# PACE (PAKISTAN) LIMITED

## UNCONSOLIDATED FINANCIAL STATEMENTS

## FOR THE PERIOD ENDED

## 30 SEPTEMBER 2020

**Pace (Pakistan) Limited**

**Company Information**

**Board of Directors**

| | |
|---|---|
| Shehryar Ali Taseer (Chairman) | Non-Executive |
| Aamna Taseer (CEO) | Executive |
| Shahbaz Ali Taseer | Executive |
| Shehrbano Taseer | Non-Executive |
| Mian Ehsan Ul Haq | Non-Executive |
| Kanwar Latafat Ali Khan | Independent |
| Shavez Ahmad | Independent |

| | |
|---|---|
| **Chief Financial Officer** | Amir Hafeez |
| **Audit Committee** | Shavez Ahmad (Chairman)<br>Mian Ehsan Ul Haq<br>Kanwar Latfat Ali Khan |
| **Human Resource and Remuneration (HR&R) Committee** | Shavez Ahmad (Chairman)<br>Aamna Taseer<br>Kanwar Latafat Ali Khan |
| **Company Secretary** | Sajjad Ahmad |
| **Auditors** | KPMG Taseer Hadi & Co.<br>Chartered Accountants |
| **Legal Advisers** | M/s. Imtiaz Siddiqui & Associates |
| **Bankers** | Allied Bank Limited<br>Albaraka Bank (Pakistan) Limited<br>Askari Bank Limited<br>Bank Alfalah Limited<br>Faysal Bank Limited<br>Habib Bank Limited<br>KASB Bank Limited<br>MCB Bank Limited<br>National Bank of Pakistan<br>NIB Bank Limited<br>Silkbank Limited<br>Soneri Bank Limited<br>Pair Investment Company Limited<br>The Bank of Punjab<br>United Bank Limited |
| **Registrar and Shares Transfer Office** | Corplink (Pvt.) Limited<br>Wings Arcade, 1-K<br>Commercial Model Town, Lahore<br>Tele: + 92-42-5839182 |
| **Registered Office/Head Office** | 2nd Floor, Pace Shopping Mall<br>Fortress Stadium, Lahore Cantt<br>Lahore, Pakistan<br>(042)-36623005/6/8<br>Fax: (042) 36623121, 36623122 |

# DIRECTOR'S REPORT TO THE SHAREHOLDERS

The Directors of Pace (Pakistan) Limited ("the Company") take pleasure in presenting to its shareholders the Unconsolidated Interim Financial Statements of the Company for the quarter ended September 30, 2020.

**Operating Results:**

During period under review, the sales of the Company showed a decrease of Rs 51.85 million to come at Rs 89.57 million as compared to Rs. 141.455 million last year primarily attributable to recognition of revenue, on percentage of completion basis, pertaining to sale of floors on Pace Tower. Cost of Sales decreased from 86.167 million last year to Rs. 70.757 current year. Administrative expenses increased by 16% to Rs. 32.214 million. Other income of the company stands at Rs 9.03 million as compared to Rs. 11.01 million last year. The company also received an exchange gain of Rs 36.25 million as compared to a gain of Rs 141.556 million in corresponding period of FY-2019 on Foreign Currency Convertible Loan due to appreciation of Pak-Rupee. Finance costs during the period under review decreased from Rs. 40.807 million to Rs. 39.21 million, due to decrease in KIBOR from 13.5% to 7.23% and an addition of finance cost on lease assets of Rs 3.476 million.

As a result of aforementioned factors, the company suffered a loss after tax of Rs 8.451 million as compared to a profit after tax of Rs 98.868 million in the previous comparable period, with an LPS of 0.03 per share (2019: EPS – 0.35).

The comparison of the financial results for the quarter ended 30th Sep 2020, with corresponding period of the previous financial year is as under:

| | **Jul-Sep 2020** | **Jul-Sep 2019** |
|---|---|---|
| | Rupees in '000' | |
| Sales | **89,570** | **141,455** |
| Cost of Sales | **(70,757)** | **(86,167)** |
| Gross Profit | **18,813** | **55,288** |
| Admin & Selling Expenses | **(32,214)** | **(27,791)** |
| Other Income | **9,030** | **11,005** |
| Exchange Gain/(loss) on foreign currency convertible bond | **36,250** | **141,556** |
| Finance Cost | **(39,210)** | **(40,807)** |
| Net profit/(loss) before tax | **(7,331)** | **139,251** |
| Net profit/(loss) after tax | **(8,451)** | **98,868** |
| Earnings/(Loss) per share (PKR) | **(0.03)** | **0.35** |

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**
October 29, 2020

| | |
|---|---|
| **Director** | **Chief Executive Officer** |

# PACE (PAKISTAN) LIMITED
## CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)
## AS AT SEPTEMBER 30,2020

| | Note | Unaudited September 30, 2020 | Audited June 30, 2020 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| **EQUITY AND LIABILITIES** | | | |
| **CAPITAL AND RESERVES** | | | |
| Authorized capital | | | |
| 600,000,000 (2019: 600,000,000) | | | |
| ordinary shares of Rs 10 each | | 6,000,000 | 6,000,000 |
| Issued, subscribed and paid up capital | | | |
| 278,876,604 (2019: 278,876,604) | | | |
| ordinary shares of Rs 10 each | | 2,788,766 | 2,788,766 |
| Reserves | | 273,265 | 273,265 |
| Accumulated loss | | (2,473,001) | (2,464,550) |
| | | 589,030 | 597,481 |
| **NON-CURRENT LIABILITIES** | | | |
| Long term finances - secured | 8. | - | - |
| Redeemable capital - secured (non-participatory) | 9. | - | - |
| Liabilities against assets subject to finance lease | | 139,099 | 136,572 |
| Foreign currency convertible bonds - unsecured | 10. | - | - |
| Deferred liabilities | | 48,426 | 45,934 |
| | | 187,525 | 182,506 |
| **CURRENT LIABILITIES** | | | |
| Contract Liability | | 228,501 | 228,256 |
| Current portion of long term liabilities | | 3,910,692 | 3,940,406 |
| Creditors, accrued and other liabilities | | 882,522 | 845,135 |
| Accrued finance cost | | 1,218,218 | 1,189,058 |
| | | 6,239,933 | 6,202,855 |
| **CONTINGENCIES AND COMMITMENTS** | 11 | - | - |
| | | 7,016,488 | 6,982,842 |

| | Note | Unaudited September 30, 2020 | Audited June 30, 2020 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| **ASSETS** | | | |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 12 | 595,149 | 601,264 |
| Intangible assets | | 3,881 | 4,008 |
| Investment property | 13. | 1,745,251 | 1,745,251 |
| Long term investments | 14. | 850,321 | 850,321 |
| Long term advances and deposits | | 13,619 | 13,619 |
| Deferred taxation | | - | - |
| | | 3,208,221 | 3,214,463 |
| **CURRENT ASSETS** | | | |
| | 15 | 2,821,302 | 2,821,179 |
| Stock-in-trade | | 435,756 | 406,985 |
| Trade debts - unsecured | | | |
| Advances, deposits, prepayments | | 509,823 | 493,245 |
| and other receivables | | 24,845 | 23,845 |
| Income tax recoverable | | 16,541 | 23,125 |
| Cash and bank balances | | 3,808,267 | 3,768,379 |
| | | 7,016,488 | 6,982,842 |

The annexed notes from 1 to 20 form an integral part of this condensed interim financial information.

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

**PACE (PAKISTAN) LIMITED**
**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)**
**FOR THE QUARTER ENDED SEPTEMBER 30, 2020**

| | | July to September | |
|---|---|---|---|
| | | **2020** | **2019** |
| | | (Rupees in thousand) | |
| Sales | | **89,570** | 141,455 |
| Cost of sales | | **(70,757)** | (86,167) |
| **Gross profit** | | **18,813** | 55,288 |
| Administrative and selling expenses | | **(32,214)** | (27,791) |
| Other income | | **9,030** | 11,005 |
| Exchange Gain / (loss) on foreign currency convertible bond | | **36,250** | 141,556 |
| **Profit/(Loss) from operations** | | **31,879** | 180,058 |
| Finance costs | | **(39,210)** | (40,807) |
| **Profit / (loss) before tax** | | **(7,331)** | 139,251 |
| Taxation | | **(1,120)** | (40,383) |
| **Profit / (loss) for the year** | | **(8,451)** | 98,868 |
| **Other comprehensive income/ (loss)** | | | |
| **Total comprehensive income / (loss) for the year** | | **(8,451)** | 98,868 |
| Earnings / (loss) per share attributable to ordinary shareholders | | | |
| - basic earnings / (loss) per share | Rupees | **(0.03)** | **0.35** |

The annexed notes from 1 to 20 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, 2020**

| | Note | July to September 2020 | July to September 2019 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| **Cash flow from operating activities** | | | |
| Cash (used in) / generated from operations | 16. | **(3,704)** | (86,650) |
| Finance costs paid | | **(38)** | (8) |
| Gratuity and leave encashment paid | | **-** | - |
| Taxes paid | | **(2,247)** | (5,147) |
| **Net cash used in operating activities** | | **(5,989)** | (91,805) |
| **Cash flow from investing activities** | | | |
| Proceeds from sale of investment property | | **-** | - |
| Markup received | | **25** | 19 |
| **Net cash generated from investing activities** | | **25** | 19 |
| **Cash flow from financing activities** | | | |
| Repayment of finance lease liabilities | | **(620)** | - |
| **Net decrease in cash and cash equivalents** | | **(6,584)** | **(91,786)** |
| **Cash and cash equivalents at the beginning of the year** | | **23,125** | 165,393 |
| **Cash and cash equivalents at the end of the year** | | **16,541** | 73,607 |

The annexed notes from 1 to 20 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, 2020 (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 Board
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.

**3. Going concern assumption**

As at the reporting date, the current liabilities of the Company have exceeded its current assets by Rs 2,431.667 million and the reserves of the Company have been significantly depleted. Due to liquidity issues the Company has not been able to meet various obligations towards its lenders, including repayment of principal and mark-up thereon in respect of its borrowings. The construction activity on the project has also been very slow due to unavailability of enough financial resources causing a delay in the completion of Pace Tower, total estimated cost of completion of Pace Tower is Rs. 321.06 million. These conditions indicated the existence of a material uncertainty related to events or conditions that may cast significant doubts on the Company's ability to continue as a going concern and, therefore, it may be unable to realize it assets and discharge its liabilities in the normal course of business.

The management has prepared an assessment which covers at least twelve months from the reporting date and believes that the following measures, if implemented effectively, will generate sufficient financial resources for the continuing operations:

The management is continuously engaged with its lenders for settlements of Company's borrowings. As per various settlement agreements entered into with the term finance certificates (TFC) holders, management expects a waiver of markup amounting to Rs. 198.33 million. Moreover, the Company has entered into a settlement agreement with Bank of Khyber against 13th floor of Pace Tower measuring 8,000 square feet

Construction of Pace Tower was delayed due to lockdown imposed during the strain of COVID-19, however the management is confident that it will complete Pace Tower Project by the end of 2022 and is actively engaged to find buyers for the sale of remaining floors/ apartments in Pace Tower. Management is also taking necessary steps for the completion and sale of Pace Circle.

Company has saleable inventory in the form of different properties for which the management is actively looking for the buyers and has devised a strategy for sale of the inventory, management is expected to generate Rs. 3,800 million over the period of five year. The proceeds from these sales will help to improve the operating cash flows of the Company and to settle its obligations.

Accordingly, these financial statements have been prepared on a going concern basis and do not include any adjustments relating to the realization of assets and liquidation/ settlement of any liabilities that might be necessary should the Company be unable to continue as a going concern.

## 4 Changes in significant accounting policies

The company has initially applied IFRS 16 which is effective for annual periods beginning on or after 01 January 2019. Due to the transition methods chosen by the Company in applying these standards, comparative information throughout these unconsolidated financial statements has not been restated to reflect the requirements of the new standards.

### 4.1 IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the substance of transactions involving the legal form of a lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the statement of financial position as right-of-use assets.

The Company has applied IFRS 16 using the modified retrospective approach as at 01 July 2019. Accordingly, the comparative information presented for 2019 has not been restated i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

The Company is primarily engaged in construction and development of properties and contracts with customers for their sale which generally include single performance obligation. Under IFRS 15, an entity is required to recognize revenue over time if any of the following criteria is met:

**4.1.l As a lessee**

As a lessee, the Company has leased electrical equipment which includes solar panels and immovable property which includes land and various shops / apartment. The Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS 16, the Company recognizes right-of-use assets and lease liabilities for the leases except for short term leases or lease for which the underlying asset is of low value.

Previously, the Company classified property leases as operating leases under IAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company’s incremental borrowing rate as at 01 July 2019. IFRS 16 (B2) allows entity to combine two or more contracts with similar terms and conditions. While calculating lease liability and right-of-use asset, Company has combined certain lease agreements with similar lease terms and lease commencement dates. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Company has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Company used following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

**4.1.2 As a lessor**

The Company leases out its investment property, including own property and right-of-use assets. These leases are classified as operating leases.

The Company is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for a sub-lease.

The Company sub-leases some of its properties. Under IAS 17, the head lease and sub-lease contracts were classified as operating leases. On transition to IFRS 16, the right-of-use assets recognised from the head leases are presented in investment property, and measured at fair value at that date. The Company assessed the classification of the sub-lease contracts with reference to the right-of-use asset rather than the underlying asset, and concluded that they are operating leases under IFRS 16.

## 5 New or Amendments / Interpretations to Existing Standards, Interpretation and Forthcoming Requirements

There are new and amended standards and interpretations that are mandatory for accounting periods beginning 01 July 2018 other than those disclosed in note 5, are considered not to be relevant or do not have any significant effect on the Company's financial statements and are therefore not stated in these financial statements.

### 5.1 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 July 2020:

- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements

- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.

- On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallize. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.

- Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after 1 January 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The amendments are not likely to affect the financial statements of the Company.

## 6. Taxation

The provision for taxation for the quarter ended September 30, 2020 has been made on an estimated basis.

## 7. Estimates

The preparation of condensed interim financial information requires management to make judgments, 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, 2020 with the exemption of changes in estimates that are required in determining the provision for income taxes as referred to in Note 6.

| | Note | **Un-Audited September 30, 2020** | Audited June 30, 2020 |
|---|---|---|---|
| | | **(Rupees in thousand)** | |
| **8. Long term finances - secured** | | | |
| Pak Iran Loan | 8.1 | **66,860** | 66,860 |
| | | **66,860** | 66,860 |
| Less: Current portion shown under current liabilities | | **(66,860)** | (66,860) |
| | | **-** | - |

### 8.1 Mark-up on Pak Iran

On 28 December 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 Tower 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 28 December 2016, the Company and PAIR executed sale deed and possession of the property was handed over to PAIR. The 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 28 December 2016 after expiry of moratorium period of 3 years, in 16 quarterly installments. Amortized cost has been determined using effective interest rate of 6% per annum. Movement is as follows:

| | --- (Rupees in thousand) --- | |
|---|---|---|
| As at beginning | **66,860** | 58,168 |
| Add: Amortized during the period | - | 3,556 |
| Adjustment on account of default | | 5,136 |
| As at end | **66,860** | 66,860 |

**Security**

The restructured amount is secured by mortgage amounting to the sum of Rs. 142.857 million on the property being piece and parcel of land located at Plot no. 96/B-1, Gulberg III, Lahore measuring 4 kanals and 112 square feet along with structures, superstructures and appurtenances including shops/counters having area measuring 20,433 square feet. The charge ranks parri passu with that of National Bank of Pakistan to the extent of Rs. 66.667 million.

**Default**

The moratorium period as per the rescheduling agreement ended on 31 December 2019 and the first quarterly installment was due on 01 January 2020. Company made a default in repayment of the installment and no repayment was made till 30 June 2020. Pace, through its letter dated 17 July 2020, requested PAIR to defer the repayment plan for 24 months. However, no response from PAIR is received yet. Accordingly, we have classified the total balance outstanding as current liability as per the requirements of IAS 1 "Presentation of Financial Statement".

### 9. Redeemable capital - secured (non-participatory)

| | Note | | |
|---|---|---|---|
| Term finance certificates | | **935,571** | 935,571 |
| Less: Current portion shown under current liabilities | 9.1 | **(935,571)** | (935,571) |
| | | **-** | - |

### 9.1 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 installments 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.

### 9.2 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.

### 9.3 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, 2019. 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.

### 9.4 Settlement with Bank of Khyber

On 20 December 2019, Bank of Khyber ('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 13th floor of Pace Tower measuring 8,000 square feet. In accordance with the terms of the agreement, the Bank purchased the aforementioned floor for Rs. 116.80 million as full and final settlement. Furthermore, the Bank provided financial relief of suspended mark- up along with future mark-up upon completion of certain terms and conditions. However, as at the reporting date, the Company has not handed over possession of the underlying floor and accordingly, reported balance of TFCs include principal amount along with accrued mark-up.

| | Note | **Un-Audited September 30, 2020** | Audited June 30, 2020 |
|---|---|---|---|
| **10. Foreign currency convertible bonds - unsecured** | | **(Rupees in thousand)** | |
| Opening balance | | **2,895,217** | 2,805,535 |
| Markup accrued during the year | | **6,536** | 24,873 |
| | | **2,901,753** | 2,830,408 |
| Exchange (gain) / loss for the year | | **(36,250)** | 64,809 |
| | | **2,865,503** | 2,895,217 |
| Less: Current portion shown under current liabilities | 10.1 | **(2,865,503)** | (2,895,217) |
| | | **-** | - |

**10.1** On 27 December 2007, BNY Corporate Trustee Services Limited incorporated in United Kingdom with its registered office at One Canada Square, London E14 5AL and the Company entered into agreement that the Company issue 25,000 convertible bonds of USD 1,000 each amounting to USD 25 million. The foreign currency convertible bonds (FCCB) were listed on the Singapore Stock Exchange and became redeemable on 28 December 2012 at the accreted principal amount. The bonds carry a mark-up of 5.5% per annum, compounded semi-annually, accretive (up till 28 December 2012) and cash interest of 1% per annum to be paid in arrears. The holders of the bonds had an option to convert the bonds into equity shares of the Company at any time following the issue date till the maturity date at a price calculated as per terms of arrangement. In aggregate USD 13 million bonds have been converted into ordinary shares as at 30 June 2019.

As the fair value calculated for the financial instrument is quite subjective and cannot be measured reliably, consequently the bonds have been carried at cost and includes accreted mark-up.

## 11 Contingencies and commitments

### 11.1 Contingencies

**11.1.1** Claims against the Company not acknowledged as debts amounting to Rs 21.644 million (2020: Rs 21.644 million).

**11.1.2** On 10 October 2017, Pace (Pakistan) Limited ('the Company') filed a petition against Damas (the tenant at the MM Alam Plaza ) in the Rental Tribunal at Lahore on the grounds that the tenant has violated the terms and conditions of the lease agreement including failure to pay rent and denial of the right to entry into the premises. The amount of claim is Rs. 66.60 million.

The petition is pending for hearing. As per legal advisors of the Company, there are reasonable grounds to defend the Company's claim, however no asset has been booked in the financial statements.

**11.1.3** On 29 November 2012, Shaheen Insurance Company Limited and First Capital Securities Corporation Limited (on behalf of First Capital Group) entered into an agreement whereby, it was agreed that liability pertaining to reverse repo transaction amounting to Rs 99.888 million along with insurance premium payable amounting to Rs 88.859 million from First Capital Group shall be settled vide sale of 4.7 million shares of First Capital Equities Limited to Shaheen Insurance Company Limited at a price of Rs. 40. Included in the insurance payable is Rs 57.962 million pertaining to Pace (Pakistan) Limited. It was agreed that Shaheen Insurance Company Limited will be allowed to sell the share after two years, however, the first right to refusal shall be given to the First Capital Group. Further, First Capital Group guaranteed to buy back the shares at Rs 40 in case the shares are not saleable in open market. The agreement was subsequently amended on March 7, 2013 to remove restriction of holding period of two years. In addition to that, the guarantee to buy back was also revoked.

On 24 April 2015, Shaheen Insurance Company Limited filed a suit for recovery of Rs 188.747 million in the Honorable Senior Civil Court. The case is under adjudication and the maximum exposure to the Company is of Rs 57.962 million. As per legal advisors of the Company there are meritorious grounds to defend the Company's claim and consequently no provision has been made in these financial statements.

### 11.2 Commitments

**11.2.1** Commitments in respect of capital expenditure i.e. purchase of properties from Pace Barka Properties Limited, amounts to Rs. 89.431 million (2020: Rs. 101.28 million)

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

| | | **Un-Audited September 30, 2020** | Audited June 30, 2020 |
|---|---|---|---|
| | | **(Rupees in thousand)** | |
| **12 Property, plant and equipment** | | | |
| Operating fixed assets | | **433,697** | 440,226 |
| Capital work-in-progress | | **33,399** | 31,740 |
| Assets subject to lease | | **128,053** | 129,298 |
| | | **595,149** | 601,264 |
| **12.1 Operating fixed assets** | | | |
| Book value at beginning of the period / year | | **440,226** | 439,657 |
| Add: | | | |
| - Additions during the period / year | 12.2 | **-** | 28,950 |
| | | **-** | 28,950 |
| | | | - |
| | | **440,226** | 468,607 |
| Less: | | | |
| - Disposals during the period / year - at book value | | **-** | (1,224) |
| - Depreciation charged during the period / year | | **6,529** | (27,157) |
| | | **6,529** | (28,381) |
| Book value at end of the period / year | | **433,697** | 440,226 |

**12.2 Additions during the period / year**

| | | |
|---|---|---|
| Operating fixed assets | - | 28,950 |
| | - | 28,950 |

| | Un-Audited September 30, 2020 | Audited June 30, 2020 |
|---|---|---|
| | (Rupees in thousand) | |
| **13. Investment property** | | |
| Opening value | **1,745,251** | 1,668,741 |
| Closing value before revaluation as at June 30 | **1,745,251** | 1,668,741 |
| Fair value gain recognized in profit and loss account | - | 76,510 |
| Fair value as at September 30 | **1,745,251** | 1,745,251 |

**14. Long term investments**

| | Note | | |
|---|---|---|---|
| Equity instruments of: | | | |
| - subsidiaries - unquoted | 14.1 | **91,670** | 91,670 |
| - associate - unquoted | 14.2 | **758,651** | 758,651 |
| | | **850,321** | 850,321 |

**14.1 Subsidiaries - unquoted**

| | | |
|---|---|---|
| Pace Woodlands (Private) Limited | | |
| 3,000 (June 2019: 3,000) fully paid ordinary shares of Rs 10 each<br>Equity held 52% (June 2019: 52%) | **30** | 30 |
| Pace Super Mall (Private) Limited | | |
| 9,161,528 (June 2019: 9,161,528) fully paid ordinary shares of Rs 10 each<br>Equity held 57% (June 2019: 57%) | **91,615** | 91,615 |
| Pace Gujrat (Private) Limited | | |
| 2,450 (June 2019: 2,450) fully paid ordinary shares of Rs 10 each<br>Equity held 100% (June 2019: 100%) | **25** | 25 |
| | **91,670** | 91,670 |

**14.2 Associate - unquoted**

| | | |
|---|---|---|
| Pace Barka Properties Limited | | |
| 75,875,000 (June 2019: 75,875,000) fully paid ordinary shares of Rs 10 each | **758,651** | 758,651 |
| Equity held 24.9% (June 2019: 24.9%) | | |

**15 Stock-in-trade**

| | | |
|---|---|---|
| Work in process - Pace Towers | **615,043** | 626,269 |
| Shops and houses | **1,472,509** | 1,473,009 |
| Pace Barka Properties Limited - Pace Circle | **710,989** | 699,140 |
| Pace Super Mall (Private) Limited | **21,600** | 21,600 |
| | **2,820,141** | 2,820,018 |
| Stores inventory | **1,161** | 1,161 |
| | **2,821,302** | 2,821,179 |

| | Note | July to September 2020 | 2019 |
|---|---|---|---|
| | | (Rupees in thousand) | |

## 16. Cash generated from operations

| | Note | 2020 | 2019 |
|---|---|---|---|
| Profit / (loss) before tax | | **(7,331)** | 139,251 |
| Adjustment for: | | | |
| Exchange loss / (gain) on foreign currency convertible bonds | 10 | **(36,250)** | (141,556) |
| Provision for gratuity and leave encashment | | **2,493** | 2,941 |
| Depreciation on: | | | |
| - owned assets | 12.1 | **6,529** | 6,333 |
| - assets subject to finance lease | | **1,245** | - |
| Amortization on intangible assets | | **127** | 113 |
| Markup income | | **(25)** | (20) |
| Finance costs | | **39,210** | 40,807 |
| Profit before working capital changes | | **5,998** | 47,869 |
| Effect on cash flow due to working capital changes: | | | |
| Increase in stock-in-trade | | **(123)** | (25,000) |
| Decrease / (increase) in trade debts | | **(30,633)** | (39,201) |
| Decrease in advances, deposits and other receivables | | **(16,578)** | (32,548) |
| Net (decrease) / increase in advances against sale of property | | **245** | (60,869) |
| Increase in creditors, accrued and other liabilities | | **37,387** | 23,099 |
| | | **(9,702)** | **(134,519)** |
| | | **(3,704)** | (86,650) |

## 17. Financial risk management

### 17.1 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 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.

### 17.2 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 3.

### 17.3 Fair value estimation

The fair value of investment property was determined by external, independent property valuer KG Traders, having appropriate recognized professional qualifications. The independent valuers provide the fair value of the Company’s investment property portfolio annually. Latest valuation of these assets was carried out on June 30, 2020. The level 2 fair value of freehold land has been derived using the sales comparison approach. 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.

The following is categorization of assets measured at fair value at June 30, 2020:

| | 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 | - | 137,015 | - | 137,015 |
| Buildings | - | - | **1,522,498** | 1,522,498 |
| Right To Use | | | **85,738** | 85,738 |
| | - | 137,015 | 1,608,236 | 1,745,251 |

The following is categorization of assets measured at fair value at June 30, 2019:

| | 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 | - | - | **1,535,816** | 1,535,816 |
| | - | 132,925 | **1,535,816** | 1,668,741 |

**Valuation inputs and relationship to fair value**

The following table summarizes the quantitative and qualitative information about the significant unobservable inputs used in recurring level 3 fair value measurements. Refer fair value hierarchy for the valuation techniques adopted.

| Description | Significant Unobservable inputs | Quantitative data / range and relationship to the fair value |
|---|---|---|
| Buildings | - Cost of construction of a new similar building<br>- Suitable depreciation rate to arrive at depreciated replacement value | The market value has been determined by using a depreciation 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. |

## 18. Transactions with related parties

| | | Un-Audited | |
|---|---|---|---|
| | | **September 30, 2020** | September 30, 2019 |
| **Relationship with the Company** | **Nature of transactions** | **(Rupees in thousand)** | |
| i. Associate | Guarantee commission income - (PBPL) | **309** | 309 |
| | Reantal Income - Pace Barka Properties Limited | **1,169** | 1,063 |
| | Purchase of inventory (PBPL) | **11,849** | - |
| ii. Others | Rental income - Media Times Limited | **-** | 3,891 |
| | Advance against Construction of Pace Towers | **5,107** | 19,309 |

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

## 19. Date of authorization

These financial statements were authorized for issue on ____________, 2020 by the board of directors of the Company.

## 20. 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**

# PACE (PAKISTAN) LIMITED

## STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR PERIOD ENDED SEPTEMBER 30, 2020

| | Share Capital | Reserves: Share Premium Reserve | Reserves: Reserve for changes in fair value of investments | Accumulated Loss | Total |
|---|---|---|---|---|---|
| | ---(Rupees in thousand)--- | | | | |
| **Balance as on June 30, 2019** | 2,788,766 | 273,265 | - | (2,075,583) | 986,448 |
| **Total comprehensive income for the year** | | | | | |
| Profit for the year | - | - | - | (397,879) | (397,879) |
| Other comprehensive loss for the year: | | | | | - |
| Remeasurement of net defined benefit | | | | | - |
| liability net of tax | - | - | - | 8,912 | 8,912 |
| Changes in fair value of | | | | | - |
| available for sale investments | - | - | - | - | - |
| | - | - | | (388,967) | (388,967) |
| **Transferred to profit and loss account on disposal of investments** | | | - | | - |
| **Balance as on June 30, 2020** | **2,788,766** | **273,265** | **-** | **(2,464,550)** | **597,481** |
| | | - | | | |
| **Total comprehensive loss for the Period** | | | | | |
| Loss for the year | - | - | - | (8,451) | (8,451) |
| Other comprehensive income for the year: | | | | | |
| Remeasurement of net defined benefit | | | | | |
| liability net of tax | - | - | - | - | - |
| Changes in fair value of | | | | | |
| available for sale investments | - | - | - | - | - |
| | - | - | - | (8,451) | (8,451) |
| **Balance as on September 30, 2020** | **2,788,766** | **273,265** | **-** | **(2,473,001)** | **589,030** |

The annexed notes from 1 to 20 form an integral part of these financial statements.

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

# PACE GROUP LIMITED

# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

# FOR THE PERIOD ENDED

# 30 SEPTEMBER 2020

# PACE (PAKISTAN) GROUP
## CONSOLIDATED CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)
## AS AT SEPTEMBER 30,2020

| | Note | Unaudited September 30, 2020 | Audited June 30, 2020 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| **EQUITY AND LIABILITIES** | | | |
| **CAPITAL AND RESERVES** | | | |
| Authorised capital 600,000,000 (2019: 600,000,000) ordinary shares of Rs 10 each | | 6,000,000 | 6,000,000 |
| Issued, subscribed and paid up capital 278,876,604 (2019: 278,876,604) ordinary shares of Rs 10 each | | 2,788,766 | 2,788,766 |
| Reserves | | 287,307 | 287,307 |
| Accumulated loss | | (2,119,634) | (2,102,467) |
| | | 956,439 | 973,606 |
| **NON-CONTROLLING INTEREST** | | 87,030 | 87,030 |
| | | 1,043,469 | 1,060,636 |
| **NON-CURRENT LIABILITIES** | | | |
| Long term finances - secured | 8 | - | - |
| Redeemable capital - secured (non-participatory) | 9 | - | - |
| Liabilities against assets subject to finance lease | | 139,099 | 136,572 |
| Foreign currency convertible bonds - unsecured | 10 | - | - |
| Deferred liabilities | | 48,426 | 45,934 |
| Deferred taxation | | 44,021 | 45,560 |
| | | 231,546 | 228,066 |
| **CURRENT LIABILITIES** | | | |
| Contract liability | | 229,501 | 229,256 |
| Current portion of long term liabilities | | 3,910,691 | 3,940,406 |
| Creditors, accrued and other liabilities | | 919,572 | 882,185 |
| Accrued finance cost | | 1,218,218 | 1,189,058 |
| | | 6,277,982 | 6,240,905 |
| **CONTINGENCIES AND COMMITMENTS** | 11 | - | - |
| | | 7,552,997 | 7,529,607 |

| | Note | Unaudited September 30, 2020 | Audited June 30, 2020 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| **ASSETS** | | | |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 12 | 595,149 | 601,264 |
| Intangible assets | | 3,881 | 4,008 |
| Investment property | 13 | 1,745,251 | 1,745,251 |
| Investment in equity-accounted investee | 14 | 1,052,124 | 1,062,381 |
| Long term advances and deposits | | 15,248 | 15,248 |
| | | 3,411,653 | 3,428,152 |
| **CURRENT ASSETS** | | | |
| Stock-in-trade | 15 | 3,154,302 | 3,154,179 |
| Trade debts - unsecured | | 435,756 | 406,985 |
| Advances, deposits, prepayments and other receivables | | 509,823 | 493,245 |
| Income tax recoverable | | 24,898 | 23,898 |
| Cash and bank balances | | 16,565 | 23,148 |
| | | 4,141,344 | 4,101,455 |
| | | 7,552,997 | 7,529,607 |

The annexed notes from 1 to 21 form an integral part of this condensed interim financial information.

-

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

**PACE (PAKISTAN) GROUP**

**CONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)**

**FOR THE QUARTER ENDED SEPTEMBER 30, 2020**

| | | July to September | |
|---|---|---|---|
| | | **2020** | **2019** |
| | | **(Rupees in thousand)** | |
| Sales | | **89,570** | 141,455 |
| Cost of sales | | **(70,757)** | (86,167) |
| **Gross profit** | | **18,813** | 55,288 |
| Administrative and selling expenses | | **(32,214)** | (27,792) |
| Other income | | **9,030** | 11,005 |
| Exchange Gain / (loss) on foreign currency convertible bond | | **36,250** | 141,556 |
| **Profit/(Loss) from operations** | | **31,879** | 180,057 |
| Finance costs | | **(39,209)** | (40,807) |
| Share of (loss) / profit from associate - net of tax | | **(10,257)** | 4,267 |
| **Profit / (loss) before tax** | | **(17,587)** | 143,517 |
| Taxation | | **419** | (43,808) |
| **Profit / (loss) for the year** | | **(17,168)** | 103,976 |
| **Total comprehensive income / (loss) for the year** | | **(17,168)** | 103,976 |
| Attributable to: | | | |
| Equity holders of the parent | | **(17,168)** | 99,709 |
| Non-controlling interest | | **-** | - |
| | | **(17,168)** | 99,709 |
| Earnings / (loss) per share attributable to ordinary shareholders | | | |
| - basic earnings / (loss) per share | Rupees | **(0.06)** | 0.37 |

The annexed notes from 1 to 21 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, 2020**

| | Note | September 30, 2020 | September 30, 2019 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| **Cash flow from operating activities** | | | |
| Cash (used in) / generated from operations | 13 | **(3,703)** | (78,166) |
| Finance costs paid | | **(38)** | (8,491) |
| Gratuity and leave encashment paid | | **-** | - |
| Taxes paid | | **(2,247)** | (5,148) |
| **Net cash used in operating activities** | | **(5,988)** | (91,805) |
| **Cash flow from investing activities** | | | |
| Purchase of property, plant and equipment | | **-** | - |
| Proceeds from sale of property, plant and equipment | | **-** | - |
| Proceeds from sale of investment property | | **-** | - |
| Markup received | | **25** | 19 |
| **Net cash generated from investing activities** | | **25** | 19 |
| **Cash flow from financing activities** | | **(620)** | |
| **Net decrease in cash and cash equivalents** | | **(6,583)** | (91,786) |
| Cash and cash equivalents at the beginning of the year | | **23,148** | 165,416 |
| **Cash and cash equivalents at the end of the year** | | **16,565** | 73,630 |

The annexed notes from 1 to 21 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, 2020**

## 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

These consolidated 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:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- 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.

## 3. Going concern assumption

As at the reporting date, the current liabilities of the Company have exceeded its current assets by Rs 2,136.638 million and the reserves of the Company have been significantly depleted. Due to liquidity issues the Company has not been able to meet various obligations towards its lenders, including repayment of principal and mark-up thereon in respect of its borrowings. The construction activity on the project has also been very slow due to unavailability of enough financial resources causing a delay in the completion of Pace Tower, total estimated cost of completion of Pace Tower is Rs. 321.06 million. These conditions indicated the existence of a material uncertainty related to events or conditions that may cast significant doubts on the Company's ability to continue as a going concern and, therefore, it may be unable to realize it assets and discharge its liabilities in the normal course of business.

The management has prepared an assessment which covers at least twelve months from the reporting date and believes that the following measures, if implemented effectively, will generate sufficient financial resources for the continuing operations:

The management is continuously engaged with its lenders for settlements of Company's borrowings. As per various settlement agreements entered into with the term finance certificates (TFC) holders, management expects a waiver of markup amounting to Rs. 198.33 million. Moreover, the Company has entered into a settlement agreement with Bank of Khyber against 13th floor of Pace Tower measuring 8,000 square feet

Construction of Pace Tower was delayed due to lockdown imposed during the strain of COVID-19, however the management is confident that it will complete Pace Tower Project by the end of 2022 and is actively engaged to find buyers for the sale of remaining floors/ apartments in Pace Tower. Management is also taking necessary steps for the completion and sale of Pace Circle.

Company has saleable inventory in the form of different properties for which the management is actively looking for the buyers and has devised a strategy for sale of the inventory, management is expected to generate Rs. 3,800 million over the period of five year. The proceeds from these sales will help to improve the operating cash flows of the Company and to settle its obligations.

Accordingly, these financial statements have been prepared on a going concern basis and do not include any adjustments relating to the realization of assets and liquidation/ settlement of any liabilities that might be necessary should the Company be unable to continue as a going concern.

## 4 Changes in significant accounting policies

The company has initially applied IFRS 16 which is effective for annual periods beginning on or after 01 January 2019. Due to the transition methods chosen by the Company in applying these standards, comparative information throughout these unconsolidated financial statements has not been restated to reflect the requirements of the new standards.

### 4.1 IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the substance of transactions involving the legal form of a lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the statement of financial position as right-of-use assets.

The Company has applied IFRS 16 using the modified retrospective approach as at 01 July 2019. Accordingly, the comparative information presented for 2019 has not been restated i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

The Company is primarily engaged in construction and development of properties and contracts with customers for their sale which generally include single performance obligation. Under IFRS 15, an entity is required to recognize revenue over time if any of the following criteria is met:

#### 4.1.1 As a lessee

As a lessee, the Company has leased electrical equipment which includes solar panels and immovable property which includes land and various shops / apartment. The Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS 16, the Company recognizes right-of-use assets and lease liabilities for the leases except for short term leases or lease for which the underlying asset is of low value.

Previously, the Company classified property leases as operating leases under IAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at 01 July 2019. IFRS 16 (B2) allows entity to combine two or more contracts with similar terms and conditions. While calculating lease liability and right-of-use asset, Company has combined certain lease agreements with similar lease terms and lease commencement dates. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Company has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Company used following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

#### 4.1.2 As a lessor

The Company leases out its investment property, including own property and right-of-use assets. These leases are classified as operating leases.

The Company is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for a sub-lease.

The Company sub-leases some of its properties. Under IAS 17, the head lease and sub-lease contracts were classified as operating leases. On transition to IFRS 16, the right-of-use assets recognised from the head leases are presented in investment property, and measured at fair value at that date. The Company assessed the classification of the sub-lease contracts with reference to the right-of-use asset rather than the underlying asset, and concluded that they are operating leases under IFRS 16.

## 5 New or Amendments / Interpretations to Existing Standards, Interpretation and Forthcoming Requiren

There are new and amended standards and interpretations that are mandatory for accounting periods beginning 01 July 2018 other than those disclosed in note 5, are considered not to be relevant or do not have any significant effect on the Company's financial statements and are therefore not stated in these financial statements.

### 5.1 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 July 2020:

- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements

- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.

- On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallize. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.

- Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after 1 January 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The amendments are not likely to affect the financial statements of the Company.

## 6. Taxation

The provision for taxation for the quarter ended september 30, 2020 has been made on an estimated basis.

**7. Estimates**

The preparation of condensed interim finacial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the key sources of estimation uncertianty were the same as those that aaplied to financial statements for the period ended September 30, 2020 with the exemption of changes in estimates that are required in determining the provision for income taxes as referred to in Note 6.

| | Note | Un-Audited September 30, 2020 | Audited June 30, 2020 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| **8 Long term finances - secured** | | | |
| Pak Iran Loan | 8.1 | **66,860** | 66,860 |
| | | **66,860** | 66,860 |
| Less: Current portion shown under current liabilities | | **(66,860)** | (66,860) |
| | | - | - |

**8.1 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 28 December 2016 after expiry of moratorium period of 3 years, in 16 quarterly installments. Amortized cost has been determined using effective interest rate of 6% per annum. Movement is as follows:

| | --- (Rupees in thousand) --- | |
|---|---|---|
| As at beginning | 66,860 | 58,168 |
| Add: Amortized during the period | - | 3,556 |
| Adjustment on account of default | | 5,136 |
| As at end | **66,860** | **66,860** |

**Security**

The restructured amount is secured by mortgage amounting to the sum of Rs. 142.857 million on the property being piece and parcel of land located at Plot no. 96/B-1, Gulberg III, Lahore measuring 4 kanals and 112 square feet along with structures, superstructures and appurtenances including shops/counters having area measuring 20,433 square feet. The charge ranks parri passu with that of National Bank of Pakistan to the extent of Rs. 66.667 million.

**Default**

The moratorium period as per the rescheduling agreement ended on 31 December 2019 and the first quarterly installment was due on 01 January 2020. Company made a default in repayment of the installment and no repayment was made till 30 June 2020. Pace, through its letter dated 17 July 2020, requested PAIR to defer the repayment plan for 24 months. However, no response from PAIR is received yet. Accordingly, we have classified the total balance outstanding as current liability as per the requirements of IAS 1 "Presentation of Financial Statement".

| **9. Redeemable capital - secured (non-participatory)** | | | |
|---|---|---|---|
| Term finance certificates | | **935,571** | 935,571 |
| Less: Current portion shown under current liabilities | 9.1 | **(935,571)** | (935,571) |
| | | - | - |

### 9.1 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.

During the year, Pakistan Stock Exchange through its letter (Ref No. PSX/Gen-5683) dated 19 November 2019 instructed the company to appraise them regarding measures taken for removal of default of payment of principal amount, markup and restructuring of the TFCs by 25 November 2019. Consequently, the Parent Company has submitted its reply to the Pakistan Stock Exchange on 25 November 2019 has intimated the Exchange that it is currently negotiating with the TFC holders for settlement of outstanding liabilities and for relaxation in payment terms and that a settlement proposal shared in the meeting held on 18 March 2018 with the TFC holders. However, despite the three reminders sent by the Trustee, response of the TFC holders is still pending.

The TFCs are still in the defaulter segment due to non-compliance which could result in delisting of TFCs under Pakistan Stock Exchange Regulations.

### 9.2 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.

### 9.3 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.

### 9.4 Settlement with Bank of Khyber

On 20 December 2019, Bank of Khyber ('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 13th floor of Pace Tower measuring 8,000 square feet. In accordance with the terms of the agreement, the Bank purchased the aforementioned floor for Rs. 116.80 million as full and final settlement. Furthermore, the Bank provided financial relief of suspended mark- up along with future mark-up upon completion of certain terms and conditions. However, as at the reporting date, the Company has not handed over possession of the underlying floor and accordingly, reported balance of TFCs include principal amount along with accrued mark-up.

### 10. Foreign currency convertible bonds - unsecured

| | Note | **Un-Audited September 30, 2020** | Audited June 30, 2020 |
|---|---|---|---|
| | | **(Rupees in thousand)** | |
| Opening balance | | **2,895,217** | 2,805,535 |
| Markup accrued during the year | | **6,536** | 24,873 |
| | | **2,901,753** | 2,830,408 |
| Exchange loss for the year | | **(36,250)** | 64,809 |
| | | **2,865,503** | 2,895,217 |
| Less: Current portion shown under current liabilities | **10.1** | **(2,865,503)** | (2,895,217) |
| | | **-** | - |

**10.1** 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, 2019.

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. Furthurmore, changes arising due to currency fluctuations are recognized directly in the profit & loss account.

## 11 Contingencies and commitments

### 11.1 Contingencies

**11.1.1** Claims against the Company not acknowledged as debts amounting to Rs 21.644 million (2018: Rs 21.644 million).

**11.1.2** On 10 October 2017, Pace (Pakistan) Limited ('the Company') filed a petition against Damas (the tenant at the MM Alam Plaza ) in the Rental Tribunal at Lahore on the grounds that the tenant has violated the terms and conditions of the lease agreement including failure to pay rent and denial of the right to entry into the premises. The amount of claim is Rs. 66.60 million.

The petition is pending for hearing. As per legal advisors of the Company, there are reasonable grounds to defend the Company's claim, however no asset has been booked in the financial statements.

**11.1.3** On 29 November 2012, Shaheen Insurance Company Limited and First Capital Securities Corporation Limited (on behalf of First Capital Group) entered into an agreement whereby, it was agreed that liability pertaining to reverse repo transaction amounting to Rs 99.888 million along with insurance premium payable amounting to Rs 88.859 million from First Capital Group shall be settled vide sale of 4.7 million shares of First Capital Equities Limited to Shaheen Insurance Company Limited at a price of Rs. 40. Included in the insurance payable is Rs 57.962 million pertaining to Pace (Pakistan) Limited. It was agreed that Shaheen Insurance Company Limited will be allowed to sell the share after two years, however, the first right to refusal shall be given to the First Capital Group. Further, First Capital Group guaranteed to buy back the shares at Rs 40 in case the shares are not saleable in open market. The agreement was subsequently amended on March 7, 2013 to remove restriction of holding period of two years. In addition to that, the guarantee to buy back was also revoked.

On 24 April 2015, Shaheen Insurance Company Limited filed a suit for recovery of Rs 188.747 million in the Honorable Senior Civil Court. The case is under adjudication and the maximum exposure to the Company is of Rs 57.962 million. As per legal advisors of the Company there are meritorious grounds to defend the Company's claim and consequently no provision has been made in these financial statements.

### 11.2 Commitments

**11.2.1** Commitments in respect of capital expenditure i.e. purchase of properties from Pace Barka Properties Limited, amounts to Rs. 89.431 million (2020: Rs. 101.28 million)

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

| | | Un-Audited September 30, 2020 | Audited June 30, 2020 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| **12 Property, plant and equipment** | | | |
| Operating fixed assets | 12.1 | 433,697 | 440,226 |
| Capital work-in-progress | | 33,399 | 31,740 |
| Assets subject to finance lease | | 128,053 | 129,298 |
| | | **595,149** | 601,264 |
| **12.1 Operating fixed assets** | | | |
| Book value at beginning of the period / year | | **440,226** | 439,657 |
| Add: | | | |
| - Additions during the period / year | 12.2 | - | 28,950 |
| | | - | 28,950 |
| | | **440,226** | **468,607** |
| Less: | | | |
| - Disposals during the period / year - at book value | | - | (1,224) |
| - Depreciation charged during the period / year | | **6,529** | (27,157) |
| | | **6,529** | (28,381) |
| Book value at end of the period / year | | **433,697** | 440,226 |
| **12.2 Additions during the period / year** | | | |
| Operating fixed assets | | - | - |
| | | - | - |

| | September 30, 2020 | June 30, 2020 |
|---|---|---|
| | (Rupees in thousand) | |
| **13. Investment property** | | |
| Opening value | **1,745,251** | 1,668,741 |
| - Settlement against loan | - | |
| - Disposal of investment property | - | - |
| Closing value before revaluation as at June 30 | **1,745,251** | 1,668,741 |
| Fair value gain recognised in profit and loss account | - | 76,510 |
| Fair value as at September 30 | **1,745,251** | 1,745,251 |

| | Note | Un-Audited September 30, 2020 | Audited June 30, 2020 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| **14. Long term investments** | | | |
| **Associate - unquoted** | | 1,052,124 | 1,062,381 |
| Pace Barka Properties Limited | | | |
| 75,875,000 (June 2020: 75,875,000) fully paid | | | |
| ordinary shares of Rs 10 each | | | |
| Equity held 24.9% (June 2020: 24.9%) | 14.1 | | |
| | | **1,052,124** | 1,062,381 |

| | Un-Audited September 30, 2020 | Audited June 30, 2020 |
|---|---|---|
| | (Rupees in thousand) | |

**14.1 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 | 303,730 | 340,297 |
| | 1,062,381 | 1,098,948 |
| Share of (Loss) / profit for the year | | |
| - before taxation | (10,000) | (34,706) |
| - provision for taxation | (257) | (1,382) |
| | (10,257) | (36,088) |
| Share of other comprehensive loss | - | (479) |
| Balance as on September 30 | 1,052,124 | 1,062,381 |

| | Un-Audited September 30, 2020 | Audited June 30, 2020 |
|---|---|---|
| | (Rupees in thousand) | |

**15 Stock-in-trade**

| | | |
|---|---|---|
| Work in process - Pace Towers | 615,043 | 626,269 |
| Shops and houses | 1,472,509 | 1,473,009 |
| Pace Barka Properties Limited - Pace Circle | 710,989 | 699,140 |
| Pace Super Mall (Private) Limited | 354,600 | 354,600 |
| | 3,153,141 | 3,153,018 |
| Stores inventory | 1,161 | 1,161 |
| | 3,154,302 | 3,154,179 |

| | Note | July to September 2020 | 2019 |
|---|---|---|---|
| | | (Rupees in thousand) | |

**16. Cash generated from operations**

| | | | |
|---|---|---|---|
| Profit / (loss) before tax | | **(17,587)** | 143,517 |
| Adjustment for: | | | |
| Exchange gain on foreign currency convertible bonds | 10 | **(36,250)** | (141,556) |
| Provision for gratuity and leave encashment | | **2,493** | 2,941 |
| Depreciation on: | | | |
| - owned assets | 12 | **6,529** | 6,334 |
| - assets subject to finance lease | | **1,245** | - |
| Amortisation on intangible assets | | **127** | 113 |
| Markup waived off | | **-** | - |
| Share of profit from associate | | **10,257** | 4,267 |
| Markup income | | **(25)** | (19) |
| Finance costs | | **39,210** | 40,807 |
| Loss before working capital changes | | **5,999** | 56,404 |
| Effect on cash flow due to working capital changes: | | | |
| Increase in stock-in-trade | | **(123)** | (27,440) |
| Decrease / (increase) in trade debts | | **(30,633)** | (36,411) |
| Decrease in advances, deposits and other receivables | | **(16,578)** | (53,200) |
| Net (decrease) / increase in advances against sale of property | | **245** | (60,869) |
| Increase in creditors, accrued and other liabilities | | **37,387** | 43,350 |
| | | **(9,702)** | (134,570) |
| | | **(3,703)** | (78,166) |

## 17. Detail of subsidiaries

| | Accounting year end | Percentage of holding | Country of Incorporation |
|---|---|---|---|
| **Quarter ended September 30, 2019** | | | |
| Pace Woodlands (Private) Limited | 30-Sep-20 | 52% | Pakistan |
| Pace Gujrat (Private) Limited | 30-Sep-20 | 100% | Pakistan |
| Pace Supermall (Private) Limited | 30-Sep-20 | 57% | Pakistan |
| **Year ended June 30, 2019** | | | |
| Pace Woodlands (Private) Limited | 30-Jun-20 | 52% | Pakistan |
| Pace Gujrat (Private) Limited | 30-Jun-20 | 100% | Pakistan |
| Pace Supermall (Private) Limited | 30-Jun-20 | 57% | Pakistan |

## 18. Financial risk management

### 18.1 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.

### 18.2 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 3.

### 18.3 Fair value estimation

The fair value of investment property was determined by external, independent property valuer KG Traders, having appropriate recognized professional qualifications. The independent valuers provide the fair value of the Company’s investment property portfolio annually. Latest valuation of these assets was carried out on June 30, 2020. The level 2 fair value of freehold land has been derived using the sales comparison approach. 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.

The following is categorization of assets measured at fair value at June 30, 2020:

| | 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 | - | 137,015 | - | **137,015** |
| Buildings | - | - | 1,522,498 | **1,522,498** |
| Right to use | - | - | 85,738 | **85,738** |
| | - | 137,015 | **1,608,236** | **1,745,251** |

The following is categorization of assets measured at fair value at June 30, 2019:

| | 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 | - | - | 1,535,816 | **1,535,816** |
| | - | 132,925 | 1,535,816 | **1,668,741** |

**Valuation inputs and relationship to fair value**

The following table summarizes the quantitative and qualitative information about the significant unobservable inputs used in

| Description | Significant Unobservable inputs | Quantitative data / range and relationship to the fair value |
|---|---|---|
| Buildings | - Cost of construction of a new similar building<br>- Suitable depreciation rate to arrive at depreciated replacement value | The market value has been determined by using a depreciation 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 |

## 19. Transactions with related parties

| Relationship with the Company | Nature of transactions | Un-Audited<br>**September 30, 2020** | <br>September 30, 2019 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| i. Associate | Guarantee commission income | **309** | 309 |
| | Reantal Income - Pace Barka Properties Limited | **1,169** | 1,063 |
| | Purchase of inventory (PBPL) | **-** | - |
| ii. Others | Rental income - Media Times Limited | **-** | 3,891 |
| | Advance against Construction of Pace Towers | **5,107** | 19,309 |

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

## 20. Date of authorisation

These financial statements were authorised for issue on ___________ ,2020 by the board of directors of the Holding Company.

## 21. 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**

## PACE (PAKISTAN) LIMITED AND ITS SUBSIDIARIES
## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED SEPTEMBER 30, 2020

| | Attributable to equity holders of the parent | | | | | | Non-Controlling Interest | Total Equity |
|---|---|---|---|---|---|---|---|---|
| | | Reserves | | | | | | |
| | Share capital | Share premium Reserve | Reserve for changes in fair value of investments | Share in reserves of associate | Accumulated loss | Total | | |
| | (Rupees in thousand) | | | | | | | |
| **Balance as on June 30, 2018** | **2,788,766** | **273,265** | **-** | **14,042** | **(1,682,343)** | **1,393,730** | **87,030** | **1,480,760** |
| **Total comprehensive income for the year** | | | | | | | | |
| Profit for the year | - | - | - | - | (428,557) | (428,557) | - | (428,557) |
| Other comprehensive income / (loss) for the year: | | | | | | | | |
| Remeasurement of net defined benefit liability - net of tax | - | - | - | - | 8,433 | 8,433 | - | 8,433 |
| Changes in fair value of available for sale investments - net of tax | - | - | - | - | - | - | - | - |
| Share of other comprehensive income / reserves of associate - net of tax | - | - | - | - | - | - | - | - |
| | - | - | - | - | (420,124) | (420,124) | - | (420,124) |
| | | | - | | | - | | - |
| **Balance as on June 30, 2019** | **2,788,766** | **273,265** | **-** | **14,042** | **(2,102,467)** | **973,606** | **87,030** | **1,060,636** |
| **Total comprehensive income for the year** | | | | | | | | |
| Profit for the year | - | - | - | - | (17,168) | (17,168) | - | (17,168) |
| 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 | - | - | - | - | - | - | - | - |
| | - | - | - | - | (17,168) | (17,168) | - | (17,168) |
| **Balance as on September 30, 2019** | **2,788,766** | **273,265** | **-** | **14,042** | **(2,119,634)** | **956,439** | **87,030** | **1,043,469** |

The annexed notes from 1 to 21 form an integral part of these consolidated financial statements.

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