

**PACE BARKA PROPERTIES
LIMITED**

**FINANCIAL STATEMENTS FOR THE
YEAR ENDED JUNE 30, 2013**

October 02, 2013**610**

The Board of Directors
Pace Barka Properties Limited
Lahore

Ladies and Gentlemen,

FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

We enclose five copies of the financial statements together with our initialled report to the members thereon. We shall be pleased to sign our report in the present or amended form after:

- (a) the financial statements have been approved by the Board and signed by the Chief Executive and another designated director;
- (b) we have seen the Board's specific approval for the items referred to in Annexure "A" to this letter;
- (c) we have received direct confirmation from customers referred to in Annexure "B" to this letter;
- (d) the date of authorisation for issue of financial statements has been inserted in note 37 to the financial statements;
- (e) we have received management's representation on the lines of the draft provided to company's Chief Financial Officer.

2. RESPONSIBILITIES OF THE AUDITORS AND THE MANAGEMENT IN RELATION TO THE FINANCIAL STATEMENTS

The responsibilities of the independent auditors, in a usual examination of financial statements, are explained in the International Standard on Auditing – 200. While the auditors are responsible for forming and expressing their opinion on the financial statements, the responsibility for preparation of the financial statements is primarily that of the Company's management. The management's responsibilities include the maintenance of adequate accounting records and internal controls, the selection and application of accounting policies, safeguarding the assets of the Company and prevention and detection of frauds and irregularities. The audit of financial statements does not relieve the management of its responsibilities. Accordingly, our examination of the books of accounts and records should not be relied upon to disclose all the errors or irregularities in relation to the financial statements.





3. SIGNIFICANT MATTERS

The following significant matters are highlighted for the Board's attention:

3.1 Basis for stage of completion

The estimated cost of completion of the Pace Circle project is based on an estimate provided by the Company's consultant, Promag (Private) Limited. The estimate of the Company's consultant for total cost of completion is based on certain assumptions. Based on this estimate, an amount of Rs 6,496 million is further required to complete the project and the estimated total cost of the project will be Rs 8,994 million (excluding cost of land). Accordingly, the stage of completion has been revised resulting in a recognition of revenue and cost of sales by Rs 470.808 million and Rs 325.735 million, respectively. We would require the Board of Directors to ratify these estimates.

3.2 Non-payment of withholding taxes

The Company has withheld taxes from payments made against commission, goods and services. The Company is required to deposit such taxes with the tax authorities within seven days of each fortnight. However, the Company has not deposited aforementioned taxes within the stipulated time. Tax authorities may initiate recovery proceedings under section 161 of Income Tax Ordinance, 2001 against the company for not ensuring timely deposit of tax deducted.

4. We would like to inform the board that unless we have signed the auditor's report on these financial statements, the same shall remain and be deemed unaudited.

We wish to place on record our appreciation for the courtesy and co-operation extended to us by the company's officials during the course of our audit.

Yours truly

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PACE BARKA PROPERTIES LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

List of items referred to in paragraph 1(b) of our letter 610 dated October 02, 2013

	Rupees in thousand
Fixed capital expenditure	23,625
Fair value of non-current asset held for sale disposed off (sale proceeds Rs 111,000 thousand)	120,000
Liabilities no longer payable written back	2,530

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PACE BARKA PROPERTIES LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

List of parties referred to in paragraph 1(c) of our letter 610 dated October 02, 2013

Customer name	Sales value	Amount
		received till June 30,2013 Rupees
Muhammad Akram	12,898,570	6,198,485
Muhammad Akram	6,924,877	5,697,276
Mian Zaheer	15,333,965	13,800,567
Hussain Khurshid	13,283,584	9,741,295
Shakeel Butt	11,846,373	7,876,216
Imran Aslam	12,200,000	9,488,885
Syed Ali Amir	16,106,142	11,095,335
Naveed Asghar	13,458,368	5,613,401
Irfan Iqbal Sheikh	12,000,222	8,673,490
Usman Bashir Dogar	11,703,946	5,100,255
Ambreen Zahid	18,407,020	13,476,191
Iqbal Ahmed Durrani	11,500,000	5,175,000
International Chemplast	19,451,863	13,346,123
Raihain Ud Din	14,000,000	5,800,000
Muhammad Anwar	11,837,911	5,643,269
Bashir	10,701,800	3,463,425
Kaleem ud Din Warriach	16,395,000	4,697,168
Muhammad Ashfaq	10,555,200	3,369,490

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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Pace Barka Properties Limited for the year ended June 30, 2013 and the related profit and loss account, statement of changes in equity and cash flow statement together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - (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;



A. F. FERGUSON & CO.

- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2013 and of the profit, 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).



Chartered Accountants

Lahore, October 05, 2013

Name of engagement partner: Muhammad Masood

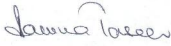
PACE BARKA PROPERTIES LIMITED

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

	Note	2013 (Rupees in thousand)	2012 (Rupees in thousand)
Sales	23	484,558	33,541
Cost of sales	24	(338,746)	(40,709)
Gross profit/(loss)		145,812	(7,168)
Administrative and selling expenses	25	(102,960)	(44,970)
Other income	26	21,755	29,632
Other operating expenses	27	(625)	(1,204)
		63,982	(23,710)
Finance costs	28	(48)	(99,352)
Changes in fair value of investment property	16	(41,669)	30,352
Loss on disposal of non-current asset held for sale	22	(9,000)	-
Profit/(loss) before taxation		13,265	(92,710)
Taxation	29	(8,772)	39,580
Profit/(loss) for the year		4,493	(53,130)
Other comprehensive loss			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Changes in fair value of available for sale investment		(465,724)	(565,800)
<i>Items that will not be reclassified to profit or loss</i>			
Surplus transferred to other comprehensive income for the year on account of incremental depreciation - net of tax		5,038	5,085
Total comprehensive loss for the year		(456,193)	(613,845)
Loss per share - basic and diluted in Rupees	34	0.01	(0.17)

The annexed notes 1 to 38 form an integral part of these financial statements.

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Chief Executive


Director

PACE BARKA PROPERTIES LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2013

	Note	2013 (Rupees in thousand)	2012 (Rupees in thousand)
Cash flows from operating activities			
Cash (used in)/generated from operations	31	(32,932)	28,471
Finance costs paid		(7,101)	(55,718)
Taxes paid		(388)	(169)
Retirement benefits paid		(205)	-
Net cash outflow from operating activities		(40,626)	(27,416)
Cash flows from investing activities			
Purchase of property, plant and equipment		(23,625)	(289)
Proceeds against sale of investment available for sale		88,000	-
Proceeds from disposal of investment property		-	210,000
Proceeds from disposal of non-current asset held for sale		77,500	-
Net cash inflow from investing activities		141,875	209,711
Cash flows from financing activities			
Repayment of long term loans		(60,499)	(177,319)
Net cash outflow from financing activities		(60,499)	(177,319)
Net increase in cash and cash equivalents		40,750	4,976
Cash and cash equivalents at the beginning of the year		5,399	423
Cash and cash equivalents at the end of the year	32	46,149	5,399

The annexed notes 1 to 38 form an integral part of these financial statements.

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Amna Taseer

Chief Executive

Director

PACE BARKA PROPERTIES LIMITED

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

(Rupees in thousand)

	Share capital	Reserve for changes in fair value of investments	Unappropriated profit	Total
Balance as on July 01, 2011	3,052,574	1,136,244	1,252,250	5,441,068
Total comprehensive loss for the year				
Loss for the year	-	-	(53,130)	(53,130)
Other comprehensive (loss)/income for the year:				
Changes in fair value of available for sale investment	-	(565,800)	-	(565,800)
Surplus transferred to other comprehensive income for the year on account of incremental depreciation - net of tax	-	-	5,085	5,085
	-	(565,800)	(48,045)	(613,845)
Total contributions by and distributions to owners of the Company recognised directly in equity	-	-	-	-
Balance as on June 30, 2012	3,052,574	570,444	1,204,205	4,827,223
Total comprehensive loss for the year				
Loss for the year	-	-	4,493	4,493
Other comprehensive (loss)/income				
Changes in fair value of available for sale investment	-	(465,724)	-	(465,724)
Surplus transferred to other comprehensive income for the year on account of incremental depreciation - net of tax	-	-	5,038	5,038
	-	(465,724)	9,531	(456,193)
Total contributions by and distributions to owners of the Company recognised directly in equity	-	-	-	-
Balance as on June 30, 2013	3,052,574	104,720	1,213,736	4,371,030

The annexed notes 1 to 38 form an integral part of these financial statements.



Shama Pareek

Chief Executive



Director

PACE BARKA PROPERTIES LIMITED

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

1. Legal status and activities

Pace Barka Properties Limited (the 'Company') was incorporated in Pakistan on November 22, 2005 as an unlisted public limited company under the Companies Ordinance, 1984. The registered office of the Company is situated at 2nd & 3rd Floor, Pace Mall, Fortress Stadium, Lahore. The principal activity of the Company is to acquire, construct, develop, sell, rent out and manage shopping malls, apartments, villas, commercial buildings, etc. and to carry on the business of hospitality.

2. Basis of preparation

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

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

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

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

- IAS 12 (Amendments), 'Income taxes', on deferred tax. These are applicable on accounting periods beginning on or after January 01, 2012. IAS 12, 'Income taxes', currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery shall be through use or through sale when the asset is measured using the fair value model in IAS 40, 'Investment property'. This amendment therefore introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, 'Income taxes - recovery of revalued non-depreciable assets', shall no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn. The application of these amendments have no material impact on the Company's financial statements.

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

The following amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after July 01, 2013 or later periods, and the Company has not early adopted them:

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

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

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

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

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

- IAS 27 (Revised 2011), 'Separate financial statements' is applicable on accounting periods beginning on or after January 1, 2013. It includes the provisions on separate financial statements that are left after the control provisions of IAS 27 which have been included in the new IFRS 10. The Company shall apply the revised standard from July 01, 2013 and does not expect to have a material impact on its financial statements.

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

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

3. Basis of measurement

3.1 These financial statements have been prepared under the historical cost convention except for certain assets and certain financial instruments which are measured at fair values and recognition of certain employee retirement benefits at present value.

3.2 The Company's significant accounting policies are stated in note 4. Not all of these significant policies require the management to make difficult, subjective or complex judgment or estimates. The following is intended to provide an understanding of the policies the management considers critical because of their 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) 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.

b) 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.

c) 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.

d) Stock-in-trade

Stock-in-trade represents unsold properties and properties in the course of construction/development for sale. Unsold properties are carried at the lower of cost and net realisable value. Properties in the course of construction/development for sale are stated at cost plus attributable profit/loss less progress billings. 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.

e) Transfer of equitable interest in stock-in-trade

The Company has entered into a number of contracts with buyers for the sale of shops, apartments 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.

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f) **Costs to complete the projects**

The Company estimates the cost to complete the projects, based on the working performed by its consultant, 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.

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 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 the 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 leasehold land, freehold land, building on freehold land and capital work-in-progress are stated at cost less accumulated depreciation and any identified impairment loss. Leasehold land, freehold land and building on freehold land are stated at revalued amount less accumulated depreciation and any identified impairment loss, whereas capital work-in-progress is stated at cost less any identified impairment loss.

Surplus on revaluation of building is credited to the surplus on revaluation account net of deferred taxation. Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from their fair value.

Depreciation on all operating fixed assets are charged on the reducing balance method except for leasehold 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 15.1.

Depreciation on owned assets is charged to profit and loss account while depreciation on leasehold land is made part of capital work in progress and stock-in-trade.

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

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

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

4-3 Leases

The Company is the lessee:

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.

4-4 Staff retirement benefits

The Company operates an un-funded gratuity scheme for all employees according to the terms of employment, subject to a minimum qualifying period of service and provision is made annually to cover the obligations under the scheme. This benefit is calculated with reference to last drawn salary and prescribed qualifying periods of service of the employees.

The Company also provides for accumulating compensated absences when the employees render services that increase their entitlement to future compensated absences in accordance with the rules. Under the rules all employees are entitled to 20 days leave per year respectively. Unavailed leaves can be utilized at any time by all employees up to the accumulated balance. Provisions are made annually on the basis of unavailed accumulated leaves. The benefit is calculated with reference to last drawn salary and accumulated leave balances of the employees.

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

Last actuarial valuation was carried out in June 2009.

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4.5 Investment property

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

The investment property of the Company has been valued by independent professionally qualified valuers as at June 30, 2013. The fair value of the investment property is based on active market prices.

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

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

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

4.6 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.

Investment in associated undertakings

Investments in associated undertakings where the Company does not have significant influence, that are intended to be held for sale for an indefinite period of time or may be sold in response to the need for liquidity are classified as available for sale. All investments, after initial recognition, are measured at fair value with gains or losses being recognized as a separate component of equity until the investment is derecognized or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the profit and loss account.

4.7 Financial assets

4.7.1 Classification

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 off 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 amortized cost.

4.7.2 **Recognition and measurement**

All financial assets are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of investments are recognized on trade-date – the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognized 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 recognized at fair value and transaction costs are expensed in the profit and loss account. Financial assets are derecognized 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 amortized 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 recognized 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 recognized in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in other comprehensive income are reclassified from equity to profit and loss account as a reclassification adjustment. Interest on available-for-sale securities calculated using the effective interest method is recognized in the profit and loss account. Dividends on available-for-sale equity instruments are recognized 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 recognized in the profit and loss account. Impairment losses recognized 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 4.12.

4.8 **Financial liabilities**

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

A financial liability is derecognized 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 recognized in the profit and loss account.

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4.9 Offsetting of financial assets and financial liabilities

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

4.10 Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Borrowing costs capitalized are net of any investment income on the temporary investment of borrowed funds. During the year, borrowing costs were made part of capital work-in-progress and stock-in-trade.

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

4.11 Stock-in-trade

Shops, apartments and commercial buildings etc. acquired, constructed or in the process of construction for sale are classified as stock in trade. Unsold properties are carried at lower of cost and net realizable value. Properties in the course of construction/development for sale are stated at cost plus attributable profit/loss less progress billings. The cost of stock in trade include the cost of freehold land, leasehold land and other related expenditure which are capitalized as and when activities that are necessary to get the properties ready for sale are in progress. Net realizable value represents the estimated selling price in the ordinary course of business less costs to be incurred in selling the property.

4.12 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.

4.13 Creditors, accrued and other liabilities

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.

4.14 Provisions

Provisions are recognized 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 Foreign currency transactions and translation

a) Functional and presentation currency

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

b) Transactions and balances

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

4.16 Revenue recognition

Sale of goods

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

Significant risks and rewards of ownership are transferred to the buyer in its current state as construction progresses when the 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. The buyer is unable to require a refund except for non-delivery of the unit. The management believes that the likelihood of the Company not being able to fulfil its contractual obligations for this reason is remote; and
- the buyer has the right to dispose off the property in its current state.

Revenue from sale agreements where the control and 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 date of the financial statements as a percentage of total estimated costs for each project.

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

Interest income

Revenue is recognized as interest accrues (using the effective interest method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

Dividends

Revenue is recognized when the Company's right to receive is established.

Rental income

Rental income from investment property is recognized on an accrual basis.

4.17 Borrowings

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

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.

4.19 Non-current assets held for sale

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.

5. Issued, subscribed and paid up capital

2013	2012		2013	2012
(Number of shares)			(Rupees in thousand)	
		Ordinary shares of Rs 10 each		
305,257,363	305,257,363	fully paid in cash	3,052,574	3,052,574

Pace (Pakistan) Limited and First Capital Securities Corporation Limited, associated undertakings, hold 75,875,000 (2012: 75,875,000) and 54,790,561 (2012: 54,790,561) ordinary shares of the Company respectively.

6. Surplus on revaluation of operating fixed assets

This represents surplus over book value resulting from revaluation of freehold land, leasehold land and buildings on freehold land, adjusted by incremental depreciation arising out of revaluation of above mentioned assets except freehold land. Freehold land, leasehold land and buildings on freehold land were last revalued by an independent valuer on June 30, 2009.

The revaluation surplus relating to abovementioned assets excluding freehold land is net of applicable deferred income taxes. Incremental depreciation represents the difference between the actual depreciation on the abovementioned assets excluding freehold land and the equivalent depreciation based on the historical cost of these assets. The movement in revaluation surplus is as follows:

	2013	2012
	(Rupees in thousand)	
Opening balance - net of tax	464,800	469,885
Surplus transferred to other comprehensive income for the year		
on account of incremental depreciation - net of tax	(5,038)	(5,085)
Closing balance - net of tax	459,762	464,800

6.1 Includes surplus on revaluation of freehold land amounting to Rs 4.092 million (2012: Rs 4.092 million).

7. Long term finances		2013	2012
		(Rupees in thousand)	
Long term finances - secured			
The Bank of Punjab - syndicate term finance	- note 7.1	247,500	247,500
The Bank of Punjab - demand finance	- note 7.2	64,167	64,167
Silk Bank Limited - demand finance	- note 7.3	79,276	139,776
Long term finances - unsecured			
WTL Services (Private) Limited	- note 7.4	14,900	14,900
		405,843	466,342
Less: Current portion shown under current liabilities		405,843	466,342
		-	-

7.1 The Bank of Punjab - syndicate term finance

This has been obtained from a consortium of the following commercial banks and financial institution:

		2013	2012
		(Rupees in thousand)	
Commercial banks			
The Bank of Punjab		127,500	127,500
Habib Bank Limited		90,000	90,000
Soneri Bank Limited		30,000	30,000
		247,500	247,500
Financial institution			
Saudi Pak Industrial and Agricultural Investment Company (Private) Limited		-	-
		247,500	247,500

Terms of repayment

The loan is repayable in 10 equal quarterly instalments commencing from August 31, 2010 and carries mark up @ 3 months KIBOR plus 350 basis point system (2012: 3 months KIBOR plus 350 basis point system).

As at June 30, 2013, principal and accrued finance cost amounting to Rs 247,500 million (2012: Rs 187,500 million) and Rs 101.682 million (2012: 72.581 million) respectively were due but not paid.

Security

The facility is secured against first equitable mortgage by way of deposit of title deeds over the mortgaged property (immovable property measuring 20,353.78 sq yd situated at survey no. 131/A, Plot A, Airport Road, near Allama Iqbal International Airport, Lahore Cantonment), assignment of all receivables of the Company in favour of the security trustee, assignment of dividend share of Pace (Pakistan) Limited and corporate guarantee by Pace (Pakistan) Limited, a related party. Security trustee for this loan is The Bank of Punjab.

7.2 The Bank of Punjab - demand finance

Terms of repayment

This loan is repayable in 12 quarterly instalments starting from June 20, 2010 and carries a mark up of 3 months KIBOR plus 350 basis point system (2012: 3 months KIBOR plus 350 basis point system).

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As at June 30, 2013, principal and accrued finance cost amounting to Rs 64.167 million (2012: Rs 46.667 million) and Rs 29.850 million (2012: Rs 21.033 million) respectively were due but not paid.

Security

The facility is secured against pari passu equitable mortgage over the mortgaged property (immovable property measuring 20,353.78 sq yd situated at survey no. 131/A, Plot A, Airport road, near Allama Iqbal International Airport, Lahore Cantonment).

7-3 Silk Bank Limited - demand finance

Terms of repayment

This loan represents the amount of Rs 299.594 million which was availed out of the total demand finance facility limit of Rs 300 million (2012: Rs 300 million). On June 19, 2012 outstanding balance of the loan was Rs 148 million of which Rs 90 million was restructured to be paid in 10 equal monthly instalments commencing from June 21, 2012. The remaining amount was to be paid by December 2012, as per prior restructuring. This loan carries a mark up of 3 months KIBOR plus 4% (2012: 3 months KIBOR plus 4%).

As at June 30, 2013, principal and accrued finance cost amounting to Rs 79.276 million (2012: Nil) and Rs 26.751 million (2012: Rs 8.645 million) respectively were due but not paid.

Security

The facility is secured against first equitable mortgage by way of deposit of title deeds over the mortgaged property (Immovable property measuring 09 Kanals and 08 Marlas situated at Village Ado-Wal, Main G.T. Road, Tehsil & District Gujrat, plot and building at F-49 block 8 KDA, Kehkashan Clifton Karachi, office premises at plot bearing survey no. 265 Lakson square building no. 1 and 4th floor block no. B and C, situated at R.A lines Sarwar Shaheed road, Cantonment Karachi).

7-4 WTL Services (Private) Limited - unsecured

Terms of repayment

This loan is unsecured and is repayable at or before October 20, 2013. The facility carries mark up of 3 months KIBOR plus 2% (2012: 3 months KIBOR plus 2%) with no floor or cap.

8. These represent interest free security deposits against rental of office premises to First Capital Equities Limited, a related party.

2013 **2012**
(Rupees in thousand)

9. Deferred liabilities

Staff gratuity	- note 9.1	5,237	5,591
Accumulated compensated absences	- note 9.2	1,171	1,315
Deferred taxation	- note 9.3	51,450	43,526
		57,858	50,432



2013 **2012**
(Rupees in thousand)

9-1 Staff gratuity

Movement of liability to be recognized in the balance sheet is as follows:

Present value of obligation at the beginning of the year	5,591	3,265
Amount recognized during the year	1,357	2,326
Benefits paid during the year	(21)	-
Current portion shown under current liabilities	(1,690)	-
Liability recognized in the balance sheet	<u>5,237</u>	<u>5,591</u>

9-2 Accumulated compensated absences

Movement of liability to be recognized in the balance sheet is as follows:

Present value of obligation at the beginning of the year	1,315	1,118
Amount recognized during the year	40	197
Benefits paid during the year	(184)	-
Liability recognized in the balance sheet	<u>1,171</u>	<u>1,315</u>

9-3 Deferred taxation

The liability for deferred taxation comprises temporary differences relating to:

Accelerated tax depreciation and others	13,715	9,798
Profit recognized on percentage of completion basis not offered for tax	198,010	147,234
Unused tax losses	(150,507)	(113,506)
	<u>61,218</u>	<u>43,526</u>

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

Opening balance	43,526	82,557
Expense/(income) during the year	7,924	(39,031)
Closing balance	<u>51,450</u>	<u>43,526</u>

10. Overdue principal included in current maturity is as follows:

Long term finances - secured:

- The Bank of Punjab - syndicate term finance	247,500	187,500
- The Bank of Punjab - demand finance	64,167	46,667
- Silk Bank Limited - demand finance	79,276	-
	<u>390,943</u>	<u>234,167</u>

11. Creditors, accrued and other liabilities

Trade creditors	- note 11.1	89,636	177,727
Accrued liabilities		7,052	2,894
Retention money	- note 11.2	35,923	35,688
Withholding tax payable		10,353	2,548
Others	- note 11.3	5,001	2,468
		<u>147,965</u>	<u>221,325</u>

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11.1 This includes Rs 0.302 million (2012: Rs 0.302 million) and Rs 9.251 million (2012: Nil) payable to Pace Woodlands (Private) Limited and First Capital Securities Corporation Limited, related parties, respectively.

11.2 This includes Rs 35.688 million (2012: Rs 35.688 million) payable to Trident (Construct) Private Limited, a related party.

11.3 This amount includes Rs 2 million (2012: Nil) payable to Pace (Pakistan) Limited, a related party.

12. This represents finance cost accrued on long term finance facilities availed by the Company. It includes overdue markup as follows:

	2013	2012
	(Rupees in thousand)	
Markup on long term finances - secured:		
- The Bank of Punjab - syndicate term finance	101,682	72,581
- The Bank of Punjab - demand finance	29,850	21,033
- Silk Bank Limited - demand finance	26,751	8,645
	158,283	102,259

13. This represents advances received from various parties against sale of apartments and shops in Pace Circle project. These include Rs 211.591 million (2012: Rs 192.168 million) received from Pace (Pakistan) Limited, a related party.

14. **Contingencies and commitments**

14.1 **Contingencies - Nil**

14.2 **Commitments in respect of:**

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

	2013	2012
	(Rupees in thousand)	
Not later than one year	2,721	81
Later than one year and not later than five years	13,803	326
Later than five years	506,318	7,083
	522,842	7,490

15. **Property, plant and equipment**

Operating fixed assets	- note 15.1	1,485,296	1,506,213
Capital work-in-progress	- note 15.2	1,165,751	1,135,903
		2,651,047	2,642,116

15-1 Operating fixed assets

(Rupees in thousand)

	2013					2012				
	Cost as at June 30, 2012	Additions/ (transfers to inventory)	Cost as at June 30, 2013	Accumulated depreciation as at June 30, 2012	Depreciation on transfers to inventory	Depreciation charge for the year	Accumulated depreciation as at June 30, 2013	Book value as at June 30, 2013	Rate of depreciation %	
Freehold land	28,028	-	28,028	-	-	-	28,028	-	-	
Leasehold land *	1,502,363	(3,670)	1,498,693	46,950	15,497	62,447	1,436,246	96 years		
Buildings on freehold land	12,193	-	12,193	1,739	-	53	2,262	9,931	5%	
Office equipment	9,072	-	9,072	3,786	-	529	4,315	4,757	10%	
Furniture and fixtures	5,077	-	5,077	2,108	-	297	2,405	2,672	10%	
Computers	1,718	480	2,198	1,425	-	138	1,553	645	30%	
Vehicles	10,691	-	10,691	6,921	-	783	7,674	3,017	20%	
June 2013	1,569,142	480	1,565,952	62,929	15,497	2,230	80,656	1,485,296		

	2013					2012				
	Cost as at June 30, 2011	Additions/ (transfers to inventory)	Cost as at June 30, 2012	Accumulated depreciation as at June 30, 2011	Depreciation on transfers to inventory	Depreciation charge for the year	Accumulated depreciation as at June 30, 2012	Book value as at June 30, 2012	Rate of depreciation %	
Freehold land	28,028	-	28,028	-	-	-	28,028	-	-	
Leasehold land *	1,502,363	-	1,502,363	31,300	-	15,670	46,950	1,455,413	96 years	
Buildings on freehold land	12,193	-	12,193	1,189	-	50	1,739	10,454	5%	
Office equipment	9,072	-	9,072	3,199	-	597	3,786	5,286	10%	
Furniture and fixtures	5,077	-	5,077	1,778	-	300	2,108	2,969	10%	
Computers	1,718	-	1,718	1,299	-	126	1,425	293	30%	
Vehicles	10,691	-	10,691	5,979	-	942	6,921	3,770	20%	
June 2012	1,569,142	-	1,569,142	44,744	-	18,165	62,929	1,506,213		

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

15-1.1 The depreciation charge for the year has been allocated to administrative and selling expenses.

		2013	2012
		(Rupees in thousand)	
15.2	Capital work-in-progress		
Project under development - Pace Circle	- note 15.2.1	1,148,642	1,118,794
Grid station - Pace Circle		17,109	17,109
		<u>1,165,751</u>	<u>1,135,903</u>

15.2.1 This represents the following project cost:

Hotel

Building and construction cost		769,848	722,188
Borrowing cost		176,274	154,823
Direct costs		173,425	182,290
		<u>1,119,547</u>	<u>1,059,301</u>

Shopping Mall - retained area

Building and construction cost		20,452	42,672
Borrowing cost		4,683	9,148
Direct costs		3,960	7,673
	- note 18.1	<u>29,095</u>	<u>59,493</u>
		<u>1,148,642</u>	<u>1,118,794</u>

16. Investment property

Balance as on July 1		628,115	924,151
- Disposal during the year		-	(206,388)
- Classified as 'held for sale'	- note 22	-	(120,000)
Closing value before fair value gain for the year as at June 30		<u>628,115</u>	<u>597,763</u>
Fair value (loss)/gain recognised in profit and loss account for the year		<u>(41,669)</u>	<u>30,352</u>
		<u>586,446</u>	<u>628,115</u>

17. Investments

Available for sale - quoted			
At cost	- note 17.1	306,681	385,155
Add: Cumulative fair value gain recognised	- note 17.2	104,720	570,444
		<u>411,401</u>	<u>955,599</u>
Associated undertaking - unquoted			
Pace Woodlands (Private) Limited			
2,769 (2012: 2,769) fully paid ordinary shares of Rs 10/- each			
Equity held 48% (2012: 48%)		28	28
		<u>411,429</u>	<u>955,627</u>

17.1 This represents 8,597,718 (2012: 10,797,718) fully paid ordinary shares of Rs 10 each of First Capital Equities Limited, a related party.

		2013	2012
		(Rupees in thousand)	
17.2	Cumulative fair value gain recognised		
Balance as at July 1		570,444	1,136,244
Fair value loss recognised during the year		(465,724)	(565,800)
Balance as at June 30		<u>104,720</u>	<u>570,444</u>

2013 **2012**
(Rupees in thousand)

18. Stock-in-trade

This comprises of shops, apartments, houses and commercial buildings in:

Pace Circle	- note 18.1	1,801,132	1,924,257
Pace Woodlands (Private) Limited - Woodland plots	- note 18.2	8,675	21,686
		1,809,807	1,945,943

18.1 Pace Circle

Shopping mall and apartments:

- Leasehold land		1,045,529	1,041,859
- Building and construction cost		1,323,377	1,229,671
- Borrowing cost		303,018	263,617
- Direct costs		256,249	220,814
Cost incurred to date		2,928,173	2,755,961
Less: Transfer to capital work-in-progress (retained area)	- note 15.2.1	(29,095)	(59,493)
		2,899,078	2,696,468
Add: Attributable profit		565,742	420,669
Less: Progress billing		1,663,688	1,192,880
		1,801,132	1,924,257

18.2 Pace Woodlands (Private) Limited - Woodland plots

Opening balance		21,686	91,080
Less: Transferred to cost of sales	- note 24	(13,011)	(69,394)
		8,675	21,686

19. Trade debts - unsecured

Pace Circle	- note 19.1	400,900	213,300
Pace Woodlands (Private) Limited - Woodland plots		25,432	18,711
	- note 19.2	426,332	232,011

19.1 Pace Circle

Shops	- note 19.1.1	184,817	147,854
Apartments	- note 19.1.2	216,083	65,446
		400,900	213,300

19.1.1 This amount includes Rs 10.031 million (2012: Rs 30.219 million) receivable from Pace (Pakistan) Limited, a related party.

19.1.2 This amount includes Nil (2012: Rs 10.103 million) receivable from Pace (Pakistan) Limited, a related party.

19.2 These are considered good and are interest free.

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2013 **2012**
(Rupees in thousand)

20. Advances, deposits, prepayments and other receivables

Advances - considered good			
- to employees	- note 20.1	3,565	1,273
- to suppliers	- note 20.2	18,030	252
Prepayments		142	232
Other receivables - considered good	- note 20.3	45,497	12,659
		<u>67,234</u>	<u>14,416</u>

20.1 This includes an amount due from executive of Rs 0.589 million (2012: Rs 0.856 million) and due from executive director of Rs 1.493 million (2012: Nil).

20.2 This includes Rs 0.241 million (2012: Rs 0.241 million) and Rs 3.314 million (2012: Nil) paid to Trident (Construct) Private Limited and Media Times Limited, related parties, for construction and advertisement services, respectively.

20.3 This includes Nil (2012: Rs 4.650 million) receivable from Media Times Limited, a related party.

2013 **2012**
(Rupees in thousand)

21. Bank balances

Current accounts		16	16
Saving accounts	- note 21.1	46,133	5,383
		<u>46,149</u>	<u>5,399</u>

21.1 Profit on balances in saving accounts ranges from 7% to 13% (2012: 6% to 12%) per annum.

22. In the previous period, the Company had entered into an agreement with a private party for the sale of a piece of land measuring 09 Kanals 08 Marlas for a total sale consideration of Rs 100 million. As per agreement dated June 21, 2012, a joint venture company (herein referred to as 'JVC') was incorporated as a private limited company subsequent to the previous year end, in which Pace Barka and the third party were equal shareholders. The Company was to transfer the legal title of land to the JVC through the above agreement. However, the legal title of the land was only to be transferred to the JVC in piecemeal linked with the receipt of above sale consideration. This land was to be developed into a Commercial Plaza by the JVC and profit/loss shared equally through its sales.

The above property is currently under mortgage with Silk Bank Limited and the payments from the private party were to be paid to the bank wherein the bank would release the corresponding portion of property equivalent to the amount received and the released portion of land would be transferred in the name of JVC.

Investment property held for sale had been measured in accordance with the Company's accounting policy for investment property as per IAS - 40 "Investment Property" at fair value as the measurement provisions of IFRS 5, "Non-current Assets Held for Sale and Discontinued Operations" do not apply to non-current assets that are accounted for in accordance with the fair value model in IAS 40, "Investment Property".

However, during the current period, the Company and the third party ('purchaser') mutually cancelled the abovementioned agreement and entered into a new agreement dated October 10, 2012, whereby the abovementioned land has been sold to the purchaser for a consideration of Rs 111 million (whose fair value as at the date of disposal was Rs 120 million). As per agreement, the Company has transferred the possession of the land to the purchaser and will assist the purchaser in getting the legal title of land transferred in its name. Accordingly, this land has been derecognised in these financial statements.

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		2013	2012
		(Rupees in thousand)	
23.	Sales		
Pace Circle	- note 23.1	470,808	17,121
Pace Woodlands (Private) Limited - Woodland plots		13,750	66,850
		484,558	83,971
Less: Sale reversal on account of change in stage of completion		-	(50,430)
		<u>484,558</u>	<u>33,541</u>

23.1 The entire Pace Circle project sales are the revenue arising from agreements that meet the criteria for revenue recognition on the basis of percentage of completion method. Total revenue recognized from agreements to date on the basis of percentage of completion is Rs 3,387.563 million (2012: 2,591.195 million) and amount received against these agreements is Rs 1,639.793 million (2012: Rs 1,355.580 million).

		2013	2012
		(Rupees in thousand)	
24.	Cost of sales		
Pace Circle		325,735	(28,685)
Pace Woodlands (Private) Limited - Woodland plots	- note 18.2	13,011	69,394
		<u>338,746</u>	<u>40,709</u>
25.	Administrative and selling expenses		
Salaries, wages and other benefits	- note 25.1	15,410	14,573
Rent, rates and taxes		2,667	2,168
Communications		407	481
Printing and stationery		421	577
Repairs and maintenance		1,787	263
Insurance		726	610
Legal and professional charges		1,752	442
Vehicle running expenses		907	681
Travelling and conveyance		1,089	12
Entertainment		301	524
Advertisement		24,075	-
Commission on sales		46,919	1,586
Depreciation on operating fixed assets	- note 15.1.1	2,230	18,185
Fees and subscriptions		1,398	601
Auditors' remuneration	- note 25.2	1,483	870
Others		1,388	3,397
		<u>102,960</u>	<u>44,970</u>

25.1 Salaries, wages and other benefits include Rs 1.366 million (2012: Rs 2.326 million) and Rs 0.041 million (2012: Rs 0.197 million) in respect of provision for gratuity and staff compensated absences, respectively.

		2013	2012
		(Rupees in thousand)	
25.2	Auditors' remuneration		

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

- Statutory audit	1,000	800
- Out of pocket expenses	483	70
	<u>1,483</u>	<u>870</u>

2013 **2012**
(Rupees in thousand)

26. Other income

Income from financial assets:

Return on bank deposits	982	74
Gain on disposal of financial assets held for sale	9,526	-
	10,508	74

Income from non-financial assets:

Rental income	8,138	6,627
Gain on sale of investment property	-	3,612
Liabilities written back	2,530	19,024
Others	579	295
	11,247	29,558
	<u>21,755</u>	<u>29,632</u>

27. This represents exchange loss on foreign currency balances.

28. Finance costs

Bank charges	48	46
Interest/mark up on:		
- Long term finances	-	54,263
- Short term running finance	-	45,043
	<u>48</u>	<u>99,352</u>

29. Taxation

Current		
- For the year	848	628
- Prior years	-	(1,177)
	848	(549)
Deferred	7,924	(39,031)
	<u>8,772</u>	<u>(39,580)</u>

% age

% age

29.1 Tax charge reconciliation

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

Applicable tax rate	35.00	35.00
Tax effect of amounts that are:		
Not deductible for tax purposes	84.81	4.60
Effect of change in prior years' tax	-	1.27
Effect of property income taxed at reduced rates	(15.60)	1.82
Others	(38.09)	-
	31.12	7.69
Average effective tax rate charged to profit and loss account	<u>66.12</u>	<u>42.69</u>

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

30.1 The aggregate amount charged in the financial statements for the year for remuneration, including certain benefits, to the Chief Executive, to the full time working Directors and Executives of the Company is as follows:

	Chief Executive		Executive Director		Executives	
	2013	2012	2013	2012	2013	2012
	(Rupees in thousand)		(Rupees in thousand)		(Rupees in thousand)	
Short term						
employee benefits						
Managerial remuneration	767	-	360	-	6,262	5,912
House rent	307	-	144	-	2,505	2,364
Utilities	77	-	36	-	626	591
Medical and fuel expenses	-	-	-	-	17	604
	1,151	-	540	-	9,410	9,471
Number of persons	1	1	1	-	8	7

30.2 The Company also provides some of its executives with company maintained cars.

	2013	2012
	(Rupees in thousand)	
31. Cash used in operations		
Profit/(loss) before taxation	13,265	(92,710)
Adjustment for:		
Depreciation on property, plant and equipment	2,230	18,185
Gain on sale of investment available for sale	(9,526)	-
Gain on sale of investment property	-	(3,612)
Liabilities no longer required written back	(2,530)	(19,024)
Provision for gratuity and leave encashment	1,397	2,523
Finance costs	-	99,352
Changes in fair value of investment property	41,669	(30,352)
Exchange loss	625	1,204
Loss on disposal of non-current asset held for sale	9,000	-
	56,130	(24,434)
Profit/(loss) before working capital changes		
Effect on cash flow due to working capital changes		
- Decrease in stock-in-trade	209,452	40,216
- (Increase)/Decrease in trade debts	(194,321)	33,171
- Increase in advances, deposits, prepayments and other receivables	(19,318)	(6,793)
- (Decrease)/increase in advance against sale of stock-in-trade	(11,730)	30,626
- Decrease in creditors, accrued and other liabilities	(73,145)	(44,315)
	(89,062)	52,905
	(32,932)	28,471
32. Cash and cash equivalents		
Bank balances	- note 21	
	46,149	5,399

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33. Financial risk management

33.1 Financial risk factors

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

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

The Company's overall risk management procedures to minimize the potential adverse effects of financial market on the Company's performance are as follows:

a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company is exposed to three types of market risk: Currency risk, interest rate risk and other price 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 has various contracts for design and consultancy with foreign consultants to whom payments are made in foreign currencies, mainly United States Dollar (USD). The Company's exposure to currency risk was as follows:

	2013	2012
Foreign currency balances - USD	138,815	138,815

The following significant exchange rates were applied during the year:

Rupees per USD

Average rate	96.50
Reporting date rate	98.80

If the functional currency, at reporting date, had weakened/strengthened by 5% against the USD with all other variables held constant, post-tax loss profit for the year would have been Rs 0.446 million (2012: Rs 0.425 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) 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 carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

	2013 (Rupees in thousand)			2012
	Available for sale	Loans and receivables	Total	Total
Assets as per balance sheet				
Investments	411,401	28	411,429	955,627
Long term security deposits	-	864	864	864
Trade debts	-	426,332	426,332	232,011
Advances, deposits, prepayments and other receivables	-	67,092	67,092	14,184
Cash and bank balances	-	46,149	46,149	5,399
	<u>411,401</u>	<u>540,465</u>	<u>951,866</u>	<u>1,208,085</u>

Financial liabilities at amortized cost

	2013	2012
	(Rupees in thousand)	
Liabilities as per balance sheet		
Long term finances	405,843	466,342
Long term deposits	238	238
Creditors, accrued and other liabilities	137,612	218,777
Accrued finance cost	174,689	120,938
	<u>718,382</u>	<u>806,295</u>

33-3

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 7 and 10 less cash and cash equivalents as disclosed in note 32. 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 70% debt and 30% equity. The gearing ratio as at year ended June 30, 2013 and June 30, 2012 are as follows:

	2013	2012
	(Rupees in thousand)	
Borrowings - note 7 and 10	405,843	466,342
Less: Cash and cash equivalents - note 32	(46,149)	(5,399)
Net debt	<u>359,694</u>	<u>460,943</u>
Total equity	<u>4,830,792</u>	<u>5,292,023</u>
Total capital	<u>5,190,486</u>	<u>5,752,966</u>

Gearing ratio

7%

8%

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

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

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

	Rating		Rating Agency	2013	2012
	Short term	Long term			
				(Rupees in thousand)	
Faysal Bank Limited	A-1+	AA	JCR-VIS	2	4
Bank Of Punjab	A1+	AA-	PACRA	7	277
Habib Bank Limited	A-1+	AA+	JCR-VIS	1	1
Allied bank	A1+	AA+	PACRA	91	17
NIB Bank Limited	A1+	AA-	PACRA	46,000	4,862
Soneri Bank	A1+	AA-	PACRA	31	29
Silk Bank Limited	A-2	A-	JCR-VIS	12	204
Askari Bank Limited	A1+	AA	PACRA	5	5
				46,149	5,399

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

c) **Liquidity risk**

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

Management monitors the forecasts of the Company's cash and cash equivalents (note 32) 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 cashflows 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.

The following are the contractual maturities of financial liabilities:

	(Rupees in thousand)			
	Carrying amount	Less than one year	One to five years	More than five years
As at June 30, 2013				
Long term finances	405,843	405,843	-	-
Long term deposits	238	-	238	-
Creditors, accrued and other liabilities	137,612	137,612	-	-
Accrued finance cost	174,689	174,689	-	-
	718,382	718,144	238	-
As at June 30, 2012				
Long term finances	466,342	466,342	-	-
Long term deposits	238	-	238	-
Creditors, accrued and other liabilities	218,777	218,777	-	-
Accrued finance cost	120,938	120,938	-	-
	806,295	806,057	238	-

iii) 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's investments in equity of other entities that are publicly traded are listed on the Lahore Stock Exchange.

The impact on other components of equity based on the assumption that the LSE-100 index had increased/decreased by 5% with all other variables held constant and all the company's equity instruments moved according to the historical correlation with the LSE-100 index would have been as follows:

	Increase/ decrease in basis points	Effect on other components of equity
	(Rupees in thousand)	
2013	+500	13
	-500	(13)
2012	+500	31
	-500	(31)

b) Credit risk

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

(i) Exposure to credit risk

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

	2013	2012
	(Rupees in thousand)	
Long term security deposits	864	864
Trade debts	426,332	232,011
Advances, deposits, prepayments and other receivables	67,092	14,184
Bank balances	46,149	5,399
	<u>540,437</u>	<u>252,458</u>
The age of trade debts at balance sheet date is as follows:		
- Past due 0 - 365 days	191,225	22,158
- 1 - 2 years	15,552	-
- More than 2 years	219,555	209,853
	<u>426,332</u>	<u>232,011</u>

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

Pace (Pakistan) Limited

- Past due 0 - 365 days	8,439	40,323
- 1 - 2 years	-	-
- More than 2 years	36,147	-
	<u>44,586</u>	<u>40,323</u>

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The Company's interest rate risk arises from deposits in saving accounts with various commercial banks and long term finances. These financial assets and liabilities are benchmarked to variable rates which expose the Company to cash flow interest rate risk.

	2013	2012
	(Rupees in thousand)	
Fixed Rate Instruments:		
Financial assets		
Bank balances - saving accounts	46,133	5,383
Financial liabilities		
	-	-
Net exposure	<u>46,133</u>	<u>5,383</u>
Floating Rate Instruments:		
Financial assets		
	-	-
Financial liabilities		
Long term finances	405,843	466,342
Net exposure	<u>(405,843)</u>	<u>(466,342)</u>

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

The following table demonstrates the sensitivity to a reasonably possible change in interest rate on loans and borrowings, with all other variables held constant, of the Company's profit before tax is affected through the impact on floating rate borrowings and bank balances as follows:

	Increase/ decrease in basis points	Effect on post tax loss	Effect on equity
	(Rupees in thousand)		
2013	+500	(12)	(12)
	-500	12	12
2012	+500	(15)	(15)
	-500	15	15

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34.	Earning per share			
			2013	2012
34.1	Basic earning per share			
	Loss for the year	Rupees in thousand	4,493	(53,130)
	Weighted average number of ordinary shares	Number	305,257	305,257
	Loss per share	Rupees	<u>0.01</u>	<u>(0.17)</u>

34.2 **Diluted earning per share**

The Company has no dilutive potential ordinary shares, therefore, the diluted earnings per share is the same as the basic earnings per share.

35. **Transactions with related parties**

The related parties comprise associated undertakings, other related companies and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables and remuneration of key management personnel is disclosed in note 30. Other significant transactions with related parties are as follows:

Relationship with the company	Nature of transactions	2013		2012	
		(Rupees in thousand)			
i. Associated undertakings	Equipment rent expenses	10,960	-		
	Commission expenses	1,500	1,500		
	Advertisement expenses	18,797	-		
	Rental income	3,465	3,000		
	Revenue recognised/(de-recognised) during the year based on the stage of completion	22,450	(22,864)		

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

36.	Number of employees	2013	2012
	Total number of employees as at June 30	<u>65</u>	<u>29</u>
	Average number of employees during the year	<u>47</u>	<u>28</u>


37. **Date of authorization for issue**

These financial statements were authorized for issue on Oct. 05, 2013 by the Board of Directors of the Company.

38. **Corresponding figures**

Corresponding figures have been re-arranged, wherever necessary, for the purposes of comparison. However, no significant re-arrangement has been made.

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Chief Executive


Director