

PACE (PAKISTAN) LIMITED

**REVIEW OF CONDENSED INTERM UNCONSOLIDATED
FINANCIAL STATEMENTS FOR THE PERIOD ENDED**

31 DECEMBER 2018

Pace (Pakistan) Limited

Company Information

Board of Directors

Shehribano Taseer (Chairman)	Non-Executive
Aamna Taseer (CEO)	Executive
Shahbaz Ali Taseer	Executive
Rema Husain Qureshi	Non-Executive
Shabbana Atta	Non-Executive
Kanwar Latafat Ali Khan	Non-Executive
Malik Farhan Hasan	Independent

Chief Financial Officer

Amir Hafeez

Audit Committee

Malik Farhan Hasan (Chairman)
Shehribano Taseer
Rema Husain Qureshi

Human Resource and Remuneration (HR&R) Committee

Malik Farhan Hasan (Chairman)
Aamna Taseer
Kanwar Latafat Ali Khan

Company Secretary

Sajjad Ahmad

Auditors

KPMG Taseer Hadi & Co.
Chartered Accountants

Legal Advisers

M/s. Imtiaz Siddiqui & Associates

Bankers

Allied Bank Limited
Albaraka Bank (Pakistan) Limited
Askari Bank Limited
Bank Alfalah Limited
Faysal Bank Limited
Habib Bank Limited
KASB Bank Limited
MCB Bank Limited
National Bank of Pakistan
NIB Bank Limited
Silkbank Limited
Soneri Bank Limited
Pair Investment Company Limited
The Bank of Punjab
United Bank Limited

Registrar and Shares Transfer Office

Corplink (Pvt.) Limited
Wings Arcade, 1-K
Commercial Model Town, Lahore
Tele: + 92-42-5839182

Registered Office/Head Office

2nd Floor, Pace Shopping Mall
Fortress Stadium, Lahore Cantt
Lahore, Pakistan
☐ (042)-36623005/6/8
Fax: (042) 36623121, 36623122

REVIEW REPORT TO THE SHAREHOLDERS

The Directors of Pace (Pakistan) Limited (“the Company”) take pleasure in presenting to its shareholders the financial statements of the Company for the half year ended December 31, 2018.

Operating Results:

During period under review, the sales of the Company declined by 35% to arrive at Rs. 191.48 million, as compared to Rs. 292.94 million recorded last year. The decline in sale is attributable to the fact that during last year the sale of shops in various plazas showed an exceptional upsurge, which has been normalized during current period. In line with decline in sales, the cost of sales has also been dropped by 35% to clock in at Rs. 165.77 million as compared to Rs. 256.87 million same period last year. Admin and Selling expenses were declined by 19% to arrive at Rs. 57.66 million as compared to Rs. 70.95 million same period last year. Decline in admin and selling expenses is attributable to stringent cost cutting measures employed by management during the period under review. Other income of the Company decreased by Rs. 12.5 million to arrive at Rs. 17.73 million as compared to Rs. 30.31 million last year, decline being caused by decreased gain on disposal of investment property as compared to last year. Other operating expenses of the company showed a substantial increase of Rs. 217.87 million as compared to last year due to exchange loss on Foreign Currency Convertible Loan due to adverse movement of US Dollar.

As a result of aforementioned factors, the loss for the period under review increased from Rs. 160.61 million last year to Rs. 386.97 million current year, resulting in Loss Per Share (LPS) of Rs. 1.39 as compared to LPS of Rs. 0.58 in corresponding period last year.

The comparison of the financial results for the half year ended 31st Dec 2018, with corresponding period of the previous financial year is as under:

	Rupees in ‘000’	
	Jul-Dec 2018	Jul-Dec 2017
Sales	191,487	292,949
Cost of Sales	(165,770)	(256,876)
Gross Profit	25,717	36,073
Admin & Selling Expenses	(57,665)	(70,953)
Other Income	17,737	30,313
Other Operating Expenses	(310,380)	(92,507)
Finance Cost	(59,988)	(58,220)
Net profit/(loss) before tax	(384,579)	(155,294)
Net profit/(loss) after tax		
(Loss) per share (PKR)	(1.39)	(0.58)

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

February 28, 2019

Director

Director

Pace (Pakistan) Limited
Condensed Interim Unconsolidated Statement of Financial Position (Un-audited)
As at 31 December 2018

EQUITY AND LIABILITIES	Note	Unaudited	Audited	ASSETS	Note	Unaudited	Audited
		31 December 2018	30 June 2018			31 December 2018	30 June 2018
		--- (Rupees in thousand) ---				--- (Rupees in thousand) ---	
<u>Share capital and reserves</u>							
Authorized capital 600,000,000 (30 June 2018: 600,000,000) ordinary shares of Rs 10 each		<u>6,000,000</u>	<u>6,000,000</u>				
Issued, subscribed and paid up capital	5	<u>2,788,766</u>	<u>2,788,766</u>	Property, plant and equipment	12	<u>481,832</u>	<u>452,159</u>
Share premium	6	<u>273,265</u>	<u>273,265</u>	Intangible assets		<u>4,777</u>	<u>5,035</u>
Accumulated loss		<u>(1,536,258)</u>	<u>(1,149,285)</u>	Investment property		<u>1,662,942</u>	<u>1,662,942</u>
		<u>1,525,773</u>	<u>1,912,746</u>	Long term investments		<u>850,321</u>	<u>850,321</u>
				Long term advances and deposits		<u>13,619</u>	<u>13,619</u>
						<u>3,013,491</u>	<u>2,984,076</u>
<u>Non-current liabilities</u>							
Long term finances - secured	7	<u>55,709</u>	<u>54,132</u>				
Redeemable capital - secured (non-participatory)	8	<u>-</u>	<u>-</u>				
Foreign currency convertible bonds - unsecured	9	<u>-</u>	<u>-</u>				
Deferred liabilities		<u>48,029</u>	<u>44,779</u>				
		<u>103,738</u>	<u>98,911</u>				
<u>Current liabilities</u>							
Contract liability		<u>105,819</u>	<u>141,789</u>	Stock-in-trade	13	<u>2,783,251</u>	<u>1,978,489</u>
Current portion of non-current liabilities		<u>3,336,681</u>	<u>3,032,699</u>	Trade debts - unsecured		<u>453,505</u>	<u>494,581</u>
Trade and other payables	10	<u>509,610</u>	<u>544,518</u>	Advances, deposits, prepayments and other receivables		<u>336,314</u>	<u>1,208,569</u>
Accrued finance cost		<u>1,017,816</u>	<u>971,357</u>	Income tax - net		<u>11,257</u>	<u>4,317</u>
		<u>4,969,926</u>	<u>4,690,363</u>	Cash and bank balances	14	<u>1,619</u>	<u>31,988</u>
						<u>3,585,946</u>	<u>3,717,944</u>
Contingencies and commitments	11	<u>-</u>	<u>-</u>				
		<u>6,599,437</u>	<u>6,702,020</u>			<u>6,599,437</u>	<u>6,702,020</u>

The annexed notes from 1 to 26 form an integral part of these condensed interim unconsolidated financial statements.

The Chief Executive Officer is not available in Pakistan, therefore the financial statements are signed by two directors of the Company.

Lahore

Director

Director

Chief Financial Officer

Pace (Pakistan) Limited
Condensed Interim Unconsolidated Statement of Profit or Loss (Un-audited)
For the six months period ended 31 December 2018

		For the quarter ended		For the half year ended	
		31 December 2018	31 December 2017	31 December 2018	31 December 2017
	<i>Note</i>	--- (Rupees in thousand) ---		--- (Rupees in thousand) ---	
Sales		84,314	214,647	191,487	292,949
Cost of sales	15	(74,394)	(200,804)	(165,770)	(256,876)
Gross profit		9,920	13,843	25,717	36,073
Administrative and selling expenses	16	(27,572)	(43,889)	(57,665)	(70,953)
Other income	17	8,880	23,071	17,737	30,313
Other operating expenses		(264,757)	(84,974)	(310,380)	(92,507)
Loss from operations		(273,529)	(91,949)	(324,591)	(97,074)
Finance cost	18	(32,447)	(28,900)	(59,988)	(58,220)
Loss before taxation		(305,976)	(120,849)	(384,579)	(155,294)
Taxation	19	(1,054)	(4,341)	(2,394)	(5,320)
Loss for the period		(307,030)	(125,190)	(386,973)	(160,614)
Loss per share - basic and diluted		(1.10)	(0.45)	(1.39)	(0.58)

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Lahore

Director

Director

Chief Financial Officer

Pace (Pakistan) Limited

Condensed Interim Unconsolidated Statement of Comprehensive Income (Un-audited)

For the six months period ended 31 December 2018

	For the quarter ended		For the half year ended	
	31 December	31 December	31 December	31 December
	2018	2017	2018	2017
	--- (Rupees in thousand) ---		--- (Rupees in thousand) ---	
Loss for the period	(307,030)	(125,190)	(386,973)	(160,614)
Other comprehensive loss for the period				
<i>Items that will be reclassified to statement of profit or loss:</i>				
- Changes in fair value of available for sale investments	-	(127)	-	(207)
Total comprehensive loss for the period	(307,030)	(125,317)	(386,973)	(160,821)

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Lahore

Chief Executive

Director

Chief Financial Officer

Pace (Pakistan) Limited

Condensed Interim Unconsolidated Statement of Changes In Equity (Un-audited)

For the six months period ended 31 December 2018

	Capital Reserve		Revenue reserve	Total	
	Issued, subscribed and paid-up capital	Share premium	Reserve for changes in fair values of investments		Accumulated loss
----- (Rupees in thousand) -----					
As at 01 July 2017 (audited)	2,788,766	273,265	(1,230)	(617,208)	2,443,593
<u>Total comprehensive loss for the half year ended 31 December 2017</u>					
Loss after taxation	-	-	-	(160,614)	(160,614)
Other comprehensive income:					
Changes in fair value of available for sale investments	-	-	207	-	207
	-	-	207	(160,614)	(160,407)
Balance as at 31 December 2017 (un-audited)	2,788,766	273,265	(1,023)	(777,822)	2,283,186
Loss after taxation	-	-	-	(376,448)	(376,448)
Remeasurement of net defined benefit liability net of tax	-	-	-	4,985	4,985
	-	-	-	(371,463)	(371,463)
Transferred to statement of profit or loss on disposal of investment property	-	-	1,023	-	1,023
Balance as at 30 June 2018 (audited)	2,788,766	273,265	-	(1,149,285)	1,912,746
<u>Total comprehensive loss for the half year ended 31 December 2018</u>					
Loss after taxation	-	-	-	(386,973)	(386,973)
Other comprehensive loss	-	-	-	-	-
	-	-	-	(386,973)	(386,973)
Balance as at 31 December 2018 (un-audited)	2,788,766	273,265	-	(1,536,258)	1,525,773

The annexed notes from 1 to 26 form an integral part of these condensed interim unconsolidated financial statements.

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Lahore

Director

Director

Chief Financial Officer

Pace (Pakistan) Limited

Condensed Interim Unconsolidated Statement of Cash Flows (Un-audited)

For the six months period ended 31 December 2018

	31 December 2018	31 December 2017
	--- (Rupees in thousand) ---	
<u>Cash flows from operating activities</u>		
Cash generated from/(used in) operations	25,774	(109,310)
Finance costs paid	(1,005)	(70)
Gratuity and leave encashment paid	(1,768)	-
Taxes paid	(9,334)	(3,824)
Net cash generated from/(used in) operating activities	13,667	(113,204)
<u>Cash flow from investing activities</u>		
Fixed capital expenditure	(42,000)	(4,423)
Receipts from sale of investment property	-	151,740
Income on bank deposits received	636	23
Net cash (used in)/generated from investing activities	(41,364)	147,340
<u>Cash flow from financing activities</u>		
Long term loan paid during the period	(2,672)	-
Net cash used in financing activities	(2,672)	-
Net (decrease)/increase in cash and cash equivalents	(30,369)	34,136
Cash and cash equivalents - at beginning of the period	31,988	1,479
Cash and cash equivalents - at end of the period	1,619	35,615

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Lahore

Director

Director

Chief Financial Officer

Pace (Pakistan) Limited

Notes to the Condensed Interim Financial Statements (Un-audited)

For the six months period ended 31 December 2018

1 The Company and its operations

1.1 Pace (Pakistan) Limited ('the Company') is a public limited Company incorporated in Pakistan under the Companies ordinance, 1984 (now the Companies Act, 2017) and is listed on Pakistan Stock Exchange. The Company is engaged to build, acquire, manage and sell condominiums, departmental stores, shopping plazas, super markets, utility stores, housing societies, plot and other properties and to carry out commercial, industrial and other related activities in and out of Pakistan. The registered office of the Company is situated at 2nd floor Pace Mall, Fortress Stadium, Lahore. Furthermore, the Company is managing the following plazas:

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

During the period ended December 31, 2018, the Company incurred a total comprehensive loss amounting to Rs 386,973.00 million. As at the reporting date, the current liabilities of the Company have exceeded its current assets by Rs 1,383.98 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 mark-up thereon in respect of its borrowings. As a consequence, the Company has also been unable to realize 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 however, is continuously engaged with its lenders for settlements of its borrowings. During the year ended 30 June 2018 the management has settled the outstanding amount of TFCs pertaining to Askari Bank Limited against property situated at Pace Tower. Similarly, the company has also restructured the loan pertaining to Soneri Bank Limited.

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

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

- the Company will be able to settle loans against its properties; and
- the Company will be able to readily realize its receivables and inventory and be able to utilize the resultant liquidity for completion and sale of the 'Pace Tower' Project.

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

2 Basis of preparation and statement of compliance

2.1 This condensed interim unconsolidated financial statements comprise the condensed interim unconsolidated statement of financial position of the Company as at 31 December 2018 and the related condensed interim unconsolidated statement of profit or loss and other comprehensive income, condensed interim unconsolidated statement of changes in equity and condensed interim unconsolidated statement of cash flows together with the notes forming part thereof.

This condensed interim unconsolidated financial statements of the Company for the half year ended 31 December 2018 have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard 34 - "Interim Financial Reporting", issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 This condensed interim unconsolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the annual audited financial statements for the year ended 30 June 2018. Comparative condensed interim unconsolidated statement of financial position is stated from annual audited financial statements as of 30 June 2018, whereas comparatives for condensed interim unconsolidated statement of profit or loss and other comprehensive income, condensed interim unconsolidated statement of changes in equity and condensed interim unconsolidated statement of cash flows and related notes are extracted from condensed interim unconsolidated financial statements of the Company for the six months' period ended 31 December 2017.

2.3 These condensed interim unconsolidated financial statements are unaudited and being submitted to the shareholders as required under Section 237 of the Companies Act, 2017 and Code of Corporate Governance.

2.4 These condensed interim unconsolidated financial statements are presented in Pakistan Rupees which is the Company's functional currency and all financial statements presented have been rounded off to the nearest rupees, except otherwise stated.

3 Use of estimates and judgments

In preparing this condensed interim unconsolidated financial statements management has made judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgments made by the management in applying the Company's accounting policies and the key sources of estimation uncertainty are the same as those applied in the preparation of annual audited unconsolidated financial statements for the year ended 30 June 2018.

4 Statement of consistency in accounting policies

The accounting policies and the methods of computation adopted in the preparation of the condensed interim financial statements are same as those applied in the preparation of annual audited financial statements for the year ended 30 June 2018 except for the changes in accounting policies due to the first time application of IFRS 15 mentioned below:

4.1 Change in accounting policy

The Company has initially adopted IFRS 15 Revenue from Contracts with Customers (refer note 4.1.1) and IFRS 9 Financial Instruments (refer note 4.1.2) from 1 July 2018.

The changes in accounting policies are also expected to be reflected in the Company's consolidated financial statements as at and for the year ending 30 June 2019.

4.1.1 IFRS 15 Revenue from Contracts with Customers

The Company has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognized at the date of initial application (i.e. 1 January 2018). Accordingly, the statements presented for 2018 has not been restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations. Additionally, the disclosure requirements in IFRS 15 have not generally been applied to comparative statements.

Revenue from contracts with customers

Revenue is measured at fair value of the consideration received or receivable.

IFRS 15 Revenue from contracts with customers outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance found across several Standards and Interpretations within IFRSs. It establishes a new five-step model that will apply to revenue arising from contracts with customers.

The Company satisfies a performance obligation and recognizes revenue over time, if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs; or
- The Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The Company's performance does not create an asset with an alternative use to the Company and the entity has an enforceable right to payment for performance completed to date.

For performance obligations where one of the above conditions are not met, revenue is recognized at the point in time at which performance obligation is satisfied.

When the Company satisfies a performance obligation by delivering the promised goods and services, it creates a contract asset based on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognized, this gives rise to a contract liability.

Based on the management's assessment, the application of IFRS 15 has no significant impact on the condensed consolidated interim financial statements of the Company.

- 4.1.2** IFRS 9 replaced the provisions of IAS 39 'Financial Instruments: Recognition and Measurement' that relates to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting and was effective for annual periods beginning on or after 01 July 2018. The Securities and Exchange Commission of Pakistan (SECP), vide its S.R.O. 229(I)/2019 dated 14 February 2019 has deferred the applicability of IFRS 9 (Financial Instruments) for reporting period ended on 31 December 2018. IFRS 9 will now be applicable for reporting periods / year ending on or after 30 June 2019.
- 4.1.3** Other than those disclosed above in note 4.1.1 and 4.1.2, there were certain other new amendments to the approved accounting standards which became effective during the period but are considered not to be relevant or have any significant effect on the Company's operations and are, therefore, not disclosed.
- 4.2** The following amendments and interpretations of approved accounting standards will be effective for accounting periods as detailed below:

Standard or interpretation	Effective date (accounting periods beginning on or after)
- IFRIC 23 - Uncertainty over Income Tax Treatments	01 January 2019
- Amendment to IFRS 9 - Financial Instrument	01 January 2019
- IFRS 16 - Leases	01 January 2019
- Amendment to IAS 28 - Investments in associates and joint ventures - Long Term Interests in Associates and Joint Ventures	01 January 2019
- Amendment to IAS 19 - Employee benefits - Plan Amendment, Curtailment or Settlement	01 January 2019
- Amendment to IFRS 3 - Business Combinations – Definition of a Business	01 January 2020
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	01 January 2020
- Annual Improvements to IFRS Standards 2015–2017 Cycle	01 January 2019

5 Share capital

5.1 Issued, subscribed and paid up capital

	Un-audited 31 December 2018	Audited 30 June 2018	Un-audited 31 December 2018	Audited 30 June 2018
	----- Number of shares -----		--- (Rupees in thousand) ---	
Ordinary shares of Rs. 10 each fully paid in cash	201,704,516	201,704,516	2,017,045	2,017,045
Ordinary shares of Rs. 10 each issued as bonus shares	77,172,088	77,172,088	771,721	771,721
	<u>278,876,604</u>	<u>278,876,604</u>	<u>2,788,766</u>	<u>2,788,766</u>

6 Share premium

This reserve can only be utilized by the Company for the purpose specified in Section 81(2) of the Companies Act, 2017.

		Un-audited 31 December 2018	Audited 30 June 2018
7 Long term finances - secured	<i>Note</i>	--- (Rupees in thousand) ---	
Soneri Bank - demand finance		21,671	24,343
Mark up on Pak Iran Joint Investment Company	<i>7.1</i>	55,709	54,132
		<u>77,380</u>	<u>78,475</u>
<i>Less:</i>			
Current maturity presented under current liabilities		(21,671)	(24,343)
		<u>55,709</u>	<u>54,132</u>

7.1 On December 28, 2016, the Company entered into a settlement agreement with Pak Iran Joint Investment Company in which outstanding markup of Rs. 66.86 million was rescheduled and recognized under long term finances as it is payable over a period of 7 years.

	Un-audited 31 December 2018	Audited 30 June 2018
8 Redeemable capital - secured (non-participatory)	--- (Rupees in thousand) ---	
Term finance certificates	935,571	935,571
<i>Less:</i>		
Current maturity presented under current liabilities	(935,571)	(935,571)
	<u>-</u>	<u>-</u>

During the period, Pakistan Stock Exchange vide notification PSA/IN-52/18 dated September 14, 2018 placed the TFCs under defaulter segment and imposed penalties on the Company due to failure to redeem the outstanding principal amount and mark-up despite lapse of considerable time. Pakistan Stock Exchange advised the Company to rectify the default by October 15, 2018. Consequently, the Company has submitted its reply to the Pakistan Stock Exchange on September 28, 2018 whereby the Company 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 certain other covenants and accordingly has requested the Exchange to revisit the order. However the TFCs are still in the defaulter segment due to non compliance which could result in delisting of TFCs under Pakistan Stock Exchange Regulations

	Un-audited	Audited
	31 December	30 June
	2018	2018
	--- (Rupees in thousand) ---	
9 Foreign currency convertible bonds - unsecured		
Opening balance	2,054,739	1,757,713
Mark-up accrued during the period / year	10,947	19,140
	2,065,686	1,776,853
Exchange loss for the period / year	295,707	277,886
	2,361,393	2,054,739
<i>Less:</i>		
Current maturity presented under current liabilities	(2,361,393)	(2,054,739)
	-	-

10 Trade and other payables

It includes security deposits amounting to Rs. 51.09 million as a security deposits rent of shops rented out in the plazas. The Company can't utilize these and is required to kept this in separate bank account. The Company is in the process of ensuring compliance with the requirement of

11 Contingencies and commitments

11.1 Contingencies

- (i) Claims against the Company not acknowledged as debts Rs 21.64 million (30 June 2018: Rs 21.64 million).
- (ii) Corporate guarantee on behalf of Pace Barka Properties Limited, a related party, in favour of The Bank of Punjab, amounting to Rs 900.00 million (30 June 2018: Rs 900.00 million) as per the approval of shareholders through the special resolution dated July 29, 2006.
- (iii) On November 29, 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 99.89 million along with insurance premium payable amounting to Rs 88.86 million from First Capital Group shall be settled vide sale of 4.70 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 57.96 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 April 24, 2015, Shaheen Insurance Company Limited filed a suit for recovery of Rs 188.75 million in the Honourable Senior Civil Court. The case is under adjudication and the maximum exposure to the Company is of Rs 57.96 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 condensed interim unconsolidated financial statements.

- (iv) On October 17, 2018, Orix Leasing Company ('plaintiff') has filed a case in Banking Court VII against the Pace (Pakistan) Limited ('the Company'). The plaintiff had entered into a finance lease arrangement in June 2009 with the Company for three years and as per agreement the Company was required to make monthly payments. The plaintiff claimed that the Company failed to make its due payments in timely manner, in addition to that there were last six payments unpaid of additional lease rent. Consequently, the plaintiff filed a suit claiming an amount of Rs. 47.10 million on account of loss in business of the plaintiff.

Hearing is open to arguments for both petitioners before the respective Honourable Courts. 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 condensed interim unconsolidated financial statements.

11.2 Commitments

The Company has the following commitments in respect of:

- (i) Contract for purchase of properties from Pace Barka Properties Limited, amounting to Rs 123.69 million (30 June 2018: Rs 206.74 million), Capital Heights (Private) Limited, amounting to Rs. 93.20 million (30 June 2018: 149.93), Silk Bank Limited, amounting to Rs. Nil (30 June 2018: 50 million) and Evergreen Water valley (Private) Limited, amounting to Rs. 380 million (30 June 2018: Nil).
- (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
	31 December	30 June
	2018	2018
	--- (Rupees in thousand) ---	
Less than one year	9,844	9,844
Between one and five years	67,676	46,758
More than five years	664,768	695,530
	<u>742,288</u>	<u>752,132</u>

		Un-audited	Audited
		31 December	30 June
		2018	2018
		--- (Rupees in thousand) ---	
	<i>Note</i>		
12	Property, plant and equipment		
	Operating fixed assets	453,384	423,711
	Capital work in process	28,448	28,448
		<u>481,832</u>	<u>452,159</u>
	12.1 Operating fixed assets		
	Net book value at beginning of the period / year	423,711	424,807
	Additions during the period / year	42,000	22,800
	Disposals during the period / year	-	(273)
	Depreciation charged during the period / year	(12,327)	(23,623)
		<u>453,384</u>	<u>423,711</u>
13	Stock-in-trade		
	Land not under development	21,600	21,600
	<i>Work in process</i>		
	- Pace Towers	701,758	603,998
	- Pace Circle	679,016	595,966
	Completed units - shops and houses	1,379,721	755,991
		<u>2,782,095</u>	<u>1,977,555</u>
	Stores inventory	1,156	934
		<u>2,783,251</u>	<u>1,978,489</u>
14	Cash and bank balances		
	Cash-in-hand	277	203
	<i>Cash at banks</i>		
	- Current accounts	249	31,520
	- Saving accounts	1,093	265
		1,342	31,785
		<u>1,619</u>	<u>31,988</u>

14.1 This carries profit at the rates ranging from 3% to 7% (30 June 2018: 3% to 5%) per annum.

	Un-audited 31 December 2018	Un-audited 31 December 2017
	--- (Rupees in thousand) ---	
15 Cost of sales		
Shops and commercial buildings sold		
- at completion of project basis	30,240	123,783
- at percentage of completion basis	34,825	19,936
Stores operating expenses	100,705	113,157
	165,770	256,876

16 Administrative and selling expenses

This includes an amount of Rs. 0.10 million (31 December 2017: Rs. Nil) on account of penalty paid to Pakistan Stock Exchange.

17 Other income

This includes an amount of Rs. 0.64 million (31 December 2017: Rs. 0.23 million) earned on account of interest / mark-up based deposits.

	Un-audited 31 December 2018	Un-audited 31 December 2017
	--- (Rupees in thousand) ---	
18 Finance cost		
<i>Interest and mark-up on:</i>		
- Long term finances - secured	-	1,255
- Foreign currency convertible bonds - unsecured	10,947	8,696
- Redeemable capital - secured (non-participatory)	45,513	46,049
- Interest expense on unwinding of Pak Iran Loan	1,577	1,487
- Liabilities against assets subject to finance lease	946	-
	58,983	57,487
Bank charges and commission	1,005	733
	59,988	58,220

		Un-audited 31 December 2018	Un-audited 31 December 2017
	<i>Note</i>	--- (Rupees in thousand) ---	
19 Taxation			
<i>Current:</i>			
- For the period	<i>19.1</i>	2,394	5,320
- Prior years		<u>-</u>	<u>-</u>
		2,394	5,320
Deferred tax for the period		<u>-</u>	<u>-</u>
		2,394	5,320

19.1 In view of available tax losses under normal tax regime, the provision for current tax represents tax under "Minimum Tax" scheme under section 113, of Income Tax Ordinance, 2001.

		Un-audited 31 December 2018	Un-audited 31 December 2017
	<i>Note</i>	--- (Rupees in thousand) ---	
20 Cash flows from operating activities			
Loss before taxation		(384,579)	(155,294)
<i>Adjustments for non-cash items:</i>			
Depreciation on property, plant and equipment	<i>12</i>	12,327	11,638
Amortization of intangible assets		258	260
Provision for doubtful debts		35	14,362
Profit on bank deposits		(636)	(23)
Gain on sale of investment property		-	(15,822)
Finance cost		59,988	58,220
Exchange loss on foreign currency convertible bonds		295,707	92,507
Impairment of inventory at Fortress Mall		-	11,911
Provision for gratuity and leave encashment		5,018	3,922
(Loss)/profit before working capital changes		(11,882)	21,681
Effect on cash flow due to working capital changes			
<i>(Increase) / decrease in current assets:</i>			
Stock-in-trade		(247,219)	(474,780)
Trade debts		(14,422)	63,438
Advances, deposits, prepayments and other receivables		334,205	13,298
Contract liability		-	(20,972)
<i>Increase / (decrease) in current liabilities:</i>			
Trade and other payables		(34,908)	288,025
		37,656	(130,991)
Cash generated from/(used in) operations		25,774	(109,310)

21 Related party transactions and balances

The related parties comprise of associated companies, directors of the Company and entities under common directorship, key management personnel and close family members of directors and other key management personnel and post employment retirement plan. Significant transactions and balances with related parties are as follows:

Relationship with the Company	Nature of transactions	Un-audited	Un-audited
		31 December	31 December
		2018	2017
		--- (Rupees in thousand) ---	
i. Associate	Guarantee commission income	619	619
	Receipts against Pace circle sales	-	10,701
	Shared expense charged by the company	1,224	413
ii. Others	Purchase of goods & services	60	1,418
	Purchase of property, plant and equipment	42,000	-
	Payment made on account of construction at pace tower	44,902	52,785
	Rental income	7,074	7,088
	Share of common expenses charged from related companies	-	20
	Funds Received against sale of property	399,100	-
	Advance against purchase of property	50,000	-
iii. Directors and key management personnel	Salaries and other employee benefit	8,652	9,721
iv. Post employment benefit plan	Post retirement benefits	5,018	5,639
		Un-audited	Audited
		31 December	30 June
		2018	2018
		--- (Rupees in thousand) ---	
Period end balances			
	Contract liability	64,868	100,838
	Receivable from related parties	18,444	8,314
	Advance to related parties	52,935	453,075
	Payable to related parties	2,544	1,157

Note: All transactions with related parties have been carried out on mutually agreed terms and condition.

The names of related parties with whom the Company has entered into transactions, had agreements / arrangements in place or had relationship are disclosed as follows:

21.1	Sr #	Name of the Related Parties	Nature of Relationship	% of shareholding
	1	Pace Gujrat (Private) Limited	Subsidiary Company	100.00%
	2	Pace Super Mall (Private) Limited	Subsidiary Company	57.00%
	3	Pace Woodlands (Private) Limited	Subsidiary Company	52.00%
	4	Pace Barka Properties Limited	Associated Company	24.90%
	5	First Capital Securities Corporation Limited	Common Directorship	N/A
	6	First Capital Investment Limited	Common Directorship	N/A
	7	World Press (Private) Limited	Common Directorship	N/A
	8	Ever Green Water Valley (Private) Limited	Common Directorship	N/A
	9	First Construction Limited	Common Directorship	N/A
	10	First Capital Equities Limited	Common Directorship	N/A
	11	Media Times Limited	Common Directorship	N/A
	12	First Aviation (Private) Limited	Common Directorship	N/A
	13	Lanka Securities (Private) Limited (Incorporated in Sri Lanka)	Common Directorship	N/A
	14	Commercial Properties Modarba Management (Private) Limited	Common Directorship	N/A
	15	MGT (Private) Limited	Common Directorship	N/A
	16	Mileage (Private) Limited	Common Directorship	N/A
	17	Envy (Private) Limited	Common Directorship	N/A
	18	Imaging One (Private) Limited	Common Directorship	N/A

22 Fair value measurement of financial instruments

The following table shows the carrying amounts and fair values of financial instruments and non-financial instruments including their levels in the fair value hierarchy:

	31 December 2018 (Un-audited)					
	Carrying amount		Fair value			
	Loans and receivables	Financial liabilities at amortized cost	Total	Level 1	Level 2	Level 3
	----- Rupees -----					
Financial instruments						
30 June 2018						
<u>Financial assets not measured at fair value</u>						
Long term advances and deposits	13,619	-	13,619	-	-	-
Trade debts - unsecured	453,505	-	453,505	-	-	-
Advances, deposits, prepayments and other receivables	200,149	-	200,149	-	-	-
Cash and bank balances	1,342	-	1,342	-	-	-
22.2	668,615	-	668,615	-	-	-
<u>Financial liabilities not measured at fair value</u>						
Long term finances - secured	.	77,380	77,380	.	.	.
Redeemable capital - secured (non-participatory)	.	935,571	935,571	.	.	.
Liabilities against assets subject to finance lease	.	18,046	18,046	.	.	.
Foreign currency convertible bonds - unsecured	.	2,361,393	2,361,393	.	.	.
Trade and other payables	.	509,610	509,610	.	.	.
Accrued finance cost	.	1,017,816	1,017,816	.	.	.
22.2	.	4,919,816	4,919,816	.	.	.

23 Reconciliation of movement of liabilities to cash flows arising from financing activities

	31 December 2018 (Un-audited)						
	Equity		Liabilities				
	Issued, subscribed and paid-up capital	Share premium	Long term finances - secured	Redeemable capital - secured (non- participatory)	Liabilities against assets subject to finance lease	Foreign currency convertible bonds -	Accrued finance cost
	----- (Rupees) -----						
Balance as at 01 July 2018	2,788,766	273,265	78,475	935,571	18,046	2,054,739	971,357
<u>Cash flows</u>							
Long term loan paid during the period	-	-	(2,672)	-	-	-	-
Total changes from financing cash flows	-	-	(2,672)	-	-	-	-
<u>Non-cash changes</u>							
Exchange loss	-	-	-	-	-	295,707	-
Finance cost/unwinding of interest expense	-	-	1,577	-	-	10,947	46,459
Total non-cash changes	-	-	1,577	-	-	306,654	46,459
Closing as at 31 December 2018	2,788,766	273,265	77,380	935,571	18,046	2,361,393	1,017,816

24 Financial risk management

The Company's financial risk management objective and policies are consistent with that disclosed in the annual audited financial statements of the Company for the year ended 30 June 2018.

25 Date of authorization

These condensed unconsolidated interim financial statements has been approved by the Board of Directors of the Company and authorized for issue on 28 Feburary 2019.

26 General

Corresponding figures have been re-arrangedand re-classified, where necessary, for the purpose of comparison and better presentation as per reporting framework.

The Chief Executive Officer is not available in Pakistan, therefore the financial statements are signed by two directors of the Company.

Lahore

Director

Director

Chief Financial Officer

PACE (PAKISTAN) GROUP
CONSOLIDATED CONDENSED INTERIM BALANCE SHEET (UN-AUDITED) AS AT DECEMBER 31, 2018

	Note	December 31, 2018		June 30, 2018		Note	December 31, 2018		June 30, 2018		
		Un-audited		Audited			Un-audited		Audited		
		(Rupees in thousand)						(Rupees in thousand)			
EQUITY AND LIABILITIES						ASSETS					
SHARE CAPITAL AND RESERVES						NON-CURRENT ASSETS					
Authorised capital 600,000,000 (June 30, 2015: 600,000,000) ordinary shares of Rs 10 each		6,000,000	6,000,000					481,832	452,159		
Issued, subscribed and paid up capital 278,876,604 (June 30, 2015: 278,876,604) ordinary shares of Rs 10 each		2,788,766	2,788,766					4,777	5,035		
Reserves		288,066	287,307					1,662,942	1,662,942		
Accumulated loss		(1,165,800)	(742,390)					1,110,014	1,126,446		
		1,911,032	2,333,683					14,250	14,250		
NON-CONTROLLING INTEREST		87,224	87,224					-	-		
		1,998,256	2,420,907					3,273,815	3,260,832		
NON-CURRENT LIABILITIES											
Long term finances - secured	6	55,709	54,132								
Redeemable capital - secured (non-participatory)	7	-	-								
Liabilities against assets subject to finance lease		-	-								
Foreign currency convertible bonds - unsecured	8	-	-								
Deferred liabilities		48,030	44,779								
Deferred Taxation		84,426	65,180								
		188,165	164,091								
CURRENT LIABILITIES						CURRENT ASSETS					
Contract Liability		106,819	142,789					3,116,251	2,311,489		
Current portion of long term liabilities		3,336,681	3,032,699					453,807	494,883		
Creditors, accrued and other liabilities	9	546,510	581,418					337,385	1,209,640		
Accrued finance cost		1,017,815	971,357					11,257	4,317		
		5,007,825	4,728,263					1,731	32,100		
								3,920,431	4,052,429		
CONTINGENCIES AND COMMITMENTS											
	10	-	-								
		7,194,246	7,313,261								
		7,194,246	7,313,261								

The annexed notes 1 to 24 form an integral part of this condensed interim financial information.

Director

Chief Financial Officer

Director

The Chief Executive Officer is not available in Pakistan, therefore the financial statements are signed by two directors of the Group.

PACE (PAKISTAN) GROUP

**CONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-A
FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2018**

	Note	Quarter ended		Half year ended	
		December 31,	December 31,	December 31,	December 31,
		2018	2017	2018	2017
		Un-audited	Un-audited	Un-audited	Un-audited
(Rupees in thousand)					
Sales		84,314	214,647	191,487	292,949
Cost of sales	14	(74,394)	(201,076)	(165,770)	(257,148)
Gross Profit		9,920	13,571	25,717	35,801
Administrative and selling expenses		(27,572)	(43,701)	(57,665)	(70,770)
Other income	15	8,880	23,070	17,737	30,313
Other operating expenses		(264,757)	(84,974)	(310,380)	(92,507)
Finance costs	16	(32,448)	(30,388)	(59,988)	(58,221)
Share of profit / (loss) for associate - net of tax		(9,948)	25,612	(17,191)	23,104
Loss before tax		(315,925)	(96,810)	(401,770)	(132,280)
Taxation		(20,558)	(8,189)	(21,640)	(9,545)
Loss for the period		(336,483)	(104,999)	(423,410)	(141,825)
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		-	(127)	-	(207)
Total comprehensive profit / (loss) for the period		(336,483)	(105,126)	(423,410)	(142,032)
Attributable to:					
Equity holders of the parent		(336,483)	(105,124)	(423,410)	(142,030)
Non-controlling interest		-	(2)	-	(2)
		(336,483)	(105,126)	(423,410)	(142,032)
Loss per share attributable to ordinary shareholders					
- basic		(1.21)	(0.38)	(1.52)	(0.51)

The annexed notes 1 to 24 form an integral part of this condensed interim financial information.

Director

Chief Financial Officer

Director

The Chief Executive Officer is not available in Pakistan, therefore the financial statements are signed by two directors of

PACE (PAKISTAN) GROUP

COSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDIT) FOR THE HALF YEAR ENDED DECEMBER 31, 2018

	Note	Half year ended	
		December 31, 2018	December 31, 2017
		Un-audited	Un-audited
		(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from operations	17	25,774	(109,310)
Gratuity and leave encashment paid		(1,768)	-
Finance cost paid		(1,005)	(70)
Taxes paid		(9,334)	(3,824)
Net cash generated from operating activities		13,667	(113,204)
Cash flows from investing activities			
Purchase of property, plant and equipment		(42,000)	(4,423)
Receipts of sale of investment property		-	151,740
Markup received		636	23
Net cash used in investing activities		(41,364)	147,340
Cash flows from financing activities			
Long term loan paid during the period		(2,672)	-
Net (decrease) / increase in cash and cash equivalents		(30,369)	34,136
Cash and cash equivalents at beginning of the period		32,100	1,578
Cash and cash equivalents at the end of the period		1,731	35,714

The annexed notes 1 to 24 form an integral part of this condensed interim financial information.

Director

Chief Financial Officer

Director

The Chief Executive Officer is not available in Pakistan, therefore the financial statements are signed by two directors of

PACE (PAKISTAN) GROUP

STATEMENTS AND FORMING PART OF THE CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2018 (UN-AUDITED)

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, supermarkets, 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.

Activities of the Group

The object of the Groups 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.

Going concern assumption

As at the reporting date, the current liabilities of the Group have exceeded its current assets by Rs 1,082.394 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 mark-up thereon in respect of its borrowings. As a consequence, the Group has also been unable to realize its existing receivables from customers and is facing difficulties in sale of its inventory, being encumbered against its borrowings. These conditions raise significant doubt on the Group's ability to continue as a going concern.

The management of the Group however, is continuously engaged with its lenders for settlements of its borrowings.

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

- Relaxation in payment terms of principal outstanding and over due mark-up;

- Settlement of principal amounts against properties of the Group; and
- Waiver of overdue markup;

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

The condensed interim financial information has been prepared on a going concern basis based on the management's expectations that:

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

The condensed interim financial information consequently, does not include any adjustment relating to the realization of its assets and liquidation of liabilities that might be necessary should the Group be unable to continue as a going concern.

2 Statement of compliance

This condensed interim financial information has been prepared in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. As per the requirements of circular No. CLD/CCD/PR(11)/2017 dated July 20, 2017 and circular No. 23 of 2017 dated October 04, 2017 issued by the Securities & Exchange Commission of Pakistan (SECP), the group has prepared this condensed interim financial information in accordance with the provisions of the repealed Companies Ordinance, 1984 (the Ordinance). Accordingly, approved accounting standards for interim financial reporting comprise of International Accounting Standards 34, 'Interim Financial Reporting' and provisions of and directives issued under the Ordinance. In case requirements differ, the provisions of or directives issued under the Ordinance prevail.

3 Statement of consistency in accounting policies

The accounting policies and the methods of computation adopted in the preparation of the condensed interim financial statements are same as those applied in the preparation of annual audited financial statements for the year ended 30 June 2018 except for the changes in accounting policies due to the first time application of IFRS 15 mentioned below:

The accounting policies and the methods of computation adopted in the preparation of the condensed interim financial statements are same as those applied in the preparation of annual audited financial statements for the year ended 30 June 2018 except for the changes in accounting policies due to the first time application of IFRS 15 mentioned below:

3.1 Change in accounting policy

The group has initially adopted IFRS 15 Revenue from Contracts with Customers (refer note 4.1.1) and IFRS 9 Financial Instruments (refer note 4.1.2) from 1 July 2018.

The changes in accounting policies are also expected to be reflected in the group's consolidated financial statements as at and for the year ending 30 June 2019.

3.2 IFRS 15 Revenue from Contracts with Customers

The group has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognized at the date of initial application (i.e. 1 January 2018). Accordingly, the statements presented for 2018 has not been restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations. Additionally, the disclosure requirements in IFRS 15 have not generally been applied to comparative statements.

Revenue from contracts with customers

Revenue is measured at fair value of the consideration received or receivable.

IFRS 15 Revenue from contracts with customers outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance found across several Standards and Interpretations within IFRSs. It establishes a new five-step model that will apply to revenue arising from contracts with customers.

- Step 1 Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
- Step 2 Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer good or service to the customer.
- Step 3 Determine the transaction price: The transaction price is the amount of consideration to which the group expects to be entitled in exchange for transferring promised goods to a customer, excluding amounts collected on behalf of third parties.
- Step 4 Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the group expects to be entitled in exchange for
- Step 5 Recognize revenue when (or as) the entity satisfies a performance obligation.

The group satisfies a performance obligation and recognizes revenue over time, if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the group's performance as the group performs; or
- The group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The group's performance does not create an asset with an alternative use to the group and the entity has an enforceable right to payment for performance completed to date.

For performance obligations where one of the above conditions are not met, revenue is recognized at the point in time at which performance obligation is satisfied.

When the group satisfies a performance obligation by delivering the promised goods and services, it creates a contract asset based on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognized, this gives rise to a contract liability.

The group has elected to apply the input method. The group considers that the use of input method, which requires revenue recognition on the basis of the group's efforts to the satisfaction of the performance obligation, provides the best reference to revenue actually earned. In applying the input method the group estimates the cost to complete the projects in order to determine the amount of revenue to be recognized. These estimates include the cost of providing infrastructure, potential claims by contractors and the cost of meeting other contractual obligations to the customers.

Based on the management's assessment, the application of IFRS 15 has no significant impact on the condensed consolidated interim financial statements of the group.

3.3 IFRS 9 replaced the provisions of IAS 39 'Financial Instruments: Recognition and Measurement' that relates to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting and was effective for annual periods beginning on or after 01 July 2018. The Securities and Exchange Commission of Pakistan (SECP), vide its S.R.O. 229(I)/2019 dated 14 February 2019 has deferred the applicability of IFRS 9 (Financial Instruments) for reporting period ended on 31 December 2018. IFRS 9 will now be applicable reporting periods / year ending on or after 30 June 2019.

3.4 Other than those disclosed above in note 3.2 and 3.3, there were certain other new amendments to the approved accounting standards which became effective during the period but are considered not to be relevant or have any significant effect on the group's operations and are, therefore, not disclosed.

3.5 The following amendments and interpretations of approved accounting standards will be effective for accounting periods as detailed below:

Standard or interpretation	Effective date
- Amendment to IFRS 9 - Financial Instrument	01 January 2019
- IFRS 16 - Leases	01 January 2019
- Amendment to IAS 28 - Investments in associates and joint ventures - Long Term Interests in Associates and Joint Ventures	01 January 2019
- Amendment to IAS 19 - Employee benefits - Plan Amendment, Curtailment or Settlement	01 January 2019
- Amendment to IFRS 3 - Business Combinations – Definition of a Business	01 January
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting	01 January
- Annual Improvements to IFRS Standards 2015–2017 Cycle	01 January 2019

4 Taxation

The provision for taxation for the quarter ended and half year ended December 31, 2018 has been recognized based on minimum tax.

5 Use of estimates and judgments

In preparing this condensed interim unconsolidated financial statements management has made judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

	Note	Un-audited December 31, 2018	Audited June 30, 2018
(Rupees in thousand)			
6 Long term finances - secured			
Soneri Bank Demand Finance		27,422	24,343
Markup on Pak Iran Loan	6.1	<u>52,555</u>	<u>54,132</u>
		79,977	78,475
Less: Current portion shown under current liabilities		(27,422)	(24,343)

<u>52,555</u>	<u>54,132</u>
---------------	---------------

- 6.1 On December 28, 2016, the group entered into a settlement agreement with Pak Iran Joint Investment group in which outstanding markup of Rs. 66.86 million was rescheduled and recognized under long term finances as it is payable over a period of 7 years.

Un-audited Audited
December 31, June 30,
2018 2018
(Rupees in thousand)

7 Redeemable capital - secured (non-participatory)

	935,571	935,571
Term Finance certificates		
Less: Current portion shown under current liabilities - note 7.1	(935,571)	(935,571)
	-	-

7.1 During the period, Pakistan Stock Exchange vide notification PSX/N-5278 dated September 4, 2018 placed the TFCs under defaulter segment and imposed penalties on the group due to failure to redeem the outstanding principal amount and mark-up despite lapse of considerable time. Pakistan Stock Exchange advised the group to rectify the default by October 15, 2018. Consequently, the group has submitted its reply to the Pakistan Stock Exchange on September 28, 2018 whereby the group 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 certain other covenants and accordingly has requested the Exchange to revisit the order. However the TFCs are still in the defaulter segment due to non compliance which could result in delisting of TFCs under Pakistan Stock Exchange Regulations.

Un-audited Audited
December 31, June 30,
2018 2018
(Rupees in thousand)

8. Foreign currency convertible bonds - unsecured

Opening balance	2,054,739	1,757,713
Markup accrued for the period / year	10,947	19,140
	2,065,686	1,776,853
Exchange loss for the period / year	295,707	277,886
	2,361,393	2,054,739
Less: Current portion shown under current liabilities	(2,361,393)	(2,054,739)
	-	-

9 Trade and other payables

It includes security deposits amounting to Rs. 51.09 million as a security deposits rent of shops rented out in the plazas. The group can't utilize these and is required to kept this in separate bank account. The group is in the process of ensuring compliance with the requirement of Companies Act, 2017.

10 Contingencies and commitments

10.1 Contingencies

- (i) Claims against the group not acknowledged as debts Rs 21.64 million (30 June 2018: Rs 21.64 million)
- (ii) Corporate guarantee on behalf of Pace Barka Properties Limited, a related party, in favour of The Bank of Punjab, amounting to Rs 900.00 million (30 June 2018: Rs 900.00 million) as per the approval of shareholders through the special resolution dated July 29, 2006.
- (iii) On November 29, 2012, Shaheen Insurance group 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 99.89 million along with insurance premium payable amounting to Rs 88.86 million from First Capital Group shall be settled vide sale of 4.70 million shares of First Capital Equities Limited to Shaheen Insurance group Limited at a price of Rs 40. Included in the insurance payable is Rs 57.96 million pertaining to Pace (Pakistan) Limited. It was agreed that Shaheen Insurance group 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

On April 24, 2015, Shaheen Insurance group Limited filed a suit for recovery of Rs 188.75 million in the Honourable Senior Civil Court. The case is under adjudication and the maximum exposure to the group is of Rs 57.96 million. As per legal advisors of the group there are meritorious grounds to defend the group's claim and consequently no provision has been made in these condensed interim unconsolidated financial statements.

(iv) On October 17, 2018, Orix Leasing group ('plaintiff') has filed a case in Banking Court VII against the Pace (Pakistan) Limited ('the group'). The plaintiff had entered into a finance lease arrangement in June 2009 with the group for three years and as per agreement the group was required to make monthly payments. The plaintiff claimed that the group failed to make its due payments in timely manner, in addition to that there were last six payments unpaid of additional lease rent. Consequently, the plaintiff filed a suit claiming an amount of Rs. 47.10 million on account of loss in business of the plaintiff.

Hearing is open to arguments for both petitioners before the respective Honourable Courts. As per legal advisors of the group there are meritorious grounds to defend the group's claim and consequently no provision has been made in these condensed interim unconsolidated financial statements.

10.2 Commitments

The group has the following commitments in respect of:

- (i) Contract for purchase of properties from Pace Barka Properties Limited, amounting
- (ii) The amount of future payments under operating leases and the period in which these payments will become due are as follows:

	Un-audited 31 December 2018	Audited 30 June 2018
	--- (Rupees in thousand) ---	
Less than one year	9,844	9,844
Between one and five years	67,676	46,758
More than five years	664,768	695,530
	<u>742,288</u>	<u>752,132</u>

11. Property, plant and equipment

Operating fixed assets	- note 11.1	453,384	423,711
Capital work-in-progress		<u>28,448</u>	<u>28,448</u>
		<u>481,832</u>	<u>452,159</u>

11.1 Operating fixed assets

Operating fixed assets - at net book value			
- owned assets		453,384	423,711
- assets subject to finance lease		-	-
	- note 10.1.1	<u>453,384</u>	<u>423,711</u>

10.1.1 Operating fixed assets - at net book value

Opening book value		423,711	424,807
Add: Additions during the period/ year		42,000	22,800
Less: Disposals during the period/ year		-	(273)
Less: Depreciation for the period/ year		<u>(12,327)</u>	<u>(23,623)</u>

	(12,327)	(23,896)
Closing book value	<u>453,384</u>	<u>423,711</u>

	Un-audited	Audited
	December 31,	June 30,
	2018	2018
	(Rupees in thousand)	
12. Long term investments		
Associate - unquoted (accounted for under equity method)		
Pace Barka Properties Limited		
75,875,000 (2016: 75,875,000) fully paid		
ordinary shares of Rs 10 each		
Equity held 24.9% (2016: 24.9%)	12.1 1,110,014	1,126,446
	<u>1,110,014</u>	<u>1,126,446</u>

12.1 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>
	<u>1,126,446</u>	<u>1,113,572</u>
Share of movement in reserves during the year	759	54
Share of loss for the year		
- before taxation	(18,321)	27,113
- provision for taxation	1,130	(14,293)
	<u>(17,191)</u>	<u>12,820</u>
Balance as on June 30	<u>1,110,014</u>	<u>1,126,446</u>

	Un-audited	Audited
	December 31,	June 30,
	2018	2018
	(Rupees in thousand)	

13 Stock-in-trade

Work in process - Pace Towers	885,793	603,998
Pace Barka Properties Limited - Pace Circle	679,016	595,966
Pace Super Mall (Private) Limited	170,565	354,600
Shops and houses	<u>1,379,721</u>	<u>755,991</u>
	3,115,095	2,310,555
Stores inventory	<u>1,156</u>	<u>934</u>
	<u>3,116,251</u>	<u>2,311,489</u>

	Un-audited	Un-audited
	31 December	31 December
	2018	2017
	Rupees	Rupees

14 Cost of sales

Shops and commercial buildings sold		
- at completion of project basis	30,240	123,783
- at percentage of completion basis	34,825	20,208
	<u>100,705</u>	<u>113,157</u>
Stores operating expenses	<u>165,770</u>	<u>257,148</u>

15 Other income

This includes an amount of Rs. 0.64 million (31 December 2017: Rs. 0.23 million) earned on account of interest / mark-up based deposits.

Half year ended	
December 31, December 31,	
2018	2017
Un-audited	Un-audited

(Rupees in thousand)

16 Finance costs

Markup on

- Long term finances - secured	-	1,255
- Foreign currency convertible bonds - unsecured	10,947	8,696
- Redeemable capital - secured (non-participatory)	45,513	46,049
- Short term finance - secured		
- Interest expense on unwinding of pak iran loan	1,488	1,488
- Liabilities against assets subject to finance lease	946	-
	<u>58,894</u>	<u>57,488</u>

Bank charges and processing fee

	1,005	733
	<u>59,899</u>	<u>58,221</u>

Half year ended	
December 31, December 31,	
2018	2017
Un-audited	Un-audited

(Rupees in thousand)

17 Cash generated from operations

Profit/(loss) before tax		(401,770)	(132,280)
Adjustments for:			
- Depreciation on property, plant and equipment	- note 11.1	12,327	11,638
- Amortisation on intangible assets		258	260
- Provision for doubtful debts		35	14,362
- Share of Loss / profit of associate		17,191	(23,104)
- Markup income		(636)	(23)
- Gain on settlements of loans	- note 15		
- Gain on sale of investment property		-	(15,822)
- Finance costs		59,988	58,220
- Exchange loss on foreign currency convertible bonds	- note 8	295,707	92,507
- Impairment of inventory at Fortress Mall		-	11,911
- Provision for gratuity and leave encashment		5,018	3,922
Loss before working capital changes		<u>(11,882)</u>	<u>21,591</u>
Effect on cash flow due to working capital changes			
- Decrease/(Increase) in stock-in-trade		(247,219)	(474,690)
- (Increase)/Decrease in trade debts		(14,422)	63,438
- Decrease/(Increase) in advances, deposits prepayments and other receivables		334,205	13,298

- Increase/ (Decrease) in advances against sale of property	-	(20,972)
- (Decrease)/ Increase in creditors, accrued and other liabilities	(34,908)	288,025
	37,656	(130,901)
	<u>25,774</u>	<u>(109,310)</u>

18 Cash and Cash Equivalents

Short term finance - secured	- note 9	-	-
Cash and bank balances		1,731	35,714
		<u>1,731</u>	<u>35,714</u>

Half year ended	
December 31, 2018	December 31, 2017
Un-audited	Un-audited
(Rupees in thousand)	

19 Transactions with related parties

Relationship with the Company	Nature of transaction		
i. Associate	Guarantee commission income	619	619
	Shared expenses charged by the	1,224	413
	Receipt against Pace circle sales	-	10,701
ii. Others	Purchase of goods & services	60	1,418
	Rental income	7,074	7,088
	Purchase of property, plant and	42,000	-
	Advance received for the sale of	8,065	8,065
	Shared expenses charged by the	1,224	1,418
	Payment made on account of	44,902	52,875
	Funds Received against Sale of	399,100	-
Advancce against Purchase of	50,000	-	
iii. Directors and key management personnel	Salaries and other employee	8,652	9,721
iv. Post employment benefit plan	Expense charged in respect of	5,018	5,639

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

Un-audited	Audited
December 31, 2018	June 30, 2018
(Rupees in thousand)	

Period end balances

Contract Liability	64868	100838
Receivable from related parties	18,444	8,314
Payable to related parties	2,544	1,157
Advances to related parties	52,935	453,075

24 Date of authorisation for issue

This condensed interim financial information was authorised for issue on February 28, 2019 by the Board of Directors of the Group.

Chief Executive

Chief Financial Officer

Director

The Chief Executive Officer is not available in Pakistan, therefore the financial statements are signed by two directors of

PACE (PAKISTAN) GROUP
CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2018

	Attributable to equity holders of the parent					Non-Controlling Interest	Total Equity	
	Share capital	Share premium Reserve	Reserves Reserve for changes in fair value of investments	Share in reserves of associate	Accumulated loss			Total
	(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
	-	-	1,023	54	(516,679)	(516,625)	(87)	(516,712)
						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	-	-	-	-	(423,410)	(423,410)	-	(423,410)
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	-	-	-	759	-	759	-	759
	-	-	-	759	(423,410)	(422,651)	-	(422,651)
Balance as on December 31, 2018	2,788,766	273,265	-	14,801	(1,165,800)	1,911,032	87,224	1,998,256

The annexed notes from 1 to 25 form an integral part of these consolidated financial statements.

Director

Chief Financial Officer

Director

The Chief Executive Officer is not available in Pakistan, therefore the financial statements are signed by two directors of the Group.

20 Fair value measurement of financial instruments

The following table shows the carrying amounts and fair values of financial instruments and non-financial instruments including their levels in

31 December 2018 (Un-audited)						
Carrying amount			Fair value			
Loans and receivables	Financial liabilities at amortized cost	Total	Level 1	Level 2	Level 3	
<i>Note</i>			----- Rupees -----			
Financial instruments						
<u>30 June 2018</u>						
<u>Financial assets not measured at fair value</u>						
Long term advances and deposits	14,250	-	14,250	-	-	-
Trade debts - unsecured	453,807	-	453,807	-	-	-
Advances, deposits, prepayments and other receivables	337,385	-	337,385	-	-	-
Cash and bank balances	1,731	-	1,731	-	-	-
20.1	807,173	-	807,173	-	-	-
<u>Financial liabilities not measured at fair value</u>						
Long term finances - secured	-	77,380	77,380	-	-	-
Redeemable capital - secured (non-participatory)	-	935,571	935,571	-	-	-
Liabilities against assets subject to finance lease	-	18,046	18,046	-	-	-
Foreign currency convertible bonds - unsecured	-	2,361,393	2,361,393	-	-	-
Trade and other payables	-	546,510	546,510	-	-	-
Accrued finance cost	-	1,017,815	1,017,815	-	-	-
20.2	-	4,956,715	4,956,715	-	-	-

21.1 Fair value measurement of financial instruments

		30 June 2018 (Audited)					
		Carrying amount		Fair value			
	Note	Loans and receivables	Financial liabilities at amortized cost	Total	Level 1	Level 2	Level 3
----- Rupees -----							
Financial instruments							
<u>30 June 2018</u>							
<u>Financial assets not measured at fair value</u>							
Long term advances and deposits		14,250	-	14,250	-	-	-
Trade debts - unsecured		494,883	-	494,883	-	-	-
Advances, deposits, prepayments and other receivables		1,209,640	-	1,209,640	-	-	-
Cash and bank balances		32,100	-	32,100	-	-	-
	21.2	<u>1,750,873</u>	<u>-</u>	<u>1,750,873</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Financial liabilities not measured at fair value</u>							
Long term finances - secured		-	54,132	54,132	-	-	-
Redeemable capital - secured (non-participatory)		-	935,571	935,571	-	-	-
Liabilities against assets subject to finance lease		-	18,046	18,046	-	-	-
Foreign currency convertible bonds - unsecured		-	2,054,739	2,054,739	-	-	-
Trade and other payables		-	581,418	581,418	-	-	-
Accrued finance cost		-	971,357	971,357	-	-	-
	21.2	<u>-</u>	<u>4,615,263</u>	<u>4,615,263</u>	<u>-</u>	<u>-</u>	<u>-</u>

21.2 The Company has not disclosed the fair values of these financial assets and liabilities as these are for short term or repriced over short term. Therefore, their carrying amounts are reasonable approximation of fair value.

22 Reconciliation of movement of liabilities to cash flows arising from financing activities

	31 December 2018 (Un-audited)						
	Equity		Long term finances - secured	Redeemable capital - secured (non- participatory)	Liabilities against assets subject to finance lease	Foreign currency convertible bonds - unsecured	Accrued finance cost
Issued, subscribed and paid-up capital	Share premium	(Rupees)					
Balance as at 01 July 2018	2,788,766	287,307	78,475	935,571	18,046	2,054,739	971,357
<u>Cash flows</u>							
Long term loan paid during the period	-	-	(2,672)	-	-	-	-
Total changes from financing cash f	-	-	(2,672)	-	-	-	-
<u>Non-cash changes</u>							
Exchange loss	-	-	-	-	-	295,707	-
Finance cost/unwinding of interest expen	-	-	1,577	-	-	10,947	46,459
Total non-cash changes	-	-	1,577	-	-	306,654	46,459
Closing as at 31 December 2018	2,788,766	287,307	77,380	935,571	18,046	2,361,393	1,017,816

23 Segment information
(Rupees in thousand)

	Real estate sales				Investment Properties				Others				Total			
	Quarter ended		Six month ended		Quarter ended		Six month ended		Quarter ended		Six month ended		Quarter ended		Six month ended	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Segment revenue	35,845	202,274	68,045	264,094	12,199	7,604	19,352	16,596	36,270	4,769	104,090	12,286	84,314	214,647	191,487	292,976
Segment expenses																
- Cost of sales	(28,666)	(182,584)	(58,906)	(229,121)	(11,107)	(11,364)	(16,753)	(16,094)	(36,581)	(7,127)	(90,111)	(11,934)	(76,354)	(201,075)	(165,770)	(257,148)
Gross (loss) / profit	7,179	19,690	9,139	34,973	1,092	(3,760)	2,599	502	(311)	(2,358)	13,979	352	7,960	13,572	25,717	35,828
Segment results	7,179	19,690	9,139	34,973	1,092	(3,760)	2,599	502	(311)	(2,358)	13,979	352	7,960	13,572	25,717	35,828
Administrative and selling expenses													(27,572)	(43,701)	(57,665)	(70,770)
Other operating income													8,880	23,070	17,737	30,313
Finance costs													(32,448)	(30,388)	(59,988)	(58,221)
Other operating expenses													(264,757)	(84,974)	(310,380)	(92,507)
Share of Profit of associates													(9,948)	25,612	(17,191)	23,104
Profit/Loss before tax													(325,845)	(110,381)	(427,487)	(168,081)
Taxation																
- Group													(20,558)	(8,189)	(21,640)	(9,545)
Profit/Loss for the period													(338,444)	(104,998)	(423,410)	(141,798)

24 Date of authorisation for issue

This condensed interim financial information was authorised for issue on February 28, 2019 by the Board of Directors of the Group.

Chief Executive

Chief Financial Officer

Director

The Chief Executive Officer is not available in Pakistan, therefore the financial statements are signed by two directors of