Telecard Limited

Annual Report 2000

CONTENTS

COMPANY INFORMATION

BOARD OF DIRECTORS	Mr. Sultan-ul-Arfeen Mr. Shahid Firoz Mr. Khalid Firoz Mr. Javaid Firoz Mr. Brian Lee Bowen Mr. Bo Ericsson Dr. Dudley B. Christie
CHIEF EXECUTIVE	Mr. Javaid Firoz
COMPANY SECRETARY	Mr. Habib A. Farooqi
BANKERS	Union Bank Ltd. ABN - Amro Bank. Muslim Commercial Bank Ltd. Habib Bank Ltd. Bank Alfalah Ltd.
AUDITORS	Ford, Rhodes, Robson, Morrow, Chartered Accountants
REGISTERED OFFICE	3rd Floor World Trade Center 75, East Blue Area, Fazal-ul-Haq Road Islamabad, Pakistan
CORPORATE OFFICE	7th Floor World Trade Center 10, Khayaban-e-Roomi, Clifton Karachi, Pakistan

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 7th Annual General meeting of the shareholders of the Company will be held on Monday 18, December 2000 at 9.00 am at Islamabad Holiday Inn, Islamabad to transact the following business.

1. To confirm the minutes of the last Extra Ordinary General Meeting held on July 22, 2000.

2. To receive, consider and adopt the Audited Accounts of the Company for the year ended on June 30, 2000 together with the Directors' and Auditors' report thereon.

3. To appoint Auditors of the Company and fix their remuneration. Present Auditors M/s. Ford, Rhodes, Robson, Morrow, Chartered Accountants retire and being eligible, offer themselves for re-appointment.

4. To transact any other business with the permission of the Chair.

By order of the Board,

Islamabad
Dated: November 28, 2000

Habib A. Farooqi
Company Secretary

NOTES:

1. The Share Transfer Book of the Company will remain closed from December 12, 2000 to December 18, 2000 (both days inclusive).

2. Any member of the Company entitled to attend and vote at the General Meeting may appoint another member as his / her proxy to attend and vote instead of him / her. A company or corporation may, by means of a resolution of its directors, appoint a person who is not a member as proxy. Proxies / Nomination letters must be received at the Registered Office of the Company not less than 48 hours before the time of holding the meeting.

3. Any change of address should be notified immediately to the Company's Share Registrar Gangjees Associates, 516 Clifton Centre, Clifton, Karachi.

4. For identification, CDC account holders should present the Participants National Identity Card, and CDC Account Number.

DIRECTORS' REPORT

	2000 Rupees	*1999 Rupees*
Sales	543,377,937	284,330,998
Cost of sales	365,631,532	196,466,907
Gross profit	177,748,405	87,864,091
Other Operating income	3,011,787	1,086,561
	180,758,192	88,950,652
Administrative and selling expenses	115,065,578	67,426,734
	65,692,614	21,523,918
Financial charges	35,909,156	18,004,800
Net profit before taxation	29,783,458	5,519,118
Taxation - Current year	2,717,620	1,421,830
- Prior years	33,043	42,335
	2,750,663	1,464,165
Net profit after taxation	27,032,795	4,054,953
Accumulated loss as brought forward	(58,501,558)	(62,556,511)
Accumulated loss as carried forward	(31,468,763)	(58,501,558)

CHIEF EXECUTIVE REVIEW
The review on page no 5 to 7 deals with business activities during the year and the future outlook of the company. The Directors of the company endorse the contents of this review.

PATTERN OF HOLDING OF SHARES
The pattern of share holding is attached on page no 32.

EARNING PER SHARE
Earning per share for the year ended on June 30, 2000 is Rs. 1.081

AUDITORS
The present auditors M/S Ford, Rhodes; Robson, Morrow, Chartered Accountants retire, and being eligible, offer themselves for re-appointment.

By Order of the Board

Javaid Firoz
Chief Executive

Karachi: November 24, 2000.

CHIEF EXECUTIVE'S REVIEW

It is indeed a pleasure to present you the Audited Annual Report and Financial Statements for the year ended June 30, 2000.

Review of Operations
As reported in last year's review, the management of your company decided to undertake an aggressive expansion plan this year. It is with great satisfaction that I am able to report to you that the plan has been executed very successfully and we have achieved a remarkable 91% increase in sales. The company posted sales of Rs. 543 million in the current financial year, as compared to Rs. 284 million in the previous period. After tax profit for the current year was over Rs. 27 million, compared to previous year profit of Rs 4 million, depicting an increase of more than 600% over 1999.

Being the largest operator of outdoor payphones in Pakistan, your company devoted this year to establishing itself as a large player in the indoor payphone market as well. The company successfully introduced new, low cost payphone models during the year, which are more suitable for the indoor payphone market. Along with the introduction of a more modern payphone network management system, and upgrade of earlier models, the company has witnessed benefits like lower capital costs per payphone, lower card cost and improved reliability of the payphone network. At the same time, the company also aggressively expanded its operations in new geographical areas and with the help of effective marketing has been successful in generating a lot of demand for its services.

In addition to accelerating new phone installations, your company also focused on improving yield per phone, controlling costs, and increasing the efficiency of the company. Investments were also made in modernization of the Management Information Systems of the company. The management is confident that these measures will have a positive impact on the profitability of future years.

Having achieved the sales target of half a billion Rupee, all efforts are now being made to achieve the next sales target of One Billion Rupees. The near 100% growth in the year under review has helped demonstrate your company's ability to successfully manage these high growth rates. The management is committed to maintain this rapid expansion of the payphone network, both in the indoor as well as outdoor payphone segments. With the help of streamlined procedures, improved financial strength and a marketing momentum, higher installations levels are expected to be achieved in the future. The company has successfully installed payphones against all pending applications as on 30th June for which advances had been received from customers.

On the financial front, the company continued to strengthen its balance sheet, and was able to meet all its financial obligations arising out of restructuring from the previous year. Due to heavy financial commitments and sizable capital expenditure in the earlier part of the year, the company had to forgo some discounts on its PTCL billing during the year, having a negative impact on its bottom line. However, with an improved liquidity position, these discounts are now being availed. During the year a sizable amount of provisioning was also done for items related to previous years, dragging down the current profitability of the company. With a healthier balance sheet your management is confident of substantially raising the profit margin in the next year.

As you know, the Government of Pakistan provided a relief package for the operators affected by the temporary ban on service in Karachi in 1995, which entails receiving Relief Rebate from the PTCL. The company has a dispute with the PTCL about the mechanics of calculation and payment of this Rebate, and payments from PTCL have been consequently slow. Your company has filed a suit against the PTCL for recovery of this amount in the Sindh high court, and is very confident of a favorable outcome of the case.

Future Outlook

Despite a general economic slowdown in the country, the payphone industry continues to grow and flourish. In fact, the payphone industry is one of the fastest growth industries in the country, and the rate of growth has steadily increased over the last three years, along with an improvement in the revenue per phone levels. As witnessed in the telecommunications industry in other parts of the world, increased competition is creating more awareness in the market, and contributing to the overall growth of the industry. The industry is still in the growth stage and is far from maturity as there is a sizeable demand-supply gap for payphones in the country. We feel that this trend in the industry will continue for some time in the future.

The current strategy of rapid network expansion will serve as a prelude to the rollout of the Wireless Payphone System being pursued by your company. I am pleased to report that substantial progress has been made on the implementation of the project, after the prolonged wait for a decision on the issue of frequency by the Frequency Allocation Board. Your company has contracted with Motorola, a world leader in wireless networks, to supply equipment and financing for the project. NDC Global Services, a subsidiary of Telstra of Australia, has also been engaged by your company as project managers for this large undertaking. The Wireless Payphone Project envisages the installation of around 125,000 wireless payphones across the country over a period of three years. Once the wireless payphone network is in place, the company will be able to increase its payphone capacity phenomenally.

Your management is also cognizant of the planned deregulation of the telecommunication industry in 2003 and is alive to the opportunities it will present to established operators. It believes that the implementation of the Wireless Payphone Project will position your company to quickly take advantage of new opportunities in the industry.

Appreciation

I would take this opportunity to thank my company personnel whose efforts and dedication helped in registering phenomenal growth and success of the company and without their untiring efforts, such remarkable progress would not have been possible. The company will continue to invest in human resources, as the company fully understands the importance of quality of people in changing the company's fortune.

We also appreciate the co-operation given to us by Pakistan Telecommunication Authority and Pakistan Telecommunications Corporation Limited in solving the various issues, and all the financial institutions that deposed confidence in the company and management and played a critical role in progress of the company.

I also thank my beard members who prayed critical role in formulating the corporate strategy of the company and their valuable input in solving key matters.

I also express my sincere appreciation for the confidence and support of our valued shareholders.

Javaid Firoz
Karachi: November 24, 2000 **Chief Executive**

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **TELECARD LIMITED** as at June 30, 2000 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 statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit

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

(a) Reference is made to note 214 to the accounts regarding the change in accounting policy in respect of income from indoor call points (ICP). In our opinion such treatment requires a modification of the existing ICP agreement as otherwise it amounts to a deviation from the International Accounting. Standard - 18 "Revenue Recognition" (IAS-18) because the contract requires the company to install payphones and income should be recognised at the time of installation of payphones. Had the company followed IAS 18 the income from indoor call points for the year would be Rs27 million instead of Rs.53 million reported in note 22 to the accounts. Accordingly the profit for the year would reduce by Rs26 million and accumulated loss would increase by the same amount As stated in note 214 to the accounts it is not practicable for the company to give the impact of the change retrospectively or the proforma information required by International Accounting Standard - 8.

(b) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984:

(c) 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 account and are further in accordance with accounting policies consistently applied except for the matters stated in note 2.12 to the accounts with which we concur and note 2.14 to the accounts with which we do not concur as explained in (a) above;

(ii) the expenditure incurred during the year was for the purpose of the company's business; and

(iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;

(d) in our opinion, except for the effect of the matter referred to in paragraph (a) above which would decrease the profit for the year and increase accumulated loss by Rs.26 million, 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, 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, 2000 and of the profit and the changes in financial position for the year then ended;

(e) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980; and

(f) without further qualifying our opinion, we draw attention to the following matters:

(i) as stated in note 10.4 and 10.5 to the accounts the recovery of rebate and interconnect discount from Pakistan Telecommunication Company Limited (PTCL) amounting to Rs.119.39 million and Rs.6.34 million respectively, depends on the outcome of court's decision. The ultimate outcome of actions taken by the company cannot presently be determined and no provision for any doubtful debts that may result has been made in these accounts.

(ii) the total PTCL liability as per accounts amount to Rs.113.93 million, however the total amount payable to PTCL and the estimated liability of untendered cards amount to Rs.116.27 million, resulting in under charge of PTCL billing (note 23 to the accounts) by Rs.2.35 million. According to the management it has claims in excess of the above amount in respect of the excessive billing by PTCL against which claims have been lodged with the concerned authorities. The outcome of actions taken by the company cannot presently be determined hence no accrual for the above amount has been made in these accounts.

(iii) attention is drawn to note 9.1 to the accounts concerning outstanding balance from debtors amounting to Rs.2.05 million primarily from Utility Store Corporation. The ultimate outcome of actions taken by the company cannot presently be determined and no provision for any doubtful debts that may result has been made in these accounts.

(iv) an amount of Rs.1 million is appearing under long term deposit (refer note 5 to the accounts) given to PTA against permission to start voice mail and trunk radio services in Pakistan. These licences were issued in 1996 but the company has not been able to start these services to date. PTA gave a notice to make payment of annual renewal fees and the same amounts to Rs.05 million. However. the company is of the view that PTA has not allotted the required frequencies to start the service and hence no renewal fee can be paid. The ultimate outcome of the negotiations between PTA and the company cannot presently be determined and no accrual of annual renewal fee that may become payable has been made in these accounts.

(v) supplier's credit amounting to Rs.21.72 million have been treated as deferred liabilities on the basis of the reason given in note 15.2 to the accounts.

Karachi -
November 24, 2000 **Chartered Accountants**

BALANCE SHEET AS AT JUNE 30, 2000

	Note	*2000* *Rupees*	*1999* *Rupees*
NON-CURRENT ASSETS			
FIXED ASSETS - TANGIBLE			
Operating assets	3	300,246,450	242,442,864
Capital work-in-progress	4	84,588,063	82,441,945
LONG TERM DEPOSITS	5	13,442,303	15,746,541
DEFERRED ADVERTISEMENT EXPENDITURE	6	2,250,000	2,550,000
DEFERRED COST	7	12,527,405	7,653,003
CURRENT ASSETS			
Trade debts	9	32,494,068	13,212,353
Advances, Deposits, Prepayments and Other Recei	10	187,005,838	102,870,387
Cash and bank balances	11	16,813,843	16,492,840
		------------------	------------------
		241,609,711	133,733,084
		------------------	------------------
TOTAL ASSETS		654,663,932	484,567,437
		==========	==========
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital			
100,000,000 ordinary shares of Rs.10 each		1,000,000,000	250,000,000
		==========	==========
Issued, subscribed and paid-up capital	12	250,000,000	250,000,000

Revenue Reserve			
Profit and loss account		(31,468,763)	(58,501,558)
		------------------	------------------
		218,531,237	191,498,442
NON-CURRENT LIABILITIES			
Long-term loans	13	123,568,214	97,412,915
Obligation Under Finance Lease	14	29,905,136	--
Deferred Liabilities	15	44,344,200	37,727,025
Long-term Deposits	16	39,882,499	17,945,900
		------------------	------------------
		237,700,049	153,085,840
CURRENT LIABILITIES			
Current portion of long-term liabilities	17	42,959,367	47,742,079
Short Term Finance	18	--	5,994,359
Supplier's Credit	19	16,251,802	10,462,561
Creditors, accrued and other liabilities	20	139,221,477	75,784,156
		------------------	------------------
		198,432,646	139,983,155
CONTINGENCIES AND COMMITMENTS	21	--	--
		------------------	------------------
TOTAL EQUITY AND LIABILITIES		654,663,932	484,567,437
		==========	==========

The annexed notes form an integral part of these accounts.

CHIEF EXECUTIVE **DIRECTOR**

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2000

		2000	***1999***
	Note	***Rupees***	***Rupees***
Sales	22	543,377,937	284,330,998
Cost of sales	23	365,631,532	196,466,907
		------------------	------------------
Gross profit		177,746,405	87,864,091
Other income	24	3,011,787	1,086,561
		------------------	------------------
		180,758,192	88,950,652
Administrative and selling expenses	25	115,065,578	67,426,734
		------------------	------------------
		65,692,614	21,523,918
Financial charges	26	35,909,156	16,004,800
		------------------	------------------
Net profit before taxation		29,783,458	5,519,118
Taxation - Current year	27	2,717,620	1,421,830
- Prior years		33,043	42,335
		------------------	------------------
		2,750,663	1,464,165
		------------------	------------------
Net profit after taxation		27,032,795	4,054,953
Accumulated loss brought forward		(58,501,556)	(62,556,511)
		------------------	------------------
Accumulated loss carried forward		(31,468,763)	(58,501,558)
		==========	==========
Basic Earning Per Share		1.08	0.16

The annexed notes form an integral part of these accounts.

CHIEF EXECUTIVE **DIRECTOR**

STATEMENT OF CHANGES IN FINANCIAL POSITION (CASH FLOW STATEMENT) FOR THE YEAR ENDED JUNE 30, 2000

	2000	***1999***
	Rupees	***Rupees***
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit/(1oss) before taxation and extraordinary item	29,783.46	5,519,118
Adjustments for:		

Depreciation	45,418,713	33,269,390
Deferred cost - Share floatation expenses	563,084	731,320
Deferred income	--	(190,550)
Deferred advertisement expenditure	300,000	300,000
Loss on sale and lease back	1,919	--
Profit on sale of fixed assets	(33,150)	(861,011)
Financial charges	35,909,156	16,004,800
	------------------	------------------
	82,159,722	49,253,949
	------------------	------------------
Operating profit before working capital changes	111,943,180	54,773,067
Changes in working capital:		
(Increase)/decrease in current assets		
Stores, spares and stocks	(4,138,458)	4,033,468
Trade debts	(19,281,715)	6,139,919
Advances, deposits, prepayments and other receivables	(72,720,790)	(53,825,593)
	------------------	------------------
	(96,140,963)	(43,652,206)
Increase/(decrease) in current liabilities	70,574,801	(6,761,568)
Increase in deferred liabilities	6,617,175	(20,280,825)
	------------------	------------------
	92,994,193	(15,921,532)
Taxes paid	(14,165,324)	(4,712,832)
Financial charges paid	(37,25,395)	(18,111,475)
Deferred cost - Indoor call points (ICP) project	(5.437,486)	(7,089,919)
	------------------	------------------
Net cash from/(used) in operating activities	36,133,987	(45,835,758)
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(105,445,335)	(25,266,573)
Long term deposits	2,304,238	737,654
Proceeds from sale of fixed assets	108,150	2,505,459
	------------------	------------------
Net cash used in investing activities	(103,032,947)	(22,023,460
CASH FLOW FROM FINANCING ACTIVITIES		
Obligations under finance lease	29,905,136	(18,509,161)
Custom duties debentures	(3,145,539)	(3,119,806)
Short term loans and finances	(7,631,532)	(17,278,525)
Long term loans	26,155,299	97,412,915
Long term deposits	21,936,599	17,945,900
	------------------	------------------
Net cash (used in) financing activities	67,219,963	76,451,323
	------------------	------------------
Net increase/(decrease) in cash and cash equivalents	321,003	8,592,105
Cash and cash equivalents at the beginning of the year	16,492,840	7,900,735
	------------------	------------------
Cash and cash equivalents at the end of the year	16,813,843	16,492,840
	==========	==========

CHIEF EXECUTIVE **DIRECTOR**

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2000

	Share Capital	***Unappropriated Profit/(Loss)***	***Total***
Balance as at June 30, 1998	250,000,000	(62,556,511)	187,443,489
Profit for the year ended June 30, 1999	--	4,054,953	4,054,953
	------------------	------------------	------------------
Balance as June 30, 1999	250,000,000	(58,501,558)	191,498,442
	==========	==========	==========
Profit for the year ended June 30, 2000	--	27,032,795	27,032,795
	------------------	------------------	------------------
Balance as June 30, 2000	250,000,000	(31,468,763)	218,531,237
	==========	==========	==========

CHIEF EXECUTIVE **DIRECTOR**

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 2000

1. THE COMPANY AND ITS OPERATIONS
Telecard is a public limited company incorporated on October 29, 1992 in Pakistan. The company was listed on Karachi and Islamabad Stock Exchanges on October 1, 1995. The company has received a licence from the Government of Pakistan to install, own and operate a network of card operated payphones throughout the country. The company has embarked on building a nation-wide payphones network. The company commenced commercial operations on January 1, 1995.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention
These accounts have been prepared under the historical cost convention.

2.2 Staff retirement benefits
The company operates an unfunded gratuity scheme covering all its employees. Provision is made annually to cover the liability under the scheme.

2.3 Taxation

Current
Provision for current taxation is based on taxable income at the current rates of taxation after taking into account applicable tax credits and rebates, if any, or minimum tax based on turnover, whichever is higher.

Deferred
Deferred taxation is provided on timing differences using liability method excluding the tax effects of those timing differences which are not likely to reverse in the foreseeable future. Debit balance on deferred tax account is not recognised as an asset in the accounts.

2.4 Tangible fixed assets and depreciation

Owned -
Operating fixed assets are stated at cost including exchange differences less accumulated depreciation except leasehold land and capital work-in-progress which are stated at cost. Cost of payphones and ancillary equipment includes salaries, wages and other expenses considered to be allocable by the management to the related assets.

Capital work-in-progress includes exchange differences, borrowing cost, consultancy services etc.

Depreciation is calculated on straight line method whereby the cost and exchange differences are written off at the rates indicated in note 3. Full year's depreciation is charged on additions during the year except for payphones on which depreciation is charged from the date of installation. No depreciation is charged on disposals during the year.

Normal repairs and maintenance are charged to expenses as and when incurred.

Gains or losses on disposal of fixed assets are included in current income.

Leased -
Assets held under finance lease are stated at cost less accumulated depreciation either at the same rates applicable to company owned fixed assets or over lease period as appropriate. The outstanding obligations under the lease less finance charges allocated to future periods are shown as liability.

2.5 Deferred advertisement expenditure

Time Tower
The amount will be amortised over the remaining term of lease which is 8 years.

2.6 Deferred cost
Deferred cost is amortised over a period of five years commencing from the year of incurrence.

2.7 Stores, spares and tools
These are valued at lower of moving average cost and net realisable value.

2.8 Stock-in-trade
These are valued at lower of cost calculated on first-in-first-out basis and net realisable value except stock in transit which are valued at landed cost.

2.9 Foreign currency translations
Assets and liabilities in foreign currencies are translated into rupees at the rates of exchange prevailing at the balance sheet date except for those covered under forward exchange contracts which are translated at the contractual rates. Exchange differences on borrowing is capitalised to the related fixed assets. All gains/losses on other monetary items are dealt with in the profit and loss account.

2.10 Capitalisation of borrowing cost
The company capitalises borrowing cost relating to fixed assets excluding normal capital expenditure.

2.11 Deferred income
Profit arising on sale and lease back of fixed assets is credited to profit and loss account over the period of the lease.

2.12 Employee's Compensated Absences
During the year, the revised International Accounting Standard - 19 relating to employees benefits became applicable to the company. This standard requires that an enterprise should provide for absences accumulated by its employees. The company's previous accounting policy was to account for the absences on payment basis. Accordingly, the management has decided to change its accounting policy and make a provision in respect of these absences. The liability of the company in respect of these absences as at June 30, 2000 amount to Rs.2.662 million. However, Rs.1.331 million has been provided in the current year by the management in respect of these absences. The balance will be provided in accordance with the SECP Circular No.14 dated August 26, 2000. Had the above policy not been revised the profit before taxation for the year would have been higher by Rs.1.331 million.

2.13 PTCL billing and liability on untendered cards and royalty
The Pakistan Telecommunication Company Limited (PTCL) component on all cards sold and royalty is booked as liability whether or not corresponding bills are received. The balance over the bills received is treated as provision available to meet liability on untendered cards and such amounts are treated as deferred liability.

2.14 Revenue recognition
Sales are recorded on dispatch of cards to dealers/customers.

Income from indoor call points are recorded when the agreement is signed between the parties and the initial services have been rendered and income earned. In the previous year such income was recognised at the time of installation of the payphones. This change has resulted in increase of profit by Rs.26 million. It is impracticable to work out the impact of the change retrospectively hence the opening balance of retained earnings has not been re-stated nor proforma information prepared.

3. OPERATING FIXED ASSETS

	COST					*DEPRECIATION*				*Written down value*
	As at July 1, 1999 Rupees	*Additions/ transfers Rupees*	*Disposal/ adjustment Rupees*	*As at June 30, 2000 Rupees*	*Rate %*	*As at July 1, 1999 Rupees*	*For the year Rupees*	*Disposal/ adjustment Rupees*	*As at June 30, 2000 Rupees*	*as at June 30, 2000 Rupees*
Owned										
Payphone and ancillary equipmen	269,590,263	91,381,647	(60,001,919)	344,423,991	10	85,628,940	31,611,138	16,978,800	134,218,878	210,205,113
		43,154,000								
Signboards	--	4,855,239	--	4,856,239	25	--	1,213,810	--	1,213,810	3,641,429
Computers	5,808,375	3,021,884	--	8,830,259	20	3,729,636	1,766,052	--	5,495,688	3,334,571
Furniture, fixtures and office equi	10,097,032	1,783,447	--	11,880,479	10	3462471	1,188,048	--	4,650,519	7,229,960
Tools workshop equipments and l	3,731,837	--	--	3,731,837	10	1,110,975	373,184	--	1,484,159	2,247,678
Cards verifier	12,430	--	--	129,430	10	33,695	12,943	--	46,638	82,792
Vehicles	5,607,337	--	(187500)	5,419,837	20	4,357,171	1,083,967	(112,500)	5,328,638	91,199
	295,264,274	144,196,217	(60189419)	379271072		98,322,888	37,249,142	16,866,300	152,438,330	226,832,743
Leased										
Payphone and ancillary equipmen	79,503,898	60,000,000	(43,154,000)	96,349,898	10	34,002,420	7,718,171	(16,978,800)	24,741,791	71,608,107
Vehicles	--	2,257,000	--	2,257,000	20	--	451,400	--	451,400	1,805,600
	79,503,898	62,257,000	(43,154,000)	98,606,898		34,002,420	8,169,571	(16,978,800)	25,193,191	73,413,707
2000	374,768,172	206,453,217	(103,343,419)	477,877,970		132,325,308	45,418,713	(112,500)	177,631,521	300,246,450
1999	306,171,377	74,813,893	(6,217,098)	374,768,172		100,003,429	33,269,390	(947,511)	132,325,308	242,442,864

31. Depreciation for the year has been allocated as under:

Cost of sales	39,329,309	29,590,417
Administrative and selling expenses	6,089,404	3,678,973
	45,418,713	33,269,390

3.2 Payphone and ancillary equipments transferred to owned assets amounting to Rs 7 99 million are in the process of being transferred in the name of the company.

3.3 Items marked with asterisks were transferred to owned assets during the year

3.4 Details of disposals during the year

	Cost	*Accumulated depreciation*	*Written down value*	*Sale proceeds*	*Profit/(loss) on sale*	*Mode of sale*	*Particulars*
	Rupees	*Rupees*	*Rupees*	*Rupees*	*Rupees*		
Payphones	60,001,919	--	60,001,919	60,000,000	(1,919)	Sale and lease back First Transactions Co.	Leasing
Vehicles	187,500	(112,500)	75,000	108,150	33,150	Negotiation	Syed Rasool
	------------------	------------------	------------------	------------------	------------------		
	60,189,419	(112,500)	60,076,919	60108150	31231		
	==========	==========	==========	==========	==========		

	2000 Rupees	*1999 Rupees*
4. CAPITAL WORK-IN-PROGRESS		
Telecommunication system - Faisalabad		
Freehold land	3,019,761	3,019,761
Communication equipment and other expenses - owned (note 4.1 &	81,568,302	79,422,184
	------------------	------------------
	84,588,063	82,441,945
	==========	==========

4.1 Includes exchange difference of Rs.0.042 million (1999:Rs.3.135 million) arising on translation of foreign currency liability.

4.2 Leased asset transferred to owned asset during the year ended June 30, 1999 amounting to Rs.2.2 million are in the process of being transferred in the name of the company.

5. LONG TERM DEPOSITS		
Security deposits and advance line rent	7,966,603	7,718,919
Security deposits for leased assets	4,475,700	7,027,622
Security deposit - Pakistan Telecommunication Authority - Licence Fee	1,000,000	1,000,000
	------------------	------------------
	13,442,303	15,746,541
	==========	==========
6. DEFERRED ADVERTISEMENT EXPENDITURE		
Time tower (note 6.1)	2,550,000	2,850,000
Amortised during the period	(300,000)	(300,000)
	------------------	------------------
	2,250,000	2,550,000
	==========	==========

6.1 A time tower has been installed near Metropole Hotel, Karachi for company's publicity purposes.

7. DEFERRED COST		
Share floatation expenses		
Under writer's commission	956,200	956,200
Bankers' commission	253,845	253,845
Brokers' commission	450,150	450,150
Other expenses (printing and advertising etc.)	1,997,406	1,997,406
	------------------	------------------
	3,657,601	3,657,601
Amortisation		
Opening balance	(3,094,517)	(2,363,197)
During the period	(563,084)	(731,320)
	------------------	------------------
	(3,657,601)	(3,094,517)
	------------------	------------------
	--	563,084
Indoor Call Points (ICP) Project (note 7.1)	12,527,405	7,089,919
	------------------	------------------
	12,527,405	7,653,003
	==========	==========

7.1 Expenditure pertaining to uninstalled indoor phones comprising personnel. promotion material and line rent. is being carried forward to match with revenue which will become realisable on the installation of the indoor phone. Hence the above expenditure would be expensed as and when payphones are installed.

8. STOCK-IN-TRADE

Payphones cards - in hand	5,295,962	210,807
- at port under clearance	--	946,697
	------------------	------------------
	5,295,962	1,157,504
	==========	==========

9. TRADE DEBTS - Unsecured

Considered good	32,494,068	13,212,353
Considered doubtful	2,271,820	--
	------------------	------------------
	34,765,888	13,212,353
Less: Provision for doubtful debts	(2,271,820)	--
	------------------	------------------
	32,494,068	13,212,353
	==========	==========

9.1 The above includes Rs. 2.05 million (1999: Rs.4.08 million) which is in dispute as the debtors are not acknowledging the debts. Pending negotiations and resolution of the matter, no provision has been made against the above amount.

10. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Advances, unsecured - To staff, considered good (note 10.1)	672,044	497,419
- For expenses (note 10.2)	3,823,025	1,581,147
Advance tax - net of provision (note 21.3)	20,719,484	9,304,823
Due from an associated undertaking (note 10.3)	485,115	1,941,618
Deposits	3,814,760	987,000
Prepayments	1,776,249	712,750
PTCL rebate receivable (note 10.4)	119,387,811	55,230,096
PTCL Interconnect Discount Agreement (note 10.5)	6,340,996	6,340,996
	------------------	------------------
Insurance claim receivable	1,210,800	1,210,800
Less: Provision against insurance claim	(1,210,800)	--
	------------------	------------------
	--	1,210,800
L C Margin	1,980,410	11,266,606
ICP Service Fee Receivable	10,749,773	6,405,487
Receivable from leasing company	15,000,000	--
Claim against bank (note 21.1)	997,939	--
Other receivables	1,256,232	7,391,645
	------------------	------------------
	187,005,838	102,870,387
	==========	==========

10.1 Includes Rs.672,044 (1999: Rs. 264,000) due from executives. The maximum amount due from executives at the end of any month was Rs. 827,682 (1999: Rs.264,000).

10.2 Includes Rs.564,493 (1999: Rs.311,915) due from executives. The maximum amount due from executives at the end of any month was Rs.1,001,751 (1999: Rs.402,329).

10.3 The maximum amount outstanding at the end of any month during the year was Rs.1,596,357 (1999: Rs.1,941,618).

10.4 The above amount represents Karachi Relief Rebate allowed by the Government of Pakistan to the operators affected by the network shutdown in Karachi, receivable from PTCL. The company filed a suit against PTCL in January 2000 in the Honorable High Court of Sindh for the recovery of Rs.71.276 million accrued upto October 1999 and consequential losses. Up to June 30, 2000 the same amounts to Rs.119.388 million. The company has received a stay order preventing PTCL from disconnecting Telecard's payphones for nonpayment of PTCL bills. Accordingly, on June 30, 2000 the company had withheld PTCL bills of Rs.45.194 million past their due dates.

According to the legal advisor, no losses are likely to be suffered by the company on account of the above suit. Hence no provision has been made against the above receivable. The case is pending before the Honorable High Court of Sindh.

10.5 According to an agreement with Pakistan Telecommunication Company Limited (PTCL) the company is entitled to 7% discount on amount charged by PTCL. The above represents amount due in respect of the period from July 98 to March 99. This amount is also subject to Telecard's case against PTCL as explained in 10.4 above. The company is confident that full recovery will be made hence no provision has been made against the above amount.

11. CASH AND BANK BALANCES

Cash	- in hand	1,569,000	1,154,401
	- in transit	7,322,461	5,389,871
At Banks	- in current accounts	7,912,501	9,938,687
	- in deposit account	9,881	9,881
		-----------------	-----------------
		16,813,843	16,492,840

========== ==========

12. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

25,000,000 (1999: 25,000,000) ordinary shares of		
Rs.10 each fully paid in cash	250,000,000	250,000,000
	==========	==========

13. LONG TERM LOANS-SECURED

From Banks (note 13.1 & note 13.2)	63,592,500	41,594,701
From Financial Institution (note 13.3)	79,818,214	79,818,214
	------------------	------------------
	143,410,714	121,412,915
Less: Current maturity shown under current liability	(19,842,500)	(24,000,000)
	------------------	------------------
	123,568,214	97,412,915
	==========	==========

13.1 The above loan has been obtained from a bank and is secured by hypothecation of fixed assets and personal guarantees of directors. The repayment of loan commenced from July 31, 1999 over 21 monthly installments. The mark-up rate is 17.5% per annum charged quarterly.

13.2 This also include another loan obtained from a bank and is secured by hypothecation of stores and spares and telephone sets of the company. The repayment of loan commenced from April 10, 2000 repayable in quarterly installments ending January 10, 2003. The mark-up rate is 16.75% per annum charged quarterly.

13.3 The company entered into a promissory note discount facility with Crescent Investment Bank Limited up to Rs.80 million on markup basis @ 16%. The repayment of the loan is due on July 31, 2001. This loan is secured by hypothecation of stock, promissory note and personal guarantee of a director.

14. OBLIGATIONS UNDER FINANCE LEASE

Future minimum lease payments under finance leases together with the present value of the minimum lease payments are as follows:

	2000		***1999***	
	Minimum lease payments	***Present value***	***Minimum lease payments***	***Present value***
Upto one year	30,422,692	23,116,867	--	--
One year to three years	34,219,562	29,905,136	5,549,014	5,063,765
	------------------	------------------	------------------	------------------
Total minimum lease payments	64,642,254	53,022,003	5,549,014	5,063,765
Finance charges allocated to futur	(11,620,251)	--	(485,249)	--
	------------------	------------------	------------------	------------------
Present value of minimum lease p	53,022,003	53,022,003	5,063,765	5,063,765
Current maturity shown under cur	23,116,867	23,116,867	5,063,765	5,063,765
	------------------	------------------	------------------	------------------
	29,905,136	29,905,136	--	--
	==========	==========	==========	==========

Rentals are payable in equal monthly installments by the year 2003. Financing rates ranging from 17.0 % to 21.1 % per annum have been used as discounting factor. At the end of the lease term, there is an option to obtain ownership of the assets upon expiry of the lease period.

The lease agreements have the financial restrictions regarding the maintenance of current ratio and long term debt/equity ratio in accordance with State Bank of Pakistan's Prudential Regulations for non-banking financial institutions, during the tenure of the lease.

15. DEFERRED LIABILITIES

Provision for charges on untendered cards (note 15.1)	13,664,777	10,296,485
Staff gratuity	8,963,775	5,673,150
Supplier's credit (note 15.2)	21,715,648	21,757,390
	------------------	------------------
	44,344,200	37,727,025
	==========	==========

15.1 The management believes that this being the amount over and above the bills received from PTCL, the liability will not arise in the next accounting year.

15.2 In the opinion of the management the events to precede the amount becoming payable will not occur before June 30, 2001 hence the same have been treated as deferred liabilities.

16. LONG TERM DEPOSITS

Indoor Call Point security deposits	37,932,499	17,945,900
Distributors Security	1,950,000	--

	39,882,499	17,945,900

17. CURRENT PORTION OF LONG TERM LIABILITIES

Current portion of long term loan	19,842,500	24,000,000
Custom duty debentures	--	3,145,539
Obligation under finance lease	23,116,867	20,596,540
	42,959,367	47,742,079

18. SHORT TERM FINANCE -SECURED

Running finance under mark-up arrangement (note 18.1)	--	5,994,359

18.1 The total finance sanctioned under mark -up arrangement from a bank amounts to Rs.4.127 million (1999:Rs.4.127 million). This finance is secured by a registered charge on stocks, receivables, and a floating charge on stock-in-trade. This carries a mark-up of 18% per annum.

19. SUPPLIER'S CREDIT - UNSECURED

Supplier's credit (note 19.1)	16,251,802	10,462,561

19.1 This interest free facility has been allowed by the supplier against import of cards.

20. CREDITORS, ACCRUED AND OTHER LIABILITIES

Payable to PTCL (note 10.4)	100,268,615	47,809,433
Royalty	17,187,085	14,068,114
Accrued mark-up on - Custom duties debentures	--	220,187
- Short term running finances	--	219,740
- Long term loans	3,263,851	1,037,808
Accrued finance charges on obligation under finance lease	--	3,134,355
Accrued expenses	14,911,754	7,376,567
Due to associated undertakings	2,908,471	1,721,276
Tax deducted at source	185,241	67,966
Others	496,460	128,710
	139,221,477	75,784,156

21. CONTINGENCIES AND COMMITMENTS

Contingencies

21.1 The company has filed a lawsuit against a bank for recovery of Rs.0.998 million in respect of PTCL bills paid by the company into the bank but the same were not passed over to PTCL by the bank. According to the legal advisor of the company, on account of above suit no losses are likely to be suffered by the company. Hence no provision for the same has been made in the accounts. The case is pending in the High Court of Sindh.

21.2 Ziarat Enterprise has filed a lawsuit against the company for the recovery of Rs.0.664 million which the plaintiff claims is payable by the company as Octroi. The company is confident that no liability against the same would be incurred. Hence no provision for the same has been made in the accounts.

21.3 During the year the inspecting Additional Commissioner of Income Tax (IAC) using his powers under section 66A has set-aside the assessment framed under Section 62 of the Income Tax Ordinance, 1979 for the assessment years 1995-96 to 1997-98. The IAC is of the view that the assessee being an importer of payphone cards, falls under the presumptive tax regime and should accordingly be assessed under section 80C. The management contends that the company was rightly assessed on normal basis (income based assessment) as it is not selling goods but is providing services.

An appeal against the decision of IAC has been filed in the Income Tax Appellate Tribunal. It is not possible to quantify the impact of the above as these assessments are pending finalisation of assessment under section 66A for assessment years 1995-96 to 1997-96 and finalisation of assessment under section 62 for the assessment year 1999-2000.

In respect of assessment year 1998-99 the Income Tax department has completed the assessment under section 62 of the Income Tax Ordinance, 1979 and assessed on presumptive as well as normal basis a tax liability of Rs.3.4 million. The company made a provision of Rs.1.2 million. The difference of Rs.2.2 million has not been provided as the same is pending adjudication with the Commissioner of Income Tax (Appeals) and the management is hopeful of a favorable decision thereagainst.

21.4 Claims not acknowledge as debt	106,146	535,240

21.5 Commitments under letter of guarantees as at the year-end amounted to Rs0.44 million (1999: Rs. Nil).

Commitments

21.6 Commitments under letter of credit as at the year-end amounted to Rs.12.41 million (1999: Rs.1.29 million).

22. SALES

Sales against payphone cards	514,416,135	297,235,570
Discount	(23,835,296)	(27,948,572)
	-----------------	-----------------
	490,580,839	269,286,998
Service fee (for indoor payphones)	52,797,098	15,044,000
	------------------	------------------
	543,377,937	284,330,998
	==========	==========

23. COST OF SALES

PTCL billing (note 23.1)	260,464,756	109,279,336
Cost of cards sold (note 23.2)	48,351,466	46,879,565
Depreciation - payphones and ancillary equipment	39,329,309	29,590,417
Royalty	11,118,270	3,673,888
Cards printing charges	107,849	242,627
Insurance	1,658,600	2,059,703
Payphones and canopy maintenance	842,231	2,232,466
Payphones and canopy rentals	3,049,502	2,305,250
Parts and tools consumed	709,549	203,655
	------------------	------------------
	365,631,532	196,466,907
	==========	==========

23.1 PTCL billing for the year	335,684,413	146,690,107
Less: PTCL rebate	(65,928,587)	(31,069,775)
PTCL Inter Connect Discount	(9,291,070)	(6,340,996)
	------------------	------------------
	260,464,756	109,279,336
	==========	==========

23.2 Cost of cards sold

Payphone cards at the beginning of the year	210,807	3,288,700
Purchases	53,436,621	43,801,672
	------------------	------------------
	53,647,428	47,090,372
Payphone cards at the end of the year	5,295,962	210,807
	------------------	------------------
	48,351.47	46,879,565
	==========	==========

24. OTHER INCOME

Exchange gain	2,834,418	--
Profit / (loss) on sale and lease back	(1,919)	190,550
Profit on sale of fixed assets	33,150	861,011
Others	146,138	35,000
	------------------	------------------
	3,011,787	1,086,561
	==========	==========

25. ADMINISTRATIVE AND SELLING EXPENSES

Salaries and other benefits	45,703,607	29,450,180
Gratuity	3,991,125	2,617,998
Postage, telephone and telex	5,925,104	4,719,868
Vehicles running and maintenance	7,646,309	5,616,899
Travelling	5,689,397	3,021,592
Office maintenance	870,469	466,461
Entertainment	712,984	223,293
Stationery and photocopies	1,458,281	1,491,125
Rent	13,534,071	9,011,957
Electricity	2,829,807	2,142,100
Insurance	759,444	619,793
Legal and professional	1,767,140	429,826
Auditors' remuneration (note 25.1)	526,197	425,393
Sales promotion	4,109,318	1,598,822
Subscription	2,306,100	316,583
Depreciation	6,089.40	3,678,973
Exchange loss	--	564,551
Miscellaneous expenses	524,810	--
Provision for doubtful debts	2,271,820	--
Provision against insurance claim	1,210,800	--

Other Receivables written-off	6,276,307	--
Amortisation - deferred cost	563,084	731,320
- deferred advertisement expenditure	300,000	300,000
	------------------	------------------
	115,065,578	67,426,734
	==========	==========

25.1 Auditors' remuneration

Audit fee	300,000	225,000
Other services	125,000	125,000
Tax services	73,296	59,459
Out-of-pocket expenses	27,901	15,934
	------------------	------------------
	526,197	425,393
	==========	==========

26. FINANCIAL CHARGES

Mark-up and other charges on		
- Running finances/Long term loan	22,888,255	4,177,697
- Lease financing	9,991,175	3,981,616
- Custom duties debentures	944,311	85,058
- associated undertaking	551,855	5,689,944
- Other charges - WLL	505,300	--
- Late payment of rent	--	1,632,971
Bank charges	1,028,260	437,614
	------------------	------------------
	35,909,156	16,004,800
	==========	==========

27. TAXATION

27.1 Income-tax assessments have been finalised up to assessment year 1998-99. Provision for current taxation has been made on the basis of minimum tax under section 80D of the Income-tax Ordinance, 1979 (also refer note 21.3).

27.2 Deferred taxation on major timing differences relating to accelerated tax depreciation allowances amounts to Rs.26.661 million credit (1999: Rs.23.268 million credit), of which Rs.3.393 million credit relates to the current year. No provision for deferred taxation is considered necessary due to carried forward tax losses.

28. BASIC EARNINGS PER SHARE
Basic Earnings Per Share has been computed by dividing net profit for the year after taxation with the number of ordinary shares issued by the company.

29. NUMBER OF EMPLOYEES
The company employed 292 (1999: 239) permanent employees at the end of the year.

	2000	***1999***
	Rupees	***Rupees***
30. TRANSACTIONS WITH ASSOCIATED COMPANIES		
Remittances received for settlement of accounts	--	44,000,000
Expenses reimbursed by the company	17,759,575	1,017,187
Expenses charged by associated company	10,356,160	10,998,398
Assets/goods purchased/services acquired	--	160,000
Mark-up charged by associated company	551,855	6,616,856
Payment on behalf of the company	11,548,817	--

31. FINANCIAL INSTRUMENTS AND OTHER DISCLOSURE
These comprise deposits, receivables, advances, cash, loans, obligation under finance leases, deferred liabilities, long term deposits, creditors and certain other assets and liabilities.

(a) Financial Assets
The financial assets of the company amount to Rs.217.96 million (1999: Rs.128.70 million) which are non-interest bearing.

Concentration of credit risk
Credit risk represents the accounting loss that would be recognised at the reporting date if the counter party failed completely to perform as contracted. Financial instruments that potentially subject the Company to concentration of credit risk are trade debts and ICP service fee receivable. Due to large number of the Company's customer base, concentration of credit risk with respect to trade debts and ICP service fee receivable is limited.

(b) Financial Liabilities
The financial liabilities of the company amount to Rs.436.50 million (1999:Rs.350.51 million) out of which Rs.196.43 million (1999:Rs.145.15 million) are interest bearing, which represent loans and obligations under finance lease in local currency.

Interest Rate Risk Exposure
The company is exposed to interest / mark-up rate risk on some of the financial obligations. Material financial liabilities which are exposed to various rates of mark-up are mentioned in notes 13 and 15.

Foreign exchange risk management
Foreign currency risk arises mainly due to transactions with foreign undertakings. Financial liabilities of the company includes Rs.37,967,450 (1999: Rs.32,219,951) in foreign currencies which are subject to foreign currency exposure.

(c) Fair value of the financial instruments
The carrying value of all financial instruments reported in the financial statements approximates their fair value except receivables amounting to Rs.128.78 million subject to litigation/disputes.

32. REMUNERATION OF DIRECTORS AND EXECUTIVES

	Chief Executive		*Executives*	
	2000	*1999*	*2000*	*1999*
	Rupees	*Rupees*	*Rupees*	*Rupees*
Managerial remuneration	2,700,000	3,000,000	12,965,331	5,419,500
Medical and others benefits	90,000	120,000	1,600,896	576,600
	2,790,000	3,120,000	14,566,227	5,996,100
Number of persons	1	1	43	16

In addition, the chief executive, director and certain executives are provided with the free use of company maintained car.

33. GENERAL

33.1 Figures have been rounded off to the nearest rupee.

33.2 Previous year's figures have been rearranged wherever necessary for the purposes of comparison.

CHIEF EXECUTIVE **DIRECTOR**

Pattern of Holding of Shares
Held By The Shareholders of Telecard Limited
As at June 30, 2000

No. of shareholders	*Share Holding*			*Total Shares Held*
82	1	to	100	8,200
230	101	to	500	99,500
100	501	to	1000	99,200
2	5001	to	10000	17,000
3	10001	to	15000	40,400
2	20001	to	25000	44,000
1	30001	to	35000	34,500
2	45001	to	50000	100,000
1	55001	to	60000	55,950
1	65001	to	90000	90,000
1	115001	to	120000	120,000
1	125001	to	130000	130,000
3	135001	to	140000	418,000
1	295001	to	300000	300,000
1	1285001	to	1290000	1,289,050
1	1495001	to	1500000	1,500,000
1	2450001	to	2455000	2,451,500
1	3655001	to	3660000	3,660,000
1	14540001	to	14545000	14,542,700
435				25,000,000

Categories Of Share Holders
As at June 30, 2000

S. No	*Category*	*Number*	*Shares Held*	*Percent*
1	Joint Stock Companies	7	22,266,450	89.07
2	Financial Institutions	--	--	0.00

3	Holding Companies	--	--	0.00
4	Modaraba Companies	--	--	0.00
5	Insurance Companies	--	--	0.00
6	Investments Companies	2	34,700	0.14
7	Individuals	420	1,053,350	4.21
8	Associated Companies	--	--	0.00
9	Foreign Investors	6	1,645,500	6.58
10	Others	--	--	0.00
		------------------	------------------	------------------
		435	25,000,000	100.00
		==========	==========	==========