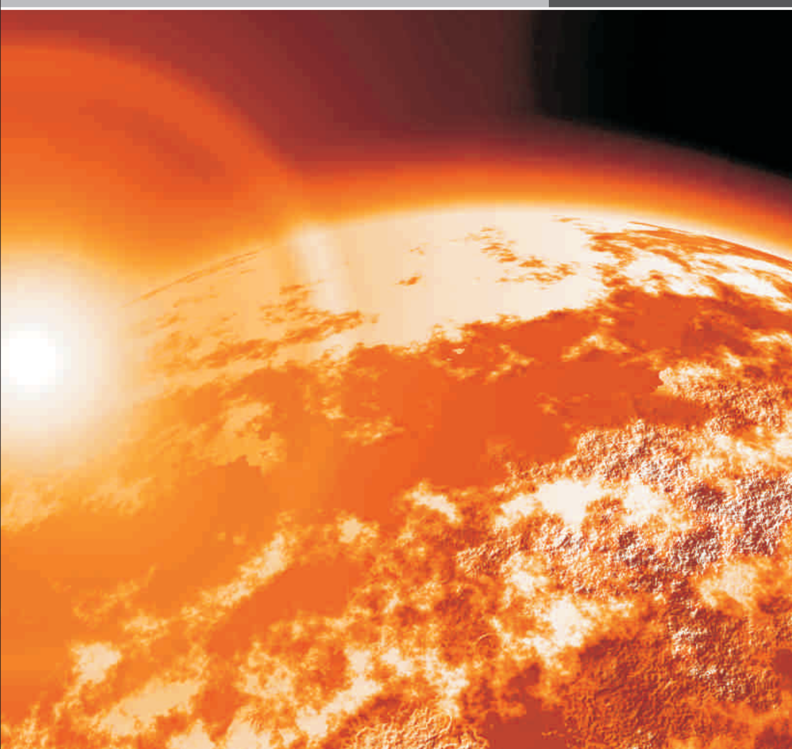
Pak Datacom






Annual Report 2010

Pak Datacom Limited

CONTENTS

COMPANY PROFILE

BOARD OF DIRECTORS

1.	Gul Bahadar Yousafzai	Chairman
2.	Ali Akhtar Bajwa	Chief Executive
3.	Iftikhar Ahmed Raja	
4.	Amjad Hussain Qureshi	
5.	Muhammad Arif	
6.	Syed Gauhar Ali	
7.	Sheikh Mohammad Afzal	

COMPANY SECRETARY / CFO

Syed Sajjad Hasan Jafri

AUDIT COMMITTEE

1. Iftikhar Ahmed Raja
2. Amjad Hussain Qureshi
3. Muhammad Arif

REGISTERED OFFICE

1st Floor, TF Complex, 7-Mauve Area, G-9/4, Islamabad

HEAD OFFICE

3rd Floor, Umar Plaza, Blue Area, Islamabad
Tel # (051) 2823677, 2872691, Fax # (051) 2823270

SHARES DEPARTMENT

Hassan Farooq Associates (Private) Limited
HF House, 7-G, Mushtaq Ahmed Gormani Road, Gulberg II, Lahore
Tel # (042) 35761661-2, Fax # (042) 35755215

AUDITORS

Anjum Asim Shahid Rahman,
Chartered Accountants,
1st Floor, Ali Plaza, Jinnah Avenue, Blue Area, Islamabad

LEGAL ADVISOR

M.A. Chaudhary & Co.,
Advocates & Corporate Consultants,
1-Wasil Plaza # 105, Blue Area, Islamabad

BOARD OF DIRECTORS

Left to Right: Syed Sajjad Hasan Jafri, Mr. Ali Akhtar Bajwa, Mr. Muhammad Arif, Mr. Gul Bahadar Yousafzai, Mr. Iftikhar Ahmed Raja, Sheikh Mohammad Afzal, Syed Gauhar Ali and Mr. Amjad Hussain Qureshi

BOARD PROFILE

Mr. Gul Bahadar Yousafzai
Chairman

Mr. Gul Bahadur Yousafzai did B.Sc Engineering (Electrical) From Engineering College Peshawar University, Peshawar and M.Sc Engineering from U.E.T Lahore. He has vast experience in the field of telecommunications. He served in PTCL at various positions and lastly as EVP Development/EVP Admin and as Managing Director TIP. After retirement from PTCL he was hired as consultant TIP for two years. He attended various professional trainings within Pakistan and abroad and also got award of excellence from Ministry of Science & Technologies in year 2001. He is presently working as Managing Director Telecom Foundation and as Chairman Pak Datacom Limited.

Mr. Ali Akhtar Bajwa
Chief Executive

Mr. Ali Akhtar Bajwa has industry experience of more than 17 years. He is CEO/MD of the Company. He did B.Sc. Electrical Engineering from USA and MBA in Finance is underway. He has done various technical and administrative trainings from within the country and abroad. He has profound experience of DXX, VSAT, iDirect and Radio networks. He successfully planned and implemented WAN networks for different organizations. Mr. Bajwa was hired as Engineer in PDL. Due to his utmost commitment and devotion to work, he is now performing professional services as CEO/MD in Pak Datacom Limited. Before joining PDL, he worked for Intelsat USA as Assistant Engineer.

Mr. Iftikhar Ahmed Raja
Director

Mr. Iftikhar Ahmed Raja did B.E from UET Lahore. In addition he is graduate of National Defense College Islamabad, MSC in Defense & Strategic Studies from Quaid-e-Azam University and did MBA in General Management. He also has many local as well as foreign training courses to his credit. Mr. Raja has vast and diverse experience in the field of telecommunication. He served in PTCL for 34 years and worked against various key positions in telecom field and administration. He retired from PTCL in 2003 as SEVP HR/Admin and was further engaged for one more year by PTCL as Consultant HR/Admin. In 2006 he joined Telecom Foundation as Senior General Manager (HR & Admin) and also worked as Managing Director Telecom Foundation till 2009.

Mr. Muhammad Arif
Director

Mr. Mohammad Arif did BSC Electrical Engineering from UET Lahore. He has 38 years of experience in telecommunications engineering in private and government sector. He retired as Member/Consultant (Technical) in 2004 from PTCL. He worked in Saudi Arabia with Philips-Ericson as Test and Commissioning Engineer SPC exchanges and as Senior Engineer with Norconsult from 1988 to 1999. He attended various technical trainings on different telecom technologies within the country and abroad. He also worked as consultant with TEACH for about two years and have implemented IN system for both fixed and mobile networks.

Mr. Sheikh Mohammad Afzal
Director

Sheikh Muhammad Afzal did Bsc. Engineering, M.I.E. PAK, M.E.C. PAK and have a great exposure of 37 years long experience in telecommunication network system management and financial control. He was former MD of Hi-Tech Industries of PTCL for manufacturing of transmission system with the collaboration of Siemens Germany. He served as Director General Operations, Maintenance, and Communication Development in PTCL access network (USA, Malaysia and Canada).

Syed Gauhar Ali
Director

Syed Gauhar Ali did BSc engineering in electrical field. He served PTCL for 35 years against different important positions. His key positions in PTCL include Chief Engineer (Staff & Establishment) and Director General. He also served in PTCL subsidiary TIP as Managing Director for two years and for another two years in Telecom Foundation as Managing Director. He retired from PTCL in year 2004 on superannuation.

Mr. Amjad Hussain Qureshi
Director

Mr. Amjad Hussain Qureshi has extensive experience in financial management, Cash management budgeting and Accounting functions. He is very well versed with the cooperate governance, taxation and local cooperate laws. He has worked in oversees Pakistanis Foundation and Shaheen Foundation in senior managerial positions. He is associated member of APA and CA Finalist. He completed his articles internship with M/S Riaz Ahmad and Co. Charted Accountants. Currently he is serving as General Manager Finance in Telecom Foundation.

Syed Sajjad Hasan Jafri
CFO/Company Secretary

As Head of Finance, Accounts and Corporate departments of the Company, Syed Sajjad Hasan Jafri has 24 years experience in the fields of financial management, corporate and tax affairs. He is Fellow member of Institute of Public Finance Accountant, Institute of Chartered Secretary, Institute of Taxation Management, Income Tax Practitioner (CBR) and CA Finalist. He has also served in a manufacturing group of companies at senior managerial positions. He completed his articles from one of the renowned Chartered Accountants Firm.

VISION STATEMENT

Progressive and reliable member of the Economic Global Village

MISSION STATEMENT

To provide enhanced, fast, cost effective and dependable worldwide communication services with optimised return to shareholders of the Company

CORPORATE STRATEGY

To provide reliable high speed data transmission and other communication facilities at competitive rates with constant up-gradation in the service range incorporating the penetrative marketing strategy to broaden the clientele base with optimum of satisfaction, safeguarding the interest of shareholders and utilize Company resources ensuring maximum return

NOTICE OF MEETING

Notice is hereby given that the 18th Annual General Meeting of Pak Datacom Limited will be held on Thursday, October 28, 2010 at 11:00 a.m. at the Registered Office, Telecom Foundation Headquarters, 1st Floor, TF Complex, 7 - Mauve Area, G-9/4, Islamabad to transact the following business;

ORDINARY BUSINESS

1. To confirm the minutes of the 17th Annual General Meeting held on October 28, 2009.

2. To receive, consider and adopt the audited accounts of the Company for the year ended June 30, 2010 together with the Directors' and Auditors' Report thereon.

3. To approve the payment of final cash dividend to the shareholders @50% i.e. Rs. 5.00 per share for the year ended June 30, 2010. This final cash dividend is in addition to 30% i.e. Rs. 3.00 per share interim cash dividend already paid by the Company.

4. To appoint auditors for the year ending June 30, 2011 and fix their remuneration. Retiring auditors M/S Anjum Asim Shahid Rahman, Chartered Accountants, being eligible, have offered themselves for re-appointment.

5. To transact such other business as may be placed before the meeting with the permission of the Chair.

By Order of the Board

Islamabad
October 07, 2010

Syed Sajjad Hasan Jafri
Company Secretary

Notes:

1. Share Transfer Books of the Company will remain closed from October 21, 2010 to October 28, 2010 (both days inclusive).

2. A member entitled to attend and vote at the meeting is entitled to appoint another member as proxy.

3. Proxies in order to be effective must be received at the Head Office of the Company not less than 48 hours before the meeting and must be duly stamped, signed and witnessed.

4. Shareholders are requested to promptly notify in writing to the Company of any change in their address.

5. CDC account holders further have to follow the under mentioned guidelines as laid down in circular No. 1 dated 26th January, 2000 of Securities & Exchange Commission of Pakistan for attending the meeting;

   a) In case of individuals, the account holder or sub-account holder and/ or the person whose securities are in group account and their registration details are uploaded as per the regulations, shall authenticate his/her identity by showing his original Computerized National Identity Card (CNIC) or original Passport at the time of attending the meeting. The shareholders registered on CDC are also required to bring their participants I.D. Numbers and account numbers in CDS.

   b) In case of corporate entity, the Board of Directors resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

DIRECTORS' REPORT

Dear Shareholders,

The Board of Directors is pleased to present Annual Report and Audited Accounts of Pak Datacom Limited (PDL) for the year ended June 30, 2010. Salient features of the Company operations are highlighted below;

Board of Directors

Certain changes took place in the Board, as Syed Mahmood Ahmad resigned and Mr. Ali Akhtar Bajwa was appointed as Director and Chief Executive of the Company. The Board takes the opportunity to welcome the newly appointed member of the Board and expresses appreciation for the services rendered by the outgoing Director during his association with the Company.

PDL Operations

During the year 2009-10, the business activity remained steady as compared to last year. The Company expanded its DXX network to 160 nodes covering 48 cities of the country. The new installations include small cities where no other service provider is currently present.

The VSAT network also expanded to some of the remotest & toughest locations in Northern Areas, Baluchistan & Sindh. The Company also managed to successfully commission 2nd i-Direct DVB-S2 Hub in Karachi, which became commercially operative and started providing services to a large number of customers based in Karachi. A mini hub was also installed and commissioned in Quetta to provide i-Direct services in the Province of Baluchistan.

The year 2009-10 also witnessed the introduction of some new clients using services like DXX, SCPC VSAT, i-Direct and Radio. Many of the existing clients expanded their networks and preferred the services of PDL, which is an evidence of Company's excellent support & services. During this period, the Company continued to impart training to its staff for better professional and efficient services to its customers.

New Image & Logo

On the occasion of New Year 2010, the Company adapted a fresh look by launching new logo. The Company went through the process of corporate identity revamp to take the brand on new horizons. The new logo depicts its worldwide operations by an illuminating yellow-red ball and the provision of data communication solutions by a web net on the ball.

Data License Renewal

PTA renewed data services license (CVAS) of PDL for another 15 years term.

Infrastructure License

PDL is in process of acquiring new infrastructure license. This license will authorise PDL to establish and maintain telecom infrastructure facilities to lease, rent out or sell end to end links to telecom operators like earth stations & satellite hub, optic fiber cables, radio communication links, submarine cable landing centre of Pakistan, Towers, poles, ducts and pits used in conjunction with other infrastructure facilities. By acquiring this license, PDL will have new avenues to enhance its revenue.

Environment Health and Safety

Since inception, the management is committed for protecting the environment and enhancing the health and safety of its employees. A Quality and EHS department has been established for looking after the environmental related issues and to recommend the continuous improvement. In terms of HSE related trainings, PDL has so far arranged two different training sessions keeping the relevance, requirement and nature of work in mind. For PDL technical staff, US standard OSHA training from a third party was arranged.

Future Plans

In PDL, we believe in consistent innovation and expansion of network to become one of the most valuable service providers for our customers.

To achieve our plans, we intend to extend our DXX network to very remote locations of Pakistan to serve the existing and future needs of different businesses. In first phase, we have planned to expand our network to cover all Districts in all four Provinces of the country. This expansion would be very beneficial for many industries to serve their clients in places where very few service providers are available.

We intend to grow our network in 2nd phase to Tehsil and Union Council level. This expansion would help us to serve many Government organizations and NGO's.

To cater the most remote locations and provide fiber like media where no fiber is available, PDL signed Exclusive National Capacity Agreement with O3b Networks to deploy High-Speed Internet and GSM Backhaul within Pakistan. This deal will help in providing fiber like quality through satellite for transmission of data. PDL has leased all capacity covering Pakistan thus becoming the sole distributors of O3b Networks in the country. O3b Networks is building a new fiber-quality, satellite-based, global Internet backbone for telecommunications operators (telcos) and Internet service providers (ISP's) in emerging markets. The O3b Networks system will combine global reach and the speed of a fiber-optic network. With investments and operational support from SES World Skies, Google Inc., Liberty Global Inc., HSBC Principal Investments, Northbridge Venture Partners and Allen & Company, the O3b system will provide telcos and ISP's with a low-cost, high-speed alternative to connect their 3G, WiMAX and fixed-line networks to the rest of the world.

Social Welfare

We take pleasure to report that apart from our business strategy and being the socially responsible, the Company is contributing to the society through community welfare programs focusing on education for children. Realizing the social responsibility, PDL has contributed Rs. 4.5 million towards social welfare in the financial year 2009-10 in the field of education. Moreover, Rs. 0.3 million was also spent for the welfare of the IDPs of Sawat. At PDL, we think by investing in the field of education would not only bring a new ray of dimension in the country but it will also result in producing young, bright and intelligent students, serving in different sectors of the country to take Pakistan to new horizons of excellence. Therefore PDL is continuously increasing its contribution in the field of education.

Financials

The Company, by the Grace of Allah and by virtue of its excellent maintenance support to its customers maintained the profitability as compared to last year. The company generated revenue of Rs. 1.058 billion as compared to Rs. 1.042 billion of last year's same period while it has posted a pre tax profit of Rs. 249.541 million against Rs. 248.947 million of proceeding year.

Profit before tax is proposed for appropriation as follows: -

	Pak Rupees
Profit for the year before taxation	249,540,788
Provision for taxation	(90,447,376)
Profit after taxation	159,093,412
Basic earning per share (EPS)	20.29
Interim cash dividend @ 30% i.e. Rs. 3.00 per share (already paid)	23,522,400
Subsequent Effects	
Transfer to General Reserves (2009: Rs. 50.00 million)	50,000,000
Proposed final cash dividend @ 50% i.e. Rs. 5.00 per share	39,204,000

Amendments in the Companies Ordinance, 1984 require that events subsequent to the financial year including declaration of dividends should be incorporated in the financial period in which it is declared. As a result, final dividend for the year 2010 shall be reflected in the financial statements for the year 2011. This will have no effect on payment of dividend to shareholders.

Value of Investments of Gratuity Fund

The value of investments of gratuity fund based on its un-audited accounts of June 30, 2010 (audit in progress) was Rs. 46.765 million.

Auditors

The retiring auditors, M/S Anjum Asim Shahid Rahman, Chartered Accountants, being eligible, offer themselves for re-appointment for the year ending June 30, 2011.

Compliance of Code of Corporate Governance

Compliance statement of code of Corporate Governance formulated by Securities and Exchange Commission of Pakistan is annexed with this report.

Shareholding Pattern

Statement showing the pattern of shareholding is annexed with this report.

Acknowledgment

We thank our valued customers for their continued confidence in PDL to operate and maintain their data networks. We also express our thanks to shareholders for their confidence and support and the employees of the company for their commitment.

On behalf of the Board

Islamabad
October 05, 2010

ALI AKHTAR BAJWA
Chief Executive

CORPORATE GOVERNANCE

Statement of Directors Responsibilities

The Board is committed to follow the Code of Corporate Governance to maintain high quality standard of good corporate governance. The company is complying with the provisions of the codes as set out by the Securities and Exchange Commission of Pakistan. There has been no material departure from the practices of Code of Corporate Governance as detailed in listing regulations.

Presentation of Financial Statements

The financial statements, prepared by the management of the Company, fairly present Company's state of affairs, the results of its operations, cash flows and changes in equity.

Books of Accounts

The company has maintained proper books of accounts.

Accounting Policies

Appropriate accounting policies have been consistently applied in preparation of financial statements except those disclosed in the financial statements of the Company.

Application of International Accounting Standards

International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.

Internal Control Systems

The system of internal control is sound in design and has been effectively implemented and monitored.

Going Concern

There is no doubt about the Company's ability to operate in foreseeable future.

Audit Committee

The Directors have established an Audit Committee to assist the Board of Directors to discharge its responsibilities for Corporate Governance, reporting requirements and internal controls. The Committee comprises three Directors including the Chairman of the Committee. The Audit Committee is responsible for design and implementation of sound internal controls of the company. The reviewing of financial reports, internal audit and assistance in external audit are also the main functions of the Committee.

Board Meetings

During the financial year, eleven meetings of the Board of Directors were held while attendance by each Director is given below;

Name of Director	Number of meetings attended
Chairman	
Mr. Gul Bahadar Yousafzai	11
Chief Executive	
Mr. Ali Akhtar Bajwa	3
Ex-Chief Executive	
Syed Mahmood Ahmad	9
Directors	
Mr. Iftikhar Ahmed Raja	11
Mr. Amjad Hussain Qureshi	11
Syed Gauhar Ali	11
Mr. Muhammad Arif	10
Sheikh Muhammad Afzal	11

Transfer Pricing Policy Compliance

Transactions involving related parties arising in normal course of business are conducted at arm's length at normal commercial rates on the same terms and conditions as third party transactions using valuation mode as admissible. The company has fully complied with best practice on transfer pricing as contained in listing regulation of stock exchanges in Pakistan.

Comparison of Key Financial Data of The Last Six Financial Years

	Year Ended June 30				(Rs. in million)	
	2009	**2008**	**2007**	**2006**	**2005**	**2004**
Tangible Fixed Assets	405.265	357.716	286.481	239.178	210.468	168.964
Share Capital and Reserves	591.274	476.503	401.776	331.652	254.704	193.732
Revenue	1,042.099	690.469	523.473	513.770	417.453	217.096
Operating Profit	227.643	143.243	136.755	149.425	109.972	28.340
Profit before taxation	248.947	175.279	157.947	164.037	118.502	28.894
Profit after taxation	161.816	113.931	103.625	105.460	75.228	20.174
Earning per Share - Rupees	20.64	14.53	13.22	14.80	10.55	2.83
Dividend (%) - Cash	70.00	60.00	50.00	40.00	25.00	20.00
- Bonus Shares	-	-	-	10.00	-	-

Statement of Compliance with the Code of Corporate Governance

The statement of compliance with Code of Corporate Governance is annexed with this report.

Statement of Compliance with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance contained in the listing regulations of all the three Stock Exchanges of the country for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Directors of the Company have confirmed that none of them is serving as a Director in more than ten listed companies, including this company.

2. All the Directors of the Company are registered taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or being a member of a Stock Exchange has been declared as a defaulter by that Stock Exchange.

3. All casual vacancies in the Board were filled within 30 days thereof.

4. Company's 'Statement of Ethics and Business Practices' has been prepared and signed by all the Directors and employees of the company.

5. The Board has developed vision/mission statement, overall corporate strategy and significant policies of the Company.

6. A complete record of particulars of significant policies and Board decisions along with the dates on which they were approved or amended has been maintained.

7. The power of the Board have been duly exercised and decision on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive and Directors have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman and held at least in each quarter. Written notices of Board meetings, along with agenda and working papers were circulated at least seven days before the meetings. Where the period was short for emergent meetings, it was agreed by the members of the Board. The minutes of the meetings were appropriately recorded and circulated.

9. All the Directors on the Boards have adequate exposure of corporate matters and are well aware of their duties and responsibilities. Appropriate orientation courses of the Directors were arranged in consultation with the Board.

10. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters which are required to be disclosed.

11. CEO and CFO have duly endorsed the financial statements of the Company before approval of the Board.

12. The Directors, CEO and Executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

13. The Company has complied with all the corporate and financial reporting requirements of the Code.

14. The meetings of the audit committee were held in every quarter prior to approval of the interim and final results of the Company as required by the Code. The terms of reference of the committee have been formed and duly approved by the Board and advised to the committee for compliance.

15. The Board has set-up an effective internal audit function, members of which are considered suitably qualified and experienced for the purpose and are conversant with the policies and the procedures of the Company. The Internal audit function is being headed by the Company Secretary.

16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on the code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18. We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board

Islamabad
October 05, 2010

Ali Akhtar Bajwa
Chief Executive

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Pak Datacom Limited as at June 30, 2010 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by the management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;

b) in our opinion:

   i. the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied except for change as stated in note # 3.1 with which we concur;

   ii. the expenditure incurred during the year was for the purpose of the Company's business; and

   iii. the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2010 and of the profit, its cash flows and changes in equity for the year then ended; and

d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Without qualifying our opinion, we draw attention to note # 24.6 to the financial statement, in respect of transaction executed without passing special resolution as required by section 208 of the Companies Ordinance 1984.

Date: October 05, 2010
Islamabad

ANJUM ASIM SHAHID RAHMAN
Chartered Accountants
Audit Engagement Partner
Nadeem Tirmizi

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICE OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) for the year ended June 30, 2010 prepared by the Board of Directors of Pak Datacom Limited (the Company) to comply with the Listing Regulation of the Karachi, Lahore and Islamabad Stock Exchanges where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's Compliance with the provisions of the Code and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, Sub-Regulation (xiiia) of Listing Regulations 35 notified by the Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code, effective for the year ended June 30, 2010.

Date: October 05, 2010
Islamabad

ANJUM ASIM SHAHID RAHMAN
Chartered Accountants
Audit Engagement Partner
Nadeem Tirmizi

BALANCE SHEET
AS AT JUNE 30, 2010

	Note	June 30, 2010 Rupees	June 30, 2009 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital - 10,000,000 ordinary shares			
(June 2009: 10,000,000) of Rupees 10 each		100,000,000	100,000,000
Issued, subscribed and paid up capital	4	78,408,000	78,408,000
Reserves	5	609,232,943	512,865,931
		687,640,943	591,273,931
NON-CURRENT LIABILITIES			
Deferred liabilities	6	69,821,452	69,635,430
CURRENT LIABILITIES			
Customers' deposits	7	86,518,379	78,846,107
Due to associated companies	8	1,126,662	963,040
Trade and other payables	9	143,108,557	171,755,657
Provision for taxation		91,980,107	88,699,185
		322,733,705	340,263,989
		1,080,196,100	1,001,173,350
CONTINGENCIES AND COMMITMENTS	10		
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	11	397,196,351	405,264,830
CURRENT ASSETS			
Trade debts - unsecured	12	85,151,353	101,599,940
Advances	13	783,409	5,560,401
Trade deposits and short term prepayments	14	141,588,809	40,974,890
Other receivables		4,241,471	4,350,751
Interest accrued		270,607	4,094,368
Advance tax		91,828,077	77,994,856
Short term investments	15	207,620,000	234,020,130
Cash and bank balances	16	151,516,023	127,313,184
		682,999,749	595,908,520
		1,080,196,100	1,001,173,350

The annexed notes 1 to 31 form an integral part of these financial statements.

Amjad Hussain Qureshi
Director

Ali Akhtar Bajwa
Chief Executive

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2010

	Note	June 30, 2010 Rupees	June 30, 2009 Rupees
Revenue		1,058,615,961	1,042,099,160
Cost of services	18	(752,009,931)	(748,258,630)
		306,606,030	293,840,530
Administrative expenses	19	(78,362,732)	(64,848,997)
Marketing expenses	20	(1,149,732)	(1,348,926)
		(79,512,464)	(66,197,923)
Operating profit		227,093,566	227,642,607
Other operating income	21	23,169,477	21,888,194
		250,263,043	249,530,801
Finance cost		(722,255)	(583,803)
Profit before taxation		249,540,788	248,946,998
Provision for taxation	22	(90,447,376)	(87,131,449)
Profit after taxation		159,093,412	161,815,549
Other comprehensive income		-	-
Net profit for the year		159,093,412	161,815,549
Earning per share	23	20.29	20.64

The annexed notes 1 to 31 form an integral part of these financial statements.

Amjad Hussain Qureshi
Director

Ali Akhtar Bajwa
Chief Executive

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2010

	Note	June 30, 2010 Rupees	June 30, 2009 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year before taxation		249,540,788	248,946,998
Adjustment for non-cash and other items:			
Depreciation		75,350,218	75,594,001
(Gain)/ loss on disposal of property, plant and equipment		(1,831,583)	13,079,180
Gain on disposal of other projects		-	(1,035,351)
Net book value of assets charged to consumption		408,163	370,487
Finance cost		722,255	583,803
Exchange gain		(7,877,786)	(19,850,715)
Return / Interest on bank deposits		(12,760,109)	(14,081,308)
Provision for gratuity		8,283,462	4,913,039
Provision for earned leave		7,318,509	5,807,285
		69,613,129	65,380,421
Operating profit before working capital changes		319,153,917	314,327,419
(Increase)/decrease in current assets			
Trade debts - unsecured		16,448,587	70,858,884
Advances		4,776,992	(2,105,297)
Trade deposits and short term prepayments		(100,613,919)	(6,040,965)
Other receivables		109,280	11,922,466
		(79,279,060)	74,635,088
Increase/(decrease) in current liabilities			
Customers' deposits		7,672,272	23,162,334
Due to associated companies		163,622	710,400
Trade and other payables		(27,085,180)	(12,865,697)
		(19,249,286)	11,007,037
		220,625,571	399,969,544
Cash generated from operations			
Taxes paid		(103,246,943)	(58,992,251)
Gratuity paid/adjusted		(8,588,579)	(4,336,118)
Earned leave paid/ adjusted		(4,885,219)	(3,952,466)
Return / Interest on bank deposits		16,583,870	10,712,045
Finance cost		(722,255)	(583,803)
		(100,859,126)	(57,152,593)
Net cash flows from operating activities		119,766,445	342,816,951
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(68,558,392)	(137,558,857)
Long term deposit		-	162,650
Proceeds on the disposal of property, plant and equipment		2,700,073	1,838,680
Net cash flows in investing activities		(65,858,319)	(135,557,527)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(63,983,203)	(44,613,610)
Net (decrease)/increase in cash and cash equivalents		(10,075,077)	162,645,814
Cash and cash equivalents at the beginning of the period		361,333,314	178,836,785
Effect of foreign exchange rate change		7,877,786	19,850,715
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	17	359,136,023	361,333,314

The annexed notes 1 to 31 form an integral part of these financial statements.

Amjad Hussain Qureshi
Director

Ali Akhtar Bajwa
Chief Executive

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2010

	Share Capital	Capital Reserves	Revenue Reserves		
	Issued, subscribed and Paid-up Rupees	Share premium Rupees	General Reserve Rupees	Unappropriated profit Rupees	Total Rupees
Balance as at June 30, 2008	**78,408,000**	**12,042,000**	**231,500,000**	**154,553,182**	**476,503,182**
Transfer to General reserves	-	-	50,000,000	(50,000,000)	-
Transactions with owners					
Final dividend for the year ended June 30, 2008	-	-	-	(31,363,200)	(31,363,200)
Interim dividend for the year ended June 30, 2009	-	-	-	(15,681,600)	(15,681,600)
Net profit for the year	-	-	-	161,815,549	161,815,549
Balance as at June 30, 2009	**78,408,000**	**12,042,000**	**281,500,000**	**219,323,931**	**591,273,931**
Transfer to General reserves	-	-	50,000,000	(50,000,000)	-
Transactions with owners					
Final dividend for the year ended June 30, 2009	-	-	-	(39,204,000)	(39,204,000)
Interim dividend for the year ended June 30, 2010	-	-	-	(23,522,400)	(23,522,400)
Net profit for the year	-	-	-	159,093,412	159,093,412
Balance as at June 30, 2010	**78,408,000**	**12,042,000**	**331,500,000**	**265,690,943**	**687,640,943**

The annexed notes 1 to 31 form an integral part of these financial statements.

Amjad Hussain Qureshi
Director

Ali Akhtar Bajwa
Chief Executive

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

1 LEGAL STATUS AND OPERATIONS

Pak Datacom Limited (the Company), a subsidiary of Telecom Foundation, was incorporated in Pakistan on July 13, 1992 as a private limited company under the Companies Ordinance, 1984 and was converted into a public limited company on June 26, 1994. The Company started its commercial activities on July 1, 1994. The Company is listed on all stock exchanges of Pakistan. The registered office of the Company is located at 1st Floor, TF Complex, 7 - Mauve Area, G - 9/4, Islamabad. The objective of the Company is to set up, operate and maintain a network of data communication and to serve the needs of the subscribers against approved tariff charges. The Company is also authorised to carry out any business relating to communication and information technology whether manufacturing or otherwise, that may seem to the company capable of being conveniently carried on to enhance the value of or render profitable any of the company's property or rights or which it may be advisable to undertake with a view to improve the profitability of the company, subject to a License from Pakistan Telecommunication Authority.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan, directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the requirements of Companies Ordinance, 1984. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board as are notified under the provisions of the Companies Ordinance, 1984. Wherever requirements of the Companies Ordinance, 1984 or directives issued by the SECP differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the said directives take precedence.

2.2 Accounting convention

These financial statements have been prepared under the historical cost convention except for recognition of certain employees retirement benefits.

2.3 Use of critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The estimates and associated assumptions are based on historical experience, industry trends, legal and technical pronouncements and various other factors that are believed to be reasonable under the circumstances. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised. Significant areas requiring the use of management estimates in these financial statements relate to useful life of depreciable assets, provisions for doubtful debts and provision for income tax and deferred tax. The determination of provision for employee retirement benefits that are defined benefit plans require actuarial valuation. The Company employs the services of professional actuaries to make such estimates and assumptions using actuarial techniques.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Changes in accounting policies

The accounting policies and estimates adopted in the preparation of these financial statements are same as those applied in the preparation of financial statement for the year ended June 30, 2009 except that the Company applies revised IAS 1 "Presentation of Financial Statements". The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces Statement of Comprehensive Income which presents all non-owner changes to equity. However, there are no non-owner changes in equity for the period presented in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

3.2 Employees' retirement benefits - Defined benefit plans

3.2.1 Gratuity

The Company has established an approved gratuity fund under defined benefit plan covering all its employees who have completed the minimum qualifying period of six months of the service. The fund operates under a trust administered by the Board of Trustees. The amount of gratuity admissible shall be a sum equal to one month gross salary drawn immediately preceding the date of his service of the Company for each completed year of service in the Company. Actuarial valuation of the fund was carried out as at June 30, 2010 using Projected Unit Credit (PUC) Actuarial Cost method. Provisions are made annually to cover the obligation based on actuarial valuation and are charged to profit. The amount recognised in the balance sheet represents the present value of the defined benefit obligation less the fair value of plan assets net of any unrecognised actuarial gain/(loss).

3.2.2 Leave encashment

The Company provides a facility to its employees for accumulating their annual earned leave. Unutilized earned leave may be encashed upto thirty (30) days during the year subject to the Company's approval at any time by retaining minimum forty days leave balance. Up to 100 days of accumulated leaves can be encashed on retirement. Actuarial valuation of the scheme was carried out as at June 30, 2010 using Projected Unit Credit (PUC) Actuarial Cost method. Provisions are made annually to cover the obligation for accumulating compensated absences based on actuarial valuation and are charged to profit. The amount recognised in the balance sheet represents the present value of the defined benefit obligation.

3.3 Taxation

Current

Provision for taxation is based on taxable income at applicable tax rates after taking into account tax credits and rebates available, if any.

Deferred

The Company provides for deferred taxation using the liability method on all major temporary timing differences at the balance sheet date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all major taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses and tax credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted at the balance sheet date.

Un recognised deferred income tax assets are re-assessed at each balance sheet date and recognised to the extent that it become probable that future taxable profit will allow deferred tax asset to be recovered .

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

3.4 Revenue recognition

Revenue arising from provision of data communication, maintenance of network and allied services to customer is recognised as the services are rendered. However, revenue from sale of equipment incidental to rendering of services is recognised on delivery of equipment to customers. Return on bank deposits and short term investments is recognised on accrual basis.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

3.5 Property, plant and equipment

These assets, except free-hold land, lease hold land and capital work in progress, are stated at cost less accumulated depreciation and impairment loss if any. Free-hold land and capital work in progress are stated at cost.

Depreciation is charged to statement of profit and loss account using the reducing balance method at the rates specified in the fixed assets schedule given in note 11. Lease hold land is amortised over the period of leased term.

Depreciation is charged on additions from the first day of the month in which the asset is available for use while no depreciation is charged in the month in which the asset is disposed off.

Maintenance and normal repairs are charged to statement of profit and loss account in the period in which they are incurred. Assets having cost exceeding the minimum threshold as determined by the management are capitalised.

Gains and losses on disposal of fixed assets are charged to the statement of profit and loss account.

3.6 Foreign currency transactions

All monetary assets and liabilities in foreign currencies are translated into Pak Rupee at exchange rates prevailing at the balance sheet date. Transactions in foreign currencies are translated into Pak Rupee at the rate prevailing at transaction date. Any component of an exchange gain or loss relating to a recognised change in the fair value of non-monetary asset is charged to statement of profit and loss account.

These financial statements are presented in Pak Rupees, which is the functional currency of the Company.

3.7 Trade debts

Trade debts are originally recognized at nominal value and reduced by doubtful debts. Debts considered bad and irrecoverable are written off when identified. Provision for impairment of trade receivables is made in financial statements when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables the basis including age analysis and management understanding of collectability of the debts.

Significant financial difficulties of debtors, probability that the debtor will enter bankruptcy or financial re-organisation and default or delinquency in payments are considered indicators that the trade receivable is impaired.

3.8 Financial instruments

All financial assets and liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. These are derecognised when the Company ceases to be the party to the contractual provisions of the instruments.

Financial assets mainly comprise long term deposits, trade debts, advances, deposits and other receivables and bank balances. Financial liabilities are classified according to the substance of the contractual arrangements entered into. Significant liabilities are creditors, employees retirement benefits, and other liabilities.

All financial assets and liabilities are initially measured at cost which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortised cost or cost, as the case may be.

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if the Company has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realize the assets and settle the liability simultaneously.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

3.9 Borrowings and borrowing costs

Short term loans and borrowings are measured at fair value. Mark up, interest and other charges on short term loans (other than on qualifying assets) are charged to statement of profit and loss account.

3.10 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

3.11 Operating segments

A geographical segment is a distinguishable component of the Company that is engaged in providing services within a different geographical area, which is subject to risk and rewards that are different from those of other segments. The Company is currently operating in only one geographical segment of Pakistan in data communication services.

3.12 Related party transactions

Transactions involving related parties arising in the normal course of business are conducted at arm's length and at normal commercial rates on the same terms and conditions as third party transactions using valuation modes as admissible.

3.13 Provisions

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

3.14 Dividend

Dividend is recognised as a liability in the period in which it is approved.

3.15 Capital management

The Board'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. The Board of Directors monitor the return on capital and the level of dividend to the shareholders. There were no changes to the company's approach to capital management during the period and the company is not subject to externally imposed capital requirements.

3.16 Impairment

The carrying amount of the Company's assets are reviewed at the date of each balance sheet to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of such assets is estimated and impairment losses are recognised in the statement of profit and loss account.

3.17 Short term investments

Short term investments are kept with different banks in term deposits and may be encashed at any time even before maturity. These are stated at fair values with any resulting gains or losses directly recognised in the statement of profit and loss account.

3.18 Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement comprise cash in hand and at bank and includes 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. Cash and cash equivalents are carried in the balance sheet at cost.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

3.19 Standards, amendments to published approved accounting standards and interpretations becoming effective in the year ended June 30, 2010 :

The following standards, amendments and International Financial Reporting Interpretations Committee (IFRIC) interpretations to existing standards have been published and are mandatory for accounting periods beginning on or after January 01, 2009 :

(i) IAS 1 (Revised),' Presentation of Financial Statements' (effective January 01, 2009)

IAS 1 (Revised) prohibits the presentation of items of income and expenses (i.e.,'non-owner changes in equity') in the statement of changes in equity. It requires non-owner changes in equity to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a statement of comprehensive income, but entities can choose whether to present one statement of comprehensive income or two statements (the statement of comprehensive income and statement of other comprehensive income). Where entities restate or reclassify comparative information, they are required to present a restated statement of financial position as at the beginning of the earliest comparative period, in addition to the current requirement to present statements of financial position at the end of the current period and comparative period. The company has applied IAS 1 (Revised) from July 01, 2009 and elected to present one performance statement (the profit and loss account) as more fully explained in note 3.1 above.

(ii) IAS 19 (Amendment), 'Employee benefits' (effective from January 01, 2009).

- The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases its curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation. Adoption of the amendment is not expected to have any effect on the company's financial statements.

- The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation. Adoption of the amendment is not expected to have any effect on the company's financial statements.

- The distinction between short term and long term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered. The adoption of this amendment will only impact the presentation of the financial statements.

- IAS 37,' Provisions, contingent liabilities and contingent assets', requires contingent liabilities to be disclosed and not recognised. IAS 19 has been amended to be consistent with IAS 37.

(iii) IAS 23 (Amendment) 'Borrowing costs' (effective from January 1, 2009). This amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes substantial period of time to get ready for use or sale) as part of the cost of that asset. On adoption of the above amendment, the option of immediately expensing those borrowing costs will be withdrawn. This amendment is not expected to have a significant effect on the company's financial statements. "

(iv) IAS 36 (Amendment), 'Impairment of assets' (effective from January 1, 2009). In accordance with the new requirements, disclosures equivalent to those for value-in-use calculation should be made where fair value less costs to sell is calculated on the basis of discounted cash flows. Adoption of the amendment is not expected to have any effect on the company's financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

(v) IAS 38 (Amendment) 'Intangible assets' (effective from January 1, 2009). This amendment states that a prepayment may only be recognised in the event that prepayment has been made in advance of obtaining right of access to goods or receipt of services. This amendment is not expected to have any effect on the company's financial statements.

(vi) IFRS 7 'Financial instruments – Disclosures' (amendment) (effective from 1 January 2009). The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, the amendment is not expected to have a significant effect on the company's financial statements.

(vii) IFRS 8, 'Operating segments'. This standard replaces IAS 14, 'Segment reporting' and requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The management has determined the operating segments based on the reports reviewed by the Chief Operating Decision Maker (i.e. Chief Executive) of the company. The company considers the business from a product wise perspective. However, these operating segments meet the aggregation criteria set forth in IFRS 8, therefore, the company is not required to make segment wise disclosures.

Standards, amendments to published approved accounting standards and interpretations becoming effective in the year ended June 30, 2010 but not relevant:

There are certain new standards, amendments and International Financial Reporting Interpretations Committee (IFRIC) interpretations that became effective during the year and are mandatory for accounting periods beginning on or after July 1, 2009 but are considered not to be relevant or have any significant effect on the company's operations and are, therefore, not disclosed in these financial statements.

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

The following standards, interpretations, and amendments to approved accounting standards effective for the accounting period on or after January 01, 2010, are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements:

(i) IFRS 1- First-time Adoption of International Financial Reporting Standards - Amendments relating to oil and gas assets and determining whether an arrangement contains a lease (Annual periods beginning on or after 1 January 2010).

(ii) IFRS 1- First-time Adoption of International Financial Reporting Standards- Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters (Annual periods beginning on or after 1 July 2010).

(iii) IFRS 1- First-time Adoption of International Financial Reporting Standards- Amendments resulting from May 2010 , Annual Improvements to IFRSs (Annual periods beginning on or after 1 January 2011).

(iv) IFRS 2- Share-based Payment- Amendments relating to group cash-settled share-based payment transactions (Annual periods beginning on or after 1 January 2010).

(v) IFRS 3- Business Combinations-Amendments resulting from May 2010, Annual Improvements to IFRSs (Annual periods beginning on or after 1 July 2010).

(vi) IFRS 5-Non-current Assets Held for Sale and Discontinued Operations- Amendments resulting from April 2009, Annual Improvements to IFRSs (Annual periods beginning on or after 1 January 2010).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

(vii) IFRS 7- Financial Instruments: Disclosures - Amendments resulting from May 2010, Annual Improvements to IFRSs (Annual periods beginning on or after 1 January 2011).

(viii) IFRS 8-Operating Segments-Amendments resulting from April 2009 , Annual Improvements to IFRS, (Annual periods beginning on or after 1 January 2010).

(ix) IFRS 9 -Financial Instruments- Classification and Measurement (Annual periods beginning on or after 1 January 2013).

(x) IAS 1-Presentation of Financial Statements - Amendments resulting from April 2009, Annual Improvements to IFRSs (Annual periods beginning on or after 1 January 2010).

(xi) IAS 1-Presentation of Financial Statements - Amendments resulting from May 2010, Annual Improvements to IFRSs (Annual periods beginning on or after 1 January 2011).

(xii) IAS 7-Statement of Cash Flows - Amendments resulting from April 2009, Annual Improvements to IFRSs (Annual periods beginning on or after 1 January 2010) .

(xiii) IAS 17-Leases-Amendments resulting from April 2009, Annual Improvements to IFRSs (Annual periods beginning on or after 1 January 2010).

(xiv) IAS 24 -Related Party Disclosures - Revised definition of related parties (Annual periods beginning on or after 1 January 2011).

(xv) IAS 27 -Consolidated and Separate Financial Statements-Amendments resulting from May 2010, Annual Improvements to IFRSs (Annual periods beginning on or after 1 July 2010).

(xvi) IAS 32-Financial Instruments: Presentation- Amendments relating to classification of rights issues (Annual periods beginning on or after 1 February 2010).

(xvii) IAS 34-Interim Financial Reporting- Amendments resulting from May 2010, Annual Improvements to IFRSs (Annual periods beginning on or after 1 January 2011).

(xviii) IAS 36-Impairment of Assets-Amendments resulting from April 2009, Annual Improvements to IFRSs (Annual periods beginning on or after 1 January 2010).

(xix) IAS 39-Financial Instruments: Recognition and Measurement -Amendments resulting from April 2009, Annual Improvements to IFRSs (Annual periods beginning on or after 1 January 2010).

(xx) IFRIC 13 -Customer Loyalty programmes -Amendments resulting from May 2010, Annual Improvements to IFRSs (Annual periods beginning on or after 1 January 2011).

(xxi) IFRIC 14 -IAS 19- The Limit on a defined benefit asset, minimum funding requirements and their interaction- November 2009, Amendments with respect to voluntary prepaid contributions (Annual periods beginning on or after 1 January 2011).

(xxii) IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments (Annual periods beginning on or after 1 July 2010).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

	Note	June 30, 2010 Rupees	June 30, 2009 Rupees
4 ISSUED, SUBSCRIBED AND PAID UP CAPITAL			
5,400,000 (June 2009: 5,400,000) ordinary shares of Rs. 10/- each fully paid in cash		54,000,000	54,000,000
2,440,800 (June 2009: 2,440,800) ordinary shares of Rs. 10/- each issued as fully paid bonus shares		24,408,000	24,408,000
		78,408,000	78,408,000

Out of total issued share capital, 4,318,683 (June 2009: 4,318,683) ordinary shares are held by Telecom Foundation , Pakistan.

	Note	June 30, 2010 Rupees	June 30, 2009 Rupees
5 RESERVES			
Capital			
Share premium		12,042,000	12,042,000
Revenue			
General		331,500,000	281,500,000
Unappropriated profit		265,690,943	219,323,931
		597,190,943	500,823,931
		609,232,943	512,865,931
6 DEFERRED LIABILITIES			
Deferred tax	6.1	53,863,662	56,110,930
Leave encashment	6.2	15,957,790	13,524,500
		69,821,452	69,635,430

6.1 Deferred tax

Deferred tax has been calculated at the corporate tax rate of 35% (June 2009: 35%) of credit /(debit) balance Rs. 153.896 million (June 30, 2009: Rs. 160.317million) arising on account of accelerated depreciation on property, plant and equipment.

6.2 Leave encashment	June 30, 2010 Rupees	June 30, 2009 Rupees
Opening balance	13,524,500	11,669,681
Add: Provision for the year	7,318,509	5,807,285
	20,843,009	17,476,966
Less: Payments/adjustments during the year	(4,885,219)	(3,952,466)
Net Payable	15,957,790	13,524,500

6.2.1 Leave encashment

Results of actuarial valuation as on June 30 are as follows;

Projected benefits obligations (PBO)	15,957,790	13,524,500
Assets of fund	-	-
Funding deficit	15,957,790	13,524,500
Liability provision as at June 30 (previous year)	(13,524,500)	(11,669,681)
Increase in provision	2,433,290	1,854,819

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

	Note	June 30, 2010 Rupees	June 30, 2009 Rupees
6.2.2 Actuarial assumptions			
Valuation discount rate		13% p.a.	13% p.a.
Salary increase rate		13% p.a.	13% p.a.
Leave accumulation factor		15 days per annum	15 days per annum

7 CUSTOMERS' DEPOSITS

These represents interest free deposits received from customers repayable/ adjustable at the time of the termination of the agreement/ disconnection of the link.

	Note	June 30, 2010 Rupees	June 30, 2009 Rupees
8 DUE TO ASSOCIATED COMPANIES			
Telecom Foundation	8.1	1,122,462	939,840
TF Technologies (Private) Limited		4,200	23,200
		1,126,662	963,040

8.1 Maximum amount due to associated companies at the end of any month during the year aggregated Rs. 6.97 million (June 2009: Rs. 0.94 million).

	Note	June 30, 2010 Rupees	June 30, 2009 Rupees
9 TRADE AND OTHER PAYABLES			
Advances from customers		33,671,625	46,650,027
Creditors			
Trade		49,592,313	63,850,262
Machinery		13,042,231	17,420,949
		62,634,544	81,271,211
License fee payable		6,986,865	6,877,854
Accrued liabilities		34,956,546	30,535,668
Gratuity payable	9.1	282,462	587,579
Un-claimed dividend		4,576,515	5,833,318
		143,108,557	171,755,657
9.1 Gratuity payable			
Opening balance		587,579	10,658
Add: Provision for the year		8,283,462	4,913,039
		8,871,041	4,923,697
Less: Contribution to gratuity fund			
Amount paid		(8,588,579)	(4,300,000)
Adjustment of advances during the year		-	(36,118)
		(8,588,579)	(4,336,118)
Payable to defined benefit obligation		282,462	587,579

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

	June 30, 2010 Rupees	June 30, 2009 Rupees
9.1.1 Disclosure as per IAS-19 (revised 2008)		
Gratuity fund actuarial valuation as at June 30		
Reconciliation of payable to / (receivable from) defined benefit plan		
Present value of defined benefit obligation	59,470,201	46,927,948
Fair value of any plan asset	(47,334,539)	(32,281,017)
Unrecognized actuarial loss	(11,853,200)	(14,059,352)
	282,462	587,579
Movement in net liability/ (asset) recognised		
Opening net liability	587,579	10,658
Expense for the year	8,283,462	4,913,039
Contributions	(8,588,579)	(4,336,118)
Closing net liability	282,462	587,579
Charge for / (income from) the defined benefit plan		
Current service cost	5,448,737	3,942,953
Interest cost	6,668,805	3,992,958
Expected return on plan assets	(4,614,626)	(3,022,872)
Actuarial (gain) /loss recognized	780,546	-
	8,283,462	4,913,039
Actuarial assumptions:		
- Valuation discount rate	13 %	13 %
- Salary increase rate	13 %	13 %
- Expected return on plan assets	13 %	13 %

The expected return on plan assets is based on the market expectations and depend upon the asset portfolio of the Company, at the beginning of the year, for return over the entire life of the related obligation.

	June 30, 2010 Rupees	June 30, 2009 Rupees
Working for disclosure as per IAS-19 (revised 2008)		
Actuarial (gain)/ loss in obligations		
Present value of obligation (opening balance)	46,927,948	33,274,649
Current service cost	5,448,737	3,942,953
Interest cost	6,668,805	3,992,958
Payments made during the year	(2,156,374)	(1,289,420)
Actuarial loss on obligation (balancing figure)	2,581,085	7,006,808
Present value of obligation as at June 30	59,470,201	46,927,948
Actuarial gain / (loss) in assets		
Total assets (opening balance)	32,281,017	30,228,722
Expected return on plan assets	4,614,626	3,022,872
Contributions	8,588,579	4,336,118
Payments made during the year	(2,156,374)	(1,289,420)
Actuarial gain / (loss) on assets (balancing figure)	4,006,691	(4,017,275)
Fair value of the plan assets as at June 30	47,334,539	32,281,017

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

	June 30, 2010 Rupees	June 30, 2009 Rupees
Corridor Limit		
The limits of corridor (opening)		
10% of obligations	4,692,795	3,327,465
10% of plan assets	3,228,102	3,022,872
Which works out to	4,692,795	3,327,465
Unrecognised actuarial gain/ (loss) (opening)	(14,059,352)	(3,035,269)
Limit of corridor (opening)	4,692,795	3,327,465
Excess	(9,366,557)	-
Average expected remaining working lives in years	12	13
Actuarial gain/ (loss) to be recognised	(780,546)	-
Unrecognised actuarial gain/(loss)		
Unrecognised actuarial loss (opening)	(14,059,352)	(3,035,269)
Actuarial loss on obligations	(2,581,085)	(7,006,808)
Actuarial gain / (loss) on assets	4,006,691	(4,017,275)
Subtotal	(12,633,746)	(14,059,352)
Actuarial (gain) / loss recognised	780,546	-
Unrecognised actuarial loss as at June 30	(11,853,200)	(14,059,352)
Expense /(income) for the year ended June 30		
Current service cost	5,448,737	3,942,953
Interest cost	6,668,805	3,992,958
Expected return on plan assets	(4,614,626)	(3,022,872)
Net actuarial loss recognised	780,546	-
Transitional liability recognised	-	-
	8,283,462	4,913,039
(Asset)/ liability to be recognized in the balance sheet		
Present value of defined benefit obligation	59,470,201	46,927,948
Fair value of any plan assets	(47,334,539)	(32,281,017)
Deficit in the fund	12,135,662	14,646,931
Unrecognised actuarial loss	(11,853,200)	(14,059,352)
Unrecognised transitional liability	-	-
	282,462	587,579
Movement in net asset / (liability) in balance sheet		
Movement in net liability/ (asset) recognised		
Opening liability	587,579	10,658
Expense for the year	8,283,462	4,913,039
Contributions	(8,588,579)	(4,336,118)
Closing net liability	282,462	587,579

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

Break up of fair value of plan assets	Total	Depoits with banks		Placements in term deposit receipts	
	Rupees	%	Rupees	%	Rupees
June 30, 2007	28,475,379	8%	2,259,760	92%	26,215,619
June 30, 2008	30,228,722	5%	1,514,933	95%	28,713,789
June 30, 2009	32,281,017	2%	630,195	98%	31,650,822
June 30, 2010	46,765,286	2%	765,286	98%	46,000,000

Gratuity fund experience	June 30, 2010 Rupees	June 30, 2009 Rupees	June 30, 2008 Rupees	June 30, 2007 Rupees	June 30, 2006 Rupees
Adjustment funding (surplus)/ deficit					
Present value of obligation	59,470,201	46,927,948	33,274,649	25,164,000	23,226,521
Fair value of any plan assets	(47,334,539)	(32,281,017)	(30,228,722)	(28,475,379)	(22,956,050)
	12,135,662	14,646,931	3,045,927	(3,311,379)	270,471
Actuarial gain/ (loss) on obligation	2,581,085	(7,006,808)	(4,018,332)	(667,171)	-
Actuarial gain/ (loss) on assets	(4,006,691)	(4,017,275)	102,036	(173,488)	-

10 CONTINGENCIES AND COMMITMENTS

10.1 Guarantees and letter of credit issued by the bank on behalf of the Company amounting to Rs. 36.188 million (June 2009: Rs. 4.092 million). These guarantees were issued in favor of customers of the Company.

10.2 Capital commitments in respect of purchase of equipment outstanding amounted to Rs. 6.807 million (June 2009: Rs.1.316 million).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

11 PROPERTY, PLANT AND EQUIPMENT - JUNE 2010

	COST					DEPRECIATION				Net book value
Particulars	As at 1-Jul-09 Rs.	Additions Rs.	Disposals Rs.	As at 30-Jun-10 Rs.	Rate %	As at 1-Jul-09 Rs.	For the year Rs.	Disposals Rs.	As at 30-Jun-10 Rs.	as at 30-Jun-10 Rs.
Lease hold land	-	2,884,000	-	2,884,000	1.20	-	5,768	-	5,768	2,878,232
Lease hold office building	-	4,831,000	-	4,831,000	5	-	40,258	-	40,258	4,790,742
Free hold land	35,519,000	2,881,000	-	38,400,000	-	-	-	-	-	38,400,000
Free hold office building	11,983,630	1,884,000	-	13,867,630	5	1,829,308	586,216	-	2,415,524	11,452,106
Datacom system machinery	572,626,170	40,668,971	(858,153)	612,436,988	20	253,875,077	66,942,042	(300,050)	320,517,069	291,919,919
Office equipment	8,667,896	1,753,256	-	10,421,152	25	4,548,481	1,257,440	-	5,805,921	4,615,231
Testing equipment	18,275,446	4,260,995	-	22,536,441	10	4,295,322	1,507,610	-	5,802,932	16,733,509
Air conditioners	1,739,763	924,953	-	2,664,716	10	561,094	167,949	-	729,043	1,935,673
Furniture and fixture	3,184,441	182,717	-	3,367,158	10	1,767,074	156,175	-	1,923,249	1,443,909
Vehicles	38,086,867	8,287,500	(3,918,702)	42,455,665	20	17,942,027	4,686,760	(3,200,152)	19,428,635	23,027,030
June 30, 2010	690,083,213	68,558,392	(4,776,855)	753,864,750		284,818,383	75,350,218	(3,500,202)	356,668,399	397,196,351

11.1 Disposal of fixed assets - JUNE 2010

Particulars	Veh #	Model	Cost	Accumulated depreciation	Net book value	Sale proceeds/ adjustments	Mode of disposal	Particulars of purchaser
Vehicles								
Mazda Pickup	FDP 891	1992	267,142	199,446	67,696	305,714	Auctioned	Mr. Nadeem Ahmed, Hasari Dak Khana, Gari Habibullah, Tehsil Balakot, Manshera
Suzuki Mehran	IDG 3098	1994	241,675	233,455	8,220	172,943	Auctioned	Mr. Malik Atta Mohammad, H # 109, St # 39, Sector G-8/2, Islamabad
Suzuki Mehran	IDG 8275	1996	318,000	304,480	13,520	159,048	Auctioned	Mr. Muhammad Arshad, 896/P, Sharifan Circular Road, Ward No. 6, Jhang
Suzuki Mehran	ACF 206	1999	339,000	310,851	28,149	161,110	Auctioned	Mr. Fida Hussain, Sh. Akram Cloth 44, Maula Buksh Road, Muzang, Lahore
Suzuki Alto VXR	IDK 2568	2001	454,000	395,096	58,904	296,190	Auctioned	Mrs. Ambar Fidous, H # 423,St # 33, Sector I-9/4, Islamabad
Suzuki Alto VXR	IDK 2569	2001	454,000	395,096	58,904	283,810	Auctioned	Mr. Mohammad Amin, Khalji Kander Khail, Tehsil Peshawar
Suzuki Baleno	IDL 4889	2002	799,000	637,023	161,977	461,100	Auctioned	Mr. Muhammad Riaz, Akhon Bandi, Post Box Layan Bandi,Tehsil Haripur
Suzuki Mehran	JA 507	2005	367,000	264,780	102,220	235,000	Insurance Claim	Shaheen Insurance Company Ltd. G-6/4, Islamabad.
Honda CD 70	LOS 5782	1994	39,975	38,888	1,087	16,190	Auctioned	Mr. Muhammad Arshad, 896/P, Sharifan Circular Road, Ward No. 6, Jhang
MC Quingi	IDJ 6953	1999	45,400	41,630	3,770	6,667	Auctioned	Mr. Abdul Basit, Androon Gung Gate, H. 1125, St. 17, Moh. Rashid Khan, Peshawar
MC Quingi	IDJ 6952	1999	45,400	41,630	3,770	11,524	Auctioned	Mr. Nadeem Ahmed, Hasari Dak Khana, Gari Habib Ullah, Tehsil Balakot, Manshera
MC Quingi	KAP 0688	1999	45,400	41,630	3,770	9,624	Auctioned	Mr. Nadeem Ahmed, Hasari Dak Khana, Gari Habib Ullah, Tehsil Balakot, Manshera
MC Quingi	KAP 0689	1999	45,400	41,630	3,770	9,624	Auctioned	Mr. Nadeem Ahmed, Hasari Dak Khana, Gari Habib Ullah, Tehsil Balakot, Manshera
MC Quingi	LXL 3095	1999	45,400	41,630	3,770	7,725	Auctioned	Mr. Fida Hussain, Sh. Akram Cloth 44, Maula Buksh Road, Muzang, Lahore
DS Star	LRW 3273	2004	42,230	31,529	10,701	11,524	Auctioned	Mr. Abdul Basit, Androon Gung Gate, H. 1125, St. 17, Moh. Rashid Khan, Peshawar
Yamaha YB 100	IDF 1840	1992	30,000	22,398	7,602	14,379	Auctioned	Mr. Nadeem Ahmed, Hasari Dak Khana, Gari Habib Ullah, Tehsil Balakot, Manshera
Honda CD 70	HAA5660	2008	61,400	8,903	52,497	50,000	Insurance Claim	Shaheen Insurance Company Ltd., G-6/4, Islamabad.
Honda CD 70	KDR 0526	2008	50,890	13,503	37,387	40,000	Insurance Claim	//
Honda CD 70	LEL6966	2006	54,000	23,894	30,106	35,000	Insurance Claim	//
Honda CD 70	KDR6037	2008	50,890	15,471	35,419	45,801	Insurance Claim	//
Honda CD 70	KBI7453	2005	54,000	38,075	15,925	35,000	Insurance Claim	//
Honda CD 70	IDL 6358	2002	68,500	59,114	9,386	-	Insurance Claim	//
			3,918,702	3,200,152	718,550	2,367,973		
Datacom system machinery								
Vsat equipment			278,780	90,643	188,137	-	Charged off	Charged to consumption
Dxx equipment			336,775	116,749	220,026	-	Returned	Equipment returned due to incompatibility.
Dxx equipment			119,500	32,762	86,738	145,500	Damaged	Damaged & recovered from the customer M/S Royal Bank of Scotland, Head Office, 16, Abdullah Haroon Road, Karachi
Dxx equipment			25,657	11,618	14,039	35,000	Damaged	Damaged & recovered from customer M/S PIFRA, H. 262, St. 53, F-10/4, Islamabad
Dxx equipment			81,294	41,625	39,669	131,600	Damaged	Damaged & recovered from the customer M/S National Bank, Islamabad
Dxx equipment			16,147	6,653	9,494	20,000	Damaged	Damaged & recovered from the customer M/S Allied Bank, Islamabad
			858,153	300,050	558,103	332,100		
June 30, 2010			4,776,855	3,500,202	1,276,653	2,700,073		
June 30, 2009			62,418,009	48,165,013	14,252,996	1,838,680		

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

11.2 Property, Plant and Equipment - June 2009

	COST					DEPRECIATION				Net book value
	As at 1-Jul-08	Additions	Disposals	As at 30-Jun-09	Rate	As at 1-Jul-08	For the period	Disposals	As at 30-Jun-09	as at 30-Jun-09
Particulars	Rs.	Rs.	Rs.	Rs.	%	Rs.	Rs.	Rs.	Rs.	Rs.
Free hold land	3,175,700	32,343,300	-	35,519,000	-	-	-	-	-	35,519,000
Free hold office building	3,813,250	8,170,380	-	11,983,630	5	1,467,543	361,765	-	1,829,308	10,154,322
Datacom system machinery	547,446,183	83,958,464	(58,778,477)	572,626,170	20	230,729,922	68,441,961	(45,296,806)	253,875,077	318,751,093
Office equipment	8,835,400	2,207,719	(2,375,223)	8,667,896	25	5,261,771	1,240,457	(1,953,747)	4,548,481	4,119,415
Testing equipment	13,872,573	5,232,477	(829,604)	18,275,446	10	3,646,182	1,281,136	(631,996)	4,295,322	13,980,124
Air conditioners	1,501,071	497,037	(258,345)	1,739,763	10	631,979	105,929	(176,814)	561,094	1,178,669
Furniture and fixtures	3,232,091	32,480	(80,130)	3,184,441	10	1,666,547	156,884	(56,357)	1,767,074	1,417,367
Vehicles	33,066,097	5,117,000	(96,230)	38,086,867	20	13,985,451	4,005,869	(49,293)	17,942,027	20,144,840
June 30, 2009	614,942,365	137,558,857	(62,418,009)	690,083,213		257,389,395	75,594,001	(48,165,013)	284,818,383	405,264,830

	Note	June 30, 2010 Rupees	June 30, 2009 Rupees
12 TRADE DEBTS - UNSECURED			
Considered good		85,151,353	101,599,940
		85,151,353	101,599,940
13 ADVANCES			
Advances - considered good to			
Suppliers - secured		91,203	3,468,000
Employees - unsecured		692,206	2,092,401
		783,409	5,560,401
14 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Margin and guarantees with banks		1,044,948	4,525,190
Trade deposits		85,409,496	34,048,705
Prepayments		55,134,365	2,400,995
		141,588,809	40,974,890

15 SHORT TERM INVESTMENTS

These represent investments in term deposit receipts maturing in the short term and are classified as "cash and cash equivalents". These investments carry interest rate ranging from 1.50% to 12.00% (June 2009: 2.40% to 16.25%) per annum. Included in these investments are foreign currency term deposit receipts amounting to US$ 2,075,000 (June 2009: US$ 1,217,960). Out of total investments, US$ 75,000 (June 2009: US$ 75,000) and Rs.10.00 million (June 2009 : Rs. Nil) are pledged against various bank guarantees issued by bank.

	Note	June 30, 2010 Rupees	June 30, 2009 Rupees
16 CASH AND BANK BALANCES			
Cash in hand		-	-
Cash at bank in			
Current accounts	16.1	4,164,669	8,339,490
Deposit accounts	16.2	142,635,281	113,077,868
Current accounts-dividend		4,716,073	5,895,826
		151,516,023	127,313,184

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

16.1 Current accounts include foreign currency deposits of US$ Nil (June 2009:US$ 21,559) and Bangladeshi Taka Nil (June 2009: BD Taka 3,990,152).

16.2 Deposit accounts include foreign currency deposits of US$ 585,097 (June 2009: US$ 735,085).

	Note	June 30, 2010 Rupees	June 30, 2009 Rupees
17 CASH AND CASH EQUIVALENTS			
Short term investments		207,620,000	234,020,130
Cash and bank balances		151,516,023	127,313,184
		359,136,023	361,333,314
18 COST OF SERVICES			
Channel and local lead rent		200,229,029	208,523,007
Space segment rentals		320,354,812	328,005,926
Equipment maintenance cost		10,347,274	13,322,779
Repair and maintenance expenses		9,349,685	6,458,188
License fee		7,570,444	7,077,854
Salaries, wages and other benefits	18.1	128,808,469	109,276,875
Depreciation		75,350,218	75,594,001
		752,009,931	748,258,630

18.1 Salaries, wages and other benefits include amount of Rs. 8.823 million (June 2009: Rs. 4.913 million) in respect of staff retirement benefits.

	Note	June 30, 2010 Rupees	June 30, 2009 Rupees
19 ADMINISTRATIVE EXPENSES			
Salaries, wages and other benefits	18.1	32,202,117	27,319,219
Traveling and local conveyance		4,281,592	3,522,417
Telephone expenses		4,171,955	4,269,496
Vehicle running expenses		11,584,264	11,175,571
Insurance		1,120,143	813,264
Entertainment		1,408,032	1,144,043
Rent, rates and taxes		7,341,062	6,084,995
Legal and professional charges		6,229,439	3,959,510
Printing and stationery		2,260,097	1,274,743
Electricity		2,554,031	1,860,739
Welfare expenses		4,800,000	3,000,000
Auditors' remuneration	19.1	410,000	425,000
		78,362,732	64,848,997
19.1 Auditors' remuneration			
Audit fee		400,000	400,000
Out of pocket expenses		10,000	25,000
		410,000	425,000
20 MARKETING EXPENSES			
Advertisement		1,149,732	1,348,926
		1,149,732	1,348,926

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

	Note	June 30, 2010 Rupees	June 30, 2009 Rupees
21 OTHER OPERATING INCOME			
Income from financial assets			
Return on bank deposits/ short term investments		12,760,109	14,081,308
Project income		700,000	1,035,351
Exchange gain		7,877,786	19,850,715
		21,337,895	34,967,374
Income from non-financial assets			
Profit/(loss) on disposal of fixed assets		1,831,582	(13,079,180)
		23,169,477	21,888,194
22 PROVISION FOR TAXATION			
Current - for the year		91,980,107	88,699,185
- prior years		3,108,101	-
Deferred		(4,640,832)	(1,567,736)
	22.1	90,447,376	87,131,449
22.1 Reconciliation of tax charged for the year			
Accounting profit		249,540,788	248,946,998
Tax on accounting profit at 35% (June 2009: 35%)		87,339,276	87,131,449
Tax effect of expenses that are inadmissible for tax purposes		25,874,379	30,802,911
Tax effect of prior years		3,108,101	-
Tax effect of expenses that are admissible for tax purposes		(21,233,548)	(29,235,175)
		95,088,208	88,699,185
Tax effect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amount used for taxation purposes		(4,640,832)	(1,567,736)
		90,447,376	87,131,449

22.2 The Company was assessed u/s 169 of the Income Tax Ordinance 2001 for the tax year 2003, which resulted in an additional tax liability of Rs. 9.057 million for which no provision has been made in these financial statements. The Company filed appeal against the assessment orders passed u/s 169 of the Income Tax Ordinance 2001 for the tax year 2003 before Commissioner of Income Tax (Appeals) who set aside the assessment order by directing the assessing officer to accept the contention of the Company and to make assessment under normal law. The Honorable Income Tax Appellate Tribunal also rejected the departmental appeal and upheld the order of learned Commissioner of Income Tax (Appeal) by accepting the Company's contention to be taxed under normal law. The Honorable Income Tax Appellate Tribunal also rejected Reference Application filed by the department. The department had filed a reference before Honorable High Court which has also been decided in favor of the Company for re-assesment under normal law.

	June 30, 2010	June 30, 2009
23 EARNINGS PER SHARE (BASIC AND DILUTED)		
Profit after taxation	159,093,412	161,815,549
	(Number of shares)	
Weighted average number of ordinary shares	7,840,800	7,840,800
	(Rupees)	
Basic and diluted earnings per share	20.29	20.64

There are no dilutive potential ordinary shares as at June 30, 2010 (June 30, 2009: Nil).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

	June 30, 2010 Rupees	June 30, 2009 Rupees

24 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of subsidiary, holding and associated companies, directors, companies with common directorship, key management staff and staff retirement benefits fund.

Following is the related party with whom transactions were undertaken during the year.

	June 30, 2010 Rupees	June 30, 2009 Rupees
Telecom Foundation		
Dividend	34,549,464	25,912,098
Rentals	2,043,168	1,717,980
Welfare expenses	4,500,000	3,000,000
	41,092,632	30,630,078
TF Technologies (Private) Limited		
Repayment	19,000	65,000
	41,111,632	30,695,078

24.1 Balance due to related parties are disclosed in note 8 to these financial statements.

24.2 Transactions with the directors are disclosed in note 26 to these financial statements.

24.3 There were no transactions with the key management personnel other than under their terms of employment.

24.4 The Company has no subsidiary company and there are no transactions with companies with common directorship.

24.5 Transactions regarding retirement benefits are disclosed in note 9 to these financial statements.

24.6 Project venture was executed with Pakistan Communications Industries (Pvt) Limited of Rs. 11,194,400 during the year and was completed with a profit share of Rs. 700,000.

25 RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks, including the effects of changes in foreign exchanges rates, market interest rates, credit and liquidity risk associated with various financial assets and liabilities respectively as referred in note 25.6.

The Company finances its operations through equity, short-term borrowings and management of working capital with a view to maintaining a reasonable mix and to minimise risk.
Taken as a whole, risk arising from the Company's financial instruments is limited as there is no significant exposure to market risk in respect of such instruments

25.1 Foreign currency sensitivity

Most of the Company's transactions are carried out in Pak Rupees. Exposures to currency exchange rates arise from the Company's receivables and payables, which are primarily denominated in other than Pak Rupees. The activities of the Company expose it to foreign exchange risk, primarily with respect of US Dollars.
To mitigate the Company's exposure to foreign currency risk, non-Pak Rupees cash flows are monitored in accordance with Company's risk management policies. Generally, the Company's risk management procedures distinguish short-term foreign currency cash flows (due within 6 months) from long-term cash flows. Where the amounts to be paid and received in a specific currency are expected to largely offset one another, no further hedging activity is undertaken.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

Foreign currency denominated financial assets and liabilities, translated into Pak Rupees at the closing rate, are as follows:

	June 30, 2010 Rupees	June 30, 2009 Rupees
Financial assets	325,221,557	171,293,831
Financial liabilities	62,721,423	80,156,881
Short-term exposure	262,500,134	91,136,950
Financial assets	-	-
Financial liabilities	-	-
Long-term exposure	-	-

The following table illustrates the sensitivity of the net result for the year and equity in regards to Company's financial assets and liabilities and US Dollar - Pak Rupee exchange rate and Bangladesh Taka (BD Taka) Pak Rupees exchange rate.

It assumes a + 3.82%/-2.71% change of the US-Dollar exchange rate for the year ended at June 30, 2010 (2009: + 12.94%/-9.29%) and a nil change of the BD Taka exchange rate for the year ended at June 30, 2010 (2009: + 14.58%/-8.76%).Both of these percentages have been determined based on the average market volatility in exchange rates in the previous 12 months. The sensitivity analysis is based on Company's foreign currency financial instruments held at each balance sheet date.

If the Pak Rupee had strengthened against the US Dollar by 3.82% (2009: 12.94%) and BD Taka by nil (2009: 14.58%) then this would have had the following impact:

	2010 USD Rupees	2009 USD Rupees	2010 BD Taka Rupees	2009 BD Taka Rupees
Net result for the year (exchange loss)	9,861,388	10,769,209	-	577,548

If the Pak Rupee had weakened against the US Dollar by 2.71% (2009: 9.29%), and BD Taka by nil (2009: 8.76%) then this would have had the following impact:

	2010 USD Rupees	2009 USD Rupees	2010 BD Taka Rupees	2009 BD Taka Rupees
Net result for the year (exchange gain)	7,004,859	7,728,741	-	435,622

25.2 Interest rate sensitivity

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Company does not have any long term bank borrowing and short term borrowings. The Company adopts policy to make fixed rate investment in instrument like TDRs so as to insure minimization of interest rate risk.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

	June 30, 2010 %	June 30, 2009 %	June 30, 2010 Rupees	June 30, 2009 Rupees
Fixed rate instrument				
Financial assets				
Short term investments	1.50 to 12.00	2.40 to 16.25	207,620,000	234,020,130
Bank balances-deposit accounts	0.50 to 10.00	0.50 to 10.00	142,635,281	113,077,868
			350,255,281	347,097,998
Financial liabilities			-	-
			350,255,281	347,097,998

25.3 Credit risk analysis

Credit risk represents the accounting loss that would be recognized on the reporting date if counter parties failed completely to perform as contracted. The Company's exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date, as summarised below:

	June 30, 2010 Rupees	June 30, 2009 Rupees
Classes of financial assets - carrying amounts		
	-	-
Trade debts - unsecured	85,151,353	101,599,940
Advances	692,206	2,092,401
Trade deposits	86,454,444	38,573,895
Other receivables	4,241,471	4,350,751
Interest accrued	270,607	4,094,368
Cash and cash equivalent	350,255,281	361,333,314
	527,065,362	512,044,669

The Company's measurement continuously monitors defaults of customers and other counter parties, identified either individual or by group. Where available at reasonable cost, external credit ratings on counter parties are obtained and used. The Company's policy is to deal only with creditworthy counter parties.

Management considers that all the above financial assets that are not impaired for each of the reporting dates under review are good credit quality, including those that are past due.

Some of the unimpaired trade receivables are past due as at the reporting date. Financial assets due but not impaired can be shown as follows:

Not more than 3 months	54,251,678	58,243,097
More than 3 months but not more than 6 months	10,887,387	21,119,691
More than 6 months but not more than 1 year	9,358,458	11,607,181
More than 1 year	10,653,830	10,629,971
	85,151,353	101,599,940

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

In respect of trade receivables, the Company is not exposed to any significant credit risk exposure to any single counter party or any group of counterparties having similar characteristic. Trade receivables consists of large number of customers in various industries and geographical areas. Based on historical information about customer default rates management consider the credit quality of trade receivables that are not past due or impaired to be good.

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality credit ratings.

25.4 Liquidity risk analysis

Liquidity risk reflects an enterprise's inability in rasing funds to meet commitments. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding to an adequate amount of committed credit facilities and the ability to close out market positions due to dynamic nature of business. The company follows an effective cash flow management and planning policy to ensure the availability of funds and to take appropriate measures for new requirements.

At balance sheet date, the Company's liabilities have contractual maturities which are summarised below:

	June 30, 2010 Rupees	June 30, 2009 Rupees
Financial liabilities		
Trade payables		
Maturity with in 1 year	109,436,932	125,105,630
Maturity after 1 year	-	-
	109,436,932	125,105,630
Other payables		
Maturity with in 1 year	87,645,041	79,809,147
Maturity after 1 year	-	-
	87,645,041	79,809,147
	197,081,973	204,914,777

The above contractual maturities reflect the gross cash flows, which may differ to the carrying values of the liabilities at the balance sheet date.

25.5 Market risk

Market risk is the risk that changes in market prices , such as foreign exchange rates, interest rates and service charge out rate will effect the Company's incomes or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures with in acceptable parameters, while optimizing the return on risk.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

25.6 Summary of financial assets and liabilities by category

The carrying amounts of the Company's financial assets and liabilities are recognised at the balance sheet date of the reporting period under review may also be categorised as follows:

	June 30, 2010 Rupees	June 30, 2009 Rupees
Financial assets		
Trade debts		
Trade debts - unsecured	85,151,353	101,599,940
Advances	692,206	2,092,401
Trade deposits	86,454,444	38,573,895
Other receivables	4,241,471	4,350,751
Interest accrued	270,607	4,094,368
Cash and cash equivalent	359,136,023	361,333,314
	535,946,104	512,044,669
Financial liabilities		
Financial liabilities measured at amortized cost		
Trade payables	109,436,932	125,105,630
Others payables	86,518,379	78,846,107
Due to associated company	1,126,662	963,040
	197,081,973	204,914,777

26 REMUNERATION TO CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	June 2010 Rupees			June 2009 Rupees		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
Managerial remuneration	929,422	-	5,604,452	480,000	-	5,715,018
Other allowances	7,000	-	5,335,569	7,000	-	4,310,228
Meeting fee / Honorarium /Bonus	770,000	2,100,000	4,692,605	414,000	2,152,966	3,234,948
	1,706,422	2,100,000	15,632,626	901,000	2,152,966	13,260,194
Number of persons including those who worked part of the year	2	6	8	1	10	8

26.1 The Chief Executive, Chairman and Executives of the Company are also provided company maintained vehicles for official purpose only.

26.2 Remuneration of the existing Chief Executive for the year before his appointment as Chief Executive is included in the remuneration of Executives.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

	June 30, 2010	June 30, 2009
27 NUMBER OF EMPLOYEES		
Total number of employees at the end of the year	261	257

28 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Company on October 05, 2010.

29 MOVEMENT BETWEEN RESERVES AND PROPOSED DIVIDEND

The Board of Directors in its meeting held on October 05, 2010 approved i) transfer of Rs. 50 million (2009:Rs. 50 million) from unappropriated profit to general reserves; (ii) final cash dividend of Rs. 5 per share (June 2009:Rs. 5 per share) amounting to Rs. 39.204 million (2009:Rs. 39.204 million). The financial statements for the year ended June 30, 2010 do not include the effect of aforementioned movement between reserves and proposed dividend.

30 RECLASSIFICATION

Corresponding figures have been re-arranged and reclassified, wherever necessary, for better presentation and disclosure:

	Reclassification from component	Reclassification to component	June 30, 2009 Rupees
(i)	Operating expenses	Cost of services	748,258,630
(ii)	Operating expenses	Administrative expenses	64,848,997
(iii)	Operating expenses	Marketing expenses	1,348,926
(iv)	Advances, deposits, prepayments and other receivables	Advances	5,560,401
(v)	Advances, deposits, prepayments and other receivables	Trade deposits and short term prepayments	40,974,890
(vi)	Advances, deposits, prepayments and other receivables	other receivables	4,350,751
(vii)	Advances, deposits, prepayments and other receivables	Interest accrued	4,094,368
(viii)	Advances, deposits, prepayments and other receivables	Advance tax	77,994,856

31 GENERAL

Figures have been rounded off to the nearest Rupee, unless otherwise stated.

Amjad Hussain Qureshi	**Ali Akhtar Bajwa**
Director	**Chief Executive**

PATTERN OF HOLDING OF THE SHARES HELD BY THE SHAREHOLDERS OF PAK DATACOM LIMITED AS AT JUNE 30, 2010
FORM 34 (SECTION - 236)

NUMBER OF SHAREHOLDERS	SHAREHOLDING FROM	SHAREHOLDING TO	TOTAL SHARES HELD
1,397	1	100	44,491
380	101	500	105,515
53	501	1,000	38,046
95	1,001	5,000	232,960
24	5,001	10,000	173,099
8	10,001	15,000	96,799
3	15,001	20,000	55,500
6	25,001	30,000	164,961
2	30,001	35,000	65,625
4	35,001	40,000	152,051
1	40,001	45,000	40,186
4	85,001	90,000	347,658
1	140,001	145,000	143,119
1	160,001	165,000	162,000
1	165,001	170,000	167,355
1	185,001	190,000	188,128
1	245,001	250,000	245,882
1	490,001	495,000	492,911
1	605,001	610,000	605,831
1	4,315,001	4,320,000	4,318,683
1985			**7,840,800**

CATEGORIES OF SHAREHOLDERS	NUMBER	SHARES HELD	PERCENTAGE (%)
Associated Companies	1	4,318,683	55.08
Others	9	773,574	9.87
Financial Institutions	3	137,133	1.75
Joint Stock Companies	28	301,212	3.84
Investment Companies	4	146,936	1.87
Insurance Companies	1	605,831	7.73
Individuals	1,939	1,557,431	19.86
TOTAL	**1,985**	**7,840,800**	**100.00**

NAME WISE DETAIL OF SHAREHOLDERS

Categories of shareholders	Shares Held	Percentage (%)
Associated Companies, Undertakings & Related Parties		
Telecom Foundation	4,318,683	55.08
NIT & ICP (NAME WISE DETAIL)		
IDBP (ICP UNIT)	32	0.00
Investment Corporation of Pakistan	100	0.00
National Investment Trust Limited	3,685	0.05
NBP - Trustee Department NI(U)T Fund	143,119	1.83
Insurance Companies		
State Life Insurance Corporation of Pakistan	605,831	7.73
Financial Institutions		
Faysal Bank Limited	19,950	0.25
The Bank of Punjab	30,625	0.39
National Bank of Pakistan	86,558	1.10
Modarabas & Mutual Funds		
Golden Arrow Selected Stock Fund Limited	492,911	6.29
CDC - Trustee AKD Opportunity Fund	245,882	3.14
MCFSL-Trustee Askari Islamic Asset Allocation Fund	11,939	0.15
Other Companies		
M/S. Pakistan Emerging Venture Limited	26,150	0.33
M/S. Javed Omer Vohra & Company Limited	200	0.00
G. R. Securities (SMC-Private) Limited.	666	0.01
Yasir Mahmood Securities (Private) Limited	6,500	0.08
Y.S. Securities & Services (Private) Limited	1,540	0.02
Sarfraz Mahmood (Private) Limited	126	0.00
Darson Securities (Private) Limited	33	0.00
Pearl Securities Limited	188,128	2.40
Capital Vision Securities (Private) Limited	500	0.01
N. H. Capital Fund Limited	5	0.00
FDM Capital Securities (Private) Limited	4,200	0.05
FDM Capital Securities (Private) Limited	5,000	0.06
Capital Vision Securities (Private) Limited	7,260	0.09
Mian Mohammed Akram Securities (Private) Limited	2,909	0.04
Sultan Textile Mills Karachi Limited	50	0.00
Stock Master Securities (Private) Limited	46	0.00
Abbasi Securities (Private) Limited	12,500	0.16
United Capital Securities (Private) Limited	200	0.00
Darson Securities (Private) Limited	100	0.00
Amin Tai Securities (Private) Limited	37,600	0.48
Mohammad Munir Mohammad Ahmed Khanani Securities (Private) Ltd.	6,090	0.08
ZHV Securities (Private) Limited	39	0.00
Al-haq Securities (Private) Limited	440	0.01
Yasir Mahmood Securities (Private) Limited	500	0.01
Value Stock Securities (Private) Limited	16	0.00
Pearl Capital Management (Private) Limited	290	0.00
Seven Star Securities (Private) Limited	116	0.00
Durvesh Securities (Private) Limited	8	0.00
Non Residents		
CMB (1) As Trustee For GT	352	0.00
Dester Management Limited	110	0.00
Lehman Brothers Securities	10,480	0.13
Morgan Stanley Bank Luxembourg	5,108	0.07
Pictet & Cie	1,380	0.02
Somers Nominees (Far East) Limited	5,412	0.07
General Public	1,557,431	19.86
Total	**7,840,800**	**100.00**

SHAREHOLDERS HOLDING TEN PERCENT OR MORE VOTING RIGHTS IN THE COMPANY

Name(s) of Shareholders(s)	Share Held	Percentage (%)
Telecom Foundation	4,318,683	55.08
Total	**4,318,683**	**55.08**

FORM OF PROXY

PAK DATACOM LIMITED

I, ____

of ____

being member of Pak Datacom Limited and a holder of ____________________

(Number of Shares)

ordinary shares as per Share Register Folio Number ______________ ______________

______________ hereby appoint ____________________

(Name)

______________ of ____________________

who is also a member of Pak Datacom Limited as my proxy to vote for me and on my behalf at the Annual General Meeting of the Company to be held on October 28, 2010 at 11:00 am and at any adjournment thereof.

Signed ______________ day of ______________

(Signature)

Name ____________________

Please affix

Rs. 5/-

revenue stamp

Specimen Signature of Proxy

Specimen Signature of Proxy

WITNESS 1: ______________

Signature ______________

Name ______________

Address ______________

____

CNIC No ______________

WITNESS 2: ______________

Signature ______________

Name ______________

Address ______________

____

CNIC No ______________

Note:

1. The proxy in order to be valid must be signed across a Rs. 5/- revenue stamp and should be deposited in the Head Office of the Company not later than 48 hours before the time of holding the meeting.
2. No person shall act as proxy unless he/ she is a member of the Company.
3. Signature should agree with the specimen signature registered with the Company.
4. If a proxy is granted by a member who has deposited his/ her shares into Central Depository Company of Pakistan Limited, the proxy must be accompanied with participant's ID number and account/ sub-account number alongwith attested copies of the Computerized National Identity Card (CNIC) or the Passport of the beneficial owner. Representative of corporate members should bring the usual documents required for such purpose.

Pak Datacom

Complete Network Solutions

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