

PACE (PAKISTAN) LIMITED

**CONDENSED INTERIM
FINANCIAL INFORMATION**

(UN-AUDITED)

**FOR THE HALF YEAR ENDED
DECEMBER 31, 2017**

PACE (PAKISTAN) LIMITED

VISION

Our vision is to build a future wherein the Pace Group is a household name across the country and is known worldwide for development and marketing of a fine living as well as shopping environment with highest quality and unmatched value-for-money.

OUR PRINCIPALS

We are a Real Estate Development Company committed to achieving the highest industry standards and personal integrity in dealing with our customers, clients, professionals, employees, and the communities we work in.

MISSION STATEMENT

Formed in 1992, Pace Pakistan's Principal mandate is to acquire, develop, sale and manage real estate assets located in major urban environments where real estate demands have increased sharply due to lifestyle changes.

This increased demand together with the real estate expertise from Pace defines the vision and the road map for the Company's future. Pace has and will continue to pursue residential, commercial and mixed-use transactions based on these principles with always an eye on strong community relations and integrity.

PACE (PAKISTAN) LIMITED

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PACE (PAKISTAN) LIMITED

Company Information

Board of Directors

Shehryar Ali Taseer (Chairman)
Aamna Taseer (CEO)
Shahbaz Ali Taseer
Shehribano Taseer
Rema Husain Qureshi
Kanwar Latafat Ali Khan
Malik Farhan Hasan

Non-Executive
Executive
Executive
Non-Executive
Non-Executive
Non-Executive
Independent

Chief Financial Officer

Usman Ali Tariq

Audit Committee

Malik Farhan Hasan (Chairman)
Shehryar Ali Taseer (Member)
Shehribano Taseer (Member)

Human Resource and Remuneration (HR&R) Committee

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

Company Secretary

Sajjad Ahmad

Auditors

A.F. Ferguson & 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
Bank Islami Pakistan Limited
MCB Bank Limited
National Bank of Pakistan
Silkbank Limited
Soneri Bank Limited
Pair Investment Company Limited
The Bank of Punjab
United Bank Limited

Registrar and Shares Transfer Office

THK Associates (Pvt.) Limited
1st Floor, 40-C, Block-6
P.E.C.H.S. Karachi-75400
(021) 111-000-322

Registered Office/Head Office

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

PACE (PAKISTAN) LIMITED

DIRECTOR'S REPORT TO THE SHAREHOLDERS

The Directors of Pace (Pakistan) Limited ("the Company") take pleasure in presenting to its shareholders the reviewed financial statements of the Company for the half year ended December 31, 2017.

Operating Results:

The Company closed its period under review with the impressive financial results whereby the sales of the Company increased by 35% to Rs. 292.94 million as compared to sale of Rs. 217.43 million during corresponding period last year. The increase in sale is primarily attributable to the sale of shops in various plazas of the Company. Cost of sale remained in control which increased by 12%, resulting in Gross Profit of Rs. 36.07 million as compared with Gross Loss of Rs. 12.93 million in the same period last year. Other Income of the Company decreased to Rs. 30.31 as compared to Rs. 313.32 in the corresponding period last year, due to gain on settlement of TFCs during the corresponding period last year. Other operating expenses significantly increased from Rs. 1.6 million last year to Rs. 92.5 million in the current period, due to exchange loss on FCCBs caused by unusually adverse movement of USD during the period in review. Finance cost of the Company decreased by 17% to Rs. 58.22 million on account of settlements of loans during the prior periods. On account of foregoing factors, the Company closed the period under review with the Loss after Tax of Rs. 160.61 million as compared to Profit after Tax of Rs. 112.74 million in the same period last year.

The comparison of the reviewed results for the half year with corresponding period of the previous financial year is as under:

	Rupees in '000'	
	Jul-Dec 2017	Jul-Dec 2016
Sales	292,949	217,437
Cost of Sales	(256,876)	(230,368)
Gross Profit	36,073	(12,931)
Other Income	30,313	313,325
Other Operating Expenses	(92,507)	(1,658)
Finance Cost	(58,220)	(70,533)
Net profit/(loss) before tax	(155,294)	135,842
Net profit/(loss) after tax	(160,614)	(23,093)
Earning/(Loss) per share (PKR)	(0.58)	0.40

Subsequent to the period end, the Company entered into Debt to Swap Agreement with Askari Bank Limited for settlement of outstanding TFCs amounting to Rs. 185.92 million, resulting in waiver of markup on these TFCs. The financial impact of such settlement would be presented in the accounts for the quarter ended Mar-2018.

Composition of Board

Total number of Directors 07

a) Male: 04
b) Female: 03

Composition:

Independent Directors 01
Other Non-Executive Directors 04
Executive Directors 02

Lahore
February 28, 2018

Director

Aamna Taseer Officer
Chief Executive

PACE (PAKISTAN) LIMITED

Committee of the board

Audit Committee

Malik Farhan Hasan (Chairman)
Mr. Shehryar Ali Taseer (Member)
Miss Shehrbano Taseer (Member)

Human Resource and

Remuneration (HR&R) Committee

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

The composition of the Board of Directors and sub committees shall be changed in due course of time as per deadlines provided in new code of corporate Governance.

General:

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, 2018

Director

Aamna Taseer
Chief Executive Officer

PACE (PAKISTAN) LIMITED

حصص داران کو ڈائریکٹر کی رپورٹ

پیس (پاکستان) لمیٹڈ ("کمپنی") کے ڈائریکٹرز 31 دسمبر 2017ء کو اختتام پذیر نصف سال کے لئے اپنے حصص داران کو نظر ثانی شدہ مالیاتی اسٹیٹمنٹس پیش کرنے میں فخر محسوس کرتے ہیں۔

آپریٹنگ نتائج

کمپنی نے اپنی زیر جائزہ مدت متاثر کن مالی نتائج پر ہند کی جب کہ کمپنی کی سیکڑ میں گزشتہ سال کی اسی مدت کی 217.43 ملین روپے سیکڑ کے مقابلہ میں 292.94 ملین روپے 35 فی صد تک اضافہ ہوا۔ سیکڑ میں اضافہ کمپنی کے پلازہ کی کثیر دکانوں کی فروخت کی وجہ سے دیکھنے میں آیا۔ سیکڑ کی لاگت قابو میں رہی جو گزشتہ سال کی اسی مدت میں 12.93 ملین روپے کے مجموعی خسارہ کے مقابلہ میں 36.07 ملین روپے مجموعی منافع کی صورت میں 12 فی صد بڑھی۔ کمپنی کی دیگر آمدنی گزشتہ سال کی اسی مدت میں 313.32 ملین روپے کے مقابلہ میں 30.31 ملین روپے کم ہوئی جو گزشتہ سال کی کل مالی لاگت کے ضبط کی وجہ سے ہوئی۔ رواں سال کی مدت میں دیگر آپریٹنگ اخراجات میں نمایاں طور پر گزشتہ سال میں 1.6 ملین روپے سے 92.5 ملین روپے اضافہ ہوا۔ جو زیر جائزہ مدت کے دوران امریکی ڈالر کے غیر معمولی بدترین اتار چڑھاؤ کی وجہ سے FCCB پر آپریٹنگ خسارہ کی وجہ سے تھا۔ سابقہ مدت کے دوران قرضوں کی ادائیگی کی مد میں کمپنی کی مالی لاگت 58.22 ملین روپے یعنی 17 فی صد کم ہوئی۔ رواں عوارض کی وجہ سے، کمپنی نے زیر جائزہ مدت کو گزشتہ سال کی اسی مدت میں 112.74 ملین روپے علاوہ ٹیکس نفع کے مقابلہ میں 160.61 ملین روپے علاوہ ٹیکس نقصان پر بند کیا۔

گزشتہ مالی سال کی متعلقہ مدت کے ساتھ رواں نصف سال کے لئے نظر ثانی شدہ نتائج کا موازنہ حسب ذیل ہے:

روپے '000 میں		
جولائی - دسمبر 2017	جولائی - دسمبر 2016	
217,437	292,949	سیکڑ
(230,368)	(256,876)	سیکڑ کی لاگت
(12,931)	36,073	مجموعی منافع
313,325	30,313	دیگر آمدنی
(1,658)	(92,507)	دیگر آپریٹنگ اخراجات
(70,533)	(58,220)	مالی لاگت
135,843	(155,294)	خالص منافع / (نقصان) بعد ٹیکس
(23,093)	(160,614)	خالص منافع / (نقصان) علاوہ ٹیکس
0.40	(0.58)	آمدنی / (نقصان) فی حصص (پاکستانی روپے)

زیر جائزہ مدت کے اختتام پر، کمپنی نے 185.92 ملین روپے کے واجب الادا TFCF کی ادائیگی کے لئے عسکری بینک لمیٹڈ کے ساتھ معاہدہ طے کیا تاکہ قرض کو ختم کیا جاسکے۔ مارچ 2018ء کو اختتام پذیر سرمایہ کے کھاتوں میں ایسے معاہدے کا مالی اثر دیکھا جاسکتا ہے۔

PACE (PAKISTAN) LIMITED

بورڈ کی ساخت

07 ڈائریکٹرز کی کل تعداد

04 مرد: (a)

03 خواتین: (b)

ترکیب

01 آزاد ڈائریکٹرز

04 نان ایگزیکٹو ڈائریکٹرز

02 ایگزیکٹو ڈائریکٹرز

بورڈ کی کمیٹیاں

محترم ملک فرحان حسن (چیئرمین) آڈٹ کمیٹی:

محترم شہریار علی تاثیر (رکن)

محترمہ شہر بانو تاثیر (رکن)

محترم ملک فرحان حسن (چیئرمین)

محترمہ آمنہ تاثیر (رکن)

محترم کنور لطافت علی خان (رکن)

ہیومن ریسورس اینڈ

ریسورسز (HR&R)

کمیٹی

بورڈ آف ڈائریکٹرز اور ڈیلی کمیٹیوں کی ساخت نئے کارپوریٹ گورننس ضابطہ کی ہمہ وقت جاری کی گئی ہدایات کے تحت تبدیل ہو جائے گی۔

اعتراف

بورڈ آف ڈائریکٹرز کمیٹی کے لئے حصص داران کی مسلسل حمایت اور اپنے ملازمین کے جذبہ اور عزم کے اظہار پر دلی شکر گزار ہے۔

بورڈ آف ڈائریکٹرز..... کے لئے/کی جانب سے

آمنہ تاثیر

چیف ایگزیکٹو آفیسر

لاہور:

ڈائریکٹر

28 فروری، 2018

PACE (PAKISTAN) LIMITED

AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim balance sheet of Pace (Pakistan) Limited (here-in-after referred to as "the Company") as at December 31, 2017 and the related condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof, for the half year then ended (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended December 31, 2017 and 2016 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2017.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as of and for the half year ended December 31, 2017 is not prepared, in all material respects, in accordance with the approved accounting standards as applicable in Pakistan.

Emphasis of matter

We draw attention to note 1.1 to the interim financial information which indicates the company could not meet its obligations in respect of principal and mark-up repayments on borrowings from lenders. The current liabilities of the Company have exceeded its current assets by Rs.2,054.132 million and the reserves of the Company have been significantly depleted. These factors, along with other matters as set forth in note 1.1 indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern. Our report is not qualified in respect of this matter.

Chartered Accountants,

Lahore, February 28, 2018

Name of engagement partner: Amer Raza Mir

PACE (PAKISTAN) LIMITED

CONDENSED INTERIM BALANCE SHEET (UN-AUDITED) AS AT DECEMBER 31, 2017

		December 31, 2017 Un-Audited	June 30,2017 Audited
	Note	(Rupees in thousand)	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital			
600,000,000 (June 30, 2017: 600,000,000)			
ordinary shares of Rs 10 each		6,000,000	6,000,000
Issued, subscribed and paid up capital			
278,876,604 (June 30, 2017: 278,876,604)			
ordinary shares of Rs 10 each		2,788,766	2,788,766
Reserves		272,035	272,242
Accumulated loss		(777,822)	(617,208)
		2,282,979	2,443,800
NON-CURRENT LIABILITIES			
Long term finances - secured	6	52,555	51,068
Redeemable capital - secured (non-participatory)	7	-	-
Liabilities against assets subject to finance lease		-	-
Foreign currency convertible bonds - unsecured	8	-	-
Deferred liabilities		52,812	48,890
		105,367	99,958
CURRENT LIABILITIES			
Advances against sale of property		129,570	150,542
Current portion of long term liabilities		3,025,888	2,924,684
Income Tax Payable		-	-
Creditors, accrued and other liabilities		686,398	398,395
Accrued finance cost		934,816	887,513
		4,776,672	4,361,134
CONTINGENCIES AND COMMITMENTS			
	9	-	-
		7,165,018	6,904,892

The annexed notes 1 to 25 form an integral part of this condensed interim financial information.

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR

PACE (PAKISTAN) LIMITED

		December 31, 2017 Un-Audited	June 30,2017 Audited
	Note	(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	10	446,040	452,471
Intangible assets		5,295	5,555
Investment property	11	3,126,419	3,464,202
Investments	12	851,105	851,313
Long term advances and deposits		13,619	13,619
Deferred taxation		-	-
		4,442,478	4,787,160
CURRENT ASSETS			
Stock-in-trade	13	1,820,482	1,358,397
Trade debts - unsecured		577,596	655,396
Advances, deposits, prepayments and other receivables		285,219	98,314
Income tax recoverable		3,628	4,146
Cash and bank balances		35,615	1,479
		2,722,540	2,117,732
		7,165,018	6,904,892

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR

PACE (PAKISTAN) LIMITED

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED) FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2017

		Quarter ended		Half Year Ended	
		December 31, 2017 Un-audited	December 31, 2016 Un-audited	December 31, 2017 Un-audited	December 31, 2016 Un-audited
Sales	14	214,647	120,211	292,949	217,437
Cost of sales	15	(200,804)	(148,735)	(256,876)	(230,368)
Gross profit /(loss)		13,843	(28,524)	36,073	(12,931)
Administrative and selling expenses		(43,889)	(59,976)	(70,953)	(92,361)
Other income	16	23,071	105,528	30,313	313,325
Other operating expenses		(84,974)	(829)	(92,507)	(1,658)
Finance costs	17	(28,900)	(38,677)	(58,220)	(70,533)
Changes in fair value of investment property		-	-	-	-
(Loss) / Profit before tax		(120,849)	(22,478)	(155,294)	135,842
Taxation		(4,341)	3,821	(5,320)	(23,093)
(Loss) / Profit for the period		(125,190)	(18,657)	(160,614)	112,749
Other comprehensive (loss) / income					
Items that will not be reclassified to profit or loss		-	-	-	-
Items that may be reclassified subsequently to profit or loss					
Changes in fair value of available for sale investments		(127)	372	(207)	592
Total comprehensive (loss) / profit for the period		(125,317)	(18,285)	(160,821)	113,341
(Loss) / Earnings per share attributable to ordinary shareholders					
- basic	18.1	(0.45)	(0.07)	(0.58)	0.40

The annexed notes 1 to 25 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 HALF YEAR ENDED DECEMBER 31, 2017

		Half year ended	
		December 31, 2017	December 31, 2016
		Un-audited	Un-audited
		Rupees in thousand	
	Note		
Cash flows from operating activities			
Cash generated from operations	20	(109,310)	99,318
Finance cost paid		(70)	-
Gratuity and leave encashment paid		-	(2)
Taxes paid		(3,824)	(5,232)
Net cash generated from operating activities		(113,204)	94,084
Cash flows from investing activities			
Purchase of property, plant and equipment		(4,423)	(162)
Receipts from sale of investment property		151,740	5,100
Markup received		23	32
Net cash used in investing activities		147,340	4,970
Cash flows from financing activities			
Repayment of finance lease liabilities		-	(1,650)
Net increase in cash and cash equivalents		34,136	97,404
Cash and cash equivalents at beginning of the period		1,479	(95,814)
Cash and cash equivalents at the end of the period	21	35,615	1,590

The annexed notes 1 to 25 form an integral part of this condensed interim financial information.

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR

PACE (PAKISTAN) LIMITED

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017

	Share capital	Share premium	Reserve for changes in fair value of investments	Accumulated loss	Total
	Rupees in thousand				
Balance as on July 1, 2016 (audited)	2,788,766	273,265	(1,230)	(838,443)	2,222,358
Total comprehensive loss for the half year ended December 31, 2016					
Profit for the period	-	-	-	112,749	112,749
Other comprehensive (loss):	-	-	592	-	592
Changes in fair value of available for sale investments	-	-	592	-	113,341
Balance as on December 31, 2016 (un-audited)	2,788,766	273,265	(638)	112,749	2,335,699
Total comprehensive loss for the half year ended June 30, 2017					
Profit for the period	-	-	-	111,386	111,386
Other comprehensive income (loss):	-	-	(385)	-	(385)
Changes in fair value of available for sale investments	-	-	(385)	-	(2,900)
Remeasurement of net defined benefit liability - net of tax	-	-	(385)	108,486	108,101
Balance as on June 30, 2017 (audited)	2,788,766	273,265	(1,023)	(617,208)	2,443,800
Total comprehensive income for the half year ended December 31, 2017					
Profit for the period	-	-	-	(160,614)	(160,614)
Other comprehensive income:	-	-	(207)	-	(207)
Changes in fair value of available for sale investments	-	-	(207)	(160,614)	(160,821)
Balance as on December 31, 2017 (un-audited)	2,788,766	273,265	(1,230)	(777,822)	2,282,979

The annexed notes 1 to 25 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 THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2017 (UN-AUDITED)

1. The Company and its operations

Pace (Pakistan) Limited ('the Company') is a public limited Company incorporated in Pakistan and is 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.

1.1 Going concern assumption

As at the reporting date, the current liabilities of the Company have exceeded its current assets by Rs 2,054.132 million and the reserves of the Company have been significantly depleted. The Company has not been able to meet various obligations towards its lenders, including repayment of principal and markup thereon in respect of its borrowings. As a consequence, the Company has also been unable to 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.

The Company 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 Company expects the following:

- Relaxation in payment terms of principal outstanding and over due markup;
- Settlement of principal amounts against properties of the Company; and
- Waiver of overdue markup;

The management of the Company is confident that the above actions and steps shall enable the Company 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 Company will be able to obtain relaxations from its lenders as highlighted above;
- the Company will be able to settle loans against its properties; and
- the Company will be able to readily 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 Company be unable to continue as a going concern.

2. Statement of compliance

"This condensed interim financial information have 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 company 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."

This condensed interim financial statements do not include all the information and disclosures required in the annual audited financial statements, and should be read in conjunction the Company's annual audited financial statements for the year ended June 30, 2017.

PACE (PAKISTAN) LIMITED

3. Significant accounting policies

The accounting policies adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of preceding annual published financial statements of the Company for the year ended June 30, 2017 except for the adoption of new accounting policies as referred to in note 3.1.1.

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

Following amendment to existing standard and interpretation has been published and is mandatory for accounting periods beginning on or after January 1, 2017 and is considered to be relevant to the Company's operations:

3.1.1 Amendments to published standards effective in current period

Certain standards, amendments and interpretations to approved accounting standards are effective for the annual periods beginning on or after January 1, 2017 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in this condensed interim financial information.

3.1.2 Standards, amendments and interpretations to existing standards that are not yet effective but applicable to the Company

"IFRS 15 replaces the previous revenue standards: IAS 18 Revenue, IAS 11 Construction Contracts, and the related interpretations on revenue recognition. The standard introduces a single five-step model for revenue recognition and establishes a comprehensive framework for recognition of revenue from contracts with customers based on a core principle that an entity should recognize revenue representing the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services."

The management is in the process of assessing the impact of changes laid down by these standards on its financial statements.

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

Standards, amendments or interpretation	Effective date (accounting periods beginning on or after)
Annual improvements 2014–2016:	
- IAS 28, 'Investments in associates and joint ventures'	January 01, 2018
- IFRS 9, 'Financial instruments'	January 01, 2018
Amendments to IFRS 2, 'Share based payments', on clarifying how to account for certain types of share-based payment transactions	January 01, 2018
Amendment to IAS 40, 'Investment property' relating to transfers of investment property	January 01, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 01, 2018
IFRS 16, 'Leases'	January 01, 2019
IFRIC 23, 'Uncertainty over income tax treatments'	January 01, 2019
IFRS 9, 'Financial instruments'	January 01, 2019
Amendments to IAS 28, 'Investments in associates and joint ventures' regarding clarification that companies account for long-term interests in an associate or joint venture to which equity method is not applied using IFRS 9.	January 01, 2019

4. Taxation

The provision for taxation for the quarter ended and half year ended December 31, 2017 has been recognized based on management's best estimate of the weighted average income tax rate expected for the full financial year.

PACE (PAKISTAN) LIMITED

5. Estimates

The preparation of condensed interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended June 30, 2017, with the exception of changes in estimates that are required in determining the provision for income taxes as referred to in Note 4.

		Un-audited December 31, 2017	Audited June 30, 2017
6. Long term finances - secured	Note	(Rupees in Thousand)	
Soneri Bank Demand Finance		27,422	27,422
Markup on Pak Iran Loan	6.1	52,555	51,068
		79,977	78,490
Less: Current portion shown under current liabilities		(27,422)	(27,422)
		52,555	51,068

"6.1 During the year ended June 30, 2017 the Company entered into a settlement agreement with Pak Iran in which outstanding markup of Rs. 66,860 million was rescheduled and recognized under long term finances as it is payable over a period of 7 years."

The rescheduled load has been stated at amortized cost using effective yield method.

		Un-audited December 31, 2017	Audited June 30, 2017
7. Redeemable capital - secured (non-participatory)	Note	(Rupees in Thousand)	
Term Finance certificates		1,121,503	1,121,503
Less: Current portion shown under current liabilities	- note 7.1	(1,121,503)	(1,121,503)
		-	-

7.1 The entire outstanding amount of Rs. 1,121.503 million is overdue and has been classified as a current liability under the guidance contained in IAS 1 "Presentation of financial statements". The Company is in negotiation with lenders for relaxation in payment terms and certain other covenants.

		Un-audited December 31, 2017	Audited June 30, 2017
8. Foreign currency convertible bonds - unsecured		(Rupees in Thousand)	
Opening balance		1,757,713	1,736,212
Markup accrued for the period / year		8,696	16,527
		1,766,409	1,752,739
Exchange loss for the period / year		92,507	4,974
		1,858,916	1,757,713
Less: Current portion shown under current liabilities		(1,858,916)	(1,757,713)
		-	-

9. Contingencies and commitments

9.1 Contingencies

- (i) Claims against the Company not acknowledged as debts amount to Rs 21.644 million (June 30, 2017: Rs 21.644 million).
- (ii) Soneri Bank Limited filed a Suit on October 2, 2015, for recovery of Rs. 45.3 million, representing

PACE (PAKISTAN) LIMITED

principal and markup accrued thereon, in the Honorable Banking Court Lahore. The stated suit was decreed in favor of the bank vide order dated June 30, 2016. The Company challenged the Judgment in the Honorable Lahore High Court which is pending adjudication.

Soneri Bank Limited filed petition for initiating execution proceedings before the Honorable Banking Court which the Court accepted. During the course of execution proceedings, the Court auctioneers issued the Auction Schedule dated December 7, 2016 for the auction of the mortgaged property i.e. 41-N, Gulberg II, Lahore, which was given as collateral for the above mentioned loan. The Company contested auction schedules dated December 12, 2016 and February 2, 2017. Ultimately Auction Schedule dated August 16, 2017 was issued by the executing court and mortgaged property was put to auction. Prior to auction date, the bank succeeded to procure permission to participate in the auction proceedings vide order dated April 10, 2017 without any notice to the Company. The Bank managed to purchase the mortgaged property (41-N, Gulberg II, Lahore) and report to that effect was filed in the court.

Subsequent to the half year ended December 31, 2017, objections against the auction report filed by the Company were not entertained by the executing court and the sale was confirmed by executing order dated January 30, 2018. The Company is in process of challenging the confirmation of sale of mortgaged property to bank on various grounds inter alia including the plea that the subject property has been incorrectly undervalued. The actual value of the property appearing in books of the company is Rs. 149.9 Million whereas the valuation determined by Court for the purposes of auction proceedings was fixed at 45.2 Million.

In view of the legal advisors of the Company, there is adequate defense available to the Company for setting aside the confirmation of sale and therefore, no effect of the same has been made in the condensed interim financial information.

- (iii) On May 29, 2017, one of the tenants of the Company filed a case in Senior Civil Court against the Company. The plaintiff had entered into an agreement with the Company for lease of a property located at M.M. Alam Plaza. As per terms of the lease, the Company was due to handover the possession of the same by February 2017. The plaintiff claimed that the Company failed to handover possession of the complete area under lease by the said time and suffered a loss due to it. Consequently, the plaintiff filed a suit claiming an amount of Rs. 72.7 million on account of business loss, renovation expenses and other deposits made by the plaintiff.

The Company has filed a petition against the said tenant in the Rent Tribunal at Lahore on October 10, 2017 on grounds that the tenant has violated the terms and conditions of the Lease Agreement including failure to pay rent, delay in the payment of security deposit and denial of entry into the premises. Total amount claimed by the Company amounted to Rs. 51.8 Million.

Hearing of both the petitions are pending before the respective Honorable 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 this condensed interim financial information.

9.2 Commitments

- (i) Contract for purchase of properties from Pace Barka Properties Limited, amounting to Rs 208.508 million (June 30, 2017: Rs 208.508 million).
- (ii) Corporate guarantee on behalf of Pace Barka Properties Limited, a related party, in favour of The Bank of Punjab, amount to Rs 900 million (June 30, 2017: Rs 900 million) as per the approval of shareholders through the special resolution dated July 29, 2006.
- (iii) The amount of future payments under operating leases and the periods in which these payments will become due are as follows:

PACE (PAKISTAN) LIMITED

		Un-audited December 31, 2017	Audited June 30, 2017
	Note	(Rupees in Thousand)	
Not later than one year		9,844	9,844
Later than one year and not later than five years		45,527	44,297
Later than five years		701,682	707,834
		<u>757,053</u>	<u>761,975</u>
10. Property, plant and equipment			
Operating fixed assets	- note 10.1	417,592	424,807
Capital work-in-progress		<u>28,448</u>	<u>27,664</u>
		<u>446,040</u>	<u>452,471</u>
10.1 Operating fixed assets			
Operating fixed assets - at net book value			
- owned assets		417,592	424,807
- assets subject to finance lease		-	-
	- note 10.1.1	<u>417,592</u>	<u>424,807</u>
10.1.1 Operating fixed assets - at net book value			
Opening book value		424,807	425,437
Add: Additions during the period/ year		4,423	21,833
Less: Disposals during the period/ year		-	-
Less: Depreciation for the period/ year		<u>(11,638)</u>	<u>(22,463)</u>
		(11,638)	(22,463)
Closing book value		<u>417,592</u>	<u>424,807</u>
11. Investment property			
Opening fair value		3,464,202	3,369,702
Settlement against loan		-	(25,500)
Disposal of investment property		<u>(337,783)</u>	<u>-</u>
		3,126,419	3,344,202
Add: Fair value gain recognized during the period / year		-	120,000
Closing value after revaluation		<u>3,126,419</u>	<u>3,464,202</u>
12. Investments			
Equity instruments of:			
- Subsidiaries - unquoted	- note 12.1	91,670	91,670
- Associate - unquoted	- note 12.2	758,651	758,651
Available for sale - quoted	- note 12.3	784	991
		<u>851,105</u>	<u>851,312</u>
		Un-audited December 31, 2017	Audited June 30, 2017
12.1 Subsidiaries - unquoted		(Rupees in Thousand)	
Pace Woodlands (Private) Limited			
3,000 (June 30, 2017: 3,000) fully paid ordinary shares of Rs 10 each Equity held 52% (June 30, 2017: 52%)		30	30
Pace Gujrat (Private) Limited			
2,450 (June 30, 2017: 2,450) fully paid ordinary shares of Rs 10 each Equity held 100% (June 30, 2017: 100%)		25	25

PACE (PAKISTAN) LIMITED

Pace Super Mall (Private) Limited

9,161,528 (June 30, 2017: 9,161,528) fully paid ordinary shares of Rs 10 each Equity held 57% (June 30, 2017: 57%)

91,615	91,615
91,670	91,670

12.2 Associate - unquoted

Pace Barka Properties Limited

75,875,000 (June 30, 2017: 75,875,000) fully paid ordinary shares of Rs 10 each
Equity held 24.9% (June 30, 2017: 24.9%)

758,651	758,651
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12.3 Available for sale - quoted

Worldcall Telecom Limited

912 (June 30, 2017: 912) fully paid ordinary shares of Rs 10 each

6	6
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Shaheen Insurance Company Limited

158,037 (June 30, 2017: 158,037) fully paid ordinary shares of Rs 10 each

2,008	2,008
2,014	2,014
(1,230)	(1,023)
784	991

Less: Cumulative fair value loss

12.3.1 Cumulative fair value loss

Opening balance
Fair value loss/ (gain) during the period/ year

1,023	1,230
207	(207)
1,230	1,023

13. Stock-in-trade

Work in process - Pace Towers
Pace Barka Properties Limited - Pace Circle
Pace Super Mall (Private) Limited
Shops

776,481	437,420
594,201	594,201
21,600	21,600
427,246	304,201
1,819,528	1,357,422
954	975
1,820,482	1,358,397

Stores inventory

14. Sales

Shops, houses and commercial buildings
- at completion of project basis
- at percentage of completion basis
Licensee fee
Display advertisements and
miscellaneous income
Service charges

Quarter ended		Half Year Ended	
December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Un-audited	Un-audited	Un-audited	Un-audited
Rupees in thousand			
130,439	-	130,439	12,000
46,012	63,481	46,012	76,820
7,604	9,094	16,569	19,247
4,769	3,459	12,286	6,457
25,823	44,177	87,643	102,913
214,647	120,211	292,949	217,437

15. Cost of sales

Shops, houses and commercial
buildings
- at completion of project basis
- at percentage of completion basis
Stores operating expenses

123,783	-	123,783	8,810
19,936	85,511	19,936	95,033
57,085	63,224	113,157	126,525
200,804	148,735	256,876	230,368

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16. Other income

Income from financial assets

	Quarter ended December 31, 2017	Quarter ended December 31, 2016	Half Year Ended December 31, 2017	Half Year Ended December 31, 2016
	Un-audited	Un-audited	Un-audited	Un-audited
	(Rupees in thousand)			
Markup on bank accounts	12	14	23	32
Gain on sale of investment properties	-	-	15,822	-
Commission on guarantee	310	309	619	619

Income from non-financial assets

Rental income	3,227	2,923	6,632	5,846
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Others

Gain on settlements of loans	-	98,828	-	301,104
Provisions no longer required written back	-	-	-	-
Income from parking, storage and counters	3,700	3,454	7,217	5,724
	<u>7,249</u>	<u>105,528</u>	<u>30,313</u>	<u>313,325</u>

17. Finance costs

Markup on

- Long term finances - secured	623	626	1,255	1,252
- Foreign currency convertible bonds - unsecured	4,547	4,126	8,696	8,248
- Redeemable capital - secured (non-participatory)	23,039	31,405	46,049	56,124
- Short term finance - secured	-	-	-	2,365
- Interest Expense on unwinding of Pak Iran loan	-	-	1,487	-
- Liabilities against assets subject to finance lease	-	1,852	-	1,852
	<u>28,209</u>	<u>38,009</u>	<u>57,487</u>	<u>69,841</u>
Bank charges and processing fee	691	668	733	692
	<u>28,900</u>	<u>38,677</u>	<u>58,220</u>	<u>70,533</u>

18. (Loss) / earnings per share

18.1 Basic earnings/ (loss) per share

	Quarter ended December 31, 2017	Quarter ended December 31, 2016	Half Year Ended December 31, 2017	Half Year Ended December 31, 2016
	Un-audited	Un-audited	Un-audited	Un-audited
	(Rupees in thousand)			
(Loss)/profit for the period (Rupees in thousand)	(125,190)	(18,657)	(160,614)	112,749
Weighted average number of ordinary shares outstanding during the period (in thousand)	<u>278,877</u>	<u>278,877</u>	<u>278,877</u>	<u>278,877</u>
(Loss)/earnings per share (Rupees)	<u>(0.45)</u>	<u>(0.07)</u>	<u>(0.58)</u>	<u>0.40</u>

19. Transactions with related parties

Relationship with the Company	Nature of transaction	Half year ended December 31, 2017	Half year ended December 31, 2016
		Un-audited	Un-audited
		Rupees in thousand	
i. Associate	Guarantee commission income	619	619
	Shared expenses charged by the Company	413	9,030
	Purchase of inventory	-	1,200
	Receipt against Pace circle sales	10,701	18,471

PACE (PAKISTAN) LIMITED

ii. Others	Purchase of goods & services	1,418	3,589
	Rental income	7,088	5,846
	Payment made on account of construction at Pace Towers	52,785	-
	Advance received for the sale of inventory	-	8,065
iii. Directors and key management personnel	Salaries and other employee benefits	9,721	8,250
iv. Post employment benefit plan	Expense charged in respect of benefit plans	5,639	4,613

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

Period end balances

Receivable from related parties	29,332	78,495
Advances to related parties	705	-
Payable to related parties	62,051	73,826

Half year ended

December 31, 2017	December 31, 2016
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Un-audited	Un-audited
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(Rupees in thousand)

20. Cash generated from operations

(Loss) / Profit before tax	(155,294)	135,842
Adjustments for:		
- Depreciation on property, plant and equipment - note 10.1.1	11,638	10,725
- Amortisation on intangible assets	260	262
- Provision for doubtful debts	14,362	14,320
- Markup income	(23)	(32)
- Gain on settlements of long term loans - note 16	-	(204,668)
- Gain on sale of investment property	(15,822)	-
- Finance costs	58,220	69,841
- Exchange loss on foreign currency convertible bonds - note 8	92,507	1,658
- Impairment of inventory at Fortress Mall	11,911	-
- Provision for gratuity and leave encashment	3,922	4,772
Profit before working capital changes	21,681	32,720

Effect on cash flow due to working capital changes

- (Increase) / Decrease in stock-in-trade	(474,780)	93,073
- Decrease / (Increase) in trade debts	63,438	(52,418)
- Decrease in advances, deposits prepayments and other receivables	13,298	1,337
- (Decrease) / Increase in advances against sale of property	(20,972)	27,819
- Increase / (Decrease) in creditors, accrued and other liabilities	288,025	(3,213)
	(130,991)	66,598
	(109,310)	99,318

21. Cash and Cash Equivalents

Cash and bank balances	35,615	1,590
	35,615	1,590

22. Financial risk management

22.1 Financial risk factors

The Company's activities may 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 condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the

PACE (PAKISTAN) LIMITED

Company's annual financial statements as at June 30, 2017.

There have been no changes in the risk management department or in any risk management policies since the year end.

22.2 Liquidity risk

There was no material change in the contractual undiscounted cash out flows for remaining financial liabilities.

22.3 Fair value estimation

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

The tables below analyze assets carried at fair value as at December 31, 2017 and June 30, 2017.

The different levels have been defined as follows:

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

The following is categorization of assets measured at fair value at December 31, 2017:

	Level 1	Level 2	Level 3 (Rupees in thousand)	Total
Assets:				
Recurring fair value measurement of Available for sale financial assets	784	-	-	784
	<u>784</u>	<u>-</u>	<u>-</u>	<u>784</u>
Recurring fair value measurement of Investment property:				
Freehold land	-	1,393,646	-	1,393,646
Buildings	-	-	1,732,773	1,732,773
	<u>-</u>	<u>1,393,646</u>	<u>1,732,773</u>	<u>3,126,419</u>

The following is categorization of assets measured at fair value at June 30, 2017:

	Level 1	Level 2	Level 3 (Rupees in thousand)	Total
Recurring fair value measurement of Available for financial assets	991	-	-	991
	<u>991</u>	<u>-</u>	<u>-</u>	<u>991</u>
Recurring fair value measurement of Investment property:				
Freehold land	-	1,393,646	-	1,393,646
Buildings	-	-	2,070,556	2,070,556
	<u>-</u>	<u>1,393,646</u>	<u>2,070,556</u>	<u>3,464,202</u>

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

PACE (PAKISTAN) LIMITED

Valuation techniques used to measure level 2 and 3 assets

The fair value of these assets is determined by an independent professionally qualified valuer. Latest valuation of these assets was carried out on June 30, 2017. The level 2 fair value of freehold land has been derived using the sales comparison approach. The most significant input into this valuation approach is price per square yard. Level 3 fair value of Buildings has been determined using a depreciated replacement cost approach, whereby, current cost of construction of a similar building in a similar location has been adjusted using a suitable depreciation rate to arrive at present market value.

Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the period and year ended December 31, 2017 and June 30, 2017 for recurring fair value measurements:

	Un-audited December 31, 2017	Audited June 30, 2017
(Rupees in thousand)		
Opening fair value	2,070,556	2,155,202
Disposal of Investment Property	(337,783)	
Settlement against loan	-	(25,500)
	1,732,773	2,129,702
Add: Fair value loss recognised during the period / year	-	(59,146)
Closing value	1,732,773	2,070,556

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

Valuation inputs and relationship to fair value

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

Description	Fair Value at		Significant Unobservable inputs	Quantitative Data / Range and relationship to the fair value
	December 31, 2017 Rs'000	June 30, 2017 Rs'000		
Buildings	1,732,773	2,070,556	Cost of construction of a new similar building Suitable depreciation rate to arrive at depreciated replacement value	The market value has been determined by using a depreciation factor of approximately 5%-10% on cost of constructing a similar new building. Higher, the estimated cost of construction of a new building, higher the fair value. Further, higher the depreciation rate, the lower the fair value of the building.

PACE (PAKISTAN) LIMITED

23. Date of authorisation for issue

This condensed interim financial information was authorised for issue on February 28, 2018 by the Board of Directors of the Company.

24. Corresponding figures

In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', the condensed interim balance sheet and condensed interim statement of changes in equity have been compared with the balances of annual audited financial statements of preceding financial year, whereas, the condensed interim profit and loss account, condensed interim statement of comprehensive income and condensed interim cash flow statement have been compared with the balances of comparable period of immediately preceding financial year. Corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison. However, no significant rearrangements have been made.

25. Subsequent events / Non-adjusting events at Balance Sheet date

- (i) Subsequent to the half year ended December 31, 2017, in response to the petition filed by Askari Bank Limited (ABL) in the Honorable Lahore High seeking winding up of the Company, it has entered into a Debt Asset Swap / Liabilities Settlement Agreement ('SA') with ABL on February 7, 2018 for full and final settlement of the total outstanding amount of TFCs held by ABL along with their accrued markup aggregating to Rs 330.022 million against floor area measuring 21,634 square feet situated at 5th and 6th floor of Pace Tower, located at 27 H, Gulberg II Lahore.

In accordance with the SA, ABL settled the principal amounting to Rs 185.932 million against the afore-mentioned area as full and final settlement and waived accrued markup amounting to Rs 144.090 million.

Accordingly, ABL withdrew its winding up petition against the Company, which was decreed to that effect by the Lahore High Court vide order dated February 13, 2018

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR

PACE (PAKISTAN) GROUP

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (UN-AUDITED)

FOR THE HALF YEAR ENDED DECEMBER 31, 2017

PACE (PAKISTAN) GROUP

DIRECTOR'S REPORT TO THE SHAREHOLDERS

The Directors of Pace (Pakistan) Limited ("the Group") take pleasure in presenting to its shareholders the reviewed financial statements of the Group for the half year ended December 31, 2017.

Operating Results:

The Group closed its period under review with the impressive financial results whereby the sales of the Group increased by 35% to Rs. 292.94 million as compared to sale of Rs. 217.43 million during corresponding period last year. The increase in sale is primarily attributable to the sale of shops in various plazas of the group. Cost of sale remained in control which increased by 12%, resulting in Gross Profit of Rs. 35.8 million as compared with Gross Loss of Rs. 12.93 million in the same period last year. Other Income of the group decreased to Rs. 30.31 as compared to Rs. 313.32 in the corresponding period last year, due to gain on settlement of TFCs during the corresponding period last year. Other operating expenses significantly increased from Rs. 1.6 million last year to Rs. 92.5 million in the current period, due to exchange loss on FCCBs caused by unusually adverse movement of USD during the period in review. Finance cost of the group decreased by 17% to Rs. 58.22 million on account of settlements of loans during the prior periods. On account of foregoing factors, the group closed the period under review with the Loss after Tax of Rs. 141.82 million as compared to Profit after Tax of Rs. 96.552 million in the same period last year.

The comparison of the reviewed results for the half year with corresponding period of the previous financial year is as under:

	Rupees in '000'	
	Jul-Dec 2017	Jul-Dec 2016
Sales	292,949	217,437
Cost of Sales	(257,148)	(230,368)
Gross Profit	35,801	(12,931)
Other Income	30,313	313,325
Other Operating Expenses	(92,507)	(1,658)
Finance Cost	(58,221)	(70,533)
Net profit/(loss) before tax	(132,280)	135,842
Net profit/(loss) after tax	(141,825)	(23,093)
Earning/(Loss) per share (PKR)	(0.51)	0.40

Subsequent to the period end, the group entered into Debt to Swap Agreement with Askari Bank Limited for settlement of outstanding TFCs amounting to Rs. 185.92 million, resulting in waiver of markup on these TFCs. The financial impact of such settlement would be presented in the accounts for the quarter ended Mar-2018.

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 group.

For and on behalf of the Board of Directors

Lahore
February 28, 2018

Aamna Taseer Officer
Chief Executive

PACE (PAKISTAN) GROUP

حصص داران کو ڈائریکٹر کی رپورٹ

میں (پاکستان) لمیٹڈ ("گروپ") کے ڈائریکٹرز 31 دسمبر 2017ء کو اختتام پزیر نصف سال کے لئے اپنے حصص داران کو گروپ کی نظر ثانی شدہ مالیاتی اسٹیٹمنٹس پیش کرنے میں فراموش کرتے ہیں۔

آپریٹنگ نتائج

کمپنی نے اپنی زیر جائزہ مدت متاثر کن مالی نتائج پر بند کی جب کہ کمپنی کی سیکلر میں گزشتہ سال کی اسی مدت کی 217.43 ملین روپے سیکلر کے مقابلہ میں 292.94 ملین روپے 35 فی صد تک اضافہ ہوا۔ سیکلر میں اضافہ کمپنی کے پلازہ کی سیکلر فروخت کی وجہ سے دیکھنے میں آیا۔ سیکلر کی لاگت قابو میں رہی جو گزشتہ سال کی اسی مدت میں 12.93 ملین روپے کے مجموعی خسارہ کے مقابلہ میں 35.8 ملین روپے مجموعی منافع کی صورت میں 12 فی صد بڑھی۔ کمپنی کی دیگر آمدنی گزشتہ سال کی اسی مدت میں 313.32 ملین روپے کے مقابلہ میں 30.31 ملین روپے کم ہوئی جو گزشتہ سال کی کل مالی لاگت کے ضبط کی وجہ سے ہوئی۔ رواں سال کی مدت میں دیگر آپریٹنگ اخراجات میں نمایاں طور پر گزشتہ سال میں 1.6 ملین روپے سے 92.5 ملین روپے اضافہ ہوا۔ جو زیر جائزہ مدت کے دوران امریکی ڈالر کے غیر معمولی بدترین اتار چڑھاؤ کی وجہ سے FCCB پر آپریٹنگ خسارہ کی وجہ سے تھا۔ سابقہ مدت کے دوران قرضوں کی ادائیگی کی مدتیں کمپنی کی مالی لاگت 58.22 ملین روپے یعنی 17 فی صد کم ہوئی۔ رواں عوام کی وجہ سے، کمپنی نے زیر جائزہ مدت گزشتہ سال کی اسی مدت میں 94.552 ملین روپے علاوہ نفع کے مقابلہ میں 141.82 ملین روپے علاوہ نفع کے نقصان پر بند کیا۔

گزشتہ مالی سال کی متعلقہ مدت کے ساتھ رواں نصف سال کے لئے نظر ثانی شدہ نتائج کا موازنہ حسب ذیل ہے:

سیکلر	2017 - دسمبر	2016 - جولائی - دسمبر
217,437	292,949	
سیکلر کی لاگت	(256,876)	(230,368)
مجموعی منافع	35,801	(12,931)
دیگر آمدنی	30,313	313,325
دیگر آپریٹنگ اخراجات	(92,507)	(1,658)
مالی لاگت	(58,221)	(70,533)
خالص منافع / (نقصان) بعد ٹیکس	(132,280)	135,843
خالص منافع / (نقصان) علاوہ ٹیکس	(141,825)	(23,093)
آمدنی / (نقصان) فی حصص (پاکستانی روپے)	(0.51)	0.40

زیر جائزہ مدت کے اختتام پر، کمپنی نے 185.92 ملین روپے کے واجب الادا TFC کی ادائیگی کے لئے سمسکی بینک لمیٹڈ کے ساتھ معاہدہ طے کیا تاکہ قرض کو ختم کیا جاسکے۔ مارچ 2018ء کو اختتام پزیر سرمایہ کے کھاتوں میں ایسے معاہدے کا مالی اثر دیکھا جاسکتا ہے۔

بورڈ آف ڈائریکٹر حصص داران کی مسلسل حمایت اور ملازمین کے عزم اور جذبہ کے لئے تہ دل سے شکر گزار ہے۔

بورڈ آف ڈائریکٹرز..... کے لئے/کی جانب سے

لاہور:

آمنہ تاشیر
چیف ایگزیکٹو آفیسر

28 فروری 2018

PACE (PAKISTAN) GROUP

CONSOLIDATED CONDENSED INTERIM BALANCE SHEET (UN-AUDITED) AS AT DECEMBER 31, 2017

		December 31,2017 Un-Audited	June 30,2017 Audited
		(Rupees in thousand)	
EQUITY AND LIABILITIES		Note	
SHARE CAPITAL AND RESERVES			
Authorised capital			
600,000,000 (June 30, 2015: 600,000,000)			
ordinary shares of Rs 10 each		6,000,000	6,000,000
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
Reserves		289,239	286,230
Accumulated loss		(367,536)	(225,711)
		2,710,469	2,849,285
NON-CONTROLLING INTEREST		87,311	87,311
		2,797,780	2,936,596
NON-CURRENT LIABILITIES			
Long term finances - secured	6	52,555	51,068
Redeemable capital - secured (non-participatory)	7	-	-
Liabilities against assets subject to finance lease		-	-
Foreign currency convertible bonds - unsecured	8	-	-
Deferred liabilities		52,811	48,890
Deferred Taxation		66,736	62,421
		172,102	162,379
CURRENT LIABILITIES			
Advances against sale of property		130,570	151,542
Current portion of long term liabilities		3,025,887	2,924,684
Short term finance - secured		-	-
Creditors, accrued and other liabilities		723,002	434,999
Accrued finance cost		934,816	887,513
Taxation		5,534	5,534
		4,819,809	4,404,272
CONTINGENCIES AND COMMITMENTS			
	9	-	-
		7,789,691	7,503,247

The annexed notes 1 to 26 form an integral part of this condensed interim financial information.

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR

PACE (PAKISTAN) GROUP

CONSOLIDATED CONDENSED INTERIM BALANCE SHEET (UN-AUDITED) AS AT DECEMBER 31, 2017

		December 31,2017 <u>Un-Audited</u>	June 30,2017 <u>Audited</u>
	Note	(Rupees in thousand)	
NON-CURRENT ASSETS			
Property, plant and equipment	10	446,041	452,471
Intangible assets		5,295	5,555
Investment property	11	3,126,419	3,464,202
Investments	12	1,140,676	1,114,564
Long term advances and deposits		14,250	14,250
Deferred taxation		-	-
		4,732,681	5,051,042
CURRENT ASSETS			
Stock-in-trade	13	2,153,479	1,691,397
Trade debts - unsecured		577,898	655,698
Advances, deposits, prepayments and other receivables		286,291	99,386
Income tax recoverable		3,628	4,146
Cash and bank balances		35,714	1,578
		3,057,010	2,452,205
		7,789,691	7,503,247

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR

PACE (PAKISTAN) GROUP

CONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED) FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2017

		Quarter ended		Half Year Ended	
		December 31, 2017 Un-audited	December 31, 2016 Un-audited	December 31, 2017 Un-audited	December 31, 2016 Un-audited
	Note				
Sales	14	214,647	120,212	292,949	217,437
Cost of sales	15	(201,076)	(148,735)	(257,148)	(230,368)
Gross (loss) / profit		13,571	(28,523)	35,801	(12,931)
Administrative and selling expenses		(43,701)	(59,977)	(70,770)	(92,367)
Other income	16	23,070	105,529	30,313	313,326
Other operating expenses		(84,974)	(829)	(92,507)	(1,658)
Finance costs	17	(30,388)	(38,677)	(58,221)	(70,533)
Share of profit / (loss) for associate - net of tax		25,612	(18,072)	23,104	(18,543)
Profit / (loss) before tax		(96,810)	(40,549)	(132,280)	117,294
Taxation		(8,189)	6,231	(9,545)	(20,742)
Profit / (loss) for the period		(104,999)	(34,318)	(141,825)	96,552
Other comprehensive income / (loss)					
Items that will not be reclassified to profit or loss		-	-	-	-
Items that may be reclassified subsequently to profit or loss					
Changes in fair value of available for sale investments		(127)	373	(207)	593
Total comprehensive profit / (loss) for the period		(105,126)	(33,945)	(142,032)	97,145
Attributable to:					
Equity holders of the parent		(105,124)	(33,943)	(142,030)	97,147
Non-controlling interest		(2)	(2)	(2)	(2)
		(105,126)	(33,945)	(142,032)	97,145
Earnings/(loss) per share attributable to ordinary shareholders					
- basic	18	(0.38)	(0.12)	(0.51)	0.35

The annexed notes 1 to 26 form an integral part of this condensed interim financial information.

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR

PACE (PAKISTAN) GROUP

COSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017

	<i>Note</i>	Half Year Ended	
		December	December
		31,2017	31,2016
		<u>Un-Audited</u>	<u>Un-Audited</u>
		(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from operations	20	(109,310)	99,317
Gratuity and leave encashment paid		-	(2)
Finance cost paid		(70)	
Taxes paid		(3,824)	(5,232)
Net cash generated from operating activities		(113,204)	94,083
Cash flows from investing activities			
Purchase of property, plant and equipment		(4,423)	(162)
Receipts of sale of investment property		151,740	5,100
Markup received		23	33
Net cash used in investing activities		147,340	4,971
Cash flows from financing activities			
Repayment of finance lease liabilities			(1,650)
Net (decrease) / increase in cash and cash equivalents		34,136	97,404
Cash and cash equivalents at beginning of the period		1,578	(95,715)
Cash and cash equivalents at the end of the period		<u>35,714</u>	<u>1,689</u>

The annexed notes 1 to 26 form an integral part of this condensed interim financial information.

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR

CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2017

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

DIRECTOR

PACE (PAKISTAN) GROUP

NOTES TO AND FORMING PART OF THE CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2017 (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, 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.

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.

Going concern assumption

As at the reporting date, the current liabilities of the Group have exceeded its current assets by Rs 1,762.8 million and the reserves of the Group have been significantly depleted. The Group has not been able to meet various obligations towards its lenders, including repayment of principal and markup thereon in respect of its borrowings. As a consequence, the Group has also been unable to 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 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 markup;
- 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

PACE (PAKISTAN) GROUP

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 realise its receivables and inventory and be able to utilise 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 have been prepraed 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. This condensed interim financial statements do not include all the information and disclosures required in the annual audited financial statements, and should be read in conjunction the Group's annual audited financial statements for the year ended June 30, 2017."

3. Significant accounting policies

The accounting policies adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of preceding annual published financial statements of the Group for the year ended June 30, 2017 except for the adoption of new accounting policies as referred to in note 3.1.1.

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

Following amendment to existing standard and interpretation has been published and is mandatory for accounting periods beginning on or after January 1, 2017 and is considered to be relevant to the Group's operations:

3.1.1 Amendments to published standards effective in current period

Certain standards, amendments and interpretations to approved accounting standards are effective for the annual periods beginning on or after January 1, 2017 but are considered not to be relevant or to have any significant effect on the Group's operations and are, therefore, not detailed in this condensed interim financial information.

3.1.2 Standards, amendments and interpretations to existing standards that are not yet effective but applicable to the Group

"IFRS 15 replaces the previous revenue standards: IAS 18 Revenue, IAS 11 Construction Contracts, and the related interpretations on revenue recognition. The standard introduces a single five-step model for revenue recognition and establishes a comprehensive framework for recognition of revenue from contracts with customers based on a core principle that an entity should recognise revenue representing the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The management is in the process of assessing the impact of changes laid down by these standards on its financial statements."

PACE (PAKISTAN) GROUP

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

Standards, amendments or interpretation	Effective date (accounting periods beginning on or after)
Annual improvements 2014–2016:	January 01, 2018
- IAS 28, 'Investments in associates and joint ventures'	January 01, 2018
- IFRS 9, 'Financial instruments'	January 01, 2018
Amendments to IFRS 2, 'Share based payments', on clarifying how to account for certain types of share-based payment transactions	January 01, 2018
Amendment to IAS 40, 'Investment property' relating to transfers of investment property	January 01, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 01, 2018
IFRS 16, 'Leases'	January 01, 2019
IFRIC 23, 'Uncertainty over income tax treatments'	January 01, 2019
IFRS 9, 'Financial instruments'	January 01, 2019
Amendments to IAS 28, 'Investments in associates and joint ventures' regarding clarification that companies account for long-term interests in an associate or joint venture to which equity method is not applied using IFRS 9.	January 01, 2019

4 Taxation

The provision for taxation for the quarter ended and half year ended December 31, 2017 has been recognized based on management's best estimate of the weighted average income tax rate expected for the full financial year.

5 Estimates

The preparation of condensed interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended June 30, 2017, with the exception of changes in estimates that are required in determining the provision for income taxes as referred to in Note 4.

		Un-Audited December 31,2017	Audited June 30,2017
	Note	(Rupees in thousand)	
6 Long term finances - secured			
Soneri Bank Demand Finance		27,422	614,906
Markup on Pak Iran Loan	6.1	52,555	(587,484)
		79,977	27,422
Less: Current portion shown under current liabilities		(27,422)	(27,422)
		52,555	-

"6.1 During the year ended June 30, 2017 the Group entered into a settlement agreement with Pak Iran in which outstanding markup of Rs. 66.860 million was rescheduled and recognized under long term finances as it is payable over a period of 7 years. The rescheduled load has been stated at amortized cost using effective yield method."

		Un-Audited December 31,2017	Audited June 30,2017
	Note	(Rupees in thousand)	
7 Redeemable capital - secured (non-participatory)			
Term Finance certificates		1,121,503	1,121,503
Less: Current portion shown under current liabilities	7.1	(1,121,503)	(1,121,503)
		-	-

7.1 The entire outstanding amount of Rs. 1,121.503 million is overdue and has been classified as a current liability under the guidance contained in IAS 1 "Presentation of financial statements". The Group is in negotiation with lenders for relaxation in payment terms and certain other covenants.

PACE (PAKISTAN) GROUP

	Un-Audited December 31,2017	Audited June 30,2017
Note	(Rupees in thousand)	

8. Foreign currency convertible bonds - unsecured

Opening balance	1,757,713	1,736,212
Markup accrued for the period / year	8,696	16,527
	<u>1,766,409</u>	<u>1,752,739</u>
Exchange loss for the period / year	92,507	4,974
	<u>1,858,916</u>	<u>1,757,713</u>
Less: Current portion shown under current liabilities	<u>(1,858,916)</u>	<u>(1,757,713)</u>
	<u>-</u>	<u>-</u>

9 Contingencies and commitments

9.1 Contingencies

- (i) Claims against the Group not acknowledged as debts amount to Rs 21.644 million (June 30, 2017: Rs 21.644 million).
- (ii) Soneri Bank Limited filed a Suit on October 2, 2015, for recovery of Rs. 45.3 million, representing principal and markup accrued thereon, in the Honorable Banking Court Lahore. The stated suit was decreed in favor of the bank vide order dated June 30, 2016. The Group challenged the Judgment in the Honorable Lahore High Court which is pending adjudication.

Soneri Bank Limited filed petition for initiating execution proceedings before the Honorable Banking Court which the Court accepted. During the course of execution proceedings, the Court auctioneers issued the Auction Schedule dated December 7, 2016 for the auction of the mortgaged property i.e. 41-N, Gulberg II, Lahore, which was given as collateral for the above mentioned loan. The Group contested auction schedules dated December 12, 2016 and February 2, 2017. Ultimately Auction Schedule dated August 16, 2017 was issued by the executing court and mortgaged property was put to auction. Prior to auction date, the bank succeeded to procure permission to participate in the auction proceedings vide order dated April 10, 2017 without any notice to the Group. The Bank managed to purchase the mortgaged property (41-N, Gulberg II, Lahore) and report to that effect was filed in the court.

Subsequent to the half year ended December 31, 2017, objections against the auction report filed by the Group were not entertained by the executing court and the sale was confirmed by executing order dated January 30, 2018. The Group is in process of challenging the confirmation of sale of mortgaged property to bank on various grounds interalia including the plea that the subject property has been incorrectly undervalued. The actual value of the property appearing in books of the group is Rs. 149.9 Million whereas the valuation determined by Court for the purposes of auction proceedings was fixed at 45.2 Million.

In view of the legal advisors of the Group, there is adequate defense available to the Group for setting aside the confirmation of sale and therefore, no effect of the same has been made in the condensed interim financial information.

- (iii) On May 29, 2017, one of the tenants of the Group filed a case in Senior Civil Court against the Group. The plaintiff had entered into an agreement with the Group for lease of a property located at M.M. Alam Plaza. As per terms of the lease, the Group was due to handover the possession of the same by February 2017. The plaintiff claimed that the Group failed to handover possession of the complete area under lease by the said time and suffered a loss due to it. Consequently, the plaintiff filed a suit claiming an amount of Rs. 72.7 million on account of business loss, renovation expenses and other deposits made by the plaintiff.

The Group has filed a petition against the said tenant in the Rent Tribunal at Lahore on October 10, 2017 on grounds that the tenant has violated the terms and conditions of the Lease Agreement including failure to pay rent, delay in the payment of security deposit and denial of entry into the premises. Total amount claimed by the Group amounted to Rs. 51.8 Million.

PACE (PAKISTAN) GROUP

Hearing of both the petitions are pending before the respective Honorable 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 this condensed interim financial information.

9.2 Commitments

- (i) Contract for purchase of properties from Pace Barka Properties Limited, amounting to Rs 208.508 million (June 30, 2017: Rs 208.508 million).
- (ii) Corporate guarantee on behalf of Pace Barka Properties Limited, a related party, in favour of The Bank of Punjab, amount to Rs 900 million (June 30, 2017: Rs 900 million) as per the approval of shareholders through the special resolution dated July 29, 2006.
- (iii) The amount of future payments under operating leases and the periods in which these payments will become due are as follows:

		Un-Audited December 31,2017	Audited June 30,2017
	Note	(Rupees in thousand)	
		9,844	9,844
		45,527	44,297
		701,682	707,834
		<u>757,053</u>	<u>761,975</u>

10. Property, plant and equipment

Operating fixed assets	- note 10.1	417,593	424,807
Capital work-in-progress		28,448	27,664
		<u>446,041</u>	<u>452,471</u>

10.1 Operating fixed assets

Operating fixed assets - at net book value			
- owned assets	- note 10.1.1	417,593	425,438
- assets subject to finance lease		-	-
		<u>417,593</u>	<u>425,438</u>

10.1.1 Operating fixed assets - at net book value

Opening book value		424,807	432,432
Add: Additions during the period/ year		4,423	16,810
Less: Disposals during the period/ year		-	(2,948)
Less: Depreciation for the period/ year		(11,638)	(20,475)
		<u>(11,638)</u>	<u>(23,423)</u>
Closing book value		<u>417,593</u>	<u>425,819</u>

		Un-Audited December 31,2017	Audited June 30,2017
	Note	(Rupees in thousand)	
Opening fair value		3,464,202	3,369,702
Disposal of investment property		(337,783)	(25,500)
		<u>3,126,419</u>	<u>3,344,202</u>
Add: Fair value gain recognised during the period / year		-	120,000
Closing value after revaluation		<u>3,126,419</u>	<u>3,464,202</u>

PACE (PAKISTAN) GROUP

		Un-Audited December 31,2017	Audited June 30,2017
		(Rupees in thousand)	
12. Long term investments			
Associate - unquoted (accounted for under equity method)	Note		
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	1,139,891	1,113,572
Available for sale - quoted	12.2	785	992
		<u>1,140,676</u>	<u>1,114,564</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		354,921	396,237
		<u>1,113,572</u>	<u>1,154,888</u>
Share of movement in reserves during the year		3,216	
Share of loss for the year			
- before taxation		28,995	(20,670)
- provision for taxation		(5,892)	(20,646)
		<u>23,103</u>	<u>(41,316)</u>
Balance as on June 30		<u>1,139,891</u>	<u>1,113,572</u>
12.2 Available for sale - quoted			
Worldcall Telecom Limited			
912 (June 30, 2016: 912) fully paid ordinary shares of Rs 10 each		6	6
Shaheen Insurance Company Limited			
158,037 (June 30, 2016: 158,037) fully paid ordinary shares of Rs 10 each		2,008	2,008
		<u>2,014</u>	<u>2,014</u>
Less: Cumulative fair value loss	-note 12.2.2	(1,229)	(1,022)
		785	992
12.2.2 Cumulative fair value loss			
Opening balance		(1,022)	(1,230)
Fair value loss/(gain) during the period/ year		(207)	208
		<u>(1,229)</u>	<u>(1,022)</u>
		Un-Audited December 31,2017	Audited June 30,2017
		(Rupees in thousand)	
13. Stock-in-trade	Note		
Work in process - Pace Towers		960,516	621,455
Pace Barka Properties Limited - Pace Circle		594,201	594,201
Pace Super Mall (Private) Limited		170,565	170,565
Shops and houses		<u>427,243</u>	<u>304,201</u>
		2,152,525	1,690,422
Stores inventory		954	975
		<u>2,153,479</u>	<u>1,691,397</u>

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14 Sales

Shops, houses and commercial buildings
 - at completion of project basis
 - at percentage of completion basis
 Licensee fee
 Display advertisements and miscellaneous income
 Service charges

Quarter ended		Half Year Ended	
December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Un-audited	Un-audited	Un-audited	Un-audited
Rupees in thousand			
130,439	-	130,439	12,000
46,012	63,481	46,012	76,820
7,604	9,094	16,569	19,247
4,769	3,459	12,286	6,457
25,823	44,178	87,643	102,913
<u>214,647</u>	<u>120,212</u>	<u>292,949</u>	<u>217,437</u>

15 Cost of sales

Shops, houses and commercial buildings
 - at completion of project basis
 - at percentage of completion basis
 Stores operating expenses

123,783	-	123,783	8,810
20,208	85,511	20,208	95,033
57,085	63,224	113,157	126,525
<u>201,076</u>	<u>148,735</u>	<u>257,148</u>	<u>230,368</u>

16 Other income

Income from financial assets

Markup on bank accounts
 Gain on sale of investment properties
 Commission on guarantee

12	14	23	33
15,822		15,822	
310	310	619	619

Income from non-financial assets

Rental Income

3,227	2,923	6,632	5,846
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Others

Gain on settlements of loans
 Income from parking, storage and counters

-	98,828	-	301,104
3,700	3,454	7,217	5,724
<u>23,071</u>	<u>105,529</u>	<u>30,313</u>	<u>313,326</u>

17 Finance costs

Markup on
 - Long term finances - secured
 - Foreign currency convertible bonds - unsecured
 - Redeemable capital - secured (non-participatory)
 - Short term finance - secured
 - Interest expense on unwinding of pak iran loan
 - Liabilities against assets subject to finance lease

Quarter ended		Half Year Ended	
December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Un-audited	Un-audited	Un-audited	Un-audited
Rupees in thousand			
623	626	1,255	1,252
4,547	4,126	8,696	8,248
23,039	31,405	46,049	56,124
-			2,365
1,488		1,488	
	1,852		1,852
29,696	38,009	57,488	69,841
692	668	733	692
<u>30,388</u>	<u>38,677</u>	<u>58,221</u>	<u>70,533</u>

18 Earnings/ (loss) per share

Profit/(loss) for the period (Rupees in thousand)
 Weighted average number of ordinary shares outstanding during the period (in thousand)
 Earnings/(loss) per share (Rupees)

(104,999)	(34,318)	(141,825)	96,552
<u>278,877</u>	<u>278,877</u>	<u>278,877</u>	<u>278,877</u>
<u>(0.38)</u>	<u>(0.12)</u>	<u>(0.51)</u>	<u>0.35</u>

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		Half Year Ended	
		Un-Audited December 31,2017	Un-Audited December 31,2016
19. Transactions with related parties		(Rupees in thousand)	
Relationship with the Company	Nature of transaction		
i. Associate	Guarantee commission income	619	619
	Shared expenses charged by the Company	413	9,030
	Purchase of inventory	-	1,200
	Receipt against Pace circle sales	10,701	18,471
ii. Others	Purchase of goods & services	1,418	3,589
	Rental income	7,088	5,846
	Advance received for the sale of inventory	8,065	8,065
	Shared expenses charged by the Company	1,418	
	Payment made on account of construction at Pace Towers	52,875	-
	Payment made on behalf of the Company	-	-
iii. Directors and key management personnel	Salaries and other employee benefits	9,721	8,250
iv. Post employment benefit plan	Expense charged in respect of benefit plans	5,639	4,613

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

	Un-Audited December 31,2017	Un-Audited June 30,2017
(Rupees in thousand)		
Period end balances		
Receivable from related parties	29,325	7,009
Payable to related parties	62,180	73,826
Advances to related parties	705	

		Half Year Ended	
		Un-Audited December 31,2017	Un-Audited December 31,2016
20.Cash generated from operations		(Rupees in thousand)	
Profit/(loss) before tax		(132,280)	117,294
Adjustments for:			
- Depreciation on property, plant and equipment	-note 10.1.1	11,638	10,725
- Amortisation on intangible assets		260	262
- Provision for doubtful debts		14,362	14,320
- Share of profit of associate		(23,104)	18,543
- Markup income		(23)	(33)
- Gain on settlements of loans			(204,668)
- Gain on sale of investment property		(15,822)	
- Finance costs		58,220	69,841
- Exchange loss on foreign currency convertible bonds	- note 8	92,507	1,658

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	Half Year Ended	
	Un-Audited December 31,2017	Un-Audited December 31,2016
	(Rupees in thousand)	
-Impairment of inventory at Fortress Mall	11,911	-
- Provision for gratuity and leave encashment	3,922	4,772
Loss before working capital changes	21,591	32,714
Effect on cash flow due to working capital changes		
- Decrease/(Increase) in stock-in-trade	(474,690)	93,073
- (Increase)/Decrease in trade debts	63,438	(52,418)
- Decrease/(Increase) in advances, deposits prepayments and other receivables	13,298	1,337
- Increase/ (Decrease) in advances against sale of property	(20,972)	27,819
- (Decrease)/ Increase in creditors, accrued and other liabilities	288,025	(3,208)
	(130,901)	66,603
	(109,310)	99,317
21.Cash and Cash Equivalents		
Short tem finance - secured	-	-
Cash and bank balances	35,714	1,689
	<u>35,714</u>	<u>1,689</u>

PACE (PAKISTAN) GROUP

22. Segment information

	(Rupees in Thousand)									
	Real estate sales			Real estate sales			Other			Total
	Quarter ended December 31, 2017	Six month ended December 31, 2016	Quarter ended December 31, 2017	Quarter ended December 31, 2016	Six month ended December 31, 2017	Quarter ended December 31, 2016	Quarter ended December 31, 2017	Six month ended December 31, 2016	Quarter ended December 31, 2017	Six month ended December 31, 2016
Segment revenue	202,274	63,481	264,094	88,820	7,604	9,094	16,596	19,247	4,769	47,637
Segment expenses										
- Cost of sales	(182,584)	(85,511)	(229,121)	(103,843)	(11,364)	(8,219)	(16,094)	(16,448)	(7,127)	(55,005)
Gross (loss) / profit	19,690	(22,030)	34,973	(15,023)	(3,760)	875	502	2,799	(2,358)	(7,366)
- Changes in fair value of investment property										
Segment results	19,690	(22,030)	34,973	(15,023)	(3,760)	875	502	2,799	(2,358)	(7,366)
Administrative and selling expenses										
Other operating income										
Finance costs										
Other operating expenses										
Share of Profit of associates										
Profit/(Loss) before tax										
Taxation										
- Group										
- Associated companies										
Profit/(Loss) for the period										

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23 Financial risk management

23.1 Financial risk factors

The Group's activities may 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 condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's annual financial statements as at June 30, 2017.

There have been no changes in the risk management department or in any risk management policies since the year end.

23.2 Liquidity risk

There was no material change in the contractual undiscounted cash out flows for remaining financial liabilities.

23.3 Fair value estimation

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

The tables below analyze assets carried at fair value as at December 31, 2017 and June 30, 2017.

The different levels have been defined as follows:

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

The following is categorization of assets measured at fair value at December 31, 2017:

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	Level 1	Level 2 (Rupees in thousand)	Level 3	Total
Assets:				
Recurring fair value measurement of Available for sale financial assets	-	-	-	-
	-	-	-	-
Recurring fair value measurement of Investment property:				
Freehold land	-	1,393,646	-	1,393,646
Buildings	-	-	1,732,773	1,732,773
	-	1,393,646	1,732,773	3,126,419

The following is categorization of assets measured at fair value at June 30, 2017:

	Level 1	Level 2 (Rupees in thousand)	Level 3	Total
Recurring fair value measurement of Available for financial assets	-	-	-	-
	-	-	-	-
Recurring fair value measurement of Investment property:				
Freehold land	-	1,393,646	-	1,393,646
Buildings	-	-	2,070,556	2,070,556
	-	1,393,646	2,070,556	3,464,202

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

Valuation techniques used to measure level 2 and 3 assets

The fair value of these assets is determined by an independent professionally qualified valuer. Latest valuation of these assets was carried out on June 30, 2017. The level 2 fair value of freehold land has been derived using the sales comparison approach. The most significant input into this valuation approach is price per square yard. Level 3 fair value of Buildings has been determined using a depreciated replacement cost approach, whereby, current cost of construction of a similar building in a similar location has been adjusted using a suitable depreciation rate to arrive at present market value.

Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the period and year ended December 31, 2017 and June 30, 2017 for recurring fair value measurements:

	Un-Audited December 31, 2017	Audited June 30, 2017
	(Rupees in thousand)	
Opening fair value	2,070,556	2,155,202
Disposal of Investment Property	(337,783)	
Settlement against loan	-	-25,500
	1,732,773	2,129,702
Add: Fair value loss recognised during the period / year	-	(59,146)
Closing value	1,732,773	2,070,556

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

Valuation inputs and relationship to fair value

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

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Description	Fair Value at		Significant Unobservable inputs	Quantitative Data / Range and relationship to the fair value
	December 31, 2017 Rs'000	June 30, 2017 Rs'000		
Buildings	1,732,773	2,070,556	Cost of construction of a new similar building Suitable depreciation rate to arrive at depreciated replacement value	The market value has been determined by using a depreciation factor of approximately 5%-10% on cost of constructing a similar new building. Higher, the estimated cost of construction of a new building, higher the fair value. Further, higher the depreciation rate, the lower the fair value of the building.

24. Date of authorisation for issue

This condensed interim financial information was authorised for issue on February 28, 2018 by the Board of Directors of the Group.

25. Corresponding figures

In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', the condensed interim balance sheet and condensed interim statement of changes in equity have been compared with the balances of annual audited financial statements of preceding financial year, whereas, the condensed interim profit and loss account, condensed interim statement of comprehensive income and condensed interim cash flow statement have been compared with the balances of comparable period of immediately preceding financial year. Corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison. However, no significant rearrangements have been made.

26. Subsequent events / Non-adjusting events at Balance Sheet date

- (i) Subsequent to the half year ended December 31, 2017, in response to the petition filed by Askari Bank Limited (ABL) in the Honorable Lahore High seeking winding up of the Pace Group, it has entered into a Debt Asset Swap / Liabilities Settlement Agreement ('SA') with ABL on February 7, 2018 for full and final settlement of the total outstanding amount of TFCs held by ABL along with their accrued markup aggregating to Rs 330.022 million against floor area measuring 21,634 square feet situated at 5th and 6th floor of Pace Tower, located at 27 H, Gulberg II Lahore.

In accordance with the SA, ABL settled the principal amounting to Rs 185.932 million against the afore-mentioned area as full and final settlement and waived accrued markup amounting to Rs 144.090 million.

Accordingly, ABL withdrew its winding up petition against the Pace Group, which was decreed to that effect by the Lahore High Court vide order dated February 13, 2018

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR