

PACE (PAKISTAN) LIMITED
STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2018

		June 30, 2018 (Rupees in thousand)	June 30, 2017
Note			
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised capital			
600,000,000 (2017: 600,000,000)			
ordinary shares of Rs 10 each		6,000,000	6,000,000
Issued, subscribed and paid up capital			
278,876,604 (2017: 278,876,604)			
ordinary shares of Rs 10 each	5	2,788,766	2,788,766
Reserves		273,265	272,242
Accumulated loss		(1,149,285)	(617,208)
		<u>1,912,746</u>	<u>2,443,800</u>
NON-CURRENT LIABILITIES			
Long term finances - secured	6	54,132	51,068
Redeemable capital - secured (non-participatory)	7	-	-
Liabilities against assets subject to finance lease	8	-	-
Foreign currency convertible bonds - unsecured	9	-	-
Deferred liabilities	10	44,779	48,890
		<u>98,911</u>	<u>99,958</u>
CURRENT LIABILITIES			
Advances against sale of property	11	141,789	150,542
Current portion of long term liabilities	12	3,032,699	2,924,684
Creditors, accrued and other liabilities	13	544,518	398,395
Accrued finance cost	14	971,357	887,513
		<u>4,690,363</u>	<u>4,361,134</u>
CONTINGENCIES AND COMMITMENTS			
	15	-	-
		<u>6,702,020</u>	<u>6,904,892</u>

ASSETS

NON-CURRENT ASSETS

Property, plant and equipment	16	452,159	452,471
Intangible assets	17	5,035	5,555
Investment property	18	1,662,942	3,464,202
Long term investments	19	850,321	851,313
Long term advances and deposits	20	13,619	13,619
Deferred taxation	21	-	-
		<u>2,984,076</u>	<u>4,787,160</u>

CURRENT ASSETS

Stock-in-trade	22	1,978,489	1,358,397
Trade debts - unsecured	23	494,581	655,396
Advances, deposits, prepayments and other receivables	24	1,208,569	98,314
Income tax recoverable		4,317	4,146
Cash and bank balances	25	31,988	1,479
		<u>3,717,944</u>	<u>2,117,732</u>

		June 30, 2018 (Rupees in thousand)	June 30, 2017
Note			
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	16	452,159	452,471
Intangible assets	17	5,035	5,555
Investment property	18	1,662,942	3,464,202
Long term investments	19	850,321	851,313
Long term advances and deposits	20	13,619	13,619
Deferred taxation	21	-	-
		<u>2,984,076</u>	<u>4,787,160</u>
CURRENT ASSETS			
Stock-in-trade	22	1,978,489	1,358,397
Trade debts - unsecured	23	494,581	655,396
Advances, deposits, prepayments and other receivables	24	1,208,569	98,314
Income tax recoverable		4,317	4,146
Cash and bank balances	25	31,988	1,479
		<u>3,717,944</u>	<u>2,117,732</u>
		<u>6,702,020</u>	<u>6,904,892</u>

The annexed notes from 1 to 43 form an integral part of these financial statements.

Chief Executive

Chief Financial Officer

Director

PACE (PAKISTAN) LIMITED

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

Share Capital	Reserves		Accumulated Loss	Total
	Share Premium Reserve	Reserve for changes in fair value of investments		
----- (Rupees in thousand) -----				
2,788,766	273,265	(1,230)	(838,443)	2,222,358
-	-	-	224,135	224,135
-	-	-	(2,900)	(2,900)
-	-	207	-	207
-	-	207	221,235	221,442
2,788,766	273,265	(1,023)	(617,208)	2,443,800
-	-	-	(537,062)	(537,062)
-	-	-	4,985	4,985
-	-	-	-	-
-	-	-	(532,077)	(532,077)
-	-	1,023	-	1,023
2,788,766	273,265	-	(1,149,285)	1,912,746

The annexed notes from 1 to 43 form an integral part of these financial statements.

Chief Executive

Chief Financial Officer

Director

PACE (PAKISTAN) LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 (Rupees in thousand)	2017 (Rupees in thousand)
Sales	26	737,452	425,574
Cost of sales	27	<u>(764,122)</u>	<u>(409,780)</u>
Gross (loss) / profit		(26,670)	15,794
Administrative and selling expenses	28	(217,959)	(173,426)
Other income	29	182,086	414,456
Other operating expenses	30	<u>(278,912)</u>	<u>(4,974)</u>
		(341,455)	251,850
Finance costs	31	(114,051)	(132,409)
Changes in fair value of investment property	18	<u>(69,830)</u>	<u>120,000</u>
(Loss)/ Profit before tax		(525,336)	239,441
Taxation	32	(11,726)	(15,306)
(Loss) / Profit for the year		<u>(537,062)</u>	<u>224,135</u>
Other comprehensive income/ (loss)			
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurement of net defined benefit liability - net of tax		4,985	(2,900)
<i>Items that may be reclassified subsequently to profit or loss</i>			
Changes in fair value of available for sale investments		-	207
		4,985	(2,693)
Total comprehensive (loss) / income for the year		<u>(532,077)</u>	<u>221,442</u>
(Loss) / Earnings per share attributable to ordinary shareholders			
- basic (loss) / earnings per share	Rupees	38.1	<u>(1.93)</u> <u>0.80</u>
- diluted (loss) / earnings per share	Rupees	38.2	<u>(1.93)</u> <u>0.80</u>

The annexed notes from 1 to 43 form an integral part of these financial statements.

Chief Executive

Chief Financial Officer

Director

PACE (PAKISTAN) LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 (Rupees in thousand)	2017
Cash flow from operating activities			
Cash (used in) / generated from operations	34	(1,234,191)	133,480
Finance costs paid		-	(151)
Gratuity and leave encashment paid		-	(76)
Taxes paid		(11,897)	(11,491)
Net cash (used in) / generated from operating activities		(1,246,088)	121,762
Cash flow from investing activities			
Purchase of property, plant and equipment		(22,800)	(21,833)
Proceeds from sale of investment property		1,301,442	-
Proceeds from sale of investments		989	-
Mark-up received		45	64
Net cash generated from / (used in) investing activities		1,279,676	(21,769)
Cash flow from financing activities			
Repayment of finance lease liabilities		-	(2,700)
Repayment of long term finances		(3,079)	-
Net cash used in financing activities		(3,079)	(2,700)
Net increase in cash and cash equivalents		30,509	97,293
Cash and cash equivalents at the beginning of the year		1,479	(95,814)
Cash and cash equivalents at the end of the year	35	31,988	1,479

The annexed notes from 1 to 43 form an integral part of these financial statements.

PACE (PAKISTAN) LIMITED**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018****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, plot and other properties 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. Furthermore, the Company is managing the following plazas:

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

2. Statement of Compliance

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

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

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

2.1 Going concern assumption

During the year ended June 30, 2018, the Company incurred a total comprehensive loss amounting to Rs 532.077 million. As at the reporting date, the current liabilities of the Company have exceeded its current assets by Rs 972.419 million and the reserves of the Company have been significantly depleted. The Company has not been able to meet various obligations towards its lenders, including repayment of principal and mark-up thereon in respect of its borrowings. As a consequence, the Company has also been unable to 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 the management has settled the outstanding amount of TFCs pertaining to Askari Bank Limited against property situated at Pace Tower as mentioned in notes 7 and 12 respectively. Similarly, the company has also restructured the loan pertaining to Soneri Bank Limited as mentioned in notes 6 and 12 respectively. Furthermore, the Company has disposed off Plot D situated near Rangers Head Quarters Lahore Cantonment for a consideration of Rs 1,500.000 million. The Company is in the process of acquiring various properties situated in Islamabad amounting to Rs 925.000 million by utilizing the said sale proceeds for the purpose of resale.

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

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

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

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

2.2 Standards, amendments and interpretations to published approved accounting standards

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

2.2.1 Standards, amendments and interpretations to existing standards effective in current year and applicable / relevant to the Company's operations

Certain standards, amendments and interpretations to IFRS are effective for accounting periods beginning on July 01, 2017 but are considered not to be relevant or to have any significant effect on the Company's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in these financial statements, except for the following:

- International Accounting Standard ('IAS') 7, 'Cash flow statements: Disclosure initiative' (effective for periods beginning on or after January 1, 2017). This amendment requires disclosure to explain changes in liabilities for which cash flows have been, or will be classified as financing activities in the statement of cash flows. The amendment only covers statement of financial position items for which cash flows are classified as financing activities. In case other items are included within the reconciliation, the changes in liabilities arising from financing activities will be identified separately. A reconciliation of the opening to closing balance is not specifically required but instead the information can be provided in other ways. In the first year of adoption, comparative information need not be provided. Additional disclosure in this regard has been included in note 35.1 to these financial statements.
- IAS 12 'Income taxes' (Amendment), on recognition of deferred tax assets for unrealised losses. These amendments on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments clarify the existing guidance under IAS 12. They do not change the underlying principles for the recognition of deferred tax assets. The Company's current accounting treatment is already in line with the requirements of this standard.

The Companies Act, 2017 (the Act) has also brought certain changes with regard to preparation and presentation of financial statements of the company. These changes also include change in nomenclature of primary statements, etc.

Further, the disclosure requirements contained in the fourth schedule to the Act have been revised, resulting in the:

- Elimination of duplicative disclosures with the IFRS disclosure requirements; and
- Incorporation of significant additional disclosures.

Keeping in view of the above, the presentation of these financial statements has been realigned with the provisions contained in the Act. The application of the Act, however, does not have any impact in the recognition and measurement of the amounts included in these financial statements of the Company.

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

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

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

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

- IFRS 16, 'Leases': (effective for periods beginning on or after January 1, 2019). However, this standard is yet to be notified by the SECP. This standard replaces the current guidance in IAS 17, 'Leases' and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on statement of financial position) and an operating lease (off statement of financial position). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. It is unlikely that the standard will have any significant impact on the Company's financial statements.

- Amendments to IAS 19, 'Employee benefits' on plan amendment, curtailment or settlement', (effective for periods beginning on or after January 1, 2019). These amendments require an entity to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling. It is unlikely that the amendment will have any significant impact on the Company's financial statements.

- Amendments to IAS 40, 'Transfers of Investment Property' (effective for periods beginning on or after January 1, 2018), the amendments require that a change in use due to which the property meets, or cease to meet, the definition of investment property should be adequately supported by evidence. A change in intention alone is not sufficient to support a transfer. Prospective and retrospective treatments are allowed for transition, however, additional disclosures are required if an entity adopts the requirements prospectively. It is unlikely that the amendment will have any significant impact on the Company's financial statements.

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

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

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

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

3. Basis of measurement

3.1 These financial statements have been prepared under the historical cost convention except for revaluation of investment property, certain financial instruments at fair value and recognition of certain employee retirement benefits at present value.

The Company's significant accounting policies are stated in note 4. Not all of these significant accounting policies require management to make difficult, subjective or complex judgments or estimates. The following is intended to provide an understanding of the policies that management considers critical because of the complexity, judgment of estimation involved in their application and their impact on these financial statements. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These judgments involve assumptions or estimates in respect of future events and the actual results may differ from these estimates. The areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

a) Staff retirement benefits

The Company uses the valuation performed by an independent actuary as the present value of its retirement benefit obligations. The valuation is based on assumptions as mentioned in note 4.5.

b) Provision for taxation

The Company takes into account the current income tax law and the decisions taken by appellate authorities. Instances where the Company's view differs from the view taken by the income tax department at the assessment stage and where the Company considers that its views on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

c) Useful life and residual values of property, plant and equipment

The Company reviews the useful lives of property, plant and equipment on regular basis. Any change in estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment.

d) Stock-in-trade

Stock-in-trade is carried at the lower of cost and net realisable value. The net realisable value is assessed by the Company having regard to the budgeted cost of completion, estimated selling price and knowledge of recent comparable transactions.

e) Investment property valuation

The Company uses the valuation performed by independent valuers as the fair value of its investment properties. The valuers make reference to market evidence of transaction prices for similar properties for land and depreciated replacement cost method is used for valuation of buildings.

f) Transfer of equitable interest in stock-in-trade

The Company has entered into a number of contracts with buyers for the sale of condominiums, shops/counters and villas. Management has determined that equitable interest in such assets and therefore risks and rewards of the ownership are transferred to the buyer once he is committed to complete the payment for the purchase. This commitment is evidenced by a signed contract for the purchase of the property and payments of sufficient progress payments. Based on this, the Company recognises revenues and profits as the acts to complete the property are performed.

g) Costs to complete the projects

The Company estimates the cost to complete the projects in order to determine the cost attributable to revenue being recognised. These estimates include the cost of providing infrastructure activities, potential claims by sub contractors and the cost of meeting the contractual obligation to the customers. The company engages an expert to assist in determining the cost of completion.

h) Provision for doubtful receivables

Provision against overdue receivable balances is recognised after considering the receipt pattern and the future outlook of the concerned receivable party. It is reviewed by the management on a regular basis.

4. Significant accounting policies

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

4.1 Taxation

Income tax expense comprises current and deferred tax. Income tax is recognised in profit and loss account except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to profit for the year if enacted after taking into account tax credits, rebates and exemptions, if any. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised.

Deferred tax assets and liabilities are calculated at the rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited to the profit and loss account, except in the case of items charged or credited to equity in which case it is included in the statement of changes in equity.

4.2 Property, plant and equipment

Property, plant and equipment except freehold land and capital work-in-progress are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land and capital work-in-progress are stated at cost less any identified impairment loss. Cost in relation to certain plant and machinery signifies historical cost and borrowing costs as referred to in note 4.12.

Property, plant and equipment acquired under finance lease are capitalised at the commencement of the lease term at lower of the present value of the minimum lease payments under the lease arrangements and the fair value of the leased property.

Depreciation on owned assets is charged to profit on the reducing balance method except for building on lease hold land which is being depreciated using straight line method, so as to write off the cost of an asset over its estimated useful life at the annual rates given in note 16.1.

Assets acquired under a finance lease are depreciated over the lower of useful life and lease term of the asset on reducing balance method except for plant and machinery which is being depreciated using the straight line method.

The assets' residual values and estimated useful lives are reviewed at each financial year end and adjusted if impact on depreciation is significant. The Company's estimate of the useful lives and residual values of its property, plant and equipment as at June 30, 2018 has not required any adjustment.

Depreciation on additions to property, plant and equipment is charged from the month in which an asset is acquired or capitalised while no depreciation is charged in the month of disposal.

The Company assesses at each reporting date whether there is any indication that property, plant and equipment may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in income currently. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognised, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to profit and loss account during the period in which they are incurred.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognised as an income or expense.

4.3 Intangible assets

Expenditure incurred to acquire computer software and right to use optical fiber (dark fiber) are capitalised as intangible assets and stated at cost less accumulated amortisation and any identified impairment loss.

Amortisation is charged to income on the reducing balance method, except for dark fiber which is being amortised using the straight line method, so as to write off the cost of an asset over its estimated useful life. Amortisation on additions is charged from the month in which an asset is acquired or capitalised while no amortisation is charged in the month of disposal. Amortisation is being charged at the annual rate of 10% except for dark fiber which is being amortised at the annual rate of 5%.

The Company assesses at each reporting date whether there is any indication that intangible asset may be impaired. If such indication exists, the carrying amount of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in income currently. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognised, the amortisation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

4.4 Leases

The Company is the lessee:

Finance leases

Leases where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Assets subject to finance lease are initially recognised at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets.

The related rental obligations, net of finance charges, are included in liabilities against assets subject to finance lease. The liabilities are classified as current and long term depending upon the timing of the payment.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the balance outstanding. The interest element of the rental is charged to profit over the lease term.

When a sale and leaseback transaction results in a finance lease, any gain on the sale is deferred and recognised as income over the lease term. Any loss on the sale is immediately recognised as an impairment when the sale occurs.

Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit on a straight-line basis over the lease term.

4.5 Staff retirement benefits

The main features of the schemes operated by the Company for its employees are as follows:

- (a)** The Company operates an unfunded gratuity scheme for all employees according to the terms of employment, subject to a minimum qualifying period of service. Annual provision is made on the basis of actuarial valuation to cover obligations under the scheme for all employees eligible to gratuity benefits.

The latest actuarial valuation for gratuity scheme was carried out as at June 30, 2018. Projected Unit Credit Method, using the following significant assumptions for valuation of the scheme:

- Discount rate 9.00 percent per annum (2017: 7.75 percent per annum)
- Expected rate of increase in salary level 8.00 percent per annum (2017: 6.75 percent per annum)
- Expected mortality rate as per SLIC (2001-2005) mortality table with one year setback
- Average duration of defined benefit obligation 6 years (2017: 6 years)

The Company's policy with regard to experience gains and losses is to recognize as they occur in other comprehensive income approach under IAS 19 'Employee Benefits'.

- (b)** The Company provides for accumulating compensated absences when the employees render service that increase their entitlement to future compensated absences. Under the rules all employees are entitled to 20 days leave per year respectively. Unutilised leaves can be accumulated up to unlimited amount. Unutilised leaves can be used at any time by all employees, subject to the Company's approval.

Provisions are made annually to cover the obligation for accumulating compensated absences based on actuarial valuation and are charged to income.

The latest actuarial valuation was carried out as at June 30, 2018. Projected Unit Credit Method, using the following significant assumptions is used for valuation of accumulating compensated absences:

- | | |
|---|---|
| - Discount rate | 9.00% (2017: 7.75%) |
| - Expected increase in salary | 8.00% (2017: 6.75%) |
| - Expected mortality rate | As per SLIC (2001-2005) mortality table with one year setback |
| - Expected withdrawal and early retirement rate | Based on age |
| - Average number of leaves accumulated per annum by employees | 5 days (2017: 5 days) |

- Average number of leaves utilized per
annum by employees

15 days (2017: 15 days)

The Company's policy with regard to experience gains and losses is to recognize as they occur under IAS 19 'Employee Benefits'.

Retirement benefits are payable to staff on completion of prescribed qualifying period of service under these schemes.

4.6 Investment property

Property held to earn rentals or for capital appreciation or for both is classified as investment property. Investment property comprises freehold land and buildings on freehold land. Investment property is carried at fair value. Changes in fair value are recognized in statement of profit or loss.

The investment property of the Company has been valued by independent professionally qualified valuers as at June 30, 2018. The valuers make reference to market evidence of transaction prices for similar properties for land and depreciated replacement cost method is used for valuation of buildings. Fair value hierarchy i.e. Level 1, 2 and 3 are assigned based on degree of observable inputs as disclosed in note 37. Transfers between the levels of fair value are made when there are changes in availability and subjectivity of observable inputs.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation reserve for investment property. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the profit and loss account. Upon the disposal of such investment property, any surplus previously recorded in equity is transferred to retained earnings, the transfer is not made through the profit and loss account.

If an investment property becomes owner-occupied or stock-in-trade, it is reclassified as property, plant and equipment or stock-in-trade and its fair value at the date of reclassification becomes its cost for accounting purposes for subsequent recording.

4.7 Investments

Investments intended to be held for less than twelve months from the reporting date or to be sold to raise operating capital, are included in current assets, all other investments are classified as non-current. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

Investments in equity instruments of subsidiaries and associates

Investments in equity instruments of subsidiaries and associates where the Company has control or significant influence are measured at cost in the Company's financial statements.

4.8 Financial instruments

4.8.1 Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available for sale and held to maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at the time of initial recognition.

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the reporting date, which are classified as non-current assets. Loans and receivables comprise loans, advances, deposits and other receivables and cash and cash equivalents in the statement of financial position.

c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investments within twelve months from the reporting date.

Investments classified as available for sale are initially measured at cost, being the fair value of consideration given. At subsequent reporting dates, these investments are measured at fair value (quoted market price), unless fair value cannot be reliably measured. The investments for which a quoted price is not available, are measured at cost as it is not practical to apply any other valuation methodology. Unrealized gain and losses arising from changes in the fair value are included in the comprehensive income in the period in which they arise.

d) Held to maturity

Financial assets with fixed or determinable payments and fixed maturity, where management has the intention and ability to hold till maturity are classified as held to maturity and are stated at amortised cost.

All financial assets are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of investments are recognised on trade-date – the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the profit and loss account. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest rate method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the profit and loss account in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the profit and loss account as part of other income when the Company's right to receive payments is established.

Changes in the fair value of securities classified as available-for-sale are recognised in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are reclassified from equity to profit and loss account as reclassification adjustment. Interest on available-for-sale securities calculated using the effective interest method is recognised in the profit and loss account. Dividends on available-for-sale equity instruments are recognised in the profit and loss account when the Company's right to receive payments is established.

The fair values of quoted investments are based on current prices. If the market for a financial asset is not active (and for unlisted securities), the Company measures the investments at cost less impairment in value, if any.

The Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss is removed from equity and recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account. Impairment testing of trade debts and other receivables is described in note 4.13.

4.8.2 Financial liabilities

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in the profit and loss account.

4.8.3 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when there is a legally enforceable right to set off the recognised amount and the Company intends either to settle on a net basis or to realise the assets and to settle the liabilities simultaneously.

4.9 Stock-in-trade

Land, condominiums, shops/counters and villas available for future sale are classified as stock-in-trade. These are carried at the lower of cost and net realisable value. Work-in-process comprises of condominiums, shops/counters and villas in the process of construction/development. Cost in relation to work-in-process comprises of proportionate cost of land, cost of direct materials, labour and appropriate overheads. Cost in relation to shops transferred from investment property is the fair value of the shops on the date of transfer and any subsequent expenditures incurred thereon.

Net realisable value signifies the estimated selling price in the ordinary course of business less costs necessary to be incurred in order to make the sale.

4.10 Foreign currency transactions and translation

a) Functional and presentation currency

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the Company operates (the functional currency). The financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

b) Transactions and balances

Foreign currency transactions are translated into Pak Rupees using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

4.11 Revenue recognition

Licensee fee is charged on the basis of area leased out or respective gross turnover achieved by the principals who operate from Pace premises under agreements.

Service charges are recognised in the accounting period when in which services are rendered. When the Company is acting as agent, the commission rather than gross income is recorded as revenue.

Revenue from sale of land, condominiums, shops/counters and villas is recognised when the significant risks and rewards of ownership have been transferred to the buyer, the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the property sold, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

The significant risks and rewards of ownership are transferred to the buyer when following conditions are met:

- the buyer's investment, to the date of the financial statements, is adequate to demonstrate a commitment to pay for the property;
- construction is beyond a preliminary stage;
- the buyer is committed. Buyer is unable to require a refund except, for non delivery of the unit. Management believes that the likelihood of the Company being unable to fulfil its contractual obligations for this reason is remote; and
- the buyer has the right to dispose off the property.

Revenue from sales agreements where the control and the significant risks and rewards of ownership of the work in progress are transferred by the Company to the buyer in its current state as construction progresses is measured using the percentage of completion method. The stage of completion is measured by reference to the costs incurred up to the reporting date as a percentage of total estimated costs for each project.

Revenue from sales agreements where significant risks and rewards are not passed on to the buyer as construction progresses are recognised when possession is handed over to the buyer and the Company does not expect any further future economic benefits from such property.

4.12 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Borrowing costs capitalised are net of any investment income on the temporary investment of borrowed funds.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4.13 Trade debts

Trade debts and other receivables are recognised initially at invoice value, which approximates fair value, and subsequently measured at amortised cost using the effective interest method, less provision for doubtful debts. Trade debts where the ownership of the work in progress is transferred by the Company to the buyer as the construction progresses is recognised using the percentage of completion method. A provision for doubtful debts is established when there is objective evidence that the Company will not be able to collect all the amount due according to the original terms of the receivable. Significant financial difficulties of the debtors, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade debt is impaired. The provision is recognised in the profit and loss account. When a trade debt is uncollectible, it is written off against the provision. Subsequent recoveries of amounts previously written off are credited to the profit and loss account.

4.14 Creditors, accruals and provisions

Creditors, accrued and other liabilities are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Exchange gains and losses arising on translation in respect of liabilities in foreign currency are added to the carrying amount of the respective liabilities.

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

4.15 Non-current assets held for disposal

Non-current assets held for disposal are classified as assets held for sale and stated at the lower of carrying amount and fair value less cost to sell, with the exception of investment properties carried at fair value, if their carrying value is expected to be recovered principally through a sale transaction rather than continuing use.

4.16 Borrowings

Loans and borrowings are initially recorded at the proceeds received. In subsequent periods, borrowings are stated at amortised cost using the effective yield method. Finance cost is accounted for on an accrual basis and is included in accrued finance cost to the extent of the amount remaining unpaid.

4.17 Foreign currency convertible bonds

Foreign currency convertible bonds, containing an embedded derivative, are carried at fair value through profit or loss unless fair value cannot be reliably measured in which case they are measured at cost. Transaction costs and gain and loss arising due to foreign currency translations is charged to profit and loss account. The interest expense recognised in the income statement is calculated using the effective interest rate method.

4.18 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, demand deposits, other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value, and short term finance. In the statement of financial position, short term finance is included in current liabilities.

5. Share Capital and Reserves

5.1 Authorised Share capital

2018	2017		2018	2017
(Number of shares)			(Rupees in thousand)	
<u>600,000,000</u>	<u>600,000,000</u>	Ordinary shares of Rs 10 each	<u>6,000,000</u>	<u>6,000,000</u>

5.2 Issued, subscribed and paid-up share capital

2018	2017		2018	2017
(Number of shares)			(Rupees in thousand)	
201,704,516	201,704,516	Ordinary shares of Rs 10 each fully paid in cash	2,017,045	2,017,045
77,172,088	77,172,088	Ordinary shares of Rs 10 each issued as fully paid bonus shares	771,721	771,721
<u>278,876,604</u>	<u>278,876,604</u>		<u>2,788,766</u>	<u>2,788,766</u>

5.3 Ordinary shares of the company held by associated undertakings are as follows:

	Basis of relationship	2018 (Number of shares)	2017 (Number of shares)
First Capital Securities Corporation Limited	Common Directorship	7,504,915	7,504,915
First Capital Equities Limited	Common Directorship	7,600,000	7,600,000
		<u>15,104,915</u>	<u>15,104,915</u>

5.4 There has been no movement in ordinary share capital issued, subscribed and paid up during the year ended June 30, 2018.

5.5	Reserves	Note	2018 (Rupees in thousand)	2017 (Rupees in thousand)
	Share Premium Reserve	5.5.1	273,265	273,265
	Reserve for changes in fair value of investments		-	(1,023)
			<u>273,265</u>	<u>272,242</u>

5.5.1 This reserve can be utilised by the Company only for the purpose specified in section 81 of the Companies Act, 2017.

6.	Long term finances - secured	Note	2018 (Rupees in thousand)	2017 (Rupees in thousand)
	Pak Iran Loan	6.1	54,132	51,068
	Syndicate term finance facility	6.2	-	-
	National Bank of Pakistan - term finance	6.3	-	-
	Al Baraka Bank (Pakistan) Limited			
	- musharika based agreement	6.4	-	-
	Soneri Bank - demand finance	6.5	24,343	27,422
			<u>78,475</u>	<u>78,490</u>
	Less: Current portion shown under current liabilities	12	<u>(24,343)</u>	<u>(27,422)</u>
			<u>54,132</u>	<u>51,068</u>

6.1 Mark-up on Pak Iran

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

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

6.1.1 Security

The restructured amount is secured by mortgage amounting to the sum of Rs. 142.857 million on the property being piece and parcel of land located at Plot no. 96/B-1, Gulberg III, Lahore measuring 4 kanals and 112 square feet along with structures, superstructures and appurtenances including shops/counters having area measuring 20,433 square feet. The charge ranks parri passu with that of National Bank of Pakistan to the extent of Rs. 66.667 million as referred to in note 6.2.

6.2 Syndicate term finance facility

In the preceding years, the company settled the principal and accrued mark up of the below mentioned facilities with properties at Pace Towers on following key terms:

6.2.1 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 6.3 along with their accrued mark-up 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 mark-up 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.

6.2.2 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 mark-up 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 SA, HBL purchased the aforementioned properties from the Company for a consideration of Rs 106.895 million and waived accrued mark-up 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 until the finishing work on aforementioned property in Pace Towers is complete.

6.3 National Bank of Pakistan - term finance

During the year ended June 30, 2016, NBP and the Company settled the entire principal and accrued mark-up together with its portion of STFF against property situated at Pace Towers as referred to in Note 6.2.

6.4 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 ('SA') for settlement of entire principal along with the accrued mark-up aggregating to Rs 398.562 million against property situated at first floor of Pace Towers measuring 17,950 square feet. In accordance with the SA, ABBPL purchased the aforementioned properties from the Company for a consideration of Rs 242.291 million and waived accrued mark-up of Rs 156.271 million. Pursuant to the SA, 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 up till completion certificate has been procured from Lahore Development Authority.

6.5 Soneri Bank - demand finance

6.5.1 Terms of repayment

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

6.5.2 Security

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

7.	Redeemable capital - secured (non-participatory)	Note	2018 (Rupees in thousand)	2017
	Term finance certificates	7.1	935,571	1,121,503
	Less: Current portion shown under current liabilities	12	(935,571)	(1,121,503)
			<u>-</u>	<u>-</u>

7.1 Terms finance certificate

This represents term finance certificates (TFC's) listed on Lahore Stock Exchange before integration of Pakistan Stock Exchange issued for a period of 5 years. On September 27, 2010, the Company completed the restructuring of its term finance certificates. Restructuring was duly approved by majority of TFC holders holding certificates in aggregate of 51.73 %, through extraordinary resolution passed in writing. Consequent to the approval of TFC holders, addendum to the trust deed was executed between the Company and trustee 'IGI Investment Bank Limited' (now 'IGI Holdings Limited') under which the Company was allowed one and a half year grace period along with an extension of four years in the tenure of TFC issue and consequently, the remaining tenure of TFC shall be six and a half years effective from August 15, 2010. The TFC's carry a mark-up of 6 months KIBOR plus 2% (2017: 6 months KIBOR plus 2%) and is payable semi-annually in arrears. The Company could not repay on a timely basis, the instalments due as per the revised schedule of repayment and is not compliant with certain debt covenants which represents a breach of the respective agreement, therefore, the entire outstanding amount has been classified as a current liability under guidance contained in IAS 1 "Presentation of Financial Statements". The Company is in negotiation with the TFC holders and the trustee for relaxation in payment terms and certain other covenants.

During the year ended June 30, 2018, IGI Investment Bank Limited has been amalgamated with and into IGI Insurance Limited, which is subsequently renamed as IGI Holdings Limited. IGI Investment Bank Limited resigned as trustee pursuant to amalgamation. As per the Debt Securities Trustees Regulation, 2017 and the trustee deed, the existing trustee will continue to perform the duties till the appointment of successor. The Company has approached certain parties for the appointment of successor trustee.

Subsequent to the year end, Pakistan Stock Exchange vide notification PSX/N-5278 dated September 14, 2018 placed the TFCs under defaulter segment and imposed penalty of Rs 0.100 million on the Company due to failure to redeem the outstanding principal amount and mark-up despite lapse of considerable time. Pakistan Stock Exchange advised the Company to rectify the default by October 15, 2018. Consequently, the Company has submitted its reply to the Pakistan Stock Exchange on September 28, 2018 whereby the company has intimated the Exchange that it is currently negotiating with the TFC holders for settlement of outstanding liabilities and for relaxation in payment terms and certain other covenants and accordingly has requested the Exchange to revisit the order.

7.1.1 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.

7.2 Settlement with Askari Bank Limited

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

As a result of the settlement, the company has recognized net gain of Rs 16.668 million (2017: Nil) as referred in note 29 in accordance with guidance contained in IAS-39.

7.3 Settlement with Pak Oman Investment Company Limited

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

7.4 Settlement with Wireless n Cable (Private) Limited

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

8.	Liabilities against assets subject to finance lease	Note	2018 (Rupees in thousand)	2017 (Rupees in thousand)
	Present value of minimum lease payments		18,046	18,046
	Less: Current portion shown under current liabilities	12	<u>(18,046)</u>	<u>(18,046)</u>
			<u>-</u>	<u>-</u>

The minimum lease payments have been discounted at an implicit interest rate ranging from 9% to 15% (2017: 9% to 15%) to arrive at their present value. The lessee has the option to purchase the assets after the expiry of the lease term. Taxes, repairs and insurance costs are to be borne by the lessee. The liability is partly secured by a deposit of Rs 11.500 million (2017: Rs 11.500 million).

The amount of future payments of the lease and the period in which these payments will become due are as follows:

		(Rupees in thousand)	
	Minimum lease payments	Future finance charge	Present value of lease liability
			2018
			2017

Not later than one year	20,343	2,297	18,046	18,046
Later than one year and not later than five years	-	-	-	-
	<u>20,343</u>	<u>2,297</u>	<u>18,046</u>	<u>18,046</u>

9.	Foreign currency convertible bonds - unsecured	Note	2018 (Rupees in thousand)	2017
	Opening balance		1,757,713	1,736,212
	Mark-up accrued during the year		19,140	16,527
			<u>1,776,853</u>	<u>1,752,739</u>
	Exchange loss for the year		277,886	4,974
		9.1	<u>2,054,739</u>	<u>1,757,713</u>
	Less: Current portion shown under current liabilities	12	<u>(2,054,739)</u>	<u>(1,757,713)</u>
			<u>-</u>	<u>-</u>

9.1 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 mark-up 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 had an option to convert the bonds into equity shares of the Company at any time following the issue date till the maturity date at a price calculated as per terms of arrangement. In aggregate USD 13 million bond have been converted into ordinary shares as at June 30, 2018.

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

10.	Deferred liabilities	Note	2018 (Rupees in thousand)	2017
	Staff gratuity	10.1	41,359	44,889
	Leave encashment	10.2	3,420	4,001
			<u>44,779</u>	<u>48,890</u>

10.1	Staff gratuity			
	Opening balance		44,889	35,376
	Charge to profit and loss account	10.1.1	11,308	9,477
	Benefits due during the year		(9,978)	(2,489)
	Remeasurement chargeable in other comprehensive income		(4,860)	2,525
	Liability as at June 30		<u>41,359</u>	<u>44,889</u>

The movement in the present value of defined benefit obligation is as follows:

Opening balance	44,889	35,376
Service cost	8,216	7,002
Interest cost	3,092	2,475
Benefits due during the year	(9,978)	(2,489)
Remeasurement chargeable in other comprehensive income	(4,860)	2,525

Present value of defined benefit obligation as at June 30	41,359	44,889
---	--------	--------

The amounts recognised in the profit and loss account are as follows:

Service cost	8,216	7,002
Interest cost	3,092	2,475
Charge to profit and loss account	11,308	9,477

10.1.1 Charge for the year has been allocated as follows:

Cost of sales	1,470	1,232
Administrative, general and other expenses	9,838	8,245
	11,308	9,477

The present value of defined benefit obligation, the fair value of plan assets and the surplus or deficit of gratuity fund is as follows:

	2018	2017	2016	2015	2014
	(Rupees in thousand)				
Present value of defined benefit obligation	41,359	44,889	35,376	32,958	32,041
Fair value of plan assets	-	-	-	-	-
Deficit	(41,359)	(44,889)	(35,376)	(32,958)	(32,041)
Experience adjustment on obligation	-12%	6%	9%	6%	-15%

10.1.2 Plan Assets

The Company is operating an unfunded gratuity scheme and has not invested any amount for meeting the liabilities of the scheme.

	2018	2017
	(Rupees in thousand)	
10.2 Leave encashment		

The amounts recognised are as follows:

Opening balance	4,001	2,902
Charge to profit and loss account	456	725

Benefits due during the year	(912)	-
Remeasurement chargeable in other comprehensive income	(125)	374
Liability as at June 30	<u>3,420</u>	<u>4,001</u>

The present value of defined benefit obligation, the fair value of plan assets and the surplus or deficit of leave encashment scheme is as follows:

	2018	2017	2016	2015	2014
	(Rupees in thousand)				
Present value of defined benefit obligation	3,420	4,001	2,902	2,637	2,613
Fair value of plan assets	-	-	-	-	-
Deficit	<u>(3,420)</u>	<u>(4,001)</u>	<u>(2,902)</u>	<u>(2,637)</u>	<u>(2,613)</u>
Experience adjustment on obligation	-4%	9%	-2%	24%	32%

10.2.1 Plan Assets

The Company has not invested any amount for meeting the liabilities of the scheme.

10.3 Sensitivity Analysis

	2018		2017	
	(Rupees in thousand)		(Rupees in thousand)	
	Gratuity	Leave encashment	Gratuity	Leave encashment
Year end sensitivity on defined benefit obligation:				
Discount rate + 100 bps	39,190	3,251	41,751	3,793
Discount rate - 100 bps	43,806	3,610	46,940	4,236
Salary increase + 100 bps	43,895	3,602	47,050	4,225
Salary increase - 100 bps	39,069	3,256	41,605	3,800

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the staff retirement gratuity recognised within the statement of financial position.

11. Advances against sale of property

This principally represents advances received from various parties against sale of apartments and houses in Pace Towers project, Lahore and its breakup at June 30, 2018 is as follows:

	2018	2017
	(Rupees in thousand)	
First Capital Investment Limited - related party	16,020	17,643
First Capital Securities Corporation Limited - related party	45,887	50,553
First Capital Equities Limited - related party	38,931	-
Others	40,951	82,346
	<u>141,789</u>	<u>150,542</u>

11.1 The maximum aggregate advance received from related parties at the end of any month during the year is given below:

	2018	2017
	(Rupees in thousand)	
First Capital Investment Limited - related party	16,020	17,643
First Capital Securities Corporation Limited - related party	45,887	50,553
First Capital Equities Limited - related party	38,931	-
	<u>100,838</u>	<u>68,196</u>

	2018	2017
	(Rupees in thousand)	
12. Current portion of long term liabilities		
Current portion of long term finances - secured	6	24,343
Current portion of redeemable capital - secured (non-participatory)	7	935,571
Current portion of liabilities against assets subject to finance lease	8	18,046
Current portion of foreign currency convertible bonds - unsecured	9	2,054,739
		<u>3,032,699</u>
		<u>2,924,684</u>

12.1 Overdue principal included in current maturity as at June 30, 2018 are as follows:

	2018	2017
	(Rupees in thousand)	
Long term finances - secured:		
- Soneri Bank - demand finance	24,343	27,422
Redeemable capital - secured (non-participatory)	935,571	1,121,503
Foreign currency convertible bonds - unsecured	2,054,739	1,757,713
Liabilities against assets subject to finance lease	18,046	18,046
	<u>3,032,699</u>	<u>2,924,684</u>

13. Creditors, accrued and other liabilities

Trade creditors	13.1	196,111	109,331
Advances from customers	13.2	26,958	14,164

Licensee fee received in advance		4,120	4,140
Accrued liabilities		163,308	128,651
Licensee security deposits	13.3	52,920	52,991
Payable to contractors		2,699	2,699
Retention money		2,443	2,329
Payable to statutory bodies		69,621	58,777
Others		26,338	25,313
		<u>544,518</u>	<u>398,395</u>

13.1 This includes amounts of Rs 0.292 million (2017: Nil) payable to Pace Barka Properties Limited, Ever Green Water Valley Limited of Nil (2017: Rs. 0.0479 million), First Capital Securities Corporation of Rs 0.078 million (2017: Rs 0.078 million), First Capital Equities Limited of Rs. 0.700 million (2017: Rs Nil) and First Construction Limited Rs 0.087 million (2017: Rs 0.087 million), related parties. These are under normal course of business and interest free. The maximum aggregate amount due to these related parties at the end of any month is given below:

Related Parties	2018 (Rupees in thousand)	2017
Pace Barka Properties Limited	2,247	-
Ever Green Water Valley Limited	-	47
First Capital Securities Corporation	78	78
First Capital Equity Limited	700	-
First Construction Limited	87	87

13.2 This includes amounts of Nil (2017: 0.256 million) payable to First Capital Investment Limited, a related Party. The maximum aggregate amount due to the related party at the end of any month is given below:

Related Party	2018 (Rupees in thousand)	2017
First Capital Investment Limited	256	256

13.3 These represent security deposits received against rent of shops rented out in the Plazas. None of these amounts is utilizable for Company or other purpose. The Company has not kept this amount in separate bank account. The Company is in process of ensuring compliance with the requirement of section 217 of the Companies Act, 2017.

14. Accrued finance cost	Note	2018 (Rupees in thousand)	2017
Long term finances - secured	14.1	17,872	22,635
Redeemable capital - secured (non-participatory)	14.2	913,792	828,991
Liabilities against assets subject to finance lease	14.3	39,693	35,887
		<u>971,357</u>	<u>887,513</u>

14.1 This includes overdue mark-up of Rs 17.872 million (2017: Rs 22.635 million) as loan from Soneri Bank Limited has been restructured during the year ended June 30, 2018 including the overdue mark-up, which is now repayable in 12 instalments. However, the entire outstanding amount has been classified as current maturity due to delay in payment of instalment leading to breach of debt covenants.

14.2 This includes overdue mark-up of Rs 913.729 million (2017: Rs 828.991 million).

14.3 This includes overdue mark-up of Rs 2.310 million (2017: Rs 2.310 million) and late payment charges of Rs 37.396 million (2017: Rs 33.590 million). The late payment charges pertaining to the year ended June 30, 2018 have been recorded based on the management's best estimate.

15. Contingencies and commitments

15.1 Contingencies

(i) Claims against the Company not acknowledged as debts amounts to Rs 21.644 million (2017: 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 (2017: Rs 900 million) as per the approval of shareholders through the special resolution dated July 29, 2006.

(iii) On May 29, 2017, one of the tenants of the Company filed a case in the Honourable Senior Civil Court against the Company. The plaintiff had entered into a lease agreement with the Company for lease of a property located at M.M. Alam road, Lahore. As per terms of the lease, the Company was due to handover the possession of the same by February 2017. The plaintiff claimed that the Company failed to handover possession of the complete area under lease by the said time and due to that, suffered a business loss. Consequently, the plaintiff filed a suit claiming an amount of Rs. 72.700 million on account of business loss, renovation expenses and other deposits made by the plaintiff.

On October 10, 2017, the Company has filed a petition against the said tenant in the Rent Tribunal at Lahore on the grounds that the tenant has violated the terms and conditions of the lease agreement including failure to pay rent and denial of entry into the premises. Furthermore the tenant paid the security deposit of Rs 21.700 million with delay. Consequently, the Company has filed a claim of Rs 66.600 Million.

Hearing of both the petitions are pending before the respective Honourable Courts. As per legal advisors of the Company there are meritorious grounds to defend the Company's claim and consequently no provision has been made in these financial statements.

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

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

15.2 Commitments

(i) Contract for purchase of properties from Pace Barka Properties Limited, amounts to Rs 206.743 million (2017: Rs 208.508 million), Capital Heights (Private) Limited, amounts to Rs. 149.927 million (2017: Nil), and Silk Bank Limited, amounts to Rs. 50 million (2017: Nil)

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

	Note	2018 (Rupees in thousand)	2017
Not later than one year		9,844	9,844
Later than one year and not later than five years		46,758	44,297
Later than five years		695,530	707,834
		<u>752,132</u>	<u>761,975</u>

16. Property, plant and equipment

Operating fixed assets

- owned assets	16.1	423,711	424,807
----------------	------	---------	---------

Capital work in progress	16.2	28,448	27,664
--------------------------	------	--------	--------

	<u>452,159</u>	<u>452,471</u>
--	----------------	----------------

18. Investment property

	Note	Cost as at June 30,		Fair Value as at June 30,	
		2018	2017	2018	2017
		(Rupees in thousand)			
Opening value		1,583,234	1,603,634	3,464,202	3,369,702
- Settlement against loan		-	(20,400)	-	(25,500)
- Disposal of investment properties	18.1	(853,052)	-	(1,731,430)	-
Closing value before revaluation as at June 30		<u>730,182</u>	<u>1,583,234</u>	<u>1,732,772</u>	<u>3,344,202</u>
Fair value (loss) / gain recognised in profit and loss account		<u>-</u>	<u>-</u>	<u>(69,830)</u>	<u>120,000</u>
Fair value as at June 30		<u>730,182</u>	<u>1,583,234</u>	<u>1,662,942</u>	<u>3,464,202</u>

18.1 Disposal of investment properties

Included in disposals of investment properties is an amount of Rs 1,393.646 million representing disposal of Plot No. D situated near Rangers Head Quarters Lahore Cantonment ('the property') to its associated undertaking First Capital Securities Corporation Limited ('the buyer') for consideration of Rs 1,500.000 million. This transaction was approved by the Board of Directors of the Company on June 08, 2018. Under the terms of the agreement, all risks and rewards associated with the property have been transferred at the time of execution of the agreement, however, the title deed has not yet been transferred in the name of the buyer. The transfer of title deed shall be completed within thirty days from the date of request from the buyer. Subsequent to the execution of the agreement, the buyer has obtained a loan from a financial institution and has mortgaged the above mentioned property. Since the title of the property is still in the name of the Company, accordingly, the charge has been created in its name.

18.2 The forced sale value of investment property amounts to Rs 1,413.501 million (2017: Rs 3,070.048 million).

19.	Long term investments	Note	2018 (Rupees in thousand)	2017
	Equity instruments of:			
	- subsidiaries - unquoted	19.1	91,670	91,670
	- associate - unquoted	19.2	758,651	758,651
	Available for sale - quoted	19.3	-	992
			<u>850,321</u>	<u>851,313</u>
19.1	Subsidiaries - unquoted			
	Pace Woodlands (Private) Limited			
	3,000 (2017: 3,000) fully paid ordinary shares of Rs 10 each		30	30
	Equity held 52% (2017: 52%)			
	Pace Super Mall (Private) Limited			
	9,161,528 (2017: 9,161,528) fully paid ordinary shares of Rs 10 each		91,615	91,615
	Equity held 57% (2017: 57%)			
	Pace Gujrat (Private) Limited			
	2,450 (2017: 2,450) fully paid ordinary shares of Rs 10 each		25	25
	Equity held 100% (2017: 100%)			
			<u>91,670</u>	<u>91,670</u>
19.2	Associate - unquoted			
	Pace Barka Properties Limited			
	75,875,000 (2017: 75,875,000) fully paid ordinary shares of Rs 10 each		758,651	758,651
	Equity held 24.9% (2017: 24.9%)			
			<u>758,651</u>	<u>758,651</u>
19.3	Available for sale - quoted	Note	2018 (Rupees in thousand)	2017
	Worldcall Telecom Limited			
	Nil (2017: 912) fully paid ordinary shares of Rs 10 each		-	7
	Shaheen Insurance Company Limited			
	Nil (2017: 158,037) fully paid ordinary shares of Rs 10 each		-	2,008
			<u>-</u>	<u>2,015</u>
	Less: Cumulative fair value loss	19.3.1	<u>-</u>	<u>(1,023)</u>
			<u>-</u>	<u>992</u>
19.3.1	Cumulative fair value loss			
	Opening balance		1,023	1,230
	Fair value loss / (gain) over Worldcall telecom limited		-	(1)

Fair value loss / (gain) over Shaheen insurance company limited	-	(206)
Transferred to profit and loss account on derecognition of investment	(1,023)	-
	<u>-</u>	<u>1,023</u>

19.4 All investments made in subsidiary companies and associated company as mentioned above have been made in accordance with the requirements of the Act.

20. Long term advances and deposits

These are in the ordinary course of business and are interest free.

21. Deferred taxation

The liability/(asset) for deferred taxation comprises temporary differences relating to:

	2018 (Rupees in thousand)	2017 (Rupees in thousand)
Accelerated tax depreciation	197,926	218,613
Employee retirement benefits	(16,144)	(21,702)
Provision for doubtful receivables	(55,684)	(43,406)
Deferred cost	(89)	(108)
Unused tax losses	<u>(126,009)</u>	<u>(153,397)</u>
	<u>-</u>	<u>-</u>

21.1 Deferred tax asset on tax losses available for carry forward and those representing minimum tax paid available for carry forward u/s 113 and 113C of the Income Tax Ordinance, 2001 are recognised to the extent that the realisation of related tax benefits through future taxable profits is probable. The Company has not recognised deferred tax assets of Rs 292.466 million (2017: Rs 516.107 million) in respect of tax losses and Rs 92.505 million (2017: Rs 83.287 million) in respect of minimum tax paid and available for carry forward u/s 113 and 113C of the Income Tax Ordinance, 2001, as sufficient taxable profits would not be available to set these off in the foreseeable future. Minimum tax paid u/s 113 amounting to Rs 3.626 million, Rs 4.132 million, Rs 4.168 million, Rs 4.255 million and Rs 9.218 million will lapse in the year 2019, 2020, 2021, 2022 and 2023 respectively. Minimum tax paid u/s 113 C aggregating to Rs 51.055 million and Rs 16.049 million will lapse in the year 2026 and 2027 respectively. Tax losses amounting to Rs 535.643 million, Rs 271.825 million and Rs 304.691 million will expire in year 2019, 2020 and 2021 respectively.

22. Stock-in-trade	Note	2018 (Rupees in thousand)	2017 (Rupees in thousand)
Work in process - Pace Towers	22.1 & 22.2	603,998	437,420
Shops and houses	22.3	755,991	304,201
Pace Barka Properties Limited - Pace Circle		595,966	594,201
Pace Super Mall (Private) Limited		<u>21,600</u>	<u>21,600</u>
		1,977,555	1,357,422
Stores inventory		<u>934</u>	<u>975</u>
		<u>1,978,489</u>	<u>1,358,397</u>

22.1 Included in work in process are borrowing costs of Rs 101.000 million (2017: Rs 101.000 million). During the year borrowing cost capitalized was Nil (2017: Nil). During the year ended June 30, 2018, the Company settled outstanding amount of TFCs due to Askari Bank Limited as mentioned in Note 7 against fifth and sixth floor of Pace tower measuring 8,750 square feet and 6,731 square feet respectively for consideration of Rs 185.926 million (2017: Nil). The Company also disposed off sixth, seventh, eighth & ninth floor of Pace Tower measuring 8,172 square feet, 14,903 square feet, 14,903 square feet, and 11,000 square feet to First Capital Equities Limited, a related party, for consideration of Rs 378.982 million (2017: Nil)

22.2 The charge amounting to Rs 1,200.175 million (2017: Rs 1,200.175 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.

22.3 Included in shops and houses is an amount of Rs 333 million pertaining to the purchase of certain properties from WE Farms (Private) Limited vide agreement dated June 26, 2018. The possession and the related risks and rewards have been transferred to the Company under the terms of the agreement, however, the title of the properties has not yet been transferred.

23.	Trade debts - unsecured	Note	2018 (Rupees in thousand)	2017
Considered good		23.1	494,581	655,396
Considered doubtful			192,016	144,685
			<u>686,597</u>	<u>800,081</u>
Less:	Provision for doubtful debts	23.2	(192,016)	(144,685)
			<u>494,581</u>	<u>655,396</u>

23.1 This includes the following amounts due from related parties:

Related Parties

Rema & Shehrbano	50	66
First Capital Investment Limited & First Capital Mutual Fund	504	-
First Capital Equities Limited	1,079	1,286
First Capital Securities Corporation Limited	6,681	6,681
	<u>8,314</u>	<u>8,033</u>

23.1.1 Ageing analysis of the amounts due from related parties is as follows:

Aging of Related Party

0 to 6 months	1,633	1,352
More than 6 months	6,681	6,681
	<u>8,314</u>	<u>8,033</u>

23.1.1 The maximum aggregate amount of receivable due from related parties at the end of any month during the year was Rs 9.150 million (2017: Rs 8.033 million).

23.2	Provision for doubtful debts	Note	2018 (Rupees in thousand)	2017
Opening balance			144,685	130,464
Provision for the year		28	47,331	14,221
Balance as at June 30			<u>192,016</u>	<u>144,685</u>

24.	Advances, deposits, prepayments and other receivables	Note	2018 (Rupees in thousand)	2017
Advances - considered good				
- to employees		24.1	14,931	15,515
- to suppliers		24.2	70,132	17,466

Advance against purchase of property	24.3	542,000	-
Security deposits		12,275	19,775
Advances to contractors		921	921
Receivable against sale of investment property	24.4	545,124	23,038
Others - considered good		23,186	21,599
		<u>1,208,569</u>	<u>98,314</u>

24.1 These are advances provided to the employees either against salaries or against expenses. Advances against salaries are interest free and are to be repaid within 6 to 12 months from the date of advance. The term may be extended each year, if approved by the Chief Executive Officer of the Company. Advances to employees are provided to meet business expenses and are settled as and when the expenses are incurred. Any outstanding loan due from an employee at the time of leaving the service of the Company is adjustable against final settlement of staff gratuity. These include advance against salary exceeding 1 million to Mr. Imran Hafeez and Mr. Shahzil and advance against expenses exceeding 1 million to Mr. Salman Khalid.

24.2 This includes the following interest free amounts due from related parties:

	2018 (Rupees in thousand)	2017
World Press (Private) Limited	447	447
Ever Green Water Valley (Private) Limited	52,628	-
	<u>53,075</u>	<u>447</u>

24.2.1 The maximum aggregate advance given to related parties at the end of any month during the year was Rs 53.075 million (2017: Rs 0.447 million).

24.3 This pertains to advance payment to Silk Bank Limited against purchase of plots measuring 280 kanals located in Al-Hamra Hills Agro Farming Housing Scheme, Islamabad amounting to Rs 542.000 million (2017: Nil). The remaining payment of Rs. 50.000 million (2017: Nil) is due in the financial year 2018-2019 against the said properties.

24.4 This includes Rs 400 million (2017: Rs Nil) interest free amount receivable from First Capital Securities Corporation Limited, a related party against sale of Plot D as referred to in note 18.1 and Rs Nil (2017: Rs 20.679 million) interest free amount receivable from Ever Green Water Valley (Private) Limited, a related party. The maximum aggregate receivable from related parties at the end of any month during the year was Rs 420.679 million (2017: 20.679 million).

25.	Cash and bank balances	Note	2018 (Rupees in thousand)	2017
	At banks			
	- in saving accounts	25.1	265	1,036
	- in current accounts		<u>31,520</u>	<u>34</u>
			31,785	1,070
	Cash in hand		203	409
			<u>31,988</u>	<u>1,479</u>

25.1 The balances in saving accounts bear mark-up ranging from 3% to 5% per annum (2017: 3% to 5%).

26.	Sales	Note	2018	2017
------------	--------------	-------------	-------------	-------------

		(Rupees in thousand)	
Shops / apartments and commercial buildings			
- at percentage of completion basis	26.1	386,580	116,534
- at completion of project basis			
-- Owned		130,439	9,684
-- Pace Circle		-	56,488
Licensee fee		29,962	35,854
Display advertisements and miscellaneous income		29,280	16,178
Service charges		161,191	190,836
		<u>737,452</u>	<u>425,574</u>

26.1 Sales recognised at percentage of completion basis

Revenue recognised to date		1,240,425	837,074
Aggregate cost incurred to date		<u>(1,120,493)</u>	<u>(746,794)</u>
Recognised profit to date		<u>119,932</u>	<u>90,280</u>

26.1.1 The revenue arising from agreements, that meet the criteria for revenue recognition on the basis of percentage of completion method, during the year is Rs 386.555 million (2017: Rs 116.534 million). Amount received against these agreements amounts to Rs 350.071 million (2017: Rs 88.445 million).

27.	Cost of sales	Note	2018	2017
			(Rupees in thousand)	
Shops / apartments and commercial buildings sold				
- at percentage of completion basis	27.1		364,829	118,021
- at completion of project basis				
-- Owned	27.2		103,583	8,160
-- Pace circle			-	32,632
Stores operating expenses	27.3		214,775	250,967
Write down of inventory to Net Realisable Value			80,935	-
			<u>764,122</u>	<u>409,780</u>

27.1 Shops / apartments and commercial buildings sold at percentage of completion basis

Opening work in process		437,420	838,872
Purchase of inventory		640,831	-
Project development costs		59,840	21,180
Property settled against loans	27.1.1	(169,264)	(304,611)
Closing work in process	22	(603,998)	(437,420)
Cost of shops / apartments and commercial buildings sold during the year	27.1.3	<u>364,829</u>	<u>118,021</u>

27.1.1 This represents aggregate cost of completed properties in Pace Towers project which have been transferred to the lenders against settlement of loans as referred to in notes 7 and 12. A further costs of Rs 19.402 million is expected to be incurred in respect of these properties.

27.1.3	Cost of shops / apartments and commercial buildings sold during the year	Note	2018	2017
			(Rupees in thousand)	
Cost of shops / apartments and commercial buildings sold during the year			364,829	118,021
Cost of shops / apartments and commercial buildings returned during the year			-	-
			<u>364,829</u>	<u>118,021</u>

27.2 Shops / apartments and commercial buildings sold at completion of project basis

	Note	2018 (Rupees in thousand)	2017
Opening inventory of shops and houses		304,201	315,961
Purchased during the year		636,308	-
Swapped with bank		-	(3,600)
Write down of inventory to Net Realisable Value		(80,935)	-
Closing inventory of shops and houses	22	(755,991)	(304,201)
		<u>103,583</u>	<u>8,160</u>

27.3 Stores operating expenses

Salaries, wages and benefits	27.3.1	47,174	55,200
Rent, rates and taxes		12,039	12,396
Insurance		4,451	7,405
Fuel and power		98,176	120,334
Depreciation on owned assets	16.1.1	13,351	12,360
Repairs and maintenance		12,319	10,855
Janitorial and security charges		13,393	16,523
Others		13,872	15,894
		<u>214,775</u>	<u>250,967</u>

27.3.1 Salaries, wages and benefits include following in respect of gratuity:

Current service cost		1,068	910
Interest cost		402	322
		<u>1,470</u>	<u>1,232</u>

28. Administrative and selling expenses

Salaries, wages and benefits	28.1	61,812	56,036
Travelling and conveyance		2,814	3,163
Rent, rates and taxes		520	222
Insurance		2,802	3,666
Printing and stationery		653	839
Repairs and maintenance		2,043	3,602
Motor vehicles running		4,148	4,414
Communications		2,871	3,398
Advertising and sales promotion		6,624	29,614
Depreciation and impairment on:			
- owned assets	16.1.1	10,272	10,103
- assets subject to finance lease		-	381
Amortisation on intangible assets	17	520	524
Auditors' remuneration	28.2	2,855	2,955
Legal and professional		3,826	5,040
Commission on sales		55,701	10,585
Office expenses		7,080	5,899
Other expenses		6,087	18,766
Provision for doubtful debts		47,331	14,219
		<u>217,959</u>	<u>173,426</u>

28.1 Salaries, wages and benefits include following in respect of gratuity and leave encashment:

	Note	2018 (Rupees in thousand)	2017
Current service cost		7,329	6,119
Past service cost		-	488
Interest cost		2,965	2,363
		<u>10,294</u>	<u>8,970</u>

28.2	Auditors' remuneration	Note	2018 (Rupees in thousand)	2017 (Rupees in thousand)
The charges for auditors' remuneration includes the following in respect of auditors' services for:				
Statutory audit			1,800	1,700
Half yearly review			600	600
Audit of consolidated financial statements,			200	100
Statutory Certificates			100	100
Out of pocket expenses			155	455
			<u>2,855</u>	<u>2,955</u>
29.	Other income			
Income from financial assets				
Mark-up on bank accounts			45	64
Commission on guarantee	29.1		1,238	1,238
Income from non-financial assets				
Gain on sale of property, plant and equipment			727	-
Rental income			13,133	12,559
Scrap sales			5,100	5,103
Gain on disposal of investment property			122,176	12,000
Others				
Gain on settlement of loans			23,119	358,557
Income from parking and storage			6,786	6,647
Liabilities no longer required written back			-	41
Miscellaneous Income			4,374	17,392
Service charges			5,388	855
			<u>182,086</u>	<u>414,456</u>

29.1 This represents commission income on guarantee provided on behalf of Pace Barka Properties Limited, an associate.

30.	Other operating expenses	Note	2018 (Rupees in thousand)	2017 (Rupees in thousand)
Exchange loss on foreign currency convertible bonds		9	277,886	4,974
Loss on sale of available for sale investments			1,026	-
			<u>278,912</u>	<u>4,974</u>

31.	Finance costs			
Mark-up on				
- Long term finances - secured			1,687	2,497
- Foreign currency convertible bonds - unsecured			19,140	16,527
- Redeemable capital - secured (non-participatory)			84,801	101,949
- Short term finance -secured			-	4,733

- Interest expense on unwinding of Pak Iran Loan	3,064	1,488
- Liabilities against assets subject to finance lease	3,806	3,776
	<u>112,498</u>	<u>130,970</u>
Bank charges and processing fee	1,553	1,439
	<u>114,051</u>	<u>132,409</u>

32.	Taxation	Note	2018 (Rupees in thousand)	2017
	Current tax			
	- Current year	32.1	9,218	20,305
	- Prior year		2,508	(4,999)
			<u>11,726</u>	<u>15,306</u>
	Deferred tax		-	-
			<u>11,726</u>	<u>15,306</u>

32.1 The provision for current taxation for the year represents the tax liability under section 113 (2017: section 113 C) of the Income Tax Ordinance, 2001.

32.2 Tax charge reconciliation

Numerical reconciliation between the average effective tax rate and the applicable tax rate.

	2018 %	2017 %
Applicable tax rate	30.00	31.00
Tax effect of amounts that are:		
Income not chargeable to tax	(30.00)	(15.24)
Minimum tax u/s 113 for the year	1.76	8.48
Prior period charge	0.48	-
Minimum tax u/s 113C	-	(2.09)
Others	-	(0.63)
Effect of deferred tax asset not recognised on taxable loss	-	(15.13)
	<u>(27.76)</u>	<u>(24.61)</u>
Average effective tax rate charged to profit and loss account	<u>2.24</u>	<u>6.39</u>

For the purposes of current taxation, the tax losses available for carry forward as at June 30, 2018 are estimated approximately at Rs 1,433.019 million (2017: Rs 2,231.667 million).

32.3 Management assessment on sufficiency of provision for income taxes

	2018	2017 (Rupees in thousand)	2016
Tax assessed as per most recent tax assessment	9,218	20,305	55,224
Provision in accounts for income tax	9,218	20,305	55,224

The tax assessed as per most recent tax assessed for the year 2017 and 2016 is based on "deemed assessment" as per income tax return filed for respective years.

As at June 30, 2018, as per the treatments adopted in tax returns filed that are based on the applicable tax laws and decisions of appellate authorities on similar matters, the provision in accounts for income tax is sufficient as there are strong grounds that the said treatments are likely to be accepted by the tax authorities.

32.4 The Finance Act, 2018 has introduced tax on every public company at the rate of 5% of its profit before tax for the year. However, this tax shall not apply in case of a public company which distributes at least 20% of its after tax profits within six months of the end of the tax year through cash. Liability in this respect if any, is recognised when the prescribed time period for the distribution of dividend expires.

33. Remuneration of Chief Executive, Directors and Executives

The aggregate amount charged in the financial statements for the year for remuneration, including certain benefits, to the directors and executives of the Company are as follows:

	Chief Executive		Directors		Executives	
	2018	2017	2018	2017	2018	2017
	(Rupees in thousand)		(Rupees in thousand)		(Rupees in thousand)	
Short term employee benefits						
Managerial remuneration	7,600	4,100	2,851	2,851	4,587	4,832
Housing	3,040	1,640	1,140	1,140	1,835	1,933
Utilities	760	410	285	285	459	483
Gratuity	950	950	356	356	652	652
Leave	633	633	238	238	435	435
Encashment						
	12,983	7,733	4,870	4,870	7,968	8,335

The Company also provides its executives and some of its directors with free transport and Company maintained Vehicles.

	Chief Executive		Directors		Executives	
Number of persons	2018	2017	2018	2017	2018	2017
	1	1	1	1	3	3

Due to change in definition of “executives” in fourth schedule of Companies Act, 2017, comparative figures have been changed

34. Cash generated from operations	Note	2018 (Rupees in thousand)	2017 (Rupees in thousand)
Loss before tax		(525,336)	239,441
Adjustment for:			
Exchange loss on foreign currency convertible bonds	9	277,886	4,974
Provision for gratuity and leave encashment	10	11,764	10,202
Depreciation on:			
- owned assets	16.1	23,623	22,525
- assets subject to finance lease		-	381
Amortisation on intangible assets	17	520	524
Changes in fair value of investment property	18	69,830	(120,000)
Provision for doubtful debts	28	47,331	14,221
Loss on sale of investments		1,026	-
Write down of inventory to Net Realisable Value	27	80,935	-
Finance costs	31	112,498	132,408
Mark-up income	29	(45)	(64)
Gain on sale of property, plant and equipment	29	(727)	-
Gain on sale of investment property	29	(122,176)	(12,000)

Liabilities no longer required written back	29	-	(41)
Gain on initial discounting of loan	29	-	(17,280)
Gain on settlement of loans	29	(23,119)	(262,114)
Loss before working capital changes		(45,990)	13,177
Effect on cash flow due to working capital changes:			
(Increase) / decrease in stock-in-trade		(864,034)	138,954
Decrease / (increase) in trade debts		113,484	(53,035)
(Increase) / decrease in advances, deposits and other receivables		(565,130)	52,606
Net (decrease) / increase in advances against sale of property		(8,753)	42,985
Increase / (decrease) in creditors, accrued and other liabilities		136,232	(61,207)
		(1,188,201)	120,303
		(1,234,191)	133,480

35. Cash and cash equivalents

Cash and bank balances	25	31,988	1,479
		31,988	1,479

35.1 Reconciliation of liabilities arising from financing activities inclusive of current portion

Particulars	June 30, 2017	Cash flows	Non-Cash flows			30-Jun-18
			Foreign Exchange loss	Settlements	Interest Expense Accrual / Unwinding of Interest expense	
(Rupees in thousands)						
Long term finances - secured	78,490	(3,079)	-	-	3,064	78,475
Redeemable capital - secured (non-participatory)	1,121,503	-	-	(185,932)	-	935,571
Liabilities against assets subject to finance lease	18,046	-	-	-	-	18,046
Foreign currency convertible bonds - unsecured	1,757,713	-	277,886	-	19,140	2,054,739
	2,975,752	(3,079)	277,886	(185,932)	22,204	3,086,831

36. Financial risk management

36.1 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.

(a) Market risk

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The Company is exposed to currency risk arising from primarily with respect to the United States Dollar (USD). Currently, the Company's foreign exchange risk exposure is restricted to foreign currency convertible bonds. The Company's exposure to currency risk was as follows:

	2018	2017
	('USD in thousand)	
Foreign currency convertible bonds - USD	<u>16,898</u>	<u>16,740</u>

The following significant exchange rates were applied during the year:

Rupees per USD

Average rate	113.30	104.70
Reporting date rate	121.60	105.00

(ii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to equity price risk since the investments in listed equity securities are immaterial.

(iii) Interest rate risk

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's interest rate risk arises from deposits in saving accounts with various commercial banks. Long term financing obtained at variable rates also expose the Company to cash flow interest rate risk.

At the reporting date, the interest rate profile of the Company's interest bearing financial instruments was:

	2018	2017
	(Rupees in thousand)	
FIXED RATE INSTRUMENTS		

Financial assets

Bank balances - savings accounts	(265)	(1,036)
----------------------------------	-------	---------

Financial liabilities

Foreign currency convertible bonds - unsecured	2,054,739	1,757,713
--	-----------	-----------

Net interest rate risk

2,054,474	1,756,677
-----------	-----------

FLOATING RATE INSTRUMENTS**Financial liabilities**

Redeemable capital - secured (non-participatory)	935,571	1,121,503
Liabilities against assets subject to finance lease	18,046	18,046
Long term finances - secured	-	27,422

Net interest rate risk

953,617	1,166,971
---------	-----------

Cash flow sensitivity analysis for fixed rate instruments

No interest rate risk arises on fixed rate instruments.

Cash flow sensitivity analysis for variable rate instruments

If interest rates on redeemable capital, liabilities against assets subject to finance lease, and long term finances, at the year end date, fluctuate by 1% higher / lower with all other variables held constant, loss after taxation for the year would have been Rs 10.473 million (2017: Rs 8.866 million) higher / lower, mainly as a result of higher / lower interest expense on floating rate borrowings.

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Company's credit risk is primarily attributable to its long term advances, trade debts, advances deposits prepayments and other receivable and its balances at banks.

(i) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2018 (Rupees in thousand)	2017
Long term advances and deposits	13,619	13,619
Trade debts - unsecured	494,581	655,396
Advances, deposits, prepayments and other receivables		
- Advances to employees - considered good	14,931	15,515
- Security deposits	12,275	19,775

- Advance against purchase of property	542,000	-
- Receivable against sale of investment property	545,124	23,038
- Others - considered good	23,186	21,599
Bank balance	31,785	1,070
	<u>1,677,501</u>	<u>750,012</u>

The age of trade debts at reporting date is as follows:

- Not past due	-	-
- Past due 0 - 365 days	41,289	221,401
- 1 - 2 years	12,739	151,868
- More than 2 years	440,553	282,127
	<u>494,581</u>	<u>655,396</u>

The age of related party trade debt at reporting date is as follows:

Aging of Related Party

0 to 6 months	1,633	1,352
More than 6 months	6,681	6,681
	<u>8,314</u>	<u>8,033</u>

Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Company. Accordingly, the credit risk is minimal.

(ii) Credit quality of major financial assets

The credit quality of cash and bank balances that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

	Rating Short term	Long term	Rating Agency	2018 (Rupees in thousand)	2017
Bank Islamic Pakistan Limited formerly known as KASB Bank	A1	A+	PACRA	10	9
Allied Bank Limited	A1+	AAA	PACRA	17,860	316
Soneri Bank Limited	A1+	AA-	PACRA	7	6
Silk Bank Limited	A-	A-2	JCR-VIS	72	71
Bank Alfalah Limited	A1+	AA+	PACRA	6	93
Al Baraka Bank (Pakistan) Limited	A1	A	PACRA	6	4
Askari Bank Limited	A1+	AA+	JCR-VIS	5	6
Faysal Bank Limited	A1+	AA	PACRA	31	27
United Bank Limited	A-1+	AAA	JCR-VIS	6	6
Habib Bank Limited	A-1+	AAA	JCR-VIS	2	2

National Bank of Pakistan	A1+	AAA	PACRA	-	-
MCB Bank Limited	A1+	AAA	PACRA	780	530
Dubai Islamic Bank Pakistan Limited	A-1	AA-	JCR-VIS	13,000	-
				<u>31,785</u>	<u>1,070</u>

The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings.

(c) Liquidity risk

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

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 statement of financial position 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 2.1.

The following are the contractual maturities of financial liabilities as at June 30, 2018:

	Carrying amount	Less than one year	One to five years	More than five years
----- (Rupees in thousand) -----				
Long term finances - secured	78,475	24,343	47,936	6,196
Redeemable capital - secured (non-participatory)	935,571	935,571	-	-
Liabilities against assets subject to finance lease	18,046	18,046	-	-
Foreign currency convertible bonds - unsecured	2,054,739	2,054,739	-	-
Creditors, accrued and other liabilities	544,518	544,518	-	-
Accrued finance cost	971,357	971,357	-	-
	<u>4,602,706</u>	<u>4,548,574</u>	<u>47,936</u>	<u>6,196</u>

The following are the contractual maturities of financial liabilities as at June 30, 2017:

	Carrying amount	Less than one year	One to five years	More than five years
(Rupees in thousand)				
Long term finances - secured	78,490	27,422	33,430	17,638
Redeemable capital - secured (non-participatory)	1,121,503	1,121,503	-	-
Liabilities against assets subject to finance lease	18,046	18,046	-	-
Foreign currency convertible bonds - unsecured	1,757,713	1,757,713	-	-
Creditors, accrued and other liabilities	398,395	398,395	-	-
Accrued finance cost	887,513	887,513	-	-

4,261,660	4,210,592	33,430	17,638
-----------	-----------	--------	--------

36.2 Financial instruments by categories

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

	2018 (Rupees in thousand)			2017
	Available for sale	Loans and receivables	Total	Total
Assets				
Long term advances and deposits	-	13,619	13,619	13,619
Trade debts - unsecured	-	494,581	494,581	655,396
Investments	-	-	-	992
Advances, deposits, prepayments and other receivables				
- Advances to employees - considered good	-	14,931	14,931	15,515
- Security deposits	-	12,275	12,275	19,775
- Others - considered good	-	23,186	23,186	21,599
- Advance against purchase of property	-	542,000	542,000	-
- Receivable against sale of investment property	-	545,124	545,124	23,038
Bank balances	-	31,785	31,785	1,070
	-	1,677,501	1,677,501	751,004

36.2.1 During the year ended June 30, 2017, investments amounting to Rs 0.992 million has been classified as held for sale.

	Financial liabilities at amortised cost	
	2018	2017
Liabilities		
Long term finances - secured	78,475	78,490
Redeemable capital - secured (non-participatory)	935,571	1,121,503
Liabilities against assets subject to finance lease	18,046	18,046
Foreign currency convertible bonds - unsecured	2,054,739	1,757,713
Creditors, accrued and other liabilities	544,518	398,395
Accrued finance cost	971,357	887,513
	4,602,706	4,261,660

36.3 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders through repurchase of shares, issue new shares or sell assets to reduce debt. Consistent with others in the industry the Company monitors the capital structure on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings including current and non-current borrowings, as disclosed in note 6, 7, 9 and 12 less cash and cash equivalents as disclosed in note 35. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt. The Company's strategy, which was unchanged from last year, was to maintain a gearing ratio of 60% debt and 40% equity. The gearing ratio as at year ended June 30, 2018 and June 30, 2017 are as follows:

	2018	2017
	(Rupees in thousand)	
Borrowings	3,068,785	2,957,706
Total equity	1,912,746	2,443,800
Total capital	<u>4,981,531</u>	<u>5,401,506</u>
Gearing ratio	62%	55%

37 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 June 30, 2018:

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

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

Assets:	Level 1	Level 2	Level 3	Total
		(Rupees in thousand)		
Recurring fair value measurement of Available for sale financial assets	992	-	-	992
Recurring fair value measurement of Investment property:				
Freehold land	-	1,393,646	-	1,393,646
Buildings	-	-	2,070,556	2,070,556
	<u>992</u>	<u>1,393,646</u>	<u>2,070,556</u>	<u>3,465,194</u>

37.1 Valuation techniques used to measure level 2 and 3 assets

The fair value of these assets is determined by an independent professionally qualified valuer. Latest valuation of these assets was carried out on June 30, 2018. The level 2 fair value of freehold land has been derived using the sales comparison approach. 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.

37.2 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, 2018 and June 30, 2017 for recurring fair value measurements:

	Note	2018	2017
		(Rupees in thousand)	
Opening fair value		2,070,556	2,155,202
Disposal of investment property	18.1	(337,784)	-
Settlement against loan		-	(25,500)
Transferred to Level 2	37.3	<u>(126,790)</u>	<u>1,605,982</u>
		1,605,982	2,129,702
Fair value loss recognised during year		(75,965)	(59,146)
Closing value after revaluation		<u><u>1,530,017</u></u>	<u><u>2,070,556</u></u>

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".

37.3 Transfer between level 2 and level 3

Previously, the property situated at 41-N, Industrial Area, Gulberg II, Lahore comprising of land and building was treated as one unit and valued using the depreciated replacement cost method. However, during the current year, there is significant observable market data for valuation of land and accordingly the portion of land has been classified as 'level 2' and valued using sales comparison approach. There were no other transfers between level 1, level 2 and level 3. There were no changes in valuation techniques

37.4 Valuation inputs and relationship to fair value

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

Description	Fair Value at		Significant Unobservable inputs	Quantitative Data / Range and relationship to the fair value
	2018 Rs'000	2017 Rs'000		
Buildings	1,530,017	2,070,556	<ul style="list-style-type: none"> - Cost of construction of a new similar building - Suitable depreciation rate to arrive at depreciated replacement value 	<p>The market value has been determined by using a depreciation of approximately 5%-10% on cost of constructing a similar new building. Higher, the estimated cost of construction of a new building, higher the fair value. Further, higher the depreciation rate, the lower the fair value of the building.</p>

38. Earnings per share

Basic earnings per share is calculated by dividing profit after tax for the year attributable to ordinary shareholders by the weighted average number of shares outstanding during the year. The weighted average numbers of shares outstanding during the year and the previous year have been adjusted for the events that have changed the number of shares outstanding without a corresponding change in resources. The information necessary to calculate basic and diluted earning per share is as follows:

38.1 Basic (loss) / earnings per share

		2018	2017
(Loss) / Profit for the year	Rupees in thousand	(537,062)	224,135
Weighted average number of ordinary shares outstanding during the year	In thousand	278,877	278,877
Basic (loss) / earnings per share	Rupees	<u>(1.93)</u>	<u>0.80</u>

38.2 Diluted (loss) / earning per share

There are no dilutive potential ordinary shares outstanding as at June 30, 2018 and June 30, 2017.

39. Transactions with related parties

The related parties comprise associates, other related companies and key management personnel. The Company 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 and remuneration of key management personnel is disclosed in notes 23, 13 and 33. Other significant transactions with related parties are as follows:

Relationship with the Company	Nature of transactions	2018	2017
		(Rupees in thousand)	
i. Associate	Guarantee commission income	1,238	1,238
	Purchase of inventory	1,800	2,710
	Receipts against Pace circle sales	20,366	29,481
	Shared expense charged by the company	114	3,434
	Rental income	3,777	-
ii. Others	Purchase of goods & services	55,037	16,698
	Purchase of property, plant and equipment	14,077	
	Rental income	17,916	12,741
	Sale of property	349,571	9,684
	Sale of investment property	1,500,000	-
	Share of common expenses charged from related companies	20	-
	Post retirement benefits charged to	11,764	10,203

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

39.1 The names of related parties with whom the Company has entered into transactions or had agreements / arrangements in place during the year have been disclosed in related notes.

Sr. No.	Company Name	Basis of relationship	Aggregate % of Shareholding in the Company
1	Pace Super Mall (Private) Limited	Subsidiary	57%
2	Pace Woodlands (Private) Limited	Subsidiary	52%
3	Pace Gujrat (Private) Limited	Subsidiary	100%
4	Pace Barka Properties Limited	Associate	24.90%
5	First Capital Securities Corporation Limited	Common Director	N/A
6	First Capital Investment Limited	Common Director	N/A
7	World Press (Pvt.) Limited	Common Director	N/A
8	Ever Green Water Valley (Private) Limited	Common Director	N/A
9	First Construction Limited	Common Director	N/A
10	First Capital Equities Limited	Common Director	N/A
11	Media Times Limited	Common Director	N/A
12	First Aviation (Pvt.) Limited	Common Director	N/A

40.	Number of employees	2018	2017
Total number of employees as at June 30		236	286

Average number of employees during the year	265	297
Total number of plaza employees as at June 30	176	218
Average number of plaza employees during the year	197	227

41. Summary of significant transactions and events

As referred to in note 7.3, the Company entered into Debt Asset Swap Agreement with Askari Bank Limited for full and final settlement of TFCs amounting to Rs 185.926 million along with accrued mark-up against Pace Tower properties.

As referred to in note 18.1, the Company disposed off Plot No. D situated near Rangers Head Quarters Lahore Cantonment('the property') to its associated undertaking First Capital Securities Corporation Limited ('buyer') for consideration of Rs 1,500 million.

As referred to in note 22.3 & 24.3, the Company purchased several properties situated in Islamabad from WE Farms (Private) Limited and Silk Bank Limited amounting to Rs 333.000 million and 592.000 million respectively for the purpose of resale.

As referred to in note 2.3.1, the provisions of the fourth schedule to the Companies Act, 2017 became applicable to the Company for the first time in the preparation of these financial statements.

42. Date of authorisation

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

43. Corresponding figures

The fourth schedule to the Companies Act, 2017 has introduced certain presentation and classification requirements for the elements of financial statements. The preparation and presentation of these financial statements for the year ended June 30, 2018 is in accordance with the requirements in Companies Act, 2017. Accordingly the corresponding figures have been rearranged and reclassified, wherever considered necessary, to comply with the requirements of Companies Act, 2017. Such rearrangements and reclassifications made during the year are, however not significant.

Chief Executive

Chief Financial Officer

Director

16.1 Owned assets

	Freehold land *	Leasehold land **	Buildings on freehold land	Buildings on leasehold land ***	Plant and machinery	Electrical equipment	Office equipment and appliances	Furniture and fixtures	Computers	Vehicles	Total
Rupees in thousands											
Net carrying value basis											
Year ended June 30, 2018											
Opening net book value (NBV)	155,152	-	108,044	59,577	25,100	55,391	2,895	3,904	469	14,275	424,807
Additions (at cost)	-	-	-	-	-	18,800	-	-	-	4,000	22,800
Transfers from leased asset at NBV	-	-	-	-	-	-	-	-	-	-	-
Disposals (at NBV)	-	-	-	-	-	-	-	-	-	(273)	(273)
Depreciation charge	-	-	(5,403)	(5,428)	(2,510)	(5,876)	(289)	(390)	(155)	(3,572)	(23,623)
Closing net book value (NBV)	155,152	-	102,641	54,149	22,590	68,315	2,606	3,514	314	14,430	423,711
Gross carrying value basis											
As at June 2018											
Cost	155,152	-	179,470	179,122	85,795	125,588	11,683	11,801	10,087	57,390	816,088
Accumulated depreciation	-	-	(76,829)	(124,973)	(63,205)	(57,273)	(9,077)	(8,287)	(9,773)	(42,960)	(392,377)
Net book value NBV	155,152	-	102,641	54,149	22,590	68,315	2,606	3,514	314	14,430	423,711
Depreciation % per annum	0%	0%	5%	3%	10%	10%	10%	10%	33%	20%	
Net carrying value basis											
Year ended June 30, 2017											
Opening net book value (NBV)	155,152	-	113,730	65,005	20,144	48,194	3,217	4,321	544	15,130	425,437
Additions (at cost)	-	-	-	-	7,100	12,200	-	17	147	2,369	21,833
Transfers from leased asset at NBV	-	-	-	-	-	-	-	-	-	-	-
Disposals (at NBV)	-	-	-	-	-	-	-	-	-	-	-
Depreciation charge	-	-	(5,686)	(5,428)	(2,144)	(5,003)	(322)	(434)	(222)	(3,224)	(22,463)
Closing net book value (NBV)	155,152	-	108,044	59,577	25,100	55,391	2,895	3,904	469	14,275	424,807
Gross carrying value basis											
As at June 2017											
Cost	155,152	-	179,470	179,122	85,795	106,788	11,683	11,801	10,087	55,100	794,998
Accumulated depreciation	-	-	(71,426)	(119,545)	(60,695)	(51,397)	(8,788)	(7,897)	(9,618)	(40,825)	(370,191)
Net book value NBV	155,152	-	108,044	59,577	25,100	55,391	2,895	3,904	469	14,275	424,807
Depreciation % per annum	0%	0%	5%	3%	10%	10%	10%	10%	33%	20%	

* Freehold land represents the uncovered area of Main Boulevard Project, MM Alam Road Project, Model Town Link Road Project, Gujranwala Project, Gujrat Project and Woodland Project which is not saleable in the ordinary course of business.

** Leasehold land represents a piece of land transferred in the name of the Company by the Ministry of Defence, measuring 20,354 square yards situated at Survey No. 131/A, Airport Road, near Allama Iqbal International Airport, Lahore Cantt. The Company secured the bid for the said piece of land on behalf of Pace Barka Properties Limited (PBPL), an associated undertaking, since at the time of bidding PBPL was in the process of incorporation. Subsequent to the bidding, payment was made by PBPL but the Ministry of Defence refused to transfer the said piece of land in the name of PBPL as it was not the original bidder, therefore the legal ownership has been transferred in the name of the Company. Consequently, to avoid additional transaction costs relating to transfer of legal ownership, the Company has entered into an agreement with PBPL, whereby the possession of the land and its beneficial ownership has been transferred to PBPL through an Irrevocable General Power of Attorney dated May 15, 2007.

*** Building on leasehold land represents 8,227 square feet (2017: 8,227 square feet) relating to 2nd and 3rd floors of Fortress Project, Lahore the right of which has been acquired for 33 years in 2011 from Fortress Stadium management, Lahore Cantt.

			2018 (Rupees in thousand)	2017
16.1.1	The depreciation charge for the year has been allocated as follows:			
	Cost of sales	- note 27.3	13,351	12,360
	Administrative and selling expenses	- note 28	10,272	10,103
			<u>23,623</u>	<u>22,463</u>

16.1.2 There have been no disposal exceeding the book value of Rs. 500,000 during the year ended June 30, 2018 and June 30, 2017.

16.1.3 Particulars of immovable property (i.e. land and building) in the name of the Company are as follows:

Sr. No	Location	Usage of Immovable Property	Total Area (Square Feet)	*Covered Area (Square Feet)
1	38,38/A,39, Block P, Model Town Link Road, lahore	Shopping plaza	92,184	70,152
2	40, Block P, Model Town Link Road, Lahore	Shopping plaza	40,755	21,933
3	Bridge Point Plaza, Fortress Stadium, Lahore Cantt.	Shopping plaza	32,081	24,431
4	96-B-I, M.M Alam Road, Gulberg - III, Lahore	Shopping plaza	85,054	66,942
5	Mouza Dhola Zarri, Main GT Road Gujrawala	Shopping plaza	74,824	53,602
6	Mouza Ado-Wal, G.T Road, Tehsil & District, Gujrat	Shopping plaza	112,347	85,347
7	124/E-1 Main Boulevard Gulberg III Lahore	Shopping plaza	115,833	81,601
8	Bedian Road, Lahore	Management Office	7,875	-

* The covered area includes multi storey buildings.

		2018 (Rupees in thousand)	2017	
16.2	Capital work in progress			
	Opening cost	27,664	27,544	
	Project development costs	<u>784</u>	<u>120</u>	
		<u>28,448</u>	<u>27,664</u>	
17	Intangible assets	Computer Software	Dark Fiber	Total
	Net carrying value basis			
	Year ended June 30, 2018			
	Opening net book value (NBV)	442	5,113	5,555
	Additions (at cost)	-	-	-
	Transfers from leased asset at NBV	-	-	-
	Disposals (at NBV)	-	-	-
	Depreciation charge	<u>(44)</u>	<u>(476)</u>	<u>(520)</u>
	Closing net book value (NBV)	<u>398</u>	<u>4,637</u>	<u>5,035</u>
	Gross carrying value basis			
	As at June 2018			
	Cost	2,878	9,508	12,386
	Accumulated depreciation	<u>(2,480)</u>	<u>(4,871)</u>	<u>(7,351)</u>
	Net book value NBV	<u>398</u>	<u>4,637</u>	<u>5,035</u>
	Depreciation % per annum	<u>-</u>	<u>-</u>	
	Net carrying value basis			
	Year ended June 30, 2017			
	Opening net book value (NBV)	492	5,587	6,079
	Additions (at cost)	-	-	-
	Transfers from leased asset at NBV	-	-	-
	Disposals (at NBV)	-	-	-
	Depreciation charge	<u>(50)</u>	<u>(474)</u>	<u>(524)</u>
	Closing net book value (NBV)	<u>442</u>	<u>5,113</u>	<u>5,555</u>
	Gross carrying value basis			
	As at June 2017			
	Cost	2,878	9,508	12,386
	Accumulated depreciation	<u>(2,436)</u>	<u>(4,395)</u>	<u>(6,831)</u>
	Net book value NBV	<u>442</u>	<u>5,113</u>	<u>5,555</u>

Depreciation % per annum

10%	5%
-----	----

* This represents purchase of right to use optical fiber at Company properties for 20 years from Worldcall Telecom Limited.

17.1 The amortisation charge for the year has been allocated to administrative and selling expenses.