# PACE (PAKISTAN) LIMITED

## CONDENSED QUARTERLY ACCOUNTS
## (UN-AUDITED)

## FOR THE PERIOD ENDED
## SEPTEMBER 30, 2016

## 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 PRINCIPLES

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.

# CONTENTS

# COMPANY INFORMATION

| | | |
|---|---|---|
| **Board of Directors** | Shehryar Ali Taseer (Chairman) | Non-Executive |
| | Aamna Taseer (CEO) | Executive |
| | Shahbaz Ali Taseer | Executive |
| | Shehrbano Taseer | Non-Executive |
| | Kanwar Latafat Ali Khan | Non-Executive |
| | Sulaiman Ahmed Saeed Al-Hoqani | Non-Executive |
| | Syed Abid Raza | Non-Executive |
| | Mohammed Imran Chaudhry | Independent |

**Chief Financial Officer** — Usman Ali Tariq

**Audit Committee**
Shehrbano Taseer (Chairman)
Shahryar Ali Taseer
Syed Abid Raza
Mohammed Imran Chaudhry

**Human Resource and Remuneration (HR&R) Committee**
Shehryar Ali Taseer (Chairman)
Aamna Taseer
Shahbaz Ali Taseer

**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
KASB Bank Limited
National Bank of Pakistan
NIB Bank Limited
Silk Bank Limited
Soneri Bank Limited
PAIR Investment Company Limited
Bank of Punjab
United Bank Limited
MCB Bank

**Registrar and Shares Transfer Office**
THK Associates (Pvt.) Limited
Ground Floor
State Life Building No.3,
Dr. Zia-ud-Din Ahmed Road Karachi
☎ (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

## DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors of Pace (Pakistan) Limited ("the Company") take pleasure in presenting to its shareholders the un-audited financial statements of the Company for the first quarter ended September 30, 2016.

**Operating Results:**

The Company closed its period under review with the impressive financial results, showing the Net Profit after Tax of PKR. 131.4 million, as compared to loss of PKR 100.9 million during the quarter ended September 30, 2015. The comparison of the un-audited results for the first quarter with corresponding period of the previous financial year is as under:

Rupees in '000'

| | **Jul-Sep 2016** | Jul-Sep 2015 |
|---|---|---|
| Sales | **97,226** | 106,930 |
| Cost of Sales | **(81,633)** | (95,362) |
| Gross Profit | **15,593** | 11,569 |
| Other Income | **207,797** | 5,615 |
| Other Operating Expenses | **(829)** | (44,348) |
| Finance Cost | **(31,856)** | (45,547) |
| Net profit/(loss) before tax | **158,320** | (100,955) |
| Net profit/(loss) after tax | **131,406** | (100,955) |
| Earning/(Loss) per share (PKR) | **0.47** | (0.36) |

Sales for the period showed decline of 9% due to lessor sales made for the shops and Pace Tower project during the period under review. Other income of the Company significantly increased from PKR 5.6 million to PKR 207.7 million, showing the raise of PKR 202 million. The increase in other income is due to waiver of Finance Cost of PKR. 202 million recorded by the Company against settlement of its outstanding liability of PKR 301 million of TFC Holders. The Company settled the outstanding principal with the lender, through exchange of properties at market rate.

Sharp decline in Other Operating Expenses from PKR 44 million to PKR 0.82 million, is due to stability in the rate of dollar during the reporting period, thereby enabling the Company to avoid the exchange loss on Foreign Currency Convertible Bound (FCCB).
Reduction in Finance Cost of the company from PKR 45.4 million in corresponding period last year, to PKR. 31.8 million in current period, is due to reduction in outstanding principal amount resulting from settlement of various outstanding loans of the company, during the previous year as well as in the current quarter.

Due to above mentioned favorable factors, the Company successfully achieved a significant turn-around in its earning per share, which rose from loss of PKR 0.36 per share to the profit of PKR 0.47 per share.

**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**
October 26, 2016

**Aamna Taseer**
Chief Executive Officer



## ڈائریکٹرز کی رپورٹ برائے حصص کنندگان

پیس پاکستان لمٹیڈ کے ڈائریکٹرز اپنے حصص کنندگان کو کمپنی ہذا کے غیر محاسب شدہ مالیاتی کیفیت نامے برائے سہ ماہی اول 30 ستمبر 2016 پیش کرتے ہوئے نہایت خوشی محسوس کرتے ہیں۔

## عملیاتی نتائج

کمپنی ہذا کے زیرغور مالیاتی دورانیے کا اختتام شان دار مالیاتی نتائج کے ساتھ ہوا۔ 30 ستمبر 2015 کو ختم ہونے والی سہ ماہی کے 100.9 ملین روپے کے خسارے کے مقابلے اس سہ ماہی میں 131.4 ملین روپے کا بعدازٹیکس خالص نفع ہوا۔ پہلی سہ ماہی کے غیر محاسب شدہ نتائج کا گذشتہ مالیاتی سال کی متعلقہ سہ ماہی کے نتائج کا موازنہ درج ذیل ہے: (روپے ہزاروں میں)

| | جولائی تا ستمبر 2016 | جولائی تا ستمبر 2015 |
|---|---|---|
| بکری | 97,226 | 106,930 |
| بکری کی لاگت | (81,633) | (95,362) |
| کل منافع | 15,593 | 11,569 |
| دیگر آمدن | 207,797 | 5,615 |
| دیگر عملیاتی اخراجات | (829) | (44,348) |
| مالیاتی لاگت | (31,856) | (45,547) |
| خالص نفع/(خسارہ) ٹیکس سے پہلے | 158,320 | (100,955) |
| خالص نفع/(خسارہ) بعدازٹیکس | 131,406 | (100,955) |
| کمائی/(خسارہ) فی حصص روپوں میں | 0.47 | (0.36) |

اس مالیاتی دورانیہ میں دکانوں پر کم بکری ہونے اور پیس ٹاور پراجیکٹ کی وجہ سے بکریوں میں 9 فیصد کمی ہوئی۔ کمپنی ہذا کی دیگر آمدن میں نمایاں اضافہ ہوا اور یہ 202 ملین روپے کے اضافے سے 5.6 ملین سے بڑھ کر 207.7 ملین روپے ہوگئی۔ دیگر آمدن میں اضافہ 202 ملین روپے کی مالیاتی لاگت ترک کرنے کی وجہ سے ہوا جسے کمپنی ہذا نے ٹی ایف سی مالکان کی 301 ملین

روپے کی واجب الادا ذمہ داری کے تصفیہ کے لیے ریکارڈ کیا۔ کمپنی ہذا نے قرض خواہ کے ساتھ واجب الادا ذمہ داری کا تصفیہ مارکیٹ شرح پر جائیدادوں کے تبادلے کے ذریعے کیا۔

دیگر عملیاتی اخراجات 44 ملین روپے سے کم ہوکر 0.82 ملین روپے رہ گئے جس کی وجہ اس مالیاتی دورانیہ میں ڈالر کی شرح تبادلہ کا مستحکم رہنا ہے۔ ڈالر کی مستحکم شرح کی وجہ سے کمپنی ہذا اس قابل ہوئی کہ غیر ملکی نقدیوں کے تبادلے (FCCB) میں تبادلاتی خسارے سے بچ سکے۔ گذشتہ سال کے متعلقہ دورانیہ میں مالیاتی لاگت 45.4 ملین روپے تھی جو اس مالیاتی دورانیہ میں کم ہوکر 31.8 ملین روپے رہ گئی۔ اس کمی کی وجہ گذشتہ سال اور حالیہ دورانیہ میں کمپنی ہذا کے ذمہ واجب الادا قرضہ جات کے تصفیہ کی وجہ سے واجب الادا رقوم میں کمی ہے۔

درج بالا سازگار عوامل کی وجہ سے کمپنی ہذا نے فی حصص آمدن میں اضافے میں نمایاں کامیابی حاصل کی ہے۔ فی حصص 0.36 روپے کے خسارے کے مقابلے میں 0.47 روپے فی حصص منافع ہوا ہے۔

بورڈ آف ڈائریکٹرز اپنے حصص کنندگان کا جنہوں نے مسلسل حمایت دکھائی اور اپنے تمام ملازمین کا جنہوں نے کمپنی ہذا کے لیے مسلسل محنت اور لگن کا مظاہرہ کیا، دلی طور پر مشکور ہے۔

بورڈ آف ڈائریکٹرز کی جانب سے

آمنہ تاثیر

چیف ایگزیکٹو آفیسر

لاہور

26 اکتوبر 2016



## PACE (PAKISTAN) LIMITED
## CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)
## AS AT SEPTEMBER 30, 2015

| | Note | **Unaudited September 30, 2016** | Audited June 30, 2016 |
|---|---|---|---|
| | | **(Rupees in thousand)** | |
| **EQUITY & LIABILITIES** | | | |
| **CAPITAL AND RESERVES** | | | |
| Authorised capital | | | |
| 600,000,000 (June 2016: 600,000,000) ordinary shares of Rs 10 each | | **6,000,000** | 6,000,000 |
| Issued, subscribed and paid up capital | | | |
| 278,876,604 (2016: 278,876,604) ordinary shares of Rs 10 each | | **2,788,766** | 2,788,766 |
| Reserves | | **272,255** | 272,035 |
| Accumulated loss | | **(707,039)** | (838,444) |
| | | **2,353,982** | 2,222,357 |
| **NON-CURRENT LIABILITIES** | | | |
| Long term finances - secured | 5 | **-** | - |
| Redeemable capital - secured (non-participatory) | 6 | **-** | - |
| Liabilities against assets subject to finance lease | | **-** | - |
| Foreign currency convertible bonds - unsecured | 7 | **-** | - |
| Deferred liabilities | | **40,662** | 38,276 |
| | | **40,662** | 38,276 |
| **CURRENT LIABILITIES** | | | |
| Advances against sale of property | | **122,862** | 107,532 |
| Current portion of long term liabilities | | **3,286,431** | 3,282,581 |
| Short term finance - secured | 8 | **96,443** | 96,443 |
| Creditors, accrued and other liabilities | | **473,804** | 455,903 |
| Accrued finance cost | | **925,337** | 1,099,911 |
| | | **4,904,877** | 5,042,370 |
| **CONTINGENCIES AND COMMITMENTS** | 9 | **-** | - |
| | | **7,299,521** | 7,303,003 |

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

**CHIEF EXECUTIVE**

| ASSETS | Note | Unaudited September 30, 2016 | (Audited) June 30, 2016 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 10 | **448,292** | 453,363 |
| Intangible assets | | **5,948** | 6,079 |
| Investment property | 11 | **3,369,703** | 3,369,702 |
| Long term investments | 12 | **851,325** | 851,105 |
| Long term advances and deposits | | **13,619** | 13,619 |
| | | **4,688,887** | 4,693,868 |
| **CURRENT ASSETS** | | | |
| Stock-in-trade | 13 | **1,814,377** | 1,802,137 |
| Trade debts - unsecured | | **672,238** | 647,490 |
| Advances, deposits, prepayments and other receivables | | **120,983** | 150,918 |
| Income tax recoverable | | **-** | 7,961 |
| Cash and bank balances | | **3,036** | 629 |
| | | **2,610,634** | 2,609,135 |
| | | **7,299,521** | 7,303,003 |

**DIRECTOR**



## PACE (PAKISTAN) LIMITED
## CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
## FOR THE QUARTER ENDED SEPTEMBER 30, 2016

| | | July to September 2016 | July to September 2015 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| Sales | | **97,226** | 106,930 |
| Cost of sales | | **(81,633)** | (95,362) |
| **Gross profit** | | **15,593** | 11,569 |
| Administrative and selling expenses | | **(32,385)** | (28,244) |
| Other income | | **207,797** | 5,615 |
| Other operating expenses | | **(829)** | (44,348) |
| **Profit/(loss) from operations** | | **190,176** | (55,408) |
| Finance costs | | **(31,856)** | (45,547) |
| **Profit / (loss) before tax** | | **158,320** | (100,955) |
| Taxation | | **(26,914)** | - |
| **Profit / (loss) for the year** | | **131,406** | (100,955) |
| **Other comprehensive income/ (loss)** | | | - |
| *Items that may be reclassified subsequently to profit or loss* | | | |
| Changes in fair value of available for sale investments | | **220** | (191) |
| **Total comprehensive income / (loss) for the year** | | **131,626** | (101,146) |
| Earnings / (loss) per share attributable to ordinary shareholders | | | |
| - basic earnings / (loss) per share | Rupees | **0.47** | (0.36) |
| - diluted earnings / (loss) per share | Rupees | **0.35** | (0.36) |

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

**CHIEF EXECUTIVE** **DIRECTOR**

## PACE (PAKISTAN) LIMITED
## CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
## FOR THE QUARTER ENDED SEPTEMBER 30, 2016

| | Note | July to September 2016 | July to September 2015 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| **Cash flow from operating activities** | | | |
| Cash (used in) / generated from operations | 14 | **(23,341)** | 6,815 |
| Finance costs paid | | **(24)** | (29) |
| Gratuity and leave encashment paid | | **(173)** | (852) |
| Taxes paid | | **(3,955)** | (3,605) |
| **Net cash used in operating activities** | | **(27,493)** | 2,331 |
| **Cash flow from investing activities** | | | |
| Purchase of property, plant and equipment | | **(119)** | (94) |
| Proceeds from sale of investment property | | **31,100** | - |
| Markup received | | **19** | 22 |
| **Net cash generated from investing activities** | | **31,000** | (72) |
| **Cash flow from financing activities** | | | |
| Repayment of finance lease liabilities | | **(1,100)** | (442) |
| **Net increase/(decrease) in cash and cash equivalents** | | **2,407** | 1,817 |
| **Cash and cash equivalents at the beginning of the year** | | **(95,814)** | (95,288) |
| **Cash and cash equivalents at the end of the year** | | **(93,407)** | (93,471) |

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

**CHIEF EXECUTIVE** **DIRECTOR**



## PACE (PAKISTAN) LIMITED
## CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
## FOR THE QUARTER ENDED SEPTEMBER 30, 2016

(Rupees in thousand)

| | Share capital | Share premium reserve | Reserve for changes in fair value of investments | Unappropriated profit | Total |
|---|---|---|---|---|---|
| **Balance as on July 1, 2015 (Audited)** | 2,788,766 | 273,265 | (1,007) | (1,135,748) | 1,925,276 |
| **Total comprehensive profit /(loss) for September quarter** | | | | | |
| Profit/(loss) for the period | - | - | - | (100,955) | (100,955) |
| Other comprehensive income/(loss) | - | - | (191) | - | (191) |
| | - | - | (191) | (100,955) | (101,146) |
| **Balance as on September 30, 2015 (Unaudited)** | 2,788,766 | 273,265 | (1,198) | (1,236,703) | 1,824,130 |
| **Total comprehensive profit /(loss) for the nine months** | | | | | |
| Profit/(loss) for the period | - | - | - | 398,259 | 398,259 |
| Other comprehensive income/(loss) | - | - | (32) | - | (32) |
| | - | - | (32) | 398,259 | 398,227 |
| **Balance as on June 30, 2016 (Audited)** | 2,788,766 | 273,265 | (1,230) | (838,444) | 2,222,357 |
| **Total comprehensive profit /(loss) for September quarter** | | | | - | |
| Profit/(loss) for the period | - | - | 220 | 131,406 | 131,626 |
| | - | - | 220 | 131,406 | 131,626 |
| **Balance as on September 30, 2016 (Unaudited)** | **2,788,766** | **273,265** | **(1,010)** | **(707,039)** | **2,353,982** |

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

**CHIEF EXECUTIVE** **DIRECTOR**

## NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE QUARTER ENDED SEPTEMBER 30, 2016 (UN-AUDITED)

**1. Legal status and activities**

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

**2. Statement of Compliance**

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

**2.2 Going concern assumption**

As at the reporting date, the current liabilities of the Company have exceeded its current assets by Rs 2294.293 million and the reserves of the Company have been significantly depleted. The Company has not been able to meet various obligations towards its lenders, including repayment of principal and markup thereon in respect of its borrowings. As a consequence, the Company has also been unable to realise its existing receivables from customers and is facing difficulties in sale of its inventory, being encumbered against its borrowings. These conditions raise significant doubts on the Company’s ability to continue as a going concern.

The management of the Company however, is continuously engaged with its lenders for settlements of its borrowings. During the current year National Bank of Pakistan, Habib Bank Limited and Al-Baraka Bank (Pakistan) Limited have settled their outstanding amounts against property situated at Pace Towers and Pace Model Town (Extension) as mentioned in notes 5.1, 5.2 and 5.3 respectively. Similarly Pair Investment Company Limited has offered, which the Company has accepted, to settle Rs 138.750 million inclusive of markup of Rs 42.307 million against properties at mezzanine floor and basement of Pace Tower measuring 6,000 sft and restructuring of Rs 15.950 million.

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 realise its existing receivables, aid the sale of inventory from the completed projects referred above and utilise the resultant liquidity for completion and sale of its ‘Pace Towers’ Project.

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



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

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

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

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

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

- IFRS 10 - ‘Consolidated financial statements’ is applicable on accounting periods beginning on or after January 01, 2015. This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in determining control where this is difficult to assess. The application of this standard has no material impact on the Company's financial statements.

- IFRS 11 - ‘Joint arrangements’ is applicable on accounting periods beginning on or after January 01, 2015. IFRS 11 is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and therefore accounts for its share of assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and therefore equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. The application of this standard has no material impact on the Company's financial statements.

- IFRS 12 - ‘Disclosures of interests in other entities’. This is applicable on accounting periods beginning on or after January 01, 2015. This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The application of this standard has no material impact on the Company's financial statements.

- IFRS 13, ‘Fair value measurement’. This is applicable on accounting periods beginning on or after January 01, 2015. This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. The requirements, which are largely aligned between IFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS or US GAAP. The application of this standard has no material impact on the Company's financial statements except for certain additional fair value disclosures.

**2.3.2 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 | January 01, 2016 |
| IAS 1 - Presentation of financial statements on disclosure initiative | January 01, 2016 |
| IAS 16 - Property, plant and equipment in relation to use of revenue based methods to calculate the depreciation | January 01, 2016 |
| IAS 27 - Separate financial statements on the equity method | January 01, 2016 |
| IAS 28 - Investments in associates and joint ventures | January 01, 2016 |
| IAS 38 - Intangible assets in relation to use of revenue based methods to calculate the depreciation | January 01, 2016 |
| IAS 41 - Agriculture | January 01, 2016 |
| IFRS 9 - Financial instruments | January 01, 2018 |
| IFRS 10 - Consolidated financial statements | January 01, 2016 |
| IFRS 11 - Joint arrangements on acquisition of an interest in a joint operation | January 01, 2016 |
| IFRS 14 - Regulatory deferral accounts | January 01, 2016 |
| IFRS 15 - Revenue from contracts with customers | January 01, 2017 |
| IFRS 16 - Leases | January 01, 2019 |

## 3. Taxation

The provision for taxation for the quarter ended September 30, 2016 has been made on an estimated basis.

## 4. Estimates

The preparation of condensed interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the key sources of estimation uncertainly were the same as those that applied to financial statements for the year ended June 30, 2016 with the exemption of changes in estimates that are required in determining the provision for income taxes as referred to in Note 3.

| 5. Long term finances - secured | Note | **Unaudited September 30, 2016** | Audited June 30, 2016 |
|---|---|---|---|
| | | **(Rupees in thousand)** | |
| Syndicate term finance facility | 5.1 | **-** | - |
| National Bank of Pakistan - term finance | 5.2 | **-** | - |
| Al Baraka Bank (Pakistan) Limited - musharika based agreement | 5.3 | **-** | - |
| Soneri Bank - demand finance | | **27,422** | 27,422 |
| | | **27,422** | 27,422 |
| Less: Current portion shown under current liabilities | | **(27,422)** | (27,422) |
| | | **-** | - |

### 5.1 Syndicate term finance facility

The company has settled their principal and accrued mark up with properties at Pace Towers on following key terms:



**National Bank of Pakistan**

On December 04, 2015 National Bank of Pakistan ('NBP') and the Company entered into the Debt Asset Swap / Liabilities Settlement Agreement ('SA') for full and final settlement of NBP's portion of Syndicate Term Finance Facility ('STFF') and Term finance as referred in note 6.2 along with their accrued markup aggregating to Rs 398.711 million against property situated at upper ground floor, mezzanine floor and basement of Pace Towers measuring 18,525 square feet. According to clause F of the SA, NBP purchased the aforementioned properties of Rs 332.113 million and waived accrued markup of Rs 66.598 million. Pursuant to the SA, on December 30, 2015 the Company and NBP executed sale deed, wherein the area was enhanced to 20,800 square feet against relaxation of certain condition under SA and possession of the property was handed over to NBP. The Company and NBP also agreed that NBP will continue to hold its charge on Pace Towers except for the podium level and later it will take over charge being vacated by PAIR Investment Company Limited as a result of settlements.

**Habib Bank Limited**

On December 16, 2015 Habib Bank Limited ('HBL') and the Company entered into Debt Asset Swap / Liabilities Settlement Agreement ('DSA') for settlement of HBL's portion of STFF along with the accrued markup aggregating to Rs 178.809 million against property situated at ground floor of Pace Towers and third floor of Pace Model Town (extension) measuring 4,238 square feet and 431 square feet respectively. In accordance with the DSA, HBL purchased the aforementioned properties form the Company for a consideration of Rs 106.895 million and waived accrued markup of Rs 71.914 million. Pursuant to the DSA, on December 30, 2015, the Company and HBL executed sale deed and possession of the properties was handed over to HBL. The Company and HBL also agreed that HBL will continue to hold its charge over 21 floors i.e. from 1st to 21st floors in Pace Towers uptil the finishing work on aforementioned property in Pace Towers is complete.

### 5.2 National Bank of Pakistan - term finance

During the year NBP and the Company settled the entire principal and accrued markup together with its portion of STFF against property situated at Pace Towers as referred to in Note 5.1.

### 5.3 Al Baraka Bank (Pakistan) Limited - musharika based agreement

On December 28, 2015 Al Baraka Bank (Pakistan) Limited ('ABBPL') and the Company entered into Debt Asset Swap / Liabilities Settlement Agreement ('DSAA') for settlement of entire principal along with the accrued markup aggregating to Rs 398.562 million against property situated at first floor of Pace Towers measuring 17,950 square feet. In accordance with the DSAA, ABBPL purchased the aforementioned properties form the Company for a consideration of Rs 242.291 million and waived accrued markup of Rs 156.271 million. Pursuant to the DSAA, on December 30, 2015, the Company and ABBPL executed sale deed and possession of the property was handed over to ABBPL. The Company and ABBPL also agreed that ABBPL will continue to hold its charge over Pace Towers uptill completion certificate has been procured from Lahore Development Authority.

| 6. Redeemable capital - secured (non-participatory) | Note | **Unaudited September 30, 2016** | Audited June 30, 2016 |
|---|---|---|---|
| | | **(Rupees in thousand)** | |
| Term finance certificates | | **1,498,200** | 1,498,200 |
| Less: Current portion shown under current liabilities | 6.1 | **(1,498,200)** | (1,498,200) |
| | | **-** | - |

### 6.1 Terms of repayment

This represents term finance certificates (TFC's) listed on Lahore Stock Exchange issued for a period of 5 years. On September 27, 2010, the Company completed the restructuring of its term finance certificates. Restructuring was duly approved by majority of TFC holders holding certificates in aggregate of 51.73 %, through extraordinary resolution passed in writing. Consequent to the approval of TFC holders, addendum to the trust deed was executed between the Company and trustee 'IGI Investment Bank Limited' under which the Company was allowed one and a half year grace period along with an extension of four years in the tenure of TFC issue and consequently, the remaining tenure of TFC shall be six and a half years effective from August 15, 2010. The TFC's carry a markup of 6 months KIBOR plus 2% (2015: 6 months KIBOR plus 2%) and is payable semi-annually in arrears. The Company is in negotiation with the trustee for relaxation in payment terms and certain other covenants.

**6.2 Security**

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

| | Note | Unaudited September 30, 2016 | Audited June 30, 2016 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| **7. Foreign currency convertible bonds - unsecured** | | | |
| Opening balance | | **1,736,212** | 1,670,456 |
| Markup accrued during the year | | **4,122** | 16,480 |
| | | **1,740,334** | 1,686,936 |
| Exchange loss for the year | | **829** | 49,276 |
| | | **1,741,163** | 1,736,212 |
| Less: Current portion shown under current liabilities | 7.1 | **1,741,163** | (1,736,212) |
| | | **-** | - |

**7.1** The Company issued 25,000 convertible bonds of USD 1,000 each on January 9, 2008 amounting to USD 25 million. The foreign currency convertible bonds (FCCB) were listed on the Singapore Stock Exchange and became redeemable on December 28, 2012 at the accreted principal amount. The bonds carry a markup of 5.5% per annum, compounded semi-annually, accretive (up till December 28, 2012) and cash interest of 1% per annum to be paid in arrears. The holders of the bonds have an option to convert the bonds into equity shares of the Company at any time following the issue date at a price calculated as per terms of arrangement. In aggregate USD 13 million bond have been converted into ordinary shares as at June 30, 2016.

As the fair value calculated for the embedded foreign exchange equity derivate and the financial instrument is quite subjective and cannot be measured reliably, consequently the bond has been carried at cost and includes accreted markup.

**8. Short term finance - secured**

This represents short term finance of Rs 96.443 million (2016: Rs 96.443 million) provided by PAIR Investment Company Limited (formerly Pak-Iran Joint Investment Company Limited) and carries markup @ 1 month KIBOR + 3.5% (2016: 1 months KIBOR + 3.5%). The entire amount of loan is overdue as at September 30, 2016.

**Security**

The facility is secured by creation of mortgage amounting to the sum of Rs 142.857 million on the property being piece and parcel of land located at Plot no. 96/B-1, Gulberg III, Lahore, measuring 4 Kanals and 112 square feet along with structures, superstructures and appurtenances including shops/counters having area measuring 20,433 square feet.

During the year, the PAIR Investment Company Limited (PAIR) has offered, which the company has accepted to settle and restructure the entire principal and accrued mark up as follows:

- Settlement of Rs 138.750 million inclusive of mark up of Rs 42.307 million against the properties at mezzanine floor and basement of Pace Towers measuring 6,000 square feet and PAIR to vacate its charge to the extent of Rs 120.85 million on MM Alam plaza.



- Restructuring of Rs 15.950 million on the following terms:
--Repayment in 20 equal installments starting from September 01, 2017.
--Amount of loan will be secured against charge at MM Alam plaza with 25% Margin.

Legal documentation has not been finalized with PAIR as at year end.

**9 Contingencies and commitments**

**9.1 Contingencies**

(i) Claims against the Company not acknowledged as debts Rs 21.644 million (2016: Rs 21.644 million).

(ii) Corporate guarantee on behalf of Pace Barka Properties Limited, a related party, in favour of The Bank of Punjab, amounting to Rs 900 million (2016: Rs 900 million) as per the approval of shareholders through the special resolution dated July 29, 2006.

**9.2 Commitments**

(i) Contract for purchase of properties from Pace Barka Properties Limited, amounting to 2016: Rs 211.218 million.

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

| | Note | Unaudited September 30, 2016 | Audited June 30, 2016 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| Not later than one year | | **7,875** | 7,875 |
| Later than one year and not later than five years | | **41,836** | 41,836 |
| Later than five years | | **720,139** | 720,139 |
| | | **769,850** | 769,850 |
| **10 Property, plant and equipment** | | | |
| Book value at beginning of the period / year | | **425,438** | 431,957 |
| Add: | | | |
| - Additions during the period / year | 10.1 | **119** | 16,810 |
| | | **119** | 16,810 |
| | | - | - |
| | | **425,676** | 448,767 |
| Less: | | | |
| - Disposals during the period / year - at book value | | **-** | 2,948 |
| - Depreciation charged during the period / year | | **5,169** | 20,381 |
| | | **5,169** | 23,329 |
| Book value at end of the period / year | | **420,507** | 425,438 |
| **10.1 Additions during the period / year** | | | |
| Operating fixed assets | | **119** | 16,810 |
| | | **119** | 16,810 |

| | Note | Unaudited September 30, 2016 | Audited June 30, 2016 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| **11. Investment property** | | | |
| Opening value | | **3,369,703** | 3,421,430 |
| - Settlement against loan | | **-** | (7,328) |
| - Disposal of investment property | | **-** | (73,810) |
| Closing value before revaluation as at June 30 | | **3,369,703** | 3,340,292 |
| Fair value gain recognised in profit and loss account | | **-** | 29,410 |
| Fair value as at September 30 | | **3,369,703** | 3,369,703 |
| **12. Long term investments** | | | |
| Equity instruments of: | | | |
| - subsidiaries - unquoted | 12.1 | **91,670** | 91,670 |
| - associate - unquoted | 12.2 | **758,651** | 758,651 |
| Available for sale - quoted | 12.3 | **1,004** | 784 |
| | | **851,325** | 851,105 |
| **12.1 Subsidiaries - unquoted** | | | |
| Pace Woodlands (Private) Limited<br>3,000 (2016: 3,000) fully paid ordinary shares of Rs 10 each<br>Equity held 52% (2016: 52%) | | **30** | 30 |
| Pace Super Mall (Private) Limited<br>9,161,528 (2016: 9,161,528) fully paid ordinary shares of Rs 10 each<br>Equity held 57% (2016: 57%) | | **91,615** | 91,615 |
| Pace Gujrat (Private) Limited<br>2,450 (2016: 2,450) fully paid ordinary shares of Rs 10 each<br>Equity held 100% (2016: 100%) | | **25** | 25 |
| | | **91,670** | 91,670 |
| **12.2 Associate - unquoted** | | | |
| Pace Barka Properties Limited<br>75,875,000 (2016: 75,875,000) fully paid ordinary shares of Rs 10 each<br>Equity held 24.9% (2016: 24.9%) | | **758,651** | 758,651 |
| **12.3 Available for sale - quoted** | | | |
| Worldcall Telecom Limited<br>912 (2016: 912) fully paid ordinary shares of Rs 10 each | | **6** | 6 |
| Shaheen Insurance Company Limited<br>158,037 (2016: 158,037) fully paid ordinary shares of Rs 10 each | | **2,008** | 2,008 |
| | | **2,014** | 2,014 |



| | Note | Unaudited September 30, 2016 | Audited June 30, 2016 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| Less: Cumulative fair value loss | | **(1,010)** | (1,230) |
| | | **1,004** | 784 |
| **12.3.1 Cumulative fair value loss** | | | |
| Opening balance | | **1,230** | 1,007 |
| Fair value loss / (gain) during the year | | **(220)** | 223 |
| Transferred to profit and loss account on derecognition of investment | | **-** | - |
| | | **1,010** | 1,230 |
| **13. Stock-in-trade** | | | |
| Work in process - Pace Towers | | **834,190** | 838,872 |
| Shops and houses | | **340,830** | 315,961 |
| Pace Barka Properties Limited - Pace Circle | | **615,313** | 624,123 |
| Pace Super Mall (Private) Limited | | **22,600** | 21,600 |
| | | **1,812,933** | 1,800,556 |
| Stores inventory | | **1,444** | 1,581 |
| | | **1,814,377** | 1,802,137 |

| | Note | July to September 2016 | 2015 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| **14. Cash generated from operations** | | | |
| Profit / (loss) before tax | | **158,320** | (100,955) |
| Adjustment for: | | | |
| Exchange loss on foreign currency convertible bonds | 7 | **829** | 44,348 |
| Provision for gratuity and leave encashment | | **2,386** | 2,792 |
| Depreciation on: | | | |
| - owned assets | 10 | **5,169** | 5,258 |
| - assets subject to finance lease | | **19** | 24 |
| Amortisation on intangible assets | | **131** | 133 |
| Markup waived off | | **(202,284)** | - |
| Markup income | | **(19)** | (22) |
| Finance costs | | **31,856** | 45,547 |
| Loss before working capital changes | | **(3,593)** | (2,875) |
| Effect on cash flow due to working capital changes: | | | |
| Increase in stock-in-trade | | **(12,242)** | 25 |
| Decrease / (increase) in trade debts | | **(24,747)** | 29,132 |
| Decrease in advances, deposits and other receivables | | **(1,165)** | (34,872) |
| Net (decrease) / increase in advances against sale of property | | **15,678** | - |
| Increase in creditors, accrued and other liabilities | | **2,728** | 15,405 |
| | | **(19,748)** | 9,690 |
| | | **(23,341)** | 6,815 |

## 15. Financial risk management

### 15.1 Financial risk factors

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

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

### 15.2 Liquidity risk

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

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

### 15.3 Fair value estimation

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

The different levels have been defined as follows:

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

The following is categorization of assets measured at fair value at September 30, 2016:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| | | (Rupees in thousand) | | |
| **Assets:** | | | | |
| Recurring fair value measurement of Available for sale financial assets | 784 | - | - | 784 |
| Recurring fair value measurement of Investment property: | | | | |
| Freehold land | - | 1,214,500 | - | 1,214,500 |
| Buildings | - | - | **2,155,202** | 2,155,202 |
| | 784 | 1,214,500 | **2,155,202** | 3,370,486 |



The following is categorization of assets measured at fair value at June 30, 2016:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| | | (Rupees in thousand) | | |
| **Assets:** | | | | |
| Recurring fair value measurement of Available for sale financial assets | 784 | - | - | 784 |
| Recurring fair value measurement of Investment property: | | | | |
| Freehold land | - | 1,214,500 | - | 1,214,500 |
| Buildings | - | - | **2,155,202** | 2,155,202 |
| | 784 | 1,214,500 | **2,155,202** | 3,370,486 |

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

**Valuation techniques used to measure level 2 and 3 assets**

The fair value of these assets is determined by an independent professionally qualified valuer. Latest valuation of these assets was carried out on June 30, 2016. 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 June 30, 2016 and June 30, 2015 for recurring fair value measurements:

| | **Unaudited September 30, 2016** | Audited June 30, 2016 |
|---|---|---|
| | **(Rupees in thousand)** | |
| Opening fair value | **2,255,510** | 2,255,510 |
| Disposal of investment property | **(73,810)** | (73,810) |
| Settlement against loan | **(7,328)** | (7,328) |
| | **2,174,372** | 2,174,372 |
| Fair value loss recognised during year | **(19,170)** | (19,170) |
| **Closing value after revaluation** | **2,155,202** | 2,155,202 |

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

**Valuation inputs and relationship to fair value**

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

| Description | Fair Value at | | Significant Unobserv-able inputs | Quantitative Data / Range and relationship to the fair value |
|---|---|---|---|---|
| | September 30, 2016 | June 30, 2016 | | |
| | Rs'000 | Rs'000 | | |
| Buildings | 2,155,202 | 2,155,202 | 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. |

## 16. Transactions with related parties

| Relationship with the Company | Nature of transactions | Un-Audited September 30, 2016 | September 30, 2015 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| i. Associate | Guarantee commission income | **309** | 309 |
| | Receipts against Pace circle sales | **10,056** | - |
| ii. Others | Purchase of goods & services | **5,068** | 499 |
| | Rental income | **2,923** | - |
| | Sales of goods and services | **-** | 2,657 |

| | Un-Audited September 2016 | September 2015 |
|---|---|---|
| | (Rupees in thousand) | |
| **Period end balances** | | |
| Receivable from related parties | **48,149** | 21,327 |
| Payable to related parties | **-** | - |

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

## 17. Date of authorisation

These financial statements were authorised for issue on October 26, 2016 by the board of directors of the Company.

## 18. Corresponding figures

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

LAHORE CHIEF EXECUTIVE DIRECTOR

# PACE (PAKISTAN) GROUP

# CONDENSED CONSOLIDATED QUARTERLY FINANCIAL ACCOUNTS (UN-AUDITED)

# FOR THE PERIOD ENDED SEPTEMBER 30, 2016

# DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors of Pace (Pakistan) Limited ("the Group") take pleasure in presenting to its shareholders the un-audited financial statements of the Group for the first quarter ended September 30, 2016.

**Operating Results:**

The Group closed its period under review with the impressive financial results, showing the Net Profit after Tax of PKR. 131.4 million, as compared to loss of PKR 100.9 million during the quarter ended September 30, 2015. The comparison of the un-audited results for the first quarter with corresponding period of the previous financial year is as under:

Rupees in '000'

| | **Jul-Sep 2016** | Jul-Sep 2015 |
|---|---|---|
| Sales | **97,225** | 106,931 |
| Cost of Sales | **(81,633)** | (95,361) |
| Gross Profit | **15,592** | 11,570 |
| Other Income | **207,797** | 5,616 |
| Other Operating Expenses | **(829)** | (44,348) |
| Finance Cost | **(31,856)** | (45,547) |
| Net profit/(loss) before tax | **158,785** | (100,455) |
| Net profit/(loss) after tax | **131,812** | (100,467) |
| Earning/(Loss) per share (PKR) | **0.47** | (0.36) |

Sales for the period showed decline of 9% due to lessor sales made for the shops and Pace Tower project during the period under review. Other income of the Group significantly increased from PKR 5.6 million to PKR 207.7 million, showing the raise of PKR 202 million. The increase in other income is due to waiver of Finance Cost of PKR. 202 million recorded by the Group against settlement of its outstanding liability of PKR 301 million of TFC Holders. The Group settled the outstanding principal with the lender, through exchange of properties at market rate.

Sharp decline in Other Operating Expenses from PKR 44 million to PKR 0.82 million, is due to stability in the rate of dollar during the reporting period, thereby enabling the Group to avoid the exchange loss on Foreign Currency Convertible Loan.

Reduction in Finance Cost of the Group from PKR 45.5 million in corresponding period last year, to PKR. 31.8 million in current period, is due to reduction in outstanding principal amount resulting from settlement of various outstanding loans of the Group, during the previous year as well as in the current quarter.

Due to above mentioned favorable factors; the Group successfully achieved a significant turn-around in its earning per share, which rose from loss of PKR 0.36 per share to the profit of PKR 0.47 per share.

**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 Group.

For and on behalf of the Board of Directors

**Lahore**
October 26, 2016

**Aamna Taseer**
Chief Executive Officer



# PACE (PAKISTAN) GROUP
# CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (UN-AUDITED)
# AS AT SEPTEMBER 30, 2016

| | Note | **Unaudited September 30, 2016** | Audited June 30, 2016 |
|---|---|---|---|
| | | **(Rupees in thousand)** | |
| **EQUITY AND LIABILITIES** | | | |
| **CAPITAL AND RESERVES** | | | |
| Authorised capital 600,000,000 (June 2016: 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 2016: 278,876,604) ordinary shares of Rs 10 each | | **2,788,766** | 2,788,766 |
| Reserves | | **286,244** | 286,023 |
| Accumulated loss | | **(267,293)** | (399,105) |
| | | **2,807,718** | 2,675,684 |
| **NON-CONTROLLING INTEREST** | | **87,396** | 87,398 |
| | | **2,895,114** | 2,763,082 |
| **NON-CURRENT LIABILITIES** | | | |
| Long term finances - secured | 5 | **-** | - |
| Redeemable capital - secured (non-participatory) | 6 | **-** | - |
| Liabilities against assets subject to finance lease | | **-** | - |
| Foreign currency convertible bonds - unsecured | 7 | **-** | - |
| Deferred liabilities | | **40,660** | 38,278 |
| Deferred taxation | | **57,176** | 57,117 |
| | | **97,836** | 95,395 |
| **CURRENT LIABILITIES** | | | |
| Advances against sale of property | | **123,862** | 108,532 |
| Current portion of long term liabilities | | **3,286,431** | 3,282,580 |
| Short term finance - secured | 8 | **96,443** | 96,443 |
| Creditors, accrued and other liabilities | | **510,117** | 492,209 |
| Accrued finance cost | | **925,337** | 1,099,911 |
| Taxation | | **5,534** | 5,534 |
| | | **4,947,724** | 5,085,209 |
| **CONTINGENCIES AND COMMITMENTS** | 9 | **-** | - |
| | | **7,940,674** | 7,943,686 |

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

**CHIEF EXECUTIVE** **DIRECTOR**

| | Note | Unaudited September 30, 2016 | Audited June 30, 2016 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| **ASSETS** | | | |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 10 | **448,294** | 453,363 |
| Intangible assets | | **5,948** | 6,079 |
| Investment property | 11 | **3,369,702** | 3,369,702 |
| Long term investments | 12 | **1,156,363** | 1,155,672 |
| Long term advances and deposits | | **14,250** | 14,250 |
| | | **4,994,557** | 4,999,066 |
| **CURRENT ASSETS** | | | |
| Stock-in-trade | 13 | **2,148,389** | 2,136,149 |
| Trade debts - unsecured | | **672,540** | 647,792 |
| Advances, deposits, prepayments and other receivables | | **122,001** | 151,937 |
| Income tax recoverable | | **53** | 8,014 |
| Cash and bank balances | | **3,134** | 728 |
| | | **2,946,117** | 2,944,620 |
| | | **7,940,674** | 7,943,686 |

**DIRECTOR**



# PACE (PAKISTAN) GROUP
## CONDENSED CONSOLIDATED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
## FOR THE QUARTER ENDED SEPTEMBER 30, 2016

| | | July to September 2016 | 2015 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| Sales | | 97,225 | 106,931 |
| Less: Sales return | | - | - |
| | | 97,225 | 106,931 |
| Cost of sales | | (81,633) | (95,361) |
| **Gross profit** | | 15,592 | 11,570 |
| Administrative and selling expenses | | (32,390) | (28,250) |
| Other income | | 207,797 | 5,616 |
| Other operating expenses | | (829) | (44,348) |
| **Profit/(loss) from operations** | | 190,170 | (55,412) |
| Finance costs | | (31,856) | (45,547) |
| Share of (loss) / profit from associate - net of tax | | 471 | 504 |
| **Profit / (loss) before tax** | | 158,785 | (100,455) |
| Taxation | | (26,973) | (12) |
| **Profit / (loss) for the year** | | 131,812 | (100,467) |
| **Other comprehensive income / (loss)** | | | |
| *Items that may be reclassified subsequently to profit or loss* | | | |
| Changes in fair value of available for sale investments | | 220 | (190) |
| | | 220 | (190) |
| **Total comprehensive income / (loss) for the year** | | 132,032 | (100,657) |
| Attributable to: | | | |
| Equity holders of the parent | | 132,032 | (100,657) |
| Non-controlling interest | | (2) | 2 |
| | | 132,030 | (100,655) |
| Earnings / (loss) per share attributable to ordinary shareholders | | | |
| - basic earnings / (loss) per share | Rupees | 0.47 | (0.36) |
| - diluted earnings / (loss) per share | Rupees | 0.35 | (0.36) |

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

**CHIEF EXECUTIVE** **DIRECTOR**

# PACE (PAKISTAN) GROUP
# CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
# FOR THE QUARTER ENDED SEPTEMBER 30, 2016

| | Note | September 30, 2016 | September 30, 2015 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| **Cash flow from operating activities** | | | |
| Cash (used in) / generated from operations | 14 | (23,341) | 6,817 |
| Finance costs paid | | (24) | (29) |
| Gratuity and leave encashment paid | | (173) | (852) |
| Taxes paid | | (3,955) | (3,605) |
| **Net cash used in operating activities** | | (27,493) | 2,331 |
| **Cash flow from investing activities** | | | |
| Purchase of property, plant and equipment | | (119) | (94) |
| Proceeds from sale of investment property | | 31,100 | - |
| Markup received | | 19 | 22 |
| **Net cash generated from investing activities** | | 31,000 | (72) |
| **Cash flow from financing activities** | | | |
| Repayment of finance lease liabilities | | (1,100) | (442) |
| **Net increase/(decrease) in cash and cash equivalents** | | 2,407 | 1,817 |
| **Cash and cash equivalents at the beginning of the year** | | (95,715) | (95,188) |
| **Cash and cash equivalents at the end of the year** | | (93,308) | (93,371) |

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

**CHIEF EXECUTIVE** **DIRECTOR**



# PACE (PAKISTAN) GROUP
# CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
# FOR THE QUARTER ENDED SEPTEMBER 30, 2016

(Rupees in thousands)

| | Attributable to equity holders of the parent | | | | | | Non-Controlling Interest | Total Equity |
|---|---|---|---|---|---|---|---|---|
| | Share capital | Share premium reserve | Reserve for changes in fair value of investments | Share in capital reserves of associates | Unappropriated profit | Total | | |
| **Balance as on 1st July,2015 (Audited)-Restated** | 2,788,766 | 273,265 | (1,007) | (2,894) | (630,903) | 2,427,227 | 87,485 | 2,514,712 |
| **Total comprehensive** profit/(loss) **for September quarter** | | | | | | | | |
| Profit/(loss) for the period | - | - | - | - | (100,467) | (100,467) | (2) | (100,469) |
| Other comprehensive income / (loss) | - | - | (191) | - | - | (190) | | (190) |
| | - | - | (191) | - | (100,467) | (100,657) | (2) | (100,659) |
| **Balance as on September 30, 2015 (Unaudited)** | 2,788,766 | 273,265 | (1,198) | (2,894) | (731,371) | 2,326,570 | 87,485 | 2,414,053 |
| **Total comprehensive** profit /(loss) **for the nine months** | | | | | | | | |
| Profit/(loss) for the period | - | - | - | - | 328,996 | 328,996 | (87) | 328,909 |
| Other comprehensive income/(loss) | - | - | (32) | 16,882 | 3,270 | 20,119 | - | 20,119 |
| | - | - | (32) | 13,988 | 332,266 | 349,115 | (87) | 349,028 |
| **Balance as on June 30, 2016 (Audited)** | 2,788,766 | 273,265 | (1,230) | 13,988 | (399,105) | 2,675,684 | 87,398 | 2,763,081 |
| **Total comprehensive profit/(loss) for September quarter** | | | | | | | | |
| Profit / (loss) for the period | - | - | - | - | 131,812 | 131,812 | (2) | 131,810 |
| Other comprehensive income / (loss) | - | - | 220 | 1 | - | 221 | | 221 |
| | - | - | 220 | 1 | 131,812 | 132,033 | (2) | 132,031 |
| **Balance as on September 30, 2016 (Unaudited)** | 2,788,766 | 273,265 | (1,010) | 13,989 | (267,293) | 2,807,717 | 87,396 | 2,895,114 |

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

**CHIEF EXECUTIVE** **DIRECTOR**

## PACE (PAKISTAN) GROUP

## NOTES TO AND FORMING PART OF THE CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION FOR THE QUARTER ENDED SEPTEMBER 30, 2016 (UN-AUDITED)

**1. Legal status and activities**

**1.1 Constitution and ownership**

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

**Pace (Pakistan) Limited**

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

**Pace Gujrat (Private) Limited**

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

**Pace Woodlands (Private) Limited**

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

**Pace Supermall (Private) Limited**

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

**1.2 Activities of the Group**

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

**2. Statement of compliance**

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



the Companies Ordinance, 1984 or directives issued by Securities and Exchange Commission of Pakistan differ with the requirements of IFRS or IFAS, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives prevail.

**2.2 Going concern assumption**

As at the reporting date, the current liabilities of the Company have exceeded its current assets by Rs 2001.607 million and the reserves of the Company have been significantly depleted. The Company has not been able to meet various obligations towards its lenders, including repayment of principal and markup thereon in respect of its borrowings. As a consequence, the Company has also been unable to realise its existing receivables from customers and is facing difficulties in sale of its inventory, being encumbered against its borrowings. These conditions raise significant doubts on the Company's ability to continue as a going concern.

The management of the Company however, is continuously engaged with its lenders for settlements of its borrowings. During the current year National Bank of Pakistan, Habib Bank Limited and Al-Baraka Bank (Pakistan) Limited have settled their outstanding amounts against property situated at Pace Towers and Pace Model Town (Extension) as mentioned in notes 5.1, 5.2 and 5.3 respectively. Similarly Pair Investment Company Limited has offered, which the Company has accepted, to settle Rs 138.750 million inclusive of markup of Rs 42.307 million against properties at mezzanine floor and basement of Pace Tower measuring 6,000 sft and restructuring of Rs 15.950 million.

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 realise its existing receivables, aid the sale of inventory from the completed projects referred above and utilise the resultant liquidity for completion and sale of its 'Pace Towers' Project.

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

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

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

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

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

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

- IFRS 10 - 'Consolidated financial statements' is applicable on accounting periods beginning on or after January 01, 2015. This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in determining control where this is difficult to assess. The application of this standard has no material impact on the Group's financial statements.

- IFRS 11 - 'Joint arrangements' is applicable on accounting periods beginning on or after January 01, 2015. IFRS 11 is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and therefore accounts for its share of assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and therefore equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. The application of this standard has no material impact on the Group's financial statements.

- IFRS 12 - 'Disclosures of interests in other entities'. This is applicable on accounting periods beginning on or after January 01, 2015. This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The application of this standard has no material impact on the Group's financial statements.

- IFRS 13, 'Fair value measurement'. This is applicable on accounting periods beginning on or after January 01, 2015. This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. The requirements, which are largely aligned between IFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS or US GAAP. The application of this standard has no material impact on the Group's financial statements except for certain additional fair value disclosures.

**2.3.2 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 | January 01, 2016 |
| IAS 1 - Presentation of financial statements on disclosure initiative | January 01, 2016 |
| IAS 16 - Property, plant and equipment in relation to use of revenue based methods to calculate the depreciation | January 01, 2016 |
| IAS 27 - Separate financial statements on the equity method | January 01, 2016 |
| IAS 28 - Investments in associates and joint ventures | January 01, 2016 |
| IAS 38 - Intangible assets in relation to use of revenue based methods to calculate the depreciation | January 01, 2016 |
| IAS 41 - Agriculture | January 01, 2016 |
| IFRS 9 - Financial instruments | January 01, 2018 |
| IFRS 10 - Consolidated financial statements | January 01, 2016 |
| IFRS 11 - Joint arrangements on acquisition of an interest in a joint operation | January 01, 2016 |
| IFRS 14 - Regulatory deferral accounts | January 01, 2016 |
| IFRS 15 - Revenue from contracts with customers | January 01, 2017 |
| IFRS 16 - Leases | January 01, 2019 |

## 3. Taxation

The provision for taxation for the quarter ended September 30, 2016 has been made on an estimated basis.



## 4. Estimates

The preparation of condensed interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the key sources of estimation uncertainly were the same as those that applied to financial statements for the year ended June 30, 2016 with the exemption of changes in estimates that are required in determining the provision for income taxes as referred.

| | Note | **Unaudited September 30, 2016** | Audited June 30, 2016 |
|---|---|---|---|
| | | **(Rupees in thousand)** | |
| **5. Long term finances - secured** | | | |
| Syndicate term finance facility | 5.1 | **-** | - |
| National Bank of Pakistan - term finance | 5.2 | **-** | - |
| Al Baraka Bank (Pakistan) Limited - musharika based agreement | 5.3 | **-** | - |
| Soneri Bank - demand finance | | **27,422** | 27,422 |
| | | **27,422** | 27,422 |
| Less: Current portion shown under current liabilities | | **(27,422)** | (27,422) |
| | | **-** | - |

### 5.1 Syndicate term finance facility

The Holding Company has settled their principal and accrued mark up with properties at Pace Towers on following key terms:

**National Bank of Pakistan**

On December 04, 2015 National Bank of Pakistan ('NBP') and the Holding Company entered into the Debt Asset Swap / Liabilities Settlement Agreement ('SA') for full and final settlement of NBP's portion of Syndicate Term Finance Facility ('STFF') and Term finance as referred in note 6.2 along with their accrued markup aggregating to Rs 398.711 million against property situated at upper ground floor, mezzanine floor and basement of Pace Towers measuring 18,525 square feet. According to clause F of the SA, NBP purchased the aforementioned properties of Rs 332.113 million and waived accrued markup of Rs 66.598 million. Pursuant to the SA, on December 30, 2015 the Company and NBP executed sale deed, wherein the area was enhanced to 20,800 square feet against relaxation of certain condition under SA and possession of the property was handed over to NBP. The Holding Company and NBP also agreed that NBP will continue to hold its charge on Pace Towers except for the podium level and later it will take over charge being vacated by PAIR Investment Company Limited as a result of settlements.

**Habib Bank Limited**

On December 16, 2015 Habib Bank Limited ('HBL') and the Holding Company entered into Debt Asset Swap / Liabilities Settlement Agreement ('DSA') for settlement of HBL's portion of STFF along with the accrued markup aggregating to Rs 178.809 million against property situated at ground floor of Pace Towers and third floor of Pace Model Town (extension) measuring 4,238 square feet and 431 square feet respectively. In accordance with the DSA, HBL purchased the aforementioned properties form the Holding Company for a consideration of Rs 106.895 million and waived accrued markup of Rs 71.914 million. Pursuant to the DSA, on December 30, 2015, the Company and HBL executed sale deed and possession of the properties was handed over to HBL. The Holding Company and HBL also agreed that HBL will continue to hold its charge over 21 floors i.e. from 1st to 21st floors in Pace Towers uptil the finishing work on aforementioned property in Pace Towers is complete.

### 5.2 National Bank of Pakistan - term finance

During the year NBP and the Holding Company settled the entire principal and accrued markup together with its portion of STFF against property situated at Pace Towers as referred to in Note 6.1.

### 5.3 Al Baraka Bank (Pakistan) Limited - musharika based agreement

On December 28, 2015 Al Baraka Bank (Pakistan) Limited ('ABBPL') and the Holding Company entered into Debt Asset Swap / Liabilities Settlement Agreement ('DSAA') for settlement of entire principal along with the accrued markup aggregating to Rs 398.562 million against property situated at first floor of Pace Towers measuring 17,950 square feet. In accordance with the DSAA, ABBPL purchased the aforementioned properties form the Company for a consideration of Rs 242.291 million and waived accrued markup of Rs 156.271 million. Pursuant to the DSAA, on December 30, 2015, the Holding Company and ABBPL executed sale deed and possession of the property was handed over to ABBPL. The Holding Company and ABBPL also agreed that ABBPL will continue to hold its charge over Pace Towers uptill completion certificate has been procured from Lahore Development Authority.

### 5.4 Soneri Bank - demand finance

**Terms of repayment**

This loan is part of total demand finance facility limit of Rs 44.688 Million (2015: Rs 44.688 Million) and carries markup @ 6 months KIBOR + 3% (2015: 6 months KIBOR + 3%). The loan was originally repayable in 8 equal quarterly installments ending on June 30, 2012.

**Security**

This facility is secured against a charge created on the land and building on Plot no. 41, Gulberg III, Industrial Area Lahore.

The Company is currently negotiating with the bank to settle the loan and markup through debt to asset swap. The proposal is in early stage and formal plan of the properties for settlement is to be decided by both the Company and the bank.

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

| | Note | **Unaudited September 30, 2016** | Audited June 30, 2016 |
|---|---|---|---|
| | | **(Rupees in thousand)** | |
| Term finance certificates | | **1,498,200** | 1,498,200 |
| Less: Current portion shown under current liabilities | 6.1 | **(1,498,200)** | (1,498,200) |
| | | **-** | - |

### 6.1 Terms of repayment

This represents term finance certificates (TFC's) listed on Lahore Stock Exchange issued for a period of 5 years. On September 27, 2010, the Holding Company completed the restructuring of its term finance certificates. Restructuring was duly approved by majority of TFC holders holding certificates in aggregate of 51.73 %, through extraordinary resolution passed in writing. Consequent to the approval of TFC holders, addendum to the trust deed was executed between the Holding Company and trustee 'IGI Investment Bank Limited' under which the Holding Company was allowed one and a half year grace period along with an extension of four years in the tenure of TFC issue and consequently, the remaining tenure of TFC shall be six and a half years effective from August 15, 2010. The TFC's carry a markup of 6 months KIBOR plus 2% (2015: 6 months KIBOR plus 2%) and is payable semi-annually in arrears. The Holding Company is in negotiation with the trustee for relaxation in payment terms and certain other covenants.

### 6.2 Security

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



### 7. Foreign currency convertible bonds - unsecured

| | Note | **Unaudited September 30, 2016** | Audited June 30, 2016 |
|---|---|---|---|
| | | **(Rupees in thousand)** | |
| Opening balance | | **1,736,212** | 1,670,456 |
| Markup accrued during the year | | **4,122** | 16,480 |
| | | **1,740,334** | 1,686,936 |
| Exchange loss for the year | | **829** | 49,276 |
| | | **1,741,163** | 1,736,212 |
| Less: Current portion shown under current liabilities | 7.1 | **1,741,163** | (1,736,212) |
| | | **-** | - |

**7.1** The Holding Company issued 25,000 convertible bonds of USD 1,000 each on January 9, 2008 amounting to USD 25 million. The foreign currency convertible bonds (FCCB) were listed on the Singapore Stock Exchange and became redeemable on December 28, 2012 at the accreted principal amount. The bonds carry a markup of 5.5% per annum, compounded semi-annually, accretive (up till December 28, 2012) and cash interest of 1% per annum to be paid in arrears. The holders of the bonds have an option to convert the bonds into equity shares of the Holding Company at any time following the issue date at a price calculated as per terms of arrangement. In aggregate USD 13 million bond have been converted into ordinary shares as at June 30, 2016.

As the fair value calculated for the embedded foreign exchange equity derivate and the financial instrument is quite subjective and cannot be measured reliably, consequently the bond has been carried at cost and includes accreted markup.

### 8. Short term finance - secured

This represents short term finance of Rs 96.443 million (2016: Rs 96.443 million) provided by PAIR Investment Holding Company Limited (formerly Pak-Iran Joint Investment Holding Company Limited) and carries markup @ 1 month KIBOR + 3.5% (2016: 1 months KIBOR + 3.5%). The entire amount of loan is overdue as at September 30, 2016.

**Security**

The facility is secured by creation of mortgage amounting to the sum of Rs 142.857 million on the property being piece and parcel of land located at Plot no. 96/B-1, Gulberg III, Lahore, measuring 4 Kanals and 112 square feet along with structures, superstructures and appurtenances including shops/counters having area measuring 20,433 square feet.

During the year, the PAIR Investment Company Limited (PAIR) has offered, which the Holding Company has accepted to settle and restructure the entire principal and accrued mark up as follows:

- Settlement of Rs 138.750 million inclusive of mark up of Rs 42.307 million against the properties at mezzanine floor and basement of Pace Towers measuring 6,000 square feet and PAIR to vacate its charge to the extent of Rs 120.85 million on MM Alam plaza.

- Restructuring of Rs 15.950 million on the following terms:
--Repayment in 20 equal installments starting from September 01, 2017.
--Amount of loan will be secured against charge at MM Alam plaza with 25% Margin.

Legal documentation has not been finalized with PAIR as at year end.

### 9 Contingencies and commitments

### 9.1 Contingencies

(i) Claims against the Group not acknowledged as debts Rs 21.644 million (2016: Rs 21.644 million).

(ii) Corporate guarantee on behalf of Pace Barka Properties Limited, a related party, in favour of The Bank of Punjab, amounting to Rs 900 million (2016: Rs 900 million) as per the approval of shareholders through the special resolution dated July 29, 2006.

### 9.2 Commitments

(i) Contract for purchase of properties from Pace Barka Properties Limited, amounting to 2016: Rs 211.218 million.

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

| | Note | Unaudited September 30, 2016 | Audited June 30, 2016 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| Not later than one year | | **7,875** | 7,875 |
| Later than one year and not later than five years | | **41,836** | 41,836 |
| Later than five years | | **720,139** | 720,139 |
| | | **769,850** | 769,850 |

### 10 Property, plant and equipment

| | Note | Unaudited September 30, 2016 | Audited June 30, 2016 |
|---|---|---|---|
| Book value at beginning of the period / year | | **425,438** | 431,957 |
| Add: | | | |
| - Additions during the period / year | 10.1 | **119** | 16,810 |
| | | **119** | 16,810 |
| | | - | - |
| | | **425,676** | 448,767 |
| Less: | | | |
| - Disposals during the period / year - at book value | | **-** | 2,948 |
| - Depreciation charged during the period / year | | **5,169** | 20,381 |
| | | **5,169** | 23,329 |
| Book value at end of the period / year | | **420,507** | 425,438 |

### 10.1 Additions during the period / year

| | | |
|---|---|---|
| Operating fixed assets | **119** | 16,810 |
| | **119** | 16,810 |

### 11. Investment property

| | | |
|---|---|---|
| Opening value | **3,369,703** | 3,421,430 |
| - Settlement against loan | **-** | (7,328) |
| - Disposal of investment property | **-** | (73,810) |
| Closing value before revaluation as at June 30 | **3,369,703** | 3,340,292 |
| Fair value gain recognised in profit and loss account | **-** | 29,410 |
| Fair value as at September 30 | **3,369,703** | 3,369,703 |



### 12. Long term investments

| | Note | Unaudited September 30, 2016 | Audited June 30, 2016 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| Associate - unquoted | | | |
| 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 | **1,155,359** | 1,154,888 |
| Available for sale - quoted | 12.2 | **1,004** | 784 |
| | | **1,156,363** | 1,155,672 |

### 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 | **396,237** | 432,478 |
| | **1,154,888** | 1,191,129 |
| Share of movement in reserves during the year | **-** | 16,882 |
| Share of profit for the year | | |
| - before taxation | **567** | (55,387) |
| - provision for taxation | **(96)** | 2,264 |
| | **471** | (53,123) |
| Balance as on June 30 | **1,155,359** | 1,154,888 |

### 12.2 Available for sale - quoted

| | | |
|---|---|---|
| Worldcall Telecom Limited | | |
| 912 (2016: 912) fully paid ordinary shares of Rs 10 each | **6** | 6 |
| Shaheen Insurance Company Limited | | |
| 158,037 (2016: 158,037) fully paid ordinary shares of Rs 10 each | **2,008** | 2,008 |
| | **2,014** | 2,014 |
| Less: Cumulative fair value loss | **(1,010)** | (1,230) |
| | **1,004** | 784 |

### 12.2.1 Cumulative fair value loss

| | | |
|---|---|---|
| Opening balance | **1,230** | 1,007 |
| Fair value loss / (gain) during the year | **(220)** | 223 |
| Transferred to profit and loss account on derecognition of investment | **-** | - |
| | **1,010** | 1,230 |

### 13. Stock-in-trade

| | Note | | |
|---|---|---|---|
| Work in process - Pace Towers | 13.1&13.2 | **834,190** | 838,872 |
| Shops and houses | | **341,842** | 316,973 |
| Pace Barka Properties Limited - Pace Circle | | **615,313** | 624,123 |
| Pace Supermall (Private) Limited | | **354,600** | 354,600 |
| | | **2,145,945** | 2,134,568 |
| Stores inventory | | **1,444** | 1,581 |
| | | **2,147,389** | 2,136,149 |

**13.1** Included in work in process are borrowing costs of Rs 202.661 million (2016: Rs 350.451 million). During the year borrowing cost capitalized was Nil (2016: Rs 64.346 million).

**13.2** The charge amounting to Rs 1,200.5 million (2016: Rs 1,200.5 million) has been registered against work in process with lenders as security against long term loan and redeemable capital as referred to in note 6 and note 7 respectively.

| | Note | Unaudited September 30, 2016 | Audited September 30, 2015 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| **14. Cash generated from operations** | | | |
| Profit / (loss) before tax | | **158,785** | (100,455) |
| Adjustment for: | | | |
| Exchange loss on foreign currency convertible bonds | 7 | **829** | 44,348 |
| Provision for gratuity and leave encashment | | **2,386** | 2,792 |
| Depreciation on: | | | |
| - owned assets | 10 | **5,169** | 5,258 |
| - assets subject to finance lease | | **19** | 24 |
| Amortisation on intangible assets | | **131** | 133 |
| Markup waived off | | **(202,284)** | - |
| Share of profit from associate | | **(471)** | (504) |
| Markup income | | **(19)** | (22) |
| Finance costs | | **31,856** | 45,547 |
| Loss before working capital changes | | **(3,599)** | (2,879) |
| Effect on cash flow due to working capital changes: | | | |
| Increase in stock-in-trade | | **(12,242)** | 25 |
| Decrease / (increase) in trade debts | | **(24,747)** | 29,132 |
| Decrease in advances, deposits and other receivables | | **(1,165)** | (34,870) |
| Net (decrease) / increase in advances against sale of property | | **15,678** | - |
| Increase in creditors, accrued and other liabilities | | **2,734** | 15,405 |
| | | **(19,742)** | 9,696 |
| | | **(23,341)** | 6,817 |

### 15. Operating Segments

Operating segments and basis of determination of operating segments are same as disclosed in audited consolidated annual financial statements of the Group for the year ended June 30, 2016.



### 15.1 Segment information

(Rupees in thousand)

| | Real estate sales | | Investment properties | | Others | | Total | |
|---|---|---|---|---|---|---|---|---|
| | Quarter ended | | Quarter ended | | Quarter ended | | Quarter ended | |
| | September 2016 | September 2015 | September 2016 | September 2015 | September 2016 | September 2015 | September 2016 | September 2015 |
| Segment revenue | **25,339** | 26,857 | **10,153** | 12,683 | **61,733** | 67,391 | **97,225** | 106,931 |
| Segment expenses | | | | | | | | |
| - Cost of sales | **(18,332)** | (19,537) | **-** | - | | - | **(18,332)** | (19,537) |
| - Stores operating expenses | | | **-** | - | **(63,301)** | (75,824) | **(63,301)** | (75,824) |
| Gross (loss) / profit | **7,007** | 7,320 | **10,153** | 12,683 | **(1,568)** | (8,433) | **15,592** | 11,570 |
| **Segment results** | **7,007** | 7,320 | **10,153** | 12,683 | **(1,568)** | (8,433) | **15,592** | 11,570 |
| Administrative and selling expenses | | | | | | | **(32,390)** | (28,250) |
| Other operating income | | | | | | | **207,797** | 5,615 |
| Finance costs | | | | | | | **(31,856)** | (45,547) |
| Other operating expenses | | | | | | | **(829)** | (44,348) |
| Share of loss of associates | | | | | | | **471** | 504 |
| **Loss before tax** | | | | | | | **158,785** | (100,455) |
| **Taxation** | | | | | | | | |
| - Group | | | | | | | **(26,973)** | (12) |
| **Profit / (Loss) for the period** | | | | | | | **131,812** | (100,467) |

**16. Detail of subsidiaries**

| | Accounting year end | Percentage of holding | Country of Incorporation |
|---|---|---|---|
| **Quarter ended September 30, 2016** | | | |
| Pace Woodlands (Private) Limited | 30-Sep-16 | 52% | Pakistan |
| Pace Gujrat (Private) Limited | 30-Sep-16 | 100% | Pakistan |
| Pace Supermall (Private) Limited | 30-Sep-16 | 69% | Pakistan |
| **Year ended June 30, 2016** | | | |
| Pace Woodlands (Private) Limited | 30-Jun-16 | 52% | Pakistan |
| Pace Gujrat (Private) Limited | 30-Jun-16 | 100% | Pakistan |
| Pace Supermall (Private) Limited | 30-Jun-16 | 69% | Pakistan |

**17. Financial risk management**

**17.1 Financial risk factors**

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

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

**17.2 Liquidity risk**

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

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

**17.3 Fair value estimation**

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

The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).



The following is categorization of assets measured at fair value at September 30, 2016:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Assets:** | | | | |
| Recurring fair value measurement of Available for sale financial assets | 784 | - | - | 784 |
| Recurring fair value measurement of Investment property: | | | | |
| Freehold land | - | 1,214,500 | - | 1,214,500 |
| Buildings | - | - | 2,155,202 | 2,155,202 |
| | 784 | 1,214,500 | 2,155,202 | 3,370,486 |

The following is categorization of assets measured at fair value at June 30, 2016:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Assets:** | | | | |
| Recurring fair value measurement of Available for sale financial assets | 784 | - | - | 784 |
| Recurring fair value measurement of Investment property: | | | | |
| Freehold land | - | 1,214,500 | - | 1,214,500 |
| Buildings | - | - | 2,155,202 | 2,155,202 |
| | 784 | 1,214,500 | 2,155,202 | 3,370,486 |

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

**Valuation techniques used to measure level 2 and 3 assets**

The fair value of these assets is determined by an independent professionally qualified valuer. Latest valuation of these assets was carried out on June 30, 2016. The level 2 fair value of freehold land has been derived using the sales comparison approach. The most significant input into this valuation approach is price per square yard. Level 3 fair value of Buildings has been determined using a depreciated replacement cost approach, whereby, current cost of construction of a similar building in a similar location has been adjusted using a suitable depreciation rate to arrive at present market value.

**Fair value measurements using significant unobservable inputs (level 3)**

The following table presents the changes in level 3 items for the period and year ended September 30, 2016 and June 30, 2016 for recurring fair value measurements:

| | Unaudited September 30, 2016 | Audited June 30, 2016 |
|---|---|---|
| | (Rupees in thousand) | |
| Opening fair value | **2,255,510** | 2,255,510 |
| Disposal of investment property | **(39,730)** | (39,730) |
| Settlement against loan | **(7,328)** | (7,328) |
| | **2,208,452** | 2,208,452 |
| Fair value loss recognised during year | **(19,170)** | (19,170) |
| **Closing value after revaluation** | **2,189,282** | 2,189,282 |

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

**Valuation inputs and relationship to fair value**

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

| Description | Fair Value at | | Significant Unobserv-able inputs | Quantitative Data / Range and relationship to the fair value |
|---|---|---|---|---|
| | Sep 30, 2016 | June 30, 2016 | | |
| | Rs'000 | Rs'000 | | |
| Buildings | 2,155,202 | 2,155,202 | Cost of construction of a new similar building.<br>Suitable depreciation rate to arrive at depreciated replacement value. | The market value has been determined by using a depreciation 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. |

## 18. Transactions with related parties

The related parties comprise associates, other related companies and key management personnel. The Group in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables.

| | | Un-Audited September 30, 2016 | Un-Audited September 30, 2015 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| | **Nature of transactions** | | |
| i. Associate | Guarantee commission income | 309 | 309 |
| | Receipts against Pace circle sales | 10,056 | - |
| ii. Others | Purchase of goods & services | 5,068 | 499 |
| | Rental income | 2,923 | - |
| | Sales of goods and services | - | 2,657 |



| | Un-Audited September 2016 | Un-Audited September 2015 |
|---|---|---|
| | (Rupees in thousand) | |
| **Period end balances** | | |
| Receivable from related parties | **48,149** | 21,327 |
| Payable to related parties | **-** | - |

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

## 19. Date of authorisation

These consolidated financial statements were authorised for issue on October 26, 2016 by the Board of Directors of the Holding Company.

## 20. Corresponding figures

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

**LAHORE** **CHIEF EXECUTIVE** **DIRECTOR**