Pace (Pakistan) Limited

Unconsolidated Statement of Financial Position

As at 30 June 2020

EQUITY AND LIABILITIES	Note	2020	2019
		--- (Rupees in thousand) ---	
Share capital and reserves			
Authorised capital	8	**6,000,000**	6,000,000
Issued, subscribed and paid-up capital	8	**2,788,766**	2,788,766
Share premium	8	**273,265**	273,265
Accumulated loss		**(2,464,550)**	(2,075,583)
		597,481	986,448
Non-current liabilities			
Long term finances - secured	9	**-**	49,810
Redeemable capital - secured (non-participatory)	10	**-**	-
Lease liability	11	**136,572**	-
Foreign currency convertible bonds - unsecured	12	**-**	-
Deferred liabilities	13	**45,934**	45,904
		182,506	95,714
Current liabilities			
Contract liability	14	**228,256**	254,564
Current maturity of long term liabilities	15	**3,940,406**	3,786,553
Creditors, accrued and other liabilities	16	**845,135**	677,555
Accrued finance cost	17	**1,189,058**	1,077,823
		6,202,855	5,796,495
Contingencies and commitments	18		
		6,982,842	6,878,657

ASSETS	Note	2020	2019
		--- (Rupees in thousand) ---	
Non-current assets			
Property, plant and equipment	19	**601,264**	468,464
Intangible assets	20	**4,008**	4,519
Investment property	21	**1,745,251**	1,668,741
Long term investments	22	**850,321**	850,321
Long term advances and deposits	23	**13,619**	13,619
Deferred taxation	24	**-**	-
		3,214,463	3,005,664
Current assets			
Stock-in-trade	25	**2,821,179**	2,790,226
Trade debts	26	**406,985**	424,753
Advances, deposits, prepayments and other receivables	27	**493,245**	477,659
Income tax refundable - net	28	**23,845**	14,962
Cash and bank balances	29	**23,125**	165,393
		3,768,379	3,872,993
		6,982,842	6,878,657

The annexed notes from 1 to 47 form an integral part of these unconsolidated financial statements.

Lahore

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

Pace (Pakistan) Limited

Unconsolidated Statement of Profit or Loss

For the year ended 30 June 2020

	Note	**2020**	2019
		--- (Rupees in thousand) ---	
Revenue	*30*	**244,124**	456,480
Cost of revenue	*31*	**(177,674)**	(346,475)
Gross profit		**66,450**	110,005
Administrative and selling expenses	*32*	**(163,791)**	(162,001)
Impairment loss on trade and other receivables		**(88,473)**	(8,250)
Other income	*33*	**43,337**	9,517
Other expenses		**(31,407)**	(14,674)
Loss from operations		**(173,884)**	(65,403)
Finance cost	*34*	**(205,459)**	(138,311)
Exchange loss on foreign currency convertible bonds	*12.2*	**(64,809)**	(724,904)
Gain from change in fair value of investment property		**49,324**	5,799
Loss before taxation		**(394,828)**	(922,819)
Taxation	*35*	**(3,051)**	(6,433)
Loss for the year		**(397,879)**	(929,252)
Loss per share - basic and diluted	*36*	**(1.43)**	(3.33)

The annexed notes from 1 to 47 form an integral part of these unconsolidated financial statements.

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

Pace (Pakistan) Limited

Unconsolidated Statement of Comprehensive Income

For the year ended 30 June 2020

	2020	2019
	--- (Rupees in thousand) ---	
Loss for the year	**(397,879)**	(929,252)
Other comprehensive income for the year		
Items that will not be reclassified to statement of profit or loss:		
Remeasurement of net defined benefit liability	**8,912**	2,954
Total comprehensive loss for the year	**(388,967)**	(926,298)

The annexed notes from 1 to 47 form an integral part of these unconsolidated financial statements.

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

Pace (Pakistan) Limited
Unconsolidated Statement of Changes In Equity
For the year ended 30 June 2020

	Issued, subscribed and paid-up capital	Capital reserve Share premium	Revenue reserve Accumulated loss	Total
	--- (Rupees in thousand) ---			
As at 01 July 2018	2,788,766	273,265	(1,149,285)	1,912,746
Total comprehensive loss for the year ended 30 June 2019				
Loss after taxation	-	-	(929,252)	(929,252)
Other comprehensive income	-	-	2,954	2,954
	-	-	(926,298)	(926,298)
Balance as at 30 June 2019	**2,788,766**	**273,265**	**(2,075,583)**	**986,448**
Total comprehensive loss for the year ended 30 June 2020				
Loss after taxation	-	-	(397,879)	(397,879)
Other comprehensive income	-	-	8,912	8,912
	-	**-**	**(388,967)**	**(388,967)**
Balance as at 30 June 2020	**2,788,766**	**273,265**	**(2,464,550)**	**597,481**

The annexed notes from 1 to 47 form an integral part of these unconsolidated financial statements.

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

Pace (Pakistan) Limited

Unconsolidated Statement of Cash Flows

For the year ended 30 June 2020

	Note	2020	2019
		--- (Rupees in thousand) ---	
Cash flows from operating activities			
Cash (used in) / generated from operations	*37*	**(72,752)**	197,877
Gratuity and leave encashment paid		**(1,351)**	(455)
Taxes paid		**(11,934)**	(17,078)
Net cash (used in) / generated from operating activities		**(86,037)**	180,344
Cash flow from investing activities			
Purchase of property, plant and equipment		**(28,950)**	(42,359)
Proceeds from disposal of property, plant and equipment		**2,212**	-
Income on bank deposits received	*33*	**100**	720
Net cash used in from investing activities		**(26,638)**	(41,639)
Cash flow from financing activities			
Long term loan paid during the year		**(22,535)**	(5,300)
Payments of lease liability		**(7,058)**	-
Net cash used in financing activities		**(29,593)**	(5,300)
Net (decrease) / increase in cash and cash equivalents		**(142,268)**	133,405
Cash and cash equivalents - at beginning of the year		**165,393**	31,988
Cash and cash equivalents - at end of the year	*38*	**23,125**	165,393

The annexed notes from 1 to 47 form an integral part of these unconsolidated financial statements.

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

1 The Company and its operations

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

Sr. No	Business Units	Geographical Location
1	Gulberg Plaza	124/E-1 Main Boulevard Gulberg III, Lahore
2	Model Town Plaza	38, 38/A, 39 & 40, Block P, Model Town Link Road,
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 Tower	27-H College Road Gulberg II Lahore

2 Going Concern Assumption

The Company has incurred a loss before tax of Rs. 394.83 million (2019: Rs. 922.82 million). Decrease in loss is mainly driven by exchange loss of Rs. 64.81 million in 2020 versus Rs. 724.90 million in 2019 on the foreign currency convertible bonds issued by the Company.

At the reporting date, current liabilities of the Company have exceeded its current assets by Rs. 2,434.47 million (2019: Rs. 1,923.50 million), and accumulated losses of the Company stand at Rs. 2,464.55 million (2019: Rs. 2,075.58 million). Due to liquidity issues the Company has not been able to meet various obligations towards its lenders, including repayment of principal and mark-up thereon in respect of its borrowings. The construction activity on the project has also been very slow due to unavailability of enough financial resources causing a delay in the completion of Pace Tower, total estimated cost of completion of Pace Tower is Rs. 321.06 million. These conditions indicated the existence of a material uncertainty related to events or conditions that may cast significant doubts on the Company’s ability to continue as a going concern and, therefore, it may be unable to realize it assets and discharge its liabilities in the normal course of business.

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

The management is continuously engaged with its lenders for settlements of Company’s borrowings. As per various settlement agreements entered into with the term finance certificates (TFC) holders, management expects a waiver of markup amounting to Rs. 198.33 million. Moreover, the Company has entered into a settlement agreement with Bank of Khyber against 13th floor of Pace Tower measuring 8,000 square feet as explained in note 10.3.

As explained in note 45, construction of Pace Tower was delayed due to lockdown imposed during the strain of COVID-19, however the management is confident that it will complete Pace Tower Project by the end of 2022 and is actively engaged to find buyers for the sale of remaining floors/ apartments in Pace Tower. Management is also taking necessary steps for the completion and sale of Pace Circle.

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

Furthermore, the Chief Executive, Mrs. Aamna Taseer and Directors, Mr. Shahbaz Ali Taseer and Shehryar Ali Taseer have jointly provided a letter of support dated 6 October 2020 to the Company wherein they have committed to support the Company to continue as a going concern.

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

3 Basis of preparation

3.1 Separate financial statements

These unconsolidated financial statements are the separate financial statements of the Company in which investments in subsidiaries and associates are accounted for on the basis of direct equity interest rather than on the basis of reported results and net assets of the investees. Consolidated financial statements of the Company are prepared separately.

The Company has following investments:

Subsidiaries	**Country of incorporation**	**Shareholding**
Pace Gujrat (Private) Limited	Pakistan	100%
Pace Super Mall (Private) Limited	Pakistan	56.79%
Pace Woodland (Private) Limited	Pakistan	52%

The principal activity of all the subsidiaries is to acquire by purchase or otherwise land and plots and to sell or construct, lease, hire and manage buildings, shopping malls, super markets, utility stores, plazas, shopping arcades etc.

Associate	**Country of incorporation**	**Shareholding**
Pace Barka Properties Limited	Pakistan	24.86%

The principal activity of the Company is to acquire, construct, develop, sell rent out shopping malls, apartments, villas, commercial buildings, etc. and to carry on business of hospitality.

3.2 Statement of compliance

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

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

- Provisions of and directives issued under the Companies Act, 2017.

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

3.3 Basis of measurement

These unconsolidated financial statements have been prepared under the historical cost convention except for the following:

- Investment property which is measured at fair value
- Retirement benefits at present value

3.4 Functional and presentation currency

These unconsolidated financial statements are presented in Pakistani Rupees ("Rs.") which is the Company's functional currency. All amounts have been rounded off to the nearest thousand, unless otherwise stated.

4 Changes in significant accounting policy

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

4.1 IFRS 16 Leases

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

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

4.1.1 As a lessee

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

Leases classified as operating leases under IAS 17

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

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

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

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

4.1.2 As a lessor

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

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

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

Impact on financial statements

Impact on transition

The impact on transition at 01 July 2019 is summarized below:

	Impact of adopting IFRS 16 as at 01 July 2019 (Rupees in thousand)
Right-of-use assets - property plant and equipment	119,496
Right-of-use assets - investment property	27,186
Lease liability	146,682

When measuring lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its incremental borrowing rate at 01 July 2019. The incremental borrowing rate applied is 15.65%.

Reconciliation of operating lease commitments under IAS 17 with lease liabilities at the date of transition:

	01 July 2019 (Rupees in thousand)
Operating lease commitments at 30 June 2019 as disclosed under IAS 17 in the Company's financial statements	737,365
Discounted using the incremental borrowing rate at 01 July 2019	146,682
Finance lease liabilities recognized as at 01 July 2019	18,046
Lease liabilities recognized at 01 July 2019	164,728

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

There are new and amended standards and interpretations that are mandatory for accounting periods beginning 01 July 2019 other than those disclosed in note 4, are considered not to be relevant or do not have any significant effect on the Company's financial statements and are therefore not stated in these financial statements.

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

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

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

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

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

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

- Amendments to IFRS-16- IASB has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. The amendments are effective for periods beginning on or after 1 June 2020, with earlier application permitted. Under the standard's previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects of the COVID-19 pandemic, and the fact that many lessees are applying the standard for the first time in their financial statements, the Board has provided an optional practical expedient for lessees. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications. Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:

  i. the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

  ii. any reduction in lease payments affects only payments originally due on or before 30 June 2021; and

  iii. there is no substantive change to the other terms and conditions of the lease.

- Classification of liabilities as current or non-current (Amendments to IAS 1) effective for the annual period beginning on or after 1 January 2022. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8.

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual period beginning on or after 1 January 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprise the cost of fulfilling a contract, Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for the annual period beginning on or after 1 January 2022. Clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after 01 January 2022.

- IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.
- IFRS 16 – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.
- IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique

The above amendments are effective from annual period beginning on or after 01 January 2022 and are not likely to have an impact on the Company's financial statements.

6 Use of estimates and judgments

The preparation of unconsolidated financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under circumstances, and the results of which form the basis for making judgment about carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The areas where assumptions and estimates are significant to the Company's unconsolidated financial statements or where judgment was exercised in application of accounting policies are as follows:

6.1 Estimates:

	Note
- Provision for taxation	*7.1*
- Property, plant and equipment	*7.2*
- Intangibles	*7.3*
- Investment property valuation	*7.4*
- Stock-in-trade	*7.6*
- Employee benefits	*7.13*
- Measurement of ECL allowance for trade debts	*7.16.5*
- Impairment on non-financial assets	*7.17*
- Contingent liabilities	*7.18*

6.2 Judgements

- Costs to complete the projects	*7.6*
- Satisfaction of performance obligations	*7.15*

7 Significant accounting policies

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

7.1 Taxation

Income tax expense comprises current and deferred tax. Income tax is recognized in statement of profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized 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 enacted or substantially enacted at the reporting date and 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 recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable

- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognize a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Company has not rebutted this presumption.

7.2 Property, plant and equipment

Owned

Property, plant and equipment are stated at cost less accumulated depreciation and any identified impairment loss except for freehold land which is stated at cost less any identified impairment losses. Cost comprises purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, and includes other costs directly attributable to the acquisition or construction.

Subsequent costs are included in the asset's carrying amount or recognized 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. Major repairs and improvements are capitalized. All other repair and maintenance costs are charged to statement of profit or loss 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 recognized as an income or expense.

Depreciation on owned assets is charged to the statement of profit or loss on the reducing balance method except for building on leasehold 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 19.1

Depreciation on additions to property, plant and equipment is charged from the month in which an asset is acquired or capitalized 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 recognized in the statement of profit or loss. 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 recognized, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

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.

Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets include the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis at the rates specified in note 19.3 to the financial statements.

Capital work in progress

Capital work in progress is stated at cost, less any identified impairment loss. Capital work in progress represents expenditure on property, plant and equipment in the course of construction and installation. Transfers are made to relevant category of property, plant and equipment as and when assets are available for intended use.

7.3 Intangible assets

Computer Software

Expenditure incurred to acquire computer software is capitalized as an intangible asset and stated at cost less accumulated amortization (for finite useful life of intangible asset) and any identified impairment loss. Amortization is charged to statement of profit or loss on reducing balance method at an annual rate of 10% except optical fiber, as to write off the cost over its estimated useful life.

Optical Fiber

Expenditure incurred to acquire the rights to use optical fiber are capitalized as intangible assets and stated at cost less accumulated amortization and any identified impairment loss. Amortization is charged to statement of profit or loss on straight line basis method at an annual rate of 5%, as to write off the cost over its estimated useful life.

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 recognized in the statement of profit or loss. 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 recognized, the amortization charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

The Company reviews the rate of amortization and value of intangible assets for possible impairment, on an annual basis. Any change in the estimates in future years might affect the carrying amounts of intangible assets with a corresponding effect on the amortization charge and impairment.

7.4 Investment property

Investment property is a property held either to earn rental income or for capital appreciation or for both, but not for sale in ordinary course of business, use in production or supply of goods or services as for administrative purpose. 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.

If an item of property, plant and equipment becomes an investment property because its use has been changed, any difference between the carrying amount and the fair value of this item at the date of transfer is recognized in equity as a revaluation reserve for investment property. However, if a fair value gain reverses a previous impairment loss, the gain is recognized in statement of profit or loss. 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 statement of profit or loss.

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.

7.5 Investments

7.5.1 Investment in equity instruments of subsidiary companies

Investment in subsidiary companies is measured at cost in the Company's separate financial statements, as per the requirements of IAS-27 "Separate Financial Statements". However, at subsequent reporting dates, the Company reviews the carrying amount of the investment and its recoverability to determine whether there is an indication that such investment has suffered an impairment loss. If any such indication exists the carrying amount of the investment is adjusted to the extent of impairment loss. Impairment losses are recognized as an expense. Where impairment losses subsequently reverse, the carrying amounts of the investments are increased to the revised recoverable amounts but limited to the extent of initial cost of investments. A reversal of impairment loss is recognized in unconsolidated statement of profit or loss.

7.5.2 Investments in equity instruments of associated companies

Associates are all entities over which the Company has significant influence but no control. Investments in associates are measured at cost less any identified impairment loss if any in the Company's separate financial statements. However, at subsequent reporting dates, the Company reviews the carrying amount of the investment and its recoverability to determine whether there is an indication that such investment has suffered an impairment loss. If any such indication exists the carrying amount of the investment is adjusted to the extent of impairment loss. Impairment losses are recognized as an expense.

7.6 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 realizable 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, labor 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 realizable value signifies the estimated selling price in the ordinary course of business less costs necessary to be incurred in order to make the sale.

The Company estimates the cost to complete the projects in order to determine the cost attributable to revenue being recognized. 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.

The Company reviews the carrying amount of stock-in-trade on a regular basis. Carrying amount of stock-in-trade is adjusted where the net realizable value is below the cost. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

7.7 Trade debts

Trade debts and other receivables are classified at amortized cost and are measured at invoice value less impairment allowance, if any. Trade debts where the ownership of the work in progress is transferred by the Company to the buyer as the construction progresses is recognized using the percentage of completion method. An impairment allowance i.e. expected credit loss is calculated based on actual credit loss experience over the past years and loss given default. The impairment allowance is recognized in the statement of profit or loss. These assets are written off when there is no reasonable expectation of recovery.

7.8 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

7.9 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at amortised cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, call deposits receipts, 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.

7.10 Borrowings

Borrowings are classified as 'financial liabilities at amortized cost'. On initial recognition, these are measured at cost, being fair value at the date the liability is incurred, less attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost with any difference between cost and value at maturity recognized in statement of profit or loss over the period of the borrowings on an effective interest basis.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least twelve months after the statement of financial position date.

7.11 Foreign currency transactions and translation

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 recognized in the statement of profit or loss.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are not translated again at the reporting date.

7.12 Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company’s incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets in 'property, plant and equipment and investment properties' based on their use and lease liabilities as separate line item in the statement of financial position.

<u>Short-term leases and leases of low-value assets</u>

The Company has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

<u>As a lessor</u>

At inception or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

The Company applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Company further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Company recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of ‘other revenue’.

7.13 Employee benefits

The Company operates an unfunded gratuity plan covering all of its eligible employees who have completed the minimum qualifying period. The calculation of defined benefit obligation is performed by qualified actuary by using the projected unit credit method and charge for the year other than on account of experience adjustment is included in statement of profit or loss.

Remeasurement of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Company determines the net interest expense / (income) on the net defined liability / (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then - net defined benefit liability / (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in statement of profit or loss.

The Company provides for accumulating compensated absences when the employees render service that increase the entitlement to future compensated absences. Under the rules all employees are entitled to 20 days leave per year respectively. Unutilised leaves can be accumulated upto 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 statement of profit or loss.

7.14 Creditors, accruals and other liabilities

Creditors, accruals and other liabilities are carried at cost which is the fair value of the consideration to be paid in future for goods and services received whether or not billed to the Company. 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 recognized 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.

7.15 Revenue recognition

7.15.1 Revenue from contracts with customers

The Company recognizes revenue when it transfers control over a good or service to a customer based on a five step model as set out in IFRS 15.

Step 1: **Identify contract(s) with a customer:** A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2: **Identify performance obligations in the contract:** A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step 3: **Determine the transaction price:** The transaction price is the amount of consideration the Company expects to be entitled to in exchange for transferring the promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4: **Allocate the transaction price to the performance obligations in the contract:** For a contract that has more than one performance obligation, the Company allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled to in exchange for satisfying each performance obligation.

Step 5: **Recognize revenue when (or as) the Company satisfies a performance obligation.**

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

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

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

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

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duty. The Company assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements except for service income earned on security, janitorial maintenance, administration and other utilities.

Development services

Revenue from rendering of development management services is recognized when the outcome of the transaction can be estimated reliably, by reference to the stage of completion of the development obligation at the reporting date. Where the outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are eligible to be recovered.

The Company has elected to apply the input method. The Company considers that the use of input method, which requires revenue recognition on the basis of the Company’s efforts to the satisfaction of the performance obligation, provides the best reference to revenue actually earned.

Sale of property

Revenue from sale of land, condominiums, shops / counters and villas is recognized at point in time- when the control has been transferred to the customer. The control is usually transferred when possession is handed over to the customer.

Display of advertisements

Advertisement income is received by the Company against available space in company's property provided to the customer for advertisement purpose. Income from display of advertisements is recognized over time as the customer simultaneously receives and consumes the benefits provided by the Company as the Company performs.

Service charges

Service charges are recognized in the accounting period in which services are rendered. Service income in respect of security, janitorial maintenance, administration and other utilities is presented on net basis.

7.15.2 Other revenue

Rental income from lease of investment property

Rental income arising from operating leases on investment properties is charged based on area lease out and recognized, net of discount, in accordance with the terms of lease contracts over the lease term on a straight-line basis, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset.

7.16 Financial instruments

7.16.1 Recognition and initial measurement

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ('FVTPL'), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

7.16.2 Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortized cost; fair value through other comprehensive income ('FVOCI') – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets at amortized cost.

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

Financial assets at amortized cost

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to statement of profit or loss.

7.16.3 Derecognition

Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in the statement of profit or loss.

7.16.4 Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

7.16.5 Impairment

The Company recognizes loss allowances for Expected Credit Losses ("ECLs") in respect of financial assets measured at amortized cost.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for bank balance for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition, which are measured at 12-month ECLs.

Loss allowances for trade debts are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than past due for a reasonable period of time. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering of a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

7.17 Impairment of non-financial assets

The carrying amount of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any objective evidence that an asset or group of assets may be impaired. If any such evidence exists, the asset's or group of assets' recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Recoverable amount is the higher of value in use and fair value less cost to sell. Impairment losses are recognized in the statement of profit or loss.

7.18 Contingent liabilities

A contingent liability is disclosed when:

- There is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or

- There is present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

The Company reviews the status of all pending litigations and claims against the Company. Based on its judgment and the advice of the legal advisors for the estimated financial outcome, appropriate disclosure or provision is made. The actual outcome of these litigations and claims can have an effect on the carrying amounts of the liabilities recognized at the statement of financial position date.

7.19 Dividend

Dividend to ordinary shareholders is recognized as a deduction from accumulated profit in statement of changes in equity and as a liability in the Company’s financial statements in the year in which it is declared by the Company’s shareholders.

7.20 Earnings per share (EPS)

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by adjusting basic EPS with weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares and post-tax effect of changes in profit or loss attributable to ordinary shareholders of the Company that would result from conversion of all dilutive potential ordinary shares into ordinary shares.

8 Share capital and reserves

	2020	2019	2020	2019
	--- (Rupees in thousand) ---		------ Number of shares ------	
8.1 Authorised capital				
Ordinary shares of Rs. 10 each	**6,000,000**	6,000,000	**600,000,000**	600,000,000
8.2 Issued, subscribed and paid-up capital				
Ordinary shares of Rs. 10 each fully paid in cash	**2,017,045**	2,017,045	**201,704,516**	201,704,516
Ordinary shares of Rs. 10 each issued as bonus shares	**771,721**	771,721	**77,172,088**	77,172,088
	2,788,766	2,788,766	**278,876,604**	278,876,604

8.3 Ordinary shares of the Company held by associated undertakings are as follows:

	Basis of relationship	2020	2019
		(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
		15,104,915	15,104,915

8.4 There has been no movement in ordinary share capital issued, subscribed and paid-up during the year ended 30 June 2020.

8.5 Share premium	2020	2019
	--- (Rupees in thousand) ---	
Share premium reserve	**273,265**	273,265

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

9 Long term finances - secured

	Note	2020	2019
		--- (Rupees in thousand) ---	
Pak Iran Joint Investment Company	*9.1*	**66,860**	58,168
Soneri Bank - demand finance	*9.2*	**-**	19,043
		66,860	77,211
Less:			
Current maturity presented under current liabilities		**(66,860)**	(27,401)
		-	49,810

9.1 Pak Iran Joint Investment Company

On 28 December 2016, Pak Iran Joint Investment Company ('PAIR') and the Company entered into Debt Asset Swap / Liabilities Settlement Agreement ('SA') for settlement of entire principal along with accrued mark-up aggregating to Rs. 172.31 million. The settlement was partly made against property situated at mezzanine floor of Pace Tower measuring 5,700 square feet along with car parking area rights for 7 cars in basement No. 2 amounting to Rs. 105.45 million. In accordance with the SA, PAIR purchased the aforementioned properties from the Company. Pursuant to the SA, on 28 December 2016, the Company and PAIR executed sale deed and possession of the property was handed over to PAIR. The Company and PAIR also agreed that PAIR will continue to hold its charge over Pace M.M Alam up till repayment of the balance outstanding amount.

9.1.1 Terms of repayment

In accordance with the settlement agreement, the remaining outstanding mark-up of Rs. 66.86 million has been rescheduled and is payable over a period of 7 years with no mark-up starting from 28 December 2016 after expiry of moratorium period of 3 years, in 16 quarterly instalments. Amortized cost has been determined using effective interest rate of 6% per annum. Movement is as follows:

	Note	**2020**	2019
		--- (Rupees in thousand) ---	
As at beginning of the year		**58,168**	54,132
Unwinding of notional interest		**3,556**	4,036
Adjustment on account of default	*9.1.2.1*	**5,136**	
As at end of the year		**66,860**	58,168

9.1.2 Security

The restructured amount is secured by mortgage amounting to the sum of Rs. 142.86 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. 66.67 million.

9.1.2.1 Default

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

9.2 Soneri Bank - demand finance

Terms of repayment

During the year ended 30 June 2018, the Company entered into a restructuring agreement with Soneri Bank Limited, whereby, the Company was required to pay Rs. 30.91 million in 12 instalments for settlement of entire principal amounting to Rs. 27.42 million along with the accrued mark-up amounting to Rs. 17.87 million. During the year ended 30 June 2020, Company made repayments amounting to Rs. 7.64 million on 16 October 2019 and Rs. 14.90 million on 07 January 2020 as final settlement of the outstanding principal and accrued markup.

Security

This facility is secured against a charge amounting to the sum of Rs. 50 million created on the land and building on Plot no. 41 Block N, Gulberg II, Industrial Area Lahore measuring 4.09 kanals along with present and future construction thereon. As a result of the final settlement stated above, Soneri Bank released its charge on the property via no objection certificate dated 03 June 2020.

9.3 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 Tower:

9.3.1 National Bank of Pakistan

On 04 December 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 along with their accrued mark-up aggregating to Rs. 398.71 million against property situated at upper ground floor, mezzanine floor and basement of Pace Tower measuring 18,525 square feet. According to clause F of the SA, NBP purchased the aforementioned properties of Rs. 332.11 million and waived accrued mark-up of Rs. 66.60 million. Pursuant to the SA, on 30 December 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 Tower except for the podium level and later it will take over charge being vacated by PAIR Investment Company Limited as a result of settlements.

9.3.2 Habib Bank Limited

On 16 December 2015 Habib Bank Limited ('HBL') and the Company entered into Debt Asset Swap / Liabilities Settlement Agreement ('SA') for settlement of HBL's portion of Syndicated Term Finance Facility ('STFF') along with the accrued mark-up aggregating to Rs. 178.81 million against property situated at ground floor of Pace Tower 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 form the Company for a consideration of Rs. 106.89 million and waived accrued mark-up of Rs.71.91 million. Pursuant to the SA, on 30 December 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 Tower until the finishing work on aforementioned property in Pace Tower is complete.

9.3.3 National Bank of Pakistan - term finance

During the year ended 30 June 2016, NBP and the Company settled the entire principal and accrued mark-up together with its portion of Syndicated Term Finance Facility against property situated at Pace Tower.

9.3.4 Al Baraka Bank (Pakistan) Limited - musharika based agreement

On 28 December 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.398.56 million against property situated at first floor of Pace Tower measuring 17,950 square feet. In accordance with the SA, ABBPL purchased the aforementioned properties form the Company for a consideration of Rs.242.29 million and waived accrued mark-up of Rs.156.27 million. Pursuant to the SA, on 30 December 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 Tower up till completion certificate has been procured from Lahore Development Authority.

10 Redeemable capital - secured (non-participatory)	**2020**	2019
	--- (Rupees in thousand) ---	
Term finance certificates	**935,571**	935,571
Less:		
Current maturity presented under current liabilities	**(935,571)**	(935,571)
	-	-

10.1 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 27 September 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 15 August 2010. The TFC's carry a mark-up of 6 months KIBOR plus 2% (2019: 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, Pakistan Stock Exchange through its letter (Ref No. PSX/Gen-5683) dated 19 November 2019 instructed the company to appraise them regarding measures taken for removal of default of payment of principal amount, markup and restructuring of the TFCs by 25 November 2019. Consequently, the Company has submitted its reply to the Pakistan Stock Exchange on 25 November 2019 has intimated the Exchange that it is currently negotiating with the TFC holders for settlement of outstanding liabilities and for relaxation in payment terms and that a settlement proposal shared in the meeting held on 18 March 2018 with the TFC holders. However, despite the three reminders sent by the Trustee, response of the TFC holders is still pending.

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

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.

10.2 Settlement with Askari Bank Limited

On 07 February 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 for Rs. 185.93 million as full and final settlement. Furthermore, the Bank provided financial relief of suspended mark- up amounting to Rs. 89.29 million along with future mark-up upon completion of certain terms and conditions on or before 30 June 2019. The terms and conditions of the agreement have not been complied with, consequently, the impact of financial relief has not been accounted for in the financial statements.

10.3 Settlement with Bank of Khyber

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

11 Lease liability	*Note*	**2020**	2019
		--- (Rupees in thousand) ---	
Present value of lease payments	*11.1*	**179,330**	18,046
Less: Current portion shown under current liabilities		**(42,758)**	(18,046)
		136,572	-
Movement during the year is as follows:			
Opening balance as at 01 July		**18,046**	18,046
Adjustment on initial application of IFRS 16	*4.1*	**146,682**	-
Adjusted balance as at 01 July		**164,728**	18,046
Additions during the year		**11,089**	-
Unwinding of notional interest		**22,390**	-
Reclassified to accrued liabilities		**(11,819)**	
Lease rentals paid		**(7,058)**	-
Closing balance as at 30 June		**179,330**	18,046

11.1 On 17 October 2018, Orix Leasing Company ('plaintiff') has filed a case in Banking Court VII against the Pace (Pakistan) Limited ('the Company'). The plaintiff filed a suit claiming an amount of Rs. 47.10 million on account of loss in business of the plaintiff. The amount claimed by the plaintiff has already been booked in these financial statements. However the legal advisor of the Company is confident that there are meritorious grounds to defend the claim.

12 Foreign currency convertible bonds - unsecured

	Note	2020	2019
		--- (Rupees in thousand) ---	
Opening balance		**2,805,535**	2,054,739
Mark-up accrued during the year		**24,873**	25,892
		2,830,408	2,080,631
Exchange loss for the year	*12.2*	**64,809**	724,904
		2,895,217	2,805,535
Less:			
Current maturity presented under current liabilities		**(2,895,217)**	(2,805,535)
		-	-

12.1 On 27 December 2007, BNY Corporate Trustee Services Limited incorporated in United Kingdom with its registered office at One Canada Square, London E14 5AL and the Company entered into an agreement that the Company issue 25,000 convertible bonds of USD 1,000 each amounting to USD 25 million. The foreign currency convertible bonds (FCCB) were listed on the Singapore Stock Exchange and became redeemable on 28 December 2012 at the accreted principal amount. The bonds carry a mark-up of 5.5% per annum, compounded semi-annually, accretive (up till 28 December 2012) and cash interest of 1% per annum to be paid in arrears. The holders of the bonds had an option to convert the bonds into equity shares of the Company at any time following the issue date till the maturity date at a price calculated as per terms of arrangement. As at 30 June 2020, USD 13 million bonds have been converted into the ordinary shares of the Company and remaining USD 12 million bonds along with related interest have not been repaid by the Company.

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

12.2 This represents exchange loss arising on translation of foreign currency convertible bonds.

13 Deferred liabilities

	Note	2020	2019
		--- (Rupees in thousand) ---	
Staff gratuity	*13.1*	**42,889**	42,871
Leave encashment	*13.2*	**3,045**	3,033
		45,934	45,904

13.1 Staff gratuity

	Note	2020	2019
Balance as at 01 July		**42,871**	41,359
Included in statement of profit or loss:			
Service cost		**11,178**	6,269
Interest cost		**5,553**	3,479
		16,731	9,748
Included in statement of comprehensive income:			
Remeasurements:			
Actuarial loss from changes in financial assumptions		**(597)**	542
Experience adjustments		**(8,315)**	(3,382)
		(8,912)	(2,840)
Other:			
Benefits due but not paid (payable)		**(6,823)**	(4,941)
Benefits paid		**(978)**	(455)
		(7,801)	(5,396)
Balance as at 30 June		**42,889**	42,871
Charge for the year has been allocated as follows:			
Cost of revenue	*31.3*	**6,692**	3,899
Administrative and selling expenses	*32*	**10,039**	5,849
		16,731	9,748

Plan Assets

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

		2020	2019
13.2	**Leave encashment**	--- (Rupees in thousand) ---	
	The amounts recognised are as follows:		
	Balance as at 01 July	**3,033**	3,420
	Included in statement of profit or loss:		
	Service cost	**620**	32
	Experience adjustments	**(332)**	-
	Interest cost	**385**	282
		673	314
	Included in statement of comprehensive income:		
	Remeasurements:		
	Actuarial loss from changes in financial assumptions	**-**	-
	Experience adjustments	**-**	(114)
		-	(114)
	Other:		
	Benefits due but not paid (payable)	**(288)**	(587)
	Benefits paid	**(373)**	-
		(661)	(587)
	Balance as at 30 June	**3,045**	3,033

Charge for the year has been allocated to administrative and selling expenses.

Plan Assets

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

13.3 Actuarial assumptions

	2020		2019	
	Gratuity	**Leave encashment**	Gratuity	Leave encashment
Discount rate used for year end obligations	**8.50%**	**8.50%**	14.25%	14.25%
Expected rate of growth per annum in future salaries	**7.50%**	**7.50%**	13.25%	13.25%
Expected mortality rate	**SLIC (2001-2005) Setback 1 Year**			
Weighted average duration of defined benefit plan	**5 years**	**5 years**	5 years	5 years
Average number of leaves accumulated per annum by employees	-	**5 days**	-	5 days
Average number of leaves utilised per annum by employees	-	**15 days**	-	15 days
Retirement age	**Age 60**	**Age 60**	Age 60	Age 60

13.4 The Company expects to charge Rs. 8.63 million to the unconsolidated statement of profit or loss on account of gratuity in the year ending 30 June 2021.

	2020		2019	
	Gratuity	**Leave encashment**	Gratuity	Leave encashment
13.5 Sensitivity Analysis	**--- (Rupees in thousand) ---**			
Year end sensitivity on defined benefit obligation:				
Discount rate + 100 bps	**40,684**	**2,897**	40,773	3,251
Discount rate - 100 bps	**45,391**	**3,214**	45,224	3,610
Salary increase + 100 bps	**45,564**	**3,207**	45,308	3,602
Salary increase - 100 bps	**40,564**	**2,901**	40,659	3,256

The above sensitivity analysis is 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.

13.6 The plans expose the Company to the actuarial risks such as:

Salary risks

The risk that the final salary at the time of cessation of service is greater than what we assumed. Since the benefit is calculated on the final salary (which will closely reflect inflation and other macroeconomic factors), the benefit amount increases as salary increases.

Mortality / withdrawal risks

The risks that the actual mortality / withdrawal experiences is different. The effect depends upon beneficiaries' service / age distribution and the entitled benefits of the beneficiary.

14 Contract liability

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

	2020	2019
	--- (Rupees in thousand) ---	
MCB Bank Limited	**31,755**	137,567
First Capital Investment Limited - related party	**16,020**	16,020
First Capital Securities Corporation Limited - related party	**45,887**	45,887
First Capital Equities Limited - related party	**63,825**	3,086
Others	**70,769**	52,004
	228,256	254,564

	Note	2020	2019
		--- (Rupees in thousand) ---	

15 Current maturity of long term liabilities

	Note	2020	2019
Long term finances - secured	*9*	**66,860**	27,401
Redeemable capital - secured (non-participatory)	*10*	**935,571**	935,571
Lease liability	*11*	**42,758**	18,046
Foreign currency convertible bonds - unsecured	*12*	**2,895,217**	2,805,535
		3,940,406	3,786,553

16 Creditors, accrued and other liabilities

	Note	2020	2019
Trade creditors	*16.1*	**264,511**	311,440
Provisions and accrued liabilities		**222,925**	179,036
Payable to statutory bodies		**141,117**	80,424
Advance against sale of investment property		**84,000**	-
Security deposits	*16.2*	**51,818**	50,399
Rentals against investment property received in advance		**9,743**	4,063
Retention money		**5,661**	6,093
Payable to contractors		**2,699**	2,699
Others	*16.3*	**62,661**	43,401
		845,135	677,555

16.1 This includes payables to First Construction Limited (related party being a subsidiary of associate company) amounting to Rs. 0.09 million (2019: Rs. 0.09 million) under normal course of business and are interest free.

16.2 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 a separate bank account. The Company is in process of ensuring compliance with the requirement of section 217 of the Companies Act, 2017.

16.3 This includes payables to related parties under normal course of business and are interest free.

Related parties	**Relationship**	**2020**	2019
		---(Rupees in thousand)---	
First Capital Securities Corporation	Common Directorship	**-**	78
First Capital Equities Limited	Common Directorship	**1,070**	980
		1,070	1,058

17 Accrued finance cost

	2020	2019
Long term finances - secured	**-**	21,553
Redeemable capital - secured (non-participatory)	**1,148,419**	1,015,631
Lease liability	**40,639**	40,639
	1,189,058	1,077,823

18 Contingencies and commitments

18.1 Contingencies

18.1.1 Claims against the Company not acknowledged as debts amounting to Rs.21.64 million (2019: Rs.21.64 million).

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

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

18.1.3 On 29 November 2012, Shaheen Insurance Company Limited and First Capital Securities Corporation Limited (on behalf of First Capital Group) entered into an agreement whereby, it was agreed that liability pertaining to reverse repo transaction amounting to Rs. 99.89 million along with insurance premium payable amounting to Rs. 88.86 million from First Capital Group shall be settled vide sale of 4.70 million shares of First Capital Equities Limited to Shaheen Insurance Company Limited at a price of Rs. 40. Included in the insurance payable is Rs. 57.96 million pertaining to Pace (Pakistan) Limited. It was agreed that Shaheen Insurance Company Limited will be allowed to sell the share after two years, however, the first right to refusal shall be given to the First Capital Group. Further, First Capital Group guaranteed to buy back the shares at Rs. 40 in case the shares are not saleable in open market. The agreement was subsequently amended on 07 March 2013 to remove restriction of holding period of two years. In addition to that, the guarantee to buy back was also revoked.

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

18.2 Commitments

18.2.1 Commitments in respect of capital expenditure i.e. purchase of properties from Pace Barka Properties Limited, amounts to Rs. 101.28 million (2019: Rs. 115.69 million) and Capital Heights (Private) Limited, amounts to Rs. Nil (2019: Rs. 74.51 million)

18.2.2 Corporate guarantee on behalf of Pace Barka Properties Limited, a related party, in favor of The Bank of Punjab, amounting to Rs. 900 million (2019: Rs. 900 million) as per the approval of shareholders through the special resolution dated 29 July 2006.

	Note	**2020**	2019
		--- (Rupees in thousand) ---	
19 Property, plant and equipment			
Operating fixed assets	*19.1*	**440,226**	439,657
Capital work in progress	*19.2*	**31,740**	28,807
Right-of-use assets	*19.3*	**129,298**	-
		601,264	468,464

19.1 Operating fixed assets

	Freehold land *	Freehold 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 thousand) -----										
Net carrying value basis											
Year ended 30 June 2020											
Opening net book value	**155,152**	**-**	**97,509**	**48,721**	**20,328**	**100,685**	**2,345**	**3,163**	**210**	**11,544**	**439,657**
Additions (at cost)	**-**	**-**	**-**	**-**	**-**	**25,000**	**-**	**-**	**-**	**3,950**	**28,950**
Disposals	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,224)**	**(1,224)**
Depreciation charge	**-**	**-**	**(4,876)**	**(5,428)**	**(2,032)**	**(11,319)**	**(235)**	**(316)**	**(69)**	**(2,882)**	**(27,157)**
Closing net book value	**155,152**	**-**	**92,633**	**43,293**	**18,296**	**114,366**	**2,110**	**2,847**	**141**	**11,388**	**440,226**
Gross carrying value basis											
As at June 2020											
Cost	**155,152**	**-**	**179,469**	**179,122**	**85,795**	**192,588**	**11,683**	**11,801**	**10,087**	**58,371**	**884,068**
Accumulated depreciation	**-**	**-**	**(86,836)**	**(135,829)**	**(67,498)**	**(78,222)**	**(9,572)**	**(8,955)**	**(9,947)**	**(46,983)**	**(443,842)**
Net book value	**155,152**	**-**	**92,633**	**43,293**	**18,297**	**114,366**	**2,111**	**2,846**	**140**	**11,388**	**440,226**
Depreciation % per annum	**0%**	**0%**	**5%**	**3%**	**10%**	**10%**	**10%**	**10%**	**33%**	**20%**	
Net carrying value basis											
Year ended 30 June 2019											
Opening net book value	155,152	-	102,641	54,149	22,590	68,315	2,606	3,514	314	14,430	423,711
Additions (at cost)	-	-	-	-	-	42,000	-	-	-	-	42,000
Disposals	-	-	-	-	-	-	-	-	-	-	-
Depreciation charge	-	-	(5,132)	(5,428)	(2,262)	(9,630)	(261)	(351)	(104)	(2,886)	(26,054)
Closing net book value	155,152	-	97,509	48,721	20,328	100,685	2,345	3,163	210	11,544	439,657
Gross carrying value basis											
As at June 2019											
Cost	155,152	-	179,470	179,122	85,795	167,588	11,683	11,801	10,087	57,390	858,088
Accumulated depreciation	-	-	(81,961)	(130,401)	(65,467)	(66,903)	(9,338)	(8,638)	(9,877)	(45,846)	(418,431)
Net book value	155,152	-	97,509	48,721	20,328	100,685	2,345	3,163	210	11,544	439,657
Depreciation % per annum	0%	0%	5%	3%	10%	10%	10%	10%	33%	20%	

* Freehold land represents the uncovered area of Main Boulevard Project, M.M 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 15 May 2007.

*** Building on leasehold land represents 8,227 square feet (2019: 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.

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

Location	Usage of immoveable property	Total area (Acres)	*Covered area (Square feet)
38,38/A,39, Block P, Model Town Link Road, Lahore	Shopping plaza	92,184	70,152
40, Block P, Model Town Link Road, Lahore	Shopping plaza	40,755	21,933
Bridge Point Plaza, Fortress Stadium, Lahore Cantt.	Shopping plaza	32,081	24,431
96-B-I, M.M Alam Road, Gulberg - III, Lahore	Shopping plaza	85,054	66,942
Mouza Dhola Zarri, Main GT Road Gujranwala	Shopping plaza	74,824	53,602
Mouza Ado-Wal, G.T Road, Tehsil & District, Gujrat	Shopping plaza	112,347	85,347
124/E-1 Main Boulevard Gulberg III Lahore	Shopping plaza	115,833	81,601
Bedian Road, Lahore	Management office	7,875	-

The buildings on freehold land and other immovable assets of the Company are constructed / located at above mentioned freehold land.

* The covered area includes multi-storey buildings.

19.1.2 The Company has not made disposals of operating fixed assets with aggregate book value exceeding five million rupees.

19.1.3 Operating fixed assets includes a vehicle, having cost of Rs. 1.39 million (2019: Rs. 1.39 million), which is fully depreciated but still in use as at 30 June 2020.

19.2 This represents Rs. 29.52 million related to the 3rd floor of Pace Tower, covering an area of 4,170 square feet and Rs. 1.92 million related to M.M Alam plaza lower ground floor covering an area of 6,000 square feet, both of which are under construction and are to be held for use.

		Note	2020	2019
19.3	**Right-of-use assets**		--- (Rupees in thousand) ---	
	Land			
	Cost			
	Balance as at 01 July		-	-
	Adjustment on initial application of IFRS 16	4.1	119,496	-
	Adjusted balance at 01 July 2019		119,496	-
	Additions / (deletions) during the year		-	-
	Balance as at 30 June		119,496	-
	Accumulated depreciation			
	Balance as at 01 July		-	-
	Depreciation charge during the year		(4,770)	-
	Balance as at 30 June		(4,770)	-
	Closing net book value		114,726	-
	Rate of depreciation		4%	-
	Electrical equipment			
	Cost			
	Balance as at 01 July		-	-
	Adjustment on initial application of IFRS 16		-	-
	Adjusted balance at 01 July 2019		-	-
	Additions / (deletions) during the year		15,339	-
	Balance as at 30 June		15,339	-
	Accumulated depreciation			
	Balance as at 01 July		-	-
	Depreciation charge during the year		(767)	-
	Balance as at 30 June		(767)	-
	Closing net book value		14,572	-
	Rate of depreciation		10%	-

19.4 Depreciation charge for the year has been allocated as follows:

	Note	2020	2019
Cost of revenue	31.3	22,766	13,527
Administrative and selling expenses	32	9,928	12,527
		32,694	26,054

20 Intangible assets

	Note	2020	2019
Optical fiber	20.1	3,685	4,161
Computer software	20.2	323	358
		4,008	4,519

20.1 Optical fiber

	2020	2019
Cost	9,508	9,508
Accumulated amortisation		
As at 01 July	5,347	4,871
Amortisation for the year	476	476
Balance as at 30 June	5,823	5,347
Book value as at 30 June	3,685	4,161
Rate of amortisation	5%	5%

20.2 Computer software

	2020	2019
Cost	2,878	2,878
Accumulated amortisation		
As at 01 July	2,520	2,480
Amortisation for the year	35	40
Balance as at 30 June	2,555	2,520
Book value as at 30 June	323	358
Rate of amortisation	10%	10%

21 Investment property

	Cost		Fair value	
	2020	2019	**2020**	2019
	-------------------------(Rupees in thousand)--------------------------			
Balance as at 01 July	**730,182**	730,182	**1,668,741**	1,662,942
Recognition of right-of-use assets on initial application of IFRS 16	**27,186**	-	**27,186**	-
Fair value gain on initial recognition of right-of-use assets	**-**	-	**38,426**	-
Adjusted balance as at 01 July	**757,368**	730,182	**1,734,353**	1,662,942
Fair value gain recorded in statement of profit or loss	**-**	-	**10,898**	5,799
As at 30 June	**757,368**	730,182	**1,745,251**	1,668,741

21.1 The forced sale value of investment property excluding right-of-use asset amounts to Rs. 1,410.59 million (2019: Rs. 1,418.43 million).

Investment properties represent Company's interest in land and buildings situated at Model Town Lahore, Gulberg Lahore, Gujranwala and Gujrat. On initial application of IFRS 16, the Company recognised right-of-use asset arising as a result of head lease of shops / apartments situated at 4th floor of Model Town Lahore and 3rd and 4th floor of M.M Alam. The Company has sub-leased the aforementioned properties and right-of-use asset arising from head lease has been classified as investment property.

These are either leased to third parties or held for value appreciation. Changes in fair values are recognised and presented separately as "Gain / (loss) from change in fair value of investment property" in the statement of profit or loss.

21.1.1 Fair value

Fair value hierarchy

The fair value of investment property was determined by external, independent property valuer KG Traders, having appropriate recognised professional qualifications. The independent valuers provide the fair value of the Company's investment property portfolio annually. Latest valuation of these assets was carried out on 30 June 2020. The level 2 fair value of freehold land has been derived using the sales comparison approach. Level 3 fair value of Buildings has been determined using a depreciated replacement cost approach, whereby, current cost of construction of a similar building in a similar location has been adjusted using a suitable depreciation rate to arrive at present market value. Level 3 fair value of right-of-use assets has been determined using discounted cashflow method, whereby appropriate discount rate has been adjusted to arrive at the fair value.

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

	Level 1	Level 2	Level 3	Total
		(Rupees in thousand)		
Freehold land	-	137,015	-	137,015
Buildings	-	-	1,522,498	1,522,498
Right-of-use assets	-	-	85,738	85,738
	-	137,015	1,608,236	1,745,251

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

	Level 1	Level 2	Level 3	Total
		(Rupees in thousand)		
Freehold land	-	132,925	-	132,925
Buildings	-	-	1,535,816	1,535,816
	-	132,925	1,535,816	1,668,741

Valuation inputs and relationship to fair value

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

Description	**Significant Unobservable inputs**	**Quantitative data / range and relationship to the fair value**
Buildings	Cost of construction of a new similar building Suitable depreciation rate to arrive at depreciated replacement value	The market value has been determined by using a depreciation of approximately 5%-10% on cost of constructing a similar new building. Higher, the estimated cost of construction of a new building, higher the fair value. Further, higher the depreciation rate, the lower the fair value of the building.
Right-of-use asset	Discount rate being used to discount the future cashflows.	The estimated fair value will increase / (decrease) if discounting rates were lower / (higher)

	Note	**2020**	2019
		--- (Rupees in thousand) ---	
22 Long term investments			
Equity instruments of:			
- subsidiaries - unquoted	*22.1*	**91,670**	91,670
- associated undertakings - unquoted	*22.2*	**758,651**	758,651
		850,321	850,321

22.1 Subsidiaries - unquoted

	2020	2019
Pace Woodlands (Private) Limited 3,000 (2019: 3,000) fully paid ordinary shares of Rs.10 each Equity held 52% (2019: 52%)	**30**	30
Pace Super Mall (Private) Limited 9,161,528 (2019: 9,161,528) fully paid ordinary shares of Rs.10 each Equity held 57% (2019: 57%)	**91,615**	91,615
Pace Gujrat (Private) Limited 2,450 (2019: 2,450) fully paid ordinary shares of Rs.10 each Equity held 100% (2019: 100%)	**25**	25
	91,670	91,670

		2020	2019
22.2	**Associate - unquoted**	**--- (Rupees in thousand) ---**	
	Pace Barka Properties Limited 75,875,000 (2019: 75,875,000) fully paid ordinary shares of Rs. 10 each		
	Equity held: 24.86% (2019: 24.86%)	**758,651**	758,651

23 Long term advances and deposits

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

24 Deferred taxation

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

	2020	2019
	--- (Rupees in thousand) ---	
Accelerated tax depreciation	**195,954**	201,885
Right-of-use assets and lease liability	**(22,912)**	-
Employee retirement benefits	**(13,321)**	(13,312)
Provision for net realisable value	**(9,569)**	(6,718)
Provision for doubtful receivables	**(78,103)**	(55,695)
Deferred cost	**(64)**	(75)
Unused tax losses	**(71,985)**	(126,085)
	-	-

The Company has not recognised deferred tax assets of Rs.233.65 million (2019: Rs. 281.15 million) in respect of tax losses, Rs. 146.56 million (2019: Rs. 210.22 million) in respect of unrealised exchange loss and Rs.90.12 million (2019: Rs. 93.88 million) in respect of minimum tax paid available for carry forward under section 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 under section 113 of Income Tax Ordinance, 2001 amounting to Rs.4.13 million, Rs.4.16 million, Rs.4.25 million and Rs.9.22 million will lapse in the year 2020, 2021, 2022 and 2023 respectively. Alternate Corporate Tax ('ACT') paid under section 113 C of Income Tax Ordinance, 2001 aggregating to Rs.51.06 million and Rs.16.05 million will lapse in the year 2026 and 2027, respectively. Tax losses amounting to Rs.304.69 million, Rs. 15.68 and Rs.72.71 million will expire in year 2021, 2025 and 2026, respectively.

			2020	2019
25	**Stock-in-trade**	*Note*	**--- (Rupees in thousand) ---**	
	Land not under development	*25.1*	**21,600**	21,600
	Land purchased for resale	*25.2*	**930,765**	930,765
	Work in progress			
	Pace Tower	*25.3*	**626,269**	600,317
	Pace Circle	*25.4*	**699,140**	687,054
	Completed units - shops		**542,244**	549,753
			2,820,018	2,789,489
	Stores inventory		**1,161**	737
			2,821,179	2,790,226

25.1 This represents the space purchased at Pace Supermall by the Company from its subsidiary for the purpose of resale and thus it is classified under stock.

25.2 This represents plot purchased for resale purposes amounting to Rs. 930.77 (2019: Rs. 930.77 million).

25.3 Included in work in progress are borrowing costs of Rs. 101 million (2019: Rs. 101 million).

25.4 Pace Circle is a project carried by Pace Barka (Private) Limited (an associated company). The project is under construction as at year end and the Company has realized the cumulative payments made till the year end as at 30 June 2020 as its inventory while remaining amount is shown in commitments note. The payments made during the year amounted to Rs. 14.41 million and has been made part of inventory.

		2020	2019
		--- (Rupees in thousand) ---	
26	**Trade debts**		
	Secured		
	Considered good	**406,985**	424,753
	Unsecured		
	Considered doubtful	**269,321**	180,848
		676,306	605,601
	Less: Impairment allowance	**(269,321)**	(180,848)
		406,985	424,753

26.1 This includes the following amounts due from related parties:

	2020	2019
Rema & Shehrbano	**1,595**	185
First Capital Investment Limited & First Capital Mutual Fund	**1,847**	504
First Capital Equities Limited	**2,238**	1,596
First Capital Securities Corporation Limited	**6,881**	6,881
Connatural Cosmetics	**494**	181
	13,055	9,347

26.2 The maximum aggregate amount due from related parties at the end of any month during the year was Rs. 13.04 million (2019: Rs. 10.63 million).

27 Advances, deposits, prepayments and other receivables

	Note	**2020**	2019
		--- (Rupees in thousand) ---	
Advances - considered good:			
- to employees	*27.1*	**17,155**	16,124
- to suppliers	*27.2*	**91,956**	118,460
Advance against purchase of property	*27.3*	**251,281**	221,567
Security deposits	*27.4*	**12,285**	12,285
Receivable against sale of investment property		**99,979**	99,979
Others - considered good	*27.5*	**20,589**	9,244
		493,245	477,659

27.1 Advances to employees include advances against salary and gratuity, repayable within one year and at the time of final settlement, respectively. This includes Rs. 2.80 million (2019: Rs. 1.80 million) advance given to executive employee of the Company.

27.2 This includes the following amounts due from related parties:

	2020	2019
	--- (Rupees in thousand) ---	
Ever Green Water Valley (Private) Limited	**74,988**	65,386
World Press (Private) Limited	**447**	447
	75,435	65,833

27.2.1 The maximum aggregate advance given to these related parties against provision of services at the end of any month was Rs. 99.65 million (2019: Rs. 80.30 million)

27.3 The amount reflects advance paid against the purchase of 4.9 kanal plot at Shadman, Lahore from a related party Evergreen Water Valley (Private) Limited. The maximum aggregate advance given to this related party at the end of any month was Rs. 251.28 million (2019: Rs. 221.57 million).

27.4 This includes security deposit paid to Orix Leasing Pakistan Limited amounting to Rs. 11.50 million against assets acquired under lease. The amount is under dispute and management expects to recover the amount in full.

27.5 This includes rent receivable from a related party 'Media Times Pvt. Limited' amounting to Rs. 18.60 million (2019: Rs. 7.80 million). The amount also includes impairment allowance of Rs.19.42 million (2019: Rs. 19.42 million) recognised in the current year.

28 Income tax refundable - net

		2020	2019
	Note	**--- (Rupees in thousand) ---**	
Income tax refundable	*28.1*	**124,406**	112,473
Provision for taxation - current		**(100,561)**	(97,510)
		23,845	14,963

28.1 This represents mainly withholding tax deducted from profit on bank deposits and rental income from property and advance tax paid on electricity bills under Section 151, 152 and 235, respectively of the Income Tax Ordinance, 2001.

29 Cash and bank balances

		2020	2019
	Note	**--- (Rupees in thousand) ---**	
Cash in hand		**218**	707
Cash at banks			
- Current accounts	*29.1*	**22,358**	164,467
- Saving accounts	*29.2*	**549**	219
		22,907	164,686
		23,125	165,393

29.1 This includes Rs. 20 million (2019: Rs. 100 million) on which lien is marked against sale of property to MCB for further development charges at Pace Tower.

29.2 This carries profit at the rates ranging from 4% to 8% (2019: 3% to 10%) per annum.

	Note	2020	2019
		--- (Rupees in thousand) ---	
30 Revenue			
Development services	*30.1*	**82,336**	339,407
Display of advertisements		**24,504**	33,494
Service charges - net	*30.2*	**90,444**	30,562
Revenue from contract with customers		**197,284**	403,463
Other revenue			
Rental income from lease of investment property		**46,840**	53,017
Total revenue		**244,124**	456,480

30.1 Development services recognised at percentage of completion basis

	2020	2019
	--- (Rupees in thousand) ---	
Revenue recognised to date	**1,662,168**	1,579,832
Aggregate cost incurred to date	**(1,407,829)**	(1,357,057)
Recognised profit to date	**254,339**	222,775

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. 82.34 million (2019: Rs. 339.41 million). Rs. Nil (2019: Rs. 441 million) was received during the year against these agreements.

30.2 Services charges - net

The breakup of costs against service income recorded during the year is as follows:

	2020	2019
	--- (Rupees in thousand) ---	
Insurance	**798**	3,021
Fuel and power	**86,626**	107,938
Janitorial and security charges	**8,371**	13,258
	95,795	124,217

30.3 Disaggregation of revenue by:

Timing of revenue recognition		
Over time	**197,284**	403,463

30.4 Contract balances

The following table provides information about receivables and contract liabilities from contracts with customers.

	Note	2020	2019
		--- (Rupees in thousand) ---	
Receivables, which are included in trade debts	*26*	**676,306**	605,601
Contract liability	*30.4.1 & 14*	**228,256**	254,564

30.4.1 The contract liabilities primarily relate to the advance consideration received from customers against sale of properties and development services.

31 Cost of revenue

	Note	2020	2019
		--- (Rupees in thousand) ---	
Shops and commercial buildings sold			
- at percentage of completion basis	*31.1*	**50,772**	236,564
- at completion of project basis	*31.2*	**-**	-
Write down value to inventory to net realisable value		**9,829**	23,166
Stores operating expenses	*31.3*	**117,073**	86,745
		177,674	346,475

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

	2020	2019
Opening work in progress	**600,317**	603,998
Purchase of inventory	**58,273**	171,485
Project development costs	**-**	76,431
Property disposed / settled against loans	**-**	(15,033)
Closing work in progress	**(626,269)**	(600,317)
Cost of shops / apartments and commercial buildings sold during the year	**32,321**	236,564

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

	2020	2019
	--- (Rupees in thousand) ---	
Opening inventory of shops and houses	**1,480,518**	755,991
Purchased during the year	**-**	155,693
Transfer from advances and prepayments	**-**	592,000
Write down of inventory to net realisable value	**(7,509)**	(23,166)
Closing inventory of shops	**(542,244)**	(549,753)
Closing inventory of land	**(930,765)**	(930,765)
	-	-

	Note	2020	2019
		--- (Rupees in thousand) ---	

31.3 Stores operating expenses

	Note	2020	2019
Salaries, wages and benefits	*31.3.1*	**43,012**	43,196
Rent, rates and taxes		**30**	8,986
Depreciation on owned assets	*19.4*	**17,229**	13,527
Depreciation on right-of-use assets	*19.4*	**5,537**	-
Repairs and maintenance		**10,162**	10,503
Others		**41,103**	10,533
		117,073	86,745

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

	Note	2020	2019
		--- (Rupees in thousand) ---	
Current service cost		**4,719**	2,520
Interest cost		**2,242**	1,504
		6,961	4,024

32 Administrative and selling expenses

	Note	2020	2019
Salaries, wages and benefits	*32.1*	**60,772**	54,628
Travelling and conveyance		**4,968**	2,641
Rent, rates and taxes		**-**	205
Insurance		**489**	1,958
Printing and stationery		**368**	701
Repairs and maintenance		**4,420**	2,835
Motor vehicles running		**1,530**	4,289
Communications		**3,091**	2,982
Advertising and sales promotion		**353**	247
Depreciation on owned assets	*19.4*	**9,928**	12,527
Amortisation on intangible assets	*20*	**511**	516
Auditors' remuneration	*32.2*	**3,842**	3,200
Legal and professional		**35,597**	4,027
Commission on sales		**17,177**	44,113
Office expenses		**18,676**	14,528
Other expenses		**2,069**	12,604
		163,791	162,001

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

	2020	2019
	--- (Rupees in thousand) ---	
Current service cost	**7,079**	3,781
Interest cost	**3,364**	2,257
	10,443	6,038

32.2 Auditors' remuneration

The charges for auditors' remuneration includes the following in respect of auditors' services for:

	Note	2020	2019
		--- (Rupees in thousand) ---	
Statutory audit		**2,200**	2,000
Half yearly review		**770**	700
Audit of consolidated financial statements		**220**	200
Statutory certification		**110**	100
Out of pocket expenses		**542**	200
		3,842	3,200

33 Other income

	Note	2020	2019
Income from financial assets			
Mark-up on bank accounts		**100**	720
Commission on guarantee	*33.1*	**1,238**	1,238
Income from non-financial assets			
Gain on sale of property, plant and equipment		**988**	-
Others			
Gain on settlement of loans		**32,074**	-
Income from parking and storage		**6,018**	6,627
Miscellaneous Income		**1,729**	-
Others		**1,190**	932
		43,337	9,517

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

34 Finance cost

	2020	2019
	--- (Rupees in thousand) ---	
Interest and mark-up on:		
- *Long term finances - secured*	**1,279**	3,681
- *Foreign currency convertible bonds - unsecured*	**24,873**	25,892
- *Redeemable capital - secured (non-participatory)*	**145,521**	101,839
- *Interest expense on unwinding of Pak Iran Joint Investment Company*	**8,693**	4,036
- *Notional interest on lease liability*	**17,833**	946
	198,199	136,394
Liquidated damages due to default of Pak Iran loan	**5,570**	-
Bank charges and processing fee	**1,690**	1,917
	205,459	138,311

	2020	2019
	--- (Rupees in thousand) ---	

35 Taxation

Current:		
- For the year	**3,051**	6,433

The provision for current taxation for the year represents the tax liability under Minimum Tax Regime under Section 113 of Income Tax Ordinance, 2001 (2019: Minimum Tax under section Section 113 of Income Tax Ordinance, 2001.

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

	2020	2019
	%	%
Loss before taxation	**(394,828)**	(922,819)
Average effective tax rate	**0.77**	0.69
Applicable tax rate	**29.00**	29.00
Tax effect of amounts that are:		
Non deductible expenses	**(4.15)**	(0.30)
Income not chargeable to tax	**(9.57)**	(1.30)
Minimum tax u/s 113 for the year	**0.77**	0.70
Current year losses for which no deferred tax asset is recognised	**(15.28)**	(27.40)
	(28.23)	(28.30)
Average effective tax rate	**0.77**	0.70

For the purposes of current taxation, the tax losses available for carry forward as at 30 June 2020 are estimated approximately at Rs. 1,042.20 million (2019: Rs. 969.49 million).

36 Loss per share - basic and diluted

The calculation of basic and diluted loss per share has been based on the following profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding. There are no dilutive potential ordinary shares outstanding as at 30 June 2020 (2019: Nil).

	2020	2019
	--- (Rupees in thousand) ---	
Loss for the year	**(397,879)**	(929,252)
Weighted average number of ordinary shares outstanding during the year	**278,877**	278,877

	Note	2020	2019
		--- (Rupees in thousand) ---	
37 Cash (used in) / generated from operations			
Loss before tax		**(394,828)**	(922,819)
Adjustment for:			
Exchange loss on foreign currency convertible bonds	*12.2*	**64,809**	724,904
Provision for gratuity and leave encashment	*13.1 & 13.2*	**17,404**	10,062
Depreciation on owned assets	*19.4*	**27,157**	26,054
Depreciation on right-of-use assets	*19.4*	**5,537**	-
Amortisation on intangible assets	*20*	**511**	516
Changes in fair value of investment property	*21*	**(49,324)**	(5,799)
Impairment loss on trade debts and other receivables		**88,473**	8,250
Write down of inventory to net realisable value	*31.2*	**9,829**	23,166
Finance costs	*34*	**198,199**	136,394
Mark-up income	*33*	**(100)**	(720)
Gain on sale of property, plant and equipment		**(988)**	-
Gain on settlement of loans		**(32,074)**	-
(Loss) / gain before working capital changes		**(65,395)**	8
Effect on cash flow due to working capital changes:			
Increase in stock-in-trade		**(41,084)**	(223,410)
(Increase) / decrease in trade debts		**(70,705)**	25,533
(Increase) / decrease in advances, deposits and other receivables		**(19,836)**	119,492
(Decrease) / increase in contract liability		**(26,309)**	121,787
Increase in creditors, accrued and other liabilities		**150,577**	154,467
		(7,357)	197,869
		(72,752)	197,877

	Note	2020	2019
38 Cash and cash equivalents			
Cash and bank balances	*29*	**23,125**	165,393

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

	30 June 2020						
	Equity		Liabilities				
	Issued, subscribed and paid-up capital	Share premium	Long term finances - secured	Redeemable capital - secured (non-participatory)	Lease liability	Foreign currency convertible bonds - unsecured	Accrued finance cost
	(Rupees in thousand)						
Balance as at 01 July 2019	**2,788,766**	**273,265**	**77,211**	**935,571**	**18,046**	**2,805,535**	**1,077,823**
Cash flows							
Long term loan paid during the year	**-**	**-**	**(19,044)**	**-**	**-**	**-**	**(3,491)**
Repayment of lease rentals	**-**	**-**	**-**	**-**	**(7,058)**	**-**	**-**
Finance cost paid	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Dividends paid	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total changes from financing cash flows	**-**	**-**	**(19,044)**		**(7,058)**	**-**	**(3,491)**
Non-cash changes							
Exchange loss	**-**	**-**	**-**	**-**	**-**	**64,809**	**-**
Waiver of interest - Askari Bank	**-**	**-**	**-**	**-**	**-**	**-**	**(12,733)**
Waiver of interest - Soneri Bank	**-**	**-**	**-**	**-**	**-**	**-**	**(19,341)**
Lease liability recognised during the year	**-**	**-**	**-**	**-**	**157,771**	**-**	**-**
Reclassified to accrued liabilities	**-**	**-**	**-**	**-**	**(11,819)**	**-**	**-**
Finance cost/unwinding of interest expense	**-**	**-**	**8,693**	**-**	**22,390**	**24,873**	**146,800**
Total non-cash changes	**-**	**-**	**8,693**	**-**	**168,342**	**89,682**	**114,726**
Closing as at 30 June 2020	**2,788,766**	**273,265**	**66,860**	**935,571**	**179,330**	**2,895,217**	**1,189,058**

	30 June 2019						
	Equity		Liabilities				
	Issued, subscribed and paid-up capital	Share premium	Long term finances - secured	Redeemable capital - secured (non-participatory)	Lease liability	Foreign currency convertible bonds - unsecured	Accrued finance cost
	(Rupees in thousand)						
Balance as at 01 July 2018	2,788,766	273,265	78,475	935,571	18,046	2,054,739	971,357
Cash flows							
Long term loan paid during the year	-	-	(5,300)	-	-	-	-
Settlements	-	-	-	-	-	-	-
Repayment of lease rentals	-	-	-	-	-	-	-
Finance cost paid	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-
Total changes from financing cash flows	-	-	(5,300)	-	-	-	-
Non-cash changes							
Exchange loss	-	-	-	-	-	724,904	-
Finance cost/unwinding of interest expense	-	-	4,036	-	-	25,892	106,466
Total non-cash changes	-	-	4,036	-	-	750,796	106,466
Closing as at 30 June 2019	2,788,766	273,265	77,211	935,571	18,046	2,805,535	1,077,823

40 Transactions with related parties

The related parties comprise of subsidiary companies, associated company, other related companies, directors of the Company and entities under common directorship and post employment benefit plans. Amounts due from and due to related parties are shown under respective notes to these unconsolidated financial statements and remuneration of key management personnel is disclosed in note 43. All transactions with related parties have been carried out on mutually agreed terms and conditions. Other significant transactions with related parties except those disclosed elsewhere are as follows:

Name of Company	Relationship	Nature of transactions	2020	2019
			--- (Rupees in thousand) ---	
Pace Barka Properties Limited	**Associated Company** (equity held 24.86%)	Guarantee commission income	**1,238**	1,238
		Shared expenses charged by the Company	**1,401**	2,084
		Rental income	**2,232**	3,863
		Receipts against Pace Circle	**-**	2,804
		Purchase of inventory	**14,406**	91,000
First Capital Securities Corporation Limited	**Common Directorship**	Receipts against sale of investment property	**-**	400,000
		Service charges	**-**	3,057
First Capital Investment Limited	**Common Directorship**	Rental income	**-**	672
		Shared expenses charged by the Company	**653**	1,025
Ever Green Water Valley (Private) Limited	**Common Directorship**	Purchase of property, plant and equipment	**-**	42,000
		Advance against purchase of land	**33,665**	221,567
		Purchase of goods and services	**148,536**	51,158
		Shared expenses charged by the Company	**653**	1,025
First Capital Equities Limited	**Common Directorship**	Proceed against sales of property other than investment property	**-**	35,845
		Rental income	**643**	643
		Advances received against sale of property other than investment property	**38,000**	-
		Purchases	**90**	280
		Shared expenses charged by the Company	**651**	1,025
Media Times Limited	**Common Directorship**	Rental income	**15,562**	14,148
		Purchase of goods and services	**3,889**	1,398
Rema and Shehrbano	**Common Directorship**	Service charges	**2,396**	2,412
Connatural	**Common Directorship**	Service charges	**1,370**	1,370
Post Employment Benefit Plans		Gratuity and leave encashment	**2,151**	1,275

41 Financial instruments

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Company's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Risk management framework

The Company's board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company audit committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

41.1 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investments in debt securities. As part of these processes the financial viability of all counterparties are regularly monitored and assessed.

The carrying amounts of financial assets and contract assets represent the maximum credit exposure. The maximum exposure to credit risk at the statement of financial position date was:

	Note	**2020**	2019
		--- (Rupees in thousand) ---	
Long term advances and deposits		**13,619**	13,619
Trade debts	*26*	**406,985**	424,753
Advances, deposits, prepayments and other receivables		**150,008**	137,632
Bank balance	*29*	**22,907**	164,686
		593,519	740,690

Trade receivables

All the counterparties are of domestic origin. Ageing of the trade debts is as under:

The ageing of trade debts against properties including related parties at reporting date is as follows:

	2020		2019	
	Gross	**Impairment**	Gross	Impairment
	---------- (Rupees in thousand) ----------			
- Past due 0 - 365 days	**-**	-	-	-
- 1 - 2 years	**8,728**	-	33,307	-
- More than 2 years	**398,257**	-	391,446	-
	406,985	-	424,753	-

Based on the amount of collateral held, the management believes that no impairment allowance is necessary in respect of unprovided past due amounts pertaining to receivable against properties as there are reasonable grounds to believe that the loss given default will not be material. However, receivable against service charge, display of advertisement and rental income is fully provided for as the management does not expect to recover the amount.

Bank balances

The Company held bank balances of Rs. 22.91 million at 30 June 2020 (2019: Rs. 164.69 million).

Impairment on bank balances has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Company considers that its bank balances have low credit risk based on the external credit ratings of the counterparties. The amount of impairment allowance at 30 June 2020 is Nil. (2019: Nil)

The credit quality of 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	2020	2019
				--- (Rupees in thousand) ---	
Bank Islamic Pakistan Limited	A-1	A+	PACRA	**10**	9
Allied Bank Limited	A1+	AAA	PACRA	**326**	42
Soneri Bank Limited	A1+	AA-	PACRA	**9**	7
Silk Bank Limited	A-2	A-	JCR-VIS	**80**	72
Bank Alfalah Limited	A-1+	AA+	PACRA	**96**	14
Al Baraka Bank (Pakistan) Limited	A-1	A+	JCR-VIS	**23**	7
Askari Bank Limited	A1+	AA+	JCR-VIS	**6**	5
Faysal Bank Limited	A-1+	AA	PACRA	**59**	590
United Bank Limited	A-1+	AAA	JCR-VIS	**6**	6
Habib Bank Limited	A-1+	AAA	JCR-VIS	**1**	2
MCB Bank Limited	A-1+	AAA	PACRA	**22,291**	163,932
				22,907	164,686

41.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company maintains adequate reserves, by continuously monitoring forecast and actual cash flows and matching profiles of financial assets and liabilities. Financial liabilities comprise trade and other payables and due to related parties.

Exposure to liquidity risk

Contractual maturities of financial liabilities, including estimated interest payments.

	2020				
	Carrying amount	**Contractual cashflows**	**One year or less**	**One to five years**	**More than five years**
			--- (Rupees in thousand) ---		
Long term finances - secured	**66,860**	**66,860**	**66,860**	**-**	**-**
Redeemable capital - secured (non-participatory)	**935,571**	**935,571**	**935,571**	**-**	**-**
Lease liability	**179,330**	**778,617**	**22,762**	**106,437**	**649,418**
Foreign currency convertible bonds - unsecured	**2,895,217**	**2,895,217**	**2,895,217**	**-**	**-**
Creditors, accrued and other liabilities	**845,135**	**845,135**	**845,135**	**-**	**-**
Accrued finance cost	**1,189,058**	**1,189,058**	**1,189,058**	**-**	**-**
	6,111,171	**6,710,458**	**5,954,603**	**106,437**	**649,418**

	2019				
	Carrying amount	Contractual cashflows	One year or less	One to five years	More than five years
			Rupees		
Long term finances - secured	77,211	77,211	27,401	49,810	-
Redeemable capital - secured (non-participatory)	935,571	935,571	935,571	-	-
Lease liability	18,046	18,046	18,046	-	-
Foreign currency convertible bonds - unsecured	2,805,535	2,805,535	2,805,535	-	-
Creditors, accrued and other liabilities	677,555	677,555	677,555	-	-
Accrued finance cost	1,077,823	1,077,823	1,077,823	-	-
	5,591,741	5,591,741	5,541,931	49,810	-

41.3 Market risk

Market risk is the risk that changes in market prices - such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

41.4 Currency risk

Currency risk is the risk that fair values or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises from sales, purchases and resulting balances that are denominated in a currency other than functional currency. The Company is not exposed to foreign currency risk as at the reporting date.

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:

	2020	2019
Following is the Company’s exposure to currency risk:	--- (USD in thousand) ---	
Foreign Currency Convertible Bonds- USD	**17,203**	17,055

The exchange rate applicable at the reporting date is 168.30 (2019: 164.50)

At reporting date, if the PKR had strengthened by one rupee against USD with all other variables held constant, profit for the year would have been higher by Rs. 17.20 million, mainly as a result of net foreign exchange gain on translation of foreign currency loans.

The weakening of the PKR against USD would have had an equal but opposite impact on the profit for the year.

41.5 Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The effective interest / mark-up rates for interest / mark-up bearing financial instruments are mentioned in relevant notes to the financial statements. The Company's interest / mark-up bearing financial instruments as at the reporting date are as follows:

		2020		2019	
		Financial asset	**Financial liability**	Financial asset	Financial liability
Non-derivative financial - instruments	*Note*	--- (Rupees in thousand) ---			
Fixed rate instruments					
Long term finances - *secured*	*9.2*	-	-	-	19,043
Foreign currency convertible bonds	*12*	-	**2,895,217**	-	2,805,535
Lease liability	*11*		**179,330**		18,046
Cash at bank		**549**	-	219	-
Variable rate instruments					
Redeemable capital - *secured*	*10*	-	**935,571**	-	935,571
		549	**4,010,118**	219	3,778,195

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore a change in interest rates at the reporting date would not affect statement of profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) profit for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2019.

Profit or loss 100 bps			
2020		2019	
Increase	**Decrease**	Increase	Decrease
------------------------------------ **Rupees** ------------------------------------			
9,356	**(9,356)**	9,356	(9,356)

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and assets / liabilities of the Company.

41.6 Other price risk

Other price risk is 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).

41.7 Capital management

The Company’s policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the return on capital, as well as the level of dividends to ordinary shareholders. 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. The Company monitors capital using a ratio of ‘net debt’ to ‘equity’. Net debt is calculated as total liabilities (as shown in the statement of financial position) less cash and cash equivalents.

	2020	2019
	--- (Rupees in thousand) ---	
Total liabilities	**6,385,361**	5,892,209
Less: cash and cash equivalents	**(23,125)**	(165,393)
Net debt	**6,362,236**	5,726,816
Total equity	**597,481**	986,448
Net debt to equity ratio	**10.65**	5.81

42 Fair value measurement of financial instruments

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

	Note	30 June 2020					
		Carrying amount			Fair value		
		Financial assets at amortised cost	Financial liabilities at amortised cost	Total	Level 1	Level 2	Level 3
		(Rupees in thousand)					
Financial instruments							
30 June 2020							
Financial assets not measured at fair value							
Long term advances and deposits		**13,619**	**-**	**13,619**	-	-	-
Trade debts		**406,985**	**-**	**406,985**	-	-	-
Advances, deposits, prepayments and other receivables		**150,008**	**-**	**150,008**	-	-	-
Cash and bank balances		**23,125**	**-**	**23,125**	-	-	-
	42.2	**593,737**	**-**	**593,737**	-	-	-
Financial liabilities not measured at fair value							
Long term finances - secured		**-**	**66,860**	**66,860**	-	-	-
Redeemable capital - secured (non-participatory)		**-**	**935,571**	**935,571**	-	-	-
Lease liability		**-**	**179,330**	**179,330**	-	-	-
Foreign currency convertible bonds - unsecured		**-**	**2,895,217**	**2,895,217**	-	-	-
Creditors, accrued and other liabilities		**-**	**751,392**	**751,392**	-	-	-
Accrued finance cost		**-**	**1,189,058**	**1,189,058**	-	-	-
	42.2	**-**	**6,017,428**	**6,017,428**	-	-	-

42.1 Fair value measurement of financial instruments

	Note	30 June 2019					
		Carrying amount			Fair value		
		Financial assets at amortised cost	Financial liabilities at amortised cost	Total	Level 1	Level 2	Level 3
		(Rupees in thousand)					
Financial instruments							
30 June 2019							
Financial assets not measured at fair value							
Long term advances and deposits		13,619	-	13,619	-	-	-
Trade debts		424,753	-	424,753	-	-	-
Advances, deposits, prepayments and other receivables		137,632	-	137,632	-	-	-
Cash and bank balances		165,393	-	165,393	-	-	-
	42.2	741,397	-	741,397	-	-	-
Financial liabilities not measured at fair value							
Long term finances - secured		-	77,211	77,211	-	-	-
Redeemable capital - secured (non-participatory)		-	935,571	935,571	-	-	-
Lease liability		-	18,046	18,046	-	-	-
Foreign currency convertible bonds - unsecured		-	2,805,535	2,805,535	-	-	-
Creditors, accrued and other liabilities		-	677,555	677,555	-	-	-
Accrued finance cost		-	1,077,823	1,077,823	-	-	-
	42.2	-	5,591,741	5,591,741	-	-	-

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

43 Remuneration of Chief Executive, Directors and Executives

The aggregate amount charged in the unconsolidated financial statements for the year for remuneration, including all benefits to the Chief Executive, Directors and Executives of the Company is as follows:

	DIRECTORS					
	Chief Executive		Executive		Executives	
	2020	2019	**2020**	2019	**2020**	2019
	(Rupees in thousand)					
Managerial remuneration	**7,600**	7,600	**2,726**	2,851	**5,982**	5,154
House allowance	**3,040**	3,040	**1,091**	1,140	**2,393**	2,062
Utilities	**760**	760	**272**	285	**598**	515
Staff retirement benefit- Gratuity	**950**	950	**341**	356	**667**	690
Leave encashment	**633**	1,267	**227**	434	**503**	740
	12,983	13,617	**4,657**	5,066	**10,143**	9,161
Number of persons	**1**	1	**6**	6	**4**	3

44 Number of employees

	2020	2019
Total number of employees as at 30 June	**184**	231
Average number of employees during the year	**208**	234

45 Impact of COVID - 19 on financial statements

A novel strain of coronavirus (COVID-19) that first surfaced in China was classified as a pandemic by the World Health Organization on 11 March 2020, impacting countries globally including Pakistan. Government of Pakistan has taken certain measures to reduce the spread of the COVID-19 including lockdown of businesses, suspension of flight operations, intercity movements, cancellation of major events etc. These measures have resulted in an overall economic slowdown, disruptions to various business and significant volatility in the Pakistan Stock Exchange (PSX). As a result of the foregoing, company waived off rentals to its tenants for two months resulting in loss of income amounting to Rs. 7.81 million and the construction of Pace Tower was delayed. Other than that, management considers there was no major impact that will adversely affect its businesses, results of operations and financial condition in future period.

46 Date of authorization for issue

These unconsolidated financial statements were authorized for issue on _________ by the Board of Directors of the Company.

47 Corresponding figures

Corresponding figures have been re-arranged and re-classified for the purposes of comparison and better presentation as per the reporting framework as follows:

Sr. No	Description	From	To	*Note*	Amount Rs. in thousands
1	Rental income and	Other income	Other revenue	*30*	16,135
	miscellaneous expenses	Other income	Other operating expenses		14,674

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

Pace (Pakistan) Limited

Consolidated Statement of Financial Position

As at 30 June 2020

EQUITY AND LIABILITIES	Note	2020	2019
		--- (Rupees in thousand) ---	
Share capital and reserves			
Authorised capital	*8*	**6,000,000**	6,000,000
Issued, subscribed and paid-up capital	*8*	**2,788,766**	2,788,766
Reserves	*8*	**287,307**	287,307
Accumulated loss		**(2,102,467)**	(1,682,343)
Equity attributable to owners of the Parent Company		**973,606**	1,393,730
Non-controlling interests	*8*	**87,030**	87,030
		1,060,636	1,480,760
Non-current liabilities			
Long term finances - secured	*9*	**-**	49,810
Redeemable capital - secured (non-participatory)	*10*	**-**	-
Lease liability	*11*	**136,572**	-
Foreign currency convertible bonds - unsecured	*12*	**-**	-
Deferred liabilities	*13*	**45,934**	45,904
Deferred taxation	*14*	**45,560**	51,045
		228,066	146,759
Current liabilities			
Contract liability	*15*	**229,256**	255,564
Current maturity of long term liabilities	*16*	**3,940,406**	3,786,553
Creditors, accrued and other liabilities	*17*	**882,185**	714,530
Accrued finance cost	*18*	**1,189,058**	1,077,823
		6,240,905	5,834,470
Contingencies and commitments	*19*		
		7,529,607	7,461,989

ASSETS	Note	2020	2019
		--- (Rupees in thousand) ---	
Non-current assets			
Property, plant and equipment	*20*	**601,264**	468,464
Intangible assets	*21*	**4,008**	4,519
Investment property	*22*	**1,745,251**	1,668,741
Investment in equity-accounted investee	*23*	**1,062,381**	1,098,948
Long term advances and deposits	*24*	**15,248**	15,248
		3,428,152	3,255,920
Current assets			
Stock-in-trade	*25*	**3,154,179**	3,123,226
Trade debts	*26*	**406,985**	424,753
Advances, deposits, prepayments and other receivables	*27*	**493,245**	477,659
Income tax refundable	*28*	**23,898**	15,015
Cash and bank balances	*29*	**23,148**	165,416
		4,101,455	4,206,069
		7,529,607	7,461,989

The annexed notes from 1 to 48 form an integral part of these consolidated financial statements.

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

Pace (Pakistan) Limited

Consolidated Statement of Profit or Loss

For the year ended 30 June 2020

	Note	2020	2019
		--- (Rupees in thousand) ---	
Revenue	*30*	**244,124**	456,480
Cost of revenue	*31*	**(177,674)**	(346,475)
Gross profit		**66,450**	110,005
Administrative and selling expenses	*32*	**(163,866)**	(162,076)
Impairment loss on trade and other receivables including bank balances		**(88,473)**	(8,661)
Other income	*33*	**43,337**	9,517
Other operating expenses		**(31,407)**	(14,674)
Loss from operations		**(173,959)**	(65,889)
Finance cost	*34*	**(205,459)**	(138,311)
Exchange loss on foreign currency convertible bonds	*12.2*	**(64,809)**	(724,904)
Gain from change in fair value of investment property		**49,324**	5,799
Share of loss from equity-accounted investee - net of tax		**(36,088)**	(27,498)
Loss before taxation		**(430,991)**	(950,803)
Taxation	*35*	**2,434**	7,702
Loss for the year		**(428,557)**	(943,101)
Attributable to:			
Owners of the Parent Company		**(428,557)**	(942,907)
Non-controlling interests		-	(194)
		(428,557)	(943,101)
Loss per share - basic and diluted	*36*	**(1.54)**	(3.38)

The annexed notes from 1 to 48 form an integral part of these consolidated financial statements.

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

Pace (Pakistan) Limited

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2020

	2020	2019
	--- (Rupees in thousand) ---	
Loss for the year	**(428,557)**	(943,101)
<u>Other comprehensive loss for the year</u>		
Items that will not be reclassified to statement of profit or loss:		
Remeasurement of net defined benefit liability	**8,912**	2,954
Share of loss in associate's defined benefit obligation	**(479)**	-
Total comprehensive loss for the year	**(420,124)**	(940,147)
Attributable to:		
Owners of the Parent Company	**(420,124)**	(939,953)
Non-controlling interests	**-**	(194)
	(420,124)	(940,147)

The annexed notes from 1 to 48 form an integral part of these consolidated financial statements.

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

Pace (Pakistan) Limited

Consolidated Statement of Changes In Equity

For the year ended 30 June 2020

		Capital reserve		Revenue reserve			
	Issued, subscribed and paid-up capital	Share premium	Share in reserves of associate	Accumulated loss	Total equity attributable to owners of the Parent Company	Non-controlling Interests	Total equity
	(Rupees in thousand)						
As at 01 July 2018	2,788,766	273,265	14,042	(742,390)	2,333,683	87,224	2,420,907
Total comprehensive loss for the year ended 30 June 2019							
Loss after taxation	-	-	-	(942,907)	(942,907)	(194)	(943,101)
Other comprehensive income	-	-	-	2,954	2,954		2,954
	-	-	-	(939,953)	(939,953)	(194)	(940,147)
Balance as at 30 June 2019	**2,788,766**	**273,265**	**14,042**	**(1,682,343)**	**1,393,730**	**87,030**	**1,480,760**
Total comprehensive loss for the year ended 30 June 2020							
Loss after taxation	-	-	-	(428,557)	(428,557)	-	**(428,557)**
Other comprehensive income	-	-	-	8,433	8,433	-	**8,433**
	-	**-**	**-**	**(420,124)**	**(420,124)**	**-**	**(420,124)**
Balance as at 30 June 2020	**2,788,766**	**273,265**	**14,042**	**(2,102,467)**	**973,606**	**87,030**	**1,060,636**

The annexed notes from 1 to 48 form an integral part of these consolidated financial statements.

Lahore | **Chief Executive Officer** | **Director** | **Chief Financial Officer**

Pace (Pakistan) Limited
Consolidated Statement of Cash Flows
For the year ended 30 June 2020

	Note	2020	2019
		--- (Rupees in thousand) ---	
Cash flows from operating activities			
Cash (used in) / generated from operations	37	**(72,752)**	198,839
Gratuity and leave encashment paid		**(1,351)**	(455)
Taxes paid		**(11,934)**	(17,131)
Net cash (used in) / generated from operating activities		**(86,037)**	181,253
Cash flow from investing activities			
Purchase of property, plant and equipment		**(28,950)**	(42,359)
Proceeds from sale of investment property		**2,212**	-
Long term deposits given during the year		**-**	(998)
Income on bank deposits received		**100**	720
Net cash used in investing activities		**(26,638)**	(42,637)
Cash flow from financing activities			
Long term loan paid during the year		**(22,535)**	(5,300)
Payments of lease liability		**(7,058)**	-
Net cash used in financing activities		**(29,593)**	(5,300)
Net increase in cash and cash equivalents		**(142,268)**	133,316
Cash and cash equivalents - at beginning of the year		**165,416**	32,100
Cash and cash equivalents - at end of the year	38	**23,148**	165,416

The annexed notes from 1 to 48 form an integral part of these consolidated financial statements.

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

1 The Group and its operations

The Group comprises of :	*Note*	**2020**	2019
		(Direct holding percentage)	
Parent Company			
Pace (Pakistan) Limited	*1.1*		
Subsidiary Companies			
Pace Gujrat (Private) Limited	*1.2*	**100%**	100%
Pace SuperMall (Private) Limited	*1.3*	**56.79%**	56.79%
Pace Woodland (Private) Limited	*1.4*	**52%**	52%
Associate Company			
Pace Barka Properties Limited		**24.86%**	24.86%

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

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

1.2 Pace Gujrat (Private) Limited

Pace Gujrat (Private) Limited (a subsidiary company) was incorporated on 08 July 2005 as a private limited company under the repealed Companies Ordinance, 1984 (now the Companies Act, 2017). The registered office of the Company is situated at Pace Mall, Fortress Stadium Lahore. The principal activity of the Company is to acquire by purchase or otherwise land and plots and to sell or construct, lease, hire and manage buildings, shopping malls, super markets, utility stores, plazas, shopping arcades etc.

1.3 Pace Supermall (Private) Limited

Pace Supermall (Private) Limited (a subsidiary company) was incorporated on 27 March 2003 as a private limited company under the repealed Companies Ordinance, 1984 (now the Companies Act, 2017). The registered office of the Company is situated at 124 E-1, Gulberg III, Lahore. The principal activity of the Company is to acquire by purchase or otherwise land and plots and to sell or construct, lease, hire and manage buildings, shopping malls, super markets, utility stores, plazas, shopping arcades etc.

1.4 Pace Woodlands (Private) Limited

Pace Woodlands (Private) Limited (a subsidiary company) was incorporated in Pakistan on 27 July 2004 as a private limited company under the repealed Companies Ordinance, 1984 (now the Companies Act, 2017). The registered office of the Company is situated at 124 E-1, Gulberg III, Lahore. The principal activity of the Company is to acquire by purchase or otherwise land and plots and to sell or construct, lease, hire and manage buildings, supper markets, utility stores, plazas, shopping arcades etc.

2 Going Concern Assumption

The Group has incurred a loss before tax of Rs. 430.99 million (2019: Rs. 950.80 million). Decrease in loss is mainly driven by exchange loss of Rs. 64.81 million in 2020 versus Rs. 724.90 million in 2019 on the foreign currency convertible bonds issued by the Parent Company.

At the reporting date, current liabilities of the Group have exceeded its current assets by Rs. 2,139.45 million (2019: Rs. 1,628.40 million), and accumulated losses of the Group stand at Rs. 2,102.47 million (2019: Rs. 1,682.34 million). Due to liquidity issues the Group has not been able to meet various obligations towards its lenders, including repayment of principal and mark-up thereon in respect of its borrowings. The construction activity on the project has also been very slow due to unavailability of enough financial resources causing a delay in the completion of Pace Tower, total estimated cost of completion of Pace Tower is Rs. 321.06 million. These conditions indicated the existence of a material uncertainty related to events or conditions that may cast significant doubts on the Group's ability to continue as a going concern and, therefore, it may be unable to realize it assets and discharge its liabilities in the normal course of business.

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

The management is continuously engaged with its lenders for settlements of Group's borrowings. As per various settlement agreements entered into with the term finance certificates (TFC) holders, management expects a waiver of markup amounting to Rs. 198.33 million. Moreover, the Parent Company has entered into a settlement agreement with Bank of Khyber against 13th floor of Pace Tower measuring 8,000 square feet as explained in note 10.3.

As explained in note 46, construction of Pace Tower was delayed due to lockdown imposed during the strain of COVID-19, however the management is confident that it will complete Pace Tower Project by the end of 2022 and is actively engaged to find buyers for the sale of remaining floors/ apartments in Pace Tower. Management is also taking necessary steps for the completion and sale of Pace Circle.

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

Furthermore, the Chief Executive, Mrs. Aamna Taseer and Directors, Mr. Shahbaz Ali Taseer and Shehryar Ali Taseer have jointly provided a letter of support dated 6 October 2020 to the Parent Company wherein they have committed to support the Parent Company to continue as a going concern.

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

3 Basis of preparation

3.1 Consolidated financial statements

These consolidated financial statements comprise the financial statements of the Parent Company and its subsidiary companies as at 30 June 2020.

Subsidiary Companies

The financial statements of the subsidiary companies have been consolidated on a line-by-line basis and the carrying values of the investments held by the Parent Company have been eliminated against the shareholders' equity in the subsidiary companies.

The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company, using consistent accounting policies.

All intracompany balances, transactions, income and expenses and profits and losses resulting from intracompany transactions that are recognized in assets, are eliminated in full.

The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the company's share of the identifiable net assets acquired is recorded as goodwill.

Non-Controlling Interests

Non-controlling interest is that part of net results of operations and of net assets of the subsidiaries which are not owned by the Parent Company either directly or indirectly. Non-controlling interest is presented as a separate item in the consolidated financial statements. The Group applies a policy of treating transactions with non-controlling interests as transactions with parties external to the

Associates

Associates are all entities over which the Group has significant influence but not control. The Group's share of its associate's post-acquisition profit or loss is recognised in the consolidated statement of profit or loss, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associates.

3.2 Statement of compliance

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

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

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

3.3 Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention except for the following:

- Investment property which is measured at fair value and
- Retirement benefits on present value

3.4 Functional and presentation currency

These consolidated financial statements are presented in Pakistani Rupees ("Rs.") which is the Group's functional currency. All amounts have been rounded off to the nearest thousand, unless otherwise stated.

4 Changes in significant accounting policy

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

4.1 IFRS 16 Leases

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

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

As a lessee

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

Leases classified as operating leases under IAS 17

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

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

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

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

As a lessor

The Group leases out its investment property, including own property and right-of-use assets. The Group has classified these leases as operating leases.

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

The Group sub-leases some of its properties. Under IAS 17, the head lease and sub-lease contracts were classified as operating leases. On transition to IFRS 16, the right-of-use assets recognised from the head leases are presented in investment property, and measured at fair value at that date.

The Group assessed the classification of the sub-lease contracts with reference to the right-of-use asset rather than the underlying asset, and concluded that they are operating leases under IFRS 16.

Impact on financial statements

Impact on transition

The impact on transition at 01 July 2019 is summarized below:

	Impact of adopting IFRS 16 as at 01 July (Rupees in thousand)
Right-of-use assets - property plant and equipment	119,496
Right-of-use assets - investment property	27,186
Lease liability	146,682

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 01 July 2019. The incremental borrowing rate applied is 15.65%.

Reconciliation of operating lease commitments under IAS 17 with lease liabilities at the date of transition:

	01 July 2019 (Rupees in thousand)
Operating lease commitments at 30 June 2019 as disclosed under IAS 17 in the Group's financial statements	737,365
Discounted using the incremental borrowing rate at 01 July 2019	146,682
Finance lease liabilities recognized as at 01 July 2019	18,046
Lease liabilities recognized at 01 July 2019	164,728

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

There are new and amended standards and interpretations that are mandatory for accounting periods beginning 01 July 2019 other than those disclosed in note 4, are considered not to be relevant or do not have any significant effect on the Group's financial statements and are therefore not stated in these financial

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

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

- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 01 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements therefore would not have an impact on past financial statements.

- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 01 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.

- On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallize. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 01 January 2020, unless the new guidance contains specific scope outs.

- Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after 01 January 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A Group shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The amendments are not likely to affect the financial statements of the Group.

- Amendments to IFRS-16- IASB has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. The amendments are effective for periods beginning on or after 01 June 2020, with earlier application permitted. Under the standard’s previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects of the COVID-19 pandemic, and the fact that many lessees are applying the standard for the first time in their financial statements, the Board has provided an optional practical expedient for lessees. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications. Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:

  i. the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
  ii. any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
  iii. there is no substantive change to the other terms and conditions of the lease.

- Classification of liabilities as current or non-current (Amendments to IAS 1) effective for the annual period beginning on or after 01 January 2022. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8.

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual period beginning on or after 01 January 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprise the cost of fulfilling a contract, Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for the annual period beginning on or after 01 January 2022. Clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

  The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after 01 January 2022.

  - IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.

  - IFRS 16 – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.

  - IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique

The above amendments are effective from annual period beginning on or after 01 January 2022 and are not likely to have an impact on the Group's financial statements.

6 Use of estimates and judgments

The preparation of consolidated financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under circumstances, and the results of which form the basis for making judgment about carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The areas where assumptions and estimates are significant to the Group's consolidated financial statements or where judgment was exercised in application of accounting policies are as follows:

6.1 Estimates:

	Note
- Provision for taxation	7.2
- Property, plant and equipment	7.3
- Intangibles	7.4
- Investment property valuation	7.5
- Stock-in-trade	7.6
- Employee benefits	7.13
- Measurement of ECL allowance for trade receivables	7.16.5
- Impairment on non-financial assets	7.17
- Contingent liabilities	7.18

6.2 Judgements:

- Costs to complete the projects	7.6
- Satisfaction of performance obligations	7.15

7 Significant accounting policies

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

7.1 Consolidation

<u>Subsidiaries</u>

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They do not form part of the consolidated financial statements from the date that control ceases.

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the following:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the Group;

- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred;
- amount of any non-controlling interest in the acquired entity and;
- acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised directly in the statement of profit and loss account as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financing company under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in the statement of profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in the statement of profit or loss.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in statement of profit or loss. The fair value is the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This mean that amounts previously recognised in consolidated other comprehensive income are reclassified to statement of profit or loss.

Goodwill is initially measured as excess of the aggregate of the consideration transferred and the fair value of the non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in consolidated consolidated statement of profit or loss account and other comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transactions provide an evidence of impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies. On an acquisition-by-acquisition basis the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interests' proportionate share of acquiree's net assets. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in statement of profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to statement of profit or loss.

Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost in the consolidated statement of financial position.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in the statement of profit or loss, and the Group's share of movements in other comprehensive income of the investee in consolidated other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to share of profit / (loss) of associates in the statement of profit or loss.

7.2 Taxation

Income tax expense comprises current and deferred tax. Income tax is recognised in statement of profit or loss 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 enacted or substantially enacted at the reporting date and 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 recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognize a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Group has not rebutted this presumption.

7.3 Property, plant and equipment

Owned

Property, plant and equipment are stated at cost less accumulated depreciation and any identified impairment loss except for freehold land which is stated at cost less any identified impairment losses. Cost comprises purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, and includes other costs directly attributable to the acquisition or construction.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Major repairs and improvements are capitalized. All other repair and maintenance costs are charged to statement of profit or loss 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.

Depreciation on owned assets is charged to the statement of profit or loss on the reducing balance method except for building on leasehold 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 20.1.

The assets' residual values and estimated useful lives are reviewed at each financial year end and adjusted if impact on depreciation is significant. The Group's estimate of the useful lives and residual values of its property, plant and equipment as at 30 June 2020 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 Group 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 the statement of profit or loss. 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.

Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis at the rates specified in note 20.3 to the consolidated financial statements.

Capital work in progress

Capital work in progress is stated at cost, less any identified impairment loss. Capital work in progress represents expenditure on property, plant and equipment in the course of construction and installation. Transfers are made to relevant category of property, plant and equipment as and when assets are available for intended use.

7.4 Intangible assets

Computer Software

Expenditure incurred to acquire computer software is capitalized as an intangible asset and stated at cost less accumulated amortisation (for finite useful life of intangible asset) and any identified impairment loss. Amortisation is charged to consolidated statement of profit or loss on reducing balance method at an annual rate of 10% except optical fiber, as to write off the cost over its estimated useful life.

Optical Fiber

Expenditure incurred to acquire the rights to use optical fiber are capitalised as intangible assets and stated at cost less accumulated amortisation and any identified impairment loss. Amortisation is charged to consolidated statement of profit or loss on straight line basis method at an annual rate of 5%, as to write off the cost over its estimated useful life.

The Group 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 the statement of profit or loss. 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.

7.5 Investment property

Investment property is a property held either to earn rental income or for capital appreciation or for both, but not for sale in ordinary course of business, use in production or supply of goods or services as for administrative purpose. Investment property comprises freehold land and buildings on freehold land. Investment property is carried at fair value. Changes in fair value are recognized in consolidated statement of profit or loss.

If an item of property, plant and equipment becomes an investment property because its use has been 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 consolidated statement of profit or loss. 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 consolidated statement or profit or loss.

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.

7.6 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.

7.7 Trade debts

Trade debts and other receivables are classified at amortized cost and are measured at invoice value less impairment allowance, if any. Trade debts where the ownership of the work in progress is transferred by the Group to the buyer as the construction progresses is recognised using the percentage of completion method. An impairment allowance i.e. expected credit loss is calculated based on actual credit loss experience over the past years and loss given default. The impairment allowance is recognised in the consolidated statement of profit or loss. These assets are written off when there is no reasonable expectation of recovery.

7.8 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

7.9 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at amortised cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, call deposits receipts, 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.

7.10 Borrowings

Borrowings are classified as 'financial liabilities at amortized cost'. On initial recognition, these are measured at cost, being fair value at the date the liability is incurred, less attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost with any difference between cost and value at maturity recognized in statement of profit or loss over the period of the borrowings on an effective interest basis.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least twelve months after the statement of financial position date.

7.11 Foreign currency transactions and translation

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 statement of profit or loss.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are not translated again at the reporting date.

7.12 Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group’s incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and

- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets in ‘property, plant and equipment and investment properties’ based on their use and lease liabilities as separate line item in the statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

The Group applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Group recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of ‘other revenue’.

7.13 Employee benefits

The Group operates an unfunded gratuity plan covering all of its eligible employees who have completed the minimum qualifying period. The calculation of defined benefit obligation is performed by qualified actuary by using the projected unit credit method and charge for the year other than on account of experience adjustment is included in consolidated statement of profit or loss.

Remeasurement of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Group determines the net interest expense (income) on the net defined liability / (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then - net defined benefit liability / (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in consolidated statement of profit or loss.

The Group provides for accumulating compensated absences when the employees render service that increase the entitlement to future compensated absences. Under the rules all employees are entitled to 20 days leave per year, respectively. Unutilised leaves can be accumulated upto unlimited amount. Unutilised leaves can be used at any time by all employees, subject to the

Provisions are made annually to cover the obligation for accumulating compensated absences based on actuarial valuation and are charged to statement of profit or loss.

7.14 Creditors, accruals and other liabilities

Creditors, accruals and other liabilities are carried at cost which is the fair value of the consideration to be paid in future for goods and services received whether or not billed to the Group. 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 Group 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.

7.15 Revenue recognition

7.15.1 Revenue from contracts with customers

The Group recognises revenue when it transfers control over a good or service to a customer based on a five step model as set out in IFRS 15.

Step 1: **Identify contract(s) with a customer:** A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2: **Identify performance obligations in the contract:** A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step 3: **Determine the transaction price:** The transaction price is the amount of consideration the Group expects to be entitled to in exchange for transferring the promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4: **Allocate the transaction price to the performance obligations in the contract:** For a contract that has more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled to in exchange for satisfying each performance obligation.

Step 5: **Recognise revenue when (or as) the Group satisfies a performance obligation.**

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

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; or

- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance obligation completed to date.

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

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

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duty. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements except for service income earned on security, janitorial maintenance, administration and other utilities.

Development services

Revenue from rendering of development management services is recognised when the outcome of the transaction can be estimated reliably, by reference to the stage of completion of the development obligation at the reporting date. Where the outcome cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

The Group has elected to apply the input method. The Group considers that the use of input method, which requires revenue recognition on the basis of the Group's efforts to the satisfaction of the performance obligation, provides the best reference to revenue actually earned.

Sale of property

Revenue from sale of land, condominiums, shops / counters and villas is recognised at point in time when the control has been transferred to the customer. The control is usually transferred when possession is handed over to the customer.

Display of advertisements

Advertisement income is received by the Group against available space in Group's property provided to the customer for advertisement purpose. Income from display of advertisements is recognised over time as the customer simultaneously receives and consumes the benefits provided by the Group as the Group performs.

Service charges

Service charges are recognised in the accounting period in which services are rendered. Service income in respect of security, janitorial maintenance, administration and other utilities is presented on net basis.

7.15.2 Other revenue

Rental income from lease of investment property

Rental income arising from operating leases on investment properties is charged based on area lease out and recognised, net of discount, in accordance with the terms of lease contracts over the lease term on a straight-line basis, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset.

7.16 Financial instruments

7.16.1 Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ('FVTPL') , transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

7.16.2 Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income ('FVOCI') – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets at amortised cost.

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

Financial assets at amortized cost

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to statement of profit or loss.

7.16.3 Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in the statement of profit or loss.

7.16.4 Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

7.16.5 Impairment

The Group recognises loss allowances for ECLs in respect of financial assets measured at amortised cost.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for bank balance for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition, which are measured at 12-month ECLs.

Loss allowances for trade receivables are always measured at an mount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than past due for a reasonable period of time. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering of a financial asset in its entirety or a portion thereof. The Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

7.17 Impairment of non-financial assets

The carrying amount of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any objective evidence that an asset or group of assets may be impaired. If any such evidence exists, the asset's or group of assets' recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Recoverable amount is the higher of value in use and fair value less cost to sell. Impairment losses are recognized in the statement of profit or loss.

7.18 Contingent liabilities

A contingent liability is disclosed when:

- There is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

- There is present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

7.19 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, is a committee comprising of the Chief Executive Officer and the Chief Financial Officer.

7.20 Dividend

Dividend to ordinary shareholders is recognized as a deduction from accumulated profit in consolidated statement of changes in equity and as a liability in the Group’s financial statements in the year in which it is declared by the Group’s shareholders.

7.21 Earnings per share (EPS)

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by adjusting basic EPS with weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares and post-tax effect of changes in profit or loss attributable to ordinary shareholders of the Group that would result from conversion of all dilutive potential ordinary shares into ordinary shares.

8 Share capital, reserves and non-controlling interests

8.1 Authorised capital

	2020	2019	2020	2019
	--- (Rupees in thousand) ---		------ Number of shares ------	
Ordinary shares of Rs. 10 each	**6,000,000**	6,000,000	**600,000,000**	600,000,000

8.2 Issued, subscribed and paid-up capital

	2020	2019	2020	2019
Ordinary shares of Rs. 10 each fully paid in cash	**2,017,045**	2,017,045	**201,704,516**	201,704,516
Ordinary shares of Rs. 10 each issued as bonus shares	**771,721**	771,721	**77,172,088**	77,172,088
	2,788,766	2,788,766	**278,876,604**	278,876,604

8.3 Ordinary shares of the Parent Company held by associated undertakings are as follows:

	Basis of relationship	2020	2019
		(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
		15,104,915	15,104,915

8.4 There has been no movement in ordinary share capital issued, subscribed and paid-up during the year ended 30 June 2020.

8.5 Reserves

	Note	2020	2019
		--- (Rupees in thousand) ---	
Share premium reserve	*8.5.1*	**273,265**	273,265
Share in reserves of associate		**14,042**	14,042
		287,307	287,307

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

8.6 Non-controlling interests

The following table summarizes the information relating to each of the Group's subsidiaries that have a NCI.

30 June 2020
Rupees in thousands

	Pace Supermall	Pace Woodlands	Total
NCI percentage (effective ratio)	**31.2%**	**48%**	
Non-current assets	**-**	**1,630**	
Current assets	**354,600**	**56**	
Non-current liabilities	**-**	**-**	
Current liabilties	**(23,429)**	**(35,467)**	
Net assets	**331,171**	**(33,781)**	
Carrying amount of NCI	**103,325**	**(16,295)**	**87,030**
Revenue	**-**	**-**	
Loss after taxation	**-**	**-**	
Other comprehensive income	**-**	**-**	
Total comprehensive loss	**-**	**-**	
Total comprehensive loss allocated to NCI	**-**	**-**	**-**
Cash flows from operating activities	**-**	**-**	
Cash flows from investing activities	**-**	**-**	
Cash flows from financing activities	**-**	**-**	
Net movement in cash and cash equivalents	**-**	**-**	

30 June 2019
Rupees in thousands

	Pace Supermall	Pace Woodlands	Total
NCI percentage (effective ratio)	31.2%	48%	
Non-current assets	-	1,630	
Current assets	354,600	56	
Non-current liabilities	-	-	
Current liabilties	(23,429)	(35,467)	
Net assets	331,171	(33,781)	
Carrying amount of NCI	103,325	(16,295)	87,030
Revenue	-	-	
Loss after taxation	20	391	
Other comprehensive income	-	-	
Total comprehensive loss	20	391	
Total comprehensive loss allocated to NCI	6	188	194
Cash flows from operating activities	-	-	
Cash flows from investing activities	-	-	
Cash flows from financing activities	-	-	
Net movement in cash and cash equivalents	-	-	

9	**Long term finances - secured**	*Note*	**2020**	2019
			--- (Rupees in thousand) ---	
	Pak Iran Joint Investment Company	*9.1*	**66,860**	58,168
	Soneri Bank - demand finance	*9.2*	**-**	19,043
			66,860	77,211
	Less:			
	Current maturity presented under current liabilities		**(66,860)**	(27,401)
			-	49,810

9.1 Pak Iran Joint Investment Company

On 28 December 2016, Pak Iran Joint Investment Company ('PAIR') and the Parent Company entered into Debt Asset Swap / Liabilities Settlement Agreement ('SA') for settlement of entire principal along with accrued mark-up aggregating to Rs. 172.31 million. The settlement was partly made against property situated at mezzanine floor of Pace Tower measuring 5,700 square feet along with car parking area rights for 7 cars in basement No. 2 amounting to Rs. 105.45 million. In accordance with the SA, PAIR purchased the aforementioned properties from the Parent Company. Pursuant to the SA, on 28 December 2016, the Parent Company and PAIR executed sale deed and possession of the property was handed over to PAIR. The Parent Company and PAIR also agreed that PAIR will continue to hold its charge over Pace M.M Alam up till repayment of the balance outstanding amount.

9.1.1 Terms of repayment

In accordance with the settlement agreement, the remaining outstanding mark-up of Rs. 66.86 million has been rescheduled and is payable over a period of 7 years with no mark-up starting from 28 December 2016 after expiry of moratorium period of 3 years, in 16 quarterly instalments. Amortized cost has been determined using effective interest rate of 6% per annum. Movement is as follows:

	Note	**2020**	2019
		--- (Rupees in thousand) ---	
As at beginning of the year		**58,168**	54,132
Unwinding of notional interest		**3,556**	4,036
Adjustment on account of default	*9.1.2.1*	**5,136**	-
As at end of the year		**66,860**	58,168

9.1.2 Security

The restructured amount is secured by mortgage amounting to the sum of Rs. 142.86 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. 66.67 million.

9.1.2.1 Default

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

9.2 Soneri Bank - demand finance

Terms of repayment

During the year ended 30 June 2018, the Parent Company entered into a restructuring agreement with Soneri Bank Limited, whereby, the Parent Company was required to pay Rs. 30.91 million in 12 instalments for settlement of entire principal amounting to Rs. 27.42 million along with the accrued mark-up amounting to Rs. 17.87 million. During the year ended 30 June 2020, Parent Company made repayments amounting to Rs. 7.64 million on 16 October 2019 and Rs. 14.90 million on 07 January 2020 as final settlement of the outstanding principal and accrued markup.

Security

This facility is secured against a charge amounting to the sum of Rs. 50 million created on the land and building on Plot no. 41 Block N, Gulberg II, Industrial Area Lahore measuring 4.09 kanals along with present and future construction thereon. As a result of the final settlement stated above, Soneri Bank released its charge on the property via no objection certificate dated 03 June 2020.

9.3 Syndicate term finance facility

In the preceding years, the Parent Company settled the principal and accrued mark up of the below mentioned facilities with properties at Pace Tower:

9.3.1 National Bank of Pakistan

On 04 December 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 along with their accrued mark-up aggregating to Rs. 398.71 million against property situated at upper ground floor, mezzanine floor and basement of Pace Tower measuring 18,525 square feet. According to clause F of the SA, NBP purchased the aforementioned properties of Rs. 332.11 million and waived accrued mark-up of Rs. 66.60 million. Pursuant to the SA, on 30 December 2015 the Parent 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 Parent Company and NBP also agreed that NBP will continue to hold its charge on Pace Tower except for the podium level and later it will take over charge being vacated by PAIR Investment Company Limited as a result of settlements.

9.3.2 Habib Bank Limited

On 16 December 2015 Habib Bank Limited ('HBL') and the Parent Company entered into Debt Asset Swap / Liabilities Settlement Agreement ('SA') for settlement of HBL's portion of Syndicated Term Finance Facility ('STFF') along with the accrued mark-up aggregating to Rs. 178.81 million against property situated at ground floor of Pace Tower 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 form the Parent Company for a consideration of Rs. 106.90 million and waived accrued mark-up of Rs. 71.91 million. Pursuant to the SA, on 30 December 2015, the Parent Company and HBL executed sale deed and possession of the properties was handed over to HBL. The Parent 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 Tower until the finishing work on aforementioned property in Pace Tower is complete.

9.3.3 National Bank of Pakistan - term finance

During the year ended 30 June 2016, NBP and the Parent Company settled the entire principal and accrued mark-up together with its portion of Syndicated Term Finance Facility against property situated at Pace Tower.

9.3.4 Al Baraka Bank (Pakistan) Limited - musharika based agreement

On 28 December 2015, Al Baraka Bank (Pakistan) Limited ('ABBPL') and the Parent Company entered into Debt Asset Swap / Liabilities Settlement Agreement ('SA') for settlement of entire principal along with the accrued mark-up aggregating to Rs. 398.56 million against property situated at first floor of Pace Tower measuring 17,950 square feet. In accordance with the SA, ABBPL purchased the aforementioned properties form the Parent Company for a consideration of Rs. 242.29 million and waived accrued mark-up of Rs. 156.27 million. Pursuant to the SA, on 30 December 2015, the Parent Company and ABBPL executed sale deed and possession of the property was handed over to ABBPL. The Parent Company and ABBPL also agreed that ABBPL will continue to hold its charge over Pace Tower up till completion certificate has been procured from Lahore Development Authority.

	2020	2019
10 Redeemable capital - secured (non-participatory)	**--- (Rupees in thousand) ---**	
Term finance certificates	**935,571**	935,571
Less: Current maturity presented under current liabilities	**(935,571)**	(935,571)
	-	-

10.1 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 27 September 2010, the Parent 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 Parent Company and trustee 'IGI Investment Bank Limited' (now 'IGI Holdings Limited') under which the Parent

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 15 August 2010. The TFC's carry a mark-up of 6 months KIBOR plus 2% (2019: 6 months KIBOR plus 2%) and is payable semi-annually in arrears. The Parent 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 Parent Company is in negotiation with the TFC holders and the trustee for relaxation in payment terms and certain other covenants.

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

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

Security

The TFC's are secured by a first exclusive charge by way of equitable mortgage on the Parent 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.

10.2 Settlement with Askari Bank Limited

On 07 February 2018, Askari Bank Limited (‘Bank’) and the Parent 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 for Rs. 185.93 million as full and final settlement. Furthermore, the Bank provided financial relief of suspended mark- up amounting to Rs. 89.29 million along with future mark-up upon completion of certain terms and conditions on or before 30 June 2019. The terms and conditions of the agreement have not been complied with, consequently, the impact of financial relief has not been accounted for in the financial statements.

10.3 Settlement with Bank of Khyber

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

	Note	**2020**	2019
		--- (Rupees in thousand) ---	
11 Lease liability			
Present value of minimum lease payments	*11.1*	**179,330**	18,046
Less: Current portion shown under current liabilities		**(42,758)**	(18,046)
		136,572	-
Movement during the year is as follows:			
Opening balance as at 01 July		**18,046**	18,046
Adjustment on initial application of IFRS 16	*4.1*	**146,682**	-
Adjusted balance as at 01 July		**164,728**	18,046
Additions during the year		**11,089**	-
Unwinding of notional interest		**22,390**	-
Reclassified to accrued liabilities		**(11,819)**	
Lease rentals paid		**(7,058)**	-
Closing balance as at 30 June		**179,330**	18,046

11.1 On 17 October 2018, Orix Leasing Company ('plaintiff') has filed a case in Banking Court VII against the Parent Company. The plaintiff filed a suit claiming an amount of Rs. 47.10 million on account of loss in business of the plaintiff. The amount claimed by the plaintiff has already been booked in these consolidated financial statements. However, as per legal advisor of the Parent Company there are meritorious grounds to defend the claim.

12	**Foreign currency convertible bonds - unsecured**	*Note*	**2020**	2019
			--- (Rupees in thousand) ---	
	Opening balance		**2,805,535**	2,054,739
	Mark-up accrued during the year		**24,873**	25,892
			2,830,408	2,080,631
	Exchange loss for the year	*12.2*	**64,809**	724,904
			2,895,217	2,805,535
	Less:			
	Current maturity presented under current liabilities		**(2,895,217)**	(2,805,535)
			-	-

12.1 On 27 December 2007, BNY Corporate Trustee Services Limited incorporated in United Kingdom with its registered office at One Canada Square, London E14 5AL and the Company entered into an agreement that the Parent Company issue 25,000 convertible bonds of USD 1,000 each amounting to USD 25 million. The foreign currency convertible bonds (FCCB) were listed on the Singapore Stock Exchange and became redeemable on 28 December 2012 at the accreted principal amount. The bonds carry a mark-up of 5.5% per annum, compounded semi-annually, accretive (up till 28 December 2012) and cash interest of 1% per annum to be paid in arrears. The holders of the bonds had an option to convert the bonds into equity shares of the Company at any time following the issue date till the maturity date at a price calculated as per terms of arrangement. As at 30 June 2020, USD 13 million bonds have been converted into the ordinary shares of the Parent Company and remaining USD 12 million bonds along with related interest have not been repaid by the Group.

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

12.2 This represents exchange loss arising on translation of foreign currency convertible bonds.

13	**Deferred liabilities**	*Note*	**2020**	2019
			--- (Rupees in thousand) ---	
	Staff gratuity	*13.1*	**42,889**	42,871
	Leave encashment	*13.2*	**3,045**	3,033
			45,934	45,904

13.1 Staff gratuity

		2020	2019
Balance as at 01 July		**42,871**	41,359
Included in statement of profit or loss:			
Service cost		**11,178**	6,269
Interest cost		**5,553**	3,479
		16,731	9,748
Included in statement of comprehensive income:			
Remeasurements:			
Actuarial loss from changes in financial assumptions		**(597)**	542
Experience adjustments		**(8,315)**	(3,382)
		(8,912)	(2,840)
Other:			
Benefits due but not paid (payable)		**(6,823)**	(4,941)
Benefits paid		**(978)**	(455)
		(7,801)	(5,396)
Balance as at 30 June		**42,889**	42,871

Charge for the year has been allocated as follows:

	Note	**2020**	2019
Cost of revenue	*31.3*	**6,692**	3,899
Administrative and selling expenses	*32*	**10,039**	5,849
		16,731	9,748

Plan Assets

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

		2020	2019
13.2	**Leave encashment**	--- (Rupees in thousand) ---	
	The amounts recognised are as follows:		
	Balance as at 01 July	**3,033**	3,420
	Included in statement of profit or loss:		
	Service cost	**620**	32
	Experience adjustments	**(332)**	-
	Interest cost	**385**	282
		673	314
	Included in statement of comprehensive income:		
	Remeasurements:		
	Actuarial loss from changes in financial assumptions	-	-
	Experience adjustments	-	(114)
		-	(114)
	Other:		
	Benefits due but not paid (payable)	**(288)**	(587)
	Benefits paid	**(373)**	-
		(661)	(587)
	Balance as at 30 June	**3,045**	3,033

Charge for the year has been allocated to administrative and selling expenses.

Plan Assets

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

		2020		2019	
		Gratuity	**Leave encashment**	Gratuity	Leave encashment
13.3	**Actuarial assumptions**				
	Discount rate used for year end obligations	**8.50%**	**8.50%**	14.25%	14.25%
	Expected rate of growth per annum in future salaries	**7.50%**	**7.50%**	13.25%	13.25%
	Expected mortality rate	**SLIC (2001-2005) Setback 1 Year**			
	Weighted average duration of defined benefit plan	**5 years**	**5 years**	5 years	5 years
	Average number of leaves accumulated per annum by employees	-	**5 days**	-	5 days
	Average number of leaves utilised per annum by employees	-	**15 days**	-	15 days
	Retirement age	**Age 60**	**Age 60**	Age 60	Age 60

13.4 The Group expects to charge Rs. 8.63 million to the consolidated statement of profit or loss on account of gratuity in the year ending 30 June 2021.

13.5 Sensitivity Analysis

	2020		2019	
	Gratuity	**Leave encashment**	Gratuity	Leave encashment
Year end sensitivity on defined benefit obligat	--- (Rupees in thousand) ---			
Discount rate + 100 bps	**40,684**	**2,897**	40,773	3,251
Discount rate - 100 bps	**45,391**	**3,214**	45,224	3,610
Salary increase + 100 bps	**45,564**	**3,207**	45,308	3,602
Salary increase - 100 bps	**40,564**	**2,901**	40,659	3,256

The above sensitivity analysis is 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.

13.6 The plans expose the Group to the actuarial risks such as:

Salary risks

The risk that the final salary at the time of cessation of service is greater than what we assumed. Since the benefit is calculated on the final salary (which will closely reflect inflation and other macroeconomic factors), the benefit amount increases as salary increases.

Mortality / withdrawal risks

The risks that the actual mortality / withdrawal experiences is different. The effect depends upon beneficiaries' service/ age distribution and the entitled benefits of the beneficiary.

14 Deferred taxation

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

	2020	2019
	--- (Rupees in thousand) ---	
Accelerated tax depreciation	**195,954**	201,885
Right-of-use assets and lease liability	**(22,912)**	-
Employee retirement benefits	**(13,321)**	(13,312)
Provision for net realisable value	**(9,569)**	(6,718)
Provision for doubtful receivables	**(78,103)**	(55,695)
Deferred cost	**(64)**	(75)
Unused tax losses	**(71,985)**	(126,085)
Investment in associate	**45,560**	51,045
	45,560	51,045

The gross movement in deferred tax liability during the year is as follows:		
Opening balance	**51,045**	65,180
Income for the year	**(5,485)**	(14,135)
Closing balance	**45,560**	51,045

The Parent Company has not recognised deferred tax assets of Rs. 233.65 million (2019: Rs. 281.15 million) in respect of tax losses, Rs. 146.57 million (2019: Rs. 210.22 million) in respect of unrealised exchange loss and Rs. 90.12 million (2019: Rs. 93.88 million) in respect of minimum tax paid available for carry forward under section 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 under section 113 of Income Tax Ordinance, 2001 amounting to Rs. 4.13 million, Rs. 4.17 million, Rs. 4.26 million and Rs. 9.22 million will lapse in the year 2020, 2021, 2022 and 2023 respectively. Alternate Corporate Tax ('ACT') paid under section 113 C of Income Tax Ordinance, 2001 aggregating to Rs. 51.06 million and Rs. 16.05 million will lapse in the year 2026 and 2027, respectively. Tax losses amounting to Rs. 304.69 million, Rs. 15.68 and Rs. 72.71 million will expire in year 2021, 2025 and 2026, respectively.

15 Contract liability

This principally represents advances received from various parties against sale of apartments and houses in Pace Tower project, Lahore and its breakup at 30 June 2020 is as follows:

	2020	2019
	--- (Rupees in thousand) ---	
MCB Bank Limited	**31,755**	137,567
First Capital Investment Limited	**16,020**	16,020
First Capital Securities Corporation Limited	**45,887**	45,887
First Capital Equities Limited	**63,825**	3,086
Others	**71,769**	53,004
	229,256	255,564

	Note	2020	2019
		--- (Rupees in thousand) ---	

16 Current maturity of long term liabilities

	Note	2020	2019
Long term finances - secured	*9*	**66,860**	27,401
Redeemable capital - secured (non-participatory)	*10*	**935,571**	935,571
Lease liability	*11*	**42,758**	18,046
Foreign currency convertible bonds - unsecured	*12*	**2,895,217**	2,805,535
		3,940,406	3,786,553

17 Creditors, accrued and other liabilities

	Note	2020	2019
Trade creditors	*17.1*	**297,405**	344,334
Advance against sale of investment property		**84,000**	-
Rentals against investment property received in advance		**14,747**	4,063
Provisions and accrued liabilities		**223,150**	179,186
Security deposits	*17.2*	**51,818**	50,399
Payable to contractors		**2,699**	2,699
Retention money		**5,661**	6,093
Payable to statutory bodies		**141,126**	80,433
Others	*17.1*	**61,579**	47,323
		882,185	714,530

17.1 This includes payables to First Construction Limited (related party being a subsidiary of associate company) amounting to Rs. 0.09 million (2019: Rs. 0.09 million) under normal course of business and are interest free.

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

17.3 This includes payables to related parties under normal course of business and are interest free.

Related parties	**Relationship**	**2020**	2019
		---(Rupees in thousand)---	
First Capital Securities Corporation	Common Directorship	**-**	78
First Capital Equities Limited	Common Directorship	**1,070**	980
		1,070	1,058

18 Accrued finance cost

	2020	2019
Long term finances - secured	**-**	21,553
Redeemable capital - secured (non-participatory)	**1,148,419**	1,015,631
Lease liability	**40,639**	40,639
	1,189,058	1,077,823

19 Contingencies and commitments

19.1 Contingencies

19.1.1 Claims against the Parent Company not acknowledged as debts amounting to Rs. 21.64 million (2019: Rs. 21.64 million).

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

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

19.1.3 On 29 November 2012, Shaheen Insurance Company Limited and First Capital Securities Corporation Limited (on behalf of First Capital Group) entered into an agreement whereby, it was agreed that liability pertaining to reverse repo transaction amounting to Rs. 99.89 million along with insurance premium payable amounting to Rs. 88.86 million from First Capital Group shall be settled vide sale of 4.70 million shares of First Capital Equities Limited to Shaheen Insurance Company Limited at a price of Rs. 40. Included in the insurance payable is Rs. 57.96 million pertaining to the Parent Company. 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 07 March 2013 to remove restriction of holding period of two years. In addition to that, the guarantee to buy back was also revoked.

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

19.2 Commitments

19.2.1 Commitments made by the Parent Company in respect of capital expenditure i.e. purchase of properties from Pace Barka Properties Limited ('equity-accounted investee'), amounts to Rs. 101.28 million (2019: Rs. 115.69 million) and Capital Heights (Private) Limited, amounts to Rs. Nil (2019: 74.51 million).

19.2.2 Corporate guarantee given by the Parent Company on behalf of Pace Barka Properties Limited ('equity-accounted investee'), in favor of The Bank of Punjab, amounting to Rs. 900 million (2019: Rs. 900 million) as per the approval of shareholders through the special resolution dated 29 July 2006.

20 Property, plant and equipment	*Note*	**2020**	2019
		--- (Rupees in thousand) ---	
Operating fixed assets	*20.1*	**440,226**	439,657
Capital work in process	*20.2*	**31,740**	28,807
Right-of-use assets	*20.3*	**129,298**	-
		601,264	468,464

20.1 Operating fixed 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 thousand)										
Net carrying value basis											
Year ended 30 June 2020											
Opening net book value	**155,152**	**-**	**97,509**	**48,721**	**20,328**	**100,685**	**2,345**	**3,163**	**210**	**11,544**	**439,657**
Additions (at cost)	**-**	**-**	**-**	**-**	**-**	**25,000**	**-**	**-**	**-**	**3,950**	**28,950**
Disposals	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,224)**	**(1,224)**
Depreciation charge	**-**	**-**	**(4,876)**	**(5,428)**	**(2,032)**	**(11,319)**	**(235)**	**(316)**	**(69)**	**(2,882)**	**(27,157)**
Closing net book value	**155,152**	**-**	**92,633**	**43,293**	**18,296**	**114,366**	**2,110**	**2,847**	**141**	**11,388**	**440,226**
						-	**-**			**-**	
Gross carrying value basis			**-**								
As at June 2020											
Cost	**155,152**	**-**	**179,469**	**179,122**	**85,795**	**192,588**	**11,683**	**11,801**	**10,087**	**58,371**	**884,068**
Accumulated depreciation	**-**	**-**	**(86,836)**	**(135,829)**	**(67,498)**	**(78,222)**	**(9,572)**	**(8,955)**	**(9,947)**	**(46,983)**	**(443,842)**
Net book value	**155,152**	**-**	**92,633**	**43,293**	**18,297**	**114,366**	**2,111**	**2,846**	**140**	**11,388**	**440,226**
Depreciation % per annum	**0%**	**0%**	**5%**	**3%**	**10%**	**10%**	**10%**	**10%**	**33%**	**20%**	
Net carrying value basis											
Year ended 30 June 2019											
Opening net book value	155,152	-	102,641	54,149	22,590	68,315	2,606	3,514	314	14,430	423,711
Additions (at cost)	-	-	-	-	-	42,000	-	-	-	-	42,000
Disposals	-	-	-	-	-	-	-	-	-	-	-
Depreciation charge	-	-	(5,132)	(5,428)	(2,262)	(9,630)	(261)	(351)	(104)	(2,886)	(26,054)
Closing net book value	155,152	-	97,509	48,721	20,328	100,685	2,345	3,163	210	11,544	439,657
Gross carrying value basis											
As at June 2019											
Cost	155,152	-	179,470	179,122	85,795	167,588	11,683	11,801	10,087	57,390	858,088
Accumulated depreciation	-	-	(81,961)	(130,401)	(65,467)	(66,903)	(9,338)	(8,638)	(9,877)	(45,846)	(418,431)
Net book value	155,152	-	97,509	48,721	20,328	100,685	2,345	3,163	210	11,544	439,657
Depreciation % per annum	0%	0%	5%	3%	10%	10%	10%	10%	33%	20%	

* Freehold land represents the uncovered area of Main Boulevard Project, M.M 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 Parent 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 Parent 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 Parent Company. Consequently, to avoid additional transaction costs relating to transfer of legal ownership, the Parent 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 15 May 2007.

*** Building on leasehold land represents 8,227 square feet (2019: 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.

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

Location	Usage of immoveable property	Total area (Acres)	*Covered area (Square feet)
38,38/A,39, Block P, Model Town Link Road, Lahore	Shopping plaza	92,184	70,152
40, Block P, Model Town Link Road, Lahore	Shopping plaza	40,755	21,933
Bridge Point Plaza, Fortress Stadium, Lahore Cantt.	Shopping plaza	32,081	24,431
96-B-I, M.M Alam Road, Gulberg - III, Lahore	Shopping plaza	85,054	66,942
Mouza Dhola Zarri, Main GT Road Gujranwala	Shopping plaza	74,824	53,602
Mouza Ado-Wal, G.T Road, Tehsil & District, Gujrat	Shopping plaza	112,347	85,347
124/E-1 Main Boulevard Gulberg III Lahore	Shopping plaza	115,833	81,601
Bedian Road, Lahore	Management office	7,875	-

The buildings on freehold land and other immovable assets of the Group are constructed / located at above mentioned freehold land.

* The covered area includes multi storey buildings.

20.1.2 The Group has not made disposals of operating fixed assets with aggregate book value exceeding five million rupees.

20.1.3 Operating fixed assets includes a vehicle, having cost of Rs. 1.39 million (2019: Rs. 1.39 million), which is fully depreciated but still in use as at 30 June 2020.

20.2 This represents Rs. 29.52 million related to the 3rd floor of Pace Tower, covering an area of 4,170 square feet and Rs. 1.92 million related to M.M Alam plaza lower ground floor covering an area of 6,000 square feet, both of which are under construction and are to be held for use.

		Note	2020	2019
20.3	**Right-of-use assets**		--- (Rupees in thousand) ---	
	Land			
	Cost			
	Balance as at 01 July		-	-
	Adjustment on initial application of IFRS 16	*4.1*	**119,496**	-
	Adjusted balance as at 01 July 2019		**119,496**	-
	Additions / (deletions) during the year		-	-
	Balance as at 30 June		**119,496**	-
	Accumulated depreciation			
	Balance as at 01 July		-	-
	Depreciation charge during the year		**(4,770)**	-
	Balance as at 30 June		**(4,770)**	-
	Closing net book value		**114,726**	-
	Rate of depreciation		**4%**	-
	Electrical equipment			
	Cost			
	Balance as at 01 July		-	-
	Adjustment on initial application of IFRS 16		-	-
	Adjusted balance at 01 July 2019		-	-
	Additions / (deletions) during the year		**15,339**	-
	Balance as at 30 June		**15,339**	-
	Accumulated depreciation			
	Balance as at 01 July		-	-
	Depreciation charge during the year		**(767)**	-
	Balance as at 30 June		**(767)**	-
	Closing net book value		**14,572**	-
	Rate of depreciation		**10%**	-
20.4	Depreciation charge for the year has been allocated as follows:			
	Cost of revenue	*31.3*	**24,555**	13,527
	Administrative and selling expenses	*32*	**9,928**	12,527
			34,483	26,054

21 Intangible assets

	Note	2020	2019
Optical fiber	*21.1*	**3,685**	4,161
Computer software	*21.2*	**323**	358
		4,008	4,519

		2020	2019
21.1	**Optical fiber**		
	Cost	**9,508**	9,508
	Accumulated amortisation		
	As at 01 July	**4,161**	4,637
	Amortisation for the year	**(476)**	(476)
	Balance as at 30 June	**3,685**	4,161
	Rate of amortisation	**5%**	5%
21.2	**Computer software**		
	Cost	**2,878**	2,878
	Accumulated amortisation		
	As at 01 July	**358**	398
	Amortisation for the year	**(35)**	(40)
	Balance as at 30 June	**323**	358
	Rate of amortisation	**10%**	10%

22 Investment property

	Cost		Fair value	
	2020	2019	**2020**	2019
	------------------------(Rupees in thousand)---------------------------			
Balance as at 01 July	**730,182**	730,182	**1,662,942**	1,662,942
Recognition of right-of-use assets on initial application of IFRS 16	**27,186**	-	**27,186**	-
Fair value gain on initial recognition of right-of-use assets	**-**	-	**38,426**	-
Adjusted balance as at 01 July	**757,368**	**730,182**	**1,728,554**	1,662,942
Fair value gain / (loss) recognised in the statement of profit or loss	**-**	-	**10,898**	5,799
As at 30 June	**757,368**	**730,182**	**1,745,251**	1,668,741

22.1 The forced sale value of investment property excluding right-of-use asset amounts to Rs. 1,410.59 million (2019: Rs. 1,418.43 million).

Investment properties represent Parent Company's interest in land and buildings situated at Model Town Lahore, Gulberg Lahore, Gujranwala and Gujrat. On initial application of IFRS 16, the Parent Company recognised right-of-use asset arising as a result of head lease of shops / apartments situated at 4th floor of Model Town Lahore and 3rd and 4th floor of M.M Alam. The Parent Company has sub-leased the aforementioned properties and right-of-use asset arising from head lease has been classified as investment property.

These are either leased to third parties or held for value appreciation. Changes in fair values are recognised and presented separately as "Gain / (loss) from change in fair value of investment property" in the statement of profit or loss.

22.1.1 Fair value

<u>Fair value hierarchy</u>

The fair value of investment property was determined by external, independent property valuer KG Traders, having appropriate recognised professional qualifications. The independent valuers provide the fair value of the Parent Company’s investment property portfolio annually. Latest valuation of these assets was carried out on 30 June, 2020. The level 2 fair value of freehold land has been derived using the sales comparison approach. Level 3 fair value of Buildings has been determined using a depreciated replacement cost approach, whereby, current cost of construction of a similar building in a similar location has been adjusted using a suitable depreciation rate to arrive at present market value. Level 3 fair value of right-of-use assets has been determined using discounted cashflow method, whereby appropriate discount rate has been adjusted to arrive at the fair value.

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

	Level 1	**Level 2**	**Level 3**	**Total**
		(Rupees in thousand)		
Freehold land	**-**	**137,015**	**-**	**137,015**
Buildings	**-**	**-**	**1,522,498**	**1,522,498**
Right-of-use assets	**-**	**-**	**85,738**	**85,738**
	-	**137,015**	**1,608,236**	**1,745,251**

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

	Level 1	Level 2	Level 3	Total
		(Rupees in thousand)		
Freehold land	-	132,925	-	132,925
Buildings	-	-	1,535,816	1,535,816
	-	132,925	1,535,816	1,668,741

Valuation inputs and relationship to fair value

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

Description	Significant Unobservable inputs	Quantitative data / range and relationship to the fair value
Buildings	Cost of construction of a new Suitable depreciation rate to arrive at depreciated replacement value	The market value has been determined by using a depreciation of approximately 5%-10% on cost of constructing a similar new building. Higher, the estimated cost of construction of a new building, higher the fair value. Further, higher the depreciation rate, the lower the fair value of the building.
Right-of-use asset	Discount rate being used to discount the future cashflows.	The estimated fair value will increase / (decrease) if discounting rates were lower / (higher)

23 Investment in equity-accounted investee

	Note	2020	2019
		--- (Rupees in thousand) ---	
Associate - unquoted (accounted for under equity method)			
Pace Barka Properties Limited			
75,875,000 (2019: 75,875,000) fully paid			
ordinary shares of Rs. 10 each			
Equity held: 24.86% (2019: 24.86%)	*23.1*	**1,062,381**	1,098,948

23.1 Associate - unquoted

	2020	2019
Cost	**758,651**	758,651
Brought forward amounts of post acquisition reserves and profits and negative goodwill recognised directly in consolidated profit and loss account	**340,297**	367,795
	1,098,948	1,126,446
Share of profit for the year		
- before taxation	**(34,706)**	(14,212)
- provision for taxation	**(1,382)**	(13,286)
	(36,088)	(27,498)
Share of other comprehensive loss	**(479)**	-
Balance as on June 30	**1,062,381**	1,098,948

23.1.1 Pace Barka Properties Limited ("PBPL") was incorporated in Pakistan on 22 November 2005 as an unlisted public company limited by shares under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). The principal activity of PBPL is to acquire, construct, develop, sell, rent out and manage shopping malls, appartments, villas, commercial buildings, etc. and to carry on the business of hospitality. The following table summarizes the financial information of PBPL as included in its own financial statements. The table also reconciles the summarized financial information to the carrying amount of the Group's interest in its associate.

	2020	2019
	--- (Rupees in thousand) ---	
Non-current assets (adjusted for revaluation surplus)	**3,416,585**	3,439,086
Current assets	**2,581,543**	2,633,717
Non-current liabilities	**253,144**	249,064
Current liabilities	**1,471,530**	1,403,192
Net assets (100%)	**4,273,454**	4,420,547
Company's share of net assets / carrying amount of interest	**1,062,381**	1,098,948

	2020	2019
	--- (Rupees in thousand) ---	
Revenue	**(25,410)**	195,763
Profit from operations	**(145,165)**	(110,613)
Other comprehensive income	**(1,926)**	-
Total comprehensive income (100%)	**(147,091)**	(110,613)
Company's share of total comprehensive income	**(36,567)**	(27,498)

The financial year end of PBPL is 30 June 2020 and above figures (adjusted with the effect of inconsistencies between Group and PBPL accounting policies) are based on audited financial statements as of the same period.

24 Long term advances and deposits

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

25 Stock-in-trade

	Note	2020	2019
		--- (Rupees in thousand) ---	
Land purchased for resale	*25.1*	**930,765**	930,765
Work in progress			
Pace Tower	*25.2*	**626,269**	600,317
Pace Circle	*25.3*	**699,140**	687,054
Pace Supermall		**354,600**	354,600
Completed units- shops and houses		**542,244**	549,753
		3,153,018	3,122,489
Stores inventory		**1,161**	737
		3,154,179	3,123,226

25.1 This represents plot purchased for resale purposes amounting to Rs. 930.77 million (2019: Rs. 930.77 million).

25.2 Included in work in progress are borrowing costs of Rs. 101 million (2019: Rs. 101 million).

25.3 Pace Circle is a project carried by Pace Barka (Private) Limited ('equity-accounted investee'). The project is under construction as at year end and the Parent Company has realized the cumulative payments made till the year end as at 30 June 2020 as its inventory while remaining amount is shown in commitments note. The payments made during the year amounted to Rs. 14.41 million and has been made part of inventory.

26 Trade debts

	Note	2020	2019
		--- (Rupees in thousand) ---	
Secured			
Considered good		**406,985**	424,753
Unsecured			
Considered doubtful		**269,623**	181,150
		676,608	605,903
Less: Impairment allowance		**(269,623)**	(181,150)
		406,985	424,753

26.1 This includes the following amounts due from related parties:

	2020	2019
Rema & Shehrbano	**1,595**	185
First Capital Investment Limited & First Capital Mutual Fund	**1,847**	504
First Capital Equities Limited	**2,238**	1,596
First Capital Securities Corporation Limited	**6,881**	6,881
Conatural Cosmetics	**494**	181
	13,055	9,347

26.2 The maximum aggregate amount due from related parties at the end of any month during the year was Rs.13.04 million (2019: Rs. 10.63 million).

		Note	2020	2019
			--- (Rupees in thousand) ---	
27	**Advances, deposits, prepayments and other receivables**			
	Advances - considered good			
	- to employees	*27.1*	**17,155**	16,124
	- to suppliers	*27.2*	**91,956**	118,460
	Advance against purchase of property	*27.3*	**251,281**	221,567
	Security deposits	*27.4*	**12,285**	12,285
	Receivable against sale of investment property		**99,979**	99,979
	Others - considered good	*27.5*	**20,589**	9,244
			493,245	477,659

27.1 Advances to employees include advances against salary and gratuity, repayable within one year and at the time of final settlement, respectively. This includes Rs. 2.80 million (2019: Rs. 1.80 million) advance given to executive employee of the Group.

27.2 This includes the following amounts due from related parties:

	2020	2019
	--- (Rupees in thousand) ---	
Ever Green Water Valley (Private) Limited	**74,988**	65,386
World Press (Private) Limited	**447**	447
	75,435	65,833

27.2.1 The maximum aggregate advance given to these related parties against provision of services at the end of any month was Rs. 99.65 million (2019: Rs. 80.30 million)

27.3 The amount reflects advance paid against the purchase of 4.9 kanal plot at Shadman, Lahore from a related party Evergreen Water Valley (Private) Limited. The maximum aggregate advance given to this related party at the end of any month was Rs. 251.28 million (2019: Rs. 221.57 million).

27.4 This includes security deposit paid to Orix Leasing Pakistan Limited amounting to Rs. 11.50 million against assets acquired under finance lease. The amount is under dispute and management expects to recover the amount in full.

27.5 This includes rent receivable from a related party 'Media Times Pvt. Limited' amounting to Rs. 18.60 million (2019: Rs. 7.80 million). The amount also includes impairment allowance of Rs.19.42 million (2019: Rs. 19.42 million) recognised in the current year.

		Note	2020	2019
			--- (Rupees in thousand) ---	
28	**Income tax refundable**			
	Income tax refundable	*28.1*	**124,459**	112,525
	Provision for taxation - current		**(100,561)**	(97,510)
			23,898	15,015

28.1 This represents mainly withholding tax deducted from profit on bank deposits and rental income from property and advance tax paid on electricity bills under Section 151, 152 and 235, respectively of the Income Tax Ordinance, 2001.

		Note	2020	2019
29	**Cash and bank balances**	*Note*	**--- (Rupees in thousand) ---**	
	Cash in hand		**218**	707
	Cash at banks			
	- Current accounts	*29.1*	**22,470**	164,579
	- Saving accounts	*29.2*	**549**	219
	Impairment allowance for expected credit loss		**(89)**	(89)
			22,930	164,709
			23,148	165,416

29.1 This includes Rs. 20 million (2019: 100 million) on which lien is marked against sale of property to MCB for further development charges at Pace Tower.

29.2 This carries profit at the rates ranging from 4% to 8% (2019: 3% to 10%) per annum.

		Note	2020	2019
		Note	**--- (Rupees in thousand) ---**	
30	**Revenue**			
	Development services	*30.1*	**82,336**	339,407
	Display of advertisements		**24,504**	33,494
	Service charges - net	*30.2*	**90,444**	30,562
	Revenue from contract with customers		**197,284**	403,463
	Other revenue			
	Rental income from lease of investment property		**46,840**	53,017
	Total revenue		**244,124**	456,480

30.1 Development services recognised at percentage of completion basis

	2020	2019
Revenue recognised to date	**1,672,556**	1,579,832
Aggregate cost incurred to date	**(1,390,244)**	(1,357,057)
Recognised profit to date	**282,312**	222,775

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. 82.34 million (2019: Rs. 339.41 million). Rs. Nil (2019: Rs. 441 million) was received during the year against these agreements.

30.2 Services charges - net

The breakup of costs against service income recorded during the year is as follows:

	2020	2019
	--- (Rupees in thousand) ---	
Insurance	**798**	3,021
Fuel and power	**86,626**	107,938
Janitorial and security charges	**8,371**	13,258
	95,795	124,217

30.3 Disaggregation of revenue by:

	2020	2019
Timing of revenue recognition		
Over time	**197,284**	403,463

30.4 Contract balances

The following table provides information about receivables and contract liabilities from contracts with customers.

	Note	2020	2019
		--- (Rupees in thousand) ---	
Receivables, which are included in trade debts	*26*	**676,608**	605,903
Contract liabilities	*30.4.1 & 15*	**229,256**	255,564

30.4.1 The contract liabilities primarily relate to the advance consideration received from customers against sale of properties and development services.

31 Cost of revenue

	Note	2020	2019
		--- (Rupees in thousand) ---	
Shops and commercial buildings sold			
- at percentage of completion basis	*31.1*	**50,772**	236,564
- at completion of project basis	*31.2*	**-**	-
Write down value to inventory to net realisable value		**9,829**	23,166
Stores operating expenses	*31.3*	**117,073**	86,745
		177,674	346,475

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

	2020	2019
Opening work in progress	**600,317**	603,998
Purchase of inventory	**58,273**	171,485
Project development costs		76,431
Property disposed / settled against loans		(15,033)
Closing work in progress	**(625,403)**	(600,317)
Cost of shops / apartments and commercial buildings sold during the year	**33,187**	236,564

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

	Note	2020	2019
		--- (Rupees in thousand) ---	
Opening inventory of shops and houses		**1,480,518**	755,991
Purchased during the year		**-**	155,693
Transfer from advances and prepayments		**-**	592,000
Write down of inventory to net realisable value		**(7,509)**	(23,166)
Closing inventory of shops		**(542,244)**	(549,753)
Closing inventory of land		**(930,765)**	(930,765)
		-	-

31.3 Stores operating expenses

	Note	2020	2019
Salaries, wages and benefits	*31.3.1*	**43,012**	43,196
Rent, rates and taxes		**30**	8,986
Depreciation on owned assets	*20.4*	**17,229**	13,527
Depreciation on leased assets	*20.4*	**7,326**	-
Repairs and maintenance		**10,162**	10,503
Others		**41,103**	10,533
		118,862	86,745

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

	Note	2020	2019
		--- (Rupees in thousand) ---	
Current service cost		**4,719**	2,520
Interest cost		**2,242**	1,504
		6,961	4,024

32 Administrative and selling expenses

	Note	2020	2019
Salaries, wages and benefits	*32.1*	**60,772**	54,628
Travelling and conveyance		**4,968**	2,641
Rent, rates and taxes		**-**	205
Insurance		**489**	1,958
Printing and stationery		**368**	701
Repairs and maintenance		**4,420**	2,835
Motor vehicles running		**1,530**	4,289
Communications		**3,091**	2,982
Advertising and sales promotion		**353**	247
Depreciation on owned assets	*20.4*	**9,928**	12,527
Amortisation on intangible assets	*21*	**511**	516
Auditors' remuneration	*32.2*	**3,917**	3,275
Legal and professional		**35,597**	4,027
Commission on sales		**17,177**	44,113
Office expenses		**18,676**	14,528
Other expenses		**2,069**	12,604
		163,866	162,076

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

	2020	2019
	--- (Rupees in thousand) ---	
Current service cost	**7,079**	3,781
Interest cost	**3,364**	2,257
	10,443	6,038

32.2 Auditors' remuneration

The charges for auditors' remuneration includes the following in respect of auditors' services for:

	2020	2019
Statutory audit	**2,275**	2,075
Half yearly review	**770**	700
Audit of consolidated financial statements	**220**	200
Statutory certification	**110**	100
Out of pocket expenses	**542**	200
	3,917	3,275

	Note	2020	2019
		--- (Rupees in thousand) ---	

33 Other income

	Note	2020	2019
<u>Income from financial assets</u>			
Mark-up on bank accounts		**100**	720
Commission on guarantee	*33.1*	**1,238**	1,238
<u>Income from non-financial assets</u>			
Gain on sale of property, plant and equipment		**988**	-
<u>Others</u>			
Gain on settlement of loans		**32,074**	-
Income from parking and storage		**6,018**	6,627
Miscellaneous income		**1,729**	-
Others		**1,190**	932
		43,337	9,517

33.1 This represents commission income on guarantee provided on behalf of Pace Barka Properties Limited (equity-accounted investee).

	2020	2019
	--- (Rupees in thousand) ---	

34 Finance cost

	2020	2019
Interest and mark-up on:		
- *Long term finances - secured*	**1,279**	3,681
- *Foreign currency convertible bonds - unsecured*	**24,873**	25,892
- *Redeemable capital - secured (non-participatory)*	**145,521**	101,839
- *Interest expense on unwinding of Pak Iran Joint Investment Company*	**8,693**	4,036
- *Notional interest on lease liability*	**17,833**	946
	198,199	136,394
Liquidated damages due to default of Pak Iran loan	**5,570**	-
Bank charges and processing fee	**1,690**	1,917
	205,459	138,311

	2020	2019
	--- (Rupees in thousand) ---	

35 Taxation

Current:		
- For the year	**3,051**	6,433
- Prior years	**-**	-
	3,051	6,433
Deferred tax for the year	**(5,485)**	(14,135)
	(2,434)	(7,702)

The provision for current taxation for the year represents the tax liability under Minimum Tax Regime under Section 113 of Income Tax Ordinance, 2001 (2019: Minimum Tax under section Section 113 of Income Tax Ordinance, 2001.

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

	2020	2019
	%	%
Loss before taxation	**(430,991)**	(950,803)
Average effective tax rate	**(0.56)**	(0.81)
Applicable tax rate	**29.00**	29.00
Tax effect of amounts that are:		
Non deductible expenses	**(3.80)**	(0.31)
Income not chargeable to tax	**(14.94)**	(1.26)
Minimum tax u/s 113 for the year	**0.71**	0.68
Current year losses for which no deferred tax asset is recognised	**(11.53)**	(28.92)
	(29.56)	(29.81)
Average effective tax rate	**(0.56)**	(0.81)

For the purposes of current taxation, the tax losses available for carry forward as at 30 June 2020 are estimated approximately at Rs. 1,042.20 million (2019: Rs. 969.49 million).

36 Loss per share - basic and diluted

The calculation of basic and diluted loss per share has been based on the following profit attributable to ordinary shareholders of the Parent Company and weighted-average number of ordinary shares outstanding. There are no dilutive potential ordinary shares outstanding as at 30 June 2020 (2019: Nil).

	2020	2019
	--- (Rupees in thousand) ---	
Loss for the year attributable to owners of the Parent Company	**(428,557)**	(942,907)
Weighted average number of ordinary shares outstanding during the year	**278,877**	278,877

		Note	2019	2018
			--- (Rupees in thousand) ---	
37	**Cash (used in) / generated from operations**			
	Loss before tax		**(430,991)**	(950,803)
	Adjustment for:			
	Exchange loss on foreign currency convertible bonds	*12.2*	**64,809**	724,904
	Provision for gratuity and leave encashment	*13.1 & 13.2*	**17,404**	10,062
	Depreciation on owned assets		**27,157**	26,054
	Depreciation on right-of-use assets	*20.4*	**5,537**	-
	Amortisation on intangible assets	*21*	**511**	516
	Changes in fair value of investment property	*22*	**(49,324)**	(5,799)
	Share of (loss)/ profit from equity-accounted investee - net of tax		**36,088**	27,498
	Impairment loss on trade receivables		**88,473**	8,661
	Write down of inventory to net realisable value	*31.2*	**9,829**	23,166
	Finance costs	*34*	**198,199**	136,394
	Mark-up income	*33*	**(100)**	(720)
	Gain on sale of property, plant and equipment		**(988)**	-
	Gain on settlement of loans		**(32,074)**	-
	Loss before working capital changes		**(65,470)**	(67)
	Effect on cash flow due to working capital changes:			
	Increase in stock-in-trade		**(41,084)**	(223,410)
	(Increase) / decrease in trade debts		**(70,705)**	25,424
	(Decrease) / increase in advances, deposits and other receivables		**(19,836)**	120,563
	(Decrease) / increase in contract liability		**(26,308)**	121,787
	Increase in creditors, accrued and other liabilities		**150,651**	154,542
			(7,282)	198,906
			(72,752)	198,839
38	**Cash and cash equivalents**			
	Cash and bank balances	29	**23,148**	165,416

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

	30 June 2020						
	Equity		Liabilities				
	Issued, subscribed and paid-up capital	Share premium	Long term finances - secured	Redeemable capital - secured (non-participatory)	Liabilities against assets subject to finance lease	Foreign currency convertible bonds - unsecured	Accrued finance cost
	(Rupees in thousand)						
Balance as at 01 July 2019	**2,788,766**	**273,265**	**77,211**	**935,571**	**18,046**	**2,805,535**	**1,077,823**
Cash flows							
Long term loan paid during the year	-	-	(19,044)	-	-	-	(3,491)
Repayment of lease rentals	-	-	-	-	(7,058)	-	-
Finance cost paid	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-
Total changes from financing cash flows	-	-	(19,044)		(7,058)	-	(3,491)
Non-cash changes							
Exchange loss	-	-	-	-	-	64,809	-
Waiver of interest - Askari Bank	-	-	-	-	-		(12,733)
Waiver of interest - Soneri Bank	-	-	-	-		-	(19,341)
Lease liability recognised during the year	-	-	-	-	157,771	-	-
Reclassified to accrued liabilities	-	-	-	-	(11,819)	-	-
Finance cost/unwinding of interest expense	-	-	8,693	-	22,390	24,873	146,800
Total non-cash changes	-	-	8,693	-	168,342	89,682	114,726
Closing as at 30 June 2020	**2,788,766**	**273,265**	**66,860**	**935,571**	**179,330**	**2,895,217**	**1,189,058**

	30 June 2019						
	Equity		Liabilities				
	Issued, subscribed and paid-up capital	Share premium	Long term finances - secured	Redeemable capital - secured (non-participatory)	Lease liability	Foreign currency convertible bonds - unsecured	Accrued finance cost
	(Rupees in thousand)						
Balance as at 01 July 2018	2,788,766	273,265	78,475	935,571	18,046	2,054,739	971,357
Cash flows							
Long term loan paid during the year	-	-	(5,300)	-	-	-	-
Settlements	-	-	-	-	-	-	-
Repayment of lease rentals	-	-	-	-	-	-	-
Finance cost paid	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-
Total changes from financing cash flows	-	-	(5,300)	-	-	-	-
Non-cash changes							
Exchange loss	-	-	-	-	-	724,904	-
Finance cost/unwinding of interest expense	-	-	4,036	-	-	25,892	106,466
Total non-cash changes	-	-	4,036	-	-	750,796	106,466
Closing as at 30 June 2019	2,788,766	273,265	77,211	935,571	18,046	2,805,535	1,077,823

40 Transactions with related parties

The related parties comprise of associated company, other related companies, directors of the Group under common directorship and post employment benefit plans. Amounts due from and due to related parties are shown under respective notes to these financial statements and remuneration of key management personnel is disclosed in note 44. Other significant transactions with related parties except those disclosed elsewhere are as follows:

Name of Company	Relationship	Nature of transactions	2020	2019
			--- (Rupees in thousand) ---	
Pace Barka Properties Limited	**Associated Company** (equity held 24.86%)	Guarantee commission income	**1,238**	1,238
		Shared expenses charged by the Group	**1,401**	2,084
		Rental income	**2,232**	3,863
		Receipts against Pace Circle	**-**	2,804
		Purchase of inventory	**14,406**	91,000
First Capital Securities Corporation Limited	**Common Directorship**	Receipts against sale of investment property	**-**	400,000
		Service charges	**-**	3,057
First Capital Investment Limited	**Common Directorship**	Rental income	**-**	672
		Shared expenses charged by the Group	**653**	1,025
Ever Green Water Valley (Private) Limited	**Common Directorship**	Purchase of property, plant and equipment	**-**	42,000
		Advance against purchase of land	**33,665**	221,567
		Purchase of goods and services	**148,536**	51,158
		Shared expenses charged by the Group	**653**	1,025
First Capital Equities Limited	**Common Directorship**	Proceed against sales of property other than investment property	**-**	35,845
		Rental income	**643**	643
		Advances received against sale of property other than investment property	**38,000**	-
		Purchases	**90**	280
		Shared expenses charged by the Group	**651**	1,025
Media Times Limited	**Common Directorship**	Rental income	**15,562**	14,148
		Purchase of goods and services	**3,889**	1,398
Rema and Shehrbano	**Common Directorship**	Service charges	**2,396**	2,412
Conatural	**Common Directorship**	Service charges	**1,370**	1,370
Post Employment Benefits Plans		Gratuity and leave encashment	**2,151**	1,275

41 Financial instruments

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Group's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Risk management framework

The Group's board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group audit committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

41.1 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investments in debt securities. As part of these processes the financial viability of all counterparties are regularly monitored and assessed.

The carrying amounts of financial assets and contract assets represent the maximum credit exposure. The maximum exposure to credit risk at the statement of financial position date was:

	Note	**2020**	2019
		--- (Rupees in thousand) ---	
Long term advances and deposits		**15,248**	15,248
Trade debts	*26*	**406,985**	424,753
Advances, deposits, prepayments and other receivables		**150,008**	137,632
Bank balance	*29*	**22,930**	164,709
		595,171	742,342

Trade receivables

All the counterparties are of domestic origin. Ageing of the trade debts is as under:

The ageing of trade debts against properties including related parties at reporting date is as follows:

	2019		2019	
	Gross	**Impairment**	Gross	Impairment
		--- (Rupees in thousand) ---		
- Past due 0 - 365 days	**-**	**-**	-	-
- 1 - 2 years	**8,728**	**-**	33,307	-
- More than 2 years	**398,257**	**-**	391,446	-
	406,985	**-**	424,753	-

Bank balances

The Group held bank balances of Rs. 22.93 million at 30 June 2020 (2019: Rs. 164.71 million).

Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. Impairment losses in respect of bank balances amounting to Rs. 0.09 million (2019: Rs. 0.09 million) has been recognised in the statement of profit or loss for the year ended 30 June 2020.

The credit quality of 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		Rating		
	Short term	**Long term**	**Agency**	**2020**	2019
				--- (Rupees in thousand) ---	
Bank Islamic Pakistan Limited	**A-1**	**A+**	**PACRA**	**10**	9
Allied Bank Limited	**A1+**	**AAA**	**PACRA**	**326**	42
Soneri Bank Limited	**A1+**	**AA-**	**PACRA**	**9**	7
Silk Bank Limited	**A-2**	**A-**	**JCR-VIS**	**80**	72
Bank Alfalah Limited	**A-1+**	**AA+**	**PACRA**	**208**	744
Al Baraka Bank (Pakistan) Limited	**A-1**	**A+**	**JCR-VIS**	**23**	7
Askari Bank Limited	**A1+**	**AA+**	**JCR-VIS**	**6**	5
Faysal Bank Limited	**A-1+**	**AA**	**PACRA**	**59**	590
United Bank Limited	**A-1+**	**AAA**	**JCR-VIS**	**6**	6
Habib Bank Limited	**A-1+**	**AAA**	**JCR-VIS**	**1**	2
MCB Bank Limited	**A-1+**	**AAA**	**PACRA**	**22,291**	163,932
				23,019	165,416

41.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group maintains adequate reserves, by continuously monitoring forecast and actual cash flows and matching profiles of financial assets and liabilities. Financial liabilities comprise trade and other payables and due to related parties.

Exposure to liquidity risk

Contractual maturities of financial liabilities, including estimated interest payments.

	2020				
	Carrying amount	**Contractual cashflows**	**One year or less**	**One to five years**	**More than five years**
			--- (Rupees in thousand) ---		
Long term finances - secured	**66,860**	**66,860**	**66,860**	**-**	**-**
Redeemable capital - secured (non-participatory)	**935,571**	**935,571**	**935,571**	**-**	**-**
Lease liability	**179,330**	**778,617**	**22,762**	**106,437**	**649,418**
Foreign currency convertible bonds - unsecured	**2,895,217**	**2,895,217**	**2,895,217**	**-**	**-**
Creditors, accrued and other liabilities	**882,185**	**882,185**	**882,185**	**-**	**-**
Accrued finance cost	**1,189,058**	**1,189,058**	**1,189,058**	**-**	**-**
	6,148,221	**6,747,508**	**5,991,653**	**106,437**	**649,418**

	2019				
	Carrying amount	Contractual cashflows	One year or less	One to five years	More than five years
			---(Rupees in thousands) ---		
Long term finances - secured	77,211	127,021	27,401	49,810	-
Redeemable capital - secured (non-participatory)	935,571	935,571	935,571	-	-
Lease liability	18,046	18,046	18,046	-	-
Foreign currency convertible bonds - unsecured	2,805,535	2,805,535	2,805,535	-	-
Creditors, accrued and other liabilities	714,530	714,530	714,530	-	-
Accrued finance cost	1,077,823	1,077,823	1,077,823	-	-
	5,628,716	5,678,526	5,578,906	49,810	-

41.3 Market risk

Market risk is the risk that changes in market prices - such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

41.4 Currency risk

Currency risk is the risk that fair values or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises from sales, purchases and resulting balances that are denominated in a currency other than functional currency. The Group is not exposed to foreign currency risk as at the reporting date.

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

	2020	2019
Following is the Group's exposure to currency risk:	**--- (USD in thousand) ---**	
Foreign Currency Convertible Bonds- USD	**17,203**	17,055

The exchange rate applicable at the reporting date is 168.30 (2019: 164.50)

At reporting date, if the PKR had strengthened by one rupee against USD with all other variables held constant, profit for the year would have been higher by Rs. 17.20 million, mainly as a result of net foreign exchange gain on translation of foreign currency loans.

The weakening of the PKR against USD would have had an equal but opposite impact on the profit for the year.

41.5 Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The effective interest / mark-up rates for interest / mark-up bearing financial instruments are mentioned in relevant notes to the financial statements. The Group's interest / mark-up bearing financial instruments as at the reporting date are as follows:

		2020		2019	
		Financial asset	**Financial liability**	Financial asset	Financial liability
Non-derivative financial - instruments	*Note*	**--- (Rupees in thousand) ---**			
Fixed rate instruments					
Long term finances - *secured*	*9.2*	**-**	**-**	-	19,043
Foreign currency convertible bonds	*12*	**-**	**2,895,217**	-	2,805,535
Lease liability	*11*		**179,330**		18,046
Cash at bank		**549**	**-**	219	-
Variable rate instruments					
Redeemable capital - *secured*	*10*	**-**	**935,571**	-	935,571
		549	**4,010,118**	219	3,778,195

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore a change in interest rates at the reporting date would not affect statement of profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) profit for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2019.

Profit or loss 100 bps			
2020		2019	
Increase	**Decrease**	Increase	Decrease
---------------------------------- Rupees ----------------------------------			
9,356	**(9,356)**	9,356	(9,356)

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and assets / liabilities of the

41.6 Other price risk

Other price risk is 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).

41.7 Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the return on capital, as well as the level of dividends to ordinary shareholders. In order to maintain or adjust the capital structure, the Group 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. The Group monitors capital using a ratio of 'net debt' to 'equity'. Net debt is calculated as total liabilities (as shown in the statement of financial position) less cash and cash equivalents.

	2020	2019
	--- (Rupees in thousand) ---	
Total liabilities	**6,468,971**	5,981,229
Less: cash and cash equivalents	**(23,148)**	(165,416)
Net debt	**6,445,823**	5,815,813
Total equity	**1,060,636**	1,480,760
Net debt to equity ratio	**6.10**	4.04

42 Fair value measurement of financial instruments

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

	Note	30 June 2020					
		Carrying amount			Fair value		
		Financial assets at amortised cost	Financial liabilities at amortised cost	Total	Level 1	Level 2	Level 3
		(Rupees in thousand)					
Financial instruments							
30 June 2020							
Financial assets not measured at fair value							
Long term advances and deposits		**15,248**	**-**	**15,248**	**-**	**-**	**-**
Trade debts		**406,985**	**-**	**406,985**	**-**	**-**	**-**
Advances, deposits, prepayments and other receivables		**150,008**	**-**	**150,008**	**-**	**-**	**-**
Cash and bank balances		**23,148**	**-**	**23,148**	**-**	**-**	**-**
	42.2	**595,389**	**-**	**595,389**	**-**	**-**	**-**
Financial liabilities not measured at fair value							
Long term finances - secured		**-**	**66,860**	**66,860**	**-**	**-**	**-**
Redeemable capital - secured (non-participatory)		**-**	**935,571**	**935,571**	**-**	**-**	**-**
Lease liability		**-**	**42,758**	**42,758**	**-**	**-**	**-**
Foreign currency convertible bonds - unsecured		**-**	**2,895,217**	**2,895,217**	**-**	**-**	**-**
Creditors, accrued and other liabilities		**-**	**882,185**	**882,185**	**-**	**-**	**-**
Accrued finance cost		**-**	**1,189,058**	**1,189,058**	**-**	**-**	**-**
	42.2	**-**	**6,011,649**	**6,011,649**	**-**	**-**	**-**

42.1 Fair value measurement of financial instruments

	Note	30 June 2019					
		Carrying amount			Fair value		
		Financial assets at amortised cost	Financial liabilities at amortised cost	Total	Level 1	Level 2	Level 3
		(Rupees in thousand)					
Financial instruments							
30 June 2019							
Financial assets not measured at fair value							
Long term advances and deposits		15,248	-	15,248	-	-	-
Trade debts		424,753	-	424,753	-	-	-
Advances, deposits, prepayments and other receivables		137,632	-	137,632	-	-	-
Cash and bank balances		165,416	-	165,416	-	-	-
	42.2	743,049	-	743,049	-	-	-
Financial liabilities not measured at fair value							
Long term finances - secured		-	77,211	77,211	-	-	-
Redeemable capital - secured (non-participatory)		-	935,571	935,571	-	-	-
Lease liability		-	18,046	18,046	-	-	-
Foreign currency convertible bonds - unsecured		-	2,805,535	2,805,535	-	-	-
Current maturity of long term liabilities		-	714,530	714,530	-	-	-
Accrued finance cost		-	1,077,823	1,077,823	-	-	-
	42.2	-	5,628,716	5,628,716	-	-	-

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

43 Segment information

		Real estate sales		Investment properties		Others		Total	
		2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
		---------- (Rupees in thousand) ----------							
43.1	Segment revenue	**82,336**	339,407	**46,840**	53,017	**114,948**	64,056	**244,124**	456,480
	Segment expenses - Cost of revenue	**50,772**	236,564	**33,894**	39,283	**93,008**	70,628	**177,674**	346,475
	Gross profit / (loss)	**31,564**	102,843	**12,946**	13,734	**21,940**	(6,572)	**66,450**	110,005
	Changes in fair value of investment property	**-**	-	**49,324**	5,799	**-**	-	**49,324**	5,799
	Segment results - Operating income	**31,564**	102,843	**62,270**	19,533	**21,940**	(6,572)	**115,774**	115,804
	Administrative and selling expenses							**(163,866)**	(162,076)
	Impairment loss on trade and other receivables							**(88,473)**	(8,661)
	Other income							**43,337**	9,517
	Finance costs							**(205,459)**	(138,311)
	Exchange loss on foreign currency convertible bonds							**(64,809)**	(724,904)
	Other operating expenses							**(31,407)**	(14,674)
	Share of profit from associate - net of tax							**(36,088)**	(27,498)
	Loss before tax							**(430,991)**	(950,803)
	Taxation							**2,434**	7,702
	Loss for the year							**(428,557)**	(943,101)
43.2	**Segment assets**	**3,246,135**	3,387,163	**1,897,048**	1,787,797	**-**	-	**5,143,183**	5,174,960
	Unallocated assets							**2,386,424**	2,287,029
								7,529,607	7,461,989
43.3	**Segment liabilities**	**4,068,404**	4,005,462	**66,565**	54,462	**-**	-	**4,134,969**	4,059,924
	Unallocated liabilities							**2,334,002**	1,921,305
								6,468,971	5,981,229
43.4	**Capital expenditure**	**-**	-	**-**	-	**-**	-	**-**	-
	Unallocated							**25,000**	42,000
								25,000	42,000
43.5	**Depreciation / amortisation**	**-**	-	**-**	-	**-**	-	**-**	-
	Unallocated							**34,994**	26,570
								34,994	26,570

44 Remuneration of Chief Executive, Directors and Executives

The aggregate amount charged in the consolidated financial statements for the year for remuneration, including all benefits to the Chief Executive, Directors and Executives of the Group is as follows:

	Directors					
	Chief Executive		Executive		Non-Executive	
	2020	2019	**2020**	2019	**2020**	2019
	(Rupees in thousand)					
Managerial remuneration	**7,600**	7,600	**2,726**	2,851	**5,982**	4,587
House allowance	**3,040**	3,040	**1,091**	1,140	**2,393**	1,835
Utilities	**760**	760	**272**	285	**598**	459
Staff retirement benefit-						
Gratuity	**950**	950	**341**	356	**667**	652
Leave encashment	**633**	633	**227**	238	**503**	435
	12,983	12,983	**4,657**	4,870	**10,143**	7,968
Number of persons	**1**	1	**6**	6	**4**	3

45 Number of employees

	2020	2019
Total number of employees as at 30 June	**184**	231
Average number of employees during the year	**208**	234

46 Impact of COVID - 19 on financial statements

A novel strain of coronavirus (COVID-19) that first surfaced in China was classified as a pandemic by the World Health Organization on 11 March 2020, impacting countries globally including Pakistan. Government of Pakistan has taken certain measures to reduce the spread of the COVID-19 including lockdown of businesses, suspension of flight operations, intercity movements, cancellation of major events etc. These measures have resulted in an overall economic slowdown, disruptions to various business and significant volatility in the Pakistan Stock Exchange (PSX). As a result of the foregoing, Parent Company waived off rentals to its tenants for two months resulting in loss of income amounting to Rs. 7.81 million and consturction of Pace Tower was delayed. Other than that, management considers there was no major impact that will adversely affect its businesses, results of operations and financial condition in future period.

47 Date of authorization for issue

These consolidated financial statements were authorized for issue on _________ by the Board of Directors of the Group.

48 Corresponding figures

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

Sr. No	Description	From	To	*Note*	Amount Rs. in thousands
1	Rental income and	Other income	Other revenue	*30*	16,135
	miscellaneous expenses	Other income	Other operating expenses		14,674

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