

PACE (PAKISTAN) LIMITED
QUARTERLY ACCOUNTS
(UN-AUDITED)
FOR THE PERIOD ENDED
SEPTEMBER 30, 2018

DIRECTORS' REVIEW

The Directors of Pace (Pakistan) Limited ("the Company") take pleasure in presenting to its shareholders the financial statements of the Company for the quarter ended September 30, 2018.

Operating Results:

During period under review, the sales of the Company showed an impressive upsurge which increased by almost 37% to close at Rs. 107,173 as compared to Rs. 78,301 last year, primarily attributable to sale of shops in company operated plazas. Cost of Sales increased from 56.07 million last year to Rs. 91.37 current year, due to corresponding costs pertaining to increased sales. Administrative expenses increased by 11% to Rs. 30.09 million in line with the inflation trend. Other income of the company also showed a substantial increase of 22% to close at Rs. 8.85 million as compared with Rs. 7.42 million last year, due to increase in service charges from Pace Tower and upward revision of rental income from investment properties. Other operating expenses of the company showed a substantial increase of Rs. 38.09 million as compared to last year due to exchange loss on Foreign Currency Convertible Loan due to adverse movement of US Dollar. Finance costs during the period under review declined from Rs. 27.83 million to Rs. 27.54 million, due to settlement of outstanding TFCs of company in the previous periods.

As a result of aforementioned factors, the loss for the period under review increased from Rs. 34.01 million last year to Rs. 79.94 million current year, resulting in Loss Per Share (LPS) of Rs. 0.29 as compared to LPS of Rs. 0.12 in corresponding period last year.

The comparison of the financial results for the quarter ended 30th Sep 2018, with corresponding period of the previous financial year is as under:

	Rupees in '000'	
	Jul-Sep 2018	Jul-Sep 2017
Sales	107,173	78,301
Cost of Sales	(91,376)	(56,072)
Gross Profit	15,797	22,229
Admin & Selling Expenses	(30,093)	(27,064)
Other Income	8,857	7,242
Other Operating Expenses	(45,623)	(7,533)
Finance Cost	(27,541)	(27,833)
Net profit/(loss) before tax	(78,603)	(32,959)
Net profit/(loss) after tax	(79,943)	(33,938)
(Loss) per share (PKR)	(0.29)	(0.12)

The Board of Directors also wishes to express its gratefulness to the shareholders for their continued support and to all their employees for their ongoing dedication and commitment to the Company.


For and on behalf of the Board of Directors

Lahore

November 29, 2018



Director



Chief Executive Officer

PACE (PAKISTAN) LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR PERIOD ENDED SEPTEMBER 30, 2018

	Share Capital	Reserves		Accumulated Loss	Total
		Share Premium Reserve	Reserve for changes in fair value of investments		
----- (Rupees in thousand) -----					
Balance as on June 30, 2017	2,788,766	273,265	(1,023)	(617,208)	2,443,800
Total comprehensive income for the year					
Profit for the year	-	-	-	(537,062)	(537,062)
Other comprehensive loss for the year:					
Remeasurement of net defined benefit liability net of tax	-	-	-	4,985	4,985
Changes in fair value of available for sale investments	-	-	-	-	-
Transferred to profit and loss account on disposal of investments	-	-	1,023	(532,077)	(532,077)
Balance as on June 30, 2018	2,788,766	273,265	-	(1,149,285)	1,912,746
Total comprehensive loss for the Period					
Loss for the year	-	-	-	(79,943)	(79,943)
Other comprehensive income for the year:					
Remeasurement of net defined benefit liability net of tax	-	-	-	-	-
Changes in fair value of available for sale investments	-	-	-	-	-
Balance as on September 30, 2018	2,788,766	273,265	-	(1,229,228)	1,832,803

The annexed notes from 1 to 17 form an integral part of these financial statements.

Chief Executive

Chief Financial Officer

Director

PACE (PAKISTAN) LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR PERIOD ENDED SEPTEMBER 30, 2018

	Share Capital	Reserves		Accumulated Loss	Total
		Share Premium Reserve	Reserve for changes in fair value of investments		
------(Rupees in thousand)-----					
Balance as on June 30, 2017	2,788,766	273,265	(1,023)	(617,208)	2,443,800
Total comprehensive income for the year					
Profit for the year	-	-	-	(537,062)	(537,062)
Other comprehensive loss for the year:					
Remeasurement of net defined benefit liability net of tax	-	-	-	4,985	4,985
Changes in fair value of available for sale investments	-	-	-	-	-
	-	-	-	(532,077)	(532,077)
Transferred to profit and loss account on disposal of investments			1,023		1,023
Balance as on June 30, 2018	<u>2,788,766</u>	<u>273,265</u>	<u>-</u>	<u>(1,149,285)</u>	<u>1,912,746</u>
Total comprehensive loss for the Period					
Loss for the year	-	-	-	(79,943)	(79,943)
Other comprehensive income for the year:					
Remeasurement of net defined benefit liability net of tax	-	-	-	-	-
Changes in fair value of available for sale investments	-	-	-	-	-
	-	-	-	(79,943)	(79,943)
Balance as on September 30, 2018	<u><u>2,788,766</u></u>	<u><u>273,265</u></u>	<u><u>-</u></u>	<u><u>(1,229,228)</u></u>	<u><u>1,832,803</u></u>

The annexed notes from 1 to 17 form an integral part of these financial statements.

Chief Executive

Chief Financial Officer

Director

PACE (PAKISTAN) LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2018

	July to September	
	2018	2017
	(Rupees in thousand)	
Sales	107,173	78,301
Cost of sales	(91,376)	(56,072)
Gross profit	15,797	22,229
Administrative and selling expenses	(30,093)	(27,064)
Other income	8,857	7,242
Other operating expenses	(45,623)	(7,533)
Profit/(Loss) from operations	(51,062)	(5,126)
Finance costs	(27,541)	(27,833)
Profit / (loss) before tax	(78,603)	(32,959)
Taxation	(1,340)	(979)
Profit / (loss) for the year	(79,943)	(33,938)
Other comprehensive income/ (loss)		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Changes in fair value of available for sale investments	-	(80)
Total comprehensive income / (loss) for the year	(79,943)	(34,018)
Earnings / (loss) per share attributable to ordinary shareholders		
- basic earnings / (loss) per share	(0.29)	(0.12)

The annexed notes from 1 to 17 form an integral part of this condensed interim financial information.

Chief Executive

Chief Financial Officer

Director

PACE (PAKISTAN) LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2018

	Note	July to September	
		2018	2017
(Rupees in thousand)			
Cash flow from operating activities			
Cash (used in) / generated from operations	13	(23,879)	4,274
Finance costs paid		72	(42)
Gratuity and leave encashment paid		(13)	(701)
Taxes paid		(5,836)	(1,092)
Net cash used in operating activities		(29,656)	2,439
Cash flow from investing activities			
Purchase of property, plant and equipment		-	(4,001)
Proceeds from sale of property, plant and equipment		-	-
Proceeds from sale of investment property		-	1,350
Markup received		9	11
Net cash generated from investing activities		9	(2,640)
Cash flow from financing activities			
Repayment of finance lease liabilities		-	-
Net decrease in cash and cash equivalents		(29,647)	(201)
Cash and cash equivalents at the beginning of the year		31,988	1,479
Cash and cash equivalents at the end of the year		2,341	1,278

The annexed notes from 1 to 17 form an integral part of this condensed interim financial information.

Chief Executive

Chief Financial Officer

Director

PACE (PAKISTAN) LIMITED

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION FOR QUARTER ENDED SEPTEMBER 30, 2018 (UN-AUDITED)

1. Legal status and activities

Pace (Pakistan) Limited ('the Company') is a public limited Company incorporated in Pakistan and listed on Pakistan stock exchange. The object of the Company is to build, acquire, manage and sell condominiums, departmental stores, shopping plazas, super markets, utility stores, housing societies and to carry out commercial, industrial and other related activities in and out of Pakistan. The address of the registered office of the Company is 2nd floor Pace Mall, Fortress Stadium, Lahore.

Sr. No	Business Units	Geographical Location
1	Gulberg Plaza	124/E-1 Main Boulevard Gulberg-III, Lahore
2	Model Town Plaza	38, 38/A, 39 & 40, Block P, Model Town Link Road, Lahore
3	Fortress Plaza	Bridge Point Plaza, Fortress Stadium, Lahore Cantt.
4	MM Alam Road Plaza	96-B-I, M.M Alam Road, Gulberg -III, Lahore
5	Gujranwala Plaza	Mouza Dhola Zarri, Main GT Road Gujranwala
6	Gujrat Plaza	Mouza Ado-Wal, G.T Road, Tehsil & District, Gujrat
7	Pace Towers	27 -H College Road Gulberg II Lahore

2. Statement of Compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- i) International Financial Reporting Standards ('IFRS') issued by the International Accounting Standards
- ii) Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.1 Going concern assumption

As at the reporting date, the current liabilities of the Company have exceeded its current assets by Rs 1,043.1 million and the reserves of the Company have been significantly depleted. The Company has not been able to meet various obligations towards its lenders, including repayment of principal and markup thereon in respect of its borrowings. As a consequence, the Company has also been unable to realise its existing receivables from customers and is facing difficulties in sale of its inventory, being encumbered against its borrowings. These conditions raise significant doubts on the Company's ability to continue as a going concern.

The management of the Company is confident that the above actions and steps shall aid in the sale of inventory and utilise the resultant liquidity for completion and sale of its 'Pace Towers' Project.

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

- the Company will be able to settle loans against its properties; and
- the Company will be able to readily realise its receivables and inventory and be able to utilise the

The financial statements consequently, do not include any adjustment relating to the realisation of its assets and The financial statements have been prepared on a going concern basis based on the management's expectations that:

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

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

2.2 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 and interpretations to existing standards effective in current year and applicable / relevant to the Company's operations

There are certain standards, amendments to the IFRS and interpretations that are mandatory for companies having accounting periods beginning on or after July 1, 2018 but are considered not to be relevant to the Company's operations and are, therefore, not detailed in these financial statements, except for the following:

- IFRS 9, 'Financial instruments': This standard has been notified by the Securities and Exchange Commission of Pakistan ('SECP') to be effective for annual periods beginning on or after July 1, 2018. This standard replaces the guidance in IAS 39, 'Financial instruments: Recognition and measurement'. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model. The Company is yet to assess the full impact of the standard.

- IFRS 15, 'Revenue from contracts with customers': This standard has been notified by the SECP to be effective for annual periods beginning on or after July 1, 2018. This standard deals with revenue recognition and establishes principles for reporting useful information to users of the financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18, 'Revenue', and IAS 11, 'Construction contracts', and related interpretations. The Company is yet to assess the full impact of the standard.

- IFRS 16, 'Leases': (effective for periods beginning on or after January 1, 2019). However, this standard is yet to be notified by the SECP. This standard replaces the current guidance in IAS 17, 'Leases' and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on statement of financial position) and an operating lease (off statement of financial position). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low value assets; however, this exemption can only be applied by lessees. For lessors, the accounting

- Amendments to IAS 19, 'Employee benefits' on plan amendment, curtailment or settlement', (effective for

- Amendments to IAS 40, 'Transfers of Investment Property' (effective for periods beginning on or after January 1, 2018), the amendments require that a change in use due to which the property meets, or cease to meet, the definition of investment property should be adequately supported by evidence. A change in intention alone is no sufficient to support a transfer. Prospective and retrospective treatments are allowed for transition, however, additional disclosures are required if an entity adopts the requirements prospectively. It is unlikely that the amendment will have any significant impact on the Company's financial statements.

- Annual Improvements to IFRS Standards 2015-2017 cycle (effective for periods beginning on or after January 1, 2019), the improvements clarifies that under IFRS 3 that in obtaining control of business that is a joint operation is a business combination achieved in stages. IFRS 11 clarifies that the party obtaining joint control of a business that is a joint operation should not remeasure its previously held interest in the joint operation. AS 12 - clarifies that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised. IAS 23 - clarifies that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings. It is unlikely that the amendment will have any significant impact on the Company's financial statements.

- Annual Improvement 2014-2016 cycle (effective for periods beginning on or after January 1, 2018), the amendments in IFRS 1, deleted short-term exemptions covering transition provisions of IFRS 7, IAS 19 and IFRS 10 which are no longer relevant. Furthermore, the amendments in IAS 28 - clarifies that the election by venture capital organisations, mutual funds, unit trusts and similar entities to measure investments in associates or joint ventures at fair value through profit or loss should be made separately for each associate or joint venture at initial recognition. It is unlikely that the amendment will have any significant impact on the Company's financial statements.

- IFRIC 22, 'Foreign currency transactions and advance consideration' (effective for periods beginning on or after January 1, 2018). This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice. It is unlikely that the interpretation will have any significant impact on the Company's financial statements.

- IFRIC 23, 'Uncertainty over income tax treatments': (effective for periods beginning on or after 1 January 2019). This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRIC explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. The IFRIC applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. The Company is yet to assess the full impact of the interpretation.

2.2.2 Standards, amendments and interpretations to existing standards that are not yet effective and not applicable / relevant to the Company's operations

Standards or Interpretations	Effective date (annual periods)
IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
IAS 12, (Amendments), 'Income taxes on recognition of deferred tax assets for unrealized losses'	January 1, 2017
IAS 40, (Amendments), 'Investment Property'	January 1, 2018
IAS 28, 'Investments in Associates and Joint Ventures'	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
IFRS 15, 'Revenue from contracts'	January 1, 2018
IFRS 2 (Amendments), 'Shared-based payment' classification and	January 1, 2018
IFRS 16, 'Leases'	January 1, 2019
IFRIC 22, 'Foreign Currency Transactions and Advance Considerations'	January 1, 2018
Annual improvements 2014-2017 cycle	January 1, 2018
IFRS 4 (Amendments), Insurance Contracts	January 1, 2018
IFRS 17, Insurance Contracts	January 1, 2021

3. Taxation

The provision for taxation for the quarter ended september 30, 2018 has been made on an estimated basis.

4. Estimates

The preparation of condensed interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the key sources of estimation uncertainty were the same as those that applied to financial statements for the period ended September 30, 2018 with the exemption of changes in estimates that are required in determining the provision for income taxes as referred to in Note 3.

		Un-Audited September 30, 2018	Audited June 30, 2018
(Rupees in thousand)			
	Note		
5. Long term finances - secured			
	5.1	54,920	54,132
Pak Iran Loan			
Soneri Bank - demand finance	5.2	24,343	24,343
		<u>79,263</u>	<u>78,475</u>
Less: Current portion shown under current liabilities		<u>(24,343)</u>	<u>(24,343)</u>
		<u>54,920</u>	<u>54,132</u>

5.1 Mark-up on Pak Iran

On December 28, 2016, Pak Iran Joint Investment Company ('PAIR') and the Company entered into Debt Asset Swap / Liabilities Settlement Agreement ('SA') for settlement of entire principal along with accrued mark-up aggregating to Rs 172.311 million. The settlement was partly made against property situated at mezzanine floor of Pace Towers measuring 5,700 square feet along with car parking area rights for 7 cars in basement No. 2 amounting to Rs 105.450 million. In accordance with the SA, PAIR purchased the aforementioned properties from the Company. Pursuant to the SA, on December 28, 2016, the Company and executed sale deed and possession of the property was handed over to PAIR. The Company and also agreed that PAIR will continue to hold its charge over Pace MM Alam up till repayment of the balance outstanding amount.

In accordance with the SA, the remaining outstanding mark-up of Rs. 66.860 million has been rescheduled and is payable over a period of 7 years with nil mark-up starting from December 28, 2016 after expiry of moratorium period of 3 years, in 16 quarterly instalments.

5.2 Soneri Bank - demand finance

Terms of repayment

During the year ended June 30, 2018, the Company entered into a restructuring agreement with Soneri Bank Limited, whereby, the Company was required to pay Rs 30.913 million in 12 instalments for settlement of entire principal amounting to Rs 27.422 million along with the accrued mark-up amounting to Rs 17.872 million. The first instalment was due to be paid on May 31, 2018 amounting to Rs 3.079 million, which was paid on June 22, 2018. The delayed payment has been categorized as "event of default" under the terms of the agreement. Consequently, the remaining principal amount of Rs. 24.343 million and accrued mark-up of Rs 17.872 million is repayable on demand and classified as current liabilities under the guidance contained in IAS 1 "Presentation of Financial Statements".

5.3 Security

This facility is secured against a charge amounting to the sum of Rs 50.000 million created on the land and building on Plot no. 41 Block N, Gulberg II, Industrial Area Lahore measuring 4.086 kanals along with present and future construction thereon.

		Un-Audited September 30, 2018	Audited June 30, 2018
	Note	(Rupees in thousand)	
6. Redeemable capital - secured (non-participatory)			
Term finance certificates		935,571	935,571
Less: Current portion shown under current liabilities	6.1	(935,571)	(935,571)
		<u> -</u>	<u> -</u>

6.1 Terms of repayment

This represents term finance certificates (TFC's) listed on Lahore Stock Exchange before integration of Pakistan Stock Exchange issued for a period of 5 years. On September 27, 2010, the Company completed the restructuring of its term finance certificates. Restructuring was duly approved by majority of TFC holders holding certificates in aggregate of 51.73 %, through extraordinary resolution passed in writing. Consequent to the approval of TFC holders, addendum to the trust deed was executed between the Company and trustee 'IGI Investment Bank Limited' (now 'IGI Holdings Limited') under which the Company was allowed one and a half year grace period along with an extension of four years in the tenure of TFC issue and consequently, the remaining tenure of TFC shall be six and a half years effective from August 15, 2010. The TFC's carry a mark-up of 6 months KIBOR plus 2% (June 2018: 6 months KIBOR plus 2%) and is payable semi-annually in arrears. The Company could not repay on a timely basis, the instalments due as per the revised schedule of repayment and is not compliant with certain debt covenants which represents a breach of the respective agreement, therefore, the entire outstanding amount has been classified as a current liability under guidance contained in IAS 1 "Presentation of Financial Statements". The Company is in negotiation with the TFC holders and the trustee for relaxation in payment terms and certain other covenants.

6.2 Security

The TFC's are secured by a first exclusive charge by way of equitable mortgage on the Company's properties situated at 124/E-1, Main Boulevard Gulberg III, Lahore, 38-A and 39 Block P, Model Town, Lahore, G.T. Road Gujrat, G.T. Road, Gujranwala, and first exclusive hypothecation charge over certain specific fixed assets, to the extent of Rs 2,000 million.

6.3 Settlement with Pak Oman Investment Company Limited

On October 15, 2017 Pak Oman Investment Company limited ('POICL') and the Company entered into a Debt Asset Swap / Liabilities Settlement Agreement ('SA') for full and final settlement of outstanding amount of TFCs held by POICL along with their accrued markup aggregating to Rs 503.981 million against offices situated at upper ground floor and lower ground floor measuring 17,337 square feet. In accordance with the SA, POICL purchased the aforementioned offices at Rs 300.789 million and waived accrued markup of Rs 203.192 million. Pursuant to the SA, on October 15, 2017 the Company and POICL executed sale deed, wherein possession of the property was handed over to POICL.

6.4 Settlement with Wireless and Cable Limited

On February 16, 2017 Wireless and Cable Limited ('WCL') and the Company entered into a Debt Asset Swap / Liabilities Settlement Agreement ('SA') for full and final settlement of outstanding amount of TFCs held by WCL along with their accrued markup aggregating to Rs 122.161 million against 4 houses situated at Pace Woodlands measuring 10,896 square feet. In accordance with the SA, WCL purchased the aforementioned houses at Rs 45.0 million, waived accrued markup of Rs 46.253 million and the remaining outstanding amount of Rs 30.908 million has been adjusted with the receivable from the Company. Pursuant to the SA, on February 16, 2017 the Company and WCL executed sale deed, wherein possession of the property was handed over to WCL.

6.5 Settlement with Askari Bank Limited

On February 07, 2018, Askari Bank Limited ('Bank') and the Company entered into Debt Asset Swap Agreement for full and final settlement of outstanding amount of TFCs along with their accrued mark-up against fifth and sixth floor of Pace Tower measuring 14,903 square feet and 6,731 square feet respectively. In accordance with the terms of the agreement, the Bank purchased the aforementioned floors at Rs 185.926 million as full and final settlement. Furthermore, the Bank provided financial relief of suspended mark-up amounting to Rs 89.291 million along with future mark-up upon completion of certain terms and conditions on or before June 30, 2018. The terms and conditions of the agreement have not been complied with, consequently, the impact of financial relief has not been accounted for in the financial statements.

	Note	Un-Audited September 30, 2018	Audited June 30, 2018
(Rupees in thousand)			
7. Foreign currency convertible bonds - unsecured			
Opening balance		2,054,739	1,757,713
Markup accrued during the year		4,891	19,140
		<u>2,059,630</u>	<u>1,776,853</u>
Exchange loss for the year		45,623	277,886
		<u>2,105,253</u>	<u>2,054,739</u>
Less: Current portion shown under current liabilities	7.1	<u>(2,105,253)</u>	<u>(2,054,739)</u>
		<u><u>-</u></u>	<u><u>-</u></u>

7.1 The Company issued 25,000 convertible bonds of USD 1,000 each on January 9, 2008 amounting to USD 25 million. The foreign currency convertible bonds (FCCB) were listed on the Singapore Stock Exchange and became redeemable on December 28, 2012 at the accreted principal amount. The bonds carry a markup of 5.5% per annum, compounded semi-annually, accretive (up till December 28, 2012) and cash interest of 1% per annum to be paid in arrears. The holders of the bonds have an option to convert the bonds into equity shares of the Company at any time following the issue date at a price calculated as per terms of arrangement. In aggregate USD 13 million bond have been converted into ordinary shares as at June 30, 2018.

As the fair value calculated for the embedded foreign exchange equity derivate and the financial instrument is quite subjective and cannot be measured reliably, consequently the bond has been carried at cost and includes accreted markup. Furthermore, changes arising due to currency fluctuations are recognized directly in the profit & loss account.

8. Contingencies and commitments

8.1 Contingencies

(i) Claims against the Company not acknowledged as debts Rs 21.644 million (June 2018: Rs 21.644 million).

(ii) Corporate guarantee on behalf of Pace Barka Properties Limited, a related party, in favour of The Bank of Punjab, amounting to Rs 900 million (June 2018: Rs 900 million) as per the approval of shareholders through the special resolution dated July 29, 2006.

8.2 Commitments

(i) Contract for purchase of properties from Pace Barka Properties Limited, amounts to Rs 153.243 million (June 2018: Rs 206.743 million), Capital Heights (Private) Limited, amounts to Rs. 130.791 million (June 2018:149.927 million), and Silk Bank Limited, amounts to Rs. 50 million (June 2018: 50 million)

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

Note	Un-Audited September 30, 2018	Audited June 30, 2018
	(Rupees in thousand)	
Not later than one year	9,844	9,844
Later than one year and not later than five years	46,758	46,758
Later than five years	695,530	695,530
	752,132	752,132

Un-Audited September 30, 2018	Audited June 30, 2018
(Rupees in thousand)	

9 Property, plant and equipment

Operating fixed assets	417,898	423,711
Capital work-in-progress	28,448	28,448
	446,346	452,159

9.1 Operating fixed assets

Book value at beginning of the period / year	423,711	424,807
Add:		
- Additions during the period / year	- note 9.2	22,800
	-	22,800
	423,711	447,607
Less:		
- Disposals during the period / year - at book value	-	273
- Depreciation charged during the period / year	5,813	23,623
	5,813	23,896
Book value at end of the period / year	417,898	423,711

9.2 Additions during the period / year

Operating fixed assets	-	22,800
	-	22,800

	Un-Audited September 30, 2018	Audited June 30, 2018
	(Rupees in thousand)	
10. Investment property		
Opening value	1,662,942	3,464,202
- Settlement against loan	-	
- Disposal of investment property	-	(1,731,430)
Closing value before revaluation as at June 30	1,662,942	1,732,772
Fair value gain recognised in profit and loss account	-	(69,830)
Fair value as at September 30	1,662,942	1,662,942

	Un-Audited September 30, 2018	Audited June 30, 2018
	(Rupees in thousand)	
11. Long term investments		
Equity instruments of:		
- subsidiaries - unquoted	91,670	91,670
- associate - unquoted	758,651	758,651
	850,321	850,321

11.1 Subsidiaries - unquoted

Pace Woodlands (Private) Limited		
3,000 (June 2018: 3,000) fully paid ordinary shares of Rs 10 each	30	30
Equity held 52% (June 2018: 52%)		
Pace Super Mall (Private) Limited		
9,161,528 (June 2018: 9,161,528) fully paid ordinary shares of Rs 10 each	91,615	91,615
Equity held 57% (June 2018: 57%)		
Pace Gujrat (Private) Limited		
2,450 (June 2018: 2,450) fully paid ordinary shares of Rs 10 each	25	25
Equity held 100% (June 2018: 100%)		
	91,670	91,670

11.2 Associate - unquoted

Pace Barka Properties Limited		
75,875,000 (June 2018: 75,875,000) fully paid ordinary shares of Rs 10 each	758,651	758,651
Equity held 24.9% (June 2018: 24.9%)		

	Un-Audited September 30, 2018	Audited June 30, 2018
	(Rupees in thousand)	
12. Stock-in-trade		
Work in process - Pace Towers	714,431	603,998
Shops and houses	742,928	755,991
Pace Barka Properties Limited - Pace Circle	649,466	595,966
Pace Super Mall (Private) Limited	21,600	21,600
	<u>2,128,425</u>	<u>1,977,555</u>
Stores inventory	756	934
	<u><u>2,129,181</u></u>	<u><u>1,978,489</u></u>

	July to September	
Note	2018	2017
	(Rupees in thousand)	

13. Cash generated from operations

Profit / (loss) before tax		(78,603)	(32,959)
Adjustment for:			
Exchange loss on foreign currency convertible bonds	7	45,623	7,533
Provision for gratuity and leave encashment		2,509	2,879
Depreciation on:		-	
- owned assets	9.1	5,813	5,628
- assets subject to finance lease		-	-
Amortisation on intangible assets		126	130
Markup waived off		-	-
Markup income		(10)	(11)
Finance costs		27,541	27,833
Profit before working capital changes		<u>3,000</u>	<u>11,033</u>
Effect on cash flow due to working capital changes:			
Increase in stock-in-trade		(206,154)	(704)
Decrease / (increase) in trade debts		100,078	(13,266)
Decrease in advances, deposits and other receivables		78,725	5,378
Net (decrease) / increase in advances against sale of property		-	2,413
Increase in creditors, accrued and other liabilities		472	(580)
		<u>(26,879)</u>	<u>(6,759)</u>
		<u><u>(23,879)</u></u>	<u><u>4,274</u></u>

14. Financial risk management

14.1 Financial risk factors

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

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

14.2 Liquidity risk

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

Management monitors the forecasts of the Company's cash and cash equivalents on the basis of expected cash flow. This is generally carried out in accordance with practice and limits set by the Company. In addition, the Company's liquidity management policy involves projecting cash flows in each quarter and considering the level of liquid assets necessary to meet its liabilities, monitoring balance sheet liquidity ratios against internal and external regulatory requirements, and maintaining debt financing plans. During the year the Company remained under severe liquidity pressure as mentioned in note 2.2.

14.3 Fair value estimation

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms. The carrying values of all financial assets and liabilities reflected in these financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following is categorization of assets measured at fair value at September 30, 2018:

	Level 1	Level 2	Level 3	Total
Assets:				
Recurring fair value measurement of Available for sale financial assets	-	-	-	-
Recurring fair value measurement of Investment property:				-
Freehold land	-	132,925	-	132,925
Buildings	-	-	1,530,017	1,530,017
	-	132,925	1,530,017	1,662,942

The following is categorization of assets measured at fair value at June 30, 2018:

	Level 1	Level 2	Level 3	Total
Assets:				
Recurring fair value measurement of Available for sale financial assets	-	-	-	-
Recurring fair value measurement of Investment property:				
Freehold land	-	132,925	-	132,925
Buildings	-	-	1,530,017	1,530,017

-	132,925	1,530,017	1,662,942
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There were no transfers between Levels 1 and 2 & Levels 2 and 3 during the year and there were no changes in valuation techniques during the periods.

Valuation techniques used to measure level 2 and 3 assets

The fair value of these assets is determined by an independent professionally qualified valuer. Latest valuation of these assets was carried out on June 30, 2018. The level 2 fair value of freehold land has been derived using the sales comparison approach. The most significant input into this valuation approach is price per square yard. Level 3 fair value of Buildings has been determined using a depreciated replacement cost approach, whereby, current cost of construction of a similar building in a similar location has been adjusted using a suitable depreciation rate to arrive at present market value.

Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the period and year ended September 30, 2018 and June 30, 2018 respectively for recurring fair value measurements:

	Un-Audited September 30, 2018	Audited June 30, 2018
	(Rupees in thousand)	
Opening fair value	1,530,017	2,070,556
Disposal of investment property	-	(337,784)
Transferred to Level 2	-	(126,790)
	1,530,017	1,605,982
Fair value loss recognised during year	-	(75,965)
Closing value after revaluation	1,530,017	1,530,017

The change in unrealized gains/ losses of the investment property is credited/charged to the profit and loss account as "Changes in fair value of investment property".

Valuation inputs and relationship to fair value

The following table summarises the quantitative and qualitative information about the significant unobservable inputs used in recurring level 3 fair value measurements. See paragraph above for the valuation techniques adopted.

Description	Fair Value at		Significant Unobservable inputs	Quantitative Data / Range and relationship to the fair value
	Sep 30, 2018 Rs'000	June 30, 2018 Rs'000		
Buildings	1,530,017	1,530,017	Cost of construction of a new similar building Suitable depreciation rate to arrive at depreciated replacement value	The market value has been determined by using a depreciation factor of approximately 5%-10% on cost of constructing a similar new building. Higher, the estimated cost of construction of a new building, higher the fair value. Further, higher the depreciation rate, the lower the fair value of the building.

PACE (PAKISTAN) GROUP
CONSOLIDATED CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)
AS AT SEPTEMBER 30, 2018

Note	Unaudited September 30, 2018 (Rupees in thousand)	Audited June 30, 2018	Note	Unaudited September 30, 2018 (Rupees in thousand)	Audited June 30, 2018		
EQUITY AND LIABILITIES			ASSETS				
CAPITAL AND RESERVES			NON-CURRENT ASSETS				
Authorised capital			Property, plant and equipment	9	446,346	452,159	
600,000,000 (2017: 600,000,000)			Intangible assets		5,035	5,035	
ordinary shares of Rs 10 each	6,000,000	6,000,000	Investment property	10	1,662,942	1,662,942	
Issued, subscribed and paid up capital			Long term investments	11	1,119,583	1,126,446	
278,876,604 (2017: 278,876,604)			Long term advances and deposits		14,250	14,250	
ordinary shares of Rs 10 each	2,788,766	2,788,766			<u>3,248,156</u>	<u>3,260,832</u>	
Reserves	287,687	287,307					
Accumulated loss	(829,317)	(742,390)					
	<u>2,247,136</u>	<u>2,333,683</u>					
NON-CONTROLLING INTEREST	87,224	87,224					
	<u>2,334,360</u>	<u>2,420,907</u>					
NON-CURRENT LIABILITIES			CURRENT ASSETS				
Long term finances - secured	5	54,920	54,132	Stock-in-trade	12	2,462,181	2,311,489
Redeemable capital - secured (non-participatory)	6	-	-	Trade debts - unsecured		450,268	494,883
Liabilities against assets subject to finance lease		-	-	Advances, deposits, prepayments			
Foreign currency convertible bonds - unsecured	7	-	-	and other receivables		1,130,929	1,209,640
Deferred liabilities		47,301	44,779	Income tax recoverable		8,799	4,317
Deferred taxation		64,922	65,180	Cash and bank balances		2,453	32,100
		<u>167,143</u>	<u>164,091</u>			<u>4,054,630</u>	<u>4,052,429</u>
CURRENT LIABILITIES							
Advances against sale of property		142,789	142,789				
Current portion of long term liabilities		3,083,213	3,032,699				
Creditors, accrued and other liabilities		582,134	581,418				
Accrued finance cost		993,147	971,357				
Provision for income tax		-	-				
		<u>4,801,283</u>	<u>4,728,263</u>				
CONTINGENCIES AND COMMITMENTS							
	8	-	-				
		<u>7,302,786</u>	<u>7,313,261</u>			<u>7,302,786</u>	<u>7,313,261</u>

The annexed notes from 1 to 19 form an integral part of this condensed interim financial information.

Chief Executive

Chief Financial Officer

Director

PACE (PAKISTAN) LIMITED AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED SEPTEMBER 30, 2018

	Attributable to equity holders of the parent						Non-Controlling Interest	Total Equity
	Share capital	Reserves			Accumulated loss	Total		
		Share premium Reserve	Reserve for changes in fair value of investments	Share in reserves of associate				
			(Rupees in thousand)					
Balance as on June 30, 2017	2,788,766	273,265	(1,023)	13,988	(225,711)	2,849,285	87,311	2,936,596
Total comprehensive income for the year								
Profit for the year	-	-	-	-	(521,664)	(521,664)	(87)	(521,751)
Other comprehensive income / (loss) for the year:								
Remeasurement of net defined benefit liability - net of tax	-	-	-	-	4,985	4,985	-	4,985
Changes in fair value of available for sale investments - net of tax	-	-	-	-	-	-	-	-
Share of other comprehensive income / reserves of associate - net of tax	-	-	-	54	-	54	-	54
	-	-	-	54	(516,679)	(516,625)	(87)	(516,712)
			1,023			1,023		1,023
Balance as on June 30, 2018	2,788,766	273,265	-	14,042	(742,390)	2,333,683	87,224	2,420,907
Total comprehensive income for the year								
Profit for the year	-	-	-	-	(86,927)	(86,927)	-	86,927
Other comprehensive income / (loss) for the year:								
Remeasurement of net defined benefit liability - net of tax	-	-	-	-	-	-	-	-
Changes in fair value of available for sale investments - net of tax	-	-	-	-	-	-	-	-
Share of other comprehensive income / reserves of associate - net of tax	-	-	-	380	-	380	-	380
	-	-	-	380	(86,927)	(86,547)	-	(86,547)
Balance as on September 30, 2018	2,788,766	273,265	-	14,422	(829,317)	2,247,136	87,224	2,334,360

The annexed notes from 1 to 19 form an integral part of these consolidated financial statements.

Chief Executive

Chief Financial Officer

Director

PACE (PAKISTAN) GROUP**CONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)****FOR THE QUARTER ENDED SEPTEMBER 30, 2018**

	July to September	
	2018	2017
	(Rupees in thousand)	
Sales	107,173	78,301
Cost of sales	(91,376)	(56,072)
Gross profit	15,797	22,229
Administrative and selling expenses	(30,093)	(27,069)
Other income	8,857	7,243
Other operating expenses	(45,623)	(7,533)
Profit/(Loss) from operations	(51,062)	(5,130)
Finance costs	(27,540)	(27,834)
Share of (loss) / profit from associate - net of tax	(7,243)	2,508
Profit / (loss) before tax	(85,845)	(30,456)
Taxation	(1,082)	(1,356)
Profit / (loss) for the year	(86,927)	(31,812)
Other comprehensive income / (loss)		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Changes in fair value of available for sale investments	-	(80)
	-	(80)
Total comprehensive income / (loss) for the year	(86,927)	(31,892)
Attributable to:		
Equity holders of the parent	(86,927)	(31,890)
Non-controlling interest	-	(2)
	(86,927)	(31,892)
Earnings / (loss) per share attributable to ordinary shareholders		
- basic earnings / (loss) per share Rupees	(0.31)	(0.11)

The annexed notes from 1 to 19 form an integral part of this condensed interim financial information.

Chief Executive

Chief Financial Officer

Director

PACE (PAKISTAN) GROUP**CONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)****FOR THE QUARTER ENDED SEPTEMBER 30, 2018**

		September 30,	
	Note	2018	2017
		(Rupees in thousand)	
Cash flow from operating activities			
Cash (used in) / generated from operations	13	(23,920)	4,274
Finance costs paid		72	(42)
Gratuity and leave encashment paid		13	(701)
Taxes paid		(5,822)	(1,092)
Net cash used in operating activities		(29,657)	2,439
Cash flow from investing activities			
Purchase of property, plant and equipment		-	(4,001)
Proceeds from sale of property, plant and equipment		-	-
Proceeds from sale of investment property		-	1,350
Markup received		10	11
Net cash generated from investing activities		10	(2,640)
Cash flow from financing activities			
Net decrease in cash and cash equivalents		(29,647)	(201)
Cash and cash equivalents at the beginning of the year		32,100	1,578
Cash and cash equivalents at the end of the year		2,453	1,377

The annexed notes from 1 to 19 form an integral part of this condensed interim financial information.

Chief Executive**Chief Financial Officer****Director**

PACE (PAKISTAN) GROUP

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2018

1. Legal status and activities

1.1 Constitution and ownership

The consolidated financial statements of Pace (Pakistan) Group comprise of the financial statements of:

Pace (Pakistan) Limited

Pace (Pakistan) Limited (the "Holding Company") is a public limited Company incorporated in Pakistan and listed on Pakistan stock exchange. The object of the Company is to build, acquire, manage and sell condominiums, departmental stores, shopping plazas, super markets, utility stores, housing societies and to carry out commercial, industrial and other related activities in and out of Pakistan. The address of the registered office of the holding Company is 2nd floor Pace Mall, Fortress Stadium, Lahore.

Pace Gujrat (Private) Limited

Pace Gujrat (Private) Limited (a subsidiary) was incorporated on July 8, 2005 as a private limited Company under Companies Ordinance, 1984. The object of the Company is to acquire by purchase or otherwise land and plots and to sell or construct, lease, hire and manage buildings, shopping malls, super markets, utility stores, plazas, shopping arcades etc. It is a wholly owned Company of Pace (Pakistan) Limited.

Pace Woodlands (Private) Limited

Pace Woodlands (Private) Limited (a subsidiary) was incorporated on July 27, 2004 as a private limited Company under Companies Ordinance, 1984. The object of the Company is to acquire by purchase or otherwise land and plots and to sell or construct, lease, hire and manage buildings, shopping malls, super markets, utility stores, plazas, shopping arcades etc.

Pace Supermall (Private) Limited

Pace Supermall (Private) Limited (a subsidiary) was incorporated on March 27, 2003 as a private limited Company under Companies Ordinance 1984. The object of the company is to acquire by purchase or otherwise land and plots and to sell or construct, lease, hire and manage buildings, shopping malls, super markets, utility stores, plazas, shopping arcades etc.

1.2 Activities of the Group

The object of the Group is to build, acquire, manage and sell condominiums, departmental stores, shopping plazas, super markets, utility stores, housing societies and to carry out commercial, industrial and other related activities in and out of Pakistan.

2 Statement of Compliance

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

2.2 Going concern assumption

As at the reporting date, the current liabilities of the Group have exceeded its current assets by Rs 744.9 million and the reserves of the Group have been significantly depleted. The Group has not been able to meet various obligations towards its lenders, including repayment of principal and markup thereon in respect of its borrowings. As a consequence, the Group has also been unable to realise its existing receivables from customers and is facing difficulties in sale of its inventory, being encumbered against its borrowings. These conditions raise significant doubts on the Group's ability to continue as a going concern.

The management of the holding Company however, is continuously engaged with its lenders for settlements of its borrowings. During the current year the management has settled the outstanding amount of TFCs towards Pak Oman Investment Company and Wireless and Cable Limited against property situated at Pace Towers and Pace Woodlands as mentioned in notes 6 and 7 respectively. Similarly, the management has also settled the outstanding amount of its short term running finance facility due towards Pair Investment Company Limited against property at Pace Towers.

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

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

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

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

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

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

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

- IAS 1 (Amendment), 'Presentation of financial statements' on disclosure initiative. The application of these amendments has no material impact on the Group financial statements. The amendment is effective for annual periods beginning on or after January 1, 2016.
- IAS 16 and 38 (Amendment), 'Property, plant and equipment' and 'Intangibles' on acceptable methods of depreciation and amortization. The application of these amendments has no material impact on the Group financial statements. The amendments are effective for annual periods beginning on or after January 1, 2016.
- IAS 27 (Amendment), 'Separate financial statements' on application of equity method in separate financial statements. The application of these amendments has no material impact on the Group financial statements.

- IFRS 10, 12 and IAS 28 (Amendment), on exception to consolidation for investment entities. The application of these amendments has no material impact on the Group financial statements.

IFRS 10 and IAS 28 (Amendment), on sale or contribution of assets between an Investor and its associate or joint venture. The application of these amendments has no material impact on the Group financial statements.

Annual improvements 2014; IFRS 5, 'Non-current assets held for sale and discontinued operations'. IFRS 7, 'Financial instruments: disclosures'. IAS 19, 'Employee benefits'. IAS 34, 'Interim financial reporting'. The application of these amendments has no material impact on the Group financial statements. The amendments are effective for annual periods beginning on or after January 1, 2016.

2.3.2 Standards, amendments and interpretations to existing standards effective in current year but not applicable / relevant to the Group operations

Standards or Interpretation	Effective date (annual periods beginning on or after)
IAS 41 (Amendment), 'Agriculture' on bearer plants	January 1, 2016
IFRS 11 (Amendment), 'Joint arrangements' on acquisition of interest in joint	January 1, 2016
IFRS 14, 'Regulatory deferral accounts'	January 1, 2016

2.3.3 Standards, amendments and interpretations to existing standards that are not yet effective and not applicable / relevant to the Group operations

Standards or Interpretations	Effective date (annual periods beginning on or after)
IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
IAS 12, (Amendments), 'Income taxes' on recognition of deferred tax assets for unrealized losses	January 1, 2017
IAS 40, (Amendments), 'Investment Property'	January 1, 2018
IAS 28, 'Investments in Associates and Joint Ventures'	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
IFRS 15, 'Revenue from contracts'	January 1, 2018
IFRS 2 (Amendments), 'Shared-based payment' classification and	January 1, 2018
IFRS 16, 'Leases'	January 1, 2019
IFRIC 22, 'Foreign Currency Transactions and Advance Considerations'	January 1, 2018
Annual improvements 2014-2016 cycle	January 1, 2018
IFRS 4 (Amendments), Insurance Contracts	January 1, 2018
IFRS 17, Insurance Contracts	January 1, 2021

3. Taxation

The provision for taxation for the quarter ended september 30, 2018 has been made on an estimated basis.

4. Estimates

The preparation of condensed interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the key sources of estimation uncertainty were the same as those that applied to financial statements for the period ended September 30, 2018 with the exemption of changes in estimates that are required in determining the provision for income taxes as referred to in Note 3.

Un-Audited	Audited
September	June
30, 2018	30, 2018
(Rupees in thousand)	

Note

5. Long term finances - secured

	5.1	54,920	54,132
Pak Iran Loan			
Soneri Bank - demand finance	5.2	24,343	24,343
		<u>79,263</u>	<u>78,475</u>
Less: Current portion shown under current liabilities		<u>(24,343)</u>	<u>(24,343)</u>
		<u>54,920</u>	<u>54,132</u>

5.1 Mark-up on Pak Iran

On December 28, 2016, Pak Iran Joint Investment Company ('PAIR') and the Holding Company entered into Debt Asset Swap / Liabilities Settlement Agreement ('SA') for settlement of entire principal along with accrued mark-up aggregating to Rs 172.311 million. The settlement was partly made against property situated at mezzanine floor of Pace Towers measuring 5,700 square feet along with car parking area rights for 7 cars in basement No. 2 amounting to Rs 105.450 million. In accordance with the SA, PAIR purchased the aforementioned properties from the Holding Company. Pursuant to the SA, on December 28, 2016, the Holding Company and PAIR executed sale deed and possession of the property was handed over to PAIR. The Holding Company and PAIR also agreed that PAIR will continue to hold its charge over Pace MM Alam up till repayment of the balance outstanding amount.

In accordance with the SA, the remaining outstanding mark-up of Rs. 66.860 million has been rescheduled and is payable over a period of 7 years with nil mark-up starting from December 28, 2016 after expiry of moratorium period of 3 years, in 16 quarterly instalments.

5.2 Soneri Bank - demand finance

Terms of repayment

During the year ended June 30, 2018, the Holding Company entered into a restructuring agreement with Soneri Bank Limited, whereby, the Holding Company was required to pay Rs 30.913 million in 12 instalments for settlement of entire principal amounting to Rs 27.422 million along with the accrued mark-up amounting to Rs 17.872 million. The first instalment was due to be paid on May 31, 2018 amounting to Rs 3,079 million, which was paid on June 22, 2018. The delayed payment has been categorized as "event of default" under the terms of the agreement. Consequently, the remaining principal amount of Rs. 24.343 million and accrued mark-up of Rs 17.872 million is repayable on demand and classified as current liabilities under the guidance contained in IAS 1 "Presentation of Financial Statements".

5.3 Security

This facility is secured against a charge amounting to the sum of Rs 50.000 million created on the land and building on Plot no. 41 Block N, Gulberg II, Industrial Area Lahore measuring 4.086 kanals along with present and future construction thereon.

		Un-Audited September 30, 2018	Audited June 30, 2018
		(Rupees in thousand)	
6. Redeemable capital - secured (non-participatory)			
Term finance certificates		935,571	935,571
Less: Current portion shown under current liabilities	6.1	(935,571)	(935,571)
		-	-

6.1 Terms of repayment

This represents term finance certificates (TFC's) listed on Lahore Stock Exchange before integration of Pakistan Stock Exchange issued for a period of 5 years. On September 27, 2010, the Company completed the restructuring of its term finance certificates. Restructuring was duly approved by majority of TFC holders holding certificates in aggregate of 51.73 %, through extraordinary resolution passed in writing. Consequent to the approval of TFC holders, addendum to the trust deed was executed between the Company and trustee 'IGI Investment Bank Limited' (now 'IGI Holdings Limited') under which the Company was allowed one and a half year grace period along with an extension of four years in the tenure of TFC issue and consequently, the remaining tenure of TFC shall be six and a half years effective from August 15, 2010. The TFC's carry a mark-up of 6 months KIBOR plus 2% (June 2018: 6 months KIBOR plus 2%) and is payable semi-annually in arrears. The Company could not repay on a timely basis, the instalments due as per the revised schedule of repayment and is not compliant with certain debt covenants which represents a breach of the respective agreement, therefore, the entire outstanding amount has been classified as a current liability under guidance contained in IAS 1 " Presentation of Financial Statements". The Group is in negotiation with the TFC holders and the trustee for relaxation in payment terms and certain other covenants.

6.2 Security

The TFC's are secured by a first exclusive charge by way of equitable mortgage on the Holding Company's properties situated at 124/E-1, Main Boulevard Gulberg III, Lahore, 38-A and 39 Block P, Model Town, Lahore, G.T. Road Gujrat, G.T. Road, Gujranwala, and first exclusive hypothecation charge over certain specific fixed assets, to the extent of Rs 2,000 million.

6.3 Settlement with Pak Oman Investment Company Limited

On October 15, 2016 Pak Oman Investment Company limited ('POICL') and the Holding Company entered into a Debt Asset Swap / Liabilities Settlement Agreement ('SA') for full and final settlement of outstanding amount of TFCs held by POICL along with their accrued markup aggregating to Rs 503.981 million against offices situated at upper ground floor and lower ground floor measuring 17,337 square feet. In accordance with the SA, POICL purchased the aforementioned offices at Rs 300.789 million and waived accrued markup of Rs 203.192 million. Pursuant to the SA, on October 15, 2016 the Company and POICL executed sale deed, wherein possession of the property was handed over to POICL.

6.4 Settlement with Wireless and Cable Limited

On February 16, 2017 Wireless and Cable Limited ('WCL') and the Holding Company entered into a Debt Asset Swap / Liabilities Settlement Agreement ('SA') for full and final settlement of outstanding amount of TFCs held by WCL along with their accrued markup aggregating to Rs 122.161 million against 4 houses situated at Pace Woodlands measuring 10,896 square feet. In accordance with the SA, WCL purchased the aforementioned houses at Rs 45.0 million, waived accrued markup of Rs 46.253 million and the remaining outstanding amount of Rs 30.908 million has been adjusted with the receivable from the Holding Company. Pursuant to the SA, on February 16, 2017 the Company and WCL executed sale deed, wherein possession of the property was handed over to WCL.

6.5 Settlement with Askari Bank Limited

On February 07, 2018, Askari Bank Limited ('Bank') and the Holding Company entered into Debt Asset Swap Agreement for full and final settlement of outstanding amount of TFCs along with their accrued mark-up against fifth and sixth floor of Pace Tower measuring 14,903 square feet and 6,731 square feet respectively. In accordance with the terms of the agreement, the Bank purchased the aforementioned floors at Rs 185.926 million as full and final settlement. Furthermore, the Bank provided financial relief of suspended mark-up amounting to Rs 89.291 million along with future mark-up upon completion of certain terms and conditions on or before June 30, 2018. The terms and conditions of the agreement have not been complied with, consequently, the impact of financial relief has not been accounted for in the consolidated financial statements.

	Note	Un-Audited September 30, 2018	Audited June 30, 2018
7. Foreign currency convertible bonds - unsecured		(Rupees in thousand)	
Opening balance		2,054,739	1,757,713
Markup accrued during the year		4,891	19,140
		<u>2,059,630</u>	<u>1,776,853</u>

Exchange loss for the year		45,623	277,886
		2,105,253	2,054,739
Less: Current portion shown under current liabilities	7.1	(2,105,253)	(2,054,739)
		-	-

7.1 The Holding Company issued 25,000 convertible bonds of USD 1,000 each on January 9, 2008 amounting to USD 25 million. The foreign currency convertible bonds (FCCB) were listed on the Singapore Stock Exchange and became redeemable on December 28, 2012 at the accreted principal amount. The bonds carry a markup of 5.5% per annum, compounded semi-annually, accretive (up till December 28, 2012) and cash interest of 1% per annum to be paid in arrears. The holders of the bonds have an option to convert the bonds into equity shares of the Holding Company at any time following the issue date at a price calculated as per terms of arrangement. In aggregate USD 13 million bond have been converted into ordinary shares as at June 30, 2018.

As the fair value calculated for the embedded foreign exchange equity derivate and the financial instrument is quite subjective and cannot be measured reliably, consequently the bond has been carried at cost and includes accreted markup. Furthermore, changes arising due to currency fluctuations are recognized directly in the profit & loss account.

8. Contingencies and commitments

8.1 Contingencies

(i) Claims against the Group not acknowledged as debts Rs 21.644 million (June 2018: Rs 21.644 million).

(ii) Corporate guarantee on behalf of Pace Barka Properties Limited, a related party, in favour of The Bank of Punjab, amounting to Rs 900 million (June 2018: Rs 900 million) as per the approval of shareholders through the special resolution dated July 29, 2006.

8.2 Commitments

(i) Contract for purchase of properties from Pace Barka Properties Limited, amounts to Rs 153.243 million (June 2018: Rs 206.743 million), Capital Heights (Private) Limited, amounts to Rs. 130.791 million (June 2018:149.927 million), and Silk Bank Limited, amounts to Rs. 50 million (June 2018: 50 million)

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

	Un-Audited	Audited
	September	June
Note	30, 2018	30, 2018
	(Rupees in thousand)	
Not later than one year	9,844	9,844

Later than one year and not later than five years	46,758	46,758
Later than five years	695,530	695,530

752,132	752,132
---------	---------

Un-Audited	Audited
September	June
30, 2018	30, 2018
(Rupees in thousand)	

9 Property, plant and equipment

Operating fixed assets	- note 9.1	417,898	423,711
Capital work-in-progress		28,448	28,448
		446,346	452,159

9.1 Operating fixed assets

Book value at beginning of the period / year		423,711	424,807
Add:			
- Additions during the period / year	- note 9.2	-	22,800
		-	22,800
		423,711	447,607
Less:			
- Disposals during the period / year - at book value		-	273
- Depreciation charged during the period / year		5,813	23,623
		5,813	23,896
Book value at end of the period / year		417,898	423,711

9.2 Additions during the period / year

Operating fixed assets		-	22,800
		-	22,800

Un-Audited Audited
September June
30, 2018 30, 2018
(Rupees in thousand)

10. Investment property

Opening value	1,662,942	3,464,202
- Settlement against loan	-	-
- Disposal of investment property	-	(1,731,430)
Closing value before revaluation as at June 30	1,662,942	1,732,772
Fair value gain recognised in profit and loss account	-	(69,830)
air value as at September 3	1,662,942	1,662,942

Un-Audited Audited
September June
30, 2018 30, 2018

Note

(Rupees in thousand)

11. Long term investments

Associate - unquoted

Pace Barka Properties Limited

75,875,000 (June 2018: 75,875,000) fully paid

ordinary shares of Rs 10 each

Equity held 24.9% (June 2018: 24.9%)

11.1

1,119,583

1,126,446

1,119,583

1,126,446

Un-Audited
September
30, 2018

Audited
June
30, 2018

(Rupees in thousand)

11.1 Associate - unquoted

Cost	758,651	758,651
Brought forward amounts of post acquisition reserves and profits and negative goodwill recognised directly in profit and loss account	<u>367,795</u>	<u>354,921</u>
	1,126,446	1,113,572
Share of movement in reserves during the year	380	54
Share of (Loss) / profit for the year		
- before taxation	(8,373)	27,113
- provision for taxation	1,130	(14,293)
	(7,243)	12,820
Balance as on September 30	<u>1,119,583</u>	<u>1,126,446</u>

Un-Audited
September
30, 2018

Audited
June
30, 2018

(Rupees in thousand)

12. Stock-in-trade

Work in process - Pace Towers	714,431	603,998
Shops and houses	742,928	755,991
Pace Barka Properties Limited - Pace Circle	649,466	595,966
Pace Super Mall (Private) Limited	<u>354,600</u>	<u>354,600</u>
	2,461,425	2,310,555
Stores inventory	756	934
	<u>2,462,181</u>	<u>2,311,489</u>

	Note	July to September	
		2018	2017
(Rupees in thousand)			
13. Cash generated from operations			
Profit / (loss) before tax		(85,845)	(30,456)
Adjustment for:			
Exchange loss on foreign currency convertible bonds	7	45,623	7,533
Provision for gratuity and leave encashment		2,509	2,879
Depreciation on:			
- owned assets	9.1	5,813	5,628
- assets subject to finance lease		-	-
Amortisation on intangible assets		126	130
Markup waived off		-	-
Share of profit from associate		7,243	(2,508)
Markup income		(10)	(12)
Finance costs		27,541	27,834
Loss before working capital changes		3,000	11,028
Effect on cash flow due to working capital changes:			
Increase in stock-in-trade		(206,154)	(704)
Decrease / (increase) in trade debts		100,037	(13,266)
Decrease in advances, deposits and other receivables		78,725	5,378
Net (decrease) / increase in advances against sale of property		-	2,413
Increase in creditors, accrued and other liabilities		472	(575)
		(26,920)	(6,754)
		(23,920)	4,274

14. Detail of subsidiaries	Accounting year end	Percentage of holding	Country of Incorporation
Quarter ended September 30, 2018			
Pace Woodlands (Private) Limited	30-Sep-18	52%	Pakistan
Pace Gujrat (Private) Limited	30-Sep-18	100%	Pakistan
Pace Supermall (Private) Limited	30-Sep-18	57%	Pakistan
Year ended June 30, 2018			
Pace Woodlands (Private) Limited	30-Jun-18	52%	Pakistan
Pace Gujrat (Private) Limited	30-Jun-18	100%	Pakistan
Pace Supermall (Private) Limited	30-Jun-18	57%	Pakistan

15 Segment information

	(Rupees in thousand)							
	Real estate		Investment properties		Others		Total	
	Sales							
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Segment revenue	32,200	-	7,153	8,965	67,820	69,336	107,173	78,301
Segment expenses								
- Cost of sales	(32,200)	-	(5,646)	-	(53,530)	(56,072)	(91,376)	(56,072)
Gross (loss) / profit	-	-	1,507	8,965	14,290	13,264	15,797	22,229
- Changes in fair value of investment property	-	-	-	-	-	-	-	-
Segment results	-	-	1,507	8,965	14,290	13,264	15,797	22,229
Administrative and selling expenses							(30,093)	(27,069)
Other operating income							8,857	7,243
Finance costs							(27,540)	(27,834)
Other operating expenses							(45,623)	(7,533)
Share of Profit of associates							(7,243)	2,508
Profit/Loss before tax							(101,642)	(52,685)
Taxation								
- Group							(1,082)	(1,356)
- Associated companies							-	-
Profit/Loss for the period							(86,927)	(31,812)

16. Financial risk management

16.1 Financial risk factors

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

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

16.2 Liquidity risk

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

Management monitors the forecasts of the Group's cash and cash equivalents on the basis of expected cash flow. This is generally carried out in accordance with practice and limits set by the Group. In addition, the Group's liquidity management policy involves projecting cash flows in each quarter and considering the level of liquid assets necessary to meet its liabilities, monitoring balance sheet liquidity ratios against internal and external regulatory requirements, and maintaining debt financing plans. During the year the Company remained under severe liquidity pressure as mentioned in note 2.2.

16.3 Fair value estimation

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Underlying the definition of fair value is the presumption that the Group is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms. The carrying values of all financial assets and liabilities reflected in these financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following is categorization of assets measured at fair value at September 30, 2018:

	Level 1	Level 2	Level 3	Total
	(Rupees in thousand)			
Assets:				
Recurring fair value measurement of Available for sale financial assets	-	-	-	-
Recurring fair value measurement of Investment property:				-
Freehold land	-	132,925	-	132,925
Buildings	-	-	1,530,017	1,530,017
	<u>-</u>	<u>132,925</u>	<u>1,530,017</u>	<u>1,662,942</u>

The following is categorization of assets measured at fair value at June 30, 2018:

	Level 1	Level 2 (Rupees in thousand)	Level 3	Total
Assets:				
Recurring fair value measurement of Available for sale financial assets	-	-	-	-
Recurring fair value measurement of Investment property:				

Freehold land	-	132,925	-	132,925
Buildings	-	-	1,530,017	1,530,017
	-	132,925	1,530,017	1,662,942

There were no transfers between Levels 1 and 2 & Levels 2 and 3 during the year and there were no changes in valuation techniques during the periods.

Valuation techniques used to measure level 2 and 3 assets

The fair value of these assets is determined by an independent professionally qualified valuer. Latest valuation of these assets was carried out on June 30, 2018. The level 2 fair value of freehold land has been derived using the sales comparison approach. The most significant input into this valuation approach is price per square yard. Level 3 fair value of Buildings has been determined using a depreciated replacement cost approach, whereby, current cost of construction of a similar building in a similar location has been adjusted using a suitable depreciation rate to arrive at present market value.

Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the period and year ended September 30, 2018 and June 30, 2018 respectively for recurring fair value measurements:

	Un-Audited September 30, 2018	Audited June 30, 2018
	(Rupees in thousand)	
Opening fair value	1,530,017	2,070,556
Disposal of investment property	-	(337,784)
Transferred to Level 2	-	(126,790)
	1,530,017	1,605,982
Fair value loss recognised during year	-	(75,965)
Closing value after revaluation	1,530,017	1,530,017

The change in unrealized gains/ losses of the investment property is credited/charged to the profit and loss account as "Changes in fair value of investment property".

Valuation inputs and relationship to fair value

The following table summarises the quantitative and qualitative information about the significant unobservable inputs used in recurring level 3 fair value measurements. See paragraph above for the valuation techniques adopted.

Description	Fair Value at	Significant Unobserv-able inputs	Quantitative Data / Range and relationship to the fair value
-------------	---------------	--	---

	Sep 30, 2018	June 30, 2018		
	Rs'000	Rs'000		
Buildings	1,530,017	1,530,017	Cost of construction of a new similar building Suitable depreciation rate to arrive at depreciated replacement value	The market value has been determined by using a depreciation factor of approximately 5%-10% on cost of constructing a similar new building. Higher, the estimated cost of construction of a new building, higher the fair value. Further, higher the depreciation rate, the lower the fair value of the building.

17. Transactions with related parties

		Un-Audited	
		September 30, 2018	September 30, 2017
		(Rupees in thousand)	
Relationship with the Company	Nature of transactions		
i. Associate	Guarantee commission income	309	309
	Receipts against Pace circle sales	-	3,482
ii. Others	Purchase of goods & services	-	1,387
	Rental income	3,537	3,215
	Advance against Construction of Pace Towers	17,100	-

		Un-Audited	
		September 2018	September 2017
		(Unaudited)	(Unaudited)
		(Rupees in thousand)	
	Period end balances		
	Receivable from related parties	3,396	18,936

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

18. Date of authorisation

These financial statements were authorised for issue on November 29 ,2018 by the board of directors of the Holding Company.

19. Corresponding figures

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

Chief Executive

Chief Financial Officer

Director