

PACE (PAKISTAN) LIMITED

**HALF YEARLY ACCOUNTS
(Un-Audited)**

DECEMBER 31, 2007

Contents

Page Five

Company information

Page Seven

Directors' review

Page Eight

Review report

Page Nine

Balance sheet

Page Eleven

Profit & loss account

Page Twelve

Cash flow statement

Page Thirteen

Statement of changes in equity

Page Fourteen

Notes to the accounts

Page Twenty One

Consolidated accounts

COMPANY INFORMATION

Board of Directors	Sheikh Sulieman Ahmed Said Al-Hoqani (Chairman) Salmaan Taseer (Chief Executive Officer) Aamna Taseer Sardar Ali Wattoo Abid Raza Jamal Said Al-Ojail Mahmood Ali Athar Imran Saeed Chaudhry
Chief Financial Officer	Muhammad Musharaf Khan
Audit Committee	Aamna Taseer (Chairman) Sardar Ali Wattoo Abid Raza
Company Secretary	Mohammad Noaman Adil
Auditors	A.F. Ferguson & Co. Chartered Accountants
Legal Advisers	Imtiaz Siddiqui & Associates Advocates and Attorneys
Bankers	Allied Bank Limited Askari Commercial Bank Limited Bank Alfalah Limited Faysal Bank Limited Habib Bank Limited Prime Commercial Bank Limited Standard Chartered Bank (Pakistan) Limited The Bank of Punjab
Registrar and Shares Transfer Office	THK Associates (Pvt.) Limited Ground Floor, State Life Building- 3 Dr. Ziauddin Ahmed Road, Karachi ☎ (021) 111 000 322, 5689021
Registered Office/Head Office	103-C/II, Gulberg-III Lahore, Pakistan ☎ (042) 5757591-4 Fax: (042) 5757590, 5877920

DIRECTORS' REVIEW

The Directors of Pace (Pakistan) Limited ("the Company or "Pace") take pleasure in presenting to its shareholders the un-audited financial statements of the Company for the period ended December 31, 2007.

Operating Results

The comparison of the un-audited results for the quarter and six months ended December 31, 2007 with the respective corresponding period is as under:

	Rupees in '000'			
	For the 2nd Quarter		Cumulative	
	Oct-Dec 2007	Oct-Dec 2006	Jul-Dec 2007	Jul-Dec 2006
Gross Profit	2,390	6,318	8,94	14,093
Increase in fair value of investment property	132,110	121,136	173,190	121,136
Investment income	39,775	37,878	65,633	68,139
Net Profit	98,681	115,759	126,091	121,483
Earnings per share (PKR)	0.51	0.83	0.65	0.77

Gross and net profits for the second quarter have declined as compare to the same quarter last year however cumulative results for six months have shown improvement as compare to the same period last year. During the current quarter no property sales from the projects were available for recording rather operational revenue has been reflected in the financial statements, this is primarily attributable to cyclical trend of the project completion, major sales from the projects for the current financial year are expected to be recorded in the last quarter, however an open piece of land measuring approximately 08 kanal has also been sold during the second quarter. Increase in fair value of investment property mainly represents increase in property prices of Gujranwala project, as a normal trend positive variance is observed in the property prices, with the project becoming operational. With respect to operations the company is now successfully running four projects, with Gujranwal project as being the latest addition to its credit.

Subsequent Events

Subsequent to December 31, 2007, the management of your company has successfully completed the transaction for the issue of Foreign Currency Convertible Bonds amounting to USD 25 million in denomination of USD 1,000 each. The management has also issued the IPO portion of term finance certificates amounting to PKR 375 million to general public out of total of PKR 1,500 million, the subscription date for the same was on February 14 and 15. In addition to the above two financings the company has also raised funds amounting to PKR 1 billion through issue of unsecured commercial papers.

The company has also entered in to an agreement with Oman Telecommunication Company (S.A.O.G) for the sale of 1.8 million shares of Worldcall Telecom Limited for a sale consideration of PKR 25 per share. The shares were acquired by the company at a total cost of PKR 12.13 million there by yielding a total profit of PKR 32.87 million.

Future Outlook

After successful start of operations of Gujranwala project, the Company is looking forward for start of commercial operations at Fortress Stadium Project. The management is also planning to launch the sales of Model Town extension project during the current financial year.

In addition to the above mentioned projects the company has also identified the land in Karachi for the development of a multi use project, currently the land is in the process of verification and negotiation and management is expecting to acquire the land for Karachi project before the close of current financial year. Karachi project will be financed through the proceeds of foreign currency convertible bonds and term finance certificates.

General

The Board of Directors wishes to express its pleasure and gratefulness to the shareholders for their continued support and to all the employees for their ongoing dedication and commitment to the Company.

For and on behalf of the Board of Directors

Lahore
February 28, 2008

Salmaan Taseer
Chief Executive Officer

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

Introduction

We have reviewed the accompanying condensed interim balance sheet of **Pace (Pakistan) Limited** as at December 31, 2007, and the related condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity for the half year then ended (here-in-after referred to as the "interim financial information"), Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed interim profit and loss account for the quarters ended December 31, 2006 and 2007 have not been reviewed as we are required to review only the cumulative figures for the half year ended December 31, 2007.

Scope of Review

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

Conclusion

Based on our review nothing has come to our attention that causes us to believe that the accompanying interim financial information as of and for the half year ended December 31, 2007 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

Lahore
February 28, 2008

A.F. FERGUSON & CO.
CHARTERED ACCOUNTANTS

PACE (PAKISTAN) LIMITED
CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)
AS AT DECEMBER 31, 2007

EQUITY AND LIABILITIES	Note	December 31, 2007	June 30, 2007
		(Rupees in thousand)	
CAPITAL AND RESERVES			
Authorised capital 400,000,000 (June 2007: 230,000,000) ordinary shares of Rs 10 each		4,000,000	2,300,000
Issued, subscribed and paid up capital 220,464,951 (June 2007: 220,464,951) ordinary shares of Rs 10 each		2,204,650	2,204,650
Share deposit money		1,246	1,260
Reserves		135,010	138,162
Unappropriated profit		974,564	830,944
		3,315,470	3,175,016
NON-CURRENT LIABILITIES			
Long term loans and finances - secured	4	1,158,540	48,750
Liabilities against assets subject to finance lease		8,834	6,044
Deferred liabilities		45,430	59,239
Advances against sale of property		322,740	278,343
		1,535,544	392,376
CURRENT LIABILITIES			
Current portion of long term loans and finances - secured		22,701	105,750
Current portion of liabilities against assets subject to finance lease		6,238	3,518
Creditors, accrued and other liabilities		140,397	131,906
Provision for taxation		-	1,472
		169,336	242,646
CONTINGENCIES AND COMMITMENTS	5	5,020,350	3,810,038

ASSETS

NON-CURRENT ASSETS

Property, plant and equipment	6	295,126	245,759
Intangible assets		1,218	1,282
Assets subject to finance lease		17,072	10,647
Investment property		1,610,509	1,418,047
Investments	7	300,235	333,282
Long term advances and deposits		23,489	23,532
Long term loans - unsecured	8	202,119	182,119
		2,449,768	2,214,668

CURRENT ASSETS

Stock-in-trade		921,130	751,408
Trade debts - unsecured		316,922	320,624
Due from related parties - unsecured	9	120,326	85,076
Advance against purchase of property - unsecured		15,000	20,000
Investment - available for sale	10	29,895	-
Advances, deposits, prepayments and other receivables		196,775	110,319
Cash and bank balances		970,534	307,943
		2,570,582	1,595,370
		5,020,350	3,810,038

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.

LAHORE

CHIEF EXECUTIVE

CHIEF EXECUTIVE

PACE (PAKISTAN) LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2007

	Quarter ended		Half year ended	
	December 31, 2007	December 31, 2006	December 31, 2007	December 31, 2006
	(Rupees in thousand)			
Sales	65,813	21,033	93,905	75,317
Cost of sales	(52,775)	(10,696)	(64,204)	(50,849)
Stores operating expenses	(10,648)	(4,019)	(20,758)	(10,375)
Gross profit	2,390	6,318	8,943	14,093
Administration and selling expenses	(24,475)	(11,396)	(49,168)	(21,400)
Changes in fair value of investment property	132,110	121,136	173,190	121,136
Other operating income	39,775	37,878	65,633	68,139
Profit from operations	149,800	153,936	198,598	181,968
Finance costs	(38,097)	(23,755)	(59,485)	(45,931)
Other charges	(13,022)	(14,422)	(13,022)	(14,554)
Profit before tax	98,681	115,759	126,091	121,483
Taxation	14,097	(112)	17,529	(209)
Profit for the period	112,778	115,647	143,620	121,274
Earnings per share				
- basic & diluted	Rupees 0.51	0.83	0.65	0.77

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.

LAHORE:

CHIEF EXECUTIVE

DIRECTOR

PACE (PAKISTAN) LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2007

	Note	Half year ended	
		December 31, 2007	December 31, 2006
		(Rupees in thousand)	
Cash flows from operating activities			
Cash used in operations	13	(348,575)	(607,526)
Net increase in advances against sale of property		44,397	63,469
Finance costs paid		(10,480)	(31,804)
Gratuity and leave encashment paid		(392)	(359)
Taxes paid		(4,465)	(2,958)
Net cash used in operating activities		(319,515)	(579,178)
Cash flows from investing activities			
Purchase of property, plant and equipment		(64,031)	(10,046)
Additions in investment property		(10,926)	(864)
Proceeds from sale of property, plant and equipment		45	-
Net decrease in long term advances and deposits		43	3,040
(Disbursement)/repayment of loans to subsidiaries		(20,000)	3,700
Markup received		44,737	4,430
Net cash (used in)/from investing activities		(50,132)	260
Cash flows from financing activities			
Proceeds from issue of share capital		-	622,499
Surrender of share deposit money to SECP		(14)	-
Payment of expenses on issue of share capital		-	(34,446)
Proceeds from long term loans		1,125,000	85,000
Repayment of long term loans		(98,259)	(60,000)
Availment/(repayment) of finance lease liabilities		5,511	(1,895)
Net cash used in financing activities		1,032,238	611,158
Net increase in cash and cash equivalents		662,591	32,240
Cash and cash equivalents at beginning of the period		307,943	(503,783)
Cash and cash equivalents at the end of the period	14	970,534	(471,543)

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.

LAHORE

CHIEF EXECUTIVE

DIRECTOR

PACE (PAKISTAN) LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2007

	Share Capital	Share deposit money	Share Premium	Revaluation reserve for investment property	Reserve for changes in fair value of investments	Un-appropriated profit	Total
							Rupees in thousand
Balance as on June 30, 2006	1,040,836	-	-	116,244	1,885	330,801	1,489,766
Receipt of share deposit money	-	622,499	-	-	-	-	622,499
Issue of ordinary shares	444,642	(622,499)	177,857	-	-	-	(6,291)
Cost on issue of ordinary shares	-	-	(6,291)	-	-	-	2,819
Gain in fair value of investment	-	-	-	-	2,819	-	121,274
Profit for the period	-	-	-	-	-	121,274	2,230,067
Balance as on December 31, 2006	1,485,478	-	171,566	116,244	4,704	452,075	548,408
Receipt of share deposit money	-	548,408	-	-	-	-	-
Issue of ordinary shares	390,820	(547,148)	156,328	-	-	-	1,460
Adjustment of cost on issue of ordinary shares	-	-	1,460	-	-	-	-
Bonus shares issued during the period	328,352	-	(328,352)	-	-	-	16,212
Gain in fair value of investment	-	-	-	-	16,212	-	378,869
Profit for the period	-	-	-	-	-	378,869	3,175,016
Balance as on June 30, 2007	2,204,650	1,260	1,002	116,244	20,916	830,944	(3,152)
Gain in fair value of investment	-	-	-	-	(3,152)	-	(14)
Surrendered to SECP	-	(14)	-	-	-	-	143,620
Profit for the period	-	-	-	-	-	143,620	3,315,470
Balance as on December 31, 2007	2,204,650	1,246	1,002	116,244	17,764	974,564	

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.

LAHORE

CHIEF EXECUTIVE

DIRECTOR

PACE (PAKISTAN) LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL INFORMATION
(UN-AUDITED)
FOR THE QUART AND HALF YEAR ENDED DECEMBER 31, 2007

- This condensed interim financial information is un-audited and is being submitted to the shareholders as required by section 245 of the Companies Ordinance, 1984 and the listing regulations of the Karachi and Lahore Stock Exchanges.
- The accounting policies adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of preceding annual published financial statements of the Company for the year ended June 30, 2007. During the period, the company has entered into sale and repurchase agreements of securities. The policy in respect of accounting under these agreements is as follows:

Securities purchased under an agreement to resell (reverse repo) are not recognized in the financial statements as investments and the amount extended to the counter party is included in other receivables. The difference between the sale and repurchase price is recognized as mark-up earned and included in other income.

- This condensed interim financial information has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 'Interim Financial Reporting'. They do not include all the information required for full annual financial statements, and this condensed interim financial information should be read in conjunction with the financial statements of the company for the year ended June 30, 2007.

This condensed interim financial information has been reviewed by the auditors as required by the Code of Corporate Governance.

4. Long term loans & finances - secured

	December 31, 2007	June 30, 2007
	(Rupees in thousand)	
Opening balance	154,500	216,000
Add: Disbursement during the period	1,125,000	85,000
	<u>1,279,500</u>	<u>301,000</u>
Less: Repayment during the period	98,259	146,500
	<u>1,181,241</u>	<u>154,500</u>
Less: Current portion shown under current liabilities	22,701	105,750
	<u>1,158,540</u>	<u>48,750</u>

This represents advance of Rs 1.125 billion (June 2007: Rs Nil) received against issue of 225,000 term finance certificates (TFC's) of Rs 5,000 each through private placement. Profit is charged at six months Karachi Interbank Offered Rate plus 3% per annum with no floor or cap on amount of advance until the issue of TFC's. However, effective January 01, 2008 markup is to be computed at average six months Karachi Interbank Offered Rate plus 1.5% per annum. Term Finance Certificates are to be issued till March 31, 2008 and listed on Lahore Stock Exchange. Terms of TFC's are given in the following paragraph.

Terms of repayment

Term finance certificates are redeemable in 5 years. The principal balance is payable in six equal semi-annual installment after a grace period of 2 years. The first installment will be due at the end of 30th month from the issue date.

Security

The TFC's are secured by a first exclusive charge by way of equitable mortgage on the properties situated at 124/E-1, Main Boulevard Gulberg III, Lahore, 40-Block P, Model Town, Lahore, 27-H College Road, Gulberg II, Lahore, G.T. Road, Gujranwala and Barki Road, Lahore and first exclusive hypothecation charge over certain specific fixed assets to the extent of Rs 2 billion.

5. Contingencies and commitments

5.1 Contingencies

- (i) Claims against the company not acknowledged as debts Rs 21.644 million (June 2007: Rs 21.644 million).
- (ii) Bank guarantee amounting to Rs Nil (June 2007: Rs 60 million) in favour of Karachi Port Trust against the bid of Port Shopping District in Karachi.
- (iii) Corporate guarantee on behalf of Pace Barka Properties Limited, an associated undertaking, in favour of The Bank of Punjab, amounting to Rs 900 million (June 2007: Rs 900) as per the approval of shareholders through the special resolution dated July 29, 2006.
- (iv) A penalty of Rs. 3.87 million (June 2007: Nil) , for an alleged non-filing of Wealth Tax returns for assessment years 1996-97 to 1998-99, has been imposed vide order dated 4th September, 2007 by the Wealth Tax Officer. The company has filed appeal before CIT (A) for cancellation of the order.

Pending the outcome of the appeal the amount has not been provided as management is of the opinion that there are meritorious grounds that the ultimate decision would be in its favour.

5.2 Commitments

- (i) Letters of credit other than capital expenditure amounting to Rs Nil (June 2007: Rs 5.757 million)
- (ii) Letters of credit for capital expenditure amounting to Rs Nil (June 2007: Rs 1.43 million)
- (iii) The company has entered into an agreement for purchase of inventory for an aggregate amount of Rs 555 million out of which Rs 10 million have been paid in advance.
- (iv) The company has entered into an agreement with Worldcall Telecom Limited for installation and maintenance of dark fiber, broadband telephony and interactive vigilance system at company properties for an aggregate amount of Rs 28.180 million.

6. Property, plant and equipment

Note	December 31, 2007 (Rupees in thousand)	June 30, 2007
Opening book value	245,759	271,835
Add: Additions during the period - note 6.1	57,120	85,872
Less: Transfers to stock-in-trade / investment property	-	101,261
	<u>302,879</u>	<u>256,446</u>
Less: Disposals during the period (at book value)	49	-
Less: Depreciation charged during the period	<u>7,704</u>	<u>10,687</u>
	<u>7,753</u>	<u>10,687</u>
Closing book value	<u>295,126</u>	<u>245,759</u>

6.1 Following is the detail of additions during the period

Freehold land	-	14,959
Buildings on freehold land	39,165	37,256
Plant and machinery	4,349	8,573
Electrical equipment	8,190	9,457
Furniture and fixtures	2,597	1,595
Computers	2,271	2,435
Others	548	11,597
	<u>57,120</u>	<u>85,872</u>

7. Investments

Equity instruments of:		
- subsidiaries - unquoted - note 7.1	55	55
- associated undertakings - unquoted - note 7.2	300,180	300,180
Available for sale - quoted - note 7.3	-	33,047
	<u>300,235</u>	<u>333,282</u>

December
31, 2007
(Rupees in thousand)

June
30, 2007

7.1 Subsidiaries - unquoted

Pace Woodlands (Private) Limited 3,000 (June 2007: 3,000) fully paid ordinary shares of Rs 10 each	30	30
Pace Gujrat (Private) Limited 2,450 (June 2007: 2,450) fully paid ordinary shares of Rs 10 each	25	25
	<u>55</u>	<u>55</u>

7.2 Associated undertakings - unquoted

Pace Barka Properties Limited 30,000,000 (June 2007: 30,000,000) fully paid ordinary shares of Rs 10 each	300,000	300,000
Pace Super Mall (Private) Limited 18,000 (June 2007: 18,000) fully paid ordinary shares of Rs 10 each	180	180
	<u>300,180</u>	<u>300,180</u>

7.3 Available for sale - quoted

At cost	- note 7.3.1	-	12,131
Add: Cumulative fair value gain	- note 7.3.2	-	20,916
		<u>-</u>	<u>33,047</u>

7.3.1 This represents Nil (June 2007: 1,800,912) fully paid ordinary shares of Rs 10 each of Worldcall Telecom Limited, an associated undertaking under the Companies Ordinance, 1984. However, for the purpose of measurement, it has been classified as available for sale investment as the company does not have significant influence over its operations. These shares have been classified as short term investment as the management has entered into an arrangement in February 2008 for sale of these shares for a consideration of Rs 45 million.

December
31, 2007
(Rupees in thousand)

June
30, 2007

7.3.2 Cumulative fair value gain

As at July 1	-	1,885
Fair value gain during the period	-	19,031
	<u>-</u>	<u>20,916</u>

8. Long term loans - unsecured

These represent loans given to the following related parties:

Subsidiaries

Pace Woodlands (Private) Limited	100,900	100,900
Pace Gujrat (Private) Limited	60,116	40,116
	<u>161,016</u>	<u>141,016</u>

Associated undertaking

Media Times Limited	41,103	41,103
	<u>202,119</u>	<u>182,119</u>

9. Due from related parties - unsecured

Subsidiaries

	December 31, 2007 (Rupees in thousand)	June 30, 2007
Pace Woodlands (Private) Limited	86,831	72,727
Pace Gujrat (Private) Limited	21,702	11,786
	<u>108,533</u>	<u>84,513</u>

Associated undertaking

Pace Barka Properties Limited	11,793	563
	<u>120,326</u>	<u>85,076</u>

10. Investments - available for sale

Quoted

At cost	- note 10.1	12,131	-
Add: Cumulative fair value gain	- note 10.2	17,764	-
		<u>29,895</u>	<u>-</u>

10.1 This represents 1,800,912 (June 2007: Nil) fully paid ordinary shares of Rs 10 each of Worldcall Telecom Limited, an associated undertaking under the Companies Ordinance, 1984. However, for the purpose of measurement, it has been classified as available for sale investment as the company does not have significant influence over its operations.

10.2 Cumulative fair value gain

	December 31, 2007 (Rupees in thousand)	June 30, 2007
As at July 1	20,916	-
Fair value loss during the period	(3,152)	-
	<u>17,764</u>	<u>-</u>

11. Transactions with related parties

Relationship with the Company	Nature of transaction	December 31, 2007 (Rupees in thousand)	June 30, 2006
i. Subsidiaries	Loans disbursed	20,000	-
	Short term advances given	4,875	371,863
	Mark up income	19,157	60,634
ii. Associates	Purchase of goods & services	48,989	-
	Loans disbursed	-	6,300
	Mark up income	3,595	3,066
	Guarantee commission	2,250	-
	Sales of goods & services	52,565	-
	Short term advances given	33,799	-
	Short term advances received	23,109	-
iii. Key management personnel	Short term employee benefits	3,380	2,925

Period end balances

	December 31, 2007 (Rupees in thousand)	June 30, 2007
Long term loans to related parties	202,119	182,119
Receivable from related parties	238,849	173,720
Payable to related parties	7,880	58,406

(Rupees in thousand)

	Real estate sales				Investment properties				Others				Total			
	Quarter ended December 31, 2007	Six months ended December 31, 2007	Quarter ended December 31, 2006	Six months ended December 31, 2006	Quarter ended December 31, 2007	Six months ended December 31, 2007	Quarter ended December 31, 2006	Six months ended December 31, 2006	Quarter ended December 31, 2007	Six months ended December 31, 2007	Quarter ended December 31, 2006	Six months ended December 31, 2006	Quarter ended December 31, 2007	Six months ended December 31, 2007	Quarter ended December 31, 2006	Six months ended December 31, 2006
Segment revenue	52,740	10,843	68,270	54,515	11,803	7,839	20,992	16,190	1,270	2,351	4,643	4,612	65,813	21,033	93,905	75,317
Segment expenses	(52,301)	(10,190)	(63,321)	(49,955)	-	-	-	-	(474)	(506)	(883)	(894)	(52,775)	(10,686)	(64,204)	(50,849)
- Cost of sales	-	-	-	-	-	-	-	-	-	-	-	-	(10,648)	(4,019)	(20,758)	(10,375)
- Stores operating expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gross profit	439	653	4,949	4,560	1,155	3,820	234	5,815	796	1,845	3,760	3,718	2,390	6,318	8,943	14,093
- Changes in fair value of investment property	-	-	-	-	132,110	121,136	173,190	121,136	-	-	-	-	132,110	121,136	173,190	121,136
Segment results	439	653	4,949	4,560	133,265	124,956	173,424	126,951	796	1,845	3,760	3,718	134,500	127,454	182,133	135,229
Administration and selling expenses	-	-	-	-	-	-	-	-	-	-	-	-	(24,475)	(11,396)	(49,168)	(21,400)
Other operating income	-	-	-	-	-	-	-	-	-	-	-	-	39,775	37,878	65,633	68,139
Finance costs	-	-	-	-	-	-	-	-	-	-	-	-	(38,097)	(23,755)	(59,485)	(46,931)
Other charges	-	-	-	-	-	-	-	-	-	-	-	-	(13,022)	(14,422)	(13,022)	(14,554)
Profit before tax	-	-	-	-	-	-	-	-	-	-	-	-	98,681	115,759	126,091	121,483
Taxation	-	-	-	-	-	-	-	-	-	-	-	-	14,097	(112)	17,529	(209)
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	-	112,778	115,647	143,620	121,274

12. Segment results

13. Cash used in operations

	Half year ended	
	December 31, 2007	December 31, 2006
	(Rupees in thousand)	
Profit before tax	126,091	121,483
Adjustments for:		
- Depreciation on property, plant and equipment	7,704	6,976
- Depreciation on assets subject to finance lease	1,564	1,161
- Amortisation on intangible assets	64	71
- Loss on sale of property, plant and equipment	4	-
- Markup Income	(64,298)	(68,130)
- Changes in fair value of investment property	(173,190)	(121,136)
- Cost transferred to inventory	-	15,250
- Cost on issue of share capital	-	14,422
- Finance costs	59,485	45,931
- Liabilities written back	(1,335)	-
- Provision for gratuity and leave encashment	4,583	1,509
Profit before working capital changes	(39,328)	17,537
Effect on cash flow due to working capital changes		
- Increase in stock-in-trade	(157,950)	(276,953)
- (Increase)/decrease in trade debts	3,702	30,246
- Increase in due from related parties	(15,689)	(351,176)
- Increase in advance against purchase of property	(10,000)	-
- (Increase)/decrease in advances, deposits prepayments and other receivables	(83,933)	846
- Decrease in creditors, accrued and other liabilities	(45,377)	(28,026)
	(309,247)	(625,063)
	(348,575)	(607,526)

14. Cash and cash equivalents

	December 31, 2007	December 31, 2006
	(Rupees in thousand)	
Finances under mark-up arrangements - secured	-	(635,023)
Cash and bank balances	970,534	163,480
	970,534	(471,543)

15. Date of authorization for issue

This condensed interim financial information was authorised for issue on February 28, 2008 by the Board of Directors of the Company.

16. Events after the balance sheet date

Subsequent to December 31, 2007, the company has issued Foreign Currency Convertible Bonds amounting to USD 25 million in denomination of USD 1,000 each.

Term finance certificates amounting to Rs 375 million have been offered to general public and prospectus in this regard has been issued.

The company has issued unsecured commercial papers having face value of Rs 1 billion for a period of six months in denomination of Rs 5 million each.

The company has also entered into an arrangement in February 2008 to sell 1.8 million shares in

World Call Telecom Limited having a carrying amount of Rs 29.88 million for a consideration of Rs 45 million.

17. Corresponding figures

Corresponding figures have been re-arranged, wherever necessary, for the purposes of comparison. Significant re-arrangements made are as follow:

	(Rupees in thousand)
Payables to customers classified from trade debts to creditors, accrued and other liabilities	4,479
Advance to Pace Super Mall (Private) Limited against purchase of property classified from short term to long term	21,600
Licensee income receivable classified from other receivables to trade debts	5,639

The above figures have been re-arranged as the reclassification made is considered more appropriate for the purposes of presentation.

LAHORE

CHIEF EXECUTIVE

DIRECTOR

PACE (PAKISTAN) GROUP

**CONSOLIDATED HALF YEARLY
ACCOUNTS
(Un-Audited)**

DECEMBER 31, 2007

DIRECTORS' REVIEW

The Board of Directors of Pace (Pakistan) Limited is pleased to present unaudited consolidated financial statements of the group for the six months ended December 31, 2007.

Financial overview

Following are the comparative financial results for the six months ended December 31, 2007 and December 31, 2006;

	Rupees in '000'	
	Jul-Dec 2007	Jul-Dec 2006
Sales	93,887	75,317
Gross profit	8,925	14,093
Profit from operations	178,839	121,335
Net profit after tax	123,861	60,641
Net Assets	3,203	3,082
Earnings per Share (PKR)	0.56	0.39

Net profit is showing considerable increase over the corresponding period last year whereas EPS of the group has also improved as compare to the corresponding period. Increase in profits and EPS is attributable to the mark-up income received against investments. Company wise latest update in respect of subsidiaries is as under:

Pace Woodlands (Pvt.) Limited

The main objective of the company is to construct, develop and manage a housing society. The company has secured land on Bedian Road, Lahore Cantonment near Defence Housing Authority for establishing the housing scheme. Submission drawings have been approved by the LDA. Beside land development and houses construction activities are at full swing and booking of sales will be launched shortly.

Pace Gujrat (Pvt.) Limited

The company has acquired land for construction of a shopping mall. Civil work on the project is at full swing and is almost 90 % complete, with respect to sales, the company has already launched the successful booking of shops and kiosks and has received a confirm booking for considerable number of shops and kiosks, second phase of sales will be launched soon.

For and on behalf of the Board of Directors

Lahore
February 28, 2008

Salmaan Taseer
Chief Executive Officer

PACE (PAKISTAN) GROUP
CONSOLIDATED CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)
AS AT DECEMBER 31, 2007

EQUITY AND LIABILITIES	Note	December 31, 2007	June 30, 2007
		(Rupees in thousand)	
CAPITAL AND RESERVES			
Authorized capital 400,000,000 (June 2007: 230,000,000) ordinary shares of Rs 10 each		4,000,000	2,300,000
Issued, subscribed and paid up capital 220,464,951 (June 2007: 220,464,951) ordinary shares of Rs 10 each		2,204,650	2,204,650
Share deposit money		1,246	1,260
Reserves		135,010	138,162
Unappropriated profit		862,198	738,337
		3,203,104	3,082,409
MINORITY INTEREST		27	27
NON-CURRENT LIABILITIES			
Long term loans and finances			
- secured	4	1,211,040	108,750
- unsecured		198,580	173,580
Liabilities against assets subject to finance lease		8,834	6,044
Deferred liabilities		45,430	59,239
Advances against sale of property		361,296	293,220
		1,825,180	640,833
CURRENT LIABILITIES			
Current portion of long term loans and finances - secured		30,201	105,750
Current portion of liabilities against assets subject to finance lease		6,238	3,518
Finances under mark up arrangements - secured		29,647	29,998
Creditors, accrued and other liabilities		182,163	165,345
Provision for taxation		-	1,472
		248,249	306,083
CONTINGENCIES AND COMMITMENTS	5	5,276,560	4,029,352

ASSETS	Note	December 31, 2007	June 30, 2007
		(Rupees in thousand)	
NON-CURRENT ASSETS			
Property, plant and equipment	6	295,126	245,759
Intangible assets		1,218	1,282
Assets subject to finance lease		17,072	10,647
Investment property		1,610,509	1,418,047
Investments	7	300,180	333,227
Long term Deposits and deferred costs		23,489	23,532
Long term loans - unsecured	8	80,074	80,074
		2,327,668	2,112,568
CURRENT ASSETS			
Stock-in-trade		1,344,634	1,143,655
Trade debts - unsecured		316,922	320,624
Due from related parties - unsecured	9	15,245	742
Advance against purchase of property - unsecured		10,000	15,000
Investment - available for sale	10	29,895	-
Advances, deposits, prepayments and other receivables		215,713	128,580
Cash and bank balances		1,016,483	308,183
		2,948,892	1,916,784
		5,276,560	4,029,352

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.

LAHORE

23

CHIEF EXECUTIVE

24

DIRECTOR

PACE (PAKISTAN) GROUP
CONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS
ACCOUNT (UN-AUDITED)
FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2007

	Quarter ended		Half year ended	
	December 31, 2007	December 31, 2006	December 31, 2007	December 31, 2006
	(Rupees in thousand)			
Sales	65,795	21,033	93,887	75,317
Cost of sales	(52,775)	(10,696)	(64,204)	(50,849)
Stores operating expenses	(10,648)	(4,019)	(20,758)	(10,375)
Gross profit	2,372	6,318	8,925	14,093
Administration and selling expenses	(24,475)	(11,396)	(49,168)	(21,400)
Changes in fair value of investment property	132,110	121,136	173,190	121,136
Other operating income	29,236	5,394	45,892	7,506
Profit from operations	139,243	121,452	178,839	121,335
Finance costs	(38,097)	(23,755)	(59,485)	(45,931)
Other charges	(13,022)	(14,422)	(13,022)	(14,554)
Profit before tax	88,124	83,275	106,332	60,850
Taxation	14,097	(112)	17,529	(209)
Profit for the period	102,221	83,163	123,861	60,641
Earnings per share				
- basic & diluted	Rupees 0.46	0.60	0.56	0.39

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.

LAHORE:

CHIEF EXECUTIVE

25

DIRECTOR

PACE (PAKISTAN) GROUP
CONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT
(UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2007

		Half year ended	
		December 31, 2007	December 31, 2006
		(Rupees in thousand)	
Cash flows from operating activities			
Cash used in operations	13	(344,339)	(918,763)
Net increase in advances against sale of property		68,076	93,629
Finance costs paid		(37,066)	(30,256)
Gratuity and leave encashment paid		(392)	(359)
Taxes paid		(4,465)	(2,958)
Net cash used in operating activities		(318,186)	(858,707)
Cash flows from investing activities			
Purchase of property, plant and equipment		(64,031)	(10,046)
Additions in investment property		(10,926)	(864)
Proceeds from sale of property, plant and equipment		45	-
Net decrease in long term advances and deposits		43	2,673
(Disbursement) of loans to related parties		-	(6,300)
Markup received		44,468	4,430
Net cash (used in) investing activities		(30,401)	(10,107)
Cash flows from financing activities			
Proceeds from issue of share capital		-	922,499
Surrender of share deposit money to SECP		(14)	-
Payment of expenses on issue of share capital		-	(34,446)
Proceeds from long term loans and finances		1,150,000	86,751
Repayment of long term loans		(98,259)	(60,000)
Availment/(repayment) of finance lease liabilities		5,511	(1,895)
Net cash used in financing activities		1,057,238	912,909
Net increase in cash and cash equivalents		708,651	44,095
Cash and cash equivalents at beginning of the period		278,185	(439,316)
Cash and cash equivalents at the end of the period	14	986,836	(395,221)

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.

LAHORE

CHIEF EXECUTIVE

26

DIRECTOR

**PACE (PAKISTAN) GROUP
CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2007**

	Share Capital	Share deposit money	Share Premium	Revaluation reserve for investment property	Reserve for changes in fair value of investments	Un-appropriated profit	Rupees in thousand
							Total
Balance as on June 30, 2006	1,040,836	280,245	-	116,244	1,885	289,702	1,728,912
Receipt of share deposit money	-	922,499	-	-	-	-	922,499
Issue of ordinary shares	444,642	(622,499)	177,857	-	-	-	-
Cost on issue of ordinary shares	-	-	(6,291)	-	-	-	(6,291)
Gain in fair value of investment	-	-	-	-	2,819	-	2,819
Profit for the period	-	-	-	-	-	60,641	60,641
Balance as on December 31, 2006	1,485,478	580,245	171,566	116,244	4,704	350,343	2,708,580
Receipt of share deposit money	-	548,408	-	-	-	-	548,408
Issue of ordinary shares	390,820	(547,148)	156,328	-	-	-	-
Effect of relinquishment of control	-	(580,245)	-	-	-	-	(580,245)
Adjustment of cost on issue of ordinary shares	-	-	1,460	-	-	-	1,460
Bonus shares issued during the period	328,352	-	(328,352)	-	-	-	-
Gain in fair value of investment	-	-	-	-	16,212	-	16,212
Profit for the period	-	-	-	-	-	387,994	387,994
Balance as on June 30, 2007	2,204,650	1,260	1,002	116,244	20,916	738,337	3,082,409
Gain in fair value of investment	-	-	-	-	(3,152)	-	(3,152)
Surrendered to SECP	-	(14)	-	-	-	-	(14)
Profit for the period	-	-	-	-	-	123,861	123,861
Balance as on December 31, 2007	2,204,650	1,246	1,002	116,244	17,764	862,198	3,203,104

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.

LAHORE

CHIEF EXECUTIVE

DIRECTOR

**PACE (PAKISTAN) GROUP
NOTES TO AND FORMING PART OF THE FINANCIAL
INFORMATION (UN-AUDITED)
FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2007**

1. These consolidated condensed interim financial information is un-audited and is being submitted to the shareholders as required by section 245 of the Companies Ordinance, 1984 and the listing regulations of the Karachi and Lahore Stock Exchanges.

2. The accounting policies adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of preceding annual published financial statements of the Group for the year ended June 30, 2007. During the period, the Group has entered into sale and repurchase agreements of securities. The policy in respect of accounting under these agreements is as follows:

Securities purchased under an agreement to resell (reverse repo) are not recognized in the financial statements as investments and the amount extended to the counter party is included in other receivables. The difference between the sale and repurchase price is recognized as mark-up earned and included in other income.

3. This consolidated condensed interim financial information has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 'Interim Financial Reporting'. They do not include all the information required for full annual financial statements, and this condensed interim financial information should be read in conjunction with the financial statements of the Group for the year ended June 30, 2007.

4. Long term loans and finances - secured

	December 31, 2007	June 30, 2007
	(Rupees in thousand)	
Opening balance	214,500	216,000
Add: Disbursement during the period	- note 4.1	145,000
	1,339,500	361,000
Less: Repayment during the period	98,259	146,500
	1,241,241	214,500
Less: Current portion shown under current liabilities	30,201	105,750
	1,211,040	108,750

This represents advance of Rs 1.125 billion (June 2007: Rs Nil) received against issue of 225,000 term finance certificates (TFC's) of Rs 5,000 each through private placement. Profit is charged at six months Karachi Interbank Offered Rate plus 3% per annum with no floor or cap on amount of advance until the issue of TFC's. However, effective January 01, 2008 markup is to be computed at average six months Karachi Interbank Offered Rate plus 1.5% per annum. Term Finance Certificates are to be issued till March 31, 2008 and listed on Lahore Stock Exchange. Terms of TFC's are given in the following paragraph.

Terms of repayment

Term finance certificates are redeemable in 5 years. The principal balance is payable in six equal semi-annual installment after a grace period of 2 years. The first installment will be due at the end of 30th month from the issue date.

Security

The TFC's are secured by a first exclusive charge by way of equitable mortgage on the properties situated at 124/E-1, Main Boulevard Gulberg III, Lahore, 40-Block P, Model Town, Lahore, 27-H College Road, Gulberg II, Lahore, G.T. Road, Gujranwala and Barki Road, Lahore and first exclusive hypothecation charge over certain specific fixed assets to the extent of Rs 2 billion.

5. Contingencies and commitments

5.1 Contingencies

- (i) Claims against the group not acknowledged as debts Rs 21.644 million (June 2007: Rs 21.644 million).
- (ii) Bank guarantee amounting to Rs Nil (June 2007: Rs 60 million) in favour of Karachi Port Trust against the bid of Port Shopping District in Karachi.
- (iii) Corporate guarantee on behalf of Pace Barka Properties Limited, an associated undertaking, in favour of The Bank of Punjab, amounting to Rs 900 million (June 2007: Rs 900) as per the approval of shareholders through the special resolution dated July 29, 2006.
- (iv) A penalty of Rs. 3.87 million (June 2007: Nil) , for an alleged non-filing of Wealth Tax returns for assessment years 1996-97 to 1998-99, has been imposed vide order dated 4th September, 2007 by the Wealth Tax Officer. The company has filed appeal before CIT (A) for cancellation of the order.

Pending the outcome of the appeal the amount has not been provided as management is of the opinion that there are meritorious grounds that the ultimate decision would be in its favour.

5.2 Commitments

- (i) Letters of credit other than capital expenditure amounting to Rs Nil (June 2007: Rs 5.757 million)
- (ii) Letters of credit for capital expenditure amounting to Rs Nil (June 2007: Rs 1.43 million)
- (iii) The Group has entered into an agreement for purchase of inventory for an aggregate amount of Rs 555 million out of which Rs 10 million have been paid in advance.
- (iv) The Group has entered into an agreement with Worldcall Telecom Limited for installation and maintenance of dark fiber, broadband telephony and interactive vigilance system at Group properties for an aggregate amount of Rs 73.210 million.

6. Property, plant and equipment

	December 31, 2007 (Rupees in thousand)	June 30, 2007
Opening book value	245,759	271,835
Add: Additions during the period - note 6.1	57,120	85,872
Less: Transfers to stock-in-trade / investment property	-	101,261
	302,879	256,446
Less: Disposals during the period (at book value)	49	-
Less: Depreciation charged during the period	7,704	10,687
	7,753	10,687
Closing book value	295,126	245,759

6.1 Following is the detail of additions during the period

Freehold land	-	14,959
Buildings on freehold land	39,165	37,256
Plant and machinery	4,349	8,573
Electrical equipment	8,190	9,457
Furniture and fixtures	2,597	1,595
Computers	2,271	2,435
Others	548	11,597
	57,120	85,872

7. Investments

Equity instruments of:		
- associated undertakings - unquoted - note 7.1	300,180	300,180
Available for sale - quoted - note 7.2	-	33,047
	300,180	333,227

December
31, 2007
(Rupees in thousand)

June
30, 2007

7.1 Associated undertakings - unquoted

Pace Barka Properties Limited 30,000,000 (June 2007: 30,000,000) fully paid ordinary shares of Rs 10 each	300,000	300,000
Pace Super Mall (Private) Limited 18,000 (June 2007: 18,000) fully paid ordinary shares of Rs 10 each	180	180
	300,180	300,180

7.2 Available for sale - quoted

At cost	- note 7.2.1	-	12,131
Add: Cumulative fair value gain	- note 7.2.2	-	20,916
		-	33,047

7.2.1 This represents Nil (June 2007: 1,800,912) fully paid ordinary shares of Rs 10 each of Worldcall Telecom Limited, an associated undertaking under the Companies Ordinance, 1984. However, for the purpose of measurement, it has been classified as available for sale investment as the Group does not have significant influence over its operations. These shares have been classified as short term investment as the management has entered into an arrangement in February 2008 for sale of these shares for a consideration of Rs 45 million.

December
31, 2007
(Rupees in thousand)

June
30, 2007

7.2.2 Cumulative fair value gain

As at July 1	-	1,885
Fair value gain during the period	-	19,031
	-	20,916

8. Long term loans - unsecured

These represent loans given to the following related parties:

Associated undertaking		
Media Times Limited	41,103	41,103
Pace Supermall (Private) Limited	38,971	38,971
	80,074	80,074

9. Due from related parties - unsecured

Associated undertaking

Pace Barka Properties Limited	11,793	563
Pace Supermall (Private) Limited	3,452	179
	15,245	742

10. Investments - available for sale

Quoted

At cost	- note 10.1	12,131	-
Add: Cumulative fair value gain	- note 10.2	17,764	-
		29,895	-

10.1 This represents 1,800,912 (June 2007: Nil) fully paid ordinary shares of Rs 10 each of Worldcall Telecom Limited, an associated undertaking under the Companies Ordinance, 1984. However, for the

purpose of measurement, it has been classified as available for sale investment as the Group does not have significant influence over its operations.

10.2 Cumulative fair value gain

As at July 1
Fair value loss during the period

	December 31, 2007 (Rupees in thousand)	June 30, 2007
As at July 1	20,916	-
Fair value loss during the period	(3,152)	-
	<u>17,764</u>	<u>-</u>

Half year ended	
December 31, 2007	December 31, 2006
(Rupees in thousand)	

11. Transactions with related parties

Relationship with the Group	Nature of transaction		
i. Associates	Purchase of goods & services	48,989	-
	Loans disbursed	-	6,300
	Loans received	25,000	1,751
	Mark up income	6,868	3,066
	Mark up expenses	10,534	4,878
	Advance against issue of share	-	300,000
	Guarantee commission	2,250	-
	Sales of goods & services	52,565	-
	Short term advances given	33,799	-
	Short term advances received	23,734	-
	Advance against sale of property	20,000	-
ii. Key management personnel	Short term employee benefits	3,380	2,925

	December 31, 2007 (Rupees in thousand)	June 30, 2007
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Period end balances

Long term loans to related parties	80,074	80,074
Receivable from related parties	144,267	99,886
Payable to related parties	206,524	202,343

	(Rupees in thousand)											
	Real estate sales			Investment properties			Others			Total		
	Quarter ended December 31, 2007	Six months ended December 31, 2006	Quarter ended December 31, 2007	Quarter ended December 31, 2006	Six months ended December 31, 2007	Quarter ended December 31, 2006	Quarter ended December 31, 2007	Quarter ended December 31, 2006	Six months ended December 31, 2007	Quarter ended December 31, 2007	Six months ended December 31, 2006	Quarter ended December 31, 2006
Segment revenue	52,722	10,843	68,252	54,515	11,803	7,839	20,992	16,190	4,643	65,795	21,033	93,887
Segment expenses												
- Cost of sales	(52,301)	(10,190)	(63,321)	(49,955)	-	-	(474)	(506)	(883)	(52,775)	(10,686)	(64,204)
- Stores operating expenses	-	-	-	(10,648)	(4,019)	(20,756)	-	-	-	(10,648)	(4,019)	(20,756)
Gross profit	421	653	4,931	4,560	1,155	3,820	234	5,815	3,760	2,372	6,318	8,925
- Changes in fair value of investment property	-	-	-	-	132,110	121,136	173,190	121,136	-	132,110	121,136	173,190
Segment results	421	653	4,931	4,560	133,265	124,956	173,424	126,951	3,760	134,482	127,454	182,115
Administration and selling expenses												
Other operating income												
Finance costs												
Other charges												
Profit before tax												
Taxation												
Profit for the period												

13. Cash used in operations

	Half year ended	
	December 31, 2007	December 31, 2006
	(Rupees in thousand)	
Profit before tax	106,332	60,850
Adjustments for:		
- Depreciation on property, plant and equipment	7,704	6,976
- Depreciation on assets subject to finance lease	1,564	1,161
- Amortisation on intangible assets	64	71
- Loss on sale of property, plant and equipment	4	-
- Markup Income	(44,557)	(7,506)
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- Cost on issue of share capital	-	14,422
- Finance costs	59,485	45,931
- Liabilities written back	(1,335)	-
- Provision for gratuity and leave encashment	4,583	1,509
Profit before working capital changes	(39,346)	17,528
Effect on cash flow due to working capital changes		
- Increase in stock-in-trade	(157,299)	(738,470)
- (Increase)/decrease in trade debts	3,702	30,247
- Increase in due from related parties	(14,414)	3,651
- Increase in advance against purchase of property	(10,000)	-
- (Increase)/decrease in advances, deposits prepayments and other receivables	(84,610)	(212,470)
- Decrease in creditors, accrued and other liabilities	(42,372)	(19,249)
	(304,993)	(936,291)
	(344,339)	(918,763)

December 31, 2007 **December 31, 2006**
(Rupees in thousand)

14. Cash and cash equivalents

Finances under mark-up arrangements - secured	(29,647)	(645,023)
Cash and bank balances	1,016,483	249,802
	986,836	(395,221)

15. Date of authorization for issue

This condensed interim financial information was authorised for issue on February 28, 2008 by the Board of Directors of the Company.

16. Events after the balance sheet date

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17. Corresponding figures

Corresponding figures have been re-arranged, wherever necessary, for the purposes of comparison. Significant re-arrangements made are as follow:

(Rupees in thousand)

Payables to customers classified from trade debts to creditors, accrued and other liabilities	4,479
Advance to Pace Super Mall (Private) Limited against purchase of property classified from short term to long term	21,600
Licensee income receivable classified from other receivables to trade debts	5,639

The above figures have been re-arranged as the reclassification made is considered more appropriate for the purposes of presentation.

LAHORE

CHIEF EXECUTIVE

DIRECTOR