PACE BARKA PROPERTIES LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

pwc

A. F. FERGUSON & CO.

September 26, 2014

551

The Board of Directors
Pace Barka Properties Limited
Lahore

Ladies and Gentlemen,

FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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 of accrued mark-up from Silk Bank Limited;

(d) we have received direct confirmation from M/s Imran Anjum Alvi, legal advisor of the Company;

(e) we have received direct confirmation from customers referred to in Annexure "B" to this letter;

(f) we have received direct confirmation from suppliers referred to in Annexure "C" to this letter;

(g) the date of authorisation for issue of financial statements has been inserted in note 36 to the financial statements;

(h) 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

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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 of construction and building cost provided by the Company's consultant, Promag (Private) Limited and an estimate of direct costs developed by the management of the Company. The estimates for total cost of completion are based on certain assumptions. Based on these estimates, an amount of Rs 6,270 million is further required to complete the project and the estimated total cost of the project will be Rs 10,708.810 million (excluding cost of land and borrowing cost). Accordingly, the stage of completion has been revised resulting in a recognition of revenue by Rs 467.290 million. We would require the Board of Directors to ratify these estimates.

3.2 Non-payment of statutory liabilities

Trade and other payables include an amount of Rs 13.739 million which represents withholding tax deducted from payments made against goods, services and sales commission, and is payable to the Government. Under the provisions of Rule 43 of the Income Tax Rules, 2002, any tax deducted by a withholding agent is required to be deposited into the Government treasury within seven days from the end of the week in which relevant deduction is affected. Any default in timely deposit of deducted amount of withholding tax attracts default surcharge @ 18% per annum under the provisions of section 205(3) of the Income Tax Ordinance, 2001 ('Ordinance'). Further, such non-compliance may also consequence into tax authorities invoking penal provisions against the Company under section 182 of the Ordinance. Accordingly, it is recommended that subject amounts of withholding tax are deposited into the Government treasury at the earliest so as exposure on account of default surcharge/ penalty, as explained above, could be minimized.

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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A. F. FERGUSON & CO.

Annexure "A"

PACE BARKA PROPERTIES LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

List of items referred to in paragraph 1 (b) of our letter 551 dated September 26, 2014

	Rupees in thousand
Fixed capital expenditure	96,597

Accounting policy as referred to in note 4.18

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Annexure "B"

PACE BARKA PROPERTIES LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

List of parties referred to in paragraph 1(e) of our letter 551 dated September 26, 2014

Customer name	**Sales value**	**Amount received till June 30,2014**
	----------Rupees--------	
Farhat Abbasi	70,331,272	27,014,824
Muhammad Kamran Bajwa	61,750,000	22,068,038
Shannwaz	98,067,367	27,240,910
Kaleem ud din Warriach	93,802,952	29,052,363
Dr. Abdul Sattar Bhutta	61,265,540	23,852,478
Sadaf Umer	60,229,160	19,207,070
Saba Abbasi	66,261,793	19,949,358
Muhammad Anwar	35,014,673	19,708,967

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Annexure "C"

PACE BARKA PROPERTIES LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

List of parties referred to in paragraph 1(f) of our letter 551 dated September 26, 2014

Supplier name	Type	Amount (Rs)
Adnan Sethi	Advances	21,000,000
S S Engineering	Creditors	44,000
Sika Construction Chemicals	Creditors	20,300
International Motors Ltd	Creditors	3,984
Shafisons Engg Pvt Ltd	Creditors	1,003

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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, 2014 and the related profit and loss account, statement of changes in equity and cash flow statement together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

(a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;

(b) in our opinion:

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

(ii) the expenditure incurred during the year was for the purpose of the company's business; and

(iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2014 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 2, 2014

Name of engagement partner: Muhammad Masood

PACE BARKA PROPERTIES LIMITED

BALANCE SHEET AS AT JUNE 30, 2014

	Note	2014	2013
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised capital			
480,000,000 (2013: 480,000,000)			
ordinary shares of Rs 10 each		4,800,000	4,800,000
Issued, subscribed and paid up capital			
305,257,363 (2013: 305,257,363)			
ordinary shares of Rs 10 each	5	3,052,574	3,052,574
Reserves		(4,127)	104,720
Unappropriated profit		1,266,350	1,213,736
		4,314,797	4,371,030
SURPLUS ON REVALUATION OF OPERATING FIXED ASSETS	6	454,707	459,762
NON-CURRENT LIABILITIES			
Long term finances	7	278,081	-
Long term deposits	8	238	238
Deferred liabilities	9	74,501	57,858
		352,820	58,096
CURRENT LIABILITIES			
Current portion of long term liabilities	10	202,676	405,843
Creditors, accrued and other liabilities	11	226,062	147,965
Accrued finance cost	12	113,939	174,689
Advance against sale of stock-in-trade	13	332,526	377,003
Provision for taxation		16,829	4,920
		892,032	1,110,420
CONTINGENCIES AND COMMITMENTS	14		
		6,014,356	5,999,308

	Note	2014	2013
		(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	15	2,756,014	2,651,047
Investment property	16	615,883	586,446
Investments	17	302,582	411,429
Long term security deposits		864	864
		3,675,343	3,649,786
CURRENT ASSETS			
Stock-in-trade	18	1,707,802	1,809,807
Trade debts	19	563,719	426,332
Advances, deposits, prepayments and other receivables	20	46,782	67,234
Bank balances	21	20,710	46,149
		2,339,013	2,349,522
		6,014,356	5,999,308

The annexed notes 1 to 37 form an integral part of these financial statements.

Chief Executive

Director

PACE BARKA PROPERTIES LIMITED

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

	Note	2014	2013
		(Rupees in thousand)	
Sales	22	467,290	484,558
Cost of sales	23	(312,951)	(338,746)
Gross profit		154,339	145,812
Administrative and selling expenses	24	(142,928)	(102,960)
Other income	25	32,626	21,755
Other operating expenses	26	-	(625)
		44,037	63,982
Finance costs	27	(125)	(48)
Changes in fair value of investment property	16	29,437	(41,669)
Loss on disposal of non-current asset held for sale		-	(9,000)
Profit before taxation		73,349	13,265
Taxation	28	(25,790)	(8,772)
Profit for the year		47,559	4,493
Other comprehensive loss			
Items that may be reclassified subsequently to profit or loss			
Changes in fair value of available-for-sale investment		(108,847)	(465,724)
Items that will not be reclassified to profit or loss			
Surplus transferred to other comprehensive income for the year on account of incremental depreciation - net of tax		5,055	5,038
Total comprehensive loss for the year		(56,233)	(456,193)
Earning per share - basic and diluted in Rupees	33	0.16	0.01

The annexed notes 1 to 37 form an integral part of these financial statements.

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Samina Taseer
Chief Executive

Imran Hafeez
Director

PACE BARKA PROPERTIES LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014	2013
		(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from/(used in) operations	30	87,966	(32,932)
Finance costs paid		(1,627)	(7,101)
Taxes paid		(560)	(388)
Retirement benefits paid		(939)	(205)
Net cash outflow from operating activities		84,840	(40,626)
Cash flows from investing activities			
Purchase of property, plant and equipment		(96,597)	(23,625)
Proceeds against sale of investment available-for-sale		-	88,000
Proceeds from disposal of non-current asset held for sale		-	77,500
Net cash inflow from investing activities		(96,597)	141,875
Cash flows from financing activities			
Repayment of long term loans		(13,682)	(60,499)
Net cash outflow from financing activities		(13,682)	(60,499)
Net increase in cash and cash equivalents		(25,439)	40,750
Cash and cash equivalents at the beginning of the year		46,149	5,399
Cash and cash equivalents at the end of the year	31	20,710	46,149

The annexed notes 1 to 37 form an integral part of these financial statements.

Chief Executive **Director**

PACE BARKA PROPERTIES LIMITED

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

(Rupees in thousand)

	Share capital	Revenue reserves: Reserve for changes in fair value of investments	Revenue reserves: Unappropriated profit	Total
Balance as on July 01, 2012	3,052,574	570,444	1,204,205	4,827,223
Total comprehensive loss for the year				
Profit 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
Total comprehensive loss for the year				
Profit for the year	-	-	47,559	47,559
Other comprehensive (loss)/income:				
Changes in fair value of available-for-sale investment	-	(108,847)	-	(108,847)
Surplus transferred to other comprehensive income for the year on account of incremental depreciation - net of tax	-	-	5,055	5,055
	-	(108,847)	52,614	(56,233)
Total contributions by and distributions to owners of the Company recognised directly in equity	-	-	-	-
Balance as on June 30, 2014	3,052,574	(4,127)	1,266,350	4,314,797

The annexed notes 1 to 37 form an integral part of these financial statements.

Chief Executive **Director**

PACE BARKA PROPERTIES LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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.

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

The following amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after July 01, 2014 or later periods, and the Company has not early adopted them:

- 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.

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- 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.

- IFRS 13 - 'Fair value measurement'. This is applicable on accounting periods beginning on or after January 01, 2013, however, the Institute of Chartered Accountants of Pakistan has adopted this standard for periods beginning on or after January 1, 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 is yet to assess the impact on its financial statements.

-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 payments', IFRS 3, 'Business Combinations', IFRS 3, 'Business Combinations', IFRS 8, 'Operating segments', IFRS 13, 'Fair value measurement', IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets', Consequential amendments to IFRS 9, 'Financial instruments', IAS 37, 'Provisions, contingent liabilities and contingent assets', and IAS 39, Financial instruments – Recognition and measurement'.

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

- IAS 19 (Amendments), 'Employee benefits' is applicable on accounting periods beginning on or after July 1, 2014. These narrow scope amendments 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 Company does not expect to have a material impact on its financial statements from this amendment.

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.

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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.

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.

g) **Revaluation surplus on operating fixed assets**

Certain operating fixed assets are carried under the revaluation model as per International Accounting Standard ('IAS') 16 'Property, Plant and Equipment' as stated in note 4.2. Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from their fair value. Revalued amount has been determined by an independent professional valuer on the basis of present market value (note 6).

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.

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.

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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.

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

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference between the carrying amount and the fair value of this item at the date of transfer is 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.

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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.

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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.

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 cots 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.

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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;

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- 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 Sale and repurchase agreements

Properties sold subject to a repurchase agreement (repo) are retained in the financial statements as stock-in-trade and the counter party liability is included in long term finances. The difference between the sale and re-purchase price is recognized as mark-up expense on a time proportion basis.

4.19 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.

5. Issued, subscribed and paid up capital

2014	2013		2014	2013
(Number of shares)			(Rupees in thousand)	
305,257,363	305,257,363	Ordinary shares of Rs 10 each 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 (2013: 75,875,000) and 54,790,561 (2013: 54,790,561) ordinary shares of the Company respectively.

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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. Surplus on revaluation of operating fixed assets can be utilized by the Company only for the purposes specified in section 235 of the Companies Ordinance, 1984.

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:

		2014	2013
		(Rupees in thousand)	
Opening balance - net of tax		459,762	464,800
Surplus transferred to other comprehensive income for the year on account of incremental depreciation - net of tax		(5,055)	(5,038)
Closing balance - net of tax	- note 6.1	454,707	459,762

6.1 Includes surplus on revaluation of freehold land amounting to Rs 4.092 million (2013: Rs 4.092 million).

7. Long term finances

		2014	2013
		(Rupees in thousand)	
Long term finances - secured			
Syndicate term finance	- note 7.1	120,000	247,500
The Bank of Punjab - demand finance	- note 7.2	-	64,167
Silk Bank Limited - demand finance	- note 7.3	67,776	79,276
The Bank of Punjab - Repurchase agreement borrowing	- note 7.4	278,081	-
Long term finances - unsecured			
WTL Services (Private) Limited	- note 7.5	14,900	14,900
		480,757	405,843
Less: Current portion shown under current liabilities		202,676	405,843
		278,081	-

7.1 Syndicate term finance

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

Commercial banks		
The Bank of Punjab	-	127,500
Habib Bank Limited	90,000	90,000
Soneri Bank Limited	30,000	30,000
	120,000	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 (2013: 3 months KIBOR plus 350 basis point system).

As at June 30, 2014, principal and accrued finance cost amounting to Rs 120 million (2013: Rs 247.500 million) and Rs 66.952 million (2013: 101.682 million) respectively were due but not paid.

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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.

During the year ended June 30 2014, the Company and Bank of Punjab agreed to settle all the outstanding liabilities of the Company as at August 31, 2013 against identified shops ("SWAP properties") at Pace Circle Project. The terms of the settlement agreement are substantially different than the original terms hence this has been accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability as referred to in note 7.4 to these financial statements.

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 (2013: 3 months KIBOR plus 350 basis point system).

As at June 30, 2014, principal and accrued finance cost amounting to Nil (2013: Rs 64.167 million) and Nil (2013: Rs 29.850 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).

During the year ended June 30 2014, the Company and Bank of Punjab agreed to settle all the outstanding liabilities of the Company as at August 31, 2013 against identified shops ("SWAP properties") at Pace Circle Project. The terms of the settlement agreement are substantially different than the original terms hence this has been accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability as referred to in note 7.4 to these financial statements.

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 (2013: 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% (2013: 3 months KIBOR plus 4%).

As at June 30, 2014, principal and accrued finance cost amounting to Rs 67.776 million (2013: Rs 79.276 million) and Rs 33.134 million (2013: Rs 26.751 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 (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) and amount receivable in respect of the sale of immovable property measuring 09 Kanals and 08 Marlas situated at Village Ado-Wal, Main G.T. Road, Tehsil & District Gujrat as referred to in note 20.4 to these financial statements.

7.4 The Bank of Punjab - Repurchase agreement borrowing

During the year ended June 30 2014, the Company and Bank of Punjab agreed to settle all the outstanding liabilities of the Company as at August 31, 2013 against 97 identified shops ("SWAP properties") at Pace Circle Project for a consideration of Rs 259.654 million. The Company has a right to repurchase the SWAP properties till August 31, 2015 at a repurchase price worked out by adding a mark up of 9.57% per anum in the prevailing cost. If the Company defaults in repurchasing the SWAP properties till August 31, 2015 than Bank of Punjab will have a right to sell the same in the market at any price or retain the same. The terms of the settlement agreement are substantially different than the original terms hence accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The gross movement in repurchase agreement borrowing liability during the year is as follows:

	2014	2013
	(Rupees in thousand)	
Original liabilities extinguished:		
Syndicate term finance - Portion of Bank of Punjab	127,500	-
The Bank of Punjab - demand finance	64,167	-
Accrued mark-up	91,634	-
	283,301	-
Gain on extinguishment	(23,647)	-
New liability recognised	259,654	-
Mark-up on repurchase agreement borrowing	20,608	-
Repayment made during the year	(2,181)	-
Closing balance	278,081	-

7.5 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% (2013: 3 months KIBOR plus 2%) with no floor or cap.

As at June 30, 2014, principal and accrued finance cost amounting to Rs 14.900 million (2013: Nil) and Rs 10.110 million (2013: Nil) respectively were due but not paid.

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

9. Deferred liabilities

		2014	2013
		(Rupees in thousand)	
Staff gratuity	- note 9.1	8,020	5,237
Accumulated compensated absences	- note 9.2	1,710	1,171
Deferred taxation	- note 9.3	64,771	51,450
		74,501	57,858

9.1 Staff gratuity

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

	2014	2013
Present value of obligation at the beginning of the year	5,237	5,591
Amount recognized during the year	3,637	1,357
Benefits paid during the year	(854)	(21)
Current portion shown under current liabilities	-	(1,690)
Liability recognized in the balance sheet	8,020	5,237

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		2014	2013
		(Rupees in thousand)	

9.2 Accumulated compensated absences

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

	2014	2013
Present value of obligation at the beginning of the year	1,171	1,315
Amount recognized during the year	624	40
Benefits paid during the year	(85)	(184)
Liability recognized in the balance sheet	1,710	1,171

9.3 Deferred taxation

The liability for deferred taxation comprises temporary differences relating to:

	2014	2013
Accelerated tax depreciation and others	4,130	3,947
Profit recognized on percentage of completion basis not offered for tax	252,028	198,010
Unused tax losses and tax credits	(191,387)	(150,507)
	64,771	51,450

Deferred tax asset on tax losses available for carry forward and Alternate Corporate Tax ('ACT') paid available for carry forward u/s 113C of the Income Tax Ordinance, 2001 are recognized to the extent that the realisation of related tax benefits through future taxable profits is probable. Alternate Corporate tax paid u/s 113C aggregating to Rs 9.771 million would not be available for carry forward against future tax liabilities subsequent to tax year 2024.

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

	2014	2013
	(Rupees in thousand)	
Opening balance	51,450	43,526
Expense during the year	13,321	7,924
Closing balance	64,771	51,450

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

	2014	2013
Long term finances - secured:		
- Syndicate term finance	120,000	247,500
- The Bank of Punjab - demand finance	-	64,167
- Silk Bank Limited - demand finance	67,776	79,276
- WTL Services (Private) Limited - unsecured	14,900	-
	202,676	390,943

11. Creditors, accrued and other liabilities

		2014	2013
Trade creditors	- note 11.1	135,127	89,636
Accrued liabilities		25,906	7,052
Retention money	- note 11.2	36,215	35,923
Withholding tax payable		15,809	10,353
Others	- note 11.3	13,005	5,001
		226,062	147,965

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11.1 This includes Rs 0.302 million (2013: Rs 0.302 million) and Rs 18.846 million (2013: Rs 9.251 million) payable to Pace Woodlands (Private) Limited and First Capital Securities Corporation Limited, related parties, respectively.

11.2 This includes Rs 35.448 million (2013: Rs 35.688 million) payable to Trident (Construct) Private Limited, a related party.

11.3 This amount includes Nil (2013: Rs 2 million) 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:

	2014	2013
	(Rupees in thousand)	
Markup on long term finances - secured:		
- Syndicate term finance	66,952	101,682
- The Bank of Punjab - demand finance	-	29,850
- Silk Bank Limited - demand finance	33,134	26,751
- WTL Services (Private) Limited - unsecured	10,110	-
	110,196	158,283

13. This represents advances received from various parties against sale of apartments and shops in Pace Circle project. These include Rs 130.408 million (2013: Rs 211.591 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:

	2014	2013
	(Rupees in thousand)	
Not later than one year	2,985	2,721
Later than one year and not later than five years	15,151	13,803
Later than five years	510,143	506,318
	528,279	522,842

15. Property, plant and equipment

		2014	2013
Operating fixed assets	- note 15.1	1,467,665	1,485,296
Capital work-in-progress ("CWIP")	- note 15.2	1,288,349	1,165,751
		2,756,014	2,651,047

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15.1 Operating fixed assets (Rupees in thousand)

	Jun-14								
	Cost as at June 30, 2013	Additions/ (transfers to inventory)	Cost as at June 30, 2014	Accumulated depreciation as at June 30, 2013	Depreciation transferred to CWIP	Depreciation charge for the year	Accumulated depreciation as at June 30, 2014	Book value as at June 30, 2014	Rate of depreciation %
Freehold land	28,028	-	28,028	-	-	-	-	28,028	-
Leasehold land *	1,498,693	-	1,498,693	62,447	6,374	9,276	78,097	1,420,596	96 years
Buildings on freehold land	12,193	-	12,193	2,262	-	497	2,759	9,434	5%
Office equipment	9,072	-	9,072	4,315	-	476	4,791	4,281	10%
Furniture and fixtures	5,077	-	5,077	2,405	-	267	2,672	2,405	10%
Computers	2,198	58	2,256	1,553	-	196	1,749	507	30%
Vehicles	10,691	-	10,691	7,674	-	603	8,277	2,414	20%
June 2014	1,565,952	58	1,566,010	80,656	6,374	11,315	98,345	1,467,665	

	Jun-13								
	Cost as at June 30, 2012	Additions/ (transfers to inventory)	Cost as at June 30, 2013	Accumulated depreciation as at June 30, 2012	Depreciation transferred to CWIP	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	-	1,498,693	46,950	-	-	62,447	1,436,246	96 years
		(3,670)			15,497				
Buildings on freehold land	12,193	-	12,193	1,739	-	523	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	-	128	1,553	645	30%
Vehicles	10,691	-	10,691	6,921	-	753	7,674	3,017	20%
June 2013	1,569,142	480	1,565,952	62,929	-	2,230	80,656	1,485,296	
		(3,670)			15,497				

* 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 Allama Iqbal International Airport, Lahore Cantt. The related party secured the bid for the said piece of land on behalf of Pace Barka 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.

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			2014	2013
			(Rupees in thousand)	

15.2 Capital work-in-progress

		2014	2013
Project under development - Pace Circle	- note 15.2.1	1,271,240	1,148,642
Grid station - Pace Circle		17,109	17,109
		1,288,349	1,165,751

15.2.1 This represents the following project cost:

		2014	2013
Hotel			
Building and construction cost		842,696	769,848
Borrowing cost		195,450	176,274
Direct costs		200,690	173,425
		1,238,836	1,119,547
Shopping Mall - retained area			
Building and construction cost		22,386	20,452
Borrowing cost		5,192	4,683
Direct costs		4,826	3,960
	- note 18.1	32,404	29,095
		1,271,240	1,148,642

16. Investment property

	2014	2013
Fair value as at July 01	586,446	628,115
Fair value gain/(loss) recognised in profit and loss account for the year	29,437	(41,669)
Fair value as at June 30	615,883	586,446

17. Investments

		2014	2013
Available for sale - quoted			
At cost	- note 17.1	306,681	306,681
Add: Cumulative fair value (loss)/gain recognised	- note 17.2	(4,127)	104,720
		302,554	411,401
Associated undertaking - unquoted			
Pace Woodlands (Private) Limited			
2,769 (2013: 2,769) fully paid ordinary shares of Rs 10/- each			
Equity held 48% (2013: 48%)			
Book value per share Rs (658.770) [2013: Rs (656.283)]		28	28
		302,582	411,429

17.1 This represents 8,597,718 (2013: 8,597,718) fully paid ordinary shares of Rs 10 each of First Capital Equities Limited, a related party. The market value of the shares as at June 30, 2014 is Rs 302.554 million (2013: Rs 441.401 million).

17.2 Cumulative fair value (loss)/gain recognised

	2014	2013
	(Rupees in thousand)	
Balance as at July 1	104,720	570,444
Fair value loss recognised during the year	(108,847)	(465,724)
Balance as at June 30	(4,127)	104,720

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		2014	2013
		(Rupees in thousand)	

18. Stock-in-trade

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

Pace Circle	- note 18.1	1,699,127	1,801,132
Pace Woodlands (Private) Limited - Woodland plots	- note 18.2	8,675	8,675
		1,707,802	1,809,807

18.1 Pace Circle

Shopping mall and apartments:			
- Leasehold land		1,045,529	1,045,529
- Building and construction cost		1,448,604	1,323,377
- Borrowing cost		335,981	303,018
- Direct costs		312,315	256,249
Cost incurred to date		3,142,429	2,928,173
Transfer to capital work-in-progress (retained area)	- note 15.2.1	(32,405)	(29,095)
		3,110,024	2,899,078
Add: Attributable profit		720,080	565,742
Less: Progress billing		2,130,977	1,663,688
		1,699,127	1,801,132

18.2 Pace Woodlands (Private) Limited - Woodland plots

Opening balance		8,675	21,686
Transferred to cost of sales	- note 23	-	(13,011)
		8,675	8,675

19. Trade debts - unsecured

Pace Circle	- note 19.1	541,870	400,900
Pace Woodlands (Private) Limited - Woodland plots		21,849	25,432
	- note 19.2	563,719	426,332

19.1 Pace Circle

Shops	- note 19.1.1	331,615	184,817
Apartments		210,255	216,083
		541,870	400,900

19.1.1 This amount includes Rs 53.768 million (2013: Rs 10.031 million) receivable from Pace (Pakistan) Limited, a related party.

19.2 These are considered good and are interest free.

		2014	2013
		(Rupees in thousand)	

20. Advances, deposits, prepayments and other receivables

Advances - considered good			
- to employees	- note 20.1	3,093	3,565
- to suppliers	- note 20.2	2,826	18,030
Prepayments		3,477	142
Other receivables - considered good	- note 20.3	37,386	45,497
		46,782	67,234

20.1 This includes an amount due from executive of Nil (2013: Rs 0.589 million) and due from Executive Director of Rs 1.878 million (2013: Rs 1.501 million).

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20.2 This includes Nil (2013: Rs 0.241 million) and Nil (2013: Rs 3.314 million) paid to Trident (Construct) Private Limited and Media Times Limited, related parties, for construction and advertisement services, respectively.

20.3 This includes an amount of Rs 10 million (2013: Rs 23.5 million) pledged as security to Silk Bank Limited as per the settlement agreement dated June 19, 2012.

21. Bank balances

		2014	2013
		(Rupees in thousand)	
Current accounts		15	16
Saving accounts	- note 21.1	20,695	46,133
		20,710	46,149

21.1 Profit on balances in saving accounts ranges from 5% to 12% (2013: 7% to 13%) per annum.

22. Sales

		2014	2013
		(Rupees in thousand)	
Pace Circle	- note 22.1	467,290	470,808
Pace Woodlands (Private) Limited - Woodland plots		-	13,750
		467,290	484,558

22.1 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 agreements signed to date amount to Rs 4,126.769 million (2013: 3,387.563 million) and the amount received against these agreements is Rs 1,931.965 million (2013: Rs 1,639.793 million).

23. Cost of sales

		2014	2013
		(Rupees in thousand)	
Pace Circle		312,951	325,735
Pace Woodlands (Private) Limited - Woodland plots	- note 18.2	-	13,011
		312,951	338,746

24. Administrative and selling expenses

		2014	2013
Salaries, wages and other benefits	- note 24.1	28,450	15,410
Rent, rates and taxes		2,740	2,667
Communications		1,214	407
Printing and stationery		783	421
Repairs and maintenance		3,226	1,787
Insurance		1,059	726
Legal and professional charges		389	1,752
Vehicle running expenses		3,719	907
Travelling and conveyance		1,654	1,089
Entertainment		712	301
Advertisement		33,770	24,075
Commission on sales		39,378	46,919
Depreciation on operating fixed assets	- note 15.1.1	11,315	2,230
Fees and subscriptions		657	1,398
Auditors' remuneration		1,550	1,483
Others		12,312	1,388
		142,928	102,960

24.1 Salaries, wages and other benefits include Rs 3.638 million (2013: Rs 1.366 million) and Rs 0.624 million (2013: Rs 0.041 million) in respect of provision for gratuity and staff compensated absences, respectively.

	2014	2013
	(Rupees in thousand)	

25. Other income

	2014	2013
Income from financial assets:		
Return on bank deposits	602	982
Gain on disposal of financial assets held for sale	-	9,526
	602	10,508
Income from non-financial assets:		
Rental income	8,200	8,138
Liabilities written back	-	2,530
Gain on extinguishment of long term finance	23,647	-
Others	177	579
	32,024	11,247
	32,626	21,755

26. This represents exchange loss on foreign currency balances.

27. This represents bank charges on different bank accounts of the Company.

28. Taxation

	2014	2013
Current for the year	12,469	848
Deferred	13,321	7,924
	25,790	8,772

28.1 Tax charge reconciliation

	% age	% age
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	(4.03)	84.81
Effect of change in prior years' tax	4.29	-
Effect of property income taxed at reduced rates	(0.10)	(15.60)
Others	-	(38.08)
	0.16	31.13
Average effective tax rate charged to profit and loss account	35.16	66.13

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29. Remuneration of Chief Executive, Directors and Executives

29.1 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	
	2014	2013	2014	2013	2014	2013
	(Rupees in thousand)		(Rupees in thousand)		(Rupees in thousand)	
Short term employee benefits						
Managerial remuneration	4,000	767	2,400	360	7,332	6,262
House rent	1,600	307	960	144	2,933	2,505
Utilities	400	77	240	36	733	626
Medical and fuel expenses	-	-	66	-	291	17
	6,000	1,151	3,666	540	11,289	9,410
Number of persons	1	1	1	1	8	8

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

30. Cash used in operations

		2014	2013
		(Rupees in thousand)	
Profit before taxation		73,349	13,265
Adjustment for:			
Depreciation on property, plant and equipment		11,315	2,230
Gain on sale of investment available for sale		-	(9,526)
Liabilities no longer required written back		-	(2,530)
Provision for gratuity and leave encashment		4,261	1,397
Finance costs		125	-
Changes in fair value of investment property		(29,437)	41,669
Exchange loss		-	625
Loss on disposal of non-current asset held for sale		-	9,000
Gain on extinguishment of long term finance		(23,647)	-
Profitbefore working capital changes		35,966	56,130
Effect on cash flow due to working capital changes			
- Decrease in stock-in-trade		134,968	209,452
- Increase in trade debts		(137,387)	(194,321)
- Decrease/(Increase) in advances, deposits, prepayments and other receivables		20,452	(19,318)
- Decrease in advance against sale of stock-in-trade		(44,477)	(11,730)
- Increase/(decrease) in creditors, accrued and other liabilities		78,444	(73,145)
		52,000	(89,062)
		87,966	(32,932)

31. Cash and cash equivalents

Bank balances	- note 21	20,710	46,149

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32. Financial risk management

32.1 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:

	2014	2013
Foreign currency balances - USD	138,815	138,815

The following significant exchange rates were applied during the year:

Rupees per USD	
Average rate	98.78
Reporting date rate	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 profit for the year would have been Rs 0.453 million (2013: Rs 0.446 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.

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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.

	2014	2013
	(Rupees in thousand)	
Fixed Rate Instruments:		
Financial assets		
Bank balances - saving accounts	20,695	46,133
Financial liabilities	-	-
Net exposure	20,695	46,133
Floating Rate Instruments:		
Financial assets	-	-
Financial liabilities		
Long term finances	480,757	405,843
Net exposure	(480,757)	(405,843)

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)	
2014	+500	(15)	(15)
	-500	15	15
2013	+500	(12)	(12)
	-500	12	12

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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)	
2014	+500	9,987
	-500	(9,987)
2013	+500	13,562
	-500	(13,562)

b) Credit risk

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

(i) Exposure to credit risk

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

	2014	2013
	(Rupees in thousand)	
Long term security deposits	864	864
Trade debts	563,719	426,332
Advances, deposits, prepayments and other receivables	43,305	67,092
Bank balances	20,710	46,149
	628,598	540,437
The age of trade debts at balance sheet date is as follows:		
- Past due 0 - 365 days	188,257	191,225
- 1 - 2 years	121,351	15,552
- More than 2 years	254,111	219,555
	563,719	426,332
The age of related party trade debt at balance sheet date is as follows:		
Pace (Pakistan) Limited		
- Past due 0 - 365 days	-	8,439
- 1 - 2 years	9,734	-
- More than 2 years	44,034	36,147
	53,768	44,586

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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 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		
	Short term	Long term	Agency	2014	2013
				(Rupees in thousand)	
Faysal Bank Limited	A1+	AA	PACRA	1	2
Bank Of Punjab	A1+	AA-	PACRA	2,010	7
Habib Bank Limited	A-1+	AAA	JCR-VIS	1	1
Allied Bank Limited	A1+	AA+	PACRA	2,529	91
NIB Bank Limited	A1+	AA-	PACRA	9,087	46,000
Soneri Bank Limited	A1+	AA-	PACRA	32	31
Silk Bank Limited	A-2	A-	JCR-VIS	8	12
Askari Bank Limited	A1+	AA	PACRA	6	5
Dubai Islamic Bank Pakistan Limited	A-1	A+	JCR-VIS	7,036	-
				20,710	46,149

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 31) 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, 2014				
Long term finances	480,757	202,676	278,081	-
Long term deposits	238	-	238	-
Creditors, accrued and other liabilities	210,253	210,253	-	-
Accrued finance cost	113,939	113,939	-	-
	805,187	526,868	278,319	-
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	-

32.2 Financial instruments by categories

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

	2014 (Rupees in thousand)			2013
	Available for sale	Loans and receivables	Total	Total
Assets as per balance sheet				
Investments	302,554	28	302,582	411,429
Long term security deposits	-	864	864	864
Trade debts	-	563,719	563,719	426,332
Advances, deposits, prepayments and other receivables	-	43,305	43,305	67,092
Bank balances	-	20,710	20,710	46,149
	302,554	628,626	931,180	951,866

	Financial liabilities at amortized cost	
	2014	2013
	(Rupees in thousand)	
Liabilities as per balance sheet		
Long term finances	480,757	405,843
Long term deposits	238	238
Creditors, accrued and other liabilities	210,253	137,612
Accrued finance cost	113,939	174,689
	805,187	718,382

32.3 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 31. 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, 2014 and 2013 are as follows:

	2014	2013
	(Rupees in thousand)	
Borrowings - note 7 and 10	480,757	405,843
Less: Cash and cash equivalents - note 31	(20,710)	(46,149)
Net debt	460,047	359,694
Total equity	4,769,504	4,830,792
Total capital	5,229,551	5,190,486
Gearing ratio	9%	7%

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33. Earning per share

33.1 Basic earning per share

		2014	2013
Profit for the year	**Rupees in thousand**	47,559	4,493
Weighted average number of ordinary shares	**Number**	305,257	305,257
Earning per share	**Rupees**	0.16	0.01

33.2 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.

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

Relationship with the company	**Nature of transactions**	**2014** (Rupees in thousand)	**2013**
Associated undertakings	Equipment rent included in stock-in-trade	15,440	10,960
	Gaurantee Commission included in stock-in-trade	1,238	1,500
	Advertisement expenses	31,666	18,797
	Rental income	3,812	3,465
	Revenue recognised during the year based on the stage of completion	26,316	22,450

35. Number of employees

	2014	2013
Total number of employees as at June 30	73	65
Average number of employees during the year	69	47

36. Date of authorization for issue

These financial statements were authorized for issue on ______________ by the Board of Directors of the Company.

37. 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**