416)	(305,367)
<b>Balance as on June 30, 2015</b>	<b>2,788,766</b>	<b>273,265</b>	<b>(1,007)</b>	<b>(1,135,748)</b>	<b>1,925,276</b>

The annexed notes from 1 to 42 form an integral part of these financial statements.

Lahore  
October 07, 2015

Aamna Taseer  
Chief Executive

Shehryar Ali Taseer  
Director

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2015**

	Note	2015 (Rupees in thousand)	2014
<b>Cash flow from operating activities</b>			
Cash generated from operations	35	9,622	162,400
Finance costs paid		(2,762)	(32,686)
Gratuity and leave encashment paid		(798)	(3,875)
Taxes paid		(11,803)	(9,509)
<b>Net cash (used in) / generated from operating activities</b>		<b>(5,741)</b>	116,330
<b>Cash flow from investing activities</b>			
Purchase of property, plant and equipment		(11,535)	(7,906)
Proceeds from sale of property, plant and equipment		2,595	624
Proceeds from sale of investment property		16,873	-
Decrease in long term loans and deposits		-	-
Markup received		259	375
Proceeds from disposal of investment		-	979
Investment in equity instruments		-	(29)
<b>Net cash generated from / (used in) investing activities</b>		<b>8,192</b>	(5,957)
<b>Cash flow from financing activities</b>			
Repayment of long term finances		-	(110,292)
Repayment of finance lease liabilities		(2,918)	(3,974)
<b>Net cash used in financing activities</b>		<b>(2,918)</b>	(114,266)
<b>Net decrease in cash and cash equivalents</b>		<b>(467)</b>	(3,893)
<b>Cash and cash equivalents at the beginning of the year</b>		<b>(94,821)</b>	(90,928)
<b>Cash and cash equivalents at the end of the year</b>	36	<b>(95,288)</b>	(94,821)

The annexed notes from 1 to 42 form an integral part of these financial statements.



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

### **FOR THE YEAR ENDED JUNE 30, 2015**

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

Pace (Pakistan) Limited ('the Company') is a public limited Company incorporated in Pakistan and listed on Karachi and Lahore stock exchanges. The object of the Company is to build, acquire, manage and sell condominiums, departmental stores, shopping plazas, super markets, utility stores, housing societies and to carry out commercial, industrial and other related activities in and out of Pakistan. The address of the registered office of the Company is 2<sup>nd</sup> 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 306.880 million (2014: Rs 189.638 million). As at the reporting date, the current liabilities of the Company have exceeded its current assets by Rs 2,791.693 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. The Company is facing difficulties in realization of existing receivables and sale of its inventory, being encumbered against long term borrowings. These conditions raise significant doubts on the Company's ability to continue as a going concern.

The management of the Company is continuously engaged with its lenders for settlements of its borrowings. During the year National Bank of Pakistan (NBP), Habib Bank Limited (HBL) and Al Baraka Bank (Pakistan) Limited (ABBPL) have agreed in principle to settle their principal and markup. NBP has agreed in principle to settle its portion of Syndicate Term Finance Facility (STFF) and Term Finance Facility along with the accrued markup aggregating to Rs 332.112 million against property situated at various floors of Pace Towers measuring 18,475 square feet on conditions mentioned in note 6.1. HBL has agreed in principle to settle its share of STFF of Rs 108.894 million against properties situated at ground floor of Pace Towers and the third floor of Pace Model Town (Extension) measuring 4,238 square feet and 431 square feet respectively and waive markup of Rs 71.915 million on conditions mentioned in note 6.1. ABBPL has agreed in principle to settle principal of Rs 242.291 million against properties at first floor of Pace Towers measuring 17,950 square feet along with the waiver of accrued markup and late payment charges on conditions mentioned in note 6.4. However, legal documentation has not been finalized with these Banks. Similarly subsequent to year Pair Investment Company Limited (PAIR) has offered, which the Company has accepted, to settle Rs 138.750 million inclusive of mark up of Rs 42.307 million against the properties at mezzanine floor and basement of Pace Towers measuring 6,000 square feet and restructuring of Rs 15.950 million on conditions mentioned in note 13.

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

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

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

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

- the Company will be able to obtain relaxations from its lenders as highlighted above;
- the Company will be able to settle loans against its properties; and
- the Company will be able to readily realise its receivables and inventory and be able to utilise the resultant liquidity for completion and sale of the 'Pace Towers' Project.

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

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

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

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

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

- Annual improvements 2012 applicable for annual periods beginning on or after July 1, 2014. These amendments include changes from the 2010-12 cycle of the annual improvements project, that affect 7 standards: IFRS 2, 'Share-based payment', IFRS 3, 'Business Combinations', IFRS 8, 'Operating segments', IFRS 13, 'Fair value measurement', IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets', Consequential amendments to IFRS 9, 'Financial instruments', IAS 37, 'Provisions, contingent liabilities and contingent assets', and IAS 39, Financial instruments – Recognition and measurement'. The application of these amendments have no material impact on the Company's financial statements.
- Annual improvements 2013 applicable for annual periods beginning on or after July 1, 2014. The amendments include changes from the 2011-13 cycle of the annual improvements project that affect 4 standards: IFRS 1, 'First time adoption', IFRS 3, 'Business combinations', IFRS 13, 'Fair value

measurement' and IAS 40, 'Investment property'. The application of these amendments have no material impact on the Company's financial statements.

- IAS 19 (Amendments), 'Employee benefits', regarding defined benefit plans is applicable on accounting periods beginning on or after July 1, 2014. These apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. The application of these amendments have no material impact on the Company's 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 application of this amendment has no material impact on the Company's 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 application of this amendment has no material impact on the Company's financial statements.

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

-IFRIC 21, 'Levies' is applicable on accounting period beginning on or after July 01, 2014. It sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when should a liability be recognised. The application of this interpretation has no material impact on the Company's financial statements.

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

The following amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after July 01, 2015 or later periods, and the Company has not early adopted them:

- Annual improvements 2014 are applicable for annual periods beginning on or after January 01, 2016. These amendments include changes from the 2012-14 cycle of the annual improvements project, that affect 4 standards: IFRS 5, 'Non-current assets held for sale and discontinued operations' regarding methods of disposal, IFRS 7, 'Financial instruments: Disclosures', (with consequential amendments to IFRS 1) regarding servicing contracts, IAS 19,'Employee benefits' regarding discount rates, IAS 34, 'Interim financial reporting' regarding disclosure of information. The Company shall apply this standard from July 01, 2016 and does not expect to have any material impact on its financial statements.

- Amendment to IAS 1, 'Presentation of financial statements' on the disclosure initiative are applicable for annual periods beginning on or after January 01, 2016. These amendments are part of IASB major initiative to improve presentation and disclosure in financial reports. The Company shall apply this standard from July 01, 2016 and does not expect to have any material impact on its financial statements.

- Amendments to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets', on depreciation and amortisation, are applicable for annual periods beginning on or after January 01, 2016. In this amendment the IASB has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. The Company shall apply this standard from July 01, 2016 and does not expect to have any material impact on its financial statements.

- IAS 27 (Amendments), 'Separate financial statements' on the equity method is applicable on accounting periods beginning on or after January 1, 2016. These amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The Company shall apply this standard from July 01, 2016 and does not expect to have a 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 9 'Financial instruments', issued on July 2014. The IASB has published the complete version of IFRS 9, 'Financial Instruments', which replaces the guidance in IAS 39. This final version includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the incurred loss impairment model used today. The Company shall apply this standard from July 01, 2018 and does not expect to have any material impact on its financial statements.

- IFRS 10 - 'Consolidated financial statements' is applicable on accounting periods beginning on or after January 01, 2015. This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in determining control where this is difficult to assess. The Company shall apply this standard from July 01, 2015 and does not expect to have a material impact on its financial statements.

- Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures' are applicable on accounting periods beginning on or after January 01, 2016. These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The Company shall apply this standard from July 01, 2016 and does not expect to have a material impact on its financial statements.

- Amendment to IFRS 10 and IAS 28 on investment entities applying the consolidation exception are applicable on accounting periods beginning on or after January 01, 2016. These amendments clarify the application of the consolidation exception for investment entities and their subsidiaries. The Company shall apply this standard from July 01, 2016 and does not expect to have a material impact on its financial statements.

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

- Amendment to IFRS 11, 'Joint arrangements' on acquisition of an interest in a joint operation is applicable on accounting periods beginning on or after January 01, 2016. This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions. The Company shall apply this standard from July 01, 2016 and does not expect to have a material impact on its financial statements.

- IFRS 12 - 'Disclosures of interests in other entities'. This is applicable on accounting periods beginning on or after January 01, 2015. This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Company shall apply this standard from July 01, 2015 and does not expect to have a material impact on its financial statements.

- IFRS 13 - 'Fair value measurement'. This is applicable on accounting periods beginning on or after January 01, 2015. This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The Company shall apply this standard from July 01, 2015 and does not expect to have a material impact on its financial statements.

- IFRS 15 - 'Revenue from contracts with customers' is applicable on accounting periods beginning on or after January 01, 2017. This is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally. The Company shall apply this standard from July 01, 2017 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, 2015. Projected Unit Credit Method, using the following significant assumptions for valuation of the scheme:

- Discount rate 9.75 percent per annum (2014: 13.25 percent per annum)
- Expected rate of increase in salary level 8.75 percent per annum (2014: 12.25 percent per annum)

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

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

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

The latest actuarial valuation was carried out as at June 30, 2015. Projected Unit Credit Method, using the following significant assumptions is used for valuation of accumulating compensated absences:

- |                               |                      |
|-------------------------------|----------------------|
| - Discount rate               | 9.75% (2014: 13.25%) |
| - Expected increase in salary | 8.75% (2014: 12.25%) |

- Expected mortality rate	As per SLIC (2001-2005) mortality table with one year Setback
- Expected withdrawal and early retirement rate	Based on experience and age
- Average number of leaves accumulated per annum by employees	10 days (2014: 10 days)

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

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

#### **4.6 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, 2015. 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 4.13.

#### **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**

2015 (Number of shares)	2014		2015 (Rupees in thousand)	2014
<b>201,704,516</b>	201,704,516	Ordinary shares of Rs 10 each fully paid in cash	<b>2,017,045</b>	2,017,045
<b>77,172,088</b>	77,172,088	Ordinary shares of Rs 10 each issued as fully paid bonus shares	<b>771,721</b>	771,721
<b><u>278,876,604</u></b>	<u>278,876,604</u>		<b><u>2,788,766</u></b>	<u>2,788,766</u>

First Capital Securities Corporation Limited, an associated undertaking, holds 7,504,915 (2014: 26,723,615) ordinary shares of the Company.

	Note	2015 (Rupees in thousand)	2014
<b>6. Long term finances - secured</b>			
Syndicate term finance facility	6.1	<b>305,412</b>	305,412
National Bank of Pakistan - term finance	6.2	<b>39,780</b>	39,780
Soneri Bank - demand finance	6.3	<b>27,422</b>	27,422
Al Baraka Bank (Pakistan) Limited - musharika based agreement	6.4	<b><u>242,292</u></b>	<u>242,292</u>
		<b>614,906</b>	614,906
Less: Current portion shown under current liabilities	12	<b><u>(614,906)</u></b>	<u>(614,906)</u>
		<b>-</b>	-

**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% (2014: 3 months KIBOR plus 3.5%).

**Security**

The facility is secured against first pari passu hypothecation/mortgage charge over the two projects land and construction there of with 25% margin; assignment of receivables and related sale proceeds out of the two projects; assignment of rights and benefits under all agreements of the two projects; and assignment of all present and future net operational income and cash flows of Pace Model Town, Pace MM Alam, Pace Gujranwala, Pace Fortress and Pace Gujrat project.



The Company has agreed in principle with both of the syndicate members to settle their entire principal and accrued markup and properties at Pace Towers on following key terms:

**National Bank of Pakistan**

- Settlement of bank's portion of Syndicate term finance facility (STFF) and Term Finance in note 6.2 alongwith their accrued mark up aggregating to Rs 332.112 million against property situated at ground, mezzanine floors and basement of Pace Tower measuring a total of 16,450 square feet, enhanced to 18,475 square feet by the bank subsequent to the year end.
- The bank will continue to hold its charge on Pace Towers except for the podium level and later it will take over charge being vacated by PAIR Investment Company Limited as a result of settlements.

**Habib Bank Limited**

- Settlement of bank's share of STFF of Rs 106.894 million, against properties situated at ground floor of Pace Towers and the third floor of Pace Model Town (Extension) measuring a total of 4,238 square feet and 431 square feet respectively.
- Waiver of accrued markup of Rs 71.915 million.
- The Company will procure no objection certificates from National Bank of Pakistan and Al Baraka Bank (Pakistan) Limited for vacation of their charges over the aforementioned properties.
- The bank will continue to hold its charge over 21 floors i.e. from 1st to 21st floors in Pace Towers upto the finishing work on aforementioned property in Pace Towers is complete.

Legal documentation has not been finalized with either of the banks.

**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% (2014: 3 months KIBOR plus 3.5%).

**Security**

The facility is secured against a mortgage over the immovable properties consisting of an area measuring 20,315 square feet, consisting of 23 shops and 2 counters of Pace MM Alam Road. The charge ranks pari passu with that of PAIR Investment Company Limited as referred to in note 13.

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

**6.3 Soneri Bank - demand finance**

**Terms of repayment**

This loan is part of total demand finance facility limit of Rs 44.688 Million (2014: Rs 44.688 Million) and



carries markup @ 6 months KIBOR + 3% (2014: 6 months KIBOR + 3%). The loan was originally repayable in 8 equal quarterly installments ending on June 30, 2012.

**Security**

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

During the last year, the bank agreed to and the Company accepted to restructure entire principal of Rs 27.420 million and markup as on Dec 31, 2013 of Rs 12.130 million. However, the restructuring was not executed as the Company could not make payments in accordance with the revised terms and further decided to settle the loan and mark up through debt to asset swap. The proposal is in early stage and formal plan of the properties for settlement is to be decided by the Company.

**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 (2014: 400 million) under a musharika based arrangement with Al Baraka Bank (Pakistan) Limited and carries markup @ 3 months KIBOR + 3.5% (2014: 3 months KIBOR + 3.5%). The loan was repayable in 10 equal quarterly installments ending on August 20, 2013.

**Security**

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

During the year, the bank and the Company have agreed in principle to settle principal of Rs 242.291 million against properties at first floor of Pace Towers, aggregating to 17,950 square feet along with the waiver of accrued markup and late payment charges. However, legal documentation had not been finalized. Following are the key terms:

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

	Note	2015 (Rupees in thousand)	2014
<b>7. Redeemable capital - secured (non-participatory)</b>			
Term finance certificates		1,498,200	1,498,200
Less: Current portion shown under current liabilities	12	(1,498,200)	(1,498,200)
		-	-

**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% (2014: 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 1,498.200 million includes principal installments aggregating to Rs 299.520 million, which, under the terms of the agreement were due for repayment in period subsequent to June 30, 2016. However, as the Company could not repay on a timely basis the installments due upto year ended June 30, 2015 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	2015	2014
<b>(Rupees in thousand)</b>			
<b>8. Liabilities against assets subject to finance lease</b>			
Present value of minimum lease payments		<b>23,614</b>	26,533
Less: Current portion shown under current liabilities	12	<b>(23,614)</b>	(26,533)
		-----	-----
		=	=

The minimum lease payments have been discounted at an implicit interest rate ranging from 9% to 15% (2014: 9% to 18%) to arrive at their present value. The lessee has the option to purchase the assets after the expiry of the lease term. Taxes, repairs and insurance costs are to be borne by the lessee. The liability is partly secured by a deposit of Rs 11.500 million (2014: Rs 11.500 million).

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

	<b>(Rupees in thousand)</b>		
	Minimum lease payments	Future finance charge	Present value of lease liability
			2015                  2014
Not later than one year	25,924	2,310	<b>23,614</b> 26,533
Later than one year and not later than five years	-	-	-                          -
	25,924	2,310	<b>23,614</b> 26,533

	Note	2015 (Rupees in thousand)	2014
<b>9. Foreign currency convertible bonds - unsecured</b>			
Opening balance		1,606,458	1,591,721
Markup accrued during the year		<u>16,007</u>	<u>15,543</u>
		<b>1,622,465</b>	<b>1,607,264</b>
Exchange loss/(gain) for the year		<u>47,991</u>	<u>(806)</u>
		<b>1,670,456</b>	<b>1,606,458</b>
Less: Current portion shown under current liabilities	12	<b>(1,670,456)</b>	<b>(1,606,458)</b>
		<u><u>-</u></u>	<u><u>-</u></u>

The Company issued 25,000 convertible bonds of USD 1,000 each on January 5, 2008 amounting to USD 25 million. The foreign currency convertible bonds (FCCB) were listed on the Singapore Stock Exchange and became redeemable on December 28, 2012 at the accreted principal amount. The bonds carry a markup of 5.5% per annum, compounded semi-annually, accretive (up till December 28, 2012) and cash interest of 1% per annum to be paid in arrears. The holders of the bonds have an option to convert the bonds into equity shares of the Company at any time following the issue date at a price calculated as per terms of arrangement. In aggregate USD 13 million bond have been converted into ordinary shares as at June 30, 2015.

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	2015 (Rupees in thousand)	2014
<b>10. Deferred liabilities</b>			
Staff gratuity	10.1	32,958	32,041
Leave encashment	10.2	2,637	2,613
Deferred taxation	22	-	-
		<u>35,595</u>	<u>34,654</u>
<b>10.1 Staff gratuity</b>			
Opening balance		32,041	23,183
Charge to profit and loss account	10.1.1	10,915	7,794
Benefits due during the year		(7,895)	(3,614)
Remeasurement chargeable in other comprehensive income		(2,103)	4,678
Liability as at June 30		<u>32,958</u>	<u>32,041</u>

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

Opening balance		32,041	23,183
Service cost		7,193	5,550
Interest cost		3,722	2,244
Benefits due during the year		(7,895)	(3,614)
Remeasurement chargeable in other comprehensive income		(2,103)	4,678
Present value of defined benefit obligation as at June 30		<u>32,958</u>	<u>32,041</u>

# Pace (Pakistan) Limited

Note                      2015                      2014  
(Rupees in thousand)

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

Service cost	7,193	5,550
Interest cost	3,722	2,244
Charge to profit and loss account	10,915	7,794

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

Cost of sales	1,400	1,013
Administrative, general and other expenses	9,515	6,781
	10,915	7,794

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

	2015	2014	2013	2012	2011
	(Rupees in thousand)				
Present value of defined benefit obligation	32,958	32,041	23,183	28,523	23,260
Fair value of plan assets	-	-	-	-	-
Deficit	(32,958)	(32,041)	(23,183)	(28,523)	(23,260)
Experience adjustment on obligation	6%	-15%	-20%	-2%	24%

2015                      2014  
(Rupees in thousand)

## 10.2 Leave encashment

The amounts recognised in the balance sheet are as follows:

Opening balance	2,613	1,421
Charge to profit and loss account	512	617
Benefits due during the year	(1,127)	(260)
Remeasurement chargeable in other comprehensive income	639	835
Liability as at June 30	2,637	2,613

2015  
(Rupees in thousand)  
Gratuity                      Leave encashment

Year end sensitivity on defined benefit obligation:

Discount rate + 100 bps	31,064	2,469
Discount rate - 100 bps	35,115	2,778
Salary increase + 100 bps	35,210	2,778
Salary increase - 100 bps	30,944	2,466

## 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 and its breakup at June 30, 2015 is as follows:

	Note	2015	2014
(Rupees in thousand)			
SilkBank Limited	11.1	108,440	-
First Capital Investment Limited - related party		15,250	15,739
First Capital Securities Corporation Limited - related party		43,675	45,081
Others		64,568	70,858
		231,933	131,678

**11.1** A Tri Party Agreement (the 'Agreement') was signed during the year by the Company, Pace Barka Properties Limited ('PBPL'), and SilkBank Limited ('SBL') whereby the SBL purchased property on lower ground floor at Pace Towers from the Company at an agreed price of Rs 108.440 million and adjusted the proceeds with its outstanding principal and markup from PBPL on a condition that Company will complete the finishing work of the aforementioned property within one year from the Agreement's date. SBL has taken over the possession of the property on date of the Agreement. The Company shall recognize the revenue when condition laid in the Agreement, including, completion of finishing works are completed.

PBPL settled its payable to Company, arising from the Agreement, with its receivable from the Company against purchase of inventory at Pace Circle as referred to in note 23 on the date of the Agreement.

Note	2015	2014
(Rupees in thousand)		

## 12. Current portion of long term liabilities

Current portion of long term finances - secured	6	614,906	614,906
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	23,614	26,533
Current portion of foreign currency convertible bonds - unsecured	9	1,670,456	1,606,458
		3,807,176	3,746,097

**12.1** Overdue principal included in current maturity as at June 30, 2015 are as follows:

	2015	2014
(Rupees in thousand)		
Long term finances - secured:		
- Syndicate term finance facility	305,413	305,413
- National Bank of Pakistan- term finance	39,780	39,780
- Soneri Bank - demand finance	27,422	27,422
- Al Baraka Bank (Pakistan) Limited - musharika based agreement	242,291	242,291
Redeemable capital - secured (non-participatory)	899,160	599,640
Foreign currency convertible bonds - unsecured	1,670,456	1,606,458
Liabilities against assets subject to finance lease	12,114	15,033
	3,196,636	2,836,037

### 13. Short term finance - Secured

This represents short term finance of Rs 96.443 million (2014: Rs 96.443 million) provided by PAIR Investment Company Limited (formerly Pak-Iran Joint Investment Company Limited) and carries markup @ 1 month KIBOR + 3.5% (2014: 1 months KIBOR + 3.5%). The entire amount of loan is overdue as at June 30, 2015.

#### 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.

Subsequent to the year end, the PAIR Investment Company Limited (PAIR) has offered the Company, which the company has accepted to settle and restructure the entire principal and accrued mark up as follows:

-Settlement of Rs 138.750 million inclusive of mark up of Rs 42.307 million against the properties at mezzanine floor and basement of Pace Towers measuring a total of 6,000 square feet and PAIR to vacate its charge to the extent of Rs 120.85 million on MM Alam plaza.

-Restructuring of Rs 15.950 million on the following terms:

--Repayment in 20 equal installments starting from September 01, 2017.

--Amount of loan will be secured against charge at MM Alam plaza with 25% Margin.

### 14. Creditors, accrued and other liabilities

	Note	2015 (Rupees in thousand)	2014
Trade creditors	14.1	110,219	85,870
Advances from customers		8,141	6,469
Licensee fee received in advance		4,066	4,290
Accrued liabilities		74,986	51,467
Licensee security deposits		27,731	25,173
Payable to contractors		2,699	2,699
Retention money		1,326	943
Withholding tax payable		27,293	22,799
Others		34,659	31,924
		<b>291,120</b>	<b>231,634</b>

**14.1** This includes amount of Rs 0.657 million (2014: Nil) payable to Pace Barka Properties Limited. This is under normal course of business and interest free.

## Pace (Pakistan) Limited

	Note	2015	2014
		(Rupees in thousand)	
<b>15. Accrued finance cost</b>			
Long term finances - secured	15.1	436,671	351,902
Short term finance - secured	15.2	61,386	48,464
Redeemable capital - secured (non-participatory)	15.3	841,737	668,128
Liabilities against assets subject to finance lease	15.4	28,281	22,723
		<u>1,368,075</u>	<u>1,091,217</u>

**15.1** This includes overdue markup of Rs 416.838 million (2014: Rs 327.376 million).

**15.2** This includes overdue markup of Rs 60.951 million (2014: Rs 20.074 million).

**15.3** This includes overdue markup of Rs 783.609 million (2014: Rs 600.802 million).

**15.4** This includes overdue markup of Rs 2.310 million (2014: Rs 2.310 million) and late payment charges of Rs 25.983 million (2014: Rs 20.426 million).

## 16. Contingencies and commitments

### 16.1 Contingencies

- (i) Claims against the Company not acknowledged as debts Rs 21.644 million (2014: 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 (2014: 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 271.946 million (2014: Rs 384.379 million).
- (ii) The amount of future payments under operating leases and the period in which these payments will become due are as follows:

	Note	2015	2014
		(Rupees in thousand)	
Not later than one year		7,875	7,875
Later than one year and not later than five years		37,406	35,438
Later than five years		732,444	742,287
		<u>777,725</u>	<u>785,600</u>

## 17. Property, plant and equipment

Operating fixed assets			
- owned assets	17.1	431,957	455,206
- assets subject to finance lease	17.2	475	2,113
Capital work in progress	17.3	27,146	135,341
		<u>459,578</u>	<u>592,660</u>

17.1 Owned assets

		(Rupees in thousand)											
		2015					2014						
		Cost as at June 30, 2014	Additions/transfers/(deletions)	Transfers from assets subject to finance lease	Transfers from / (to) disposal group held-for-sale	Cost as at June 30, 2015	Accumulated depreciation & impairment as at June 30, 2014	Depreciation charge for the year/ (deletions)	Transfers from assets subject to finance lease	Transfers from / (to) disposal group held-for-sale	Accumulated depreciation & impairment as at June 30, 2015	Book value as at June 30, 2015	Depreciation rate
Freehold land *		155,152	-	-	-	155,152	-	-	-	-	-	155,152	
Leasehold land **		-	-	-	-	-	-	-	-	-	-	-	
Buildings on freehold land		179,470	-	-	-	179,470	53,452	6,301	-	-	59,753	119,717	5%
Buildings on leasehold land ***		205,322	(26,201)	-	-	179,121	120,311	4,637 (15,000)	-	-	109,948	69,173	3%
Plant and machinery		81,171	-	-	-	81,171	54,948	2,622	-	-	57,570	23,601	10%
Electrical equipment		75,844	2,038	-	-	77,882	37,843	3,800	-	-	41,643	36,239	10%
Office equipment and appliances		11,683	-	-	-	11,683	7,713	397	-	-	8,110	3,573	10%
Furniture and fixtures		11,784	-	-	-	11,784	6,451	533	-	-	6,984	4,800	10%
Computers		9,585	251	-	-	9,836	8,855	279	-	-	9,134	702	33%
Vehicles		45,602	7,973 (4,889)	4,518	-	53,204	30,834	3,758 (3,513)	3,125	-	34,204	19,000	20%
		775,613	10,262 (31,090)	4,518	-	759,303	320,407	22,327 (18,513)	3,125	-	327,346	431,957	
Freehold land *		155,152	-	-	-	155,152	-	-	-	-	-	155,152	
Leasehold land **		-	-	-	-	-	-	-	-	-	-	-	
Buildings on freehold land		161,294	-	-	18,176	179,470	42,083	5,960	-	5,409	53,452	126,018	5%
Buildings on leasehold land ***		205,322	-	-	-	205,322	115,347	4,964	-	-	120,311	85,011	3%
Plant and machinery		81,171	-	-	-	81,171	52,034	2,914	-	-	54,948	26,223	10%
Electrical equipment		75,844	-	-	-	75,844	33,584	4,259	-	-	37,843	38,001	10%
Office equipment and appliances		11,683	-	-	-	11,683	7,272	441	-	-	7,713	3,970	10%
Furniture and fixtures		11,784	-	-	-	11,784	5,858	593	-	-	6,451	5,333	10%
Computers		9,466	119	-	-	9,585	8,554	301	-	-	8,855	730	33%
Vehicles		46,414	(812)	-	-	45,602	27,763	3,689 (618)	-	-	30,834	14,768	20%
		758,130	119 (812)	-	18,176	775,613	292,495	23,121 (618)	-	5,409	320,407	455,206	



\* 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 Barika Properties Limited (PBPL), an associated undertaking, since at the time of bidding PBPL was in the process of incorporation. Subsequent to the bidding, payment was made by PBPL but the Ministry of Defence refused to transfer the said piece of land in the name of PBPL as it was not the original bidder, therefore the legal ownership has been transferred in the name of the 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 8,227 square feet (2014: 9,357 square feet) relating to 2nd and 3rd floors of Fortress Project, Lahore the right of which has been acquired for 33 years in 2011 from Fortress Stadium management, Lahore Cantt.

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

	Note	June 2015	June 2014
Cost of sales	28.3	12,327	12,692
Administrative and selling expenses	29	10,000	10,429
		<u>22,327</u>	<u>23,121</u>

17.1.2 Disposal of owned assets

Particular of Assets	Sold to	Cost	Accumulated depreciation	(Rupees in thousand)	
				Sales proceeds	Mode of Disposal
<b>Buildings on leasehold land</b>	<b>Outsiders</b>				
	IGI Finix Securities Limited	26,201	15,000	11,200	- Negotiation -
<b>Vehicles</b>	<b>Outsiders</b>				
	Malik Fawad	4,000	2,817	1,300	- Negotiation -
	EFU General Insurance Limited	515	411	800	-----Do-----
	Faizan Arshad	375	285	495	-----Do-----
		<u>31,090</u>	<u>18,513</u>	<u>13,795</u>	

**17.2 Assets subject to finance lease**

		(Rupees in thousand)						
		2015			2014			
	Cost as at June 30, 2014	Additions/(deletions)/(transfers)	Cost as at June 30, 2015	Accumulated depreciation as at June 30, 2014	Depreciation charge for the year/transfer	Accumulated depreciation as at June 30, 2015	Book value as at June 30, 2015	Depreciation rate
Vehicles	5,912	-	1,394	3,799	246	920	475	20%
		(4,518)			(3,125)			
Plant and machinery	57,500	-	57,500	57,500	-	57,500	-	33%
	63,412	-	58,894	61,299	246	58,420	475	
		(4,518)			(3,125)			
	Cost as at June 30, 2013	Additions/(deletions)/(transfers)	Cost as at June 30, 2014	Accumulated depreciation as at June 30, 2013	Depreciation charge for the year/transfer	Accumulated depreciation as at June 30, 2014	Book value as at June 30, 2014	Depreciation rate
Vehicles	5,912	-	5,912	3,270	529	3,799	2,113	20%
Plant and machinery	57,500	-	57,500	57,500	-	57,500	-	33%
	63,412	-	63,412	60,770	529	61,299	2,113	

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

**17.3 Capital Work in progress**

	June 2015	June 2014
Opening cost	135,341	127,555
Project development costs	1,273	7,786
Transfer to inventory	(109,468)	-
	<u>27,146</u>	<u>135,341</u>

28.1

Note

This represents the 3rd floor measuring 4,170 (2014: 21,813) square feet of Pace Towers located at 27 H Gulberg III Lahore, which the Company intends to retain for its own use. During the year the Company transferred 17,643 square feet to the inventory with a view to sale. This also includes borrowing costs of Rs 5,039 million (2014: Rs 21,520 million). During the year borrowing cost of Rs 0.925 million (2014: Rs 4,700 million) was capitalized at an effective rate of 8.34% (2014: 6.9%).

18 Intangible assets	(Rupees in thousand)						
	2015			2014			
	Cost as at June 30, 2014	Additions/ (deletions)	Cost as at June 30, 2015	Accumulated amortisation as at June 30, 2014	Amortisation charge for the year	Accumulated amortisation as at June 30, 2015	Book value as at June 30, 2015
Softwares	2,878	-	2,878	2,271	61	2,332	546
Dark fiber *	9,508	-	9,508	2,970	475	3,445	6,063
	12,386		12,386	5,241	536	5,777	6,609
	Cost as at June 30, 2013	Additions/ (deletions)	Cost as at June 30, 2014	Accumulated amortisation as at June 30, 2013	Amortisation charge for the year	Accumulated amortisation as at June 30, 2014	Book value as at June 30, 2014
Softwares	2,878	-	2,878	2,195	76	2,271	607
Dark fiber *	9,508	-	9,508	2,495	475	2,970	6,538
	12,386		12,386	4,690	551	5,241	7,145

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

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

**19. Investment Property**

	<b>Cost as at June 30,</b>		<b>Fair Value as at June 30,</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>(Rupees in thousand)</b>			
Opening value	1,715,380	1,647,161	3,370,166	3,145,137
- Transfer from disposal group held for sale	-	68,219	-	114,465
- Disposal of investment property	(14,037)	-	(25,736)	-
Closing value before revaluation as at June 30	<u>1,701,343</u>	<u>1,715,380</u>	<u>3,344,430</u>	<u>3,259,602</u>
Fair value gain recognised in profit and loss account	-	-	77,000	110,564
Fair value as at June 30	<u><u>1,701,343</u></u>	<u><u>1,715,380</u></u>	<u><u>3,421,430</u></u>	<u><u>3,370,166</u></u>

**20. Long term investments**

	<b>Note</b>	<b>2015</b>	<b>2014</b>
		<b>(Rupees in thousand)</b>	
Equity instruments of:			
- subsidiaries - unquoted	20.1	<b>91,670</b>	91,670
- associate - unquoted	20.2	<b>758,651</b>	758,651
Available for sale - quoted	20.3	<b>1,007</b>	958
		<u><b>851,328</b></u>	<u>851,279</u>

**20.1. Subsidiaries - unquoted**

Pace Woodlands (Private) Limited 3,000 (2014: 3,000) fully paid ordinary shares of Rs 10 each Equity held 52% (2014: 52%)	<b>30</b>	30
Pace Super Mall (Private) Limited 9,161,528 (2014: 9,161,528) fully paid ordinary shares of Rs 10 each Equity held 57% (2014: 57%)	<b>91,615</b>	91,615
Pace Gujrat (Private) Limited 2,450 (2014: 2,450) fully paid ordinary shares of Rs 10 each Equity held 100% (2014: 100%)	<b>25</b>	25
	<u><b>91,670</b></u>	<u>91,670</u>

**20.2 Associate - unquoted**

Pace Barka Properties Limited 75,875,000 (2014: 75,875,000) fully paid ordinary shares of Rs 10 each Equity held 24.9% (2014: 24.9%)	<b>758,651</b>	758,651
	<u><b>758,651</b></u>	<u>758,651</u>

	Note	2015 (Rupees in thousand)	2014
<b>20.3 Available for sale - quoted</b>			
Worldcall Telecom Limited 912 (2014: 912) fully paid ordinary shares of Rs 10 each		6	6
Shaheen Insurance Company Limited 158,037 (2014: 158,037) fully paid ordinary shares of Rs 10 each		<b>2,008</b>	2,008
		<u>2,014</u>	<u>2,014</u>
Less: Cumulative fair value loss	20.3.1	<b>(1,007)</b>	(1,056)
		<u>1,007</u>	<u>958</u>

**20.3.1 Cumulative fair value loss**

Opening balance		<b>1,056</b>	1,575
Fair value (gain)/ loss during the year		<b>(49)</b>	300
Transferred to profit and loss account on derecognition of investment		-	(819)
		<u>1,007</u>	<u>1,056</u>

**21. Long term advances and deposits**

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

**22. Deferred taxation**

2015  
(Rupees in thousand)

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

Accelerated tax depreciation	<b>257,986</b>	268,514
Employee retirement benefits	<b>(19,633)</b>	(17,615)
Provision for doubtful receivables	<b>(43,069)</b>	(46,732)
Deferred cost	<b>(146)</b>	(193)
Unused tax losses	<b>(195,138)</b>	(203,974)
	<u>-</u>	<u>-</u>

**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 1,097.671 million (2014: Rs 1,050.066 million) in respect of tax losses and Rs 7.758 million (2014: Rs 3.626 million) in respect of minimum tax paid and available for carry forward u/s 113 of the Income Tax Ordinance, 2001, as sufficient tax profits would not be available to set these off in the

## Pace (Pakistan) Limited

foreseeable future. Minimum tax paid u/s 113 aggregating to Rs. 7.758 million would not be available for carry forward against future tax liabilities subsequent to years 2015 through 2019. Tax losses amounting to Rs. 1,214.010 million, Rs. 788.658 million, Rs. 535.643 million, Rs. 271.029 million and Rs. 331.849 million will expire in year 2017, 2018, 2019, 2020 and 2021 respectively.

	Note	2015	2014
		(Rupees in thousand)	
<b>23. Stock-in-trade</b>			
Work in process - Pace Towers	23.1 & 23.2	1,243,560	1,134,710
Shops and houses		315,961	282,804
Pace Barka Properties Limited - Pace Circle		602,459	528,748
Pace Super Mall (Private) Limited		<u>21,600</u>	<u>21,600</u>
		<u>2,183,580</u>	<u>1,967,862</u>
Stores inventory		842	783
		<u><u>2,184,422</u></u>	<u><u>1,968,645</u></u>

**23.1** Included in work in process are borrowing costs of Rs 350.451 million (2014: Rs 268.690 million). During the year borrowing cost of Rs 64.346 million (2014: Rs 58.650 million) was capitalized at an effective rate of 8.34% (2014: 6.92%).

**23.2** The charge amounting to Rs 1,200.5 million (2014: Rs 1,200.5 million) has been registered against work in process with lenders as security against long term loan and redeemable capital as referred to in note 6 and note 7 respectively.

	Note	2015	2014
		(Rupees in thousand)	
<b>24. Trade debts - unsecured</b>			
Considered good	24.1	676,181	630,465
Considered doubtful		<u>130,513</u>	<u>133,519</u>
		<u>806,694</u>	<u>763,984</u>
Less: Provision for doubtful debts	24.2	<u>(130,513)</u>	<u>(133,519)</u>
		<u><u>676,181</u></u>	<u><u>630,465</u></u>

**24.1** This includes amount of Rs 6.681 million (2014: Rs 6.681 million) receivable from First Capital Securities Corporation Limited, a related party.

	Note	2015	2014
		(Rupees in thousand)	
<b>24.2 Provision for doubtful debts</b>			
Opening balance		133,519	119,282
(Reversal)/ provision during the year		<u>(3,006)</u>	<u>14,237</u>
Balance as at June 30		<u><u>130,513</u></u>	<u><u>133,519</u></u>

## Pace (Pakistan) Limited

	Note	2015	2014
		(Rupees in thousand)	
<b>25. Advances, deposits, prepayments and other receivables</b>			
Advances - considered good			
- to employees		7,605	7,019
- to suppliers	25.1	15,196	15,982
Security deposits		12,265	12,272
Prepayments		-	456
Advances to contractors		5,921	5,921
Receivable against sale of investment property		13,138	-
Others - considered good	25.2	31,615	37,230
		<b>85,740</b>	<b>78,880</b>
 <b>25.1</b> This includes the following interest free amounts due from related parties:			
World Press (Private) Limited		6,225	1,993
Media Times Limited		2,010	6,525
		<b>8,235</b>	<b>8,518</b>
 <b>25.2</b> This includes Rs 10.684 million (2014: Rs 13.781 million) interest free amount due from Media Times Limited a related party.			

	Note	2015	2014
		(Rupees in thousand)	
<b>26. Cash and bank balances</b>			
At banks			
- in saving accounts	26.1 & 26.2	351	916
- in current accounts		804	659
		<b>1,155</b>	1,575
In hand		-	47
		<b>1,155</b>	1,622
 <b>26.1</b> The balances in saving accounts bear markup ranging from 5% to 12% per annum (2014: 5% to 12%).			
 <b>26.2</b> This includes Rs 0.006 million (2014: Rs 0.006 million) placed in Debt Servicing Reserve Account of National Bank of Pakistan.			

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	Note	2015	2014
		(Rupees in thousand)	
<b>27. Sales</b>			
Shops, houses and commercial buildings			
- at percentage of completion basis		67,379	134,309
- at completion of project basis			
- - Owned		44,634	19,094
- - Pace Circle		58,077	65,184
Plots		-	3,200
Licensee fee		38,075	39,145
Display advertisements and miscellaneous income		17,513	18,448
Service charges		187,526	187,086
		413,204	466,466

### 27.1 Sales return

At percentage of completion basis	27.1.1	-	(103,845)
		-	(103,845)

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

2015                  2014  
(Rupees in thousand)

### 27.2 Sales recognised at percentage of completion basis

Revenue recognised to date	722,599	655,220
Aggregate cost incurred to date	(624,296)	(554,910)
Recognised profit to date	98,303	100,310

**27.2.1** The revenue arising from agreements, that meet the criteria for revenue recognition on the basis of percentage of completion method, during the year is Rs 67.379 million (2014: Rs 30.464 million). Amount received against these agreements amounts to Rs 154.017 million (2014: Rs 44.246 million).

	Note	2015	2014
		(Rupees in thousand)	
<b>28. Cost of sales</b>			
Shops and commercial buildings sold			
- at percentage of completion basis	28.1	69,386	(5,738)
- at completion of project basis			
- - Owned	28.2	23,871	(30,888)
- - Pace Circle		34,728	46,768
Plots sold		-	1,433
Stores operating expenses	28.3	279,908	257,150
		407,893	268,725



## Pace (Pakistan) Limited

	Note	2015	2014
(Rupees in thousand)			
<b>28.1 Shops and commercial buildings sold at percentage of completion basis</b>			
Opening work in process		1,134,710	1,031,748
Transfer from capital work in progress	17.3	109,468	-
Project development costs	28.1.1	88,415	97,224
Property sold on completion basis	28.2	(19,647)	-
Closing work in process	23	(1,243,560)	(1,134,710)
Cost of apartments and commercial buildings sold / (reversed) during the year	28.1.2	69,386	(5,738)

**28.1.1** This includes borrowing cost capitalized of Rs 64.346 million (2014: Rs 58.650 million).

	Note	2015	2014
(Rupees in thousand)			
<b>28.1.2 Cost of shops and houses sold / (reversed) during the year</b>			
Cost of shops and houses sold during the year		69,386	85,509
Cost of apartments and commercial buildings reversed during the year		-	(91,247)
		69,386	(5,738)

### 28.2 Shops and houses sold at completion of project basis

Opening inventory of shops and houses		282,804	241,005
Repurchased/swapped during the year		37,381	10,911
Property sold on completion basis from Pace Towers	28.1	19,647	-
Closing inventory of shops and houses	23	(315,961)	(282,804)
Cost of shops and houses sold/(reversed) during the year	28.2.1	23,871	(30,888)

### 28.2.1 Cost of shops and houses sold / (reversed) during the year

Cost of shops and houses sold during the year		23,871	15,117
Reversal of net realisable value loss		-	(46,005)
		23,871	(30,888)

### 28.3 Stores operating expenses

Salaries, wages and benefits	28.3.1	49,334	42,617
Rent, rates and taxes	28.3.2	12,091	12,215
Insurance		15,577	2,828
Fuel and power		145,339	159,971
Depreciation on owned assets	17.1.1	12,327	12,692
Repairs and maintenance		13,600	10,335
Janitorial and security charges		18,198	15,473
Others		13,442	1,019
		279,908	257,150

## Pace (Pakistan) Limited

	Note	2015	2014
(Rupees in thousand)			
<b>28.3.1</b> Salaries, wages and benefits include following in respect of gratuity:			
Current service cost		923	721
Interest cost		477	292
		1,400	1,013

**28.3.2** This is net of Rs 2.64 million (2014: Rs 2.64 million), which represents common costs charged by the Company to Pace Barka Properties Limited, a related party.

	Note	2015	2014
(Rupees in thousand)			
<b>29. Administrative and selling expenses</b>			
Salaries, wages and benefits	29.1	45,074	48,031
Travelling and conveyance		2,598	3,965
Rent, rates and taxes		714	1,836
Insurance		3,467	1,610
Printing and stationery		1,910	1,732
Repairs and maintenance		3,724	4,215
Motor vehicles running		7,946	11,913
Communications		4,471	3,981
Advertising and sales promotion		19,337	15,301
Depreciation and impairment on:			
- owned assets	17.1.1	10,000	10,429
- assets subject to finance lease	17.2.1	246	529
Amortisation on intangible assets	18.1	536	551
Auditors' remuneration	29.2	3,600	3,300
Legal and professional		4,488	4,806
Commission on sales		20,956	27,317
Office expenses		5,222	4,384
Other expenses		3,231	1,077
Provision for doubtful debts		-	14,237
		137,520	159,214

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

Current service cost	6,270	4,829
Interest cost	3,245	1,952
	9,515	6,781

**29.2 Auditors' remuneration**

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

Statutory audit	1,950	1,750
Half yearly review	650	600
Audit of consolidated financial statements, certification and sundry services	600	550
Out of pocket expenses	400	400
	3,600	3,300

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	Note	2015	2014
		(Rupees in thousand)	
<b>30. Other income</b>			
<b>Income from financial assets</b>			
Markup on bank accounts		259	375
Commission on guarantee	30.1	1,238	1,238
<b>Income from non-financial assets</b>			
Gain on sale of property, plant and equipment		1,219	430
Provision no longer required written back		-	21,754
Rental income		9,663	8,796
Exchange gain on foreign currency convertible bonds		-	806
Gain on disposal of investment property		4,275	-
Reversal of provision for doubtful debts		3,006	-
Others		12,689	11,002
		32,349	44,401
<b>30.1</b>	This represents commission income on guarantee provided on behalf of Pace Barka Properties Limited, an associate.		
		2015	2014
		(Rupees in thousand)	
<b>31. Other operating expenses</b>			
Exchange loss on foreign currency convertible bonds	9	47,991	-
Loss on swap of shops		1,546	-
Loss on sale of investment		-	819
Loss on classification of investment property from disposal group		-	672
		49,537	1,491
<b>32. Finance costs</b>			
Markup on			
- Long term finances - secured		34,521	78,541
- Foreign currency convertible bonds - unsecured		8,481	8,127
- Redeemable capital - secured (non-participatory)		166,565	165,744
- Short term finance -secured		12,469	12,339
- Liabilities against assets subject to finance lease		5,737	6,918
		227,773	271,669
Bank charges and processing fee		2,578	2,499
		230,351	274,168
<b>33. Taxation</b>			
Current	33.2	4,132	3,626
Deferred		-	-
		4,132	3,626

2015                      2014

**33.1 Tax charge reconciliation**

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

Applicable tax rate	<b>33.00</b>	35.00
Tax effect of amounts that are:		
Income not chargeable to tax	<b>6.49</b>	20.80
Minimum tax for the year	<b>(1.36)</b>	(1.95)
Effect of deferred tax asset not recognised on taxable loss	<b>(39.49)</b>	(55.80)
	<b>(34.36)</b>	(36.95)
Average effective tax rate charged to profit and loss account	<b>(1.36)</b>	(1.95)

**33.2** The provision for current taxation for the year represents the tax liability under section 113 and 155 of the Income Tax Ordinance, 2001.

For the purposes of current taxation, the tax losses available for carry forward as at June 30, 2015 are estimated approximately at Rs 3,858.304 million (2014: Rs 3,626.186 million).

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

The aggregate amount charged in the financial statements for the year for remuneration to directors is Rs 2.757 million (2014: Rs 6.406 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:

	<b>Chief Executive</b>		<b>Directors</b>		<b>Executives</b>	
	<b>2015</b>	2014	<b>2015</b>	2014	<b>2015</b>	2014
	<b>(Rupees in thousand)</b>		<b>(Rupees in thousand)</b>		<b>(Rupees in thousand)</b>	
<b>Short term employee benefits</b>						
Managerial remuneration	<b>3,400</b>	1,900	<b>1,838</b>	4,271	<b>8,221</b>	8,554
Housing	<b>1,360</b>	760	<b>735</b>	1,708	<b>3,289</b>	3,422
Utilities	<b>340</b>	190	<b>184</b>	427	<b>822</b>	855
	<b>5,100</b>	2,850	<b>2,757</b>	6,406	<b>12,332</b>	12,831
	<b>Chief Executive</b>		<b>Directors</b>		<b>Executives</b>	
	<b>2015</b>	2014	<b>2015</b>	2014	<b>2015</b>	2014
<b>Number of persons</b>	1	1	2	2	11	10

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

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	Note	2015	2014
		(Rupees in thousand)	
<b>35. Cash generated from operations</b>			
Loss before tax		(302,748)	(186,012)
Adjustment for:			
Exchange loss / (gain) on foreign currency convertible bonds	9	47,991	(806)
Provision for gratuity and leave encashment	10	11,427	8,411
Depreciation on:			
- owned assets	17.1	22,327	23,121
- assets subject to finance lease	17.2	246	529
Amortisation on intangible assets	18	536	550
Changes in fair value of investment property	19	(77,000)	(110,564)
(Reversal)/ provision for doubtful receivables	24.2	(3,006)	14,237
Reversal of net realisable value loss	28.2.1	-	(46,005)
Markup income	30	(259)	(375)
Gain on sale of property, plant and equipment	30	(1,219)	(430)
Gain on sale of investment property	30	(4,275)	-
Provision no longer required written back	30	-	(21,754)
Loss on sale of investment	31	-	819
Loss on swap of shops	31	1,546	-
Loss on classification of investment property from disposal group	31	-	672
Finance costs	32	230,351	274,168
Loss before working capital changes		(74,083)	(43,439)
Effect on cash flow due to working capital changes:			
Increase in stock-in-trade		(31,380)	(146)
(Increase)/ decrease in trade debts		(42,710)	5,125
Decrease in advances, deposits and other receivables		6,278	130,932
Net increase in advances against sale of property		100,255	32,725
Increase in creditors, accrued and other liabilities		51,262	37,203
		83,705	205,839
		9,622	162,400
<b>36. Cash and cash equivalents</b>			
Short term finance - secured	13	(96,443)	(96,443)
Cash and bank balances	26	1,155	1,622
		(95,288)	(94,821)

### 37. Financial risk management

#### 37.1 Financial risk factors

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

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

**(a) Market risk**

**(i) Currency risk**

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

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

	<b>2015</b>	<b>2014</b>
Foreign currency convertible bonds - USD	<b><u>16,425,331</u></b>	<b><u>16,267,933</u></b>

The following significant exchange rates were applied during the year:

**Rupees per USD**

Average rate	<b>101.70</b>	98.75
Reporting date rate	<b>101.70</b>	98.75

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 83.604 million (2014: Rs 80.363 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:

	<b>2015</b>	<b>2014</b>
	<b>(Rupees in thousand)</b>	
<b>FIXED RATE INSTRUMENTS</b>		
<b>Financial assets</b>		
Bank balances - savings accounts	(351)	(916)
<b>Financial liabilities</b>		
Foreign currency convertible bonds - unsecured	1,670,456	1,606,458
<b>Net interest rate risk</b>	<b>1,670,105</b>	<b>1,605,542</b>
<b>FLOATING RATE INSTRUMENTS</b>		
<b>Financial liabilities</b>		
Redeemable capital - secured (non-participatory)	1,498,200	1,498,200
Liabilities against assets subject to finance lease	23,614	26,533
Short term finance - secured	96,443	96,443
Long term finances - secured	614,906	614,906
<b>Net interest rate risk</b>	<b>2,233,163</b>	<b>2,236,082</b>

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

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

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

If interest rates on redeemable capital, liabilities against assets subject to finance lease, term finances and short term finances, at the year end date, fluctuate by 1% higher / lower with all other variables held constant, post tax loss for the year would have been Rs 22.346 million (2014: Rs 22.969 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:

	<b>2015</b>	<b>2014</b>
	<b>(Rupees in thousand)</b>	
Long term advances and deposits	<b>13,619</b>	13,619
Trade debts - unsecured	<b>806,694</b>	763,984
Advances, deposits, prepayments and other receivables		
- Advances to employees - considered good	<b>7,605</b>	7,019
- Security deposits	<b>12,265</b>	12,272
- Receivable against sale of investment property	<b>13,138</b>	-
- Others - considered good	<b>31,615</b>	37,230
Cash and bank balances	<b>1,155</b>	1,622
	<b><u>886,091</u></b>	<u>835,746</u>

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

- Not past due	-	-
- Past due 0 - 365 days	<b>104,152</b>	138,376
- 1 - 2 years	<b>310,861</b>	229,967
- More than 2 years	<b>391,681</b>	395,641
	<b><u>806,694</u></b>	<u>763,984</u>

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

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

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:

	<u>Rating</u> Short term	<u>Rating</u> Long term	<u>Rating</u> Agency	<u>2015</u> (Rupees in thousand)	<u>2014</u>
Bank Islami Pakistan Limited formerly known as KASB Bank	A1	A+	PACRA	<b>10</b>	171
Allied Bank Limited	A1+	AA+	PACRA	<b>123</b>	532
Faysal Bank Limited	A1+	AA	PACRA	<b>20</b>	9
United Bank Limited	A-1+	AA+	JCR-VIS	<b>6</b>	5
Soneri Bank Limited	A1+	AA-	PACRA	<b>6</b>	6
Habib Bank Limited	A-1+	AAA	JCR-VIS	<b>138</b>	1
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	<b>19</b>	17
Silk Bank Limited	A-2	A-	JCR-VIS	<b>70</b>	68
Burj Bank Limited	A-2	A-	JCR-VIS	-	1
NIB Bank limited	A1+	AA-	PACRA	<b>5</b>	2
Bank Alfalah Limited	A1+	AA	PACRA	-	2
Al Baraka Bank (Pakistan) Limited	A1	A	PACRA	<b>673</b>	680
National Bank of Pakistan	A1+	AAA	PACRA	<b>79</b>	75
Askari Bank Limited	A-1+	AA	JCR-VIS	<b>6</b>	6
				<b><u>1,155</u></b>	<b><u>1,575</u></b>

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.

Management monitors the forecasts of the Company's cash and cash equivalents (note 36) 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 year the Company remained under severe liquidity pressure as mentioned in note 2.2.

The following are the contractual maturities of financial liabilities as at June 30, 2015:

	Carrying amount	Less than one year	One to five years	More than five years
(Rupees in thousand)				
Long term finances - secured	614,906	614,906	-	-
Redeemable capital - secured (non-participatory)	1,498,200	1,498,200	-	-
Liabilities against assets subject to finance lease	23,614	23,614	-	-
Foreign currency convertible bonds - unsecured	1,670,456	1,670,456	-	-
Short term finance - secured	96,443	96,443	-	-
Creditors, accrued and other liabilities	291,120	291,120	-	-
Accrued finance cost	1,368,075	1,368,075	-	-
	<b>5,562,814</b>	<b>5,562,814</b>	<b>-</b>	<b>-</b>

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

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

### 37.2 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.

	2015 (Rupees in thousand)			2014
	Available for sale	Loans and receivables	Total	Total
<b>Assets as per balance sheet</b>				
Long term advances and deposits	-	13,619	13,619	13,619
Trade debts - unsecured	-	676,181	676,181	630,465
Investments	1,007	-	1,007	958
Advances, deposits, prepayments and other receivables				
- Advances to employees - considered good	-	7,605	7,605	7,019
- Security deposits	-	12,265	12,265	12,272
- Others - considered good	-	31,615	31,615	37,230
- Receivable against sale of investment property	-	13,138	13,138	-
Cash and bank balances	-	1,155	1,155	1,622
	<b>1,007</b>	<b>755,578</b>	<b>756,585</b>	<b>703,185</b>

<b>Liabilities as per balance sheet</b>	<b>Financial liabilities at amortized cost</b>	
	<b>2015</b>	<b>2014</b>
	<b>(Rupees in thousand)</b>	
Long term finances - secured	<b>614,906</b>	614,906
Redeemable capital - secured (non-participatory)	<b>1,498,200</b>	1,498,200
Liabilities against assets subject to finance lease	<b>23,614</b>	26,533
Foreign currency convertible bonds - unsecured	<b>1,670,456</b>	1,606,458
Short term finance - secured	<b>96,443</b>	96,443
Creditors, accrued and other liabilities	<b>291,120</b>	231,634
Accrued finance cost	<b>1,368,075</b>	1,091,217
	<b><u>5,562,814</u></b>	<u>5,165,391</u>

### 37.3 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 36. 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, 2015 and June 30, 2014 are as follows:

	<b>Note</b>	<b>2015</b>	<b>2014</b>
		<b>(Rupees in thousand)</b>	
Borrowings		<b>3,783,562</b>	3,719,564
Less: Cash and cash equivalents	36	<b>(95,288)</b>	(94,821)
Net debt		<b><u>3,878,850</u></b>	<u>3,814,385</u>
Total equity		<b>1,925,276</b>	2,230,643
Total capital		<b><u>5,804,126</u></b>	<u>6,045,028</u>
Gearing ratio		<b>67%</b>	63%

### 38. Loss per share

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

## Pace (Pakistan) Limited

		2015	2014 (Restated)
<b>38.1 Basic loss per share</b>			
Loss for the year	<b>Rupees in thousand</b>	<b>(306,880)</b>	(189,638)
Weighted average number of ordinary shares outstanding during the year	<b>In thousand</b>	<b>278,877</b>	278,877
Basic loss per share	<b>Rupees</b>	<u><u><b>(1.10)</b></u></u>	<u><u>(0.68)</u></u>

### 38.2 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.

		2015	2014 (Restated)
Loss for the year for calculation of basic loss per share	<b>Rupees in thousand</b>	<b>(306,880)</b>	(189,638)
Interest on FCCB	<b>Rupees in thousand</b>	<b>16,007</b>	15,543
Exchange loss/(gain) on FCCB during the year	<b>Rupees in thousand</b>	<b>47,991</b>	(806)
Loss used to determine diluted loss per share	<b>Rupees in thousand</b>	<u><u><b>(242,882)</b></u></u>	<u><u>(174,901)</u></u>
Weighted average number of ordinary shares outstanding during the year	<b>In thousand</b>	<b>278,877</b>	278,877
Assumed conversion of FCCB into ordinary shares	<b>In thousand</b>	<b>111,940</b>	108,693
Weighted average number of ordinary shares for loss per share	<b>In thousand</b>	<u><u><b>390,817</b></u></u>	<u><u>387,570</u></u>
Dilutive loss per share	<b>Rupees</b>	<u><u><b>(0.62)</b></u></u>	<u><u>(0.45)</u></u>

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

**39. 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 34. Other significant transactions with related parties are as follows:

Relationship with the company	Nature of transactions	2015	2014
		(Rupees in thousand)	
i. Associate	Guarantee commission income	<b>1,238</b>	1,238
	Purchase of inventory (note 11)	<b>108,440</b>	-
	Receipts against Pace circle sales	<b>32,160</b>	35,166
	Shared expense charged by the company	<b>2,640</b>	2,640
ii. Others	Purchase of goods & services	<b>2,262</b>	13,807
	Sale of services	<b>1,736</b>	2,008
	Rental income	<b>9,663</b>	8,796
	Refund of advance	-	133,845
	Funds received on behalf of the customer	-	23,158

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

**40. Number of employees**

	2015	2014
Total number of employees as at June 30	<b>314</b>	297
Average number of employees during the year	<b>318</b>	309

**41. Date of authorisation**

These financial statements were authorised for issue on October 07, 2015 by the board of directors of the Company.

**42. Corresponding figures**

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



**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
JUNE 30, 2015**

## 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, 2015.

### Group Performance and Financial Overview:

During the current financial year, the Group recorded sales of PKR 413 million as compared to PKR 363 Million the last year, with an aggregate increase in sales by 14%. Increase in net loss after tax from previous year is 72% and Group incurred a net after tax loss of Rs.303.9 Million during the period as compare to Rs.177 Million in previous year, which is indicative of reduced operational growth.

Comparison for the results of the year ended June 30, 2015 as against June 30, 2014 is as follows:

	<b>Year Ended June 30,</b>	
	<b>2015</b>	<b>2014</b>
	<b>Rupees in thousand</b>	
Sales	<b>413,204</b>	466,467
Sales return	-	(103,845)
Cost of sales	<b>(407,893)</b>	(269,121)
Gross profit	<b>5,311</b>	93,501
Other income	<b>32,349</b>	44,402
Finance cost	<b>(230,375)</b>	(274,177)
Loss before tax	<b>(297,503)</b>	(174,911)
Net loss after tax	<b>(303,900)</b>	(177,013)
Loss per share-Basic and diluted	<b>(1.09)</b>	(0.63)

The variance in other income is due to the reversal of provision against Debt to Asset SWAP of PKR 21.575 million during the previous year which was partially set-off by a gain on sale of shops and counters amounting to PKR 4.275 million. Main reason for increase in finance cost is due to the penalty charged by Al Baraka Bank amounting to PKR 30.421 million during last year. No such penalty has been charged by the bank this year.

### Future Outlook:

Through the delivery of key development projects in 2016 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.

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

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

We are committed to grow 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 07, 2015

**Aamna Taseer**  
Chief Executive Officer



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

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Pace (Pakistan) Limited (the Holding Company) and its subsidiary companies (hereinafter referred to as the 'the Group') as at June 30, 2015 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 to the annexed consolidated 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, 2015 and the results of their operations for the year then ended.

We draw attention to note 2.2 to the financial statements which indicates the Group could not meet its obligations in respect of principal and markup repayments on borrowings from lenders. The current liabilities of the Group have exceeded its current assets by Rs 2,498.124 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.

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

Lahore: October 09, 2015

Name of Engagement Partner: Asad Aleem Mirza

**CONSOLIDATED BALANCE SHEET**  
**AS AT JUNE 30, 2015**

	Note	June 30, 2015	June 30, 2014
(Rupees in thousand)			
<b>EQUITY AND LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
Authorised capital 600,000,000 (2014: 600,000,000) ordinary shares of Rs 10 each		<b>6,000,000</b>	6,000,000
Issued, subscribed and paid up capital 278,876,604 (2014: 278,876,604) ordinary shares of Rs 10 each	5	<b>2,788,766</b>	2,788,766
Reserves		<b>269,364</b>	252,229
Accumulated loss		<b>(630,903)</b>	(328,560)
		<b>2,427,227</b>	2,712,435
<b>NON-CONTROLLING INTEREST</b>		<b>87,485</b>	87,578
		<b>2,514,712</b>	2,800,013
<b>NON-CURRENT LIABILITIES</b>			
Long term finances - secured	6	-	-
Redeemable capital - secured (non-participatory)	7	-	-
Liabilities against assets subject to finance lease	8	-	-
Foreign currency convertible bonds - unsecured	9	-	-
Deferred liabilities	10	<b>35,595</b>	34,654
Deferred taxation	11	<b>44,941</b>	42,676
		<b>80,536</b>	77,330
<b>CURRENT LIABILITIES</b>			
Advances against sale of property	12	<b>232,933</b>	132,678
Current portion of long term liabilities	13	<b>3,807,176</b>	3,746,097
Short term finance - secured	14	<b>96,443</b>	96,443
Creditors, accrued and other liabilities	15	<b>327,135</b>	267,354
Accrued finance cost	16	<b>1,368,075</b>	1,091,217
Taxation		<b>5,534</b>	5,534
		<b>5,837,296</b>	5,339,323
<b>CONTINGENCIES AND COMMITMENTS</b>	17	-	-
		<b>8,432,544</b>	8,216,666

The annexed notes from 1 to 44 form an integral part of these financial statements.

Lahore  
October 07, 2015

**Aamna Taseer**  
Chief Executive

## Pace (Pakistan) Group

	Note	June 30, 2015	June 30, 2014
(Rupees in thousand)			
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	18	459,578	592,660
Intangible assets	19	6,609	7,145
Investment property	20	3,421,430	3,370,166
Long term investments	21	1,192,136	1,169,438
Long term advances and deposits	22	13,619	13,619
		5,093,372	5,153,028
 <b>CURRENT ASSETS</b>			
Stock-in-trade	23	2,518,434	2,302,657
Trade debts - unsecured	24	676,483	630,767
Advances, deposits, prepayments and other receivables	25	87,391	80,529
Income tax recoverable		55,609	47,938
Cash and bank balances	26	1,255	1,747
		3,339,172	3,063,638
		8,432,544	8,216,666

**Shehryar Ali Taseer**  
Director

**CONSOLIDATED PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED JUNE 30, 2015**

	Note	2015	2014
		(Rupees in thousand)	
Sales	27	413,204	466,467
Less: Sales return	27.1	-	(103,845)
		413,204	362,622
Cost of sales	28	(407,893)	(269,121)
<b>Gross profit</b>		5,311	93,501
Administrative and selling expenses	29	(137,815)	(159,532)
Other income	30	32,349	44,402
Other operating expenses	31	(49,537)	(1,491)
		(149,692)	(23,120)
Finance costs	32	(230,375)	(274,177)
Changes in fair value of investment property	20	77,000	110,564
Share of profit from associate - net of tax	21.1.1	5,564	11,822
<b>Loss before tax</b>		(297,503)	(174,911)
Taxation	33	(6,397)	(2,102)
<b>Loss for the year</b>		(303,900)	(177,013)
<b>Other comprehensive income/ (loss)</b>			
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurement of net defined benefit liability - net of tax		1,464	(5,514)
<i>Items that may be reclassified subsequently to profit or loss</i>			
Changes in fair value of available for sale investments		49	(300)
Loss during the year transferred to profit and loss on account of derecognition of investment		-	819
Share in associate's changes in fair value of available for sale investments - net of tax		120	(27,054)
		169	(26,535)
<b>Total comprehensive loss for the year</b>		(302,267)	(209,062)
Attributable to:			
Equity holders of the parent		(302,174)	(208,962)
Non-controlling interest		(93)	(100)
		(302,267)	(209,062)
Loss per share attributable to ordinary shareholders			
- basic loss per share	Rupees 39.1	(1.09)	(0.63)
- diluted loss per share	Rupees 39.2	(1.09)	(0.63)

The annexed notes from 1 to 44 form an integral part of these financial statements.

**Lahore**  
October 07, 2015

**Aamna Taseer**  
Chief Executive

**Shehryar Ali Taseer**  
Director

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2015

## Pace (Pakistan) Group

	Attributable to equity holders of the parent					Non-Controlling Interest		(Rupees in thousand)	
	Share capital	Share premium reserve	Reserve for changes in fair value of investments	Share in reserves of associate	Accumulated loss	Total	Interest	Total Equity	
Balance as on June 30, 2013	2,788,766	273,265	(1,575)	7,074	(146,133)	2,921,397	87,678	3,009,075	
<b>Total comprehensive loss for the year</b>									
Loss for the year	-	-	-	-	(176,913)	(176,913)	(100)	(177,013)	
Other comprehensive loss for the year:									
Remeasurement of net defined benefit liability net of tax	-	-	-	-	(5,514)	(5,514)	-	(5,514)	
Changes in fair value of available for sale investments - net of tax	-	-	519	-	-	519	-	519	
Share of other comprehensive income/ reserves of associate - net of tax	-	-	-	(27,054)	-	(27,054)	-	(27,054)	
	-	-	519	(27,054)	(182,427)	(208,962)	(100)	(209,062)	
<b>Total contributions by and distributions to owners of the Company recognised directly in equity</b>									
Balance as on June 30, 2014	2,788,766	273,265	(1,056)	(19,980)	(328,560)	2,712,435	87,578	2,800,013	
<b>Total comprehensive loss for the year</b>									
Loss for the year	-	-	-	-	(303,807)	(303,807)	(93)	(303,900)	
Other comprehensive loss for the year:									
Remeasurement of net defined benefit liability net of tax	-	-	-	-	1,464	1,464	-	1,464	
Changes in fair value of available for sale investments - net of tax	-	-	49	-	-	49	-	49	
Share of other comprehensive income/ reserves of associate - net of tax	-	-	-	17,086	-	17,086	-	17,086	
	-	-	49	17,086	(302,343)	(285,208)	(93)	(285,301)	
<b>Total contributions by and distributions to owners of the Company recognised directly in equity</b>									
Balance as on June 30, 2015	2,788,766	273,265	(1,007)	(2,894)	(630,903)	2,427,227	87,485	2,514,712	

The annexed notes from 1 to 44 form an integral part of these financial statements.

**Lahore**  
October 07, 2015

**Aamna Taseer**  
Chief Executive

**Shehryar Ali Taseer**  
Director

**CONSOLIDATED CASH FLOW STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2015**

	Note	2015 (Rupees in thousand)	2014
<b>Cash flow from operating activities</b>			
Cash generated from operations	35	9,622	162,401
Finance costs paid		(2,787)	(32,695)
Gratuity and leave encashment paid		(798)	(3,875)
Taxes paid		(11,803)	(9,509)
<b>Net cash (used in) / generated from operating activities</b>		<b>(5,766)</b>	116,322
<b>Cash flow from investing activities</b>			
Purchase of property, plant and equipment		(11,535)	(7,906)
Proceeds from sale of property, plant and equipment		2,595	624
Proceeds from sale of investment property		16,873	-
Decrease in long term loans and deposits		-	-
Markup received		259	376
Proceeds from disposal of investment		-	979
Investment in equity instruments		-	(29)
<b>Net cash generated from / (used in) investing activities</b>		<b>8,192</b>	(5,956)
<b>Cash flow from financing activities</b>			
Repayment of long term finances		-	(110,292)
Repayment of finance lease liabilities		(2,918)	(3,974)
<b>Net cash used in financing activities</b>		<b>(2,918)</b>	(114,266)
<b>Net decrease in cash and cash equivalents</b>		<b>(492)</b>	(3,900)
<b>Cash and cash equivalents at the beginning of the year</b>		<b>(94,696)</b>	(90,796)
<b>Cash and cash equivalents at the end of the year</b>	36	<b>(95,188)</b>	(94,696)

The annexed notes from 1 to 44 form an integral part of these financial statements.

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

**FOR THE YEAR ENDED JUNE 30, 2015**

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

### **1.1 Constitution and ownership**

The consolidated financial statements of 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 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 302.267 million (2014: Rs 209.062 million). As at the reporting date, the current liabilities of the Group have exceeded its current assets by Rs 2,498.124 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. The Group is facing difficulties in realization in existing receivables and sale of its inventory, being encumbered against long term borrowings. These conditions raise significant doubts on the Group's ability to continue as a going concern.

The management of the Group is continuously engaged with its lenders for settlements of its borrowings. During the year National Bank of Pakistan (NBP), Habib Bank Limited (HBL) and Al Baraka Bank (Pakistan) Limited (ABBPL) have agreed in principle to settle their principal and markup. NBP has agreed in principle to settle its portion of Syndicate Term Finance Facility (STFF) and Term Finance Facility along with the accrued markup aggregating to Rs 332.112 million against property situated at various floors of Pace Towers measuring 18,475 square feet on conditions mentioned in note 6.1. HBL has agreed in principle to settle its share of STFF of Rs 108.894 million against properties situated at ground floor of Pace Towers and the third floor of Pace Model Town (Extension) measuring 4,238 square feet and 431 square feet respectively and waive markup of Rs 71.915 million on conditions mentioned in note 6.1. ABBPL has agreed in principle to settle principal of Rs 242.291 million against properties at first floor of Pace Towers measuring 17,950 square feet along with the waiver of accrued markup and late payment charges on conditions mentioned in note 6.4. However, legal documentation has not been finalized with these Banks. Similarly subsequent to year Pair Investment Company Limited (PAIR) has offered, which the Group has accepted, to settle Rs 138.750 million inclusive of mark up of Rs 42.307 million against the properties at mezzanine floor and basement of Pace Towers measuring 6,000 square feet and restructuring of Rs 15.950 million on conditions mentioned in note 13.

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

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

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

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

- the Group will be able to obtain relaxations from its lenders as highlighted above;
- the Group will be able to settle loans against its properties; and
- the Group will be able to readily realise its receivables and inventory and be able to utilise the resultant liquidity for completion and sale of the 'Pace Towers' project.



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

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

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

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

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

- Annual improvements 2012 applicable for annual periods beginning on or after July 1, 2014. These amendments include changes from the 2010-12 cycle of the annual improvements project, that affect 7 standards: IFRS 2, 'Share-based payment', IFRS 3, 'Business Combinations', IFRS 8, 'Operating segments', IFRS 13, 'Fair value measurement', IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets', Consequential amendments to IFRS 9, 'Financial instruments', IAS 37, 'Provisions, contingent liabilities and contingent assets', and IAS 39, Financial instruments – Recognition and measurement'. The application of these amendments have no material impact on the Group's financial statements.

- Annual improvements 2013 applicable for annual periods beginning on or after July 1, 2014. The amendments include changes from the 2011-13 cycle of the annual improvements project that affect 4 standards: IFRS 1, 'First time adoption', IFRS 3, 'Business combinations', IFRS 13, 'Fair value measurement' and IAS 40, 'Investment property'. The application of these amendments have no material impact on the Group's financial statements.

- IAS 19 (Amendments), 'Employee benefits', regarding defined benefit plans is applicable on accounting periods beginning on or after July 1, 2014. These apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. The application of these amendments have no material impact on the Group's 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 application of this amendment has no material impact on the Group's 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 application of this amendment has no material impact on the Group's financial statements.

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

-IFRIC 21, 'Levies' is applicable on accounting period beginning on or after July 01, 2014. It sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when should a liability be recognised. The application of this interpretation has no material impact on the Group's financial statements.

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

The following amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after July 01, 2015 or later periods, and the Group has not early adopted them:

- Annual improvements 2014 are applicable for annual periods beginning on or after January 01, 2016. These amendments include changes from the 2012-14 cycle of the annual improvements project, that affect 4 standards: IFRS 5, 'Non-current assets held for sale and discontinued operations' regarding methods of disposal, IFRS 7, 'Financial instruments: Disclosures', (with consequential amendments to IFRS 1) regarding servicing contracts, IAS 19,'Employee benefits' regarding discount rates, IAS 34, 'Interim financial reporting' regarding disclosure of information. The Group shall apply this standard from July 01, 2016 and does not expect to have any material impact on its financial statements.

- Amendment to IAS 1, 'Presentation of financial statements' on the disclosure initiative are applicable for annual periods beginning on or after January 01, 2016. These amendments are part of IASB major initiative to improve presentation and disclosure in financial reports. The Group shall apply this standard from July 01, 2016 and does not expect to have any material impact on its financial statements.

- Amendments to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets', on depreciation and amortisation, are applicable for annual periods beginning on or after January 01, 2016. In this amendment the IASB has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. The Group shall apply this standard from July 01, 2016 and does not expect to have any material impact on its financial statements.

- IAS 27 (Amendments), 'Separate financial statements' on the equity method is applicable on accounting periods beginning on or after January 1, 2016. These amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The Group shall apply this standard from July 01, 2016 and does not expect to have a 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.

- IFRS 9 'Financial instruments', issued on July 2014. The IASB has published the complete version of IFRS 9, 'Financial Instruments', which replaces the guidance in IAS 39. This final version includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the incurred loss impairment model used today. The Group shall apply this standard from July 01, 2018 and does not expect to have any material impact on its financial statements.

- IFRS 10 - 'Consolidated financial statements' is applicable on accounting periods beginning on or after January 01, 2015. This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in determining control where this is difficult to assess. The Group shall apply this standard from July 01, 2015 and does not expect to have a material impact on its financial statements.

- Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures' are applicable on accounting periods beginning on or after January 01, 2016. These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The Group shall apply this standard from July 01, 2016 and does not expect to have a material impact on its financial statements.

- Amendment to IFRS 10 and IAS 28 on investment entities applying the consolidation exception are applicable on accounting periods beginning on or after January 01, 2016. These amendments clarify the application of the consolidation exception for investment entities and their subsidiaries. The Group shall apply this standard from July 01, 2016 and does not expect to have a material impact on its financial statements.

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

- Amendment to IFRS 11, 'Joint arrangements' on acquisition of an interest in a joint operation is applicable on accounting periods beginning on or after January 01, 2016. This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions. The Group shall apply this standard from July 01, 2016 and does not expect to have a material impact on its financial statements.

- IFRS 12 - 'Disclosures of interests in other entities'. This is applicable on accounting periods beginning on or after January 01, 2015. This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group shall apply this standard from July 01, 2015 and does not expect to have a material impact on its financial statements.

- IFRS 13 - 'Fair value measurement'. This is applicable on accounting periods beginning on or after January 01, 2015. This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The Group shall apply this standard from July 01, 2015 and does not expect to have a material impact on its financial statements.

- IFRS 15 - 'Revenue from contracts with customers' is applicable on accounting periods beginning on or after January 01, 2017. This is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally. The Group shall apply this standard from July 01, 2017 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 42.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as excess of the aggregate of the consideration transferred and the fair value of the non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in consolidated profit and loss account.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the group's accounting policies. 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.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

### **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. Under the equity method, the investment is initially



recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the income statement, its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income and its share of post acquisition movement in reserves is recognised in reserves with a corresponding adjustment to 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 legal or constructive obligations or made payments on behalf of the associate.

The group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of associates in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are 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 associate are recognised in the income statement.

## **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 off.

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

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

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



#### **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 off. 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, 2015. Projected Unit Credit Method, using the following significant assumptions for valuation of the scheme:

- Discount rate 9.75 percent per annum (2014: 13.25 percent per annum)
- Expected rate of increase in salary level 8.75 percent per annum (2014: 12.25 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, 2015. Projected Unit Credit Method, using the following significant assumptions is used for valuation of accumulating compensated absences:

- |   |   |
|---|---|
| - Discount rate   | 9.75% (2014: 13.25%)  |
| - Expected increase in salary                                 | 8.75% (2014: 12.25%)  |
| - Expected mortality rate                                     | As per SLIC (2001-2005) mortality table with one year setback |
| - Expected withdrawal and early retirement rate               | Based on experience and age                                   |
| - Average number of leaves accumulated per annum by employees | 10 days (2014: 10 days)                                       |

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

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

#### **4.7 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, 2015. 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.

#### **4.8 Investments**

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

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

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

#### **4.9 Financial instruments**

##### **4.9.1 Financial assets**

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

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

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

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

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

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

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

**d) Held to maturity**

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

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

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

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

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

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

**4.9.2 Financial liabilities**

All financial liabilities are recognised at the time when the Group becomes a party to the contractual provisions of the instrument.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in the profit and loss account.

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

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

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

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

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

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

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

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

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

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

#### **4.12 Revenue recognition**

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

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

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

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

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

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

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

#### **4.13 Borrowing costs**

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

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

#### **4.14 Segment reporting**

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

#### **4.15 Trade debts**

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

#### 4.16 Creditors, accruals and provisions

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

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

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

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

#### 4.18 Borrowings

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

#### 4.19 Foreign currency convertible bonds

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

#### 4.20 Cash and cash equivalents

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

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

2015 (Number of shares)	2014		2015 (Rupees in thousand)	2014
201,704,516	201,704,516	Ordinary shares of Rs 10 each fully paid in cash	2,017,045	2,017,045
		Ordinary shares of Rs 10 each issued as fully		
77,172,088	77,172,088	paid bonus shares	771,721	771,721
<u>278,876,604</u>	<u>278,876,604</u>		<u>2,788,766</u>	<u>2,788,766</u>

First Capital Securities Corporation Limited, an associated undertaking, holds 7,504,915 (2014: 26,723,615) ordinary shares of the holding Company.



	Note	2015 (Rupees in thousand)	2014
<b>6. Long term finances - secured</b>			
Syndicate term finance facility	6.1	<b>305,412</b>	305,412
National Bank of Pakistan - term finance	6.2	<b>39,780</b>	39,780
Soneri Bank - demand finance	6.3	<b>27,422</b>	27,422
Al Baraka Bank (Pakistan) Limited - musharika based agreement	6.4	<b>242,292</b>	242,292
		<b>614,906</b>	614,906
Less: Current portion shown under current liabilities	13	<b>(614,906)</b>	(614,906)
		<b>-</b>	-

### 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% (2014: 3 months KIBOR plus 3.5%).

#### Security

The facility is secured against first pari passu hypothecation/mortgage charge over the two projects land and construction there of with 25% margin; assignment of receivables and related sale proceeds out of the two projects; assignment of rights and benefits under all agreements of the two projects; and assignment of all present and future net operational income and cash flows of Pace Model Town, Pace MM Alam, Pace Gujranwala, Pace Fortress and Pace Gujrat project.

The Group has agreed in principle with both of the syndicate members to settle their principal and accrued mark up and properties at Pace Towers on following key terms:

#### National Bank of Pakistan

- Settlement of bank's portion of Syndicate term finance facility (STFF) and Term Finance in note 6.2 alongwith their accrued mark up aggregating to Rs 332.112 million against property situated at ground, mezzanine floors and basement of Pace Tower measuring 16,450 square feet, enhanced to 18,475 square feet by the bank subsequent to the year end.

- The bank will continue to hold its charge on Pace Towers except for the podium level and later it will take over charge being vacated by PAIR Investment Company Limited as a result of settlements.

#### Habib Bank Limited

- Settlement of bank's share of STFF of Rs 106.894 million, against properties situated at ground floor of Pace Towers and the third floor of Pace Model Town (Extension) measuring a total of 4,238 square feet and 431 square feet respectively.

- Waiver of accrued markup of Rs 71.915 million.

- The Group will procure no objection certificates from National Bank of Pakistan and Al Baraka Bank (Pakistan) Limited for vacation of their charges over the aforementioned properties.



- The bank will continue to hold its charge over 21 floors i.e. from 1st to 21st floors in Pace Towers until the finishing work on aforementioned property in Pace Towers is complete.

Legal documentation has not been finalized with these banks.

## **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% (2014: 3 months KIBOR plus 3.5%).

### **Security**

The facility is secured against a mortgage over the immovable properties consisting of an area measuring 20,315 square feet, consisting of 23 shops and 2 counters of Pace MM Alam Road. The charge ranks pari passu with that of PAIR Investment Company Limited as referred to in note 14.

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

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

### **Terms of repayment**

This loan is part of total demand finance facility limit of Rs 44.688 Million (2014: Rs 44.688 Million) and carries markup @ 6 months KIBOR + 3% (2014: 6 months KIBOR + 3%). The loan was originally repayable in 8 equal quarterly installments ending on June 30, 2012.

### **Security**

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

During the last year, the bank has agreed to and the Group has accepted to restructure entire principal of Rs 27.420 million and markup as on Dec 31, 2013 of Rs 12.130 million. However, the restructuring was not executed as the Group could not make payments in accordance with the revised terms and further decided to settle the loan and mark up through debt to asset swap. The proposal is in early stage and formal plan of the properties for settlement is to be decided by the Group.

## **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 (2014: 400 million) under a musharika based arrangement with Al Baraka Bank (Pakistan) Limited and carries markup @ 3 months KIBOR + 3.5% (2014: 3 months KIBOR + 3.5%). The loan was repayable in 10 equal quarterly installments ending on August 20, 2013.

**Security**

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

During the year, the bank and the Group have agreed in principle to settle principal of Rs 242.291 million against properties at first floor of Pace Towers, measuring 17,950 square feet along with the waiver of accrued markup and late payment charges. However, legal documentation had not been finalized. Following are the key terms:

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

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

	Note	2015 (Rupees in thousand)	2014
<b>7. Redeemable capital - secured (non-participatory)</b>			
Term finance certificates		1,498,200	1,498,200
Less: Current portion shown under current liabilities	13	<u>(1,498,200)</u>	<u>(1,498,200)</u>
		<u>-</u>	<u>-</u>

**Terms of repayment**

This represents term finance certificates (TFC's) listed on Lahore Stock Exchange issued for a period of 5 years on September 27, 2010, the Group completed the restructuring of its term finance certificates. Restructuring was duly approved by majority of TFC holders holding certificates in aggregate of 51.73 %, through extraordinary resolution passed in writing. Consequent to the approval of TFC holders, addendum to the trust deed was executed between the Group and trustee 'IGI Investment Bank Limited' under which the Group was allowed one and a half year grace period along with an extension of four years in the tenure of TFC issue and consequently, the remaining tenure of TFC shall be six and a half years effective from August 15, 2010. The TFC's carry a markup of 6 months KIBOR plus 2% (2014: 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 1,498.200 million includes principal installments aggregating to Rs 299.520 million, which, under the terms of the agreement were due for repayment in period subsequent to June 30, 2016. However, as the Group could not repay on a timely basis the installments due upto year ended June 30, 2015 and is not compliant with certain debt covenants, which represents a breach of the respective agreement, therefore the entire outstanding amount has been classified as a current liability under the guidance contained in IAS 1 "Presentation of financial statements". The Group is in negotiation with the trustee for relaxation in payment terms and certain other covenants.

	Note	2015	2014
(Rupees in thousand)			
<b>8. Liabilities against assets subject to finance lease</b>			
Present value of minimum lease payments		<b>23,614</b>	26,533
Less: Current portion shown under current liabilities	13	<b>(23,614)</b>	(26,533)
		<u>-</u>	<u>-</u>

The minimum lease payments have been discounted at an implicit interest rate ranging from 9% to 15% (2014: 9% to 18%) to arrive at their present value. The lessee has the option to purchase the assets after the expiry of the lease term. Taxes, repairs and insurance costs are to be borne by the lessee. The liability is partly secured by a deposit of Rs 11.500 million (2014: Rs 11.500 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	
				2015	2014
Not later than one year		25,924	2,310	<b>23,614</b>	26,533
Later than one year and not later than five years		-	-	-	-
		<u>25,924</u>	<u>2,310</u>	<u><b>23,614</b></u>	<u>26,533</u>

	Note	2015	2014
(Rupees in thousand)			
<b>9. Foreign currency convertible bonds - unsecured</b>			
Opening balance		<b>1,606,458</b>	1,591,721
Markup accrued during the year		<b>16,007</b>	15,543
		<b>1,622,465</b>	1,607,264
Exchange loss / (gain) for the year		<b>47,991</b>	(806)
		<b>1,670,456</b>	1,606,458
Less: Current portion shown under current liabilities	13	<b>(1,670,456)</b>	(1,606,458)
		<u>-</u>	<u>-</u>

The Group issued 25,000 convertible bonds of USD 1,000 each on January 5, 2008 amounting to USD 25 million. The foreign currency convertible bonds (FCCB) were listed on the Singapore Stock Exchange and became redeemable on December 28, 2012 at the accreted principal amount. The bonds carry a markup of 5.5% per annum, compounded semi-annually, accretive (up till December 28, 2012) and cash interest of 1% per annum to be paid in arrears. The holders of the bonds have an option to convert the bonds into equity shares of the holding 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, 2015.

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

## Pace (Pakistan) Group

	Note	2015	2014
(Rupees in thousand)			
<b>10. Deferred liabilities</b>			
Staff gratuity	10.1	32,958	32,041
Leave encashment	10.2	2,637	2,613
		<u>35,595</u>	<u>34,654</u>

### 10.1 Staff gratuity

Opening balance		32,041	23,183
Charge to profit and loss account	10.1.1	10,915	7,794
Benefits due during the year		(7,895)	(3,614)
Remeasurement chargeable in other comprehensive income		(2,103)	4,678
Liability as at June 30		<u>32,958</u>	<u>32,041</u>

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

Opening balance	32,041	23,183
Service cost	7,193	5,550
Interest cost	3,722	2,244
Benefits due during the year	(7,895)	(3,614)
Remeasurement chargeable in other comprehensive income	(2,103)	4,678
Present value of defined benefit obligation as at June 30	<u>32,958</u>	<u>32,041</u>

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

Service cost	7,193	5,550
Interest cost	3,722	2,244
Charge to profit and loss account	<u>10,915</u>	<u>7,794</u>

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

Cost of sales	1,400	1,013
Administrative, general and other expenses	9,515	6,781
	<u>10,915</u>	<u>7,794</u>

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

	2015	2014	2013	2012	2011
(Rupees in thousand)					
Present value of defined benefit obligation	32,958	32,041	23,183	28,523	23,260
Fair value of plan assets	-	-	-	-	-
Deficit	<u>(32,958)</u>	<u>(32,041)</u>	<u>(23,183)</u>	<u>(28,523)</u>	<u>(23,260)</u>
Experience adjustment on obligation	6%	-15%	-20%	-2%	24%

2015                      2014  
(Rupees in thousand)

**10.2 Leave encashment**

The amounts recognised in the balance sheet are as follows:

Opening balance	2,613	1,421
Charge to profit and loss account	512	617
Benefits due during the year	(1,127)	(260)
Remeasurement chargeable in other comprehensive income	639	835
Liability as at June 30	2,637	2,613

**2015**  
(Rupees in thousand)  
**Gratuity                      Leave encashment**

Year end sensitivity on defined benefit obligation:

Discount rate + 100 bps	31,064	2,469
Discount rate - 100 bps	35,115	2,778
Salary increase + 100 bps	35,210	2,778
Salary increase - 100 bps	30,944	2,466

Note                      2015                      2014  
(Rupees in thousand)

**11. Deferred taxation**

The liability for deferred taxation comprises temporary differences relating to:

Accelerated tax depreciation	257,986	268,514
Employee retirement benefits	(19,633)	(17,615)
Provision for doubtful receivables	(43,069)	(46,732)
Loss on remeasurement of assets of disposal group	-	-
Provision for restructuring	-	-
Deferred cost	(146)	(193)
Unused tax losses	(195,138)	(203,974)
Investment in associate	44,941	42,676
	44,941	42,676

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

Opening balance		44,200
Provision /(income) for the year	33	(1,524)
Closing balance		42,676

**11.1** Deferred tax asset on tax losses available for carry forward and those representing minimum tax paid available for carry forward u/s 113 of the Income Tax Ordinance, 2001 are recognised to the extent that the realisation of related tax benefits through future taxable profits is probable. The Group has not recognised deferred tax assets of Rs 1,118.598 million (2014: Rs 1,148.328 million) in respect of tax losses and Rs 7.758 million (2014: Rs 3.626 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 7.758 million would not be available for

carry forward against future tax liabilities subsequent to years 2016 through 2020. Tax losses amounting to Rs 43.930, Rs 1,233.206 million, Rs 788.658 million, Rs 535.643 million Rs 271.029 million and Rs 322.168 million will expire in year 2016, 2017, 2018, 2019, 2020 and 2021 respectively.

## 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 and its breakup at June 30, 2015 is as follows:

	Note	2015 (Rupees in thousand)	2014
Silk Bank Limited	12.1	108,440	-
First Capital Investment Limited - related party		15,250	15,739
First Capital Securities Corporation Limited - related party		43,675	45,081
Others		65,568	71,858
		<u>232,933</u>	<u>132,678</u>

**12.1** A Tri Party Agreement (the 'Agreement') was signed during the year by the holding Company, Pace Barka Properties Limited ('PBPL'), and SilkBank Limited ('SBL') whereby the SBL purchased property on lower ground floor at Pace Towers from the holding Company at an agreed price of Rs 108.440 million and adjusted the proceeds with its outstanding principal and markup from PBPL on a condition that holding Company will complete the finishing work of the aforementioned property within one year from the Agreement's date. SBL has taken over the possession of the property on date of the Agreement. The holding Company shall recognize the revenue when conditions laid in the Agreement, including, completion of finishing works are completed.

PBPL settled its payable to the holding Company, arising from the Agreement, with its receivable from the holding Company against purchase of inventory at Pace Circle as referred to in note 23 on the date of the Agreement.

Note	2015 (Rupees in thousand)	2014
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## 13. Current portion of long term liabilities

Current portion of long term finances - secured	6	614,906	614,906
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	23,614	26,533
Current portion of foreign currency convertible bonds - unsecured	9	1,670,456	1,606,458
		<u>3,807,176</u>	<u>3,746,097</u>

**13.1** Overdue principal included in current maturity as at June 30, 2015 are as follows:

	2015 (Rupees in thousand)	2014
Long term finances - secured:		
- Syndicate term finance facility	305,413	305,413
- National Bank of Pakistan- term finance	39,780	39,780
- Soneri Bank - demand finance	27,422	27,422
- Al Baraka Bank (Pakistan) Limited - musharika based agreement	242,291	242,291
Redeemable capital - secured (non-participatory)	899,160	599,640
Foreign currency convertible bonds - unsecured	1,670,456	1,606,458
Liabilities against assets subject to finance lease	12,114	15,033
	<u>3,196,636</u>	<u>2,836,037</u>

#### 14. Short term finance - Secured

This represents short term finance of Rs 96.443 million (2014: Rs 96.443 million) provided by PAIR Investment Company Limited (formerly Pak-Iran Joint Investment Company Limited) and carries markup @ 1 month KIBOR + 3.5% (2014: 1 months KIBOR + 3.5%). The entire amount of loan is overdue as at June 30, 2015.

##### 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.

Subsequent to the year end, the PAIR Investment Company Limited (PAIR) has offered the Group, which the Group has accepted to settle and restructure the entire principal and accrued mark up as follows:

-Settlement of Rs 138.750 million inclusive of mark up of Rs 42.307 million against the properties at mezzanine floor and basement of Pace Towers measuring 6,000 square feet and PAIR to vacate its charge to the extent of Rs 120.85 million on MM Alam plaza.

-Restructuring of Rs 15.950 million on the following terms:

--Repayment in 20 equal installments starting from September 01, 2017.

--Amount of loan will be secured against charge at MM Alam plaza with 25% Margin.

	Note	2015	2014
		(Rupees in thousand)	
<b>15. Creditors, accrued and other liabilities</b>			
Trade creditors		143,113	118,764
Advances from customers		8,141	6,469
Licensee fee received in advance		4,066	4,290
Accrued liabilities		75,281	51,762
Licensee security deposits		27,731	25,173
Payable to contractors		2,699	2,699
Retention money		1,326	943
Withholding tax payable		27,301	22,807
Others		37,477	34,447
		<b>327,135</b>	<b>267,354</b>
<b>16. Accrued finance cost</b>			
Long term finances - secured	16.1	436,671	351,902
Short term finance - secured	16.2	61,386	48,464
Redeemable capital - secured (non-participatory)	16.3	841,737	668,128
Liabilities against assets subject to finance lease	16.4	28,281	22,723
		<b>1,368,075</b>	<b>1,091,217</b>

- 16.1** This includes overdue markup of Rs 416.838 million (2014: Rs 327.376 million).
- 16.2** This includes overdue markup of Rs 60.951 million (2014: Rs 20.074 million).
- 16.3** This includes overdue markup of Rs 783.609 million (2014: Rs 600.802 million).
- 16.4** This includes overdue markup of Rs 2.310 million (2014: Rs 2.310 million) and late payment charges of Rs 25.983 million (2014: Rs 20.426 million).

**17. Contingencies and commitments**

**17.1 Contingencies**

- (i) Claims against the Group not acknowledged as debts Rs 21.644 million (2014: 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 (2014: 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 271.946 million (2014: Rs 384.379 million).
- (ii) The amount of future payments under operating leases and the period in which these payments will become due are as follows:

	Note	2015 (Rupees in thousand)	2014
Not later than one year		7,875	7,875
Later than one year and not later than five years		37,406	35,438
Later than five years		732,444	742,287
		777,725	785,600

**18. Property, plant and equipment**

Operating fixed assets			
- owned assets	18.1	431,957	455,206
- assets subject to finance lease	18.2	475	2,113
Capital work in progress	18.3	27,146	135,341
		459,578	592,660



**18.1 Owned assets**

		(Rupees in thousand)									
		2015					2014				
Cost as at June 30, 2014	Additions/transfers/(deletions)	Transfers from assets subject to finance lease	Transfers from / (to) disposal group held-for-sale	Cost as at June 30, 2015	Accumulated depreciation & impairment as at June 30, 2014	Depreciation charge for the year/(deletions)	Transfers from assets subject to finance lease	Transfers from / (to) disposal group held-for-sale	Accumulated depreciation & impairment as at June 30, 2015	Book value as at June 30, 2015	Depreciation rate
Freehold land *	155,152	-	-	155,152	-	-	-	-	-	155,152	-
Leasehold land **	-	-	-	-	-	-	-	-	-	-	-
Buildings on freehold land	179,470	-	-	179,470	53,452	6,301	-	-	59,753	119,717	5%
Buildings on leasehold land ***	205,322	(26,201)	-	179,121	120,311	4,637	-	-	109,948	69,173	3%
Plant and machinery	81,171	-	-	81,171	54,948	2,622	-	-	57,570	23,601	10%
Electrical equipment	75,844	2,038	-	77,882	37,843	3,800	-	-	41,643	36,239	10%
Office equipment and appliances	11,683	-	-	11,683	7,713	397	-	-	8,110	3,573	10%
Furniture and fixtures	11,784	-	-	11,784	6,451	533	-	-	6,984	4,800	10%
Computers	9,585	251	-	9,836	8,855	279	-	-	9,134	702	33%
Vehicles	45,602	7,973	4,518	53,204	30,834	3,758	3,125	-	34,204	19,000	20%
	775,613	10,262	4,518	759,303	320,407	22,327	3,125	-	327,346	431,957	
	(31,090)					(18,513)					
Freehold land *	155,152	-	-	155,152	-	-	-	-	-	155,152	-
Leasehold land **	-	-	-	-	-	-	-	-	-	-	-
Buildings on freehold land	161,294	-	18,176	179,470	42,083	5,960	-	5,409	53,452	126,018	5%
Buildings on leasehold land ***	205,322	-	-	205,322	115,347	4,964	-	-	120,311	85,011	3%
Plant and machinery	81,171	-	-	81,171	52,034	2,914	-	-	54,948	26,223	10%
Electrical equipment	75,844	-	-	75,844	33,584	4,259	-	-	37,843	38,001	10%
Office equipment and appliances	11,683	-	-	11,683	7,272	441	-	-	7,713	3,970	10%
Furniture and fixtures	11,784	-	-	11,784	5,858	593	-	-	6,451	5,333	10%
Computers	9,466	119	-	9,585	8,554	301	-	-	8,855	730	33%
Vehicles	46,414	(812)	-	45,602	27,763	3,689	-	-	30,834	14,768	20%
	758,130	119	18,176	775,613	292,495	23,121	-	5,409	320,407	455,206	
	(812)					(618)					

\* 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 Barika Properties Limited (PBPL), an associated undertaking, since at the time of bidding PBPL was in the process of incorporation. Subsequent to the bidding, payment was made by PBPL but the Ministry of Defence refused to transfer the said piece of land in the name of PBPL as it was not the original bidder, therefore the legal ownership has been transferred in the name of the 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 8,227 square feet (2014: 9,357 square feet) relating to 2nd and 3rd floors of Fortress Project, Lahore the right of which has been acquired for 33 years in 2011 from Fortress Stadium management, Lahore Cantt.

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

	Note	June 2015	June 2014
Cost of sales	28.3	12,327	12,692
Administrative and selling expenses	29	10,000	10,429
		<u>22,327</u>	<u>23,121</u>

18.1.2 Disposal of owned assets

Particular of Assets	Sold to	Cost	Accumulated depreciation	(Rupees in thousand)	
				Sales proceeds	Mode of Disposal
Buildings on leasehold land	<b>Outsiders</b>				
	IGI Finix Securities Limited	26,201	15,000	11,200	- Negotiation -
Vehicles	<b>Outsiders</b>				
	Malik Fawad	4,000	2,817	1,300	- Negotiation -
	EFU General Insurance Limited	514	411	800	-----Do-----
	Faizan Arshad	375	285	495	-----Do-----
		<u>31,090</u>	<u>18,513</u>	<u>13,795</u>	

18.2 Assets subject to finance lease	(Rupees in thousand)							
	2015							
	Cost as at June 30, 2014	Additions/(deletions)/(transfers)	Cost as at June 30, 2015	Accumulated depreciation as at June 30, 2014	Depreciation charge for the year	Accumulated depreciation as at June 30, 2015	Book value as at June 30, 2015	Depreciation rate
Vehicles	5,912	-	1,394	3,799	246	920	475	20%
Plant and machinery	57,500	(4,518)	57,500	57,500	(3,125)	57,500	-	33%
	63,412	-	58,894	61,299	246	58,420	475	
		(4,518)			(3,125)			
	2014							
	Cost as at June 30, 2013	Additions/(deletions)/(transfers)	Cost as at June 30, 2014	Accumulated depreciation as at June 30, 2013	Depreciation charge for the year	Accumulated depreciation as at June 30, 2014	Book value as at June 30, 2014	Depreciation rate
Vehicles	5,912	-	5,912	3,270	529	3,799	2,113	20%
Plant and machinery	57,500	-	57,500	57,500	-	57,500	-	33%
	63,412	-	63,412	60,770	529	61,299	2,113	

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

**18.3 Capital Work in progress**

	June 2015	June 2014
Opening cost	135,341	127,555
Project development costs	1,273	7,786
Transfer to inventory	(109,468)	-
	<u>27,146</u>	<u>135,341</u>

This represents the 3rd floor measuring 4,170 (2014: 21,813) square feet of Pace Towers located at 27 H Gulberg III Lahore, which the Company intends to retain for its own use. During the year the Company transferred 17,643 square feet to the inventory with a view to sale. This also includes borrowing costs of Rs 5.039 million (2014: Rs 21.520 million). During the year borrowing cost of Rs 0.925 million (2014: Rs 4.700 million) was capitalized at an effective rate of 8.34% (2014: 6.9%).

19 Intangible assets	(Rupees in thousand)						
	2015				2014		
	Cost as at June 30, 2014	Additions/ (deletions)	Cost as at June 30, 2015	Accumulated amortisation as at June 30, 2014	Amortisation charge for the year	Accumulated amortisation as at June 30, 2015	Book value as at June 30, 2015
Softwares	2,878	-	2,878	2,271	61	2,332	546
Dark fiber *	9,508	-	9,508	2,970	475	3,445	6,063
	12,386		12,386	5,241	536	5,777	6,609
	Cost as at June 30, 2013	Additions/ (deletions)	Cost as at June 30, 2014	Accumulated amortisation as at June 30, 2013	Amortisation charge for the year	Accumulated amortisation as at June 30, 2014	Book value as at June 30, 2014
Softwares	2,878	-	2,878	2,195	76	2,271	607
Dark fiber *	9,508	-	9,508	2,495	475	2,970	6,538
	12,386		12,386	4,690	551	5,241	7,145

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

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,		Fair Value as at June 30,	
		2015	2014	2015	2014
(Rupees in thousand)					
Opening value		1,715,380	1,647,161	3,370,166	3,145,137
- Transfer from disposal group held for sale		-	68,219	-	114,465
- Disposal of investment property		(14,037)	-	(25,736)	-
Closing value before revaluation as at June 30		1,701,343	1,715,380	3,344,430	3,259,602
Fair value gain recognised in profit and loss account		-	-	77,000	110,564
Fair value as at June 30		1,701,343	1,715,380	3,421,430	3,370,166

## 21. Long term investments

	Note	2015	2014
(Rupees in thousand)			
Associate - unquoted			
Pace Barka Properties Limited			
75,875,000 (2014: 75,875,000) fully paid ordinary shares of Rs 10 each			
Equity held 24.9% (2014: 24.9%)	21.1	1,191,129	1,168,480
Available for sale - quoted	21.2	1,007	958
		<u>1,192,136</u>	<u>1,169,438</u>
<b>21.1.1 Associate - unquoted</b>			
Cost		758,651	758,651
Brought forward amounts of post acquisition reserves and profits and negative goodwill recognised directly in profit and loss account		409,829	425,061
		<u>1,168,480</u>	<u>1,183,712</u>
Share of movement in reserves during the year		17,085	(27,054)
Share of profit for the year			
- before taxation		7,394	18,232
- provision for taxation		(1,830)	(6,410)
		<u>5,564</u>	<u>11,822</u>
Balance as on June 30		<u>1,191,129</u>	<u>1,168,480</u>

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
(Rupees in thousands)					
<b>June 2015</b>					
Pace Barka Properties Limited	24.86%	1,525,611	317,378	114,909	5,554
<b>June 2014</b>					
Pace Barka Properties Limited	24.86%	1,495,021	309,440	116,355	11,842

## Pace (Pakistan) Group

	Note	2015 (Rupees in thousand)	2014
<b>21.2 Available for sale - quoted</b>			
Worldcall Telecom Limited 912 (2014: 912) fully paid ordinary shares of Rs 10 each		6	6
Shaheen Insurance Company Limited 158,037 (2014: 158,037) fully paid ordinary shares of Rs 10 each		<u>2,008</u>	<u>2,008</u>
		<b>2,014</b>	<b>2,014</b>
Less: Cumulative fair value loss	21.2.1	<u>(1,007)</u>	<u>(1,056)</u>
		<u><b>1,007</b></u>	<u><b>958</b></u>
<b>21.2.1 Cumulative fair value loss</b>			
Opening balance		1,056	1,575
Fair value (gain)/ loss during the year		(49)	300
Transferred to profit and loss account on derecognition of investment		-	(819)
As at June 30		<u><b>1,007</b></u>	<u><b>1,056</b></u>

## 22. Long term advances and deposits

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

## 23. Stock-in-trade

Work in process - Pace Towers	23.1 & 23.2	1,243,560	1,134,710
Shops and houses		316,973	283,816
Pace Barka Properties Limited - Pace Circle		602,459	528,748
Pace Supermall (Private) Limited		354,600	354,600
Woodland plots		-	-
		<u>2,517,592</u>	<u>2,301,874</u>
Stores inventory		842	783
		<u><b>2,518,434</b></u>	<u><b>2,302,657</b></u>

**23.1** Included in work in process are borrowing costs of Rs 350.451 million (2014: Rs 268.690 million). During the year borrowing cost of Rs 64.346 million (2014: Rs 58.650 million) was capitalized at an effective rate of 8.34% (2014: 6.92%).

**23.2** The charge amounting to Rs 1,200.5 million (2014: 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.

## Pace (Pakistan) Group

	Note	2015	2014
(Rupees in thousand)			
<b>24. Trade debts - unsecured</b>			
Considered good	24.1	676,483	630,767
Considered doubtful		<u>130,513</u>	<u>133,519</u>
		<b>806,996</b>	<b>764,286</b>
Less: Provision for doubtful debts	24.2	<u>(130,513)</u>	<u>(133,519)</u>
		<b>676,483</b>	<b>630,767</b>

**24.1** This includes amount of Rs 6.681 million (2014: Rs 6.681 million) receivable from First Capital Securities Corporation Limited, a related party.

	Note	2015	2014
(Rupees in thousand)			
<b>24.2 Provision for doubtful debts</b>			
Opening balance		133,519	119,282
(Reversal)/ provision during the year		<u>(3,006)</u>	<u>14,237</u>
Balance as at June 30		<b>130,513</b>	<b>133,519</b>

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

Advances - considered good			
- to employees		7,625	7,039
- to suppliers	25.1	15,197	15,982
Security deposits		12,896	12,902
Prepayments		-	456
Advances to contractors		5,921	5,921
Receivable against sale of investment property		13,138	-
Others - considered good	25.2	32,614	38,229
		<u>87,391</u>	<u>80,529</u>

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

World Press (Private) Limited	6,225	1,993
Media Times Limited	2,010	6,525
	<u>8,235</u>	<u>8,518</u>

**25.2** This includes Rs 10.684 million (2014: Rs 13.781 million) interest free amount due from Media Times Limited a related party.

## Pace (Pakistan) Group

	Note	2015	2014
(Rupees in thousand)			
<b>26. Cash and bank balances</b>			
At banks			
- in saving accounts	26.1 & 26.2	359	936
- in current accounts		<u>896</u>	<u>764</u>
		<u>1,255</u>	<u>1,700</u>
In hand		-	47
In transit		-	-
		<u><u>1,255</u></u>	<u><u>1,747</u></u>

**26.1** The balances in saving accounts bear markup ranging from 5% to 12% per annum (2014: 5% to 12%).

**26.2** This includes Rs 0.006 million (2014: Rs 0.006 million) placed in Debt Servicing Reserve Account of National Bank of Pakistan.

	Note	2015	2014
(Rupees in thousand)			
<b>27. Sales</b>			
Shops, houses and commercial buildings			
- at percentage of completion basis		67,379	134,309
- at completion of project basis			
--Owned		44,634	19,095
--Pace Circle		58,077	65,184
Plots		-	3,200
Licensee fee		38,075	39,145
Display advertisements and miscellaneous income		17,513	18,448
Service charges		187,526	187,086
		<u>413,204</u>	<u>466,467</u>

### 27.1 Sales return

At percentage of completion basis	27.1.1	-	(103,845)
		<u>-</u>	<u>(103,845)</u>

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

		2015	2014
(Rupees in thousand)			
<b>27.2 Sales recognised at percentage of completion basis</b>			
Revenue recognised to date		722,599	655,220
Aggregate cost incurred to date		<u>(624,296)</u>	<u>(554,910)</u>
Recognised profit to date		<u>98,303</u>	<u>100,310</u>

**27.2.1** The revenue arising from agreements, that meet the criteria for revenue recognition on the basis of percentage of completion method, during the year is Rs 67.379 million (2014: Rs 30.464 million). Amount received against these agreements amounts to Rs 154.017 million (2014: Rs 44.246 million).



## Pace (Pakistan) Group

	Note	2015	2014
(Rupees in thousand)			
<b>28. Cost of sales</b>			
Shops and commercial buildings sold			
- at percentage of completion basis	28.1	69,386	(5,738)
- at completion of project basis			
-- Owned	28.2	23,871	(30,888)
-- Pace Circle		34,728	46,768
Plots sold		-	1,433
Stores operating expenses	28.3	279,908	257,151
		407,893	269,121

### 28.1 Shops and commercial buildings sold at percentage of completion basis

Opening work in process		1,134,710	1,031,748
Transfer from capital work in progress	18.3	109,468	-
Project development costs	28.1.1	88,415	97,224
Property sold on completion basis	28.2	(19,647)	-
Closing work in process	23	(1,243,560)	(1,134,710)
Cost of apartments and commercial buildings sold / (reversed) during the year	28.1.2	69,386	(5,738)

**28.1.1** This includes borrowing cost capitalized of Rs 64.346 million (2014: Rs 58.650 million).

	Note	2015	2014
(Rupees in thousand)			
<b>28.1.2 Cost of shops and houses sold / (reversed) during the year</b>			
Cost of shops and houses sold during the year		69,386	85,509
Cost of apartments and commercial buildings reversed during the year		-	(91,247)
		69,386	(5,738)

### 28.2 Shops and houses sold at completion of project basis

Opening inventory of shops and houses		283,816	242,016
Repurchased/swapped during the year		37,381	10,911
Property sold on completion basis from Pace Towers	28.1	19,647	-
Closing inventory of shops and houses	23	(316,973)	(283,816)
Cost of shops and houses sold during the year	28.2.1	23,871	(30,888)

### 28.2.1 Cost of shops and houses sold / (reversed) during the year

Cost of shops and houses sold during the year		23,871	15,117
Reversal of net realisable value loss		-	(46,005)
		23,871	(30,888)

## Pace (Pakistan) Group

	Note	2015	2014
		(Rupees in thousand)	
<b>28.3 Stores operating expenses</b>			
Salaries, wages and benefits	28.3.1	49,334	42,617
Rent, rates and taxes	28.3.2	12,091	12,215
Insurance		15,577	2,828
Fuel and power		145,339	159,971
Depreciation on owned assets	18.1.1	12,327	12,692
Repairs and maintenance		13,600	10,335
Janitorial and security charges		18,198	15,474
Others		13,442	1,019
		279,908	257,151

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

Current service cost		923	721
Interest cost		477	292
		1,400	1,013

**28.3.2** This is net of Rs 2.64 million (2014: Rs 2.64 million), which represents common costs charged by the Group to Pace Barka Properties Limited, an associate.

	Note	2015	2014
		(Rupees in thousand)	
<b>29. Administrative and selling expenses</b>			
Salaries, wages and benefits	29.1	45,074	48,031
Travelling and conveyance		2,598	3,965
Rent, rates and taxes		714	1,836
Insurance		3,467	1,610
Printing and stationery		1,910	1,732
Repairs and maintenance		3,724	4,215
Motor vehicles running		7,946	11,913
Communications		4,471	3,981
Advertising and sales promotion		19,337	15,301
Depreciation and impairment on:			
- property, plant and equipment	18.1.1	10,000	10,429
- assets subject to finance lease	18.2.1	246	529
Amortisation on intangible assets	19.1	536	550
Auditors' remuneration	29.2	3,895	3,595
Legal and professional		4,488	4,830
Commission on sales		20,956	27,317
Office expenses		5,222	4,384
Other expenses		3,231	1,077
Provision for doubtful debts		-	14,237
		137,815	159,532

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	Note	2015	2014
		(Rupees in thousand)	
<b>29.1</b>	Salaries, wages and benefits include following In respect of gratuity:		
	Current service cost	6,270	4,829
	Interest cost	3,245	1,952
		9,515	6,781
<b>29.2</b>	<b>Auditors' remuneration</b>		
	The charges for auditors' remuneration includes the following in respect of auditors' services for:		
	Statutory audit		
	- Parent	1,950	1,750
	- Subsidiaries	275	275
	Half yearly review	650	600
	Audit of consolidated financial statements, certification and sundry services	600	550
	Out of pocket expenses		
	- Parent	400	400
	- Subsidiaries	20	20
		3,895	3,595
<b>30. Other income</b>			
	<b>Income from financial assets</b>		
	Markup on bank accounts	259	376
	Commission on guarantee	30.1 1,238	1,238
	<b>Income from non-financial assets</b>		
	Gain on sale of property, plant and equipment	1,219	430
	Provision no longer required written back	-	21,754
	Rental income	9,663	8,796
	Exchange gain on foreign currency convertible bonds	-	806
	Gain on disposal of investment property	4,275	-
	Reversal of provision for doubtful debts	3,006	-
	Others	12,689	11,002
		32,349	44,402
<b>30.1</b>	This represents commission income on guarantee provided on behalf of Pace Barka Properties Limited, an associate.		

## Pace (Pakistan) Group

	Note	2015	2014
		(Rupees in thousand)	
<b>31. Other operating expenses</b>			
Exchange loss on foreign currency convertible bonds	9	47,991	-
Loss on swap of shops		1,546	-
Loss on sale of investment		-	819
Loss on classification of investment property from disposal group		-	672
		<u>49,537</u>	<u>1,491</u>
<b>32. Finance costs</b>			
Markup on			
- Long term finances - secured		34,521	78,541
- Foreign currency convertible bonds - unsecured		8,481	8,127
- Redeemable capital - secured (non-participatory)		166,565	165,744
- Short term finance -secured		12,469	12,339
- Liabilities against assets subject to finance lease		5,737	6,918
		<u>227,773</u>	<u>271,669</u>
Bank charges and processing fee		2,602	2,508
		<u>230,375</u>	<u>274,177</u>
<b>33. Taxation</b>			
Current	33.2	4,132	3,626
Deferred		2,265	(1,524)
		<u>6,397</u>	<u>2,102</u>
		2015	2014
		%	%

### 33.1 Tax charge reconciliation

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

Applicable tax rate	33.00	35.00
Tax effect of amounts that are:		
Income not chargeable to tax	6.61	22.12
Minimum tax for the year	(1.39)	(2.07)
Associate results reported net of tax	(0.14)	6.76
Effect of income taxed at reduced rates	-	-
Effect of deferred tax asset not recognised on taxable loss	(40.23)	(63.01)
	<u>(35.15)</u>	<u>(36.20)</u>
Average effective tax rate charged to profit and loss account	<u>(2.15)</u>	<u>(1.20)</u>



## Pace (Pakistan) Group

	Note	2015 (Rupees in thousand)	2014
<b>35. Cash generated from operations</b>			
Loss before tax		(297,503)	(174,911)
Adjustment for:			
Exchange loss / (gain) on foreign currency convertible bonds	9	47,991	(806)
Provision for gratuity and leave encashment	10	11,427	8,411
Depreciation and impairment on:			
- owned assets	18.1	22,327	23,121
- assets subject to finance lease	18.2	246	529
Amortisation on intangible assets	19	536	550
Changes in fair value of investment property	20	(77,000)	(110,564)
Share of profit from associate	21	(5,564)	(11,822)
(Reversal) / provision for doubtful receivables	24.2	(3,006)	14,237
Reversal of net realisable value loss	28.2.1	-	(46,005)
Gain on sale of property, plant and equipment	30	(1,219)	(430)
Gain on sale of investment property	30	(4,275)	-
Markup income	30	(259)	(376)
Provision no longer required written back	30	-	(21,754)
Loss on sale of investment	31	-	819
Loss on swap of shops	31	1,546	-
Loss on classification of investment property from disposal group	31	-	672
Finance costs	32	230,375	274,177
Loss before working capital changes		<u>(74,378)</u>	<u>(44,152)</u>
Effect on cash flow due to working capital changes:			
(Increase) / decrease in stock-in-trade		(31,380)	249
(Increase) / decrease in trade debts		(42,710)	5,126
Decrease in advances, deposits and other receivables		6,278	130,931
Net increase in advances against sale of property		100,255	32,725
Increase in creditors, accrued and other liabilities		51,557	37,522
		<u>84,000</u>	<u>206,553</u>
		<u>9,622</u>	<u>162,401</u>
<b>36. Cash and cash equivalents</b>			
Short term finance - secured	14	(96,443)	(96,443)
Cash and bank balances	26	1,255	1,747
		<u>(95,188)</u>	<u>(94,696)</u>

### **37. 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.

**37.1** 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".

37.2 Segment information

	(Rupees in thousand)							
	Real estate sales		Investment properties		Others		Total	
	2015	2014	2015	2014	2015	2014		
Segment revenue	170,090	117,943	38,075	39,145	205,039	205,534	413,204	362,622
Segment expenses - Cost of sales	127,985	11,970	43,837	41,140	236,071	216,011	407,893	269,121
Gross profit / (loss)	42,105	105,973	(5,762)	(1,995)	(31,032)	(10,477)	5,311	93,501
Changes in fair value of investment property	-	-	77,000	110,564	-	-	77,000	110,564
<b>Segment results</b>	<b>42,105</b>	<b>105,973</b>	<b>71,238</b>	<b>108,569</b>	<b>(31,032)</b>	<b>(10,477)</b>	<b>82,311</b>	<b>204,065</b>
Administrative and selling expenses							(137,815)	(159,532)
Other operating income							32,349	44,402
Finance costs							(230,375)	(274,177)
Other operating expenses							(49,537)	(1,491)
Share of profit from associate - net of tax							5,564	11,822
<b>Loss before tax</b>							<b>(297,503)</b>	<b>(174,911)</b>
Taxation							(6,397)	(2,102)
<b>Loss for the year</b>							<b>(303,900)</b>	<b>(177,013)</b>
<b>37.2.1 Segment assets</b>								
Unallocated assets	3,200,838	2,939,345	3,421,430	3,370,166	-	-	6,622,268	6,309,511
							1,810,276	1,907,155
							8,432,544	8,216,666
<b>37.2.2 Segment liabilities</b>								
Unallocated liabilities	3,445,394	3,280,758	27,731	25,173	-	-	3,473,125	3,305,931
							2,444,707	2,110,722
							5,917,832	5,416,653
<b>37.2.3 Capital expenditure</b>								
Unallocated	-	-	-	-	-	-	-	-
							11,535	7,906
							11,535	7,906
<b>37.2.4 Depreciation/amortisation</b>								
Unallocated	-	-	-	-	-	-	-	-
							23,109	24,200
							23,109	24,200



**38. Financial risk management**

**38.1 Financial risk factors**

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

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

**(a) Market risk**

**(i) Currency risk**

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

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

	<b>2015</b>	2014
Foreign currency convertible bonds - USD	<b>16,425,331</b>	16,267,933

The following significant exchange rates were applied during the year:

**Rupees per USD**

Average rate	<b>101.70</b>	98.75
Reporting date rate	<b>101.70</b>	98.75

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 83.604 million (2014: Rs 80.363 million) higher / lower, mainly as a result of foreign exchange gains / losses on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis.

**(ii) Other price risk**

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

**(iii) Interest rate risk**

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

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:

	<b>2015</b>	<b>2014</b>
	<b>(Rupees in thousand)</b>	
<b>FIXED RATE INSTRUMENTS</b>		
<b>Financial assets</b>		
Bank balances - savings accounts	(359)	(936)
<b>Financial liabilities</b>		
Foreign currency convertible bonds - unsecured	1,670,456	1,606,458
<b>Net interest rate risk</b>	<b>1,670,097</b>	<b>1,605,522</b>
<b>FLOATING RATE INSTRUMENTS</b>		
<b>Financial liabilities</b>		
Redeemable capital - secured (non-participatory)	1,498,200	1,498,200
Liabilities against assets subject to finance lease	23,614	26,533
Short term finance - secured	96,443	96,443
Long term finances - secured	614,906	614,906
<b>Net interest rate risk</b>	<b>2,233,163</b>	<b>2,236,082</b>

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

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

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

If interest rates on redeemable capital, liabilities against assets subject to finance lease, term finances and short term finances, at the year end date, fluctuate by 1% higher / lower with all other variables held constant, post tax loss for the year would have been Rs 22.346 million (2014: Rs 22.969 million) lower / higher, mainly as a result of higher / lower interest expense on floating rate borrowings.

**(b) Credit risk**

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

**(i) Exposure to credit risk**

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

	<b>2015</b>	2014
	<b>(Rupees in thousand)</b>	
Long term advances and deposits	<b>13,619</b>	13,619
Trade debts - unsecured	<b>806,996</b>	764,286
Advances, deposits, prepayments and other receivables		
- Advances to employees - considered good	<b>7,625</b>	7,039
- Security deposits	<b>12,896</b>	12,902
- Others - considered good	<b>32,614</b>	38,229
Cash and bank balances	<b>1,255</b>	1,747
	<b><u>875,005</u></b>	<u>837,822</u>

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

- Not past due	-	-
- Past due 0 - 365 days	<b>104,152</b>	138,376
- 1 - 2 years	<b>310,861</b>	230,269
- More than 2 years	<b>391,983</b>	395,641
	<b><u>806,996</u></b>	<u>764,286</u>

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

**First Capital Securities Corporation Limited**

- More than 2 years	<b><u>6,681</u></b>	<u>6,681</u>
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Due to the Group's long standing business relationships with these counter parties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Group. Furthermore, the Group transfers the legal title of sold properties only after complete settlement of debt. Accordingly, the credit risk is minimal.

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

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

	<u>Rating</u>		<u>Rating</u>	<u>2015</u>	<u>2014</u>
	Short term	Long term	Agency	(Rupees in thousand)	
Bank Islami Pakistan Limited formerly known as KASB Bank	A1	A+	PACRA	10	171
Allied Bank Limited	A1+	AA+	PACRA	123	532
Faysal Bank Limited	A1+	AA	PACRA	20	9
United Bank Limited	A-1+	AA+	JCR-VIS	6	5
Soneri Bank Limited	A1+	AA-	PACRA	6	6
Habib Bank Limited	A-1+	AAA	JCR-VIS	138	1
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	19	17
Silk Bank Limited	A-2	A-	JCR-VIS	70	68
Burj Bank Limited	A-2	A-	JCR-VIS	-	1
NIB Bank limited	A1+	AA-	PACRA	5	14
Bank Alfalah Limited	A1+	AA	PACRA	8	11
Al Baraka Bank (Pakistan) Limited	A1	A	PACRA	673	680
National Bank of Pakistan	A1+	AAA	PACRA	79	75
Askari Bank Limited	A-1+	AA	JCR-VIS	6	7
Bank of Punjab	A1+	AA-	PACRA	92	103
				<u>1,255</u>	<u>1,700</u>

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

**(c) Liquidity risk**

Liquidity risk represents the risk that the Group will encounter difficulties in meeting obligations associated with financial liabilities.

Management monitors the forecasts of the Group's cash and cash equivalents (note 36) 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 as mentioned in note 2.2.

## Pace (Pakistan) Group

The following are the contractual maturities of financial liabilities as at June 30, 2015:

	Carrying amount	Less than one year	One to five years	More than five years
(Rupees in thousand)				
Long term finances - secured	614,906	614,906	-	-
Redeemable capital - secured (non-participatory)	1,498,200	1,498,200	-	-
Liabilities against assets subject to finance lease	23,614	23,614	-	-
Foreign currency convertible bonds - unsecured	1,670,456	1,670,456	-	-
Short term finance - secured	96,443	96,443	-	-
Creditors, accrued and other liabilities	327,135	327,135	-	-
Accrued finance cost	1,368,075	1,368,075	-	-
	<b>5,598,829</b>	<b>5,598,829</b>	<b>-</b>	<b>-</b>

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

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

### 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.

	2015 (Rupees in thousand)			2014
	Available for sale	Loans and receivables	Total	Total
<b>Assets as per balance sheet</b>				
Long term advances and deposits	-	13,619	13,619	13,619
Trade debts - unsecured	-	676,483	676,483	650,129
Investments	1,007	-	1,007	2,207
Advances, deposits, prepayments and other receivables				
- Advances to employees - considered good	-	7,625	7,625	6,017
- Security deposits	-	12,896	12,896	13,018
- Others - considered good	-	32,614	32,614	26,996
Cash and bank balances	-	1,255	1,255	5,647
	<b>1,007</b>	<b>744,492</b>	<b>745,499</b>	<b>717,633</b>

**Financial liabilities at  
amortized cost**

	<b>2015</b>	<b>2014</b>
	<b>(Rupees in thousand)</b>	
<b>Liabilities as per balance sheet</b>		
Long term finances - secured	<b>614,906</b>	614,906
Redeemable capital - secured (non-participatory)	<b>1,498,200</b>	1,498,200
Liabilities against assets subject to finance lease	<b>23,614</b>	26,533
Foreign currency convertible bonds - unsecured	<b>1,670,456</b>	1,606,458
Short term finance - secured	<b>96,443</b>	96,443
Creditors, accrued and other liabilities	<b>327,135</b>	267,354
Accrued finance cost	<b>1,368,075</b>	1,091,217
	<b><u>5,598,829</u></b>	<b><u>5,201,111</u></b>

### 38.3 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 36. 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, 2015 and June 30, 2014 are as follows:

	Note	2015	2014
		<b>(Rupees in thousand)</b>	
Borrowings		<b>3,783,562</b>	3,719,564
Less: Cash and cash equivalents	36	<b>(95,188)</b>	(94,696)
Net debt		<b><u>3,878,750</u></b>	<u>3,814,260</u>
Total equity		<b><u>2,427,227</u></b>	<u>2,712,435</u>
Total capital		<b><u>6,305,977</u></b>	<u>6,526,695</u>
Gearing ratio		<b>62%</b>	58%

### 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:

2015                      2014

**39.1 Basic loss per share**

Loss for the year	<b>Rupees in thousand</b>	<b>(303,807)</b>	(176,913)
Weighted average number of ordinary shares outstanding during the year	<b>In thousand</b>	<b>278,877</b>	278,877
Basic loss per share	<b>Rupees</b>	<u><u><b>(1.09)</b></u></u>	<u><u>(0.63)</u></u>

**39.2 Diluted loss per share**

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

2015                      2014

Loss for the year for calculation of basic loss per share	<b>Rupees in thousand</b>	<b>(303,807)</b>	(176,913)
Interest on FCCB	<b>Rupees in thousand</b>	<b>16,007</b>	15,543
Exchange loss/(gain) on FCCB during the year	<b>Rupees in thousand</b>	<b>47,991</b>	(806)
Loss used to determine diluted loss per share	<b>Rupees in thousand</b>	<u><u><b>(239,809)</b></u></u>	<u><u>(162,176)</u></u>
Weighted average number of ordinary shares outstanding during the year	<b>In thousand</b>	<b>278,877</b>	278,877
Assumed conversion of FCCB into ordinary shares	<b>In thousand</b>	<b>111,940</b>	108,693
Weighted average number of ordinary shares for loss per share	<b>In thousand</b>	<u><u><b>390,817</b></u></u>	<u><u>387,570</u></u>
Dilutive loss per share	<b>Rupees</b>	<u><u><b>(0.61)</b></u></u>	<u><u>(0.42)</u></u>

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

**40. 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	2015	2014
		(Rupees in thousand)	
i. Associate	Guarantee commission income	1,238	1,238
	Purchase of inventory (note 12)	108,440	-
	Receipts against Pace circle sales	32,160	35,166
	Shared expense charged by the company	2,640	2,640
ii. Others	Purchase of goods & services	2,262	13,807
	Sale of services	1,736	2,008
	Rental income	9,663	8,796
	Refund of advance	-	133,845
	Funds received on behalf of the customer	-	23,158

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

**41. Number of employees**

	2015	2014
Total number of employees as at June 30	<u>314</u>	<u>297</u>
Average number of employees during the year	<u>318</u>	<u>309</u>

**42. Detail of subsidiaries**

	Accounting year end	Percentage of holding	Country of Incorporation
<b>Year ended June 30, 2015</b>			
Pace Woodlands (Private) Limited	30-Jun-15	52%	Pakistan
Pace Gujrat (Private) Limited	30-Jun-15	100%	Pakistan
Pace Supermall (Private) Limited	30-Jun-15	69%	Pakistan
<b>Year ended June 30, 2014</b>			
Pace Woodlands (Private) Limited	30-Jun-14	52%	Pakistan
Pace Gujrat (Private) Limited	30-Jun-14	100%	Pakistan
Pace Supermall (Private) Limited	30-Jun-14	69%	Pakistan



**43. Date of authorisation**

These financial statements were authorised for issue on October 07, 2015 by the Board of Directors of the holding Company.

**44. Corresponding figures**

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

**Lahore**  
October 07, 2015

**Aamna Taseer**  
Chief Executive

**Shehryar Ali Taseer**  
Director

**PATTERN OF SHAREHOLDING  
AS AT JUNE 30, 2015**

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

No. of Shareholders	Shareholdings			Shares Held
	From		To	
1959	1	-	100	147,795
900	101	-	500	358,752
3423	501	-	1000	2,273,727
1692	1001	-	5000	4,824,059
508	5001	-	10000	4,370,462
168	10001	-	15000	2,221,206
146	15001	-	20000	2,754,759
133	20001	-	25000	3,198,274
70	25001	-	30000	2,052,036
27	30001	-	35000	901,956
28	35001	-	40000	1,085,500
20	40001	-	45000	867,524
78	45001	-	50000	3,881,977
16	50001	-	55000	847,861
9	55001	-	60000	530,000
8	60001	-	65000	503,905
7	65001	-	70000	488,000
12	70001	-	75000	889,000
8	75001	-	80000	626,200
2	80001	-	85000	168,275
5	85001	-	90000	445,000
1	90001	-	95000	95,000
53	95001	-	100000	5,294,500
7	100001	-	105000	726,525
4	105001	-	110000	436,500
1	110001	-	115000	113,000
4	115001	-	120000	480,000
6	120001	-	125000	745,000
4	125001	-	130000	520,000
5	130001	-	135000	672,070
3	135001	-	140000	415,000
2	140001	-	145000	286,190
17	145001	-	150000	2,549,500
1	150001	-	155000	153,000
3	165001	-	170000	505,500
3	170001	-	175000	524,500

## Pace (Pakistan) Limited

No. of Shareholders	Shareholdings		Shares Held	
	From	To		
21	195001	-	200000	4,198,511
1	200001	-	205000	203,590
2	215001	-	220000	437,500
1	220001	-	225000	225,000
2	245001	-	250000	500,000
1	265001	-	270000	270,000
3	270001	-	275000	821,500
1	290001	-	295000	292,000
8	295001	-	300000	2,400,000
2	300001	-	305000	608,500
1	305001	-	310000	307,000
1	310001	-	315000	311,000
1	315001	-	320000	320,000
1	330001	-	335000	334,400
1	340001	-	345000	342,000
1	345001	-	350000	348,000
1	350001	-	355000	353,000
1	355001	-	360000	359,500
1	370001	-	375000	375,000
2	375001	-	380000	375,211
6	385001	-	390000	780,000
1	395001	-	400000	2,400,000
1	400001	-	405000	402,000
2	405001	-	410000	410,000
2	445001	-	450000	897,537
11	460001	-	465000	928,838
1	495001	-	500000	5,500,000
2	505001	-	510000	510,000
1	520001	-	525000	1,050,000
1	525001	-	530000	525,716
3	530001	-	535000	532,500
1	595001	-	600000	1,797,000
1	600001	-	605000	602,000
2	635001	-	640000	637,000
1	645001	-	650000	1,297,000
1	670001	-	675000	675,000
2	680001	-	685000	683,000
1	685001	-	690000	1,376,000
1	775001	-	780000	778,500
1	795001	-	800000	800,000
1	835001	-	840000	839,500
2	955001	-	960000	958,500
1	995001	-	1000000	2,000,000
1	1005001	-	1010000	1,006,500
1	1020001	-	1025000	1,025,000
1	1100001	-	1105000	1,104,500
1	1195001	-	1200000	1,196,000
1	1200001	-	1205000	1,200,100
1	1245001	-	1250000	1,250,000

**Pace (Pakistan) Limited**

No. of Shareholders	Shareholdings		Shares Held
	From	To	
1	1275001 -	1280000	1,280,000
1	1295001 -	1300000	1,300,000
1	1315001 -	1320000	1,316,500
5	1445001 -	1450000	1,450,000
1	1495001 -	1500000	7,500,000
1	1595001 -	1600000	1,599,500
1	1695001 -	1700000	1,700,000
1	1750001 -	1755000	1,751,000
1	1760001 -	1765000	1,761,500
1	1795001 -	1800000	1,800,000
1	1995001 -	2000000	2,000,000
1	2080001 -	2085000	2,082,695
1	2695001 -	2700000	2,700,000
1	3225001 -	3230000	3,227,000
1	3440001 -	3445000	3,441,571
1	4290001 -	4295000	4,290,268
1	4295001 -	4300000	4,300,000
1	4970001 -	4975000	4,971,117
1	5045001 -	5050000	5,050,000
1	6495001 -	6500000	6,500,000
1	6955001 -	6960000	6,959,290
1	7330001 -	7335000	7,334,915
1	7970001 -	7975000	7,972,200
1	8710001 -	8715000	8,712,000
1	14280001 -	14285000	14,281,500
1	14945001 -	14950000	14,947,500
1	16245001 -	16250000	16,247,931
1	21800001 -	21805000	21,803,661
1	27095001 -	27100000	27,100,000
<b>9471</b>			<b>278,876,604</b>

**PATTERN OF SHAREHOLDING  
AS AT JUNE 30, 2015**

Categories of Shareholders	Shares held	Percentage
Directors, Chief Executive Officer, and their spouse and minor children	24,664,867	8.84
Associated Companies, undertakings and related parties.	7,504,915	2.69
NIT and ICP	525,716	0.19
Banks, Development Financial Institutions, Non Banking Financial Institutions	16,242,087	5.82
Insurance Companies	425,711	0.15
Modarabas and Mutual Funds	-	-
Share holders holding 10% or more	-	-
General Public		
a) Local	114,813,634	41.17
b) Foreign	15,430,974	5.53
Others:		
- Public Sector Companies and Corporations	50,355,039	18.06
- Foreign Companies	48,913,661	17.54

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

**PATTERN OF SHAREHOLDING AS PER LISTING REGULATIONS  
AS AT JUNE 30, 2015**

<u>Shareholders' Category</u>	<u>Number of Shares held</u>
<b>Associated Companies, undertaking and related parties</b>	
First Capital Securities Corporation Limited	7,504,915
<b>Mutual Fund</b>	
	-
<b>Directors and their Spouse and Minor Children</b>	
Aamna Taseer (CEO/Director)	587
Shehryar Ali Taseer (Director)	500
Shahrbano Taseer (Director)	500
Kanwar Latafat Ali Khan (Director)	587
Imran Hafeez (Director)	987
Imran Saeed Chaudhry (Director)	3,441,571
Sulaiman Ahmed Saeed Al-Hoqani (Director)	21,219,048
Syed Abid Raza (Director)	1,087
<b>Executive</b>	
<b>Public Sector Companies and Corporations</b>	50,355,039
<b>Banks Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Takaful, Modaraba and Pension Funds</b>	16,639,798
<b>Shareholders holding 5% or more voting interest in the Company</b>	
Sulaiman Ahmed Saeed Al-Hoqani	21,219,048
Pioneer Services Limited	21,803,661
Sisley Group Company Limited	27,100,000
National Bank of Pakistan	14,947,500
Roomi Enterprises (Pvt.) Limited	14,281,500

# Pace (Pakistan) Limited

## FORM OF PROXY

The Company Secretary  
Pace (Pakistan) Limited  
2nd Floor, Pace Shopping Mall,  
Fortress Stadium, Lahore-Cantt., Lahore

Folio No./CDC A/c No. \_\_\_\_\_  
Shares Held: \_\_\_\_\_

I / We \_\_\_\_\_ of \_\_\_\_\_  
(Name) (Address)

being the member (s) of **Pace (Pakistan) Limited** hereby appoint Mr. / Mrs./

Miss \_\_\_\_\_ of \_\_\_\_\_  
(Name) (Address)

or failing him / her / Mr. / Mrs. / Miss. \_\_\_\_\_ of \_\_\_\_\_  
(Name) (Address)

[who is also member of the Company vide Registered Folio No. \_\_\_\_\_ (being the member of the Company)]  
as my / our proxy to attend at and vote for me / us and on my / our behalf at Annual General Meeting of the Company to  
be held at the Registered Office of the Company, 2nd Floor, Pace Shopping Mall, Fortress Stadium, Lahore-Cantt.,  
Lahore on 31 October 2015 at 11:00 a.m. and at any adjournment thereof.

Signature this \_\_\_\_\_ Day of \_\_\_\_\_ 2015.

(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.

