



Annual Report 2011  
Pak Datacom Limited

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## COMPANY PROFILE

### BOARD OF DIRECTORS

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

### CFO / COMPANY SECRETARY

Syed Sajjad Hasan Jafri

### AUDIT COMMITTEE

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

### 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

HLB Ijaz Tabussum & Co.,

Chartered Accountants,

303, Sawan Road, G-10/1, Islamabad

### LEGAL ADVISOR

M.A. Chaudhary & Co.,

Advocates, Solicitors & Corporate Consultants,

House No. 13, Street No. 42, Sector F-8/1, Islamabad

# BOARD OF DIRECTORS



**Right to Left:** Mr. Amjad Hussain Qureshi, Mr. Ali Raza Bhutta, Sheikh Mohammad Afzal, Mr. Ifikhar Ahmed Raja, Mr. Muhammad Arif, Syed Gauhar Ali, Mr. Ali Akhtar Bajwa and Syed Sajjad Hasan Jafri

## BOARD PROFILE

### Mr. Ali Raza Bhutta

Chairman & Chief Executive

Mr. Ali Raza Bhutta Chairman & Chief Executive with a Degree of M. Phil (Economic Development) from University of Glasgow, United Kingdom and Masters in Business Administration degree from Quaid-e-Azam University Islamabad, Pakistan. Mr. Ali Raza Bhutta has wide range experience in public administration and held various important positions throughout his professional career in government departments. Mr. Bhutta started his career as Assistant Political Agent in Fata and has served in all provinces of Pakistan at progressively more responsible positions. Currently, Mr. Ali Raza Bhutta is serving as Joint Secretary (Development) in Ministry of IT & Telecom and also holds additional charge of Member IT (MOIT) and Managing Director Telecom foundation. He is also Chairman Board of Trustees, Pakistan Telecommunication Employees Trust.

### Mr. Muhammad Arif

Director

Mr. Mohammad Arif did B.Sc. 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 and management trainings in telecommunication 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. Iftikhar Ahmed Raja

Director

Mr. Iftikhar Ahmed Raja did B.E from UET Lahore. In addition, he is graduate of National Defense College Islamabad, M.Sc. 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 on various key positions related to telecom 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. Amjad Hussain Qureshi

Director

Mr. Amjad Hussain Qureshi has extensive experience in financial management, cash management budgeting, accounting and project evaluation functions. He is very well versed with the corporate governance, taxation and local corporate laws. He is a qualified Director (Director Education) from Pakistan Institute of Corporate Governance. He has worked in Overseas Pakistanis Foundation and Shaheen Foundation PAF in senior managerial positions. He is an Associated Member of PIFA and CA Finalist. He completed his articles internship with M/S Riaz Ahmad and Co. Chartered Accountants. Currently he is serving as General Manager Finance & Secretary in Telecom Foundation for the last 19 years.

**Syed Gauhar Ali**

Director

Syed Gauhar Ali did B.Sc. 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. Ali Akhtar Bajwa**

Director

Mr. Ali Akhtar Bajwa has industry experience of almost 19 years. He is Chief Operating Officer 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 joined PDL as Engineer in 1993. Before joining PDL, he worked for Intelsat USA as Assistant Engineer.

**Mr. Sheikh Mohammad Afzal**

Director

Sheikh Muhammad Afzal did B.Sc. Engineering, M.I.E. PAK, M.E.C. PAK and has 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 Sajjad Hasan Jafri**

CFO/Company Secretary

As Head of Finance, Accounts and Corporate departments of the Company, Syed Sajjad Hasan Jafri has extensive experience in the fields of financial management and tax affairs. He is very well versed with the corporate governance and local corporate laws. He is CA Finalist and MBA (Finance). He is also a Fellow Member of Institute of Public Finance Accountant, Institute of Chartered Secretaries and Institute of Taxation Management. Before joining PDL, he served in a manufacturing group of companies at senior managerial position. 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 19<sup>th</sup> Annual General Meeting of Pak Datacom Limited will be held on Friday, October 21, 2011 at 10:00 a.m. at the Registered Office, Telecom Foundation Headquarters, 1<sup>st</sup> Floor, TF Complex, 7 – Mauve Area, G-9/4, Islamabad to transact the following business;

### ORDINARY BUSINESS

1. To confirm the minutes of the 18<sup>th</sup> Annual General Meeting held on October 28, 2010.
2. To receive, consider and adopt the audited accounts of the Company for the year ended June 30, 2011 together with the Directors' and Auditors' Reports thereon.
3. To approve the payment of final cash dividend to the shareholders @ 10% i.e. Rs. 1.00 per share for the year ended June 30, 2011. This final cash dividend is in addition to 15% i.e. Rs. 1.50 per share interim cash dividend already paid by the Company.
4. To appoint auditors for the year ending June 30, 2012 and fix their remuneration. Retiring auditors M/S HLB Ijaz Tabussum & Co., Chartered Accountants, being eligible, have offered themselves for re-appointment.
5. To elect seven Directors in accordance with the provisions of section 178 of the Companies Ordinance, 1984 for a period of three years commencing from October 23, 2011. The present Directors, namely Ali Raza Bhutta, Iftikhar Ahmed Raja, Amjad Hussain Qureshi, Muhammad Arif, Syed Gauhar Ali, Sheikh Muhammad Afzal and Ali Akhtar Bajwa will retire on October 22, 2011.
6. To transact such other business as may be placed before the meeting with the permission of the Chair.

**On behalf of the Board**

**Islamabad**  
**September 29, 2011**

**Syed Sajjad Hasan Jafri**  
**Company Secretary**



**Notes:**

1. Share Transfer Books of the Company will remain closed from October 13, 2011 to October 21, 2011 (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 26<sup>th</sup> 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 participant's I.D. Number 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, 2011 and informing with pride to receive Brand of the Year Award 2010 by securing highest rating in the category of Data Network Operator. Salient features of the Company operations are highlighted below.

### **Board of Directors**

Certain changes took place in the Board. Mr. Gul Bahadar Yousafzai resigned from the post of Chairman & Director while Mr. Ali Akhtar Bajwa resigned from the post of Chief Executive. Mr. Ali Raza Bhutta was appointed on the Board as Director. The Board subsequently appointed him Chairman & 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 2010-11, business activity remained steady but revenue declined due to competition in the market. The expansion in DXX network continued and many locations were covered where there was no connectivity available. Currently, the DXX network of PDL has expanded in more than 55 cities of the country. Apart from that, different districts and villages are also covered to enable organizations of different sectors to improve efficiency in their daily operations.

Expansion in VSAT and iDirect network was also made as some of the clients wanted network services in remote areas where terrestrial network was not available. The company managed to provide the required services in hard areas of the country where usually other service providers don't like to work.

Round the clock maintenance centers were also increased as compared to the previous year. Now number of these maintenance centers has reached to eleven. State of the art Network Operations Centers are already

established in major cities of the country including Lahore, Karachi and Islamabad. The monitoring tools in these systems were upgraded to improve the overall network monitoring operations up to the component level. Team of professional engineers and technicians remains available 24x7 for the customers, providing them with round the clock support services related to their respective networks. Special trainings were also given to the support team to offer superior services to the valuable customers.

For providing reliable and redundant services to valuable clients, the company has created interconnect arrangements in major cities of Pakistan so that network remains more resilient.

### **Infrastructure License**

PDL had applied for infrastructure license, which was issued by PTA on April 05, 2011. This license authorises 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 [EHS]**

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 EHS 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**

Continuing on last year's strategy of expansion, PDL is expanding its network in remote areas of Pakistan very aggressively. These locations include remote and underserved areas of Sind, Baluchistan, Punjab and Khyber Pakhtunkhwa. We are foreseeing a greater potential in expanding our network into these areas. The expansion would not be limited to cities only but it will also include districts, villages, tehsils and union councils. This network expansion will benefit many banks, government organizations and NGO's operating in the country.

PDL has always stood first in introducing latest and state of the art technologies to our clients for providing them with most efficient and cost effective solutions. PDL was the first company to introduce iDirect services in Pakistan.

Following the tradition of introducing new services in the country, PDL has signed an agreement with O3b networks to provide fiber like high speed internet and GSM Backhaul through satellite to any location of Pakistan. This will enable PDL to cater the growing demand of connectivity in different parts of the country where terrestrial network is not available. O3b Networks is building a new fiber quality satellite based global Internet backbone network for Telecommunications Operators (Telcos) and Internet Service Providers (ISPs) reaching over 150 countries across Africa, Asia, Latin America and the Middle East. The O3b Networks system will combine global reach and the speed of a fiber optic network. With investments and operational

support from SES, Google, Liberty Global, HSBC Principal Investments, Northbridge Venture Partners, Allen & Company, Development Bank of Southern Africa, Sofina and Satya Capital, the O3b Networks system will provide Telcos and ISPs with a low cost, high speed alternative to connect their 3G/4G/LTE/CDMA networks, WiMAX networks and fixed line networks to the rest of the world.

The increased bandwidth of O3b system will allow billions of consumers and businesses in more than 150 countries to benefit from high speed internet connectivity for educational, medical and commercial applications. Introduction of O3b will greatly help to boost the revenue stream and profitability of PDL.

### **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. 4.500 million towards social welfare in the financial year 2010-11 in the field of education.

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. 675.119 million as compared to Rs. 1.058 billion of last year's same period while it has posted a pre tax profit of Rs. 28.946 million against Rs. 249.541 million of proceeding year.

	<b>Pak Rupees</b>
Profit for the year before taxation	28,946,036
Provision for taxation	(11,437,690)
Profit after taxation	17,508,346
Basic earning per share (EPS)	2.23
Interim cash dividend @ 15% i.e. Rs. 1.50 per share (already paid)	11,761,200

### **Subsequent Effects**

Transfer to General Reserves	Nil
Proposed final cash dividend @ 10% i.e. Rs. 1.00 per share	7,840,800

Profit before tax is proposed for appropriation as follows: -

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 2011 shall be reflected in the financial statements for the year 2012. 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, 2011 (audit in progress) was Rs. 73.973 million.

### **Observation in the Previous Year's Audit Report**

Subsequent upon the issuance of the audit report for the year ended June 30, 2010 in which the auditors, without qualifying their opinion, had drawn attention in respect of transaction executed without passing special resolution as required by section 208 of the Companies Ordinance, 1984, the relevant regulatory authority desired for explanation/clarification/comment on the issue. In response, the management of PDL explained that the observation made by the company's auditors pertaining to a normal trade transaction made/arranged with an associated company namely the Pakistan Communication Industries (Private) Limited and that too on the basis of a written contract dated September 07, 2009 does not attract the provisions of section 208 of the Companies Ordinance, 1984. The matter also stands resolved.

### **Auditors**

The retiring auditors, M/S HLB Ijaz Tabussum & Co., Chartered Accountants, being eligible, offer themselves for re-appointment for the year ending June 30, 2012.

### **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.

### **Acknowledgement**

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.

**For and on behalf of the Board**

**Islamabad**  
**September 21, 2011**

**Ali Raza Bhutta**  
Chairman & 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, five meetings of the Board of Directors were held while attendance by each Director is given below;

<b><u>Name of Director</u></b>	<b><u>Number of meetings attended</u></b>
<b>Chairman (Ex)</b> Mr. Gul Bahadar Yousafzai	4
<b>Chief Executive (Ex)</b> Mr. Ali Akhtar Bajwa	5
<b>Directors</b>	
Mr. Iftikhar Ahmed Raja	5
Mr. Amjad Hussain Qureshi	5
Syed Gauhar Ali	5
Mr. Muhammad Arif	5
Sheikh Muhammad Afzal	4

### **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**

	<b>Year Ended June 30</b>				<b>(Rs. in million)</b>	
	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
<b>Tangible Fixed Assets</b>	397.196	405.265	357.716	286.481	239.178	210.468
<b>Share Capital and Reserves</b>	687.641	591.274	476.503	401.776	331.652	254.704
<b>Revenue</b>	1,058.616	1,042.099	690.469	523.473	513.770	417.453
<b>Operating Profit</b>	227.093	227.643	143.243	136.755	149.425	109.972
<b>Profit before taxation</b>	249.541	248.947	175.279	157.947	164.037	118.502
<b>Profit after taxation</b>	159.093	161.816	113.931	103.625	105.460	75.228
<b>Earning per Share - Rupees</b>	20.29	20.64	14.53	13.22	14.80	10.55
<b>Dividend (%) - Cash</b>	80.00	70.00	60.00	50.00	40.00	25.00
<b>- Bonus Shares</b>	-	-	-	-	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 NBFIs 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 in 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 Audit Committee have been formed and duly approved by the Board and advised to the Audit 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.
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  
September 21, 2011**

**Ali Raza Bhutta**  
Chairman & Chief Executive

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of PAK DATACOM LIMITED as at June 30, 2011, 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 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 a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing accounting policies and significant estimates made by 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;
  - ii) the expenditure incurred during the year was for the purpose of the company's business; and
  - iii) the business conducted, investments made and 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, 2011 and of the profit, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The previous financial statements of the company for the year ended June 30, 2010, were audited by another auditor, whose report dated October 05, 2010, expressed an unqualified opinion with an emphasis of matter paragraph in respect of transaction executed without passing special resolution as required by section 208 of the Companies Ordinance 1984.

ISLAMABAD  
Dated: 21-9-2011

**HLB IJAZ TABUSSUM & CO.**  
Chartered Accountants  
IJAZ AKBER - FCA

## **REVIEW REPORT TO THE MEMBERS ON THE STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE**

We have reviewed the Statement of Compliance with the best practices (the Statement) contained in the Code of Corporate Governance (the Code) for the year ended June 30, 2011 prepared by the Board of Directors of Pak Datacom Limited (the Company) to comply with the Listing Regulations of the respective 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 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 (xiii a) 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 does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended June 30, 2011.

ISLAMABAD  
Dated: 21-9-2011

**HLB IJAZ TABUSSUM & CO.**  
Chartered Accountants  
IJAZ AKBER - FCA

**BALANCE SHEET  
AS AT JUNE 30, 2011**

	<u>Note</u>	<u>June 30, 2011 Rupees</u>	<u>June 30, 2010 Rupees</u>
<b>EQUITY AND LIABILITIES</b>			
SHARE CAPITAL AND RESERVES			
Authorised share capital - 10,000,000 ordinary shares (June 2010: 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	575,776,089	609,232,943
		654,184,089	687,640,943
NON-CURRENT LIABILITIES			
Deferred liabilities	6	69,801,463	69,821,452
CURRENT LIABILITIES			
Customers' deposits	7	91,292,964	86,518,379
Due to associated companies	8	650,820	1,126,662
Trade and other payables	9	138,905,289	143,108,557
Provision for taxation		15,711,414	91,980,107
		246,560,487	322,733,705
		<u>970,546,039</u>	<u>1,080,196,100</u>
CONTINGENCIES AND COMMITMENTS			
	10		
<b>ASSETS</b>			
NON-CURRENT ASSETS			
Property, plant and equipment	11	370,157,970	397,196,351
Intangible assets	12	2,469,649	-
		372,627,619	397,196,351
CURRENT ASSETS			
Trade debts - unsecured	13	98,287,860	85,151,353
Advances	14	804,262	783,409
Trade deposits and short term prepayments	15	139,192,716	141,588,809
Other receivables		20,678,361	4,241,471
Interest accrued		1,696,623	270,607
Advance tax		59,311,541	91,828,077
Short term investments	16	203,680,000	207,620,000
Cash and bank balances	17	74,267,057	151,516,023
		597,918,420	682,999,749
		<u>970,546,039</u>	<u>1,080,196,100</u>

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

**Amjad Hussain Qureshi**  
Director

**Ali Raza Bhutta**  
Chairman & Chief Executive

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED JUNE 30, 2011**

	<b>Note</b>	<b>June 30, 2011 Rupees</b>	<b>June 30, 2010 Rupees</b>
Revenue		675,118,707	1,058,615,961
Cost of services	19	(589,823,358)	(752,009,931)
		<u>85,295,349</u>	<u>306,606,030</u>
Administrative expenses	20	(76,117,648)	(78,362,732)
Marketing expenses	21	(1,109,819)	(1,149,732)
		<u>(77,227,467)</u>	<u>(79,512,464)</u>
Operating profit		8,067,882	227,093,566
Other operating income	22	22,070,861	23,169,477
		<u>30,138,743</u>	<u>250,263,043</u>
Finance cost		(1,192,707)	(722,255)
Profit before taxation		<u>28,946,036</u>	<u>249,540,788</u>
Provision for taxation	23	(11,437,690)	(90,447,376)
Profit after taxation		<u>17,508,346</u>	<u>159,093,412</u>
Other comprehensive income		-	-
Net profit for the year		<u>17,508,346</u>	<u>159,093,412</u>
Earning per share	24	<u>2.23</u>	<u>20.29</u>

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

**Amjad Hussain Qureshi**  
Director

**Ali Raza Bhutta**  
Chairman & Chief Executive

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2011**

	<b>Note</b>	<b>June 30, 2011 Rupees</b>	<b>June 30, 2010 Rupees</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit for the year before taxation		28,946,036	249,540,788
Adjustment for non-cash and other items:			
Depreciation		70,000,617	75,350,218
Amortisation		734,357	-
(Gain)/ loss on disposal of property, plant and equipment		(1,303,146)	(1,831,583)
Net book value of assets charged to consumption		650,286	408,163
Finance cost		1,192,707	722,255
Exchange (gain) /loss		(623,980)	(7,877,786)
Return / Interest on bank deposits		(13,705,633)	(12,760,109)
Provision for gratuity		14,787,893	8,283,462
Provision for earned leave		6,292,907	7,318,509
		<u>78,026,008</u>	<u>69,613,129</u>
Operating profit before working capital changes		106,972,044	319,153,917
(Increase)/decrease in current assets			
Trade debts - unsecured		(13,136,507)	16,448,587
Advances		(20,853)	4,776,992
Trade deposits and short term prepayments		12,057,138	(100,613,919)
Other receivables		(16,436,890)	109,280
		<u>(17,537,112)</u>	<u>(79,279,060)</u>
Increase/(decrease) in current liabilities			
Customers' deposits		4,774,585	7,672,272
Due to associated companies		(475,842)	163,622
Trade and other payables		(4,566,280)	(27,085,180)
		<u>(267,537)</u>	<u>(19,249,286)</u>
		89,167,395	220,625,571
Cash generated from operations			
Taxes paid		(60,770,148)	(103,246,943)
Gratuity paid/adjusted		(24,731,401)	(8,588,579)
Earned leave paid/ adjusted		(732,595)	(4,885,219)
Return / Interest on bank deposits		12,279,617	16,583,870
Finance cost		(1,192,707)	(722,255)
		<u>(75,147,234)</u>	<u>(100,859,126)</u>
Net cash flows from operating activities		14,020,161	119,766,445
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		(44,736,401)	(68,558,392)
Intangible assets		(3,204,006)	-
Proceeds on the disposal of property, plant and equipment		2,427,026	2,700,073
Net cash flows in investing activities		(45,513,381)	(65,858,319)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividend paid		(50,319,726)	(63,983,203)
Net (decrease)/increase in cash and cash equivalents		(81,812,946)	(10,075,077)
Cash and cash equivalents at the beginning of the period		359,136,023	361,333,314
Effect of foreign exchange rate change		623,980	7,877,786
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	18	<u>277,947,057</u>	<u>359,136,023</u>

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

**Amjad Hussain Qureshi**  
Director

**Ali Raza Bhutta**  
Chairman & Chief Executive

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2011

	Share Capital		Capital Reserves		Revenue Reserves		
	Issued, subscribed and Paid-up Rupees	Share premium Rupees	General Reserve Rupees	Unappropriated profit Rupees	Total Rupees		
<b>Balance as at June 30, 2009</b>	<b>78,408,000</b>	<b>12,042,000</b>	<b>281,500,000</b>	<b>219,323,931</b>	<b>591,273,931</b>		
Transfer to General reserves	-	-	50,000,000	(50,000,000)	-		
<u>Transactions with owners</u>							
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 period	-	-	-	159,093,412	159,093,412		
<b>Balance as at June 30, 2010</b>	<b>78,408,000</b>	<b>12,042,000</b>	<b>331,500,000</b>	<b>265,690,943</b>	<b>687,640,943</b>		
Transfer to General reserves	-	-	50,000,000	(50,000,000)	-		
<u>Transactions with owners</u>							
Final dividend for the year ended June 30, 2010	-	-	-	(39,204,000)	(39,204,000)		
Interim dividend for the year ended June 30, 2011	-	-	-	(11,761,200)	(11,761,200)		
Net profit for the period	-	-	-	17,508,346	17,508,346		
<b>Balance as at June 30, 2011</b>	<b>78,408,000</b>	<b>12,042,000</b>	<b>381,500,000</b>	<b>182,234,089</b>	<b>654,184,089</b>		

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

**Amjad Hussain Qureshi**  
Director

**Ali Raza Bhutta**  
Chairman & Chief Executive

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

### 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 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



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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, 2011 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, 2011 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 assets 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 net of services tax, rebates and discounts. 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.

### 3.5 Property, plant and equipment

These tangible 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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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 assets are charged to the statement of profit and loss account.

### 3.6 Intangible assets

These are carried at cost less accumulated amortisation and any identified impairment losses. Amortisation is calculated using the straight line method over the period of useful life of the asset but not exceeding three years at the rates specified in the intangible assets schedule given in note 12. Costs associated with maintaining intangibles are recognised as expense as and when incurred.

Amortisation on additions is charged from the month in which an intangible asset is acquired or capitalised, while no amortisation is charged for the month in which the intangible asset is disposed off.

### 3.7 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.

### 3.8 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 and 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, 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.

### 3.9 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 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

### 3.13 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 of long term deposits, trade debts, advances, deposits, 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.

### 3.14 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.

### 3.15 Dividend

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

### 3.16 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.

### 3.17 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.

### 3.18 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.

### 3.19 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.

### 3.20 Standards, interpretations and amendments

The Standards, interpretations and amendments to them effective for the accounting period beginning on or after January 01, 2011 are either not relevant to the company's operations or are not expected to have significant impact on the company's financial statements.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

	<b>Note</b>	<b>June 30, 2011 Rupees</b>	<b>June 30, 2010 Rupees</b>
<b>4 ISSUED, SUBSCRIBED AND PAID UP CAPITAL</b>			
5,400,000 (June 2010: 5,400,000) ordinary shares of Rs. 10/- each fully paid in cash		54,000,000	54,000,000
2,440,800 (June 2010: 2,440,800) ordinary shares of Rs. 10/- each issued as fully paid bonus shares		24,408,000	24,408,000
		<u>78,408,000</u>	<u>78,408,000</u>

Out of total issued share capital, 4,318,683 (June 2010: 4,318,683) ordinary shares are held by Telecom Foundation, Pakistan.

**5 RESERVES**

**Capital**

Share premium 12,042,000 12,042,000

**Revenue**

General	381,500,000	331,500,000
Unappropriated profit	182,234,089	265,690,943
	<u>563,734,089</u>	<u>597,190,943</u>
	<u>575,776,089</u>	<u>609,232,943</u>

**6 DEFERRED LIABILITIES**

Deferred tax	6.1	48,283,361	53,863,662
Leave encashment	6.2	21,518,102	15,957,790
		<u>69,801,463</u>	<u>69,821,452</u>

**6.1 Deferred tax**

Deferred tax has been calculated at the corporate tax rate of 35% (June 2010: 35%) arising on account of accelerated depreciation on property, plant and equipment.

**6.2 Leave encashment**

Opening balance	15,957,790	13,524,500
Add: Provision for the period	6,292,907	7,318,509
	<u>22,250,697</u>	<u>20,843,009</u>
Less: Payments/adjustments during the period	(732,595)	(4,885,219)
Net Payable	<u>21,518,102</u>	<u>15,957,790</u>

**6.2.1 Actuarial valuation**

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

Projected benefits obligations (PBO)	21,518,102	15,957,790
Assets of fund	-	-
Funding deficit	21,518,102	15,957,790
Liability provision as at June 30 (previous year)	(15,957,790)	(13,524,500)
Increase in provision	<u>5,560,312</u>	<u>2,433,290</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

	<b>Note</b>	<b>June 30, 2011 Rupees</b>	<b>June 30, 2010 Rupees</b>
<b>6.2.2 Assumptions</b>			
Valuation discount rate		14% p.a.	13% p.a.
Salary increase rate		14% p.a.	13% p.a.
Leave accumulation factor		15 days p.a.	15 days p.a.
<b>7 CUSTOMERS' DEPOSITS</b>			
These represent interest free deposits received from customers repayable/ adjustable at the time of the termination of the agreement or disconnection of the link.			
<b>8 DUE TO ASSOCIATED COMPANIES</b>			
Telecom Foundation	8.1	649,620	1,122,462
TF Technologies (Private) Limited		1,200	4,200
		<u>650,820</u>	<u>1,126,662</u>
<b>8.1</b> Maximum amount due to associated companies at the end of any month during the year aggregated Rs. 1.126 million (June 2010: Rs. 6.970 million).			
<b>9 TRADE AND OTHER PAYABLES</b>			
Advances from customers		10,158,720	33,671,625
Trade Creditors		114,551,793	62,634,544
License fee payable		3,375,594	6,986,865
Accrued liabilities		5,597,193	34,956,546
Gratuity payable	9.1	-	282,462
Un-claimed dividend		5,221,989	4,576,515
		<u>138,905,289</u>	<u>143,108,557</u>
<b>9.1 Gratuity payable</b>			
Opening balance		282,462	587,579
Add: Provision for the year		14,787,893	8,283,462
		15,070,355	8,871,041
Less: Contribution paid to gratuity fund		(24,731,401)	(8,588,579)
Payable to defined benefit obligation		<u>(9,661,046)</u>	<u>282,462</u>
<b>9.1.1 Reconciliation of payable to /(receivable from) defined benefit plan</b>			
Present value of defined benefit obligation		63,429,342	59,470,201
Gratuity due but not paid		11,253,301	-
Fair value of any plan assets		(74,459,216)	(47,334,539)
Unrecognized actuarial loss		(9,884,473)	(11,853,200)
		<u>(9,661,046)</u>	<u>(282,462)</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

	<b>June 30, 2011 Rupees</b>	<b>June 30, 2010 Rupees</b>
<b><u>Movement in net liability/ (asset) recognised</u></b>		
Opening net liability	282,462	587,579
Expense for the year	14,787,893	8,283,462
Contributions	(24,731,401)	(8,588,579)
Closing net liability / (asset)	<u>(9,661,046)</u>	<u>282,462</u>
<b><u>Charge for / (income from) the defined benefit plan</u></b>		
Current service cost	7,326,684	5,448,737
Interest cos	7,537,645	6,668,805
Expected return on plan assets	(7,567,550)	(4,614,626)
Actuarial loss recognized as per Para 58(b)	5,522,387	-
Actuarial loss recognized as per Para 92	1,968,727	780,546
	<u>14,787,893</u>	<u>8,283,462</u>
<b><u>Actuarial assumptions:</u></b>		
- Valuation discount rate	14%	13 %
- Salary increase rate	14%	13 %
- Expected return on plan assets	14%	13 %
<p>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.</p>		
<b><u>Working for disclosure as per IAS-19 (revised 2010)</u></b>		
<b><u>Actuarial (gain)/ loss on obligations</u></b>		
Present value of obligation - opening balance	59,470,201	46,927,948
Current service cost	7,326,684	5,448,737
Interest cost	7,537,645	6,668,805
Payments made during the year	(2,976,636)	(2,156,374)
Actuarial loss on obligation - balancing figure	3,324,749	2,581,085
Present value of obligation - closing balance	<u>74,682,643</u>	<u>59,470,201</u>
<b><u>Actuarial gain / (loss) on assets</u></b>		
Total assets - opening balance	47,334,539	32,281,017
Expected return on plan assets	7,567,550	4,614,626
Contributions	24,731,401	8,588,579
Payments made during the year	(2,976,636)	(2,156,374)
Actuarial gain / (loss) on assets - balancing figure	(2,197,638)	4,006,691
Fair value of the plan assets - closing balance	<u>74,459,216</u>	<u>47,334,539</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

	<b>June 30, 2011 Rupees</b>	<b>June 30, 2010 Rupees</b>
<b>Corridor Limit</b>		
The limits of corridor - opening		
10% of obligations	5,947,020	4,692,795
10% of plan assets	4,733,454	3,228,102
Which works out to	5,947,020	4,692,795
Unrecognised actuarial loss - opening	(11,853,200)	(14,059,352)
Limit of corridor - opening	5,947,020	4,692,795
Excess	(5,906,180)	(9,366,557)
Average expected remaining working lives in years	3	12
Actuarial gain loss to be recognised	(1,968,727)	(780,546)
<b><u>Unrecognised actuarial gain/(loss)</u></b>		
Unrecognised actuarial loss - opening	(11,853,200)	(14,059,352)
Actuarial loss on obligations	(3,324,749)	(2,581,085)
Actuarial gain / (loss) on assets	(2,197,638)	4,006,691
	<u>(17,375,587)</u>	<u>(12,633,746)</u>
Actuarial loss recognised as per Para 58 (b)	5,522,387	-
Actuarial loss recognised as per Para 92	1,968,727	780,546
Unrecognised actuarial loss - Closing Balance	<u>(9,884,473)</u>	<u>(11,853,200)</u>
<b><u>Expense / (income) for the year</u></b>		
Current service cost	7,326,684	5,448,737
Interest cost	7,537,645	6,668,805
Expected return on plan assets	(7,567,550)	(4,614,626)
Actuarial loss recognised as per Para 58 (b)	5,522,387	-
Actuarial loss recognised as per Para 92	1,968,727	780,546
	<u>14,787,893</u>	<u>8,283,462</u>
<b><u>(Asset)/ liability to be recognized in the balance sheet</u></b>		
Present value of defined benefit obligation	74,682,643	59,470,201
Fair value of plan assets	(74,459,216)	(47,334,539)
Deficit in the fund	223,427	12,135,662
Unrecognised actuarial loss	(9,884,473)	(11,853,200)
	<u>(9,661,046)</u>	<u>282,462</u>
<b><u>Movement in net asset / (liability) in balance sheet</u></b>		
Movement in net liability/ (asset) recognised		
Opening liability	282,462	587,579
Expense for the year	14,787,893	8,283,462
Contributions	(24,731,401)	(8,588,579)
Closing net liability/ (asset)	<u>(9,661,046)</u>	<u>282,462</u>

**NOTES TO THE FINANCIAL STATEMENTS  
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Break up of fair value of plan assets	Total	Deposits 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	47,334,539	2%	765,286	98%	46,569,253
June 30, 2011	74,459,216	2%	1,473,425	98%	72,985,791
	<b>June 30, 2011</b>	<b>June 30, 2010</b>	<b>June 30, 2009</b>	<b>June 30, 2008</b>	<b>June 30, 2007</b>
	<b>Rupees</b>	<b>Rupees</b>	<b>Rupees</b>	<b>Rupees</b>	<b>Rupees</b>
<b>Gratuity fund experience</b>					
<b>Adjustment funding (surplus)/ deficit</b>					
Present value of obligation	74,682,643	59,470,201	46,927,948	33,274,649	25,164,000
Fair value of any plan assets	(74,459,216)	(47,334,539)	(32,281,017)	(30,228,722)	(28,475,379)
	<u>223,427</u>	<u>12,135,662</u>	<u>14,646,931</u>	<u>3,045,927</u>	<u>(3,311,379)</u>
Actuarial gain/ (loss) on obligation	(3,324,749)	(2,581,085)	(7,006,808)	(4,018,332)	(667,171)
Actuarial gain/ (loss) on assets	(2,197,638)	(4,006,691)	(4,017,275)	102,036	(173,488)

**10 CONTINGENCIES AND COMMITMENTS**

**10.1** Guarantees, letter of credits and standby letter of credit (SBLC) issued by the bank on behalf of the Company amounted to Rs. 98.309 million (June 2010: Rs. 36.188 million) including SBLC of US \$ 1.000 million (June 2010 : Nil) issued in favour of a satellite operator against a future prospective business.

**10.2** Capital commitments in respect of purchase of equipment outstanding amounted to Rs 0.479 million (June 2010: Rs.6.807 million).

**11 PROPERTY, PLANT AND EQUIPMENT - JUNE 2011**

Particulars	C O S T					D E P R E C I A T I O N				Net book value as at 30-Jun-11 Rs.
	As at 1-Jul-10	Additions	Disposals	As at 30-Jun-11	Rate	As at 1-Jul-10	For the period	Disposals	As at 30-Jun-11	
	Rs.	Rs.	Rs.	Rs.	%	Rs.	Rs.	Rs.	Rs.	
Lease hold land	2,884,000	-	-	2,884,000	1.2	5,768	34,539	-	40,307	2,843,693
Lease hold office building	4,831,000	2,175,000	-	7,006,000	5	40,258	321,099	-	361,357	6,644,643
Free hold land	38,400,000	-	-	38,400,000	-	-	-	-	-	38,400,000
Free hold office building	13,867,630	8,450,390	-	22,318,020	5	2,415,524	748,655	-	3,164,179	19,153,841
Datacom system machinery	612,436,988	30,924,842	(1,977,370)	641,384,460	20	320,517,069	60,985,236	(994,643)	380,507,662	260,876,798
Office equipment	10,421,152	723,310	(77,935)	11,066,527	25	5,805,921	1,257,856	(24,261)	7,039,516	4,027,011
Testing equipment	22,536,441	1,395,281	-	23,931,722	10	5,802,932	1,733,756	-	7,536,688	16,395,034
Air conditioners	2,664,716	629,972	-	3,294,688	10	729,043	219,161	-	948,204	2,346,484
Furniture and fixtures	3,367,158	437,606	-	3,804,764	10	1,923,249	167,243	-	2,090,492	1,714,272
Vehicles	42,455,665	-	(2,243,396)	40,212,269	20	19,428,635	4,533,072	(1,505,632)	22,456,075	17,756,194
June 30, 2011	<u>753,864,750</u>	<u>44,736,401</u>	<u>(4,298,701)</u>	<u>794,302,450</u>		<u>356,668,399</u>	<u>70,000,617</u>	<u>(2,524,536)</u>	<u>424,144,480</u>	<u>370,157,970</u>

**11.1** 1st hypothecation /mortgage charge has been created on all present and future fixed assets of the Company for Rs. 200 million against unfunded credit facility of Rs.150 million from Habib Bank Limited.



**NOTES TO THE FINANCIAL STATEMENTS  
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**11.2 Disposal of Property, Plant and Equipment - June 2011**

Particulars	Cost	Accumulated depreciation	Net book value	Sale proceeds/ adjustments	Mode of disposal	Particulars of purchaser
<b>Datacom System Machinery</b>						
DXX Equipment	16,147	(8,241)	7,906	20,000	Damaged	Allied Bank Limited
DXX Equipment	32,294	(21,496)	10,798	65,000	Damaged	National Bank of Pakistan
DXX Equipment	16,147	(10,408)	5,739	35,000	Damaged	MCB Bank
DXX Equipment	46,331	(29,447)	16,884	70,000	Damaged	PIFRA
VSAT Equipment	343,171	(158,622)	184,549	466,799	Sold	State Bank of Pakistan
VSAT Equipment	1,349,546	(699,260)	650,286	3,191,344	Charged off	Civil Aviation Authority
VSAT Equipment	56,844	(11,748)	45,096	75,000	Damaged	PIFRA
VSAT Equipment	116,890	(55,421)	61,469	85,000	Damaged	National Bank of Pakistan
	<u>1,977,370</u>	<u>(994,643)</u>	<u>982,726</u>	<u>4,008,143</u>		
<b>Office Equipment</b>						
Office equipment	77,935	(24,261)	53,674	-	Scrapped	Charged to consumption
	<u>77,935</u>	<u>(24,261)</u>	<u>53,674</u>	<u>-</u>		
<b>Vehicles</b>						
<b>Registration #</b>	<b>Make</b>					
IDJ7605	Suzuki Mehran -1999	364,130	(329,224)	34,906	273,132	Auctioned Abdul Ghafoor Punjnad Dakhkhana Khas, Tehsil Talagang, Distt Chakwal
IDK 9582	Suzuki Ravi- 2001	393,301	(335,271)	58,030	295,990	Auctioned Abdul Ghafoor Punjnad Dakhkhana Khas, Tehsil Talagang, Distt Chakwal
IDJ7902	Suzuki Mehran- 1999	381,765	(345,708)	36,057	338,203	Auctioned Malik Khizar Hayat : H # CB-58 Ismaeelabad, Wah Cantt
CS-8120	Suzuki Bolan	569,000	(194,219)	374,781	456,000	Insurance claim Shaheen Insurance company Limited, Islamabad
LOR1041	Honda 70-1993	60,000	(48,046)	11,954	6,463	Auctioned Muhammad Rizwan Shabir, H # 392, St # 73, Sector G-8/1, Islamabad
IDF1923	Honda 70-1992	60,000	(48,046)	11,954	5,510	Auctioned Muhammad Rizwan Shabir, H # 392, St # 73, Sector G-8/1, Islamabad
LOP9421	Honda 70-1993	60,000	(48,046)	11,954	15,034	Auctioned Muhammad Rizwan Shabir, H # 392, St # 73, Sector G-8/1, Islamabad
LOQ2290	Honda 70-1993	60,000	(48,046)	11,954	18,095	Auctioned Malik Khizar Hayat, H # CB-58 Ismaeelabad, Wah Cantt
IDX1663	Honda 70-2008	61,400	(19,402)	41,998	49,800	Insurance claim Shaheen Insurance Company Limited, Islamabad
LEL 6779	Honda 70-2006	54,000	(30,345)	23,655	24,000	Insurance claim Shaheen Insurance Company Limited, Islamabad
KDB 1231	Honda 70-2006	54,000	(30,345)	23,655	24,000	Insurance claim Shaheen Insurance Company Limited, Islamabad
LEL-10-5423	Honda 70-2010	62,900	(14,956)	47,946	52,000	Insurance claim Shaheen Insurance Company Limited, Islamabad
KEN 7275	Honda 70-2010	62,900	(13,978)	48,922	52,000	Insurance claim Shaheen Insurance Company Limited, Islamabad
		<u>2,243,396</u>	<u>(1,505,632)</u>	<u>737,765</u>	<u>1,610,227</u>	
		<u>4,298,701</u>	<u>(2,524,536)</u>	<u>1,774,165</u>	<u>5,618,370</u>	

**Property, Plant and Equipment - June 2010**

Particulars	C O S T					D E P R E C I A T I O N				Net book value as at 30-Jun-10 Rs.
	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 period Rs.	Disposals Rs.	As at 30-Jun-10 Rs.	
	Lease hold land	-	2,884,000	-	2,884,000	1.2	-	5,768	-	
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 fixtures	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
	<u>690,083,213</u>	<u>68,558,392</u>	<u>(4,776,855)</u>	<u>753,864,750</u>		<u>284,818,383</u>	<u>75,350,218</u>	<u>(3,500,202)</u>	<u>356,668,399</u>	<u>397,196,351</u>

**NOTES TO THE FINANCIAL STATEMENTS  
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**12 INTANGIBLE ASSETS - JUNE 2011**

Particulars	C O S T					A M O R T I S A T I O N				Net book value
	As at 1-Jul-10	Additions	Disposals	As at 30-Jun-11	Rate	As at 1-Jul-10	For the period	Disposals	As at 30-Jun-11	as at 30-Jun-11
	Rs.	Rs.	Rs.	Rs.	%	Rs.	Rs.	Rs.	Rs.	Rs.
Software	-	3,204,006	-	3,204,006	33.33%	-	734,357	-	734,357	2,469,649
June 30, 2011	-	3,204,006	-	3,204,006		-	734,357	-	734,357	2,469,649
June 30, 2010	-	-	-	-		-	-	-	-	-

**13 TRADE DEBTS - UNSECURED**

Considered good

Note	June 30, 2011 Rupees	June 30, 2010 Rupees
	98,287,860	85,151,353
	<u>98,287,860</u>	<u>85,151,353</u>

**14 ADVANCES**

Advances - considered good to

Suppliers - secured

Employees - unsecured

400,000	91,203
404,262	692,206
<u>804,262</u>	<u>783,409</u>

**15 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS**

Margin and guarantees with banks

Trade deposits

Gratuity

Prepayments

9.1

2,955,917	1,044,948
76,731,201	85,409,496
9,661,046	-
49,844,552	55,134,365
<u>139,192,716</u>	<u>141,588,809</u>

**16 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 0.8% to 12.75% (June 2010: 1.50% to 12.00%) per annum. Included in these investments are foreign currency term deposit receipts amounting to US \$ 1.600 million (June 2010: US \$ 2.075 million). Out of total investments, US \$ Nil (June 2010: US \$ 0.075 million) and Rs. 10.000 million (June 2010: Rs. 10.000 million) are pledged against bank guarantee/standby letter of credit issued by the bank.

Note	June 30, 2011 Rupees	June 30, 2010 Rupees
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**17 CASH AND BANK BALANCES**

Cash in hand

Cash at bank in

Current accounts

Deposit accounts

Current accounts-dividend

-	-
9,912,731	4,164,669
58,911,639	142,635,281
5,442,687	4,716,073
<u>74,267,057</u>	<u>151,516,023</u>

**NOTES TO THE FINANCIAL STATEMENTS  
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**17.1** Deposit accounts include foreign currency deposits of US \$ 1.898 million (June 2010: US \$ 0.585 million).

	<b>Note</b>	<b>June 30, 2011 Rupees</b>	<b>June 30, 2010 Rupees</b>
<b>18 CASH AND CASH EQUIVALENTS</b>			
Short term investments		203,680,000	207,620,000
Cash and bank balances		74,267,057	151,516,023
		<u>277,947,057</u>	<u>359,136,023</u>
<b>19 COST OF SERVICES</b>			
Channel and local lead rent		215,316,214	200,229,029
Space segment rentals		156,661,651	320,354,812
Equipment maintenance cost		9,848,229	10,347,274
Repair and maintenance expenses		8,261,736	9,349,685
License fee		10,664,658	7,570,444
Salaries and other benefits	19.1	118,335,896	128,808,469
Depreciation		70,000,617	75,350,218
Amortisation of intangible assets		734,357	-
		<u>589,823,358</u>	<u>752,009,931</u>
<b>19.1</b> Salaries and other benefits include amount of Rs.16.864 million (June 2010: Rs.12.481 million) in respect of staff retirement benefits.			
<b>20 ADMINISTRATIVE EXPENSES</b>			
Salaries and other benefit	20.1	29,583,974	32,202,117
Traveling and local conveyance		3,875,212	4,281,592
Telephone expenses		3,775,747	4,171,955
Vehicle running expenses		15,982,810	11,584,264
Insurance		1,385,697	1,120,143
Entertainment		1,342,757	1,408,032
Rent, rates and taxes		6,849,289	7,341,062
Legal and professional charges		2,663,145	6,229,439
Printing and stationery		1,757,535	2,260,097
Utilities		3,991,482	2,554,031
Welfare expenses		4,500,000	4,800,000
Auditors' remuneration	20.2	410,000	410,000
		<u>76,117,648</u>	<u>78,362,732</u>
<b>20.1</b> Salaries and other benefits include amount of Rs. 4.216 million (June 2010: Rs. 3.120 million) in respect of staff retirement benefits.			
<b>20.2</b> Auditors' remuneration			
Audit fee		400,000	400,000
Out of pocket expenses		10,000	10,000
		<u>410,000</u>	<u>410,000</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

	<b>Note</b>	<b>June 30, 2011 Rupees</b>	<b>June 30, 2010 Rupees</b>
<b>21 MARKETING EXPENSES</b>			
Advertisement & marketing expenses		1,109,819	1,149,732
		<u>1,109,819</u>	<u>1,149,732</u>
<b>22 OTHER OPERATING INCOME</b>			
<b><u>Income from financial assets</u></b>			
Return on bank deposits/ short term investments		13,705,633	12,760,109
Exchange gain/(loss)		623,980	7,877,786
Income from projects		6,438,102	700,000
		<u>20,767,715</u>	<u>21,337,895</u>
<b><u>Income from non-financial assets</u></b>			
Profit/(loss) on disposal of fixed assets		1,303,146	1,831,582
		<u>22,070,861</u>	<u>23,169,477</u>
<b>23 PROVISION FOR TAXATION</b>			
Current - for the year		15,711,414	91,980,107
- prior years		1,306,577	3,108,101
Deferred		<u>(5,580,301)</u>	<u>(4,640,832)</u>
	23.1	<u>11,437,690</u>	<u>90,447,376</u>
<b>23.1 Reconciliation of tax charged for the period</b>			
Accounting profit		28,946,036	249,540,788
Tax on accounting profit at 35% (June 2010 : 35%)		10,131,113	87,339,276
Tax effect of expenses that are inadmissible for tax purposes		23,154,744	25,874,379
Tax effect of prior years		1,306,577	3,108,101
Tax effect of expenses that are admissible for tax purposes		<u>(17,574,443)</u>	<u>(21,233,548)</u>
		17,017,991	95,088,208
Tax effect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amount used for taxation purposes		<u>(5,580,301)</u>	<u>(4,640,832)</u>
		<u>11,437,690</u>	<u>90,447,376</u>
<b>24 EARNINGS PER SHARE (BASIC AND DILUTED)</b>			
Profit after taxation		17,508,346	159,093,412
		(Number of shares)	
Weighted average number of ordinary shares		<u>7,840,800</u>	<u>7,840,800</u>
		(Rupees)	
Basic and diluted earnings per share		<u>2.23</u>	<u>20.29</u>

There are no dilutive potential ordinary shares as at June 30, 2011 (June 30, 2010: Nil).

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

	<b>June 30, 2011 Rupees</b>	<b>June 30, 2010 Rupees</b>
<b>25 TRANSACTIONS WITH RELATED PARTIES</b>		
Following are the related party with whom transactions were undertaken during the period.		
<b><u>Telecom Foundation</u></b>		
Dividend	50,319,726	34,549,464
Rentals	645,217	2,043,168
Welfare expenses	4,500,000	4,500,000
	<u>55,464,943</u>	<u>41,092,632</u>
<b><u>TF Technologies (Private) Limited</u></b>		
Repayment	3,000	19,000
<b><u>TF Payphones Limited</u></b>		
Purchase of property	8,450,390	-
	<u>63,918,333</u>	<u>41,111,632</u>

- 25.1** The related parties comprise of subsidiary, holding and associated companies, directors, companies with common directorship, key management staff and staff retirement benefits fund.
- 25.2** Balance due to related parties are disclosed in note 8 to these financial statements.
- 25.3** Transactions with the directors and executives are disclosed in note 27 to these financial statements.
- 25.4** There were no transactions with key management personnel other than under their terms of employment.
- 25.5** The Company has no subsidiary company and there are no transactions with companies with common directorship other than those disclosed in these financial statements.
- 25.6** Transactions regarding retirement benefits are disclosed in note 6, 9, 19 & 20 to these financial statements.

**26 RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Company's activities expose it to a variety of financial risks, including the effects of changes in foreign exchange rates, market interest rates, credit and liquidity risk associated with various financial assets and liabilities respectively as referred in note 26.6.

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.

**26.1 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  
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Foreign currency denominated financial assets and liabilities, translated into Pak Rupees at the closing rate, are as follows:

	<b>June 30, 2011 Rupees</b>	<b>June 30, 2010 Rupees</b>
Financial assets	225,050,257	325,221,557
Financial liabilities	(65,209,034)	(62,721,423)
Short-term exposure	<u>159,841,223</u>	<u>262,500,134</u>
Financial assets	-	-
Financial liabilities	-	-
Long-term exposure	<u>-</u>	<u>-</u>

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 .

It assumes a + 1.58% / -1.86% change of the US Dollar exchange rate for the year ended at June 30, 2011 (2010: + 3.82% / -2.71%). 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 1.58% (2010: 3.82%) then this would have had the following impact:

	<b>2011 USD Rupees</b>	<b>2010 USD Rupees</b>
Net result for the year (exchange loss)	2,938,627	9,861,388
If the Pak Rupee had weakened against the US Dollar by 1.86% (2010: 2.71%), then this would have had the following impact:		
Net result for the year (exchange gain)	2,489,102	7,004,859

**26.2 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:

	<b>June 30, 2011 %</b>	<b>June 30, 2010 %</b>	<b>June 30, 2011 Rupees</b>	<b>June 30, 2010 Rupees</b>
Fixed rate instrument				
Financial assets				
Short term investments	0.80 to 12.75	1.50 to 12.00	203,680,000	207,620,000
Bank balances-deposit accounts	5.00 to 08.00	0.50 to 10.00	<u>58,911,639</u>	<u>142,635,281</u>
			<u>262,591,639</u>	<u>350,655,281</u>
Financial liabilities			-	-
			<u>262,591,639</u>	<u>350,255,281</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

### 26.3 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:

	<b>June 30, 2011 Rupees</b>	<b>June 30, 2010 Rupees</b>
Classes of financial assets - carrying amounts		
Trade debts - unsecured	98,287,860	85,151,353
Advances	404,262	692,206
Trade deposits	89,348,164	86,454,444
Other receivables	20,678,361	4,241,471
Interest accrued	1,696,623	270,607
Cash and cash equivalent	262,591,639	350,255,281
	<u>473,006,909</u>	<u>527,065,362</u>

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

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:

	<b>June 30, 2011 Rupees</b>	<b>June 30, 2010 Rupees</b>
Not more than 3 months	45,597,621	54,251,678
More than 3 months but not more than 6 months	19,782,928	10,887,387
More than 6 months but not more than 1 year	14,924,961	9,358,458
More than 1 year	17,982,350	10,653,830
	<u>98,287,860</u>	<u>85,151,353</u>

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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

**26.4 Liquidity risk analysis**

Liquidity risk reflects an enterprise's inability in raising 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:

	<b>June 30, 2011 Rupees</b>	<b>June 30, 2010 Rupees</b>
Financial liabilities		
Trade payables		
Maturity with in 1 year	128,746,569	109,436,932
Maturity after 1 year	-	-
	<u>128,746,569</u>	<u>109,436,932</u>
Other payables		
Maturity with in 1 year	91,943,784	87,645,041
Maturity after 1 year	-	-
	<u>91,943,784</u>	<u>87,645,041</u>
	<u><u>220,690,353</u></u>	<u><u>197,081,973</u></u>

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

**26.5 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.

**26.6 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 follow:

	<b>June 30, 2011 Rupees</b>	<b>June 30, 2010 Rupees</b>
Financial assets		
Trade debts - unsecured	98,287,860	85,151,353
Advances	404,262	692,206
Trade deposits	89,348,164	86,454,444
Other receivables	20,678,361	4,241,471
Interest accrued	1,696,623	270,607
Cash and cash equivalent	277,947,057	359,136,023
	<u><u>488,362,327</u></u>	<u><u>535,946,104</u></u>



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

	<b>June 30, 2011 Rupees</b>	<b>June 30, 2010 Rupees</b>
Financial liabilities		
Financial liabilities measured at amortized cost		
Trade payables	128,746,569	109,436,932
Others payables	91,292,964	86,518,379
Due to associated company	650,820	1,126,662
	<u>220,690,353</u>	<u>197,081,973</u>

**27 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:

	<b>June 2011 Rupees</b>			<b>June 2010 Rupees</b>		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
Managerial remuneration	2,438,169	-	7,161,651	929,422	-	5,604,452
Other Allowances	789,914	-	3,750,116	7,000	-	5,335,569
Others	90,000	2,425,000	3,955,376	770,000	2,100,000	4,692,605
	<u>3,318,083</u>	<u>2,425,000</u>	<u>14,867,143</u>	<u>1,706,422</u>	<u>2,100,000</u>	<u>15,632,626</u>
Number of persons	<u>1</u>	<u>6</u>	<u>7</u>	<u>2</u>	<u>6</u>	<u>8</u>

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

	<b>June 30, 2011 Rupees</b>	<b>June 30, 2010 Rupees</b>
<b>28 NUMBER OF EMPLOYEES</b>		
Total number of employees at the end of the period	<u>243</u>	<u>261</u>

**29 DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorised for issue by the Board of Directors of the Company on September 21, 2011.

**30 MOVEMENT BETWEEN RESERVES AND PROPOSED DIVIDEND**

The Board of Directors in its meeting held on September 21, 2011 approved i) transfer of Rs. Nil (June 2010: Rs. 50 million) from unappropriated profit to general reserves; (ii) final cash dividend of Rs. 1.00 per share (June 2010: Rs. 5 per share) amounting to Rs. 7.841 million (2010: Rs. 39.204 million). The financial statements for the year ended June 30, 2011 do not include the effect of aforementioned movement between reserves and proposed dividend.

**31 GENERAL**

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

**Amjad Hussain Qureshi**  
Director

**Ali Raza Bhutta**  
Chairman & Chief Executive

**PATTERN OF HOLDING OF THE SHARES HELD BY THE  
SHAREHOLDERS OF PAK DATACOM LIMITED AS AT JUNE 30, 2011  
FORM 34 (SECTION - 236)**

NUMBER OF SHAREHOLDERS	SHAREHOLDING		TOTAL SHARES HELD
	FROM	TO	
1,429	1	100	45,769
414	101	500	114,283
74	501	1,000	57,162
105	1,001	5,000	234,700
23	5,001	10,000	166,645
8	10,001	15,000	94,005
1	15,001	20,000	19,550
4	25,001	30,000	109,121
3	30,001	35,000	95,983
3	35,001	40,000	114,086
2	85,001	90,000	173,600
1	140,001	145,000	143,119
1	185,001	190,000	185,723
1	245,001	250,000	245,882
1	515,001	520,000	516,025
1	600,001	605,000	600,633
1	605,001	610,000	605,831
1	4,315,001	4,320,000	4,318,683
<b>2,073</b>			<b>7,840,800</b>

CATEGORIES OF SHAREHOLDERS	NUMBER	SHARES HELD	PERCENTAGE (%)
Associated Companies	1	4,318,683	55.08
Others	8	784,749	10.01
Financial Institutions	3	644,882	8.22
Joint Stock Companies	16	80,016	1.12
Investment Companies	4	146,936	1.87
Insurance Companies	2	610,481	7.79
Individuals	2,039	1,247,053	15.91
<b>TOTAL</b>	<b>2,073</b>	<b>7,840,800</b>	<b>100.00</b>

<b>NAME WISE DETAIL OF SHAREHOLDERS</b>		
<b>Categories of shareholders</b>	<b>Shares Held</b>	<b>Percentage (%)</b>
<b>Associated Companies, Undertakings &amp; Related Parties</b>		
Telecom Foundation	4,318,683	55.08
<b>NIT &amp; ICP (NAME WISE DETAIL)</b>		
IDBP (ICP UNIT)	32	0.00
Industrial Development Bank of Pakistan	100	0.00
National Investment Trust Limited	3,685	0.05
NBP - Trustee Department NI(UT) Fund	143,119	1.83
<b>Insurance Companies</b>		
State Life Insurance Corporation of Pakistan	605,831	7.73
Alpha Insurance Company Ltd.	4,650	0.06
<b>Financial Institutions</b>		
The Bank of Punjab	30,625	0.39
National Bank of Pakistan	614,257	7.83
<b>Modarabas &amp; Mutual Funds</b>		
Golden Arrow Selected Stock Fund Limited	516,025	6.58
CDC - Trustee AKD Opportunity Fund	245,882	3.14
<b>Other Companies</b>		
Javed Omer Vohra & Company Limited	200	0.00
Y.S. Securities & Services (Private) Limited	1,740	0.02
Sarfraz Mahmood (Private) Limited	126	0.00
Darson Securities (Private) Limited	33	0.00
Capital Vision Securities (Private) Limited	6,862	0.09
Zillion Capital Securities (Private) Limited	2,000	0.03
N. H. Capital Fund Limited	5	0.00
Mian Mohammed Akram Securities (Private) Limited	108	0.00
Stock Master Securities (Private) Limited	46	0.00
Abbasi Securities (Private) Limited	12,500	0.16
Amin Tai Securities (Private) Limited	37,600	0.48
Al-haq Securities (Private) Limited	440	0.01
Value Stock Securities (Private) Limited	16	0.00
Pearl Capital Management (Private) Limited	189	0.00
Aqeel Karim Dhedhi Securities (Private) Limited	26,150	0.33
Money Line Securities (Private) Limited	1	0.00
<b>Non Residents</b>		
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
<b>General Public</b>	<b>1,247,053</b>	<b>15.90</b>
<b>Total</b>	<b>7,840,800</b>	<b>100.00</b>
<b>SHAREHOLDERS HOLDING TEN PERCENT OR MORE VOTING RIGHTS IN THE COMPANY</b>		
<b>Name(s) of Shareholder(s)</b>	<b>Share Held</b>	<b>Percentage (%)</b>
Telecom Foundation	4,318,683	55.08
<b>Total</b>	<b>4,318,683</b>	<b>55.08</b>

**FORM OF PROXY**

**PAK DATACOM LIMITED**

I, \_\_\_\_\_

of \_\_\_\_\_

being member of Pak Datacom Limited and a holder of \_\_\_\_\_

ordinary shares as per Share Register Folio Number \_\_\_\_\_ (Number of Shares)

\_\_\_\_\_ 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 21, 2011 at 10:00 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 Computerised National Identity Card (CNIC) or the passport of the beneficial owner. Representative of corporate members should bring the usual documents required for such purpose.

[www.pakdatacom.com.pk](http://www.pakdatacom.com.pk)



**Pak Datacom**

**Head Office**

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