ANNUAL REPORT 2009

TELECARD LIMITED

TELECARD LIMITED

Our Vision

‘To be the quality telecommunications service provider of choice using sound business practices while enhancing the quality of life of the community and providing a strong return for our stakeholders’

Our Mission

Our goal is to be the leading telecommunication service provider in the market and to make Telecard a name, which inspires pride and confidence.
We will achieve our goal by:

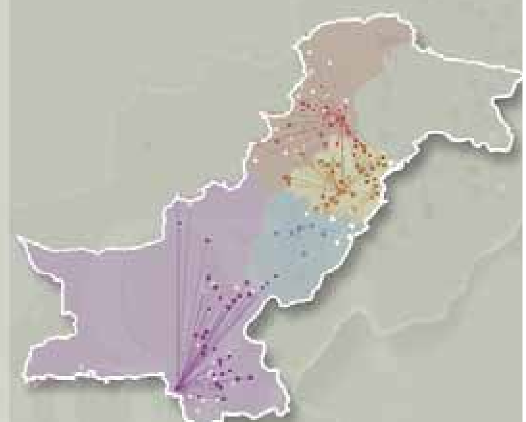
- Making this company a customer driven organization providing quality telecommunication products and services which meet and exceed customer expectations.

- Valuing our employees and providing a satisfying, challenging and rewarding work environment.

- Maintaining mutually beneficial relations with our business partners.

- We instill pride of ownership and we are a financially rewarding investment for stakeholders.

- We are an exemplary corporate citizen which adds value to the community.



Our Strategy

to be everywhere
for everyone

To leverage our strong position in Pakistan's telecommunication sector and to be the first choice of the people.

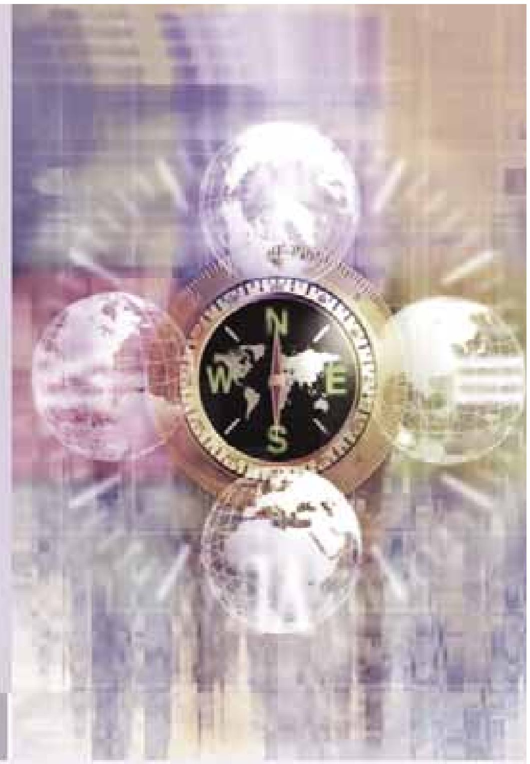
Relationships

within Reach

At Telecard, life revolves around a single goal, to bring people closer. We believe communication is the expression of life and we work endlessly to make it possible.

Telecard began its journey from a convenience-driven concept of the country's first ever payphone operation. Over the years, through a synergy of a dedicated team, cutting edge technologies and uncompromised values, it has become an important part of every other Pakistani individual. Our products and services are entirely about providing effective communication with better connectivity whether it is voice or data.

Today, Telecard is a name that has become synonymous with a complete communication solution provider. We believe in eradicating hurdles to convenient communication, every step of the way. We envision a fast-paced, growing and a much more integrated society. We aim to strengthen our ties and create a world where distance has no meaning.



Growth Drivers

Strategic Direction

Our focus is to maintain our credibility through performance and reinforcing trust through consistency and strong business acumen. Telecard Limited aims to sustain its leadership position in the industry and become a dominant player in the telecom sector.

"First to Market"

We drive ourselves to deliver exciting opportunities by vigorously pursuing timelines that ensures our position as the "first to market"operator in almost all sectors of the telecom industry. We are constantly driven to create value for our services through operational excellence, cost effectiveness, capital discipline and personal accountability.

Growth Drivers

Competitive Edge

We have built our infrastructure to maintain a competitive edge over our competitors. We function as a synergized force with talented and skilled individuals, our focus being on technology and innovation to meet customer expectations. The Telecard product offerings, along with the nationwide reach and differentiated solutions to suit the customer needs are the key ingredients to enable us to sustain this competitive edge.

Value Growth

For years, Telecard's Wireless Local Loop Service has been the highlight of the telecom industry. It has helped prosper thousands of lives across the nation through provision of shared community phones in far off places. It has instilled a confidence in us that has helped us produce more and better over the years, helping us keep our long range commitments in line with our objectives and has always contributed towards sustainable development at the grass roots level.

Growth Drivers

Our Strategy in Action

We believe in constantly adding value to our dynamic portfolio. Telecard has launched a nationwide Wireless Local Loop Service based upon CDMA2000 1x technology that provide a unique combination of voice and data/internet for the first time in Pakistan.

We have partnered with a diverse set of organizations throughout the world to facilitate our Long Distance and International Calling Service. These partners include major international and regional carriers of repute.

Futuristic Approach

As part of our strategy for sustained growth, we believe in increased investment on training and development, human resource management as well as market research to keep ourselves abreast of the latest technologies and its applications. We envision ourselves as the leading Telecom Service Provider of choice and be a necessary element of every individual, household, and enterprise.

Contents

Company Information

Board of Directors	Mr. Sultan-ul-Arfeen (Chairman) Mr. Aamir Niazi Mr. Shahid Firoz Syed Nizam Ahmed Shah Mr. Imran Malik Mr. Hissan-ul-Arfeen Mr. Peregrine Moncreiffe
Board Audit Committee	Mr. Sultan-ul-Arfeen (Chairman) Syed Nizam Ahmed Shah Mr. Imran Malik
External Auditors	Ernst & Young Ford Rhodes Sidat Hyder Chartered Accountants
Chief Executive Officer	Mr. Aamir Niazi
Legal Advisor	Mohsin Tayebaly & Co.
Chief Financial Officer	Mr. Farhan Mithani
Company Secretary	Mr. Waseem Ahmad
Banks	Standard Chartered Bank (Pakistan) Ltd. Faysal Bank Ltd. National Bank of Pakistan Habib Bank Ltd. Pak Oman Investment Company Ltd. Orix Investment Bank Ltd. Silk Bank Ltd.
Registrar and Share Transfer Office	Gangjees Registrar Services (Pvt.) Ltd. 516, Clifton Centre Khayaban-e-Roomi, Kehkashan, Block 5, Clifton Karachi
Registered Office	3rd Floor, 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 16th Annual General Meeting of the Company will be held on Saturday 31 October 2009 at 1100 hours 3rd Floor 75 East Blue Area, Fazal-ul-Haq Road Islamabad to transact the following business.

Ordinary Business

I. To confirm the minutes of last Extra Ordinary General Meeting held on 29 June 2009.

2. Receive, consider and adopt the Audited Accounts of the Company for the year ended 30 June 2009 together with the Directors' and Auditors' report thereon.

3. Appoint Auditors of the Company and fix their remuneration. Present Auditors M/s Ford Rhodes Sidat Hyder & Company – Chartered Accountants are retiring and being eligible offers themselves for reappointment.

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

Waseem Ahmad
Company Secretary
Islamabad October 09, 2009

Notes

1. The members Register will remain closed from 25 October 2009 to 31 October 2009 (both days inclusive). Transfers received in order by Shares Registrar, Gangjees Registrar Services (Pvt.) Limited, 516 Clifton Center, Khayaban-e- Roomi Kehkashan, Block-5, Clifton, Karachi by the close of business on October 24, 2009 will be considered in time for attending the meeting.

2. A member of the Company entitled to attend and vote may appoint a proxy to attend and vote instead of him / her. Proxies in-order must be received, during business hours, at the Registered Office of the Company not less than 48 hours before the time of holding Annual General Meeting.

3. Shareholders whose shares are deposited with Central Depository Company (CDC) are requested to bring their Computerized National Identity Card (CNIC) along with their CDC Account Number for verification. In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signatures of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

4. For attending the meeting and appointing proxies CDC account holders will further have to follow the guidelines as laid down in Circular 01 dated 26 January, 2000 issued by the SECP.

5. Shareholders are requested to notify the Registrar as aforesaid of any change in their address.

Directors' Report

The Directors of Telecard Limited are pleased to present the Annual Report and the audited financial statements of the Company for the year ended 30 June 2009.

Review of Current Operations

During the financial year under review, the country continued to face serious economic, political and security challenges. Pakistan's economy grew by only two percent in 2008-09 compared to the objective of 4.5 percent. This was a considerable setback after so many years of increasing growth rates close to seven percent per annum.

Almost all sectors performed poorly, contributing to these results. The telecommunications market sector was no exception - the Foreign Direct Investment (FDI) and revenue growth during the year under review was well below 2008.

Notwithstanding the above, the financial conditions of your Company have started to improve measurably, as evidenced by a marked improvement in sales revenues and margins for the full year. This is a direct result of management's successful planning and execution of strategic and operating initiatives.

Net revenues improved to Rs. 3.7 billion in 2009 compared to Rs. 1.9 billion in 2008, an enhancement of ninety five percent. Further, gross profit of Rs. 1.18 billion in 2009 was a marked improvement compared to a gross loss of Rs. 285 million in 2008. EBITDA improved to forty one percent compared to twenty percent last year.

Continuing with financial results, net profit after tax of eight percent in 2009 compared to a net loss of twenty six percent in the previous year was a significant milestone. Earnings per share of Re. 0.15 in 2009 compared favorably to loss per share of Rs. 1.69 in 2008.

Cash generated from operations was Rs. 1.4 billion in 2009, compared to negative cash flows of Rs. 206 million in 2008. Both, the current and gearing ratios improved considerably during the period under review.

Network operations strengthened its activities with additional number of base stations in metropolitan markets for enhancing coverage and service quality. Technology has focused on network optimization, operational cost and other quality of service priorities.

The strategy to be significantly present in the broadband market segment remains on-course. There is solid progress in the business area.

Corporate Strategy & Future Outlook

The consumer segment will continue experiencing competitive pressures and lower industry growth. However, your Company is confident that it can face these challenging times by leveraging its ability to reduce the total cost structure, enhance the quality of service through reduction in network downtime, and deploy resources in high revenue generation markets.

Further, implementation of a new marketing and distribution strategy is well on its way. This will improve brand identity and successfully deliver the unique value proposition to its customers.

The Payphone segment will experience consolidation. These initiatives will in-turn enhance the Company's ability to come close to the B2B customers, revitalizing this segment.

SCO CDMA will continue to build on the SCO community network, repositioning more Base Stations, to enhance quality of service in higher revenue generating markets.

The international business will continue to grow as the Company broadens its strategic partnership base. The last two years of consecutive profitable growth augurs well for its future prospects.

Directors' Report

Term Finance Certificates

The Company remains on course while discharging its liability towards TFC holders. Two payments were made during 2008-09. This included disbursements on 27 November 2008 and 27 May 2009, amounting to Rs. 245 million and Rs. 394 million respectively. This has helped the Company in reducing its debt burden, enabling management to focus on operating and strategic imperatives.

Subsidiary Company

Supernet, a wholly owned subsidiary of Telecard Limited, continued to deliver solid performance during 2009. The overall results of the Company were not impacted adversely by the serious economic conditions. It maintained healthy revenues, resulting in sound operating profit and net income. The Company was managed well such that the administrative expenses were reduced, enabling it to maintain the Profit after Tax at the level of the previous year.

Supernet provided services to major corporations and telecom operators in the country, and successfully implemented yet another large GSM backhaul network for a leading GSM service provider. The Company also diversified in terms of its customers to other verticals, and has achieved success in supporting International donor agencies. Repeat orders from all its major customers were received during 2009. It also won a large tender for an E-learning project based on IP Broadband VSAT services for the Allama Iqbal Open University.

Supernet entered into a sales and distribution agreement with a WiMax based service provider to sell broadband services in the corporate sector. Based on this agreement, the Company launched its SuperBroadband® service in June 2009. This service will substantially increase the customer base of Supernet in Karachi. SuperDirect®, a third generation VSAT service, registered steady growth and is now supporting a large number of networks including UN organizations working in the far flung areas of the country.

Supernet also signed a major contract with a global Telecom Operator to provide nationwide connectivity to a multinational oil and gas company in Pakistan. It is in the process of deploying a state of the art MPLS nationwide network, which will be completed by the end of 2009.

The performance of the Company reinforces the investment and strategic vision of the organization. It is reasonable to expect solid business results in the coming years.

Transfer Pricing

The Company has fully complied with the best practices on transfer pricing as contained in the listing regulations of the Stock exchange.

Directors Declaration on Corporate and Financial Reporting Framework

The Directors confirm compliance with the corporate and financial framework of the Code of Corporate Governance for the following:

i) The financial statements prepared by the management of Telecard Limited presents fairly its state of affairs, the result of its operations, cash flows and changes in equity.

ii) Proper books of accounts of Telecard Limited have been maintained.

iii) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

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

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

vi) There is no doubt at all upon Telecard's ability to continue as a going concern.

vii) There has been no material departure from the best practices of Corporate Governance as detailed in the listing regulations.

Other Information

i) Key operating and financial data for the last six years in summarized for is given on page 16.

ii) There are no statutory payments on account of taxes, duties, levies and charges, which are outstanding and have not been disclosed in the Financial Statements.

During the year, four (4) Boards of Directors meetings were held and attended as follows:

Name of Directors	No. of Meetings Attended
Sultan-ul-Arfeen	4
Shahid Firoz	4
Javaid Firoz	3
Aamir Niazi	4
Syed Nizam Shah	2
Imran Malik	4
Dr. Lee G Lam	-
Peregrine Moncreiffe	-

Consolidated Financial Statements

Consolidated Financial Statements of the Company as on 30 June 2009 are annexed.

Auditors Observations

1. In respect of paragraph (a) of the auditors observation, your Company's management contends that the spectrum (Frequencies) acquired from PTA is fundamentally in sum of parts having a life of 20 consecutive years. Each year's license becoming operational only in its year of intended use. The Company has acquired specific borrowings for the acquisition of the spectrum. It contends that while the frequencies in question may become operational. However, the respective tranche of the license becomes operational only in the year of intended use. Therefore, the remaining cost of the spectrum qualifies for capitalization of borrowing cost.

2. The auditors have expressed a different view in respect of revaluation of one of the frequencies (Spectrum) held by the Company. However, the directors maintain that it is a prudent, conservative and ethically correct decision to revalue in the manner the Company has chosen to do so. The directors further maintain that not pronouncing the revised value, which materially reflects valid and subsisting offers received by the Company from considerable buyers, may amount to understating the value of the Company.

Moreover, the Company's decision not to accept offers from buyers at the revalued prices has been vindicated by two major factors. First, the value of the spectrum is indeed even higher. Second, the Company has chosen the option by not selling the Spectrum. Considerable economic benefits through prepayments of income streams accruing to the Company on an on-going basis.

3. In terms of classifying this amount as a Long Term Liability, the Company, alongwith the WLL industry, is negotiating with the Authority, so as to bring the settlement terms for this liability in line with the principles adopted for fees payable by Country Mobile Operators. Therefore, in view of this, it is reasonable to classify this liability as non-current.

Auditors

The present auditors, Ernst & Young Ford Rhodes Sidat Hyder, retire and being eligible, offer themselves for re-appointment.

Dividends

Due to the cumulative loss, the directors have not recommended a dividend.

Pattern of Shareholding

The pattern of shareholding as on 30 June 2009 is annexed to this report.

Staff

We would like to put on record the appreciation for all staff whose dedication and commitment continue to be real assets for your Company. We sincerely thank them for their untiring efforts throughout the year, and value their association.

General

The Company appreciates and acknowledges MoIT, PTA, PTCL, other operators and suppliers for the collaboration extended by them in all areas. This acknowledgement includes the financial institutions, banks and leasing companies, who have consistently reposed confidence in your Company and its management.

On behalf of the Board

Sultan-ul-Arfeen
Chairman

October 09, 2009

Six Years Financial Summary

Financial Analysis

	June 2009 Rupees	June 2008 Rupees	June 2007 Rupees	June 2006 Rupees	June 2005 Rupees	June 2004 Rupees
REVENUE-Net	3,791,473	1,904,313	2,147,662	2,560,424	2,416,304	1,649,193
Direct Costs	(2,610,072)	(2,189,052)	(2,141,036)	(1,938,960)	(1,585,894)	(1,237,440)
Gross Profit / (Loss)	1,181,401	(284,739)	6,626	621,464	830,410	411,753
Distribution costs and administrative expenses	(622,782)	(599,979)	(565,822)	(510,378)	(446,658)	(211,172)
Gain arising from present value adjustment	-	426,196	-	-	-	-
Other operating expenses	(39,748)	(63,443)				
Other operating income	69,992	88,687	439,377	215,013	160,019	26,626
	(592,538)	(148,539)	(126,445)	(295,365)	(286,639)	(184,546)
Operating Profit / (Loss)	588,863	(433,278)	(119,819)	326,099	543,771	227,207
Financial charges	(494,135)	(460,618)	(412,482)	(419,388)	(111,673)	(46,482)
Net Profit / (Loss) before taxation	94,728	(893,896)	(532,301)	(93,289)	432,098	180,725
Taxation	(50,660)	387,736	140,357	38,958	187,758	56,376
Profit / (Loss) after taxation	44,068	(506,160)	(391,944)	(54,331)	244,340	124,349
Transfer from surplus on revaluation of intangible assets-net of tax	58,005					
Accumulated (Loss) / Profit b/f	(263,254)	242,906	634,850	689,181	444,841	320,492
Accumulated (Loss) / Profit c/f	(161,181)	(263,254)	242,906	634,850	689,181	444,841
EPS / (Loss) per Share (Rupees)	**0.15**	**(1.69)**	**(1.31)**	**(0.18)**	**1.13**	**1.27**

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 Karachi and Islamabad Stock Exchanges 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 Company encourages representation of independent non-executive directors on its Board. At present the board includes six independent non-executives directors including one foreign national.

2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to banking company, a DFI or an NBFI or, being a member of stock exchange, has been declared as defaulter by that stock exchange.

4. During the year, the election for the re-appointment of directors were held and consequently, following persons have been emerged as elected directors of the Company for a term of three years, commencing 29 June 2009:

   1. Mr. Sultan-ul-Arfeen
   2. Mr. Aamir Niazi
   3. Mr. Shahid Firoz
   4. Syed Nizam Ahmed Shah
   5. Mr. Imran Malik
   6. Mr. Hissan-ul-Arfeen
   7. Mr. Peregrine Moncreiffe

5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by the directors and employees of the Company.

6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

Statement of Compliance with the Code of Corporate Governance

9. The Board had previously arranged an orientation course for its members to apprise them of their duties and responsibilities.

10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the CEO.

11. The directors' report for the year has been prepared in compliance with requirements of the Code and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

13. In pursuance of circular KSE/N-269 dated 19 January 2009 notified by the KSE all the arms length transactions were placed before the Audit committee and the Board for their approval in the meetings of the Board and Audit Committee held during the year.

14. The directors, CEO and executives do not hold an interest in the shares of the Company other than that disclosed in the pattern of shareholding.

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

16. The Board has formed an audit committee. It comprises three Members, all three are non-executive directors.

17. The meetings of the audit committees were held at least once in quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

18. The Board has set-up an effective internal audit function.

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme 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 code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.

20. 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.

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

Aamir Niazi **October 09, 2009**
Chief Executive Officer

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

ERNST & YOUNG

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Progressive Plaza, Beaumont Road
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Tel: +9221 3565 0007
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We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Telecard Limited to comply with the Listing Regulation No. 37 (Chapter XI) of Karachi Stock Exchange where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance 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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further, Sub- Regulation (xiii) of Listing Regulations 37 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 price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance for the year ended 30 June 2009.

Chartered Accountants

Audit Engagement Partner's Name: Pervez Muslim
Date: **October 09, 2009**
Place: **Karachi**

Auditor's Report to the Members

ERNST & YOUNG

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
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We have audited the annexed balance sheet of **Telecard Limited (the Company)** as at **30 June 2009** and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on 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 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) as disclosed in note 6 to the accompanying financial statements, intangible assets include a sum of Rs.86.585 million on account of borrowing costs capitalized by the Company during the year. In accordance with International Accounting Standard (IAS) – 23 "Borrowing Costs", only those borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset are eligible for capitalization. However, the said sum relates to those frequencies which have become operational in previous years and, as such, do not qualify for capitalization under the said IAS.

Has such borrowings costs not been capitalised as aforesaid, profit before taxation for the current year and intangible assets would have been lower by Rs.81.173 (net of amortisation of Rs.5.412) million each;

(b) as disclosed in note 6.2 to the accompanying financial statements, the Company revalued one of the frequencies of Wireless Local Loop licenses (intangible asset) on 30 June 2008. However, the said value has not been determined with reference to an "active market", as defined in IAS-38 "Intangible assets" and, as the said IAS require, under such circumstances, the asset in question should have been carried at its cost less any accumulated amortization and impairment losses.

Had the Company not revalued the above referred frequency, carrying value of intangible assets, surplus on revaluation of intangible assets, and deferred tax would have been lower by Rs.1,338.565 million, Rs.870.067 million and Rs.468.498 million, respectively.

(c) as disclosed in note 28.1, amount due to Pakistan Telecommunication Authority (PTA) of Rs.1,585.500 million at the end of the current year, in respect of licence and related frequencies acquired by the Company, is due by March 2010, after a moratorium of four years granted by the PTA to the Wireless Local Loop Operators in April 2006. The said sum is shown in the accompanying financial statements as a non-current liability for the reasons disclosed by the management in the above referred note, as opposed to reflecting the same as a current liability in accordance with the aforesaid letter of the PTA.

Had the Company disclosed the above liability under current liabilities, the same would have increased by Rs.1,585.500 million whereas non-current liabilities would have decreased by the same sum, with no effect on net profit for the year;

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

(e) 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;

Auditor's Report to the Members

ERNST & YOUNG

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(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;

(f) except for the effects on the financial statements of the matters referred to in paragraphs (a) to (c) above, 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 30 June 2009 and of the profit, its cash flows and changes in equity for the year then ended;

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

without qualifying our opinion, we draw attention to the:

i) contents of notes 14.2(a) and 14.3 to the accompanying financial statements in respect of the lawsuit filed by the Company during the year ended 30 June 2000 in the High Court of Sindh (the Court) with regard to the recovery of Karachi Relief Rebate, Interconnect discount and other related amounts from Pakistan Telecommunication Company Limited (PTCL). On an application filed by the Company, the Court passed an interim order in favour of the Company and appointed a firm of Chartered Accountants to determine the actual amount due from the PTCL in this regard. The said firm submitted its report to the Court during the year ended 30 June 2002, containing various amounts determined under various alternatives, for the period commencing January 1997 to August 2001. Accordingly, pending a final decision by the Court in this matter, no provision for any amount that may not be recoverable has been made in the accompanying financial statements;

ii) contents of note 14.2(b) to the accompanying financial statements with regard to a lawsuit filed by the PTCL against the Company during the year ended 30 June 2002. Pending a decision of the Court in this respect, the Company has not made any provision for the amount claimed by the PTCL in the accompanying financial statements;

iii) contents of note 14.4 to the accompanying financial statements in respect of the PTA's claim for Access Promotion Contribution for Universal Service Fund of Rs.769.506 million, out of which the Company paid a sum of Rs.181.636 million to the PTA during the current year under protest. The Islamabad High Court, however, decided the case in favour of the PTA during the current year. As a result, the Company has filed an appeal in the Supreme Court of Pakistan, and, hence, pending a final decision in this matter, no adjustment has been made to the above referred sum of Rs.181.636 million shown by the Company under other receivables (note 14.4) nor any provision has been made for the remaining sum of Rs. 587.870 in the accompany financial statements;

iv) contingencies disclosed in notes 33.1 to 33.7 to the accompanying financial statements, the ultimate outcome of which cannot presently be determined and, hence, pending the resolution thereof, no provision has been made for the same in the accompanying financial statements; and

v) contents of note 13.1 to the accompanying financial statements in respect of additional mark-up claimed by the Company from a commercial bank which has been accrued by the Company in the accompanying financial statements.

Chartered Accountants

Audit Engagement Partner's Name: Pervez Muslim
Date: October 09, 2009
Place: Karachi

Balance Sheet

As At June 30, 2009

	Note	June 30, 2009	June 30, 2008
		------- (Rupees in '000) -------	
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Property, plant and equipment	5	**3,179,332**	3,824,829
Intangible assets	6	**4,378,840**	4,584,169
		7,558,172	8,408,998
Long-term investment	7	**340,537**	340,537
Long-term loans	8	**192**	213
Long-term deposits	9	**50,664**	59,015
		7,949,565	8,808,763
CURRENT ASSETS			
Stock-in-trade		**8,857**	10,220
Trade debts	10	**337,119**	327,456
Loans and advances	11	**40,481**	121,894
Deposits and prepayment	12	**43,630**	46,051
Accrued mark-up	13	**100,182**	73,642
Other receivables	14	**976,180**	731,134
Taxation – net	15	**184,828**	170,358
Short-term investment	16	**68,740**	69,185
Cash and bank balances	17	**9,587**	35,436
		1,769,604	1,585,376
TOTAL ASSETS		**9,719,169**	10,394,139
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital			
Authorised			
400,000,000 (2008: 400,000,000) Ordinary shares of Rs.10 each		**4,000,000**	4,000,000
Issued, subscribed and paid-up	18	**3,000,000**	3,000,000
Accumulated loss		**(161,181)**	(263,254)
		2,838,819	2,736,746
SURPLUS ON REVALUATION OF INTANGIBLE ASSETS – net of tax	19	**870,067**	928,072
NON-CURRENT LIABILITIES			
Long-term loans	20	**499,500**	786,243
Redeemable capital	21	**600,000**	1,128,960
Liabilities against assets subject to finance leases	22	**1,868**	23,139
Advance from a Contractor	23	**276,874**	618,503
Long-term deposits	24	**66,137**	78,003
Deferred liabilities	25	**23,283**	22,008
Due to employees	26	**35,649**	49,309
Deferred taxation	27	**223,106**	172,446
Due to Pakistan Telecommunication Authority	28	**1,428,378**	1,286,827
		3,154,795	4,165,438
CURRENT LIABILITIES			
Trade and other payables	29	**1,310,521**	1,197,002
Accrued interest / mark-up	30	**106,290**	136,646
Short-term borrowings		**-**	64,289
Short-term running finances	31	**392,691**	274,228
Current maturities of long-term liabilities	32	**1,045,986**	891,718
		2,855,488	2,563,883
CONTINGENCIES AND COMMITMENTS	33		
TOTAL EQUITY AND LIABILITIES		**9,719,169**	10,394,139

The annexed notes from 1 to 49 form an integral part of these financial statements.

Chief Executive **Director**

Profit and Loss Account
For The Year Ended June 30, 2009

	Note	June 30, 2009	June 30, 2008
		------- (Rupees in '000) -------	
REVENUE – net	34	**3,791,473**	1,904,313
Direct costs	35	**(2,610,072)**	(2,189,052)
GROSS PROFIT / (LOSS)		**1,181,401**	(284,739)
Distribution costs and administrative expenses	36	**(622,782)**	(599,979)
Gain arising from present value adjustment		-	426,196
Other operating expenses	37	**(39,748)**	(63,443)
Other operating income	38	**69,992**	88,687
		(592,538)	(148,539)
OPERATING PROFIT / (LOSS)		**588,863**	(433,278)
Finance costs	39	**(494,135)**	(460,618)
PROFIT / (LOSS) BEFORE TAXATION		**94,728**	(893,896)
Taxation	40	**(50,660)**	387,736
NET PROFIT / (LOSS) FOR THE YEAR		**44,068**	(506,160)
EARNINGS / (LOSS) PER SHARE - Basic and diluted (Rupees)	41	**0.15**	(1.69)

The annexed notes from 1 to 49 form an integral part of these financial statements.

Chief Executive **Director**

Cash Flow Statement

For The Year Ended June 30, 2009

	Note	June 30, 2009	June 30, 2008
		------- (Rupees in '000) -------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from / (used in) operations	42	**1,480,997**	(206,702)
Income tax paid		**(14,470)**	(49,121)
Finance costs paid		**(382,940)**	(244,114)
Retirement benefits paid		**(28,375)**	(1,894)
Long-term loans		**21**	166
Long-term deposits - net		**(3,515)**	(1,568)
Net cash inflow from / (used in) operating activities		**1,051,718**	(503,233)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		**(114,962)**	(332,792)
Sale proceeds of fixed assets		**2,961**	10,648
Net cash used in investing activities		**(112,001)**	(322,144)
CASH FLOWS FROM FINANCING ACTIVITIES			
Advance from a Contractor		**(276,870)**	830,608
(Repayment of) / proceeds from long-term finances - net		**(681,583)**	117,974
Proceeds from / (repayment of) short-term running finances - net		**54,174**	(56,271)
Repayment of obligations under finance lease		**(61,732)**	(92,504)
Net cash (used in)/inflow from financing activities		**(966,011)**	799,807
NET DECREASE IN CASH AND CASH EQUIVALENTS DURING THE YEAR		**(26,294)**	(25,570)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**104,621**	130,191
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	43	**78,327**	104,621

The annexed notes from 1 to 49 form an integral part of these financial statements.

Chief Executive

Director

Statement of Changes in Equity
For The Year Ended June 30, 2009

	Issued, subscribed and paid-up	Accumulated loss	Total
	----------------------	(Rupees in '000)	-------------------
Balance as at June 30, 2007	3,000,000	242,906	3,242,906
Net loss for the year	-	(506,160)	(506,160)
Balance as at June 30, 2008	3,000,000	(263,254)	2,736,746
Transfer from surplus on revaluation of intangible assets - net of tax (note 19.1)	-	**58,005**	**58,005**
Net profit for the year	-	**44,068**	**44,068**
Balance as at June 30, 2009	**3,000,000**	**(161,181)**	**2,838,819**

The annexed notes from 1 to 49 form an integral part of these financial statements.

Chief Executive

Director

Notes to the Financial Statements
For The Year Ended June 30, 2009

1. THE COMPANY AND ITS OPERATIONS

Telecard Limited (the Company) was incorporated in Pakistan on October 29, 1992 as a public limited company. The shares of the Company are listed on the Karachi and Islamabad Stock Exchanges. The Company itself and through its subsidiary is licensed to provide fully integrated telecommunication services, including basic wireless telephony, long distance and international services and payphones.

The registered office of the Company is located at World Trade Centre, 75, East Blue Area, Fazal-ul-Haq Road, Islamabad. The principal place of business of the Company is located at World Trade Centre, 10, Khayaban-e-Roomi, Clifton, Karachi.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

These are separate financial statements of the Company in which investment in a Subsidiary Company is reported on the basis of direct equity interest and is not consolidated. In addition to the separate financial statements, the Company also prepares consolidated financial statements.

3. BASIS OF PREPARATION

These financial statements have been prepared under the historical cost convention except for a financial liability in respect of spectrum fee which has been carried at fair value (note 28), certain employees' benefits which have been carried at present value (note 25) and one of the frequencies of Wireless Local Loop (WLL) licenses (intangible asset) carried at the revalued amount (note 6).

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The following revised standards and interpretations with respect to approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standards or interpretations:

Standard or Interpretation	Effective date (accounting periods beginning on or after)
IAS 1 - Presentation of Financial Statements (Revised)	January 01, 2009
IAS 23 - Borrowings Costs (Revised)	January 01, 2009
IAS 27 - Consolidated and Separate Financial Statements (Amended)	July 01, 2009
IAS 32 - Financial Instruments: Presentation - Amendments regarding Puttable Financial Instruments	January 01, 2009
IAS 39 - Financial Instruments: Recognition and measurement - Amendments regarding Eligible Hedge Items	July 01, 2009
IFRS 2 - Share Based Payment – Amendments regarding Vesting Conditions and Cancellations	January 01, 2009
IFRS 3 - Business Combinations (Revised)	July 01, 2009
IFRS 7 - Improving disclosures about Financial Instruments (Amended)	January 01, 2009
IFRS 8 - Operating Segments	January 01, 2009
IFRIC 15 - Agreements for the Construction of Real Estate	January 01, 2009
IFRIC 16 - Hedges of a Net Investment in a Foreign Operation	October 01, 2008
IFRIC 17 - Distributions of Non-cash Assets to owners	July 01, 2009
IFRIC 18 - Transfers of Assets from Customers	July 01, 2009

The Company expects that the adoption of the above standards and interpretations will not have any material impact on the Company's financial statements in the period of initial application other than to the extent of certain changes and/or enhancements in the presentation and disclosures in the financial statements resulting form the application of International Accounting Standard (IAS) 1. The revised IAS 1 was issued in September 2007 and becomes effective for financial years beginning on or after January 01, 2009. The standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Company is still evaluating whether it will have one or two statements.

In addition to the above, amendments to various accounting standards have also been issued by IASB as a result of its annual improvement project. Such amendments are generally effective for accounting periods beginning on or after January 01, 2009. The Company expects that the adoption of the above standards and interpretations will not have any material impact on the Company's financial statements in the period of initial application.

4.2 Adoption of new accounting standards

During the year, the Company has adopted following new and amended IFRS and IFRIC interpretations:

IFRS 7 - Financial Instruments: Disclosures

IFRIC 12 - Service concession arrangements

IFRIC 13 - Customer loyalty programs; and

IFRIC 14 - IAS 19 - The limit on defined benefit asset, minimum funding requirement and their interactions

Adoption of these standards and interpretations does not have any material effect on the financial statements of the Company except for certain additional disclosures in respect of IFRS 7 included in the relevant notes to the financial statements.

4.3 Significant accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgments in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions in accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In the process of applying the Company's accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

Notes to the Financial Statements

For The Year Ended June 30, 2009

	Note
Determining the residual values and useful lives of fixed assets	4.4, 5 & 6
Impairment of	
· fixed assets	4.4, 5 & 6
· Trade debts	4.7 & 10
Recognition of tax and deferred tax	4.14, 27 & 40
Accounting for staff retirement benefits	4.13 & 25

4.4 Fixed assets

4.4.1 Property, plant and equipment

Owned

These are stated at cost less accumulated depreciation and impairment, if any, except for freehold land, which is stated at cost.

Depreciation is calculated on a straight-line method over the estimated useful life of the asset. The rates used are stated in note 5.1 to the financial statements. Depreciation on additions is charged for the full month in the month of addition and no depreciation is charged in the month of deletion.

Maintenance and normal repairs are charged to profit and loss account as and when incurred. Major renewals and improvements are capitalised and the assets so replaced, if any, are retired.

Gain and loss on disposal of assets is taken to the profit and loss account except for gain on sale and leaseback transactions, which is deferred and amortised over the lease term of the asset.

Leased

Assets held under finance leases are initially recorded at the lower of the present value of minimum lease payments under the lease agreements and the fair value of the leased assets. The related obligations under the leases less financial charges allocated to future periods are shown as a liability.

The financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of interest on the outstanding liability.

Depreciation is charged at the same rates as charged on the Company's owned assets.

Capital work-in-progress

Capital work-in-progress is stated at cost less impairment in value, if any. It consists of expenditure incurred and advances made in respect of fixed assets in the course of their erection, installation and acquisition.

4.4.2 Intangible assets

The costs of license to provide telecommunication services are classified as intangible assets. These are stated at cost / revalued amount less accumulated amortisation and impairment, if any. These are amortised over the period of license commencing from the date when the license is available for intended use i.e. the date when it is in the condition necessary for it to be capable of operating in the manner intended by the management.

The cost of intangible asset comprises its purchase price and any directly attributable expenditure incurred in preparing the asset for its intended use including the borrowing cost.

4.4.3 Surplus on revaluation of intangible assets

The surplus arising on revaluation of intangible is credited to the "surplus on revaluation of intangible assets" shown below equity in the balance sheet in accordance with the requirements of section 235 of the Companies Ordinance, 1984. The said section was amended through the Companies (Amendment) Ordinance, 2002 and accordingly the Company has adopted the following accounting treatment of amortisation on revalued assets, keeping in view the Securities and Exchange Commission of Pakistan's SRO 45(1)/2003 dated January 13, 2003:

– amortisation on assets which are revalued is determined with reference to the value assigned to such assets on revaluation and amortisation charge for the year is taken to the profit and loss account; and

– an amount equal to incremental amortisation for the year net of deferred taxation is transferred from "surplus on revaluation of intangible assets" to accumulated profit through statement of changes in equity to record realization of surplus to the extent of the incremental amortisation charge for the year.

4.4.4 Impairment

The carrying values of the Company's assets are reviewed for impairment at each reporting date when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

4.5 Investment in a Subsidiary Company

Investment in a Subsidiary Company is stated at cost less impairment in value, if any. An assessment is made at each balance sheet date to determine whether there is any indication that an investment may be impaired. If such indication exists, the estimated recoverable amount of the investment is determined and any impairment loss is recognised for the difference between the recoverable amount and the carrying value.

4.6 Stock in trade

Stock in trade comprises of internet and computer memory cards. These are valued at lower of cost and net realizable value. Cost is determined on first-in-first out basis except for stock in transit which is stated at invoice price plus other charges paid thereon up to the balance sheet date.

Net realisable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale.

4.7 Trade debts and other receivables

These are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the amount is no longer probable. Bad debts are written-off when identified.

4.8 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank, cash in hand and short-term investments, if any.

4.9 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost, which approximates its fair value.

4.10 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an 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.

4.11 Financial instruments

Financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised at the time when the Company loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognised at the time when they are extinguished i.e., when the obligation specified in the contract is discharged, cancelled, or expired. Any gains or losses on derecognition of financial assets and financial liabilities are taken to profit and loss account currently.

4.12 Offsetting financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is 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 realise the asset and settle the liability simultaneously.

4.13 Employees' benefits

Gratuity Fund

The Company operates an unfunded gratuity scheme for its employees under "Workmen Category". Provision is made annually, to cover obligations under the plan, by way of a charge to profit and loss account, calculated in accordance with the actuarial valuation using "projected Unit Credit Method". Actuarial gains or losses are recognised over the expected average remaining working lives of the employees participating in the plan.

Provident Fund

The Company operates a recognised provident fund scheme for its employees. Equal monthly contributions are made, both by the Company and the employees, to the fund at the rate of 8.33% of basic salary.

Compensated absences

The company accounts for these benefits in the period in which the absences are earned. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

4.14 Taxation

Current

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

Deferred

Deferred tax is recognised, using the liability method, on all major temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the assets can be utilised.

Deferred income 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 or substantively enacted at the balance sheet date.

The carrying amount of deferred income 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 income tax asset to be utilised.

4.15 Foreign currency translation

Transactions in foreign currencies are recorded in the presentation / functional currency, which is Pak Rupees, at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Non-monetary assets and liabilities are measured using exchange rates that existed when the values were determined. All differences are taken to the profit and loss account.

4.16 Finance costs

Finance costs incurred to finance the acquisition of various licenses from Pakistan Telecommunication Authority (PTA) and the construction and installation of network assets are capitalised up to the time such assets get ready for intended use. All other finance costs are recognised as expense in the period in which they are incurred.

Notes to the Financial Statements
For The Year Ended June 30, 2009

4.17 Revenue

Revenue from wireless payphone cards is recognised as the related units/credits are consumed by customers. The unutilised units/credits are carried in the balance sheet as unearned income.

Revenue from wireline payphone cards and from revenue sharing arrangements is recognised upon sale of cards to customers (i.e. not on card utilisation basis) due to limitations of the Company's information system to track the utilisation of cards by the customers. However, as the revenue from above is not significant in relation to the total revenue of the Company, the management believes that the overall impact of following the above accounting policy on the financial statements would not be material.

Revenue from post paid packages is recognised on accrual basis.

Revenue from connection fee is recognised on sale of connection.

Revenue from incoming calls from local network as well as Long Distance International (LDI) network is recognised at the time the call is terminated over the Company's network.

Revenue from broadband services is recognised upon the rendering of such services.

Return on bank balances is accrued using effective interest method.

4.18 Interconnect charges and liability

Interconnect charges on all units / credits consumed in respect of wireless payphones are booked as liability on the basis of corresponding bills from interconnect partners except for the cases where management believes, based on its information system and records, that interconnect charges are over billed by the interconnect partners, in that case the liability is recorded on the basis of the Company's information system and records.

Pakistan Telecommunication Company Limited (PTCL) interconnect charges in respect of wireline payphones at fixed rates on all cards sold 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.

4.19 Related party transactions

Transactions with related parties are entered into at arm's length.

4.20 Dividend and other appropriation of reserves

These are recognised in the period in which such dividend and appropriations are approved by the Board of Directors of the Company.

	Note	June 30, 2009	June 30, 2008
		------- (Rupees in '000) -------	
5. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	5.1	**2,643,856**	3,204,457
Capital work-in-progress	5.2	**535,476**	620,372
		3,179,332	3,824,829

Notes to the Financial Statements
For The Year Ended June 30, 2009

5.1 OPERATING FIXED ASSETS

	Note	COST					ACCUMULATED DEPRECIATION				WRITTEN DOWN VALUE
		As at July 01, 2008	Additions/ Transfers*	(Disposals)	As at June 30, 2009	Rate/ period	As at July 01, 2008	For the year (Adjustment)**	(On disposal) / (transfers)*	As at June 30, 2009	As at June 30, 2009
		(Rs. in '000)					(Rs. in '000)				
June 30, 2009											
Owned											
Freehold land		3,020	-	-	3,020	-	-	-	-	-	3,020
Leasehold land	5.1.1	3,900	-	-	3,900	13 yrs	3,900	-	-	3,900	-
Building on freehold land		625	-	-	625	20 yrs	218	31	-	249	376
Apparatus, plant and equipment	5.1.2, 5.1.3 & 5.2	5,165,113	105,924 176,315*	(959)	5,446,393	5-33%	2,227,104	654,843 (22,626)**	(40) 67,112*	2,926,393	2,520,000
Sign boards		30,875	-	-	30,875	25%	29,119	1,835 (1,354)**	-	29,600	1,275
Furniture, fixtures and office equipment	5.1.3	41,587	2,991	(162)	44,416	10%	23,035	3,318 (2,710)**	(77)	23,566	20,850
Computers and related accessories	5.1.3	45,853	4,322	(166)	50,009	33%	42,795	6,082 (5,945)**	(151)	42,781	7,228
Vehicles	5.1.3	20,865	35 8,386*	(5,454)	23,832	20%	15,174	3,008 (620)**	(3,420) 5,683*	19,825	4,007
		5,311,838	113,272 184,701*	(6,741)	5,603,070		2,341,345	669,117 (33,255)**	(3,688) 72,795*	3,046,314	2,556,756
Leased											
Apparatus, plant and equipment	5.1.2	348,168	- (176,315)*	-	171,853	10-33%	117,107	17,184 18,555**	- (67,112)*	85,734	86,119
Vehicles		12,807	- (8,386)*	-	4,421	20%	9,904	328 (1,109)**	- (5,683)*	3,440	981
		360,975	- (184,701)*	-	176,274		127,011	17,512 17,446**	- (72,795)*	89,174	87,100
		5,672,813	113,272 -*	(6,741)	5,779,344		2,468,356	686,629 (15,809)**	(3,688) -*	3,135,488	2,643,856

During the current year, the Company carried out an exercise to reconcile the subsidiary record of its fixed assets with the general ledger. As a result of this exercise, depreciation for the current year has been adjusted by Rs. 15.809 million, representing excess depreciation charged in prior years.

Notes to the Financial Statements
For The Year Ended June 30, 2009

5.1 OPERATING FIXED ASSETS

	COST					ACCUMULATED DEPRECIATION				WRITTEN DOWN VALUE
	As at July 01, 2007	Additions/ (transfers)*	(Disposal)	As at June 30, 2008	Rate/ period	As at July 01, 2007	For the year	(On disposal) / (transfers)*	As at June 30, 2008	As at June 30, 2008
	(Rs. in '000)					(Rs. in '000)				
June 30, 2008										
Owned										
Freehold land	3,020	-	-	3,020	-	-	-	-	-	3,020
Leasehold land	3,900	-	-	3,900	13 yrs	3,750	150	-	3,900	-
Building on freehold land	625	-	-	625	20 yrs	187	31	-	218	407
Apparatus, plant and equipment	4,609,067	385,395 170,651*	-	5,165,113	5-33%	1,549,474	599,183	- 78,447*	2,227,104	2,938,009
Sign boards	30,875	-	-	30,875	25%	26,527	2,592	-	29,119	1,756
Furniture, fixtures and office equipment	38,471	3,116	-	41,587	10%	18,982	4,053	-	23,035	18,552
Computers and related accessories	39,884	5,969	-	45,853	33%	36,413	6,382	-	42,795	3,058
Vehicles	11,250	179 29,449*	(20,013)	20,865	20%	7,503	1,384	(11,984) 18,271*	15,174	5,691
	4,737,092	394,659 200,100*	(20,013)	5,311,838		1,642,836	613,775	(11,984) 96,718	2,341,345	2,970,493
Leased										
Apparatus, plant and equipment	518,819	- (170,651)*	-	348,168	10-33%	150,034	45,520	- (78,447)*	117,107	231,061
Vehicles	42,213	43 (29,449)*	-	12,807	20%	22,966	5,209	- (18,271)*	9,904	2,903
	561,032	43 (200,100)*	-	360,975		173,000	50,729	- (96,718)*	127,011	233,964
	5,298,124	394,702 -*	(20,013)	5,672,813		1,815,836	664,504	(11,984) -*	2,468,356	3,204,457

Notes to the Financial Statements
For The Year Ended June 30, 2009

5.1.1 This represents cost incurred by the Company in acquiring leasehold land from the Karachi Municipal Corporation for a period of thirteen years for constructing a Time Tower thereon. The underlying lease agreement is in the name of Arfeen International (Private) Limited, a related party.

5.1.2 These include:

5.1.2.1 Line Protection Units, costing Rs.22.206 (2008: Rs.22.206) million, having a net book value of Rs.2.066 (2008: Rs.3.319) million, installed by the Company at the PTCL Exchanges throughout the country for the protection of wireline connections.

5.1.2.2 Payphone units, costing Rs.1,921.499 (2008: Rs.1,872.581) million, having a net book value of Rs.481.480 (2008: Rs.758.529) million, which are in the possession of the customers of the Company in the ordinary course of business.

5.1.2.3 Outdoor payphone units, having an aggregate cost of Rs.248.983 (2008: Rs.248.983) million, with a net book value of Rs.19.539 (2008: Rs.24.524) million, installed by the Company at various locations throughout the country in the ordinary course of business.

5.1.3 The following fixed assets were disposed off during the year:

Description	Cost	Accumulated Depreciation	Written down value	Insurance claims / sale proceeds	Gain/Loss on disposal	Mode of sale	Particulars of buyers
	------------------------------	(Rs. in '000)	------------------------------				
WLL equipment	959	40	919	700	(219)	Insurance claim	EFU Insurance - Karachi
Furniture and fixtures	162	77	85	120	35	Insurance claim	EFU Insurance - Karachi
Computers	166	151	15	38	23	Negotiation	Envicrete Limited, a related party - Karachi
Vehicles							
Honda Civic	1,523	734	789	703	(86)	Negotiation	Taimur Khattak, Ex-employee - Karachi
Honda Civic	1,283	919	364	355	(9)	Negotiation	Arfeen International (Private) Limited, a related party - Karachi
Honda City	842	519	323	179	(144)	Negotiation	Arfeen International (Private) Limited, a related party - Karachi
Suzuki Cultus	569	418	151	403	252	Negotiation	Arfeen International (Private) Limited, a related party - Karachi
Suzuki Cultus	668	479	189	218	29	Negotiation	Arfeen International (Private) Limited, a related party - Karachi
Suzuki Cultus	569	351	218	245	27	Negotiation	Arfeen International (Private) Limited, a related party - Karachi
	5,454	3,420	2,034	2,103	69		
June 30, 2009	**6,741**	**3,688**	**3,053**	**2,961**	**(92)**		
June 30, 2008	20,013	11,984	8,029	10,648	2,619		

5.1.4 The cost of fully depreciated assets as at June 30, 2009 is Rs.620.883 (2008: Rs.526.474) million.

	Note	June 30, 2009	June 30, 2008
		------- (Rupees in '000) -------	
5.1.5 Depreciation for the year has been allocated as follows:			
Direct costs	35	**667,800**	644,510
Distribution costs and administrative expenses	36	**3,020**	19,994
		670,820	664,504

Notes to the Financial Statements

For The Year Ended June 30, 2009

5.2 Capital work-in-progress

	Owned equipment (note 5.2.1)	Direct overheads	Advances to suppliers	Leased equipment	Total
	Rupees in '000				
As at July 01, 2008	523,557	9,820	16,495	70,500	620,372
Additions during the year	-	-	13,586	-	13,586
Transfer to apparatus, plant and equipment	(83,892)	(9,820)	(4,770)	-	(98,482)
Transfer from advances to owned equipment	9,136	-	(9,136)	-	-
Transfer from leased to owned network projects	30,500	-	-	(30,500)	-
June 30, 2009	**479,301**	**-**	**16,175**	**40,000**	**535,476**
June 30, 2008	523,557	9,820	16,495	70,500	620,372

5.2.1 Included herein is an aggregate sum of Rs.21.015 (2008: Rs.69.904) million, representing wireless payphone units that would be activated upon issuance of connections to customers.

6. INTANGIBLE ASSETS

	Note	COST / REVALUATION			Period	ACCUMULATED AMORTISATION			WRITTEN DOWN VALUE
		As at July 01, 2008	Addition during the year	As at June 30, 2009	yrs	As at July 01, 2008	For the year	As at June 30, 2009	As at June 30, 2009
		Rupees in '000				Rupees in '000			
June 30, 2009									
WLL Licenses	6.1 & 6.2	5,042,755	86,585*	**5,129,340**	16-20	483,488	290,366	**773,854**	**4,355,486**
LDI License	6.3	29,029	-	**29,029**	16-20	4,127	1,548	**5,675**	**23,354**
		5,071,784	86,585*	**5,158,369**		487,615	291,914	**779,529**	**4,378,840**

*This represents borrowing cost capitalized by the Company during the current year. As of June 30, 2009, aggregate borrowing costs capitalised by the Company amounted to Rs.373.852 (2008: Rs.287.267) million.

	COST / REVALUATION				Period	ACCUMULATED AMORTISATION			WRITTEN DOWN VALUE
	As at July 01, 2007	Revaluation during the year	Addition during the year	As at June 30, 2008	yrs	As at July 01, 2007	For the year	As at June 30, 2008	As at June 30, 2008
	Rupees in '000					Rupees in '000			
June 30, 2008									
WLL Licenses	3,517,851	1,427,803	97,101*	5,042,755	16-20	324,984	158,504	483,488	4,559,267
LDI License	29,029	-	-	29,029	16-20	2,580	1,547	4,127	24,902
	3,546,880	1,427,803	97,101*	5,071,784		327,564	160,051	487,615	4,584,169

* This includes a sum of Rs.82.126 million, representing borrowing costs capitalized by the Company during the year.

Notes to the Financial Statements

For The Year Ended June 30, 2009

6.1 This represents cost of non-exclusive licenses granted by the PTA to the Company for providing certain telecommunication services in the specified regions of the country and for establishing, maintaining and operating a telecommunication system, in accordance with the terms and conditions of the licenses. The licenses are effective for a period of 20 years, commencing August 04, 2004.

6.2 On June 30, 2008, the Company revalued one of the frequencies of WLL licenses to Rs.1,530 million, equivalent to US$22.500 million, maintaining that the said value represented the fair value of licenses of the above referred frequency. The value of such frequency was based on a valid subsisting offer based on the then market value of the frequency.

The said revaluation resulted in a surplus on revaluation of Rs.1,428 million, representing the difference between the fair value and the carrying value of the above frequency of Rs.102 million in the books of the Company.

Had there been no revaluation, the written down value of intangible assets would have been Rs.3,040.275 (2008: Rs.3,156.366) million.

6.3 This represents cost of non-exclusive license granted by the PTA to the Company for providing the LDI telecommunication services in the country for a period of 20 years, commencing July 27, 2004.

	Note	June 30, 2009	June 30, 2008
		------- (Rupees in '000) -------	
7. LONG TERM INVESTMENT			
In a Subsidiary Company			
Unquoted – at cost			
Supernet Limited 33,504,000 (2008: 33,504,000) Ordinary shares of Rs.10 each [Breakup value: Rs.447.064 million (2008: Rs.368.532 million)], based on the audited financial statements of the Company for the year ended June 30, 2009 (June 30, 2008).		**340,537**	340,537
8. LONG TERM LOANS			
Secured, considered good			
Executives	8.1, 8.2 & 8.3	**80**	242
Employees	8.1	**122**	88
		202	330
Recoverable within one year shown under current assets			
Executives		-	(42)
Employees		**(10)**	(75)
	11	**(10)**	(117)
		192	213

8.1 These are interest free personal loans given to the executives and employees of the Company, in accordance with the terms of their employment. The loans are recoverable in monthly installments over a maximum period of eighteen months and are secured against employees' gratuity balances.

Long-term loans have not been discounted to their present value as the financial impact thereof is not considered material by the management.

Notes to the Financial Statements

For The Year Ended June 30, 2009

	Note	June 30, 2009	June 30, 2008
		------- (Rupees in '000) -------	
8.2 Reconciliation of the carrying amount of loans to executives			
Opening balance		**242**	677
Disbursements		**-**	200
Repayments		**(162)**	(635)
		80	242

8.3 The maximum aggregate amount due from the executives at the end of any month during the year was Rs.0.802 (2008: Rs.0.664) million.

9. LONG-TERM DEPOSITS

	Note	June 30, 2009	June 30, 2008
Security deposits			
Line deposits – PTCL		**43,560**	40,872
Rented premises		**6,089**	5,326
Leasing companies		**21,432**	40,153
Refundable within one year shown under current assets	12	**(20,417)**	(27,336)
		1,015	12,817
		50,664	59,015

10. TRADE DEBTS

	Note	June 30, 2009	June 30, 2008
Unsecured			
Considered good			
Pakcom Limited - a related party		**-**	28,269
Others		**337,119**	299,187
		337,119	327,456
Considered doubtful		**105,782**	85,433
Provision for debts considered doubtful	10.1	**(105,782)**	(85,433)
		-	-
		337,119	327,456

10.1 Provision for debts considered doubtful:

	Note	June 30, 2009	June 30, 2008
Opening balance		**85,433**	75,433
Charge for the year	36	**20,349**	10,000
		105,782	85,433

10.2 As at June 30, 2009, the ageing analysis of unimpaired trade debts is as follows:

	Total	Neither past due nor impaired	Past due but not impaired > 30 days upto 2 years	Past due but not impaired 2 – 3 years
	----------------- (Rupees in '000) -----------------			
June 30, 2009	**337,119**	**278,292**	**57,060**	**1,767**
June 30, 2008	327,456	216,634	110,809	13

Notes to the Financial Statements

For The Year Ended June 30, 2009

	Note	June 30, 2009	June 30, 2008
		------- (Rupees in '000) -------	

11. LOANS AND ADVANCES

	Note	June 30, 2009	June 30, 2008
Loans – unsecured			
Considered good			
Current portion of long-term loans			
Executives		-	42
Employees		10	75
	8	10	117
Subsidiary Company	11.1	29,756	109,300
		29,766	109,417
Advances – unsecured			
Considered good			
Executives	11.2	1,106	1,158
Employees		1,853	3,210
Suppliers		7,756	8,109
		10,715	12,477
Considered doubtful			
Suppliers		5,645	3,000
Provision for advances considered doubtful	11.3	(5,645)	(3,000)
		-	-
		10,715	12,477
		40,481	121,894

11.1 This carries mark-up at the rate of six months KIBOR plus 3.5% (2008: six months KIBOR plus 3.5%) per annum.

11.2 The maximum aggregate amount due from the executives at the end of any month during the year was Rs.1.759 (2008: Rs.1.759) million.

11.3 Provision for advances considered doubtful:

	Note	June 30, 2009	June 30, 2008
Opening balance		3,000	3,000
Charge for the year	36	2,645	-
		5,645	3,000

12. DEPOSITS AND PREPAYMENT

	Note	June 30, 2009	June 30, 2008
Deposits			
Current portion of long-term lease deposits	9	20,417	27,336
WLL deposit paid to PTCL		3,787	3,787
Others		475	444
		24,679	31,567
Prepayment			
Rent		18,951	14,484
		43,630	46,051

Notes to the Financial Statements

For The Year Ended June 30, 2009

13. ACCRUED MARK-UP

	Note	June 30, 2009	June 30, 2008
		------- (Rupees in '000) -------	
Due from a bank	13.1	**48,587**	48,587
Mark-up on loan to a Subsidiary Company		**38,722**	25,055
Mark-up on current accounts with related parties		**12,873**	-
		100,182	73,642

13.1 This represents amount due from a commercial bank in respect of funds raised through Term Finance Certificates, held by the said bank since April 20, 2005 whereas mark-up paid to the Company, commenced August 01, 2005. A claim in respect of the above was lodged by the Company with the bank during the year ended June 30, 2005, which is pending settlement therewith. The management is currently making necessary efforts to recover the aforesaid mark-up and is, therefore, confident about the recovery of the same.

Further, during the year ended June 30, 2008, an additional claim of Rs.194.494 million has been lodged by the Company with the said bank as compensation for delay in the receipt of the above referred amount. However, the management has not accrued the same in these financial statements as a matter of prudence.

14. OTHER RECEIVABLES

	Note	June 30, 2009	June 30, 2008
Considered good			
Related parties	14.1	**77,122**	44,662
Others:			
Pakistan Telecommunication Company Limited			
Karachi Relief Rebate	14.2	**651,541**	651,541
Interconnect discount	14.3	**28,701**	28,701
		680,242	680,242
Pakistan Telecommunication Authority	14.4	**181,636**	-
Augere Pakistan (Private) Limited	14.5	**27,417**	-
Claim against a bank	14.6	**998**	998
Insurance claims		**8,765**	5,232
		899,058	686,472
Considered doubtful			
Due from PTCL	14.7	**10,361**	10,361
Due from Zonal employees		**16,176**	21,530
Others		**4,177**	4,068
		30,714	35,959
Provision for other receivables considered doubtful	14.8	**(30,714)**	(35,959)
		-	-
		976,180	731,134

14.1 Related parties

Pakcom Limited		**77,033**	44,662
Envicrete Limited		**38**	-
Grand Leisure Corporation (Private) Limited		**51**	-
		77,122	44,662

14.1.1 The above amounts due from related parties represent current account balances which are recoverable on demand. These carry mark-up rates of KIBOR + 3.75% per annum.

Notes to the Financial Statements

For The Year Ended June 30, 2009

14.2 **(a)** In the interest of public safety, the Government of Pakistan (GoP) is empowered to close transmission of all messages / services, subject to certain conditions. Section 54 of the Pakistan Telecommunication (Reorganization) Act 1996, states that the GoP can do so “provided that the GoP may compensate any licensee whose facilities or services are affected by any action under that section”. Under these powers, the GoP shut down the service of the Company from July 1995 to January 1997. The Company served a notice to the GoP for compensation and as a quid pro quo and in consideration of the Company having agreed to withdraw its claim, the GoP offered the Karachi Relief Rebate Package. This arrangement was duly approved by the Cabinet and announced, on behalf of GoP, by the PTA.

As per the award of the GoP, the PTCL started paying the Karachi Relief Rebate up to June 30, 1998 and thereafter, unilaterally, the PTCL decided to discontinue payments against the said package.

During the year ended June 30, 2008, the Company filed a law suit against the PTCL in the High Court of Sindh (the Court) for the recovery of Rs.71.276 million accrued up to October 1999 and consequential losses thereon, aggregating to Rs.2,261.924 million. The Court, during the year ended June 30, 2002, on an application filed by the Company, passed an interim order in favor of the Company and appointed a firm of Chartered Accountants for the determination of the actual amount receivable (final sum) from the PTCL. The said firm calculated the relief rebate and interconnect discount in accordance with the direction of the Court, containing various amounts determined under various alternatives, for the period commencing January 1997 to August 2001.

The Company contends that the relief rebate allowed to it through the PTA’s letter, dated January 20, 1997, is of a continuing nature as no cessation date is mentioned in that letter. The Company further contends that the relief package was approved by the GoP after negotiations between the GoP and the Company.

As the Court already passed an interim order in August 2001 in favor of the Company and in light of the above, the management of the Company is confident that the recovery of the amount accrued to date would be as prayed by the Company.

The total amount due to be recovered on account of relief rebate amounts to Rs.698.690 million up to June 30, 2006. On a prudent basis, the Company accrued relief package up to June 30, 2005, aggregating to Rs.651.541 million, after which the practice of accruing the said relief was discontinued. In the view of the legal advisor of the Company, the Company has a strong case and the likelihood of the Company loosing the case is remote. Hence, the management is confident about the realization of the said amount together with the amount receivable from the PTCL in respect of wireline and multi-metering of Rs.48.598 million and Rs.18.287 million, respectively, as disclosed in note 29.1 to the financial statements and considers the recovery of these sums to be virtually certain. Accordingly, it has not made any provision against the above referred sums, pending a final decision by the Court in this matter.

(b) During the year ended June 30, 2002, the PTCL filed a law suit against the Company for the recovery of Rs.334.313 million, alleging and disputing the relief rebate claimed / adjusted by the Company. In the opinion of the legal advisor of the Company, if it is decided by the Court that the Company is not entitled to the Karachi Relief Rebate and the decision in this case is against the Company, then the Company would have to pay only the above amount on account of Karachi Relief Rebate. If, however, it was concluded by the Court that the relief rebate is applicable, then, no amount would be liable to be paid by the Company to the PTCL but in fact the Company would be entitled to recover certain amounts as claimed in the law suit, discussed in (a) above. As per the above-referred legal advisor, there is likelihood that the Plaintiff will not succeed in its claim in this suit. Accordingly, pending the decision of the Court in this respect, the Company has not made any provision for the aforesaid claim in these financial statements.

The Court, in its order dated June 25, 2003, ordered the Company not to create third party interest on its fixed assets as well as undertakings except in the ordinary course of business till the disposal of this case.

Notes to the Financial Statements

For The Year Ended June 30, 2009

14.3 This represents the amount of interconnect discount which is subject to the determination of the final sum, as stated in note 14.2 (a) above. The Company is confident that it will recover the entire amount of interconnect discount from the PTCL and, hence, no provision has been made thereagainst in these financial statements.

14.4 In March 2007, the PTA issued show cause notices to eight telecom companies, including the Company, in respect of Access Promotion Contribution (APC) for Universal Service Fund (USF) under the AP Rules, 2004 and AP Regulations, 2005. In case of the Company, the amount demanded was Rs.29.473 million. The Company responded to the show cause notice and appeared before the Authority through its Counselor, contending that the AP Rules, 2004 and the AP Regulations, 2005 were ultra vires and were of no legal effect whatsoever. During the year ended June 30, 2008, the PTA issued a final determination, upholding the said show cause notice and demanded the amount therein. A stay order against the PTA determination was obtained by the Company through the Islamabad High Court and repatriation was filed against the PTA and others. During the current year, the Islamabad High Court decided the case in favour of the PTA. The Company as a result thereof has filed an appeal in the Supreme Court of Pakistan, which is in the initial stages of hearing. Further, the PTA billed a sum of Rs.740.033 million in respect of services utilised by the Company during the current year against which the Company paid a sum of Rs.181.636 million under protest. Pending a final decision in this matter, the Company has recorded the said sum as due from the PTA under other receivables and has not adjusted the same nor any provision has been made for the remaining sum of Rs.587.870 million in these financial statements as management is confident that it will succeed in recovering the above referred sum.

14.5 This represents current account balance with the Contractor, discussed in note 23.

14.6 This represents amount due from a bank in respect of the PTCL bills paid by the Company to the bank but were not passed over to the PTCL by the bank. The Company has filed a lawsuit in the Court for the recovery of Rs.0.998 million (2008: Rs.0.998 million) and damages, aggregating to Rs.8.245 million, against the bank. Accordingly, pending a final decision by the Court in this regard, no provision has been made for the above referred sum in these financial statements.

14.7 This represents amount over billed by the PTCL in respect of optical fibre lines based on the rates applicable during the relevant billing periods. A claim in respect of the above is pending settlement. However, pending the settlement, as a matter of prudence, the management has made full provision against the above claim.

	Note	June 30, 2009	June 30, 2008
		------- (Rupees in '000) -------	
14.8 Provision for other receivables considered doubtful			
Opening balance		**35,959**	34,609
(Provision written back) / charge for the year	38	**(5,245)**	1,350
		30,714	35,959
15. TAXATION – net			
Advance income tax		**184,828**	179,880
Provision for taxation – current		**-**	(9,522)
		184,828	170,358
16. SHORT-TERM INVESTMENT			
Held to maturity			
Term deposit receipt	16.1	**68,740**	69,185

16.1 This represents a term deposit receipt, having a face value of Rs.68.000 (2008: Rs. 68.000) million, and interest accrued thereon of Rs.0.740 (2008: 1.185) million, placed with a commercial bank for a period of 3 months. The rate of return thereon is 3 months KIBOR (2008:10.26%) per annum. The said term deposit receipt is under lien against credit facilities utilized by the Subsidiary Company.

Notes to the Financial Statements

For The Year Ended June 30, 2009

	Note	June 30, 2009	June 30, 2008
		------- (Rupees in '000) -------	
17. CASH AND BANK BALANCES			
Cash in hand		**2,309**	3,330
Cash at banks:			
In current accounts			
Local currency		**1,914**	8,914
Foreign currency		**172**	19,711
		2,086	28,625
In savings accounts			
Local currency	17.1	**5,192**	3,481
		9,587	35,436

17.1 These carry mark-up at rates, ranging between 2.05% and 5% (2008: 2.05% and 2.15%) per annum.

18. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

June 30, 2009	June 30, 2008			
Number of Shares				
300,000,000	300,000,000	Ordinary shares of Rs.10 each fully paid in cash	**3,000,000**	3,000,000

18.1 As at the end of the current year, 8,929,649 (2008: 8,929,649) Ordinary shares of Rs.10 each, amounting to Rs.89,296,490, were held by the related parties of the Company.

19. SURPLUS ON REVALUATION OF INTANGIBLE ASSETS – net of tax

	Note	June 30, 2009	June 30, 2008
Surplus on revaluation of WLL licenses		**1,338,565**	1,427,803
Related deferred tax liability	27	**(468,498)**	(499,731)
		870,067	928,072

19.1 Reconciliation of the carrying amount of surplus on revaluation of intangible assets

	June 30, 2009	June 30, 2008
Balance at the beginning of the year	**1,427,803**	-
Revaluation during the year	-	1,427,803
Transfer to unappropriated profit in respect of incremental amortisation	**(89,238)**	-
Gross surplus	**1,338,565**	1,427,803
Related deferred tax liability		
Balance at the beginning of the year	**(499,731)**	-
Revaluation during the year	-	(499,731)
Incremental amortisation charged during the year	**31,233**	-
	(468,498)	(499,731)
	870,067	928,072

Notes to the Financial Statements

For The Year Ended June 30, 2009

20. LONG-TERM LOANS

	Note	June 30, 2009	June 30, 2008
		------- (Rupees in '000) -------	
Secured			
From banks and financial institutions			
Local currency loan – I	20.1	**35,000**	49,000
Local currency loan – II	20.2	**225,000**	275,000
Local currency loan – III	20.3	**400,000**	400,000
		660,000	724,000
Unsecured			
From related parties			
Arfeen International (Private) Limited	20.4	**35,500**	41,500
Total Telecom Limited		**-**	91,743
		695,500	857,243
Current maturity of local currency loans shown under current liabilities	32	**(196,000)**	(71,000)
		499,500	786,243

20.1 This represents a local currency loan obtained by the Company from an investment company for a period of six years, including one year grace period. It is repayable in ten equal half yearly installments, commencing December 01, 2006. The loan carries mark up rate of six months KIBOR + 3.75% (2008: six months KIBOR + 3.75%) per annum, payable half yearly and is secured against first pari passu charge over the present and future movable assets of the Company to the extent of Rs.94.000 (2008: Rs.94.000) million.

20.2 This represents a local currency loan obtained by the Company from a commercial bank for a period of five years, inclusive of eighteen months grace period. It is repayable in eight equal semi annual installments, commencing July 24, 2008. The loan carries mark-up rate of six months KIBOR + 3.5% (2008: six months KIBOR + 3.5%) per annum. It is secured against pari passu charge over the present and future fixed assets of the Company to the extent of Rs.467.000 (2008: Rs.467.000) million.

20.3 This represents a local currency loan obtained by the Company from a commercial bank for a period of five years, inclusive of eighteen months grace period. It is repayable in eight equal semi annual installments, commencing November 23, 2009. The loan carries mark-up of six month KIBOR + 2.1% (2008: six months KIBOR + 2.1%) per annum. It is secured against ranking charge over all present and future fixed assets, excluding land and building, aggregating to Rs.534.000 (2008: Rs.534.000) million.

20.4 This loan carries markup at the rate of 15% (2008: 15%) per annum, and is repayable on demand.

21. REDEEMABLE CAPITAL

	Note	June 30, 2009	June 30, 2008
Secured			
Term Finance Certificates	21.1	**1,128,960**	1,648,800
Current maturity shown under current liabilities	32	**(528,960)**	(519,840)
		600,000	1,128,960

21.1 This represents listed Term Finance Certificates issued by the Company to various financial institutions, trusts and general public for the purposes of acquiring radio spectrum frequencies from the PTA and expanding / upgrading new WLL network.

These are redeemable in ten unequal semi-annual installments, commencing November 2005 with a semi-annual payment of mark-up at a rate of six months KIBOR + 3.75% (2008: six months KIBOR + 3.75%) per month. These are secured against a first Pari Passu charge over the fixed assets of the Company, aggregating to Rs. 800 (2008: Rs. 1,600) million and specific charge over the intangible assets (excluding 3.5Ghz frequency spectrum) procured from the PTA.

Notes to the Financial Statements

For The Year Ended June 30, 2009

22. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES

The Company has entered into finance lease agreements with various leasing companies, modarbas and commercial banks in respect of payphones and ancillary equipment, WLL equipment and vehicles. Taxes, repairs, replacements and insurance cost are borne by the lessee. The effective rates used as the discounting factor range between 13% and 21.14% (2008: 11% and 18.48%) per annum. The Company may exercise the option to acquire the assets at the end of the lease term by adjusting security deposit, placed with the lessors, against the residual value. The lease rentals are payable in equal monthly installments.

The amount of future minimum lease payments together with their present value and the periods during which they fall due are as follows:

		June 30, 2009		June 30, 2008	
Particulars	Note	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
		(Rs. in '000)			
Year ending June 30, 2009		-	-	81,120	72,337
Year ending June 30, 2010		**32,682**	**31,876**	22,027	21,296
Year ending June 30, 2011		**1,899**	**1,868**	1,869	1,843
Total minimum lease payments		**34,581**	**33,744**	105,016	95,476
Financial charges allocated to future periods		**(837)**	-	(9,540)	-
Present value of minimum lease payments		**33,744**	**33,744**	95,476	95,476
Current maturity shown under current liabilities	32	**(31,876)**	**(31,876)**	(72,337)	(72,337)
		1,868	**1,868**	23,139	23,139

23. ADVANCE FROM A CONTRACTOR

	Note	June 30, 2009	June 30, 2008
		(Rupees in '000)	
Unsecured			
Advance from a Contractor	23.1 & 23.2	**553,738**	830,608
Adjustable within one year shown under current liabilities	32	**(276,864)**	(212,105)
		276,874	618,503

23.1 This represents an advance received from a Contractor during the year ended June 30, 2008, equivalent to US$12.500 million, in respect of broadband wireless internet services the Company agreed to provide to the said Contractor during the period commencing July 01, 2008 to June 30, 2011. As a result, a sum of Rs.276.870 million has been recognised as income during the current year on account of the above referred services the Company rendered to the Contractor up to the end of the current year.

23.2 Reconciliation of carrying amount of advance from a Contractor

	Note	June 30, 2009	June 30, 2008
Balance at the beginning of the year		**830,608**	-
Received during the year		-	830,608
Taken into income during the year	34	**(276,870)**	-
		553,738	830,608

Notes to the Financial Statements

For The Year Ended June 30, 2009

	Note	June 30, 2009	June 30, 2008
		------- (Rupees in '000) -------	
24. LONG-TERM DEPOSITS			
Security deposits			
Distributors		**12,435**	18,746
Indoor Call Point holders		**34,892**	38,761
Others		**18,810**	20,496
		66,137	78,003
25. DEFERRED LIABILITIES			
Staff gratuity	25.1	**23,283**	21,345
Deferred income on sale and lease back arrangements		**-**	663
		23,283	22,008
25.1 Reconciliation of the carrying amount of staff gratuity:			
Balance at the beginning of the year		**21,345**	49,651
Charge for the year		**12,503**	39,333
Transferred to due to employees	26.1	**-**	(65,745)
Payments during the year		**(10,565)**	(1,894)
		23,283	21,345

The last actuarial valuation was carried out as of June 30, 2008. The management considers that the provision made for gratuity in respect of current year would not be materially different from the amount that would have been determined by the Actuary.

	Note	June 30, 2009	June 30, 2008
26. DUE TO EMPLOYEES			
Amount due to employees in respect of bonus	26.1	**47,935**	65,745
Current portion shown under current liabilities	32	**(12,286)**	(16,436)
		35,649	49,309

26.1 This represents the outstanding balance of gratuity payable to the employees under "Non-Workmen Category" as a result of the introduction of a loyalty drawing program by the Company during the year ended June 30, 2008. According to the program, the Company froze the balance on account of gratuity existed up to March 31, 2008 to such employees and transferred the balance from staff gratuity to due to employees amounting to Rs.65.745 million. The balance is payable to employees in 48 equal monthly installments. If for any reason, the employment ceases at any time prior to 48 months, the amount of un-drawn installments shall stand forfeited.

	Note	June 30, 2009	June 30, 2008
27. DEFERRED TAXATION			
Deferred tax credits arising on:			
Accelerated tax depreciation		**451,105**	537,122
Amortisation of intangible assets		**242,201**	156,312
Leases		**32,674**	73,147
Surplus on revaluation of intangible assets	19	**468,498**	499,731
		1,194,478	1,266,312
Deferred tax debits arising from:			
Retirement benefits		**(24,926)**	(7,471)
Provisions		**(80,224)**	(43,537)
Tax losses brought forward		**(866,222)**	(1,042,858)
		(971,372)	(1,093,866)
		223,106	172,446

Notes to the Financial Statements

For The Year Ended June 30, 2009

	Note	June 30, 2009	June 30, 2008
		------- (Rupees in '000) -------	
28. DUE TO PAKISTAN TELECOMMUNICATION AUTHORITY			
Balance at the beginning of the year	28.1	**1,286,827**	1,585,500
Present value adjustment	28.2	**-**	(426,196)
		1,286,827	1,159,304
Imputed interest charged to profit and loss account	28.2 & 39	**141,551**	127,523
		1,428,378	1,286,827

28.1 This represents the balance of spectrum fees, due to PTA in respect of the license and related frequencies acquired by the Company, as referred to in note 6. The PTA later granted a moratorium of 4 years to the WLL industry including the Company for the payment of balance of the spectrum fees. Accordingly, total amount of Rs.1,585,500 million is not payable before March 2010, carrying no interest. However, along with the industry the Company is currently negotiating the payment terms with the PTA such as to bring the same in line with the principles adopted for fees payable by Cellular Mobile Operators. The Company accompanied by other telecommunication companies is of the considered judgement that the said amount will on a worse case basis become payable in 10 yearly instalments, commencing in March 2010. Therefore, in view of this it is reasonable to classify this liability as non-current.

28.2 The spectrum fee has been discounted to present value of future cash flows, using an effective interest rate of 11% per annum.

	Note	June 30, 2009	June 30, 2008
29. TRADE AND OTHER PAYABLES			
Trade			
Pakistan Telecommunication Company Limited - net	29.1	**128,186**	148,424
ZTE Corporation Limited		**41,482**	73,296
Alcatel Lucent Pakistan Limited		**487,800**	409,200
Others		**103,554**	81,791
		761,022	712,711
Other payables			
Related parties	29.2	**46,033**	91,775
Pakistan Telecommunication Authority		**121,728**	120,436
Advance from customers		**99,061**	78,238
Unearned income from wireless payphone cards		**111,571**	51,331
Accrued liabilities		**38,101**	44,570
Unclaimed dividend		**6,216**	6,216
Sales tax – net		**27,489**	11,290
Income tax deducted at source		**88,070**	79,824
Workers' Welfare Fund		**10,319**	-
Others		**911**	611
		549,499	484,291
		1,310,521	1,197,002

29.1 This is stated net of the following:

	Note	June 30, 2009	June 30, 2008
Wireless Payphone Service (WPS)	29.1.1	**413,248**	552,986
WPS - under protest	29.1.1	**(100,000)**	(100,000)
LL & LDI charges		**(160,202)**	(259,814)
Wire line	14.2(a)	**(48,598)**	(48,325)
Multi-metering	14.2(a)	**(18,287)**	(18,287)
Others		**42,025**	21,864
		128,186	148,424

Notes to the Financial Statements

For The Year Ended June 30, 2009

29.1.1 During the year ended June 30, 2007, the PTCL submitted an application in the Court of Senior Civil Judge, Islamabad, for arbitration in respect of resolution of disputes relating to WPS, claiming a sum of Rs.968.000 million on account of air time charges, line rent and access charges and Rs.276.000 million in respect of leased line charges from the Company. Further, during the current year, the PTCL raised a bill for Rs.74.753 million for current year charges. Hence, total amount claimed by the PTCL as at June 30, 2009 amounted to Rs.1,318.753 (2008: Rs.1,244.000) million. However, the management, while acknowledging the liability to the extent of Rs.583.248 (2008: Rs.552.986) million does not accept liability for the remaining sum of Rs.735.505 (2008: Rs.692.000) million and has not recorded the same in these financial statements. In this respect, the Company, during the year ended June 30, 2007, paid a sum of Rs.100.000 million to the PTCL under protest to ensure uninterrupted WPS.

During the year ended June 30, 2008, a notice was served by the PTCL to the Company, stating that unless the above referred sum was paid, the PTCL would suspend the WPS service to the Company. The Company approached the Court in this matter, praying the declaration of the above referred notice as unlawful, and seeking at the same time, a permanent injunction, restraining the PTCL from suspending the said service. The Court issued an Order, dated February 26, 2008 and instructed the Company to pay Rs.17.000 million per month to the PTCL irrespective of the amount invoiced by the PTCL, with the said amount subject to final determination upon completion of the arbitration process. Based on said Order, the Company has paid a sum of Rs.170.000 million to PTCL for the period commencing July 2008 to February 2009. Thereafter, the Company has stopped paying the said amount to the PTCL, contending that average billing of PTCL for the current year is only Rs.2.520 million.

	June 30, 2009	June 30, 2008
	------- (Rupees in '000) -------	
29.2 Related parties		
World Trade Center (Private) Limited	**17,332**	62,623
Envicon (Private) Limited	**52**	52
Arfeen International (Private) Limited	**8,072**	11,577
Total Telecom Limited	**12,844**	11,678
Supernet Limited	**5,159**	5,845
Chaman Investment (Private) Limited	**2,574**	-
	46,033	91,775

29.2.1 These represent interest free current account balances with related parties, payable on demand.

30. ACCRUED / INTEREST MARK-UP

On secured:		
Long-term loans	**44,221**	26,203
Redeemable capital	**18,994**	28,012
Finance lease arrangements	-	4,026
Short-term borrowings	-	97
Short-term running finances	**9,824**	7,256
	73,039	65,594
On unsecured:		
Long-term loans	**33,251**	71,052
	106,290	136,646

31. SHORT-TERM RUNNING FINANCES

From banks – secured	**392,691**	274,228

The Company has arranged short-term facilities, aggregating to Rs.400.000 (2008: Rs.275) million. These carry mark-up ranging between three months KIBOR plus 2.25% to six months KIBOR plus 2.75% (2008: three months KIBOR plus 1.5% to six months KIBOR plus 2.75%) per annum, payable quarterly. The purchase prices are repayable on various dates, latest by November 30, 2009. These facilities are secured against first pari passu hypothecation charge over current assets of the Company to the extent of Rs.394.000 (2008: Rs.370.923) million.

Notes to the Financial Statements
For The Year Ended June 30, 2009

32. CURRENT MATURITIES OF LONG-TERM LIABILITIES

	Note	June 30, 2009	June 30, 2008
		------- (Rupees in '000) -------	
Long-term loans	20	**196,000**	71,000
Redeemable capital (TFCs)	21	**528,960**	519,840
Liabilities against assets subject to finance lease	22	**31,876**	72,337
Advance from a contractor	23	**276,864**	212,105
Due to employees	26	**12,286**	16,436
		1,045,986	891,718

33. CONTINGENCIES AND COMMITMENTS

Contingencies

33.1 The Company has filed an appeal under section 7(1) of the Pakistan Telecommunication (Re-organisation) Act, 1996 before the Islamabad High Court against the decision / determination of the PTA dated, November 18, 2008, whereby it directed the Company to pay Rs.137.651 million by December 15, 2008 in respect of annual regulatory dues for various years, commencing June 30, 2006. The above sum includes annual license fee, research & development fund contribution, annual radio spectrum frequency fee and radio base station charges along with late payment charges. The Islamabad High Court, vide its Order dated, March 19, 2009, suspended the aforesaid impugned Order of the PTA subject to the payment of Rs.36.000 million by the Company (which is the Company's admitted liability owed to the PTA excluding late payment charges). Pending a final decision in this matter, no provision has been made by the Company for Rs.101.651 million in these financial statements.

33.2 The PTA issued a show cause notice to the Company, alleging that the Company has violated the AP Rules, 2004 and AP Regulations, 2005 in respect of reporting requirements and certain discrepancies in the data provided to the PTA under the said rules / regulations. The Company has taken strong exceptions to the allegations being unfounded and made in undue haste without affording the Company an opportunity to explain its position which could have avoided the need for issuance of a show cause notice to start with. In particular, the Company has stated that complete data was provided to the PTA and the PTA had no occasion to allege violation of the requirements of the rules / regulations. This was stated without prejudice to the Company's stance before the Supreme Court of Pakistan regarding the various of the AP Rules, 2004 and AP Regulations, 2005 under which the aforementioned show cause notice has been issued to the Company. As the amount cannot be ascertained no provision has been made by the Company for any liability that may arise as a result of this matter in these financial statements.

33.3 Wi-tribe Limited and Burraq Telecom Limited filed a suit in the Court of Senior Civil Judge, Islamabad, against the Company and Broadband Services (Private) Limited under Section 20 of the Arbitration Act, 1940, whereby the said companies highlighted certain disputes with the Company and requested that these disputes be referred to an Arbitrator for resolving the same, mainly arising from a Joint Venture Agreement executed between the said companies and the Company. The suit was later transferred to and disposed of by the Islamabad High Court, and the matter has been referred to the Arbitration Tribunal of the International Chamber of Commerce, Singapore. In the meantime, the Company has undertaken not to transfer directly or indirectly, the ownership, title and interest in the re-issued licenses and / or the spectrum, which is held either under the re-issued licenses or the original licenses as the case may be, to any third party for a period of six months from the date of the termination of the agreement. All the evidence has been recorded, written arguments have been filed and oral arguments by both sides have been heard by the Arbitrator. However, pending a final decision in this matter, no provision for any liability that may arise from the above has been made by the Company in these financial statements.

33.4 The Company filed a law suit against the Karachi Building Control Authority (KBCA) before the Court, for preventing their antennas from dismantling against notice issued by KBCA, dated February 26, 2006. The KBCA has instructed all cellular phone companies to regularize their antenna which involves obtaining an NOC from the KBCA, and a Stability Certificate within 15 days from the date of that notice, failing which the defendant has threatened to dimantle the antennas and / or take legal action. The Court has granted interim injunction and matter is pending for hearing of application. It is not possible at this juncture to assess and estimate the financial impact of the case in question. Hence, no provision for any liability that may arise as a result of this matter has been recorded by the Company in these financial statements.

Notes to the Financial Statements
For The Year Ended June 30, 2009

33.5 A suit has been filed by a shareholder of the Company for the recovery of Rs.4.922 million along with mark up at the rate of 2% per annum above prevailing bank rate. It is claimed in the suit that the plaintiff suffered a loss while trading in the Company's shares in the capital market and requested for compensation. The Company is confident that the outcome of the case will be in its favour and, hence, no liability in this respect will arise. Accordingly, no provision has been made for the same in these financial statements.

33.6 The income tax assessments of the Company have been finalised up to and including the tax year 2008.

In respect of the assessment years 1999 - 2000 to 2002 – 2003, the Company was assessed partly under the presumptive tax regime and partly under the normal tax regime. Further, for assessment years 2001 – 2002 and 2002 – 2003, apart from taxation on historic basis, the tax authorities disallowed tax credit as well as the reinvestment allowance claimed by the Company on purchase of fixed assets. Tax demand in respect of these cases amounts to Rs.59.812 million. The Company has filed appeals against these cases with the Court, which are currently pending.

The income tax return filed by the Company for the tax year 2003 was subjected to tax audit. An Order has been passed by the Taxation Officer under section 122(1) of the Income Tax Ordinance, 2001, whereby income has been assessed at Rs.56.923 million against the reported tax loss of Rs.5,945 million. The Company has filed an appeal against the same before the ITAT which has decided the case against the Company, after admitting an adjustment of tax refundable, amounting to Rs.4.529 million, against tax demand of Rs.19.358 million thus creating a final tax demand of Rs.14.789 million. The Company has filed an appeal in the Court, which has not been heard to-date.

The income tax return filed by the Company for the year 2006 was subjected to tax audit. An Order has been passed by the Taxation Officer under Section 122 of the Income Tax Ordinance, 2001, whereby income has been assessed at Rs.2,686.760 against the reported tax loss of Rs.1,033.598 million resulting in a tax demand of Rs.940 million. The Company has filed an appeal against the same before the CIT(A), which is still pending.

The aggregate financial impact of the above matters on the tax provision made by the Company in the financial statements works out to be Rs.1,014.601 (2008: Rs.79.170) million. However, the management, based on the opinion of its tax advisors, is confident about the favourable outcome of the above matters and, hence, no additional provision has been considered necessary in these financial statements.

33.7 PTCL claim amounting to Rs.1,184.000 (2008: Rs.1,267.000) million in respect of monthly billing has not been acknowledged as debt by the Company. The Company maintains that the said amount is overbilled by the PTCL. Hence, no provision has been made against the same in these financial statements.

33.8 Contingencies in respect of matters relating to the PTCL have been disclosed in notes 14.2, 14.3, 14.7 and 29.1 to the financial statements. Pending resolutions of these matters no provision has been made against the amounts disclosed in these notes.

33.9 Contingency in respect of the PTA claim for APC for USF is disclosed in note 14.4 to the financial statements against which no provision has been made in these financial statements.

33.10 Contingency relating to accrued mark-up is disclosed in note 13.1 to the financial statements against which no provision has been made for the reason disclosed in the said note.

		June 30, 2009	June 30, 2008
		------- (Rupees in '000) -------	
Commitments			
33.11	Counter guarantees given to banks	**214,500**	174,875
33.12	Commitments in respect of capital expenditure	-	136,000
33.13	Post dated cheques issued to the PTA	**175,006**	-

Notes to the Financial Statements

For The Year Ended June 30, 2009

	Note	June 30, 2009	June 30, 2008
		------- (Rupees in '000) -------	
34. REVENUE – net			
Turnover		**3,578,250**	1,986,163
Trade discounts		**(63,647)**	(81,850)
		3,514,603	1,904,313
Services rendered to the Contractor	23.2	**276,870**	-
		3,791,473	1,904,313
35. DIRECT COSTS			
Interconnect charges – net		**1,245,441**	1,006,139
Optical fiber network charges		**8,997**	25,152
Internet bandwidth charges		**25,563**	8,071
Network sites rent		**224,118**	176,896
Network sites utilities and maintenance		**98,392**	55,987
Insurance		**10,221**	15,568
Annual license fee		**33,970**	18,995
APC for USF		-	70,531
Cost of cards sold	35.1	**3,656**	4,464
Depreciation	5.1.5	**667,800**	644,510
Amortisation	6	**291,914**	160,051
Provision against other receivables considered doubtful		-	1,350
Others		-	1,338
		2,610,072	2,189,052
35.1 Cost of cards sold			
Opening stock		**10,220**	13,130
Purchases		**2,293**	1,554
		12,513	14,684
Closing stock		**(8,857)**	(10,220)
		3,656	4,464
36. DISTRIBUTION COSTS AND ADMINISTRATIVE EXPENSES			
Salaries and other benefits	36.1	**250,602**	293,861
Postage, telephone and telex		**4,198**	3,227
Vehicles running and maintenance		**25,867**	26,305
Travelling and entertainment		**15,317**	13,222
Office security and maintenance		**9,598**	5,787
Stationery		**6,781**	7,642
Rent		**55,847**	54,137
Utilities		**28,767**	21,532
Insurance		**2,570**	8,666
Legal and professional charges		**30,383**	9,450
Auditors' remuneration	36.2	**3,451**	3,115
Sales promotion and marketing		**150,360**	118,052
Fee and subscription		**2,948**	4,144
Depreciation	5.1.5	**3,020**	19,994
Bad debts written off		**9,608**	-
Provision for debts considered doubtful	10.1	**20,349**	10,000
Provision for advances considered doubtful	11.3	**2,645**	-
Loss on sale of fixed assets		**92**	-
Others		**379**	845
		622,782	599,979

Notes to the Financial Statements

For The Year Ended June 30, 2009

36.1 Include Rs.12.503 (2008: Rs.39.333) million in respect of gratuity expense for the year and Rs.3.371 (2008: Rs.0.651) million in respect of the Company's contribution towards provident fund.

	Note	June 30, 2009	June 30, 2008
		------- (Rupees in '000) -------	
36.2 Auditors' remuneration			
Fee for the audit of annual financial statements		**1,750**	1,250
Fee for the audit of consolidated financial statements		**350**	250
Fee for the review of half yearly financial statements and other certifications		**1,010**	1,060
Tax services		**26**	240
Out-of-pocket expenses		**315**	315
		3,451	3,115

37. OTHER OPERATING EXPENSES

	Note	June 30, 2009	June 30, 2008
Exchange loss - net		**29,429**	63,443
Workers' Welfare Fund		**10,319**	-
		39,748	63,443

38. OTHER OPERATING INCOME

	Note	June 30, 2009	June 30, 2008
Mark-up on loan to the Subsidiary Company	11.1	**13,666**	14,717
Mark-up on current accounts with related parties		**12,873**	-
Return on bank deposits and term deposit receipt		**9,622**	14,248
Gain on sale of fixed assets		-	2,619
Site sharing income		**26,767**	27,278
Amortisation of deferred income on sale and lease back arrangements		**663**	663
Provision against other receivables considered doubtful written back	14.8	**5,245**	-
Services provided to a related party		-	14,400
Liabilities no longer payable-written back		-	14,641
Others		**1,156**	121
		69,992	88,687

39. FINANCE COSTS

	Note	June 30, 2009	June 30, 2008
Interest / mark-up on:			
Long-term loans		**122,596**	114,816
Redeemable capital		**173,169**	164,237
Finance lease arrangements		**5,769**	16,096
Short-term borrowings		**2,856**	3,340
Short-term running finances		**43,766**	25,580
Imputed interest on spectrum fee	28	**141,551**	127,523
Bank charges		**4,428**	9,026
		494,135	460,618

40. TAXATION

	Note	June 30, 2009	June 30, 2008
Current		-	(9,522)
Deferred		**(50,660)**	397,258
		(50,660)	387,736

In view of tax losses and withdrawal of Section 113 of the Income Tax Ordinance, 2001 vide the Finance Act, 2008, no provision for current taxation has been made in these financial statements. Accordingly, the relationship between income tax expense and accounting profit is not required.

Notes to the Financial Statements

For The Year Ended June 30, 2009

	Note	June 30, 2009	June 30, 2008
		------- (Rupees in '000) -------	
41. EARNINGS / (LOSS) PER SHARE – basic and diluted			
Profit / (loss) after tax for the year		**44,068**	(506,160)
		Number of shares	
Weighted average number of shares		**300,000,000**	300,000,000
		------- (Rupees) -------	
Basic earnings / (loss) per share		**0.15**	(1.69)

There is no dilutive effect on the basic earnings / (loss) of the Company.

	Note	June 30, 2009	June 30, 2008
		------- (Rupees in '000) -------	
42. CASH GENERATED FROM / (UTILISED IN) OPERATIONS			
Profit / (loss) before taxation		**94,728**	(893,896)
Adjustments for non-cash charges and other items:			
Depreciation		**670,820**	664,504
Amortisation		**291,914**	160,051
Provision for gratuity		**12,503**	39,333
Finance costs		**494,135**	460,618
Gain arising from present value adjustment		-	(426,196)
Mark-up on loan from a subsidiary company		**(13,666)**	-
Mark-up on current accounts with related parties		**(12,873)**	-
Provision for debts considered doubtful		**20,349**	10,000
Provision against other receivables considered doubtful written back		**(5,245)**	1,350
Provision for advances considered doubtful		**2,645**	-
Bad debts written off directly		**9,608**	-
Loss / (gain) on sale of fixed assets		**92**	(2,619)
Amortisation of deferred income on sale and lease back arrangements		**(663)**	(663)
		1,469,619	906,378
Profit before working capital changes		**1,564,347**	12,482
(Increase) / decrease in current assets			
Stock-in-trade		**1,363**	2,910
Trade debts		**(39,620)**	(131,816)
Loans and advances		**78,768**	63,198
Deposits and prepayment		**2,421**	2,840
Other receivables		**(239,801)**	99,341
		(196,869)	36,473
Decrease / (increase) in trade and other payables		**113,519**	(255,657)
Cash generated from / (utilised in) operations		**1,480,997**	(206,702)
43. CASH AND CASH EQUIVALENTS			
Short-term investment	16	**68,740**	69,185
Cash and bank balances	17	**9,587**	35,436
		78,327	104,621

Notes to the Financial Statements

For The Year Ended June 30, 2009

44. REMUNERATION OF THE CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

	2009			2008		
	Chief Executive	Director	Executives	Chief Executive	Director	Executives
	(Rs. in'00			(Rs. in'000)		
Managerial remuneration	**5,806**	**3,871**	**44,916**	5,806	3,833	50,134
Other perquisites and benefits:						
House rent	**2,613**	**1,742**	**19,116**	2,613	1,725	19,063
Medical	-	**29**	**664**	-	17	488
Retirement benefits	-	**322**	**2,404**	-	83	373
Utilities	**581**	**387**	**4,248**	581	17	5,013
	3,194	**2,480**	**26,432**	3,194	1,842	24,937
	9,000	**6,351**	**71,348**	9,000	5,675	75,071
Number of persons	**1**	**1**	**43**	1	1	44

44.1 The Chief Executive Officer, a Director and some Executives of the Company are also provided with the free use of the Company maintained car and other benefits in accordance with their terms of service.

45.FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks i.e. market risk, credit risk and liquidity risk. The risk is managed through monitoring and controlling activities which are primarily set up to be performed based on limits established by the management. The Board of Directors supervises the overall risk management approach within the Company.

45.1 Market risk

Market risk is the risk that fair value of future cash flows will fluctuate because of changes in market variables such as interest rates, foreign exchange rates and equity prices.

45.1.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate because of changes in the market interest rates. As of June 30, 2009, the Company is exposed to such risk mainly in respect of long-term and short-term borrowings and short-term investments and loan.

Management of the Company estimates that 1% increase in the market interest rate, with all other factors remaining constant, would decrease the Company's profit by Rs.29.820 million and a 1% decrease would result in an increase in the Company's profit by the same amount. However, in practice, the actual results may differ from the sensitively analysis.

45.1.2 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in foreign exchange rates. As of June 30, 2009, the Company is mainly exposed to such risk in respect of foreign receivables of Rs.192.658 (2008: Rs.19.346) million and foreign payables of Rs.539.118 (2008: Rs.488.483) million.

Notes to the Financial Statements
For The Year Ended June 30, 2009

45.1.3 Equity risk

Equity price risk is the risk of volatility in share prices resulting from their dependence on market sentiments, speculative activities, supply and demand for shares and liquidity in the market. As of June 30, 2009 the Company is not exposed to equity price risk.

45.2 Credit risk

Credit risk is the risk that counterparty will cause a financial loss for the Company by failing to discharge its obligations. The table below analyses the Company's maximum exposure to credit risk.

	June 30, 2009	June 30, 2008
	------- (Rupees in '000) -------	
Loans and advances	**40,673**	122,107
Deposits and prepayment	**94,294**	105,066
Trade debts	**337,119**	327,456
Accrued mark-up	**100,182**	73,642
Other receivables	**794,544**	731,134
Short-term investment	**68,740**	69,185
Bank balances	**7,278**	32,106
	1,442,830	1,460,696

Concentration of credit risk exists when changes in economic or industry factors affect the group of counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. The Company's portfolio of financial assets is broadly diversified and transactions are entered into with diverse credit worthy counterparties thereby mitigating any significant concentration of credit risk.

The credit quality of financial assets that are neither past nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates as follows:

Trade debts		
Customers with no defaults in the past one year	**337,119**	327,456
Short-term investment		
A-3	**68,740**	69,185
Bank balances		
A1+	**1,432**	32,106
A1	**5,762**	-
A3	**84**	-
	7,278	32,106

45.3 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company follows effective cash management and planning policy to ensure the availability of funds through committed credit facilities. At the balance sheet date, the Company has unavailed credit facility of Rs.7.257 (2008: Rs.0.772) million. The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

Notes to the Financial Statements

For The Year Ended June 30, 2009

	Less than 3 months	3 to 12 months	1 to 5 years	5 years	Total
	--------	--------	(Rupees in '000)	--------	--------
Long-term loans	**44,500**	**155,500**	**495,500**	-	**695,500**
Redeemable capital	-	**528,960**	**600,000**	-	**1,128,960**
Liabilities against assets subject to finance leases	**5,844**	**26,032**	**1,868**	-	**33,744**
Long-term deposits	-	-	**66,137**	-	**66,137**
Due to PTA	-	-	**1,585,000**	-	**1,585,000**
Trade and other payables	-	**1,310,521**	-	-	**1,310,521**
Accrued mark-up	**106,290**	-	-	-	**106,290**
Short-term running finances	-	**392,691**	-	-	**392,691**
June 30, 2009	**156,634**	**2,413,704**	**2,748,505**	-	**5,318,843**

	Less than 3 months	3 to 12 months	1 to 5 years	5 years	Total
	--------	--------	(Rupees in '000)	--------	--------
Long-term loans	7,000	64,000	786,243	-	857,243
Redeemable capital	-	519,840	1,128,960	-	1,648,800
Liabilities against assets subject to finance leases	14,124	58,213	23,139	-	95,476
Long-term deposits	-	-	78,003	-	78,003
Due to PTA	-	-	1,585,000	-	1,585,000
Trade and other payables	-	1,197,002	-	-	1,197,002
Accrued mark-up	136,646	-	-	-	136,646
Short-term borrowings	-	64,289	-	-	64,289
Short-term running finances	-	274,228	-	-	274,228
June 30, 2008	157,770	2,177,572	3,601,845	-	5,936,687

Effective interest / mark-up rates for the financial liabilities are mentioned in the respective notes to the financial statements.

45.4 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction.

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

45.5 Capital management

The Company's objective when managing capital is to safeguard the Company's ability to remain as a going concern and continue to provide returns for shareholders.

The Company monitors capital using a gearing ratio, which is debt divided by total capital plus debt as follows:

	June 30, 2009	June 30, 2008
	------- (Rupees in '000) -------	
Long-term loans	**695,500**	857,243
Redeemable capital	**1,128,960**	1,648,800
Obligation under finance leases	**33,744**	95,476
Due to PTA	**1,585,000**	1,585,000
Debt	**3,443,204**	4,186,519
Issued, subscribed and paid-up capital	**3,000,000**	3,000,000
Accumulated loss	**(161,181)**	(263,254)
Total capital	**2,838,819**	2,736,746
Capital and debt	**6,282,023**	6,923,265
Gearing ratio	**54.81%**	60.47%

46. TRANSACTIONS WITH RELATED PARTIES

The related parties include a Subsidiary Company, entities having directors in common with the Company, major shareholders of the Company, directors and other key management personnel and retirement benefit plans. Transactions with related parties, other than those disclosed elsewhere in the financial statements are as under:

Subsidiary Company

	2009	2008
Supernet Limited		
Services rendered	**10,463**	22,857
Services received	**9,776**	9,300
Repayment of short term loan	**79,543**	60,700
Markup charged during the year	**13,666**	14,717
Entities having directors in common with the Company		
Pakcom Limited		
Services rendered	**62,756**	21,062
Services received	**94,412**	28,288
Mark-up charged during the year	**12,873**	-
Arfeen International (Private) Limited		
Sale of fixed assets	**1,400**	-
Payments made on behalf of the Company	**5,809**	1,265
Payments made by the Company	**2,290**	34
Repayment of long-term loan	**6,000**	-
Markup charged during the year	**3,778**	6,225
Total Telecom Limited		
Payments made by the Company	**18**	-
Payments made on behalf of the Company	**1,184**	-
(Repayment) / receipt of long-term loan	**(91,743)**	536,143
Markup charged during the year	**2,510**	56,166

Notes to the Financial Statements
For The Year Ended June 30, 2009

	June 30, 2009	June 30, 2008
	------- (Rupees in '000) -------	
Chaman Investment (Private) Limited		
Services received	**2,574**	-
World Trade Center (Private) Limited		
Services received	**60,366**	-
Envicrete Limited		
Sale of fixed assets	**38**	-
Grand Leisure Corporation (Private) Limited	**51**	-
Services rendered		
Provident Fund		
Contribution during the year	**3,371**	651

46.1 Balance outstanding with related parties have been disclosed in the respective notes to the financial statements.

47. CORRESPONDING FIGURES

The following major corresponding figures have been reclassified for the purposes of better presentation:

From	To	Rs. in '000
Other receivables	Trade and other payables	9,836
Trade debts	Long-term deposits	2,102
Other receivables	Accrued mark-up	38,722
	Trade and other payables	5,159
Accrued mark-up	Trade and other payables	20,916
Direct costs	Trade and other payables	27,278

48. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on October 09, 2009 by the Board of Directors of the Company.

49. GENERAL

Figures have been rounded off to the nearest thousand rupees.

Chief Executive

Director

ANNUAL REPORT 2009

Consolidated Financial Statements

TELECARD ANNUAL REPORT 2009

Auditor's Report to the Members

ERNST & YOUNG

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
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We have audited the annexed consolidated financial statements comprising consolidated Balance Sheet of **Telecard Limited (the Company)** and its Subsidiary Company (together referred to as Group) as at **30 June 2009** and the related consolidated profit and loss account, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of the Company and its Subsidiary Company. These consolidated financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

(a) as disclosed in note 7 to the accompanying consolidated financial statements, intangible assets include a sum of Rs.86.585 million on account of borrowing costs capitalized during the year. In accordance with International Accounting Standard (IAS) – 23 "Borrowing Costs", only those borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset are eligible for capitalization. However, the said sum relates to those frequencies which have become operational in previous years and, as such, do not qualify for capitalization under the said IAS.

Has such borrowings costs not been capitalised as aforesaid, profit before taxation for the current year and intangible assets would have been lower by Rs.81.173 (net of amortisation of Rs.5.412) million each;

(b) as disclosed in note 7.2 to the accompanying consolidated financial statements, the Group revalued one of the frequencies of Wireless Local Loop licenses (intangible asset) on 30 June 2008. However, the said value has not been determined with reference to an "active market", as defined in IAS-38 "Intangible assets" and, as the said IAS require, under such circumstances, the asset in question should have been carried at its cost less any accumulated amortization and impairment losses.

Had the Group not revalued the above referred frequency, carrying value of intangible assets, surplus on revaluation of intangible assets, and deferred tax would have been lower by Rs.1,338.565 million, Rs.870.067 million and Rs.468.498 million, respectively.

(c) as disclosed in note 29.1, amount due to Pakistan Telecommunication Authority (PTA) of Rs.1,585.500 million at the end of the current year, in respect of licence and related frequencies acquired by the Group, is due by March 2010, after a moratorium of four years granted by the PTA to the Wireless Local Loop Operators in April 2006. The said sum is shown in the accompanying consolidated financial statements as a non-current liability for the reasons disclosed by the management in the above referred note, as opposed to reflecting the same as a current liability in accordance with the aforesaid letter of the PTA.

Had the Group disclosed the above liability under current liabilities, the same would have increased by Rs.1,585.500 million whereas non-current liabilities would have decreased by the same sum, with no effect on net profit for the year;

Except for the effects of the matters discussed in the paragraphs (a) to (c) above, in our opinion, the consolidated financial statements present fairly the financial position of Telecard Limited and its Subsidiary Company as at 30 June 2009 and the results of their operations for the year then ended.

without qualifying our opinion, we draw attention to the:

i) contents of notes 15.2(a) and 15.3 to the accompanying consolidated financial statements in respect of the lawsuit filed by the Group during the year ended 30 June 2000 in the High Court of Sindh (the Court) with regard to the recovery of Karachi Relief Rebate, Interconnect discount and other related amounts from Pakistan Telecommunication Company Limited (PTCL). On an application filed by the Group, the Court passed an interim order in favour of the Group and appointed a firm of Chartered Accountants to determine the actual amount due from the PTCL in this regard. The said firm submitted its report to the Court during the year ended 30 June 2002, containing various amounts determined under various alternatives, for the period commencing January 1997 to August 2001. Accordingly, pending a final decision by the Court in this matter, no provision for any amount that may not be recoverable has been made in the accompanying consolidated financial statements;

Auditor's Report to the Members

ERNST & YOUNG

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ii) contents of note 15.2(b) to the accompanying consolidated financial statements with regard to a lawsuit filed by the PTCL against the Group during the year ended 30 June 2002. Pending a decision of the Court in this respect, the Group has not made any provision for the amount claimed by the PTCL in the accompanying consolidated financial statements;

iii) contents of note 15.4 to the accompanying consolidated financial statements in respect of the PTA's claim for Access Promotion Contribution for Universal Service Fund of Rs.769.506 million, out of which the Group paid a sum of Rs.181.636 million to the PTA during the current year under protest. The Islamabad High Court, however, decided the case in favour of the PTA during the current year. As a result, the Group has filed an appeal in the Supreme Court of Pakistan, and, hence, pending a final decision in this matter, no adjustment has been made to the above referred sum of Rs.181.636 million shown by the Group under other receivables (note 15.4) nor any provision has been made for the remaining sum of Rs.587.870 in the accompanying consolidated financial statements;

iv) contingencies disclosed in notes 34.1 to 34.7 to the accompanying consolidated financial statements, the ultimate outcome of which cannot presently be determined and, hence, pending the resolution thereof, no provision has been made for the same in the accompanying consolidated financial statements; and

v) contents of note 14.1 to the accompanying consolidated financial statements in respect of additional mark-up claimed by the Group from a commercial bank which has been accrued by the Group in the accompanying consolidated financial statements.

Chartered Accountants

Audit Engagement Partner's Name: Pervez Muslim
Date: **October 09, 2009**
Place: **Karachi**

Consolidated Balance Sheet

As At June 30, 2009

	Note	June 30, 2009	June 30, 2008
		------- (Rupees in '000) -------	
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Property, plant and equipment	6	**3,316,309**	4,025,648
Intangible assets	7	**4,449,069**	4,654,275
		7,765,378	8,679,923
Long term loans and advances	8	**7,135**	7,880
Long-term deposits	9	**58,555**	67,509
		7,831,068	8,755,312
CURRENT ASSETS			
Communications stores	10	**110,705**	71,441
Stock-in-trade		**8,857**	10,220
Trade debts	11	**694,282**	770,853
Loans and advances	12	**30,941**	26,672
Deposits and prepayment	13	**51,576**	62,572
Accrued mark-up	14	**61,891**	48,587
Other receivables	15	**981,794**	732,032
Taxation – net	16	**229,234**	205,627
Short term investment	17	**75,555**	69,185
Cash and bank balances	18	**10,310**	39,102
		2,255,145	2,036,291
TOTAL ASSETS		**10,086,213**	10,791,603
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital			
Authorised			
400,000,000 (2008: 400,000,000) Ordinary shares of Rs.10 each		**4,000,000**	4,000,000
Issued, subscribed and paid-up	19	**3,000,000**	3,000,000
Accumulated loss		**(16,639)**	(209,981)
		2,983,361	2,790,019
SURPLUS ON REVALUATION OF INTANGIBLE ASSET - net of tax	20	**870,067**	928,072
NON-CURRENT LIABILITIES			
Long term loan	21	**499,500**	854,243
Redeemable capital	22	**600,000**	1,128,960
Liabilities against assets subject to finance leases	23	**1,868**	23,139
Advance from a Contractor	24	**276,874**	618,503
Long term deposits	25	**66,137**	78,003
Deferred liabilities	26	**27,280**	26,345
Due to employees	27	**39,361**	55,323
Deferred taxation	28	**164,306**	141,555
Due to Pakistan Telecommunication Authority (PTA)	29	**1,428,378**	1,286,827
		3,103,704	4,212,898
CURRENT LIABILITIES			
Trade and other payables	30	**1,497,234**	1,448,316
Accrued interest / mark-up	31	**109,516**	162,042
Short term borrowings		-	64,289
Short term running finances	32	**407,783**	292,436
Current maturities of long term liabilities	33	**1,114,548**	893,531
		3,129,081	2,860,614
CONTINGENCIES AND COMMITMENTS	34		
TOTAL EQUITY AND LIABILITIES		10,086,213	10,791,603

The annexed notes from 1 to 50 form an integral part of these consolidated financial statements.

Chief Executive **Director**

Consolidated Profit and Loss Account

For The Year Ended June 30, 2009

	Note	June 30, 2009	June 30, 2008
		------- (Rupees in '000) -------	
REVENUE – net	35	**4,406,184**	2,759,005
Direct costs	36	**(3,045,528)**	(2,738,414)
GROSS PROFIT		**1,360,656**	20,591
Distribution costs and administrative expenses	37	**(723,232)**	(687,430)
Gain arising from present value adjustment		**-**	426,196
Other operating expenses	38	**(40,625)**	(65,470)
Other operating income	39	**71,194**	74,747
		(692,663)	(251,957)
OPERATING PROFIT / (LOSS)		**667,993**	(231,366)
Finance costs	40	**(508,351)**	(478,281)
PROFIT / (LOSS) BEFORE TAXATION		**159,642**	(709,647)
Taxation	41	**(24,305)**	310,748
NET PROFIT / LOSS FOR THE YEAR		**135,337**	(398,399)
EARNINGS / (LOSS) PER SHARE - Basic and diluted (Rupees)	42	**0.45**	(1.33)

The annexed notes from 1 to 50 form an integral part of these consolidated financial statements.

Chief Executive **Director**

Consolidated Cash Flow Statement

For The Year Ended June 30, 2009

	Note	June 30, 2009	June 30, 2008
		------- (Rupees in '000) -------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from / (used in) operations	43	**1,578,349**	(264,940)
Income tax paid		**(23,449)**	(50,162)
Finance costs paid		**(419,326)**	(457,577)
Retirement benefits paid		**(50,291)**	(4,265)
Loans to employees – net		**(27)**	(254)
Long-term advances and deposits		**5,301**	4,212
Net cash inflow from / (used in) operating activities		**1,090,557**	(772,986)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		**(153,054)**	(282,523)
Sale proceeds of fixed assets		**3,887**	10,648
Net cash used in investing activities		**(149,167)**	(271,875)
CASH FLOWS FROM FINANCING ACTIVITIES			
Advance from a Contractor		**(276,870)**	830,608
(Repayment of) / proceeds from long-term finances - net		**(683,083)**	117,974
Proceeds from short-term finances - net		**51,058**	47,208
Repayment of obligations under finance lease		**(61,732)**	(98,442)
Net cash (used in)/inflow from financing activities		**(970,627)**	897,348
NET DECREASE IN CASH AND CASH EQUIVALENTS DURING THE YEAR		**(29,237)**	(147,513)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**108,287**	255,800
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	44	**79,050**	108,287

The annexed notes from 1 to 50 form an integral part of these consolidated financial statements.

Chief Executive **Director**

Consolidated Statement of Changes in Equity

For The Year Ended June 30, 2009

	Share capital Issued, subscribed and paid-up	Revenue reserve (Accumulated loss) / Unappropriated profit	Total
	----------------------	(Rs. in '000)	----------------------
Balance as at June 30, 2007	3,000,000	188,418	3,188,418
Net loss for the year	-	(398,399)	(398,399)
Balance as at June 30, 2008	3,000,000	(209,981)	2,790,019
Transfer from surplus of revaluation of fixed assets -net of tax	-	**58,005**	**58,005**
Net profit for the year	-	**135,337**	**135,337**
Balance as at June 30, 2009	**3,000,000**	**(16,639)**	**2,983,361**

The annexed notes from 1 to 50 form an integral part of these consolidated financial statements.

Chief Executive

Director

Notes to the Consolidated Financial Statements

For The Year Ended June 30, 2009

1. THE GROUP AND ITS OPERATIONS

The Group comprises of:

- Telecard Limited – Holding Company
- Supernet Limited – Subsidiary Company

Telecard Limited (the Company) was incorporated in Pakistan on October 29, 1992 as a public limited company. The shares of the Company are listed on the Karachi and Islamabad Stock Exchanges. The Company is licensed to provide fully integrated telecommunication services, including basic wireless telephony, long distance and international services and payphones. The Company holds 100% equity of Supernet Limited.

Supernet Limited is engaged in providing satellite and microwave communication services e.g. internet, radio links, Single Channel Per Carrier (SCPC), Time Division Multiple Access (TDMA), etc. and sale and installation of related equipment and accessories.

The registered office of the Group is located at World Trade Centre, 75, East Blue Area, Fazal-ul-Haq Road, Islamabad.

2. STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

3. BASIS OF PREPARATION

These consolidated financial statements have been prepared under the historical cost convention except for a financial liability in respect of spectrum fee which has been carried at fair value (note 29), certain employees' benefits which have been carried at present value (note 26) and one of the frequencies of Wireless Local Loop (WLL) licenses (intangible asset) carried at the revalued amount (note 7).

4. BASIS OF CONSOLIDATION

These consolidated financial statements comprise the financial statements of the Company and its Subsidiary Company, Supernet Limited prepared using uniform accounting policies. The assets, liabilities, income and expenses of the Subsidiary Company have been consolidated on a line by line basis. Inter-group transactions and balances have been eliminated for the purpose of consolidated.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The following revised standards and interpretations with respect to approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standards or interpretations:

Notes to the Consolidated Financial Statements

For The Year Ended June 30, 2009

Standard or Interpretation	Effective date (accounting periods beginning on or after)
IAS 1 - Presentation of Financial Statements (Revised)	January 01, 2009
IAS 23 - Borrowings Costs (Revised)	January 01, 2009
IAS 27 - Consolidated and Separate Financial Statements (Amended)	July 01, 2009
IAS 32 - Financial Instruments: Presentation - Amendments regarding Puttable Financial Instruments	January 01, 2009
IAS 39 - Financial Instruments: Recognition and measurement - Amendments regarding Eligible Hedge Items	July 01, 2009
IFRS 2 - Share Based Payment – Amendments regarding Vesting Conditions and Cancellations	January 01, 2009
IFRS 3 – Business Combinations (Revised)	July 01, 2009
IFRS 7 - Improving disclosures about Financial Instruments (Amended)	January 01, 2009
IFRS 8 – Operating Segments	January 01, 2009
IFRIC 15 - Agreements for the Construction of Real Estate	January 01, 2009
IFRIC 16 – Hedges of a Net Investment in a Foreign Operation	October 01, 2008
IFRIC 17 – Distributions of Non-cash Assets to owners	July 01, 2009
IFRIC 18 - Transfers of Assets from Customers	July 01, 2009

The Group expects that the adoption of the above standards and interpretations will not have any material impact on the Group's financial statements in the period of initial application other than to the extent of certain changes and/or enhancements in the presentation and disclosures in the consolidated financial statements resulting form the application of International Accounting Standard (IAS) 1. The revised IAS 1 was issued in September 2007 and becomes effective for financial years beginning on or after January 01, 2009. The standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group is still evaluating whether it will have one or two statements.

In addition to the above, amendments to various accounting standards have also been issued by IASB as a result of its annual improvement project. Such amendments are generally effective for accounting periods beginning on or after January 01, 2009. The Group expects that the adoption of the above standards and interpretations will not have any material impact on the Group's consolidated financial statements in the period of initial application.

5.2 Adoption of new accounting standards

During the year, the Group has adopted following new and amended IFRS and IFRIC interpretations:

IFRS 7 - Financial Instruments: Disclosures

IFRIC 12 - Service concession arrangements

IFRIC 13 - Customer loyalty programs; and

IFRIC 14 - IAS 19 - The limit on defined benefit asset, minimum funding requirement and their interactions

Adoption of these standards and interpretations does not have any material effect on the consolidated financial statements of the Group except for certain additional disclosures in respect of IFRS 7 included in the relevant notes to the consolidated financial statements.

5.3 Significant accounting estimates and judgments

The preparation of consolidated financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgments in the process of applying the Group's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions in accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In the process of applying the Group's accounting policies, management has made the following estimates and judgments which are significant to the consolidated financial statements:

	Notes
Determining the residual values and useful lives of fixed assets	5.4, 6 & 7
Impairment of	
· fixed assets	5.4, 6 & 7
· Trade debts	5.7 & 11
Recognition of tax and deferred tax	5.14, 28 & 41
Accounting for staff retirement benefits	5.13 & 26

5.4 Fixed assets

5.4.1 Property, plant and equipment

Owned

These are stated at cost less accumulated depreciation and impairment, if any, except for freehold land, which is stated at cost.

Depreciation is calculated on a straight-line method over the estimated useful life of the asset. The rates used are stated in note 6.1 to the consolidated financial statements. Depreciation on additions is charged for the full month in the month of addition and no depreciation is charged in the month of deletion.

Maintenance and normal repairs are charged to profit and loss account as and when incurred. Major renewals and improvements are capitalised and the assets so replaced, if any, are retired.

Gain and loss on disposal of assets is taken to the profit and loss account except for gain on sale and leaseback transactions, which is deferred and amortised over the lease term of the asset.

Leased

Assets held under finance leases are initially recorded at the lower of the present value of minimum lease payments under the lease agreements and the fair value of the leased assets. The related obligations under the leases less financial charges allocated to future periods are shown as a liability.

The financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of interest on the outstanding liability.

Depreciation is charged at the same rates as charged on the Group's owned assets.

Capital work-in-progress

Capital work-in-progress is stated at cost less impairment in value, if any. It consists of expenditure incurred and advances made in respect of fixed assets in the course of their erection, installation and acquisition.

5.4.2 Intangible assets

The costs of license to provide telecommunication services and computer softwares are classified as intangible assets. There are stated at cost / revalued amount less accumulated amortisation and impairment, if any. Amortisation is charged to income using straight line method over the useful economic life of intangible assets.

Goodwill

Goodwill represents the excess of the cost of the acquisition over the fair value of identifiable net assets of the Subsidiary Company at the date of acquisition. Impairment testing is performed annually in respect of the same.

5.4.3 Surplus on revaluation of intangible assets

The surplus arising on revaluation of intangible is credited to the "surplus on revaluation of intangible assets" shown below equity in the balance sheet in accordance with the requirements of section 235 of the Companies Ordinance, 1984. The said section was amended through the Companies (Amendment) Ordinance, 2002 and accordingly the Group has adopted the following accounting treatment of amortisation on revalued assets, keeping in view the Securities and Exchange Commission of Pakistan's SRO 45(1)/2003 dated January 13, 2003:

– amortisation on assets which are revalued is determined with reference to the value assigned to such assets on revaluation and amortisation charge for the year is taken to the profit and loss account; and

– an amount equal to incremental amortisation for the year net of deferred taxation is transferred from "surplus on revaluation of intangible assets" to accumulated profit through statement of changes in equity to record realization of surplus to the extent of the incremental amortisation charge for the year.

5.4.4 Impairment

The carrying values of the Group's assets are reviewed for impairment at each reporting date when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, and where the carrying values exceed the estimated recoverable amount, the assets a re written down to their recoverable amount.

5.5 Communication stores

These are valued at the lower of cost determined on the first-in first-out method and net realisable value. Items-in-transit are stated at cost comprising invoice value plus other charges paid thereon up to the balance sheet date.

Notes to the Consolidated Financial Statements

For The Year Ended June 30, 2009

5.6 Stock in trade

Stock in trade comprises of internet and computer memory cards. These are valued at lower of cost and net realizable value. Cost is determined on first-in-first out basis except for stock in transit which is stated at invoice price plus other charges paid thereon up to the balance sheet date.

5.7 Trade debts and other receivables

These are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the amount is no longer probable. Bad debts are written-off when identified.

5.8 Cash and cash equivalents

Cash and cash equivalents comprise cash at banks, cash in hand and short-term investments, maturing within three months.

5.9 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost, which approximates its fair value.

5.10 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an 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.

5.11 Financial instruments

Financial assets and financial liabilities are recognised at the time when the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised at the time when the Group loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognised at the time when they are extinguished i.e., when the obligation specified in the contract is discharged, cancelled, or expired. Any gains or losses on derecognition of financial assets and financial liabilities are taken to profit and loss account currently.

5.12 Offsetting financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet, if the Group has a legally enforceable right to set-off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

5.13 Employees' benefits

Gratuity Fund

The Group operates an unfunded gratuity scheme for its employees under "Workmen Category". Provision is made annually, to cover obligations under the plan, by way of a charge to profit and loss account, calculated in accordance with the actuarial valuation using "projected Unit Credit Method". Actuarial gains or losses are recognised over the expected average remaining working lives of the employees participating in the plan.

Provident Fund

The Group operates a recognised provident fund scheme for its employees. Equal monthly contributions are made, both by the Group and the employees, to the fund at the rate of 8.33% of basic salary.

Compensated absences

The Group accounts for these benefits in the period in which the absences are earned. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

5.14 Taxation

Current

The Group falls under the final tax regime under Sections 148 and 169 of the Income Tax ordinance, 2001, to the extent of sales of imported finished goods. Provision for taxation on other sources of revenue is based on taxable income at the current rates of taxation after taking into account tax credits and tax rebates available, if any.

Deferred

Deferred tax is recognised, proportionate to sales under final tax regime and normal tax regime, using the liability method, on all major temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the assets can be utilised.

Deferred income 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 or substantively enacted at the balance sheet date.

The carrying amount of deferred income 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 income tax asset to be utilised.

5.16 Foreign currency translation

Transactions in foreign currencies are recorded in the presentation / functional currency, which is Pak Rupees, at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Non-monetary assets and liabilities are measured using exchange rates that existed when the values were determined. All differences are taken to the profit and loss account.

5.17 Finance costs

Finance costs incurred to finance the acquisition of various licenses from Pakistan Telecommunication Authority (PTA) and the construction and installation of network assets are capitalised up to the time such assets get ready for intended use. All other finance costs are recognised as expense in the period in which they are incurred.

Notes to the Consolidated Financial Statements

For The Year Ended June 30, 2009

5.18 Revenue

Revenue from wireless payphone cards is recognised as the related units/credits are consumed by customers. The unutilised units/credits are carried in the balance sheet as unearned income.

Revenue from wireline payphone cards and from revenue sharing arrangements is recognised upon sale of cards to customers (i.e. not on card utilisation basis) due to limitations of the Group's information system to track the utilisation of cards by the customers. However, as the revenue from above is not significant in relation to the total revenue of the Group, the management believes that the overall impact of following the above accounting policy on the consolidated financial statements would not be material.

Revenue from post paid packages is recognised on accrual basis.

Revenue from connection fee is recognised on sale of connection.

Revenue from incoming calls from local network as well as Long Distance International (LDI) network is recognised at the time the call is terminated over the Group's network.

Revenue from broadband / data networking services is recognised upon the rendering of such services.

Return on bank balances is accrued using effective interest method.

Revenue from sale of equipment is recognised when equipment is dispatched to customers.

5.18 Interconnect charges and liability

Interconnect charges on all units / credits consumed in respect of wireless payphones are booked as liability on the basis of corresponding bills from interconnect partners except for the cases where management believes, based on its information system and records, that interconnect charges are over billed by the interconnect partners, in that case the liability is recorded on the basis of the Group's information system and records.

Pakistan Telecommunication Company Limited (PTCL) interconnect charges in respect of wireline payphones at fixed rates on all cards sold 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.

5.19 Related party transactions

Transactions with related parties are entered into at arm's length.

5.20 Dividend and other appropriation of reserves

These are recognised in the period in which such dividend and appropriations are approved by the Board of Directors.

6.1 OPERATING FIXED ASSETS

	Note	COST: As at July 01, 2008	COST: Additions/ Transfers*	COST: (Disposals)	COST: As at June 30, 2009	Rate/ period	ACCUMULATED DEPRECIATION: As at July 01, 2008	ACCUMULATED DEPRECIATION: For the year (Adjustment)**	ACCUMULATED DEPRECIATION: (On disposal) / (transfers)*	ACCUMULATED DEPRECIATION: As at June 30, 2009	WRITTEN DOWN VALUE: As at June 30, 2009
		(Rs. in '000)					(Rs. in '000)				
June 30, 2009											
Owned											
Freehold land		3,020	-	-	3,020	-	-	-	-	-	3,020
Leasehold land	6.1.1	3,900	-	-	3,900	13 yrs	3,900	-	-	3,900	-
Leasehold improvements		3,653	-	-	3,653	20%	3,380	168	-	3,548	105
Building on freehold land		625	-	-	625	20 yrs	218	31	-	249	376
Apparatus, plant and equipment	6.1.2 & 6.1.3	5,791,020	140,063 176,315*	(959)	6,106,439	5-33%	2,660,275	752,615 (22,626)**	(40) 67,112*	3,457,336	2,649,103
Sign boards		30,875	-	-	30,875	25%	29,119	1,835 (1,354)**	-	29,600	1,275
Furniture, fixtures and office equipment		52,169	3,891	(162)	55,898	10%	28,732	4,189 (2,710)**	(77)	30,134	25,764
Computers and related accessories		59,523	5,610	(166)	64,967	20%	53,796	7,440 (5,945)**	(151)	55,140	9,827
Vehicles	6.1.5	20,066	35 8,386*	(6,795)	21,692	20%	14,375	3,008 (620)**	(4,761) 5,683*	17,685	4,007
		5,964,851	149,599 184,701*	(8,082)	6,291,069		2,793,795	769,286 (33,255)**	(5,029) 72,795*	3,597,592	2,693,477
Leased											
Apparatus, plant and equipment	6.1.2	347,912	- (176,315)*	-	171,597	10-33%	116,596	17,184 18,555**	- (67,112)*	85,223	86,374
Vehicles		12,418	- (8,386)*	-	4,032	20%	9,514	328 (1,109)**	- (5,683)*	3,050	982
		360,330	- (184,701)*	-	175,629		126,110	17,512 (17,446)**	- (72,795)*	88,273	87,356
		6,325,181	149,599 -*	(8,082)	6,466,698		2,919,905	786,798 (15,809)**	(5,029)	3,685,865	2,780,833

During the current year, the Group carried out an exercise to reconcile the subsidiary record of its fixed assets with the general ledger. As a result of this exercise, depreciation for the current year has been adjusted by Rs.15.809 million, representing excess depreciation charged in prior years.

6.1 OPERATING FIXED ASSETS

	COST					ACCUMULATED DEPRECIATION				WRITTEN DOWN VALUE
	As at July 01, 2007	Additions/ (transfers)*	(Disposal)	As at June 30, 2008	Rate/ period	As at July 01, 2007	For the year	(On disposal) / (transfers)*	As at June 30, 2008	As at June 30, 2008
	(Rs. in '000)					(Rs. in '000)				
June 30, 2008										
Owned										
Freehold land	3,020	-	-	3,020	-	-	-	-	-	3,020
Leasehold land	3,900	-	-	3,900	13 yrs	3,750	150	-	3,900	-
Leasehold improvements	3,653	-	-	3,653	20%	3,200	180	-	3,380	273
Building on freehold land	625	-	-	625	20 yrs	187	31	-	218	407
Apparatus, plant and equipment	5,145,407	434,114 211,499*	-	5,791,020	5-33%	1,874,468	683,472	- 102,335*	2,660,275	3,130,745
Sign boards	30,875	-	-	30,875	25%	26,527	2,592	-	29,119	1,756
Furniture, fixtures and office equipment	49,031	3,138	-	52,169	10%	24,542	4,190	-	28,732	23,437
Computers and related accessories	51,847	7,676	-	59,523	20%	45,487	8,309	-	53,796	5,727
Vehicles	10,451	179 29,449*	(20,013)	20,066	20%	6,557	1,531	(11,984) 18,271*	14,375	5,691
	5,298,809	445,107 240,948*	(20,013)	5,964,851		1,984,718	700,455	(11,984) 120,606*	2,793,795	3,171,056
Leased										
Apparatus, plant and equipment	559,411	- (211,499)	-	347,912	10-33%	173,496	45,435	- (102,335)*	116,596	231,316
Vehicles	41,824	43* (29,449)	-	12,418	20%	22,576	5,209	- (18,271)*	9,514	2,904
	601,235	(240,948) 43*	-	360,330		196,072	50,644	- (120,606)*	126,110	234,220
	5,900,044	204,159 240,948*	(20,013)	6,325,181		2,180,790	751,099	(11,984)	2,919,905	3,405,276

6.1.1 This represents cost incurred by the Group in acquiring leasehold land from the Karachi Municipal Corporation for a period of thirteen years for constructing a Time Tower thereon. The underlying lease agreement is in the name of Arfeen International (Private) Limited, a related party.

6.1.2 These include:

6.1.2.1 Line Protection Units, costing Rs.22.206 (2008: Rs.22.206) million, having a net book value of Rs.2.066 (2008: Rs.3.319) million, installed by the Group at the PTCL Exchanges throughout the country for the protection of wireline connections.

6.1.2.2 Equipment, costing Rs.2,140,398 (2008: Rs.2,061.370) million, having a net book value of Rs.527.777 (2008: Rs.812.069) million, which are in the possession of the customers of the Group in the ordinary course of business.

6.1.2.3 Outdoor payphone units, having an aggregate cost of Rs.248.983 (2008: Rs.248.983) million, with a net book value of Rs.19.539 (2008: Rs.24.524) million, installed by the Group at various locations throughout the country in the ordinary course of business.

6.1.3 The following fixed assets were disposed off during the year:

Description	Cost	Accumulated Depreciation	Written down value	Insurance claims / sale proceeds	Gain/Loss on disposal	Mode of sale	Particulars of buyers
	----------	----------	(Rs. in '000)	----------	----------		
WLL equipment	959	40	919	700	(219)	Insurance claim	EFU Insurance - Karachi
Furniture and fixtures	162	77	85	120	35	Insurance claim	EFU Insurance - Karachi
Computers	166	151	15	38	23	Negotiation	Envicrete Limited, a related party - Karachi
Vehicles							
Honda Civic	1,523	734	789	703	(86)	Negotiation	Taimur Khattak, Ex-employee - Karachi
Honda Civic	1,283	919	364	355	(9)	Negotiation	Arfeen International (Private) Limited, a related party - Karachi
Honda City	842	519	323	179	(144)	Negotiation	Arfeen International (Private) Limited, a related party - Karachi
Suzuki Cultus	569	418	151	403	252	Negotiation	Arfeen International (Private) Limited, a related party - Karachi
Suzuki Cultus	668	479	189	218	29	Negotiation	Arfeen International (Private) Limited, a related party - Karachi
Suzuki Cultus	569	351	218	245	27	Negotiation	Arfeen International (Private) Limited, a related party - Karachi
Toyota Corolla	368	368	-	526	526	Negotiation	Imran Khan - Islamabad
Nissan Sunny	973	973	-	400	400	Negotiation	Imran Saeed - Islamabad
	6,795	4,761	2,034	3,029	995		
June 30, 2009	**8,082**	**5,029**	**3,053**	**3,887**	**(834)**		
June 30, 2008	20,013	11,984	8,029	10,648	2,619		

6.1.4 The cost of fully depreciated assets as at June 30, 2009 is Rs.1,064.628 (2008: Rs.893.498) million.

	Note	June 30, 2009	June 30, 2008
		------- (Rupees in '000) -------	
6.1.5 Depreciation for the year has been allocated as follows:			
Direct costs	36	**765,572**	727,996
Distribution costs and administrative expenses	37	**5,417**	23,103
		770,989	751,099

Notes to the Consolidated Financial Statements

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6.2 Capital work-in-progress

	Owned equipment (note 6.2.1)	Direct overheads	Advances to suppliers	Leased equipment	Total
	---Rupees in '000---				
As at July 01, 2008	523,557	9,820	16,495	70,500	620,372
Additions during the year	-	-	13,586	-	13,586
Transfer to apparatus, plant and equipment	(83,892)	(9,820)	(4,770)	-	(98,482)
Transfer from advances to owned equipment	9,136	-	(9,136)	-	-
Transfer from leased to owned network projects	30,500	-	-	(30,500)	-
June 30, 2009	**479,301**	**-**	**16,175**	**40,000**	**535,476**
June 30, 2008	523,557	9,820	16,495	70,500	620,372

6.2.1 Included herein is an aggregate sum of Rs.21.015 (2008: Rs.69.904) million, representing wireless payphone units that would be activated upon issuance of connections to customers.

7. INTANGIBLE ASSETS

	Note	COST / REVALUATION As at July 01, 2008	Addition during the year	As at June 30, 2009	Period yrs	ACCUMULATED AMORTISATION As at July 01, 2008	For the year	As at June 30, 2009	WRITTEN DOWN VALUE As at June 30, 2009
		---Rupees in '000---				---Rupees in '000---			
June 30, 2009									
WLL Licenses	7.1 & 7.2	**5,042,755**	**86,585**	**5,129,340**	**20 yrs**	**483,488**	**290,366**	**773,854**	**4,355,486**
LDI License	7.3	**29,029**	**-**	**29,029**	**20 yrs**	**4,127**	**1,548**	**5,675**	**23,354**
Computer software		**38,515**	**323**	**38,838**	**5 yrs**	**38,329**	**200**	**38,529**	**309**
Goodwill		**116,536**	**-**	**116,536**	**-**	**46,616**	**-**	**46,616**	**69,920**
		5,226,835	**86,908**	**5,313,743**		**572,560**	**292,114**	**864,674**	**4,449,069**

*This represents borrowing cost capitalized during the current year. As of June 30, 2009, aggregate borrowing costs capitalised by the group amounted to Rs.373.852 (2008: Rs.287.267) million.

	COST / REVALUATION As at July 01, 2007	Revaluation during the year	Addition during the year	As at June 30, 2008	Period yrs	ACCUMULATED AMORTISATION As at July 01, 2007	For the year	As at June 30, 2008	WRITTEN DOWN VALUE As at June 30, 2008
	---Rupees in '000---					---Rupees in '000---			
June 30, 2008									
WLL Licenses	3,517,851	1,427,803	97,101	5,042,755	20 yrs	324,984	158,504	483,488	4,559,267
LDI License	29,029	-	-	29,029	20 yrs	2,580	1,547	4,127	24,902
Computer software	38,515	-	-	38,515	5 yrs	37,928	401	38,329	186
Goodwill	116,536	-	-	116,536	-	46,616	-	46,616	69,920
	3,701,931	1,427,803	97,101	5,226,835		412,108	160,452	572,560	4,654,275

*This includes a sum of Rs.82.126 million, representing borrowing costs capitalized by the group during the year.

Notes to the Consolidated Financial Statements

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7.1 This represents cost of non-exclusive licenses granted by the PTA to the Group for providing certain telecommunication services in the specified regions of the country and for establishing, maintaining and operating a telecommunication system, in accordance with the terms and conditions of the licenses. The licenses are effective for a period of 20 years, commencing August 04, 2004.

7.2 On June 30, 2008, the Group revalued one of the frequencies of WLL licenses to Rs.1,530 million, equivalent to US$22.500 million, maintaining that the said value represented the fair value of licenses of the above referred frequency. The value of such frequency was based on a valid subsisting offer based on the then market value of the frequency.

The said revaluation resulted in a surplus on revaluation of Rs.1,428 million, representing the difference between the fair value and the carrying value of the above frequency of Rs.102 million in the books of the Group.

Had there been no revaluation, the written down value of intangible assets would have been Rs.3,040.275 (2008: Rs.3,156.366) million.

7.3 This represents cost of non-exclusive license granted by the PTA to the Group for providing the LDI telecommunication services in the country for a period of 20 years, commencing July 27, 2004.

	Note	June 30, 2009	June 30, 2008
		------- (Rupees in '000) -------	
7.4 Amortisation for the year has been allocated as follows:			
Direct cost	36	**292,098**	160,452
Distribution costs and administrative expenses	37	**16**	-
		292,114	160,452

8. LONG-TERM LOANS AND ADVANCES

	Note	June 30, 2009	June 30, 2008
Loans - secured, considered good			
Executives	8.1, 8.2 & 8.3	**80**	242
Employees	8.1	**122**	88
		202	330
Recoverable within one year shown under current assets			
Executives		**-**	(42)
Employees		**(10)**	(75)
	12	**(10)**	(117)
		192	213
Advances – secured			
Considered good			
Pakistan Telecommunication Company Limited		**6,943**	7,667
Considered doubtful		**772**	-
Provision for advances considered doubtful	37	**(772)**	-
		-	-
		6,943	7,667
		7,135	7,880

8.1 These are interest free personal loans given to the executives and employees of the Group, in accordance with the terms of their employment. The loans are recoverable in monthly installments over a maximum period of eighteen months and are secured against employees' gratuity balances.

Long-term loans have not been discounted to their present value as the financial impact thereof is not considered material by the management.

Notes to the Consolidated Financial Statements

For The Year Ended June 30, 2009

	Note	June 30, 2009	June 30, 2008
		------- (Rupees in '000) -------	
8.2 Reconciliation of the carrying amount of loans to executives			
Opening balance		**242**	677
Disbursements		**-**	200
Repayments		**(162)**	(635)
		80	242

8.3 The maximum aggregate amount due from the executives at the end of any month during the year was Rs.0.802 (2008: Rs.0.664) million.

	Note	June 30, 2009	June 30, 2008
9. LONG-TERM DEPOSITS			
Security deposits			
Considered good			
Line deposits – PTCL		**49,786**	49,366
Rented premises		**6,089**	5,326
Others		**1,665**	-
Leasing companies		**21,432**	40,153
Refundable within one year shown under current assets	13	**(20,417)**	(27,336)
		1,015	12,817
		58,555	67,509
Considered doubtful		**692**	-
Provision for deposits considered doubtful	37	**(692)**	-
		-	-
		58,555	67,509
10. COMMUNICATION STORES			
Stores		**115,834**	67,913
Provision for slow moving communication stores	10.1	**(6,081)**	(3,521)
		109,753	64,392
Consumables		**952**	7,049
		110,705	71,441
10.1 Provision against slow moving stores:			
Balance at the beginning of the year		**3,521**	-
Charge for the year	36	**2,560**	3,521
		6,081	3,521
11. TRADE DEBTS			
Unsecured			
Considered good			
Due from related parties	11.1	**7,514**	35,144
Others		**686,768**	735,709
		694,282	770,853
Considered doubtful		**153,708**	118,851
Provision for debts considered doubtful	11.2	**(153,708)**	(118,851)
		-	-
		694,282	770,853

Notes to the Consolidated Financial Statements

For The Year Ended June 30, 2009

	Note	June 30, 2009	June 30, 2008
		------- (Rupees in '000) -------	
11.1 Due from related parties			
Pakcom Limited		**5,998**	34,193
Arfeen International (Private) Limited		**426**	276
Grand Leisure Corporation (Private) Limited		**751**	526
Envicrete Limited		**326**	136
World Trade Center (Private) Limited		**13**	13
		7,514	35,144
11.2 Provision for debts considered doubtful:			
Opening balance		**118,852**	99,677
Charge for the year	37	**34,856**	19,174
		153,708	118,851

11.2 As at June 30, 2009, the ageing analysis of unimpaired trade debts is as follows:

	Total	Neither past due nor impaired	Past due but not impaired > 30 days upto 2 years	Past due but not impaired 2 – 3 years
	----------------- (Rupees in '000) -----------------			
June 30, 2009	**694,282**	**400,695**	**261,645**	**31,942**
June 30, 2008	770,853	360,380	362,565	47,908

12. LOANS AND ADVANCES

	Note	June 30, 2009	June 30, 2008
Loans - unsecured, considered good			
Current portion of long-term loans			
Executives		-	42
Employees		**10**	5,271
	8	**10**	5,313
Advances – unsecured			
Considered good			
Executives	12.1	**1,106**	1,158
Employees		**8,414**	3,210
Suppliers		**21,411**	16,991
		30,931	21,359
Considered doubtful			
Suppliers		**13,103**	10,458
Provision for advances considered doubtful	12.2	**(13,103)**	(10,458)
		-	-
		30,931	21,359
		30,941	26,672

12.1 The maximum aggregate amount due from the executives at the end of any month during the year was Rs.1.759 (2008: Rs.1.759) million.

12.2 Provision for advances considered doubtful:

	Note	June 30, 2009	June 30, 2008
Opening balance		**10,458**	3,000
Charge for the year	37	**2,645**	7,458
		13,103	10,458

Notes to the Consolidated Financial Statements

For The Year Ended June 30, 2009

	Note	June 30, 2009	June 30, 2008
		------- (Rupees in '000) -------	
13. DEPOSITS AND PREPAYMENT			
Deposits			
Considered good:			
Current portion of long-term lease deposits	9	**20,417**	27,336
Margin against guarantee		**3,521**	11,350
WLL deposit paid to PTCL		**3,787**	3,787
Earnest money		**1,721**	2,217
Others		**1,102**	978
Considered doubtful:			
Earnest money		**1,770**	1,770
Provision for doubtful deposits		**(1,770)**	(1,770)
		-	-
		30,548	45,668
Prepayment			
Rent		**20,666**	16,605
Insurance		**145**	188
Others		**217**	111
		51,576	62,572

14. ACCRUED MARK-UP

	Note	June 30, 2009	June 30, 2008
Due from a bank	14.1	**48,587**	48,587
Mark-up on current accounts with related parties		**13,304**	-
		61,891	48,587

14.1 This represents amount due from a commercial bank in respect of funds raised through Term Finance Certificates, held by the said bank since April 20, 2005 whereas mark-up paid to the Group, commenced August 01, 2005. A claim in respect of the above was lodged by the Group with the bank during the year ended June 30, 2005, which is pending settlement therewith. The management is currently making necessary efforts to recover the aforesaid mark-up and is, therefore, confident about the recovery of the same.

Further, during the year ended June 30, 2008, an additional claim of Rs.194.494 million has been lodged by the Group with the said bank as compensation for delay in the receipt of the above referred amount. However, the management has not accrued the same in these consolidated financial statements as a matter of prudence.

15. OTHER RECEIVABLES

	Note	June 30, 2009	June 30, 2008
Considered good			
Related parties	15.1	**79,494**	45,440
Others:			
Pakistan Telecommunication Company Limited			
Karachi Relief Rebate	15.2	**651,541**	651,541
Interconnect discount	15.3	**28,701**	28,701
		680,242	680,242
Pakistan Telecommunication Authority	15.4	**181,636**	-
Augere Pakistan (Private) Limited	15.5	**27,417**	-
Claim against a bank	15.6	**998**	998
Insurance claims		**11,785**	5,232
Others		**222**	120
		902,300	686,592
Balance c/f		**981,794**	732,032

Notes to the Consolidated Financial Statements

For The Year Ended June 30, 2009

	Note	June 30, 2009	June 30, 2008
		------- (Rupees in '000) -------	
	Balance b/f	**981,794**	732,032
Considered doubtful			
Due from PTCL	15.7	**10,361**	10,361
Due from Zonal employees		**16,176**	21,530
Others		**7,603**	4,068
		34,140	35,959
Provision for other receivables considered doubtful	15.8	**(34,140)**	(35,959)
		-	-
		981,794	732,032

15.1 Related parties

Pakcom Limited	**78,499**	44,662
Envicrete Limited	**419**	381
Grand Leisure Corporation (Private) Limited	**576**	397
	79,494	45,440

15.1.1 The above amounts due from related parties represent current account balances which are recoverable on demand. These carry mark-up rates of KIBOR + 3.75% per annum.

15.2 (a) In the interest of public safety, the Government of Pakistan (GoP) is empowered to close transmission of all messages / services, subject to certain conditions. Section 54 of the Pakistan Telecommunication (Reorganization) Act 1996, states that the GoP can do so "provided that the GoP may compensate any licensee whose facilities or services are affected by any action under that section". Under these powers, the GoP shut down the service of the Group from July 1995 to January 1997. The Group served a notice to the GoP for compensation and as a quid pro quo and in consideration of the Group having agreed to withdraw its claim, the GoP offered the Karachi Relief Rebate Package. This arrangement was duly approved by the Cabinet and announced, on behalf of GoP, by the PTA.

As per the award of the GoP, the PTCL started paying the Karachi Relief Rebate up to June 30, 1998 and thereafter, unilaterally, the PTCL decided to discontinue payments against the said package.

During the year ended June 30, 2008, the Group filed a law suit against the PTCL in the High Court of Sindh (the Court) for the recovery of Rs.71.276 million accrued up to October 1999 and consequential losses thereon, aggregating to Rs.2,261.924 million. The Court, during the year ended June 30, 2002, on an application filed by the Group, passed an interim order in favor of the Group and appointed a firm of Chartered Accountants for the determination of the actual amount receivable (final sum) from the PTCL. The said firm calculated the relief rebate and interconnect discount in accordance with the direction of the Court, containing various amounts determined under various alternatives, for the period commencing January 1997 to August 2001.

The Group contends that the relief rebate allowed to it through the PTA's letter, dated January 20, 1997, is of a continuing nature as no cessation date is mentioned in that letter. The Group further contends that the relief package was approved by the GoP after negotiations between the GoP and the Group.

As the Court already passed an interim order in August 2001 in favor of the Group and in light of the above, the management of the Group is confident that the recovery of the amount accrued to date would be as prayed by the Group.

Notes to the Consolidated Financial Statements

For The Year Ended June 30, 2009

The total amount due to be recovered on account of relief rebate amounts to Rs.698.690 million up to June 30, 2006. On a prudent basis, the Group accrued relief package up to June 30, 2005, aggregating to Rs.651.541 million, after which the practice of accruing the said relief was discontinued. In the view of the legal advisor of the Group, the Group has a strong case and the likelihood of the Group loosing the case is remote. Hence, the management is confident about the realization of the said amount together with the amount receivable from the PTCL in respect of wireline and multi-metering of Rs.48.598 million and Rs.18.287 million, respectively, as disclosed in note 29.1 to the consolidated financial statements and considers the recovery of these sums to be virtually certain. Accordingly, it has not made any provision against the above referred sums, pending a final decision by the Court in this matter.

(b) During the year ended June 30, 2002, the PTCL filed a law suit against the Group for the recovery of Rs.334.313 million, alleging and disputing the relief rebate claimed / adjusted by the Group. In the opinion of the legal advisor of the Group, if it is decided by the Court that the Group is not entitled to the Karachi Relief Rebate and the decision in this case is against the Group, then the Group would have to pay only the above amount on account of Karachi Relief Rebate. If, however, it was concluded by the Court that the relief rebate is applicable, then, no amount would be liable to be paid by the Group to the PTCL but in fact the Group would be entitled to recover certain amounts as claimed in the law suit, discussed in (a) above. As per the above-referred legal advisor, there is likelihood that the Plaintiff will not succeed in its claim in this suit. Accordingly, pending the decision of the Court in this respect, the Group has not made any provision for the aforesaid claim in these consolidated financial statements.

The Court, in its order dated June 25, 2003, ordered the Group not to create third party interest on its fixed assets as well as undertakings except in the ordinary course of business till the disposal of this case.

15.3 This represents the amount of interconnect discount which is subject to the determination of the final sum, as stated in note 15.2 (a) above. The Group is confident that it will recover the entire amount of interconnect discount from the PTCL and, hence, no provision has been made thereagainst in these consolidated financial statements.

15.4 In March 2007, the PTA issued show cause notices to eight telecom companies, including the Group, in respect of Access Promotion Contribution (APC) for Universal Service Fund (USF) under the AP Rules, 2004 and AP Regulations, 2005. In case of the Group, the amount demanded was Rs.29.473 million. The Group responded to the show cause notice and appeared before the Authority through its Counselor, contending that the AP Rules, 2004 and the AP Regulations, 2005 were ultra vires and were of no legal effect whatsoever. During the year ended June 30, 2008, the PTA issued a final determination, upholding the said show cause notice and demanded the amount therein. A stay order against the PTA determination was obtained by the Group through the Islamabad High Court and repatriation was filed against the PTA and others. During the current year, the Islamabad High Court decided the case in favour of the PTA. The Group as a result thereof has filed an appeal in the Supreme Court of Pakistan, which is in the initial stages of hearing. Further, the PTA billed a sum of Rs.740.033 million in respect of services utilised by the Group during the current year against which the Group paid a sum of Rs.181.636 million under protest. Pending a final decision in this matter, the Group has recorded the said sum as due from the PTA under other receivables and has not adjusted the same nor any provision has been made for the remaining sum of Rs.587.870 million in these consolidated financial statements as management is confident that it will succeed in recovering the above referred sum.

15.5 This represents current account balance with the Contractor, discussed in note 24.

15.6 This represents amount due from a bank in respect of the PTCL bills paid by the Group to the bank but were not passed over to the PTCL by the bank. The Group has filed a lawsuit in the Court for the recovery of Rs.0.998 million (2008: Rs.0.998 million) and damages, aggregating to Rs.8.245 million, against the bank. Accordingly, pending a final decision by the Court in this regard, no provision has been made for the above referred sum in these consolidated financial statements.

15.7 This represents amount over billed by the PTCL in respect of optical fibre lines based on the rates applicable during the relevant billing periods. A claim in respect of the above is pending settlement. However, pending the settlement, as a matter of prudence, the management has made full provision against the above claim.

Notes to the Consolidated Financial Statements

For The Year Ended June 30, 2009

	Note	June 30, 2009	June 30, 2008
		------- (Rupees in '000) -------	
15.8 Provision for other receivables considered doubtful			
Opening balance		**39,385**	34,609
(Provision written back) / charge for the year	36 & 39	**(5,245)**	1,350
		34,140	35,959
16. TAXATION – net			
Advance income tax - net		**229,234**	198,524
Income tax refundable		**-**	7,103
		229,234	205,627
17. SHORT-TERM INVESTMENT			
Held to maturity			
Term deposit receipts	17.1	**75,555**	69,185

17.1 Represent term deposit receipts, having face value of Rs.74.815 (2008: Rs. 68.000) million, and interest accrued thereon of Rs.0.740 (2008: 1.185) million, placed with commercial banks for a period of 3 to 6 months per annum. These carry mark-up rate of 12% and 3 months KIBOR (2008: 10.26%).

	Note	June 30, 2009	June 30, 2008
18. CASH AND BANK BALANCES			
Cash in hand		**2,310**	**4,592**
Cash at banks:			
In current accounts			
Local currency		**2,555**	11,243
Foreign currency		**253**	19,786
		2,808	31,029
In savings accounts			
Local currency	18.1	**5,192**	**3,481**
		10,310	**39,102**

18.1 These carry mark-up at rates, ranging between 2.05% and 5% (2008: 2.05% and 2.15%) per annum.

19. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

June 30, 2009	June 30, 2008			
Number of Shares				
300,000,000	300,000,000	Ordinary shares of Rs.10 each fully paid in cash	**3,000,000**	3,000,000

19.1 As at the end of the current year, 8,929,649 (2008: 8,929,649) Ordinary shares of Rs.10 each, amounting to Rs.89,296,490, were held by the related parties.

Notes to the Consolidated Financial Statements

For The Year Ended June 30, 2009

	Note	June 30, 2009	June 30, 2008
		------- (Rupees in '000) -------	
20. SURPLUS ON REVALUATION OF INTANGIBLE ASSETS – net of tax			
Surplus on revaluation of WLL licenses		**1,338,565**	1,427,803
Related deferred tax liability	28	**(468,498)**	(499,731)
		870,067	928,072
20.1 Reconciliation of the carrying amount of surplus on revaluation of intangible assets			
Balance at the beginning of the year		**1,427,803**	-
Revaluation during the year		**-**	1,427,803
Transfer to unappropriated profit in respect of incremental amortisation		**(89,238)**	-
Gross surplus		**1,338,565**	1,427,803
Related deferred tax liability			
Balance at the beginning of the year		**(499,731)**	-
Revaluation during the year		**-**	(499,731)
Incremental amortisation charged during the year		**31,233**	-
		(468,498)	(499,731)
		870,067	928,072
21. LONG-TERM LOANS			
Secured			
From banks and financial institutions			
Local currency loan – I	21.1	**35,000**	49,000
Local currency loan – II	21.2	**225,000**	275,000
Local currency loan – III		**400,000**	400,000
Local currency loan – IV	21.3	**66,500**	68,000
		726,500	792,000
Unsecured			
From related parties			
Arfeen International (Private) Limited	21.4	**35,500**	41,500
Total Telecom Limited		**-**	91,743
		762,000	925,243
Current maturity of local currency loans shown under current liabilities	33	**(262,500)**	(71,000)
		499,500	854,243

21.1 This represents a local currency loan obtained by the Group from an investment Company for a period of six years, including one year grace period. It is repayable in ten equal half yearly installments, commencing December 01, 2006. The loan carries mark up rate of six months KIBOR + 3.75% (2008: six months KIBOR + 3.75%) per annum, payable half yearly and is secured against first pari passu charge over the present and future movable assets of the Group to the extent of Rs.94.000 (2008: Rs.94.000) million.

21.2 This represents a local currency loan obtained by the Group from a commercial bank for a period of five years, inclusive of eighteen months grace period. It is repayable in eight equal semi annual installments, commencing July 24, 2008. The loan carries mark-up rate of six months KIBOR + 3.5% (2008: six months KIBOR + 3.5%) per annum. It is secured against pari passu charge over the present and future fixed assets of the Group to the extent of Rs.467.000 (2008: Rs.467.000) million.

Notes to the Consolidated Financial Statements

For The Year Ended June 30, 2009

21.3 This represents a local currency loan obtained by the Group from a commercial bank for a period of five years, inclusive of eighteen months grace period. It is repayable in eight equal semi annual installments, commencing November 23, 2009. The loan carries mark-up of six month KIBOR + 2.1% (2008: six months KIBOR + 2.1%) per annum. It is secured against ranking charge over all present and future fixed assets, excluding land and building, aggregating to Rs.534.000 (2008: Rs.534.000) million.

21.4 This loan carries markup at the rate of 15% (2008: 15%) per annum, and is repayable on demand.

	Note	June 30, 2009	June 30, 2008
		------- (Rupees in '000) -------	
22. REDEEMABLE CAPITAL			
Secured			
Term Finance Certificates	22.1	**1,128,960**	1,648,800
Current maturity shown under current liabilities	33	**(528,960)**	(519,840)
		600,000	1,128,960

22.1 This represents listed Term Finance Certificates issued by the Group to various financial institutions, trusts and general public for the purposes of acquiring radio spectrum frequencies from the PTA and expanding / upgrading new WLL network.

These are redeemable in ten unequal semi-annual installments, commencing November 2005 with a semi-annual payment of mark-up at a rate of six months KIBOR + 3.75% (2008: six months KIBOR + 3.75%) per annum. These are secured against a first specific charge over the fixed assets of the Group, aggregating to Rs.1,800.000 (2008: Rs.1,600.000) million and specific charge over the intangible assets (excluding 3.5 Ghz frequency spectrum) procured from the PTA.

23. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES

The Group has entered into finance lease agreements with various leasing companies, modarbas and commercial banks in respect of payphones and ancillary equipment, WLL equipment and vehicles. Taxes, repairs, replacements and insurance cost are borne by the lessee. The effective rates used as the discounting factor range between 13% and 21.14% (2008: 11% and 18.48%) per annum. The Group may exercise the option to acquire the assets at the end of the lease term by adjusting security deposit, placed with the lessors, against the residual value. The lease rentals are payable in equal monthly installments.

The amount of future minimum lease payments together with their present value and the periods during which they fall due are as follows:

		June 30, 2009		June 30, 2008	
	Note	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
		---------- (Rs. in '000) ----------			
June 30, 2009		-	-	81,120	72,337
June 30, 2010		**32,682**	**31,876**	22,027	21,296
June 30, 2011		**1,899**	**1,868**	1,869	1,843
Total minimum lease payments		**34,581**	**33,744**	105,016	95,476
Financial charges allocated to future periods		**(837)**	-	(9,540)	-
Present value of minimum lease payments		**33,744**	**33,744**	95,476	95,476
Current maturity shown under current liabilities	33	**(31,876)**	**(31,876)**	(72,337)	(72,337)
		1,868	**1,868**	23,139	23,139

Notes to the Consolidated Financial Statements

For The Year Ended June 30, 2009

	Note	June 30, 2009	June 30, 2008
		------- (Rupees in '000) -------	
24. ADVANCE FROM A CONTRACTOR			
Unsecured			
Advance from a Contractor	24.1 & 24.2	**553,738**	830,608
Adjustable within one year shown under current liabilities	33	**(276,864)**	(212,105)
		276,874	618,503

24.1 This represents an advance received from a Contractor during the year ended June 30, 2008, equivalent to US$12.500 million, in respect of broadband wireless internet services the Group agreed to provide to the said Contractor during the period commencing July 01, 2008 to June 30, 2011. As a result, a sum of Rs.276.870 million has been recognised as income during the current year on account of the above referred services the Group rendered to the Contractor up to the end of the current year.

24.2 Reconciliation of carrying amount of advance from a Contractor

	Note	June 30, 2009	June 30, 2008
Balance at the beginning of the year		**830,608**	-
Received during the year		-	830,608
Taken into income during the year	35	**(276,870)**	-
		553,738	830,608

25. LONG-TERM DEPOSITS

		June 30, 2009	June 30, 2008
Security deposits			
Distributors		**12,435**	18,746
Indoor Call Point holders		**34,892**	38,761
Others		**18,810**	20,496
		66,137	78,003

26. DEFERRED LIABILITIES

	Note	June 30, 2009	June 30, 2008
Staff gratuity	26.1	**27,280**	25,682
Deferred income on sale and lease back arrangements		-	663
		27,280	26,345

26.1 Reconciliation of the carrying amount of staff gratuity:

		June 30, 2009	June 30, 2008
Balance at the beginning of the year		**25,682**	57,455
Charge for the year		**13,185**	44,820
Transferred to due to employees		-	(73,572)
Payments during the year		**(11,587)**	(3,021)
		27,280	25,682

The last actuarial valuation was carried out as of June 30, 2008. The management considers that the provision made for gratuity in respect of current year would not be materially different from the amount that would have been determined by the Actuary.

27. DUE TO EMPLOYEES

	Note	June 30, 2009	June 30, 2008
Amount due to employees	27.1	**53,709**	73,572
Current portion shown under current liabilities	33	**(14,348)**	(18,249)
		39,361	55,323

27.1 This represents the outstanding balance of gratuity payable to the employees under "Non-Workmen Category" as a result of the introduction of a loyalty drawing program by the Group during the year ended June 30, 2008. According to the program, the Group froze the balance on account of gratuity existed up to March 31, 2008 to such employees and transferred the balance from staff gratuity to due to employees amounting to Rs.73.572 million. The balance is payable to employees in 48 equal monthly installments. If for any reason, the employment ceases at any time prior to 48 months, the amount of un-drawn installments shall stand forfeited.

Notes to the Consolidated Financial Statements

For The Year Ended June 30, 2009

	Note	June 30, 2009	June 30, 2008
		------- (Rupees in '000) -------	
28. DEFERRED TAXATION			
Deferred tax credits arising on:			
Accelerated tax depreciation		**446,408**	544,977
Amortisation of intangible assets		**241,501**	155,617
Leases		**32,674**	73,147
Surplus on revaluation of intangible assets	20	**468,498**	499,731
		1,189,081	1,273,472
Deferred tax debits arising from:			
Retirement benefits		**(26,815)**	(9,771)
Provisions		**(95,483)**	(49,101)
Tax losses brought forward		**(902,477)**	(1,073,045)
		(1,024,775)	(1,131,917)
		164,306	141,555

29. DUE TO PAKISTAN TELECOMMUNICATION AUTHORITY

	Note	June 30, 2009	June 30, 2008
Balance at the beginning of the year	29.1	**1,286,827**	1,585,500
Present value adjustment	29.2	**-**	(426,196)
		1,286,827	1,159,304
Imputed interest charged to profit and loss account	29.2 & 40	**141,551**	127,523
		1,428,378	1,286,827

29.1 This represents the balance of spectrum fees, due to PTA in respect of the license and related frequencies acquired by the Group, as referred to in note 7. The PTA later granted a moratorium of 4 years to the WLL industry including the Group for the payment of balance of the spectrum fees. Accordingly, total amount of Rs.1,585,500 million is not payable before March 2010, carrying no interest. However, along with the industry the Group is currently negotiating the payment terms with the PTA such as to bring the same in line with the principles adopted for fees payable by Cellular Mobile Operators. The Group accompanied by other telecommunication companies is of the considered judgement that the said amount will on a worse case basis become payable in 10 yearly instalments, commencing in March 2010. Therefore, in view of this it is reasonable to classify this liability as non-current.

The spectrum fee has been discounted to present value of future cash flows, using an effective interest rate of 11% per annum.

30. TRADE AND OTHER PAYABLES

	Note	June 30, 2009	June 30, 2008
Trade			
Pakistan Telecommunication Company Limited - net	30.1	**128,186**	148,424
ZTE Corporation Limited		**41,482**	39,948
Alcatel Lucent Pakistan Limited		**487,800**	409,200
Bills payable		**-**	52,065
Others		**161,675**	139,666
		819,143	789,303
Other payables			
Related parties	30.2	**42,472**	78,116
Pakistan Telecommunication Authority		**121,728**	120,436
Advance from customers		**99,261**	225,904
Unearned income from wireless payphone cards		**169,677**	51,331
Accrued liabilities		**48,013**	47,760
Unclaimed dividend		**6,216**	9,216
Sales tax – net		**46,023**	11,510
Income tax deducted at source	30.3	**131,766**	114,129
Workers' Welfare Fund		**11,196**	-
Provident fund		**269**	-
Others		**1,470**	611
		678,091	659,013
		1,497,234	1,448,316

Notes to the Consolidated Financial Statements

For The Year Ended June 30, 2009

		June 30, 2009	June 30, 2008
		------- (Rupees in '000) -------	
30.1 This is stated net of the following:			
Wireless Payphone Service (WPS)	30.1.1	**412,614**	552,986
WPS - under protest	30.1.1	**(100,000)**	(100,000)
LL & LDI charges		**(159,568)**	(259,814)
Wire line	15.2(a)	**(48,598)**	(48,325)
Multi-metering	15.2(a)	**(18,287)**	(18,287)
Others		**42,025**	21,864
		128,186	148,424

30.1.1 During the year ended June 30, 2007, the PTCL submitted an application in the Court of Senior Civil Judge, Islamabad, for arbitration in respect of resolution of disputes relating to WPS, claiming a sum of Rs.968.000 million on account of air time charges, line rent and access charges and Rs.276.000 million in respect of leased line charges from the Group. Further, during the current year, the PTCL raised a bill for Rs.74.753 million for current year charges. Hence, total amount claimed by the PTCL as at June 30, 2009 amounted to Rs.1,318.753 (2008: Rs.1,244.000) million. However, the management, while acknowledging the liability to the extent of Rs.583.248 (2008: Rs.552.986) million does not accept liability for the remaining sum of Rs.735.505 (2008: Rs.692.000) million and has not recorded the same in these consolidated financial statements. In this respect, the Group, during the year ended June 30, 2007, paid a sum of Rs.100.000 million to the PTCL under protest to ensure uninterrupted WPS.

During the year ended June 30, 2008, a notice was served by the PTCL to the Group, stating that unless the above referred sum was paid, the PTCL would suspend the WPS service to the Group. The Group approached the Court in this matter, praying the declaration of the above referred notice as unlawful, and seeking at the same time, a permanent injunction, restraining the PTCL from suspending the said service. The Court issued an Order, dated February 26, 2008 and instructed the Group to pay Rs.17.000 million per month to the PTCL irrespective of the amount invoiced by the PTCL, with the said amount subject to final determination upon completion of the arbitration process. Based on said Order, the Group has paid a sum of Rs.170.000 million to PTCL for the period commencing July 2008 to February 2009. Thereafter, the Group has stopped paying the said amount to the PTCL, contending that average billing of PTCL for the current year is only Rs.2.520 million.

30.2 Related parties		
World Trade Center (Private) Limited	**17,526**	72,356
Total Telecom Limited	**12,844**	-
Pakcom Limited	-	4,304
Envicon (Private) Limited	**52**	52
Arfeen International (Private) Limited	**8,921**	849
Chaman Investment (Private) Limited	**3,129**	555
	42,472	78,116

30.2.1 These represent interest free current account balances with related parties, payable on demand.

30.3 This includes a sum of Rs.38.348 (2008: Rs.27.727) million, representing tax deducted from payments made to foreign satellite service providers. The payment of these tax deductions were subject to the decision of the High Court of Sindh as discussed in note 36.12.

31. ACCRUED / INTEREST MARK-UP

On secured:		
Long-term loans	**46,768**	27,496
Redeemable capital	**18,994**	28,012
Finance lease arrangements	-	4,026
Short-term borrowings	-	945
Short-term running finances	**10,503**	7,256
	76,265	67,735
On unsecured:		
Long-term loans	**33,251**	94,307
	109,516	162,042

Notes to the Consolidated Financial Statements

For The Year Ended June 30, 2009

	Note	June 30, 2009	June 30, 2008
		------- (Rupees in '000) -------	
32. SHORT-TERM RUNNING FINANCES			
From banks – secured		**407,783**	292,436

The Group has arranged short-term facilities, aggregating to Rs.430.000 (2008: Rs.305.000) million. These carry mark-up ranging between three months KIBOR plus 2.25% to six months KIBOR plus 2.75% (2008: three months KIBOR plus 1.5% to six months KIBOR plus 2.75%) per annum, payable quarterly. The purchase prices are repayable on various dates, latest by November 30, 2009. These facilities are secured against first pari passu hypothecation charge over current assets of the Group to the extent of Rs.394.000 (2008: Rs.370.923) million.

33. CURRENT MATURITIES OF LONG-TERM LIABILITIES

	Note	June 30, 2009	June 30, 2008
Long-term loans	21	**262,500**	71,000
Redeemable capital (TFCs)	22	**528,960**	519,840
Liabilities against assets subject to finance lease	23	**31,876**	72,337
Advance from a contractor	24	**276,864**	212,105
Due to employees	27	**14,348**	18,249
		1,114,548	893,531

34. CONTINGENCIES AND COMMITMENTS

Contingencies

34.1 The Group has filed an appeal under section 7(1) of the Pakistan Telecommunication (Re-organisation) Act, 1996 before the Islamabad High Court against the decision / determination of the PTA dated, November 18, 2008, whereby it directed the Group to pay Rs.137.651 million by December 15, 2008 in respect of annual regulatory dues for various years, commencing June 30, 2006. The above sum includes annual license fee, research & development fund contribution, annual radio spectrum frequency fee and radio base station charges along with late payment charges. The Islamabad High Court, vide its Order dated, March 19, 2009, suspended the aforesaid impugned Order of the PTA subject to the payment of Rs.36.000 million by the Group (which is the Group's admitted liability owed to the PTA excluding late payment charges). Pending a final decision in this matter, no provision has been made by the Group for Rs.101.651 million in these consolidated financial statements.

34.2 The PTA issued a show cause notice to the Group, alleging that the Group has violated the AP Rules, 2004 and AP Regulations, 2005 in respect of reporting requirements and certain discrepancies in the data provided to the PTA under the said rules / regulations. The Group has taken strong exceptions to the allegations being unfounded and made in undue haste without affording the Group an opportunity to explain its position which could have avoided the need for issuance of a show cause notice to start with. In particular, the Group has stated that complete data was provided to the PTA and the PTA had no occasion to allege violation of the requirements of the rules / regulations. This was stated without prejudice to the Group's stance before the Supreme Court of Pakistan regarding the various of the AP Rules, 2004 and AP Regulations, 2005 under which the aforementioned show cause notice has been issued to the Group. As the amount cannot be ascertained no provision has been made by the Group for any liability that may arise as a result of this matter in these consolidated financial statements.

34.3 Wi-tribe Limited and Burraq Telecom Limited filed a suit in the Court of Senior Civil Judge, Islamabad, against the Group and Broadband Services (Private) Limited under Section 20 of the Arbitration Act, 1940, whereby the said companies highlighted certain disputes with the Group and requested that these disputes be referred to an Arbitrator for resolving the same, mainly arising from a Joint Venture Agreement executed between the said companies and the Group. The suit was later transferred to and disposed of by the Islamabad High Court, and the matter has been referred to the Arbitration Tribunal of the International Chamber of Commerce, Singapore. In the meantime, the Group has undertaken not to transfer directly or indirectly, the ownership, title and interest in the re-issued licenses and / or the spectrum, which is held either under the re-issued licenses or the original licenses as the case may be, to any third party for a period of six months from the date of the termination of the agreement. All the evidence has been recorded, written arguments have been filed and oral arguments by both sides have been heard by the Arbitrator. However, pending a final decision in this matter, no provision for any liability that may arise from the above has been made by the Group in these consolidated financial statements.

34.4 The Group filed a law suit against the Karachi Building Control Authority (KBCA) before the Court, for preventing their antennas from dismantling against notice issued by KBCA, dated February 26, 2006. The KBCA has instructed all cellular phone companies to regularize their antenna which involves obtaining an NOC from the KBCA, and a Stability Certificate within 15 days from the date of that notice, failing which the defendant has threatened to dimantle the antennas and / or take legal action. The Court has granted interim injunction and matter is pending for hearing of application. It is not possible at this juncture to assess and estimate the financial impact of the case in question. Hence, no provision for any liability that may arise as a result of this matter has been recorded by the Group in these consolidated financial statements.

34.5 A suit has been filed by a shareholder of the Group for the recovery of Rs.4.922 million along with mark up at the rate of 2% per annum above prevailing bank rate. It is claimed in the suit that the plaintiff suffered a loss while trading in the Group's shares in the capital market and requested for compensation. The Group is confident that the outcome of the case will be in its favour and, hence, no liability in this respect will arise. Accordingly, no provision has been made for the same in these consolidated financial statements.

34.6 The income tax assessments of the Group have been finalised up to and including the tax year 2008.

In respect of the assessment years 1999 - 2000 to 2002 – 2003, the Group was assessed partly under the presumptive tax regime and partly under the normal tax regime. Further, for assessment years 2001-2002 and 2002-2003, apart from taxation on historic basis, the tax authorities disallowed tax credit as well as the reinvestment allowance claimed by the Group on purchase of fixed assets. Tax demand in respect of these cases amounts to Rs.59.812 million. The Group has filed appeals against these cases with the Court, which are currently pending.

The income tax return filed by the Group for the tax year 2003 was subjected to tax audit. An Order has been passed by the Taxation Officer under section 122(1) of the Income Tax Ordinance, 2001, whereby income has been assessed at Rs.56.923 million against the reported tax loss of Rs.5,945 million. The Group has filed an appeal against the same before the ITAT which has decided the case against the Group, after admitting an adjustment of tax refundable, amounting to Rs.4.529 million, against tax demand of Rs.19.358 million thus creating a final tax demand of Rs.14.789 million. The Group has filed an appeal in the Court, which has not been heard to-date.

The income tax return filed by the Group for the year 2006 was subjected to tax audit. An Order has been passed by the Taxation Officer under Section 122 of the Income Tax Ordinance, 2001, whereby income has been assessed at Rs.2,686.760 against the reported tax loss of Rs.1,033.598 million resulting in a tax demand of Rs.940 million. The Group has filed an appeal against the same before the CIT(A), which is still pending.

The aggregate financial impact of the above matters on the tax provision made by the Group in the consolidated financial statements works out to be Rs.1,031.679 (2008: Rs.96.248) million. However, the management, based on the opinion of its tax advisors, is confident about the favourable outcome of the above matters and, hence, no additional provision has been considered necessary in these consolidated financial statements.

34.7 PTCL claim amounting to Rs.1,184.000 (2008: Rs.1,267.000) million in respect of monthly billing has not been acknowledged as debt by the Group. The Group maintains that the said amount is overbilled by the PTCL. Hence, no provision has been made against the same in these consolidated financial statements.

34.8 Contingencies in respect of matters relating to the PTCL have been disclosed in notes 15.2, 15.3, 15.7 and 30.1 to the consolidated financial statements. Pending resolutions of these matters no provision has been made against the amounts disclosed in these notes.

34.9 Contingency in respect of the PTA claim for APC for USF is disclosed in note 15.4 to the consolidated financial statements against which no provision has been made in these consolidated financial statements.

Notes to the Consolidated Financial Statements

For The Year Ended June 30, 2009

34.10 Contingency relating to accrued mark-up is disclosed in note 14.1 to the consolidated financial statements against which no provision has been made for the reason disclosed in the said note.

34.11 While finalising the Group's income tax assessments in respect of the Subsidiary Company for the assessment years 1997-98 to 2002-03, the taxation officer has not allowed credit of taxes paid by the Group, aggregating Rs.17.078 million, on account of non-verifiability of payment challans. The Group through its tax consultants has applied for a rectification for Rs.15.605 million and is confident that the eventual outcome of the matter will be decided in favour of the Group. Accordingly, no provision has been made in these consolidated financial statements in respect of disallowed tax credits.

34.12 During the year ended June 30, 2005, a suit was filed by Shinawatra Satelite Public Company Limited, Thailand, in the High Court of Sindh (the Court) against the Group for the recovery of transponder service fee, inclusive of withholding tax and interest thereon, amounting to US$324,625, (approximately Rs.26.392 million). Out of this amount, a sum of Rs.10.873 million has been withheld from the payments made and is included in the income tax deducted at source of Rs.131.766 million (note 30.3). The balance amount of Rs.15.519 million has not been provided for in these consolidated financial statements as the Group's lawyer has advised that no loss is likely to be suffered. The management has also proposed to file a counter claim of US$530,000 (approximately Rs.43.089 million) against the above supplier and as per the legal advisor the matter will be in favour of the Group.

34.13 A suit was filed by Huawei Technologies Company Limited, China, in the Court against the Group for the return of certain equipment or payment of US$ 300,000 (approximately Rs.24.390 million) and a compensation of US$ 270,000, (approximately Rs.21.959 million) for the use of equipment. During the year ended June 30, 2005, the subject equipment was returned by the Group in the presence of a representative of the Court. However, the decision regarding the payment of compensation is still pending before the Court. The Group's lawyer has advised that no loss is likely to be suffered by the Group on account of the above matter. Hence, no provision has been made for the same in these consolidated financial statements.

		Note	June 30, 2009	June 30, 2008
			------- (Rupees in '000) -------	
Commitments				
34.11	Counter guarantees given to banks		**332,368**	223,445
34.12	Commitments in respect of capital expenditure		-	136,000
34.13	Post dated cheques issued to the PTA		**175,006**	-
34.14	Outstanding letters of credit		**123**	4,350

35. REVENUE – Net

	Note	June 30, 2009	June 30, 2008
Turnover		**4,188,742**	2,421,130
Trade discounts		**(65,859)**	(89,932)
		4,122,883	2,331,198
Services rendered to the Contractor	24.2	**276,870**	-
Sale of equipment		**206,431**	427,807
		4,406,184	2,759,005

Notes to the Consolidated Financial Statements

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36. DIRECT COSTS

	Note	June 30, 2009	June 30, 2008
		------- (Rupees in '000) -------	
Salaries and other benefits		**41,255**	37,802
Interconnect charges – net		**1,225,202**	1,006,139
Annual License fee		**33,970**	20,290
Cost of cards sold	36.1	**3,656**	4,464
Communication stores consumed	36.2	**102,657**	261,544
Satellite communication charges		**166,333**	138,063
Optical Fiber Network charges		**8,997**	2,515
Internet bandwidth charges		**25,563**	8,071
Depreciation	6.1.5	**765,572**	727,996
Amortisation	7.4	**292,098**	160,452
Network sites rent		**224,557**	177,280
Network sites utilities and maintenance		**103,367**	64,503
Royalty		**3,306**	3,020
Printing and stationary		**508**	1,626
Insurance		**15,625**	18,807
Conveyance and travelling		**5,470**	7,949
Communication		**1,227**	1,788
Repair and maintenance		**703**	407
Direct cost		**22,134**	-
Provision against other receivables considered doubtful		-	1,350
Provision against slow moving stores	10.1	**2,560**	3,521
APC for USF		-	70,531
Others		**768**	20,296
		3,045,528	2,738,414

36.1 Cost of cards sold

		2009	2008
Opening stock		**10,220**	13,130
Purchases		**2,293**	1,554
		12,513	14,684
Closing stock		**(8,857)**	(10,220)
		3,656	4,464

36.2 Communication stores consumed

		2009	2008
Opening stock		**71,441**	85,157
Purchases		**141,920**	247,828
		213,361	332,985
Closing stock		**(110,704)**	(71,441)
		102,657	261,544

Notes to the Consolidated Financial Statements
For The Year Ended June 30, 2009

	Note	June 30, 2009	June 30, 2008
		------- (Rupees in '000) -------	
37. DISTRIBUTION COSTS AND ADMINISTRATIVE EXPENSES			
Salaries and other benefits		**297,756**	335,574
Postage, telephone and telex		**4,198**	3,227
Vehicles running and maintenance		**25,867**	26,305
Travelling and entertainment		**20,213**	16,927
Office security and maintenance		**9,598**	6,206
Stationery and photocopies		**7,909**	7,642
Rent and utilities		**100,924**	91,787
Insurance		**3,633**	8,829
Legal and professional charges		**38,094**	11,438
Auditors' remuneration	37.1	**3,735**	3,395
Sales promotion and marketing		**150,850**	118,768
Fee and subscription		**3,143**	4,147
Depreciation	6.1.4	**5,417**	23,103
Provision for long term advances considered doubtful	8	**772**	-
Provision for advances considered doubtful	12.2	**2,645**	7,458
Provision for long term deposits considered doubtful	9	**692**	-
Provision for debts considered doubtful	11.2	**34,856**	19,174
Bad debts written off		**9,608**	-
Amortisation	7.4	**16**	-
Repair and maintenance		**625**	-
Communication		**1,349**	-
Others		**1,332**	3,450
		723,232	687,430

37.1 Auditors' remuneration

		June 30, 2009	June 30, 2008
Fee for the audit of annual financial statements		**1,950**	1,450
Fee for the audit of consolidated financial statements		**350**	250
Fee for the review of half yearly financial statements and special certifications		**1,010**	1,060
Tax services		**26**	240
Out-of-pocket expenses		**399**	395
		3,735	3,395

38. OTHER OPERATING EXPENSES

	Note	June 30, 2009	June 30, 2008
Exchange loss - net		**29,429**	65,470
Workers' Welfare Fund		**11,196**	-
		40,625	65,470

39. OTHER OPERATING INCOME

	Note	June 30, 2009	June 30, 2008
Gain on sale of fixed assets – net	6.1.3	**834**	2,619
Services provided to a related party		**-**	14,400
Mark-up on current account with related parties		**13,304**	-
Provision against other receivable considered doubtful written back	15.8	**5,245**	27,278
Site sharing income		**26,767**	-
Return of bank deposits and term deposit receipts		**11,005**	14,748
Amortisation of deferred income on sale and lease back arrangements	26	**663**	663
Liabilities no longer payable written back		**12,108**	14,641
Exchange gain - net		**106**	-
Others		**1,162**	398
		71,194	74,747

Notes to the Consolidated Financial Statements

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40. FINANCE COSTS

	Note	June 30, 2009	June 30, 2008
		------- (Rupees in '000) -------	
Mark-up on secured:			
Redeemable capital		**173,169**	164,237
Long term loans		**133,076**	122,667
Finance lease arrangements		**5,769**	16,325
Short term running finances		**43,766**	25,580
Short term borrowings		**4,319**	9,387
Imputed interest on spectrum fee	29	**141,551**	127,523
Bank charges		**6,701**	12,562
		508,351	478,281

41. TAXATION

Current	**(2,998)**	(26,622)
Prior	**1,444**	-
Deferred	**(22,751)**	337,370
	(24,305)	310,748

42. EARNINGS / (LOSS) PER SHARE – basic and diluted

Profit / (loss) after tax for the year	**135,337**	(398,399)
	Number of shares	
Weighted average number of shares	**300,000,000**	300,000,000
	------- (Rupees) -------	
Basic earnings / (loss) per share	**0.45**	(1.33)

There is no dilutive effect on the basic earnings / (loss) of the Company.

Notes to the Consolidated Financial Statements

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	Note	June 30, 2009	June 30, 2008
		------- (Rupees in '000) -------	
43. CASH GENERATED FROM OPERATIONS			
Profit / (loss) before taxation		**159,642**	(709,647)
Adjustments for non-cash charges and other items:			
Depreciation	6.1.5	**770,989**	751,099
Amortisation	36	**292,114**	160,452
Provision for gratuity		**13,185**	44,819
Finance costs		**508,351**	478,282
Gain arising from present value adjustment		**-**	(426,196)
Provision for debts considered doubtful	37	**34,856**	19,174
Provision against other receivables considered doubtful written back	36	**(14,464)**	1,350
Provision against advances considered doubtful	37	**4,109**	7,458
Provision against slow moving stores	36	**2,560**	3,521
Bad debts written off directly		**9,608**	-
Gain on sale of fixed assets – net	39	**(834)**	(2,619)
Amortisation of deferred income on sale and lease back arrangements	39	**(663)**	(663)
		1,619,811	1,036,677
Profit before working capital changes		**1,779,453**	327,030
(Increase) / decrease in current assets			
Communication stores		**(41,824)**	10,195
Stock-in-trade		**1,363**	2,910
Trade debts		**41,715**	(213,278)
Loans and advances		**(6,914)**	(1,523)
Deposits and prepayments		**10,396**	(6,021)
Other receivables		**(247,943)**	116,569
Short-term investment		**(6,815)**	-
		(250,022)	(91,148)
Increase / (decrease) in trade and other payables		**48,918**	(500,822)
Cash generated from / (utilised in) operations		**1,578,349**	(264,440)

44. CASH AND CASH EQUIVALENT

		June 30, 2009	June 30, 2008
Short term investments		**68,740**	69,185
Cash and bank balances		**10,310**	39,102
		79,050	108,287

Notes to the Consolidated Financial Statements

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45. REMUNERATION OF THE CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

	2009			2008		
	Chief Executive	Director	Executives	Chief Executive	Director	Executives
	---------- (Rs. in'00	----------	----------	---------- (Rs. in'000)	----------	----------
Managerial remuneration	**5,806**	**10,568**	**58,468**	10,866	3,833	55,715
Other perquisites and benefits:						
House rent	**2,613**	**1,742**	**19,116**	2,613	1,725	19,063
Medical	-	**61**	**829**	33	17	552
Retirement benefits	-	**322**	**2,404**	-	83	373
Utilities	**581**	**387**	**4,248**	581	17	5,013
Perquisites and benefits	-	**3,537**	**14,096**	2,649	-	6,007
Leave passage	-	**422**	**788**	-	-	464
	3,194	**6,471**	**41,481**	5,876	1,842	31,472
	9,000	**17,039**	**99,949**	16,742	5,675	87,187
Number of persons	**1**	**2**	**60**	1	2	52

45.1 The Chief Executives, Director and some executives of the Group are also provided with the free use of the Group maintained car, medical and other benefits in accordance with their terms of service.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks i.e. market risk, credit risk and liquidity risk. The risk is managed through monitoring and controlling activities which are primarily set up to be performed based on limits established by the management. The Board of Directors supervises the overall risk management approach within the Group.

46.1 Market risk

Market risk is the risk that fair value of future cash flows will fluctuate because of changes in market variables such as interest rates, foreign exchange rates and equity prices.

46.1.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate because of changes in the market interest rates. As of June 30, 2009, the Group is exposed to such risk mainly in respect of long-term and short-term borrowings and short-term investments and loan.

Management of the Group estimates that 1% increase in the market interest rate, with all other factors remaining constant, would decrease the Group's profit by Rs.30.043 million and a 1% decrease would result in an increase in the Group's profit by the same amount. However, in practice, the actual results may differ from the sensitively analysis.

46.1.2 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in foreign exchange rates. As of June 30, 2009, the Group is mainly exposed to such risk in respect of foreign receivables of Rs.203.173 (2008: Rs.33.864) million and foreign payables of Rs.567.329 (2008: Rs.509.635) million.

Notes to the Consolidated Financial Statements

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46.1.3 Equity risk

Equity price risk is the risk of volatility in share prices resulting from their dependence on market sentiments, speculative activities, supply and demand for shares and liquidity in the market. As of June 30, 2009 the Group is not exposed to equity price risk.

46.2 Credit risk

Credit risk is the risk that counterparty will cause a financial loss for the Group by failing to discharge its obligations. The table below analyses the Group's maximum exposure to credit risk

	June 30, 2009	June 30, 2008
	------- (Rupees in '000) -------	
Loans and advances	**38,076**	34,552
Deposits	**79,583**	84,413
Trade debts	**694,282**	770,853
Accrued mark-up	**61,891**	48,587
Other receivables	**800,158**	732,032
Short-term investment	**75,555**	69,185
Bank balances	**8,000**	34,510
	1,757,545	1,774,132

Concentration of credit risk exists when changes in economic or industry factors affect the group of counterparties whose aggregate credit exposure is significant in relation to the Group's total credit exposure. The Group's portfolio of financial assets is broadly diversified and transactions are entered into with diverse credit worthy counterparties thereby mitigating any significant concentration of credit risk.

The credit quality of financial assets that are neither past nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates as follows:

Trade debts		
Customers with no defaults in the past one year	**337,119**	327,456
Short-term investment		
A-3	**75,555**	69,185
Bank balances		
A1+	**1,749**	33,826
A1	**6,135**	500
A1-	**31**	30
A3	**85**	154
	8,000	34,510

46.3 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group follows effective cash management and planning policy to ensure the availability of funds through committed credit facilities. At the balance sheet date, the Group has unavailed credit facility of Rs.22.164 (2008: Rs.28.959) million. The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

Notes to the Consolidated Financial Statements

For The Year Ended June 30, 2009

	Less than 3 months	3 to 12 months	1 to 5 years	5 years	Total
	(Rupees in '000)				
Long-term loans	**44,500**	**222,000**	**495,500**	**-**	**762,000**
Redeemable capital	**-**	**528,960**	**600,000**	**-**	**1,128,960**
Liabilities against assets subject to finance leases	**5,844**	**26,032**	**1,868**	**-**	**33,744**
Long-term deposits	**-**	**-**	**66,137**	**-**	**66,137**
Due to PTA	**-**	**-**	**1,585,000**	**-**	**1,585,000**
Trade and other payables	**-**	**1,447,234**	**-**	**-**	**1,447,234**
Accrued mark-up	**109,516**	**-**	**-**	**-**	**109,516**
Short-term running finances	**-**	**407,783**	**-**	**-**	**407,783**
June 30, 2009	**159,860**	**2,632,009**	**2,748,505**	**-**	**5,540,374**

	Less than 3 months	3 to 12 months	1 to 5 years	5 years	Total
	(Rupees in '000)				
Long-term loans	7,000	64,000	854,243	-	925,243
Redeemable capital	-	519,840	1,128,960	-	1,648,800
Liabilities against assets subject to finance leases	14,124	58,213	23,139	-	95,476
Long-term deposits	-	-	78,003	-	78,003
Due to PTA	-	-	1,585,000	-	1,585,000
Trade and other payables	-	1,448,316	-	-	1,448,316
Accrued mark-up	162,042	-	-	-	162,042
Short-term borrowings	-	64,289	-	-	64,289
Short-term running finances	-	292,436	-	-	292,436
June 30, 2008	183,166	2,447,094	3,669,345	-	6,299,605

Effective interest / mark-up rates for the financial liabilities are mentioned in the respective notes to the consolidated financial statements.

46.4 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction.

The carrying values of all financial assets and liabilities reflected in the consolidated financial statements approximate their fair values.

46.5 Capital management

The Group's objective when managing capital is to safeguard the Group's ability to remain as a going concern and continue to provide returns for shareholders.

Notes to the Consolidated Financial Statements

For The Year Ended June 30, 2009

The Group monitors capital using a gearing ratio, which is debt divided by total capital plus debt as follows:

	June 30, 2009	June 30, 2008
	------- (Rupees in '000) -------	
Long-term loans	**762,000**	925,243
Redeemable capital	**1,128,960**	1,648,800
Obligation under finance leases	**33,744**	95,476
Due to PTA	**1,585,000**	1,585,000
Debt	**3,509,704**	4,254,519
Issued, subscribed and paid-up capital	**3,000,000**	3,000,000
Accumulated loss	**(16,639)**	(209,981)
Total capital	**2,983,361**	2,790,019
Capital and debt	**6,493,065**	7,044,538
Gearing ratio	**54.05%**	60.39%

47. TRANSACTIONS WITH RELATED PARTIES

The related parties include a Subsidiary Company, entities having directors in common with the Group, major shareholders of the Group, directors and other key management personnel and retirement benefit plans. Transactions with related parties, other than those disclosed elsewhere in the consolidated financial statements are as under:

Entities having directors in common with the Company

	2009	2008
Pakcom Limited		
Services rendered	**66,022**	23,402
Services received	**96,812**	28,288
Mark-up charged during the year	**12,873**	-
Arfeen International (Private) Limited		
Sale of fixed assets	**1,400**	-
Payments made on behalf of the Group	**5,919**	1,379
Payments made by the Group	**2,290**	34
Repayment of long-term loan	**6,000**	-
Markup charged during the year	**3,778**	6,225
Total Telecom Limited		
Payments made by the Group	**18**	-
Payments made on behalf of the Group	**1,184**	-
(Repayment) / receipt of long-term loan	**(91,743)**	536,143
Markup charged during the year	**2,510**	56,166
Chaman Investment (Private) Limited		
Services rendered	**2,574**	-
World Trade Center (Private) Limited		
Services rendered	**75,619**	14,239
Envicrete Limited		
Sale of fixed assets	**228**	136

Notes to the Consolidated Financial Statements

For The Year Ended June 30, 2009

	June 30, 2009	June 30, 2008
	------- (Rupees in '000) -------	
Grand Leisure Corporation (Private) Limited		
Services rendered	**186**	180
Provident Fund		
Contribution during the year	**3,371**	651

47.1 Balance outstanding with related parties have been disclosed in the respective notes to the consolidated financial statements.

48. CORRESPONDING FIGURES

Certain corresponding figures have been reclassified for the purposes of better presentation.

49. DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorised for issue on October 09, 2009 by the Board of Directors.

50. GENERAL

Figures have been rounded off to the nearest thousand rupees.

Chief Executive **Director**

Pattern of Shareholding

AS AT JUNE 30, 2009

NUMBER OF SHARE HOLDERS	SHARE HOLDINGS FROM	TO	TOTAL SHARES HELD
75	1	100	4,658
678	101	500	328,566
1,080	501	1000	1,076,541
1,929	1001	5000	5,910,886
615	5001	10000	5,167,908
213	10001	15000	2,844,360
150	15001	20000	2,872,934
88	20001	25000	2,107,610
52	25001	30000	1,495,000
30	30001	35000	993,000
37	35001	40000	1,420,103
14	40001	45000	613,028
46	45001	50000	2,277,153
10	50001	55000	536,500
18	55001	60000	1,058,550
5	60001	65000	308,000
8	65001	70000	546,000
8	70001	75000	580,600
7	75001	80000	546,970
5	80001	85000	419,500
5	85001	90000	441,500
4	90001	95000	370,500
25	95001	100000	2,495,500
7	100001	105000	719,600
7	105001	110000	759,212
1	110001	115000	115,000
4	115001	120000	474,363
4	120001	125000	497,000
4	125001	130000	512,210
2	130001	135000	267,500
4	135001	140000	560,000
2	140001	145000	287,000
6	145001	150000	894,600
2	150001	155000	306,000
1	160001	165000	160,100
1	165001	170000	168,000
1	175001	180000	180,000
1	185001	190000	187,212
1	190001	195000	192,500
5	195001	200000	997,500
1	205001	210000	210,000
1	210001	215000	212,500
1	220001	225000	221,940
2	230001	235000	468,000
1	235001	240000	238,500
1	245001	250000	250,000
1	255001	260000	258,500
1	275001	280000	280,000
4	295001	300000	1,200,000
3	300001	305000	902,500
1	305001	310000	310,000
1	315001	320000	320,000
1	325001	330000	330,000
1	335001	340000	338,690
1	345001	350000	350,000
1	370001	375000	375,000

Pattern of Shareholding

AS AT JUNE 30, 2009

NUMBER OF SHARE HOLDERS	SHARE HOLDINGS FROM	TO	TOTAL SHARES HELD
1	380001	385000	383,500
3	395001	400000	1,197,500
1	400001	405000	401,600
1	420001	425000	421,800
1	430001	435000	433,000
2	445001	450000	899,735
1	460001	465000	463,265
1	480001	485000	485,000
5	495001	500000	2,500,000
2	515001	520000	1,035,000
1	525001	530000	527,932
1	610001	615000	610,500
1	630001	635000	634,375
1	655001	660000	658,500
1	725001	730000	727,255
1	795001	800000	800,000
2	800001	805000	1,605,400
1	885001	890000	886,430
1	895001	900000	896,430
2	905001	910000	1,812,856
1	995001	1000000	1,000,000
1	1430001	1435000	1,435,000
1	1885001	1890000	1,886,500
1	2180001	2185000	2,180,496
2	2245001	2250000	4,500,000
1	2395001	2400000	2,400,000
1	2450001	2455000	2,450,900
1	2490001	2495000	2,494,500
2	2495001	2500000	5,000,000
1	2995001	3000000	2,996,749
1	3585001	3590000	3,585,500
1	3605001	3610000	3,610,000
1	3890001	3895000	3,894,858
1	3955001	3960000	3,960,000
1	4790001	4795000	4,791,000
1	7315001	7320000	7,320,000
1	8910001	8915000	8,913,600
1	8965001	8970000	8,965,500
1	20995001	21000000	21,000,000
1	22725001	22730000	22,727,180
1	29095001	29100000	29,100,000
1	34270001	34275000	34,270,345
1	56175001	56180000	56,179,000
5,232			**300,000,000**

Catagories of Shareholders

AS AT JUNE 30, 2009

NAME	NO. OF SHARES	NOS	%
INDIVIDUALS	104,319,924	5,111	34.77%
ASSOCIATED COMPANIES			
CHAMAN INVESTMENT (PVT.) LTD.	34,500	1	0.01
ARFEEN INTERNATIONAL (PVT) LTD.	12,052,249	1	4.02
WORLD TRADE CENTRE (PVT). LTD.	34,270,345	1	11.42
ENVICRETE LTD.	2,400,000	1	0.80
GATES LTD.	2,550,900	1	0.85
	51,307,994	**5**	17.10
JOINT STOCK COMPANIES			
BANKS, DFI'S, NBFI'S, INSURANCE COMPANIES, MODARABAS AND MUTUAL FUNDS & OTHERS	127,381,720	103	42.46
	127,381,720	**103**	42.46
FOREIGN INVESTORS			
BOSTON SAVE DEPOSIT & TRUST	2000	1	0.00
LEHMAN BROTHERS SECURITIES	3,400	1	0.00
STATE STREET BANK & TRUST COMPANY	8,100	1	0.00
BARING SECURITIES NOMINEES LTD.	400	1	0.00
ICG USA	2,500,000	1	0.85
INTERNATIONAL COMMUNICATION GROUP	7,320,000	1	2.44
GATES INTERNATIONAL	3,894,858	1	1.29
	13,728,758	**7**	4.56
DIRECTORS ,CHIEF EXECUTIVES,AND THEIR SPOUSES			
SULTAN UL ARFEEN	1,426,362	1	0.48
SHAHID FIROZ	1,073,642	1	0.36
SAMINA SHAHID	450,000	1	0.15
NIGHAT SULTANA	301,100	1	0.10
AAMIR NIAZI	500	1	0.00
CHAMAN ARA BEGUM	10,000	1	0.00
	3,261,604	**6**	1.09
	300,000,000	**5,232**	100.00

Form of Proxy

I/We ____________________ s/o __________________________of ________ being a member of **TeleCard Limited** and holding ___________________ ordinary shares as per Folio No. __________________and/or CDC participant I.D. No.____________and Sub-Account No. _________ hereby appoint ____ of ______________ or failing him ____ of ______________ as my/our proxy to vote for me/us and on my behalf at the Annual General Meeting of the Company to be held on Saturday 31 October, 2009 at 11:00 a.m. at 3rd Floor, 75 East , Blue Area, Fazal ul Haq Road, Islamabad, and at any adjournment thereof.

Signed this __________ day of ______________, 2009.

WITNESS:

1. Signature: ____________________
   Name: ____________________
   Address: ____________________
   ____

CNIC No. ☐☐☐☐☐–☐☐☐☐☐☐☐–☐
Or Passport No. ____________________

Rupees Five Revenue Stamp

2. Signature: ____________________
   Name: ____________________
   Address: ____________________
   ____

CNIC No. ☐☐☐☐☐–☐☐☐☐☐☐☐–☐
Or Passport No. ____________________

Signature of the shareholder
1. For physical shareholders: The signature should agree with the specimen registered with the company.
2. For CDC shareholders: The signature should agree with the specimen on CNIC attached).
CNIC No.

NOTES:

1. A member of the Company entitled to attend and vote may appoint a proxy to attend and vote instead of him / her. Proxies in-order must be received, during business hours, at the Registered Office of the Company not less than 48 hours before the time of holding Annual General Meeting.

2. Shareholders whose shares are deposited with Central Depository Company (CDC) are requested to bring their Computerized National Identity Card (CNIC) along with their CDC Account Number for verification. In case of corporate entity, the Board of Directors' resolution/ power of attorney with specimen signatures of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

3. For attending the meeting and appointing proxies, CDC account holders will further have to follow the guidelines as laid down in Circular 01 dated 26 January, 2000 issued by the SECP.

Telecard Limited

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