Annual Report 2010

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.

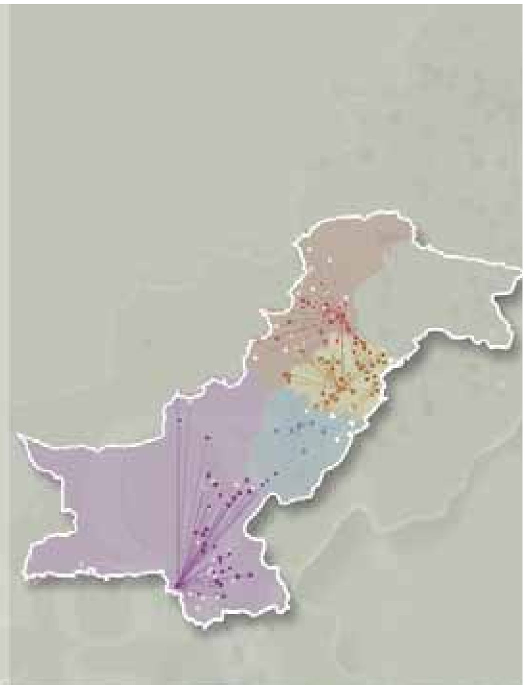
- Valuing our employees and providing a satisfying, challenging and rewarding work environment.

- Maintaining mutually beneficial relations with our business partners.

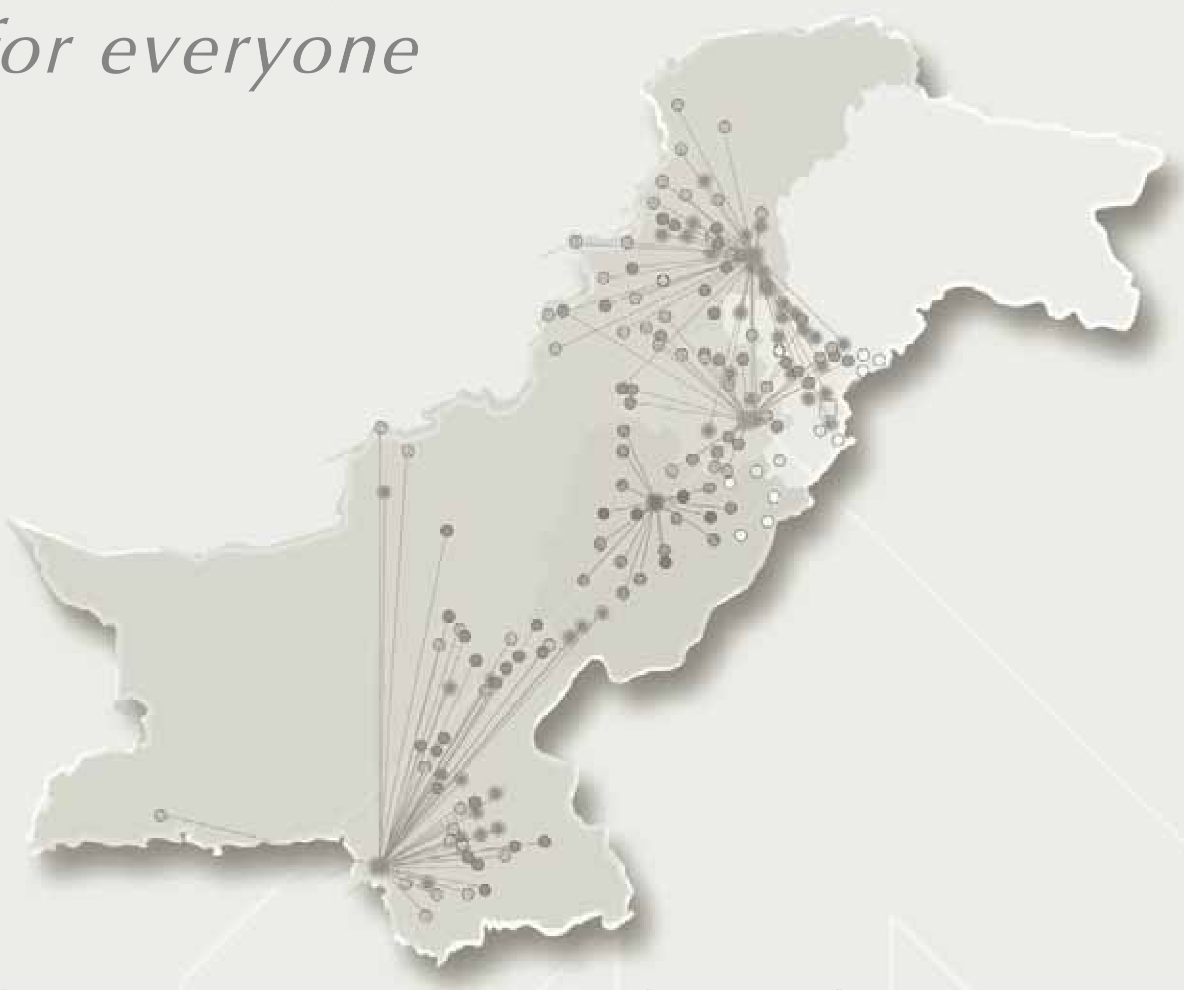
- We instill pride of ownership and we are a financially rewarding investment for stakeholders.

- 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

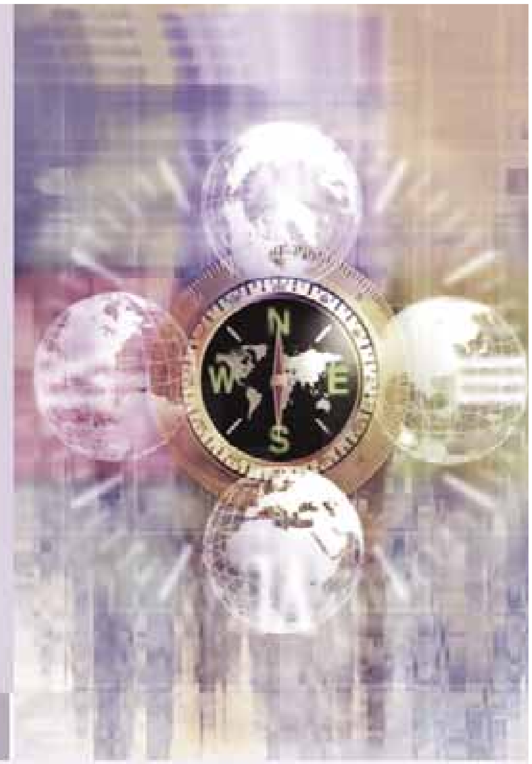
within Reach

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.

TeleCard Limited
World Trade Center, 10 Khayaban-e-Roomi, Clifton, Karachi - 75600.
UAN: 111-222-123, Fax: (92-21) 35867850
www.telecard.com.pk

Contents

Company Information

Board of Directors	Mr. Sultan ul Arfeen (Chairman) Mr. Shams ul Arfeen (CEO) 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. Shams ul Arfeen
Legal Advisor	Mohsin Tayebaly & Co.
Chief Financial Officer	Mr. Tipu Saeed Khan
Company Secretary	Mr. Waseem Ahmad
Banks	KASB Bank Limited Standard Chartered Bank (Pakistan) Ltd. Faysal Bank Ltd. National Bank of Pakistan Habib Bank Ltd. Pak Oman Investment Company Ltd. Saudi Pak Commercial Bank
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 17th Annual General Meeting of the Shareholders of the Company will be held on Friday 12 November 2010 at 1100 hours 3rd Floor 75 East Blue Area, Fazal-ul-Haq Road Islamabad to transact the following business.

Ordinary Business

1. To confirm the minutes of the last Annual General Meeting held on 31 October 2009.

2. Receive, consider and adopt the Audited Accounts of the Company for the year ended 30 June 2010 together with the Directors' and Auditors' reports thereon.

3. To declare final cash dividend @ 1% i.e. Re.0.10 per share as recommended by the Board of Directors in its meeting.

4. Appoint Auditors of the Company for the year ending 30 June 2010 and fix their remuneration. Present Auditors M/s Ford Rhodes Sidat Hyder & Company - Chartered Accountants are retiring and being eligible offers themselves for reappointment.

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

By order of the Board

Waseem Ahmad
Company Secretary
Islamabad

October 15, 2010

Notes

1. The Members Register will remain closed from 06 November 2010 to 12 November 2010 (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 November 05, 2010 will be considered in time for attending the meeting.

2. A member of the Company entitled to attend and vote at the meeting 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 the 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.

6. Members who are holding shares in physical folios are requested to submit a copy of their CNIC at the office of our Registrar.

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 2010.

Review of Current Operations

The year 2010 has been a tumultuous year for your Company. It started off on a good note with revenues and traffic volumes continuing the upward growth momentum of the previous financial year. However, as pointed out in earlier reports, the company faced an outage of its Long Distance International (LDI) Services network in September 2009, which continued for a period of three months resulting in a very substantial loss of revenue in excess of Rs. 1 billion. The impact of the outage continued up to February 2010, and financial performance of this period was severely affected.

During the year, the Company transferred its 3.5 GHz. related Wireless Local Loop Licenses for a value of Rs. 1.58 billion. This transaction was a major source of funds for the Company in the year under review, and mitigated to some extent the liquidity crunch faced by the Company as a consequence of the network outage.

The overall operating environment for the Company remained very challenging in the financial year. A combination of a hyper-competitive telecom sector, adverse macro-economic performance, political uncertainties and regulatory challenges has resulted in a number of difficulties for the telecom industry such as lower pricing, reduced margins, and escalating costs.

Given the above circumstances, the financial performance of the Company remained resilient. Total revenues were Rs. 2.4 Billion against revenues of Rs. 3.7 Billion corresponding year, registering a decline of 35%. Gross Profit for the year reduced by 51% from Rs. 1,285 million in 2009 to Rs. 634 million in 2010, which includes the impact of non-cash expenses of Rs. 826 million. The transfer of WLL licenses resulted in a gain of Rs. 1,479 million, increasing the Profit before Tax to Rs. 1,201 million, compared to Rs. 112 million in the previous year. Net Profit for the year was Rs. 698 million, compared to Rs. 55 million for last year. Earnings per share for the period were Rs. 2.33, compared to Rs. 0.18 in 2009.

On a consolidated basis the total revenue was Rs. 3.63 billion, and net profit was Rs. 824m, reflecting a contribution of Rs. 1.23 billion and Rs. 125.69m in revenues and profits respectively from the subsidiary.

Based on the above results the Directors have declared a dividend of Rs. 0.10 per share.

Significant Events

Transfer of WLL Licenses

As stated above, during the year the Company transferred its 3.5 GHz. related Wireless Local Loop Licenses for all 14 Regions of Pakistan to a subsidiary of Augere Pakistan (Private) Limited (Augere), for a value of Rs. 1.58 billion. In 2008 the Company had entered into a three year agreement for sale of wholesale capacity to Augere. These licenses were acquired by the Company in 2004 through the spectrum auction conducted by the PTA. Advancements in the technology has made it possible to provide WiMAX based broadband wireless services on these licenses and spectrum. As substantial investments in infrastructure were required to provide these new services, and as this business line did not fit with the core business of the Company, it was decided to transfer these licenses to Augere and use the proceeds to meet the financing needs of the Company. The Company still holds and uses spectrum in other bands including the primary 1.9 GHz. band used for Telecard's WLL services.

This transaction resulted in a gain on sale of intangible asset of Rs. 1,479 million, contributing significantly to this year's profitability. As part of the transaction, the Company has also received an advance of Rs. 1,050 million in the form of cash, and shares of Augere (or its parent) are to be issued to the Company. In exchange for this advance, the Company will provide services to Augere over the long term.

End of Disputed with Wi-tribe

Another significant milestone for the Company is end of all litigation with Wi-tribe. As disclosed in previous years accounts, Wi-tribe had initiated litigation and Arbitration against the Company for enforcement of a contract which was terminated by Telecard due to lack of external approvals. During the year a Tribbnal under the International Chamber of Commerce (ICC) decided the dispute entirely in favour of the Company, vindicating the position taking by your Company with Wi-tribe. Subsequent to the balance sheet date, the parties agreed to end all litigation and withdraw all claims on each other.

Restructuring of Credit Facilities

In view of the financial crunch faced by the Company due to the Network Outage, the Company took the initiative of requesting the facility providers to revise the repayment schedules. Three main facilities of the Company were consequently modified during the financial year which reduced the debt servicing obligation of the Company by Rs. 446 million for the year. The principal of these facilities stood at Rs. 1,496 million on June 30, 2010.

Corporate Strategy & Future Outlook

Given the intense competition in the telecom industry, your Company is focusing on identifying niches in which it can grow its business. The Company has started making inroads in a few segments and these will remain the focus of the Company in the next 12-24 months.

On the cost side the Company has made significant reduction in expenses, and focus on cost optimization will continue. In addition, the management is looking at options for generating revenues from non-core areas, and to turn cost centers into profit centers. The Company has made headway in a few operating areas, and more areas will be identified in future.

Subsidiary Company

Supernet, a wholly owned subsidiary of Telecard Limited, continued to deliver solid performance during 2010. Despite the serious economic challenges Supernet posted total revenues of Rs. 1.2 billion as compared to Rs. 634 million in 2009, an impressive increase of 94%. Net profit improved to Rs. 125.7 million, and EBITDA was Rs. 292.3M (EBITDA Margin of 24%) in 2010.

Positive cash generation has enabled Supernet to retire a substantial portion of its debt towards the Company, and the balance is expected to be retired in the next financial year. For the year ended June 30, 2010, Supernet has also declared a bonus of 7.5% and a cash dividend of 2.5%, making it the first year of dividends by the Subsidiary to the Company.

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.

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, Five (5) Boards of Directors meetings were held and attended as follows:

Name of Directors	No. of Meetings Attended
Sultan ul Arfeen	5
Shams ul Arfeen	3
Shahid Firoz	4
Syed Nizam Ahmad Shah	2
Imran Malik	4
Hissan ul Arfeen	4
Peregrine Moncrieff	2

Consolidated Financial Statements

Consolidated Financial Statements of the Company as on 30 June 2010 are annexed.

Auditors

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

Dividends

The Company has declared Re. 0.10 to its share holders as final cash dividend.

Pattern of Shareholding

The pattern of shareholding as on 30 June 2010 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. And most importantly the Company appreciates the trust placed in it by its existing and new customers.

On behalf of the Board

Shams ul Arfeen
Chief Executive Officer

October 15, 2010

Six Year Financial Summary

Financial Analysis

	June 2010 Rupees	June 2009 Rupees	June 2008 Rupees	June 2007 Rupees	June 2006 Rupees	June 2005 Rupees
REVENUE- Net	2,414,177	3,791,473	1,904,313	2,147,662	2,560,424	2,416,304
Direct Cost	(1,779,933)	(2,506,398)	(2,176,714)	(2,135,487)	(1,938,960)	(1,585,894)
Gross Profit / (Loss)	634,244	1,285,075	(272,401)	12,175	621,464	830,410
Distribution costs and administrative expenses	(491,129)	(622,784)	(599,979)	(565,822)	(510,378)	(446,658)
Gain arising from present value adjustment			426,196			
Other operating expenses	(58,848)	(39,748)	(63,443)			
Other operating income	80,166	69,992	88,687	439,377	215,013	160,019
Gain on sale of intangible asset	1,478,758					
Liabilities no longer payable written back	87,927					
	1,096,874	(592,540)	(148,539)	(126,445)	(295,365)	(286,639)
Operating Profit / (Loss)	1,731,118	692,535	(420,940)	(114,270)	326,099	543,771
Financial charges	(530,449)	(580,719)	(528,919)	(499,598)	(419,388)	(111,673)
Net Profit / (Loss) before taxation	1,200,669	111,816	(949,859)	(613,868)	(93,289)	432,098
Taxation	(502,207)	(56,641)	407,323	168,906	38,958	187,758
Profit / (Loss) after taxation	698,462	55,175	(542,536)	(444,962)	(54,331)	244,340
Transfer from surplus on revaluation of intangible assets-net of tax						
Accumulated (Loss) / Profit b/f	(297,474)	(352,648)	189,888	634,850	689,181	444,841
Accumulated Profit / (Loss) c/f	400,988	(297,474)	(352,648)	189,888	634,850	689,181
EPS / (Loss) per Share (Rupees)	**2.33**	**0.18**	**(1.81)**	**(1.48)**	**(0.18)**	**1.13**

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 five 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 Mr. Shams ul Arfeen was appointed as the new CEO of the Company in place of Mr. Aamir Niazi.

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.

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.

Shams ul Arfeen
Chief Executive Officer

October 15, 2010

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

We have reviewed the Statement of Compliance with the best practices (the Statement) contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **Telecard Limited (the Company)** to comply with the Listing Regulations of the Karachi Stock Exchange (Guarantee) Limited and the Islamabad Stock Exchange (Guarantee) Limited where the Company is listed.

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

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

Further, Sub-Regulation (xii a) of Listing Regulation 35 notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 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 nit carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

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

Ernst & Young Ford Rhodes Sidat Hyder

Karachi - Chartered Accountants

October 15, 2010

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Telecard Limited (the Company)** as at **30 June 2010** and the related profit and loss account, statement of comprehensive income, 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) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion:

  (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes, as discussed in the note 4.2, to the financial statements with which we concur;

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us the balance sheet, profit and loss account, statement of comprehensive income, 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 2010 and of the profit, total comprehensive income, its cash flows and changes in equity for the year then ended;

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

without qualifying our opinion, we draw attention to the contents of:

  (i) 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) 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) note 14.6 to the accompanying financial statements in respect of the Pakistan Telecommunication Authority's (PTA) claim for Access Promotion Contribution for Universal Service Fund of Rs.2,269.148 million, out of which the Company paid a sum of Rs.2,111.115 million to the PTA up to the end of 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.2,111.115 million shown by the Company under other receivables (note 14.6) nor any provision has been made for the remaining sum of Rs.158.033 in the accompany financial statements;

(iv) notes 32.1 to 32.12 to the accompanying financial statements in respect of contingencies the ultimate outcome of which cannot presently be determined and, hence, pending the resolution thereof, no provision has been made for any liability that may arise therefrom in the accompanying financial statements;

(v) 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. Pending a final decision in this matter, no provision has been made thereagainst in the accompanying financial statements;

(vi) note 45 to the accompanying financial statements in respect of prior period adjustments, accounted for by the Company during the current year in accordance with the requirements of IAS-8 "Accounting Policies, Changes in Accounting Estimates and Errors", as a result of the matters discussed in note 6.3.1; and

(vii) note 26 in respect of amount due to PTA shown under non-current liabilities, as a result of a Writ Petition instituted by the WLL Industry, including the Company, subsequent to the end of the current year.

Ernst & Young Ford Rhodes Sidat Hyder

Chartered Accountants

Audit Engagement Partner's Name: Pervez Muslim
Date: October 15, 2010
Place: Karachi

BALANCE SHEET AS AT JUNE 30, 2010

	Note	June 30, 2010	June 30, 2009	June 30, 2008
		(Rupees in '000)		
ASSETS			Restated (Note 45)	Restated (Note 45)
NON-CURRENT ASSETS				
Fixed assets				
Property, plant and equipment	5	**2,559,009**	3,179,332	3,824,829
Intangible assets	6	**2,541,360**	2,830,594	3,018,835
		5,100,369	6,009,926	6,843,664
Long-term investment	7	**340,537**	340,537	340,537
Long-term loans	8	**192**	192	213
Long-term deposits	9	**49,479**	50,664	59,015
Deferred taxation		**-**	318,780	375,421
		5,490,577	6,720,099	7,618,850
CURRENT ASSETS				
Stock-in-trade		**8,836**	8,857	10,220
Trade debts	10	**224,238**	366,499	327,456
Loans and advances	11	**75,965**	42,790	121,894
Deposits and prepayment	12	**41,358**	43,630	46,051
Accrued mark-up	13	**66,252**	100,182	73,642
Other receivables	14	**3,522,905**	1,636,890	731,134
Taxation – net	15	**156,406**	184,828	170,358
Short-term investment		**-**	68,740	69,185
Bank balances	16	**23,580**	7,278	35,436
		4,119,540	2,459,694	1,585,376
TOTAL ASSETS		**9,610,117**	9,179,793	9,204,226

BALANCE SHEET AS AT JUNE 30, 2010

	Note	June 30, 2010	June 30, 2009	June 30, 2008
EQUITY AND LIABILITIES				
SHARE CAPITAL AND RESERVES				
		(Rupees in '000)		
Share capital Authorised			Restated (Note 45)	Restated (Note 45)
400,000,000 (2009: 400,000,000) Ordinary shares of Rs.10 each		**4,000,000**	4,000,000	4,000,000
Issued, subscribed and paid-up	17	**3,000,000**	3,000,000	3,000,000
Unappropriated profit / (Accumulated losses)		**400,988**	(297,474)	(352,649)
		3,400,988	2,702,526	2,647,351
NON-CURRENT LIABILITIES				
Long-term loans	18	**502,000**	464,000	744,743
Redeemable capital	19	**776,160**	600,000	1,128,960
Liabilities against assets subject to finance leases	20	**-**	1,868	23,139
Advance from a Contractor	21	**525,517**	276,874	618,503
Long-term deposits	22	**61,112**	66,137	78,003
Deferred liabilities	23	**8,595**	23,283	22,008
Due to employees	24	**21,497**	35,649	49,309
Deferred taxation	25	**171,358**	-	-
Due to Pakistan Telecommunication Authority	26	**1,585,500**	1,428,378	1,286,827
		3,651,739	2,896,189	3,951,492
CURRENT LIABILITIES				
Trade and other payables	27	**1,863,034**	1,996,058	1,197,002
Accrued interest / mark-up	28	**74,017**	110,843	136,646
Short-term running finances	29	**269,771**	392,691	274,228
Short-term borrowing	30	**17,000**	35,500	105,789
Current maturities of long-term liabilities	31	**333,568**	1,045,986	891,718
		2,557,390	3,581,078	2,605,383
CONTINGENCIES AND COMMITMENTS	32			
TOTAL EQUITY AND LIABILITIES		**9,610,117**	9,179,793	9,204,226

The annexed notes from 1 to 52 form an integral part of these financial statements.

Chief Executive

Director

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

	Note	June 30, 2010	June 30, 2009
		------- (Rupees in '000) -------	
			Restated (Note 45)
REVENUE – net	33	**2,414,177**	3,791,473
Direct costs	34	**(1,779,933)**	(2,506,398)
GROSS PROFIT		**634,244**	1,285,075
Distribution costs and administrative expenses	35	**(491,129)**	(622,784)
Other operating expenses	36	**(58,848)**	(39,748)
		(549,977)	(662,532)
Other operating income	37	**80,166**	69,992
Gain on sale of intangible asset	38	**1,478,758**	-
Liabilities no longer payable written back	39	**87,927**	-
		1,646,851	69,992
		1,096,874	(592,540)
OPERATING PROFIT		**1,731,118**	692,535
Finance costs	40	**(530,449)**	(580,719)
PROFIT BEFORE TAXATION		**1,200,669**	111,816
Taxation	41	**(502,207)**	(56,641)
NET PROFIT FOR THE YEAR		**698,462**	55,175
EARNINGS PER SHARE - Basic and diluted (Rupees)	42	**2.33**	0.18

The annexed notes from 1 to 52 form an integral part of these financial statements.

Chief Executive

Director

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2010

	June 30, 2010	June 30, 2009
	------- (Rupees in '000) -------	
		Restated (Note 45)
Net profit for the year	**698,462**	55,175
Other comprehensive income	-	-
Total comprehensive income	**698,462**	55,175

The annexed notes from 1 to 52 form an integral part of these financial statements.

Chief Executive **Director**

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2010

	Note	June 30, 2010	June 30, 2009
		------- (Rupees in '000) -------	
			Restated (Note 45)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (used in) / generated from operations	43	**(808,690)**	1,503,516
Income tax refund received		**25,000**	-
Income tax paid		**(8,647)**	(14,471)
Finance costs paid		**(410,153)**	(496,961)
Retirement benefits paid		**(2,942)**	(10,565)
Long-term loans		**-**	21
Due to employees		**(16,624)**	(17,810)
Liability for long-term deposits		**(5,025)**	(11,866)
Long-term deposits		**1,185**	8,351
Net cash (used in) / generated from operating activities		**(1,225,896)**	960,215
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		**(17,620)**	(25,323)
Proceeds from disposal of property, plant and equipment		**1,425**	2,961
Proceeds from the sale of intangible asset		**1,257,070**	-
Net cash generated from / (used in) investing activities		**1,240,875**	(22,362)
CASH FLOWS FROM FINANCING ACTIVITIES			
Advance from a Contractor – net		**294,793**	(276,870)
Repayment of long-term finances - net		**(220,495)**	(681,583)
Repayment of short-term borrowings - net		**-**	(64,289)
(Repayment) / proceeds of short-term running finances - net		**(122,920)**	118,463
Repayment of obligations under finance lease		**(18,795)**	(61,732)
Net cash used in financing activities		**(67,417)**	(966,011)
NET DECREASE IN CASH AND CASH EQUIVALENTS DURING THE YEAR		**(52,438)**	(28,158)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**76,018**	104,176
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	44	**23,580**	76,018

The annexed notes from 1 to 52 form an integral part of these financial statements.

Chief Executive

Director

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

	Issued, subscribed and paid-up	(Accumulated losses) / Unappropriated profit	Total
	----------------	(Rupees in '000)	----------------
Balance as at June 30, 2008 - as previously reported	3,000,000	(263,254)	2,736,746
Effect of prior period adjustments (note 45)	-	(89,395)	(89,395)
Balance as at June 30, 2008 – as restated	3,000,000	(352,649)	2,647,351
Net profit for the year - restated (note 45)	-	55,175	55,175
Other comprehensive income	-	-	-
Total comprehensive income	-	55,175	55,175
Balance as at June 30, 2009 - restated	3,000,000	(297,474)	2,702,526
Net profit for the year	-	698,462	698,462
Other comprehensive income	-	-	-
Total comprehensive income	-	698,462	698,462
Balance as at June 30, 2010	**3,000,000**	**400,988**	**3,400,988**

The annexed notes from 1 to 52 form an integral part of these financial statements.

Chief Executive

Director

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

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 financial statements are the separate financial statements of the Holding Company (Telecard Limited). In addition to the separate financial statements, the Company prepares consolidated financial statements.

3. BASIS OF PREPARATION

These financial statements have been prepared under the historical cost convention except for certain employees' benefits and liabilities which have been carried at present value (notes 23 and 26).

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 32 - Financial Instruments: Presentation - Classification of Rights Issues (Amendment)	February 01, 2010
IAS 24 - Related Party Disclosures (Revised)	January 01, 2011

IFRS 2 - Share-based Payments: Amendments relating to Group Cash-settled Share-based Payment Transactions	January 01, 2010
IFRIC 14 - IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (Amendments)	January 01, 2011
IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments	July 01, 2010

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, except for the implementation of IAS - 24 "Related Party Disclosures (Revised)", which may effect certain disclosures.

In addition to the above, amendments to various accounting standards have also been issued by the IASB as a result of its annual improvement project in April 2009. Such improvements are generally effective for accounting periods beginning on or after 01 January 2010. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

4.2 Changes in accounting policies and disclosures as a result of adoption of new and amended accounting standards

During the current year, the Company adopted the following new and amended IFRS as of July 01, 2009, resulting in extended presentation and disclosure changes, as described below:

IAS 1 - "Presentation of Financial Statements (Revised)"

The revised IAS 1 was issued in September 2007 and became effective for financial years beginning on or after January 01, 2009. The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard has introduced the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. Accordingly, the Company has opted to prepare two statements in these financial statements. Comparative information has also been re-presented to bring it in conformity with the revised standard.

The revised IAS 1 also requires that when the entity applies an accounting policy retrospectively or makes retrospective statement or reclassifies items in the financial statements, it should present a restated financial position (balance sheet) as at beginning of comparative period in addition to the current requirement of presenting the balance sheet as at the end of the current and the comparative period.

As the change in accounting policy impacts only the presentation aspects, there is no impact on the earnings of the Company.

IFRS 7 – "Financial Instruments: Disclosures" (Amendments)

The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognised at fair value. The fair value measurement and the liquidity risk disclosures are not significantly impacted by the amendments.

As the change in accounting policy impacts only the presentation aspects, there is no impact on the earnings of the Company.

IFRS 8 – "Operating Segments"

IFRS – 8 replaces IAS 14, 'Segment Reporting'. It requires a 'management approach', under which segment information is presented on the same basis as that used for internal purposes. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision maker.

The management has determined that the Company has a single reportable segment as the Chief Operating decision maker views the Company's operations as one reportable segment.

4.3 Standards or interpretations effective in 2010 but not relevant to the Company

The following standards and interpretations are effective for financial periods beginning on or after July 1, 2009 but are either not relevant or do not have any effect / material effect on the financial statements of the Company:

- IFRS 2 - Share Based Payment – Amendments regarding Vesting Conditions and Cancellations (Amendment)
- IFRS 3 - Business Combinations (Revised)
- IAS 32 - Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation (Amendments)
- IAS 39 - Financial Instruments: Recognition and Measurement – Eligible hedged items (Amendments)
- IFRIC 15 - Agreements for the Construction of Real Estate
- IFRIC 16 - Hedges of a Net Investment in a Foreign Operation
- IFRIC 17 - Distributions of Non-cash Assets to owners
- IFRIC 18 - Transfers of Assets from Customers

4.4 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 recognised 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:

	Note
Determining the residual values and useful lives of fixed assets	4.5, 5 & 6
Impairment of	
fixed assets	4.5, 5 & 6
trade debts	4.8 & 10
Recognition of tax and deferred tax	4.16, 25 & 41
Accounting for staff retirement benefits	4.15 & 23

4.5 Fixed assets

4.5.1 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 charged to income applying the straight-line method whereby the cost of an asset is written off over its estimated useful life. The rates used are stated in note 5.1 to the financial statements.

In respect of additions and deletions of assets during the year, depreciation is charged for the month of acquisition and upto the month preceding the deletion, respectively.

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are charged to statement of comprehensive income.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is recognized, except for gain on sale and leaseback transactions, which is deferred and amortised over the lease term of the asset.

The assets' residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each financial year end.

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.

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.

4.5.2 Intangible assets

The costs of license to provide telecommunication services are classified as intangible assets. These are stated at cost 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.

4.5.3 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.

4.6 Investment in a Subsidiary Company

Investment in a Subsidiary Company is stated at cost less impairment, 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.

4.7 Stock in trade

Stock in trade comprises of internet and voice communication cards. These are valued at lower of cost and net realisable 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.

4.8 Trade debts and other receivables

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

4.9 Loans, advances and deposits

These are recognised at cost, which is the fair value of the consideration given. However, an assessment is made at each balance sheet date to determine whether there is an indication that a financial asset or group of assets may be impaired. If such indication exists, the estimated recoverable amount of that asset is determined and any impairment loss is recognised for the difference between the recoverable amount and the carrying value.

4.10 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, balances with banks and short-term investments, if any.

4.11 Trade and other payables

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

4.12 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 of the obligation can be made.

4.13 Financial instruments

All the 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.

4.14 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.

4.15 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.

4.16 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, in accordance with the Income Tax Ordinance, 2001. The tax charge as calculated above is compared with turnover tax under Section 113 of the Income Tax Ordinance, 2001, and whichever is higher is provided in the financial statements.

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

4.17 Foreign currency translation

The financial statements are presented in Pak Rupee, which is the Company's functional and presentation currency. Foreign currency transactions during the year are recorded at the exchange rates approximating those ruling on the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the spot rates of exchange prevailing on 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.

4.18 Borrowing 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 borrowing costs are recognised as expense in the period in which they are incurred.

4.19 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 connections.

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.

4.20 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 which 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.

4.21 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.

5. PROPERTY, PLANT AND EQUIPMENT

	Note	June 30, 2010	June 30, 2009
		------- (Rupees in '000) -------	
Operating fixed assets	5.1	**2,014,484**	2,643,856
Capital work-in-progress	5.2	**544,525**	535,476
		2,559,009	3,179,332

5.1 Operating fixed assets

		COST					ACCUMULATED DEPRECIATION				WRITTEN DOWN VALUE
	Note	As at July 01, 2009	Additions / transfers *	(Disposals)	As at June 30, 2010	Rate/ period	As at July 01, 2009	For the year	(On disposals) / transfers *	As at June 30, 2010	As at June 30, 2010
		(Rs. in '000)					(Rs. in '000)				
June 30, 2010											
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	249	31	-	280	345
Apparatus, plant and equipment	5.1.2 & 5.2	5,446,393	1,753 30,000 *	-	5,478,146	5-33%	2,926,393	608,556	- 10,333 *	3,545,282	1,932,864
Sign boards		30,875	-	-	30,875	25%	29,600	1,152	-	30,752	123
Furniture, fixtures and office equipment		44,416	107	-	44,523	10%	23,566	3,387	-	26,953	17,570
Computers and related accessories		50,009	3,681	-	53,690	33%	42,781	5,087	-	47,868	5,822
Vehicles	5.1.3	23,832	3,030 1,079 *	(2,158)	25,783	20%	19,825	3,551	(2,158) 1,079 *	22,297	3,486
		5,603,070	8,571 31,079 *	(2,158)	5,640,562		3,046,314	621,764	(2,158) 11,412 *	3,677,332	1,963,230
Leased											
Apparatus, plant and equipment	5.1.2	171,853	(30,000) *	-	141,853	10-33%	85,734	15,851	- (10,333) *	91,252	50,601
Vehicles		4,421	(1,079) *	-	3,342	20%	3,440	328	- (1,079) *	2,689	653
		176,274	(31,079) *	-	145,195		89,174	16,179	- (11,412) *	93,941	51,254
		5,779,344	8,571 - *	(2,158)	5,785,757		3,135,488	637,943	(2,158) - *	3,771,273	2,014,484

	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/ (adjustments)**	(On disposals) / 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	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	5,165,113	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	41,587	2,991	(162)	44,416	10%	23,035	3,318 (2,710) **	(77)	23,566	20,850
Computers and related accessories	45,853	4,322	(166)	50,009	33%	42,795	6,082 (5,945) **	(151)	42,781	7,228
Vehicles	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	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

5.1.1 This represents cost incurred by the Company during the year ended June 30, 1997, 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. The lease agreement expired during the current year, as a result of which Arfeen International (Private) Limited are currently in the process of renewing the same.

5.1.2 These include:

5.1.2.1 Line Protection Units, costing Rs.22.206 (2009: Rs.22.206) million, having a net book value of Rs.1.152 (2009: Rs.2.066) 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.1,922.239 (2009: Rs.1,921.499) million, having a net book value of Rs.199.852 (2009: Rs.481.480) million, are in the possession of the customers of the Company in the ordinary course of business.

5.1.2.3 Outdoor payphone units, with an aggregate cost of Rs.248.983 (2009: Rs.248.983) million and a net book value of Rs.0.165 (2009: Rs.19.539) million, are 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	Sale proceeds	Gain / (loss) on disposal	Mode of sale	Particulars of buyers
	------------------------------	(Rs. in '000)	------------------------- -----				
Vehicles							
Toyota Corolla	1,079	1,079	-	750	750	Negotiation	Mrs. Fareeda Jameel Virk, Karachi
Toyota Corolla	1,079	1,079	-	675	675	Negotiation	Mr. Zain Saeed, Karachi
June 30, 2010	**2,158**	**2,158**	**-**	**1,425**	**1,425**		
June 30, 2009	6,741	3,688	3,053	2,961	(92)		

5.1.4 The cost of fully depreciated assets as at June 30, 2010 is Rs.1,279.999 (2009: Rs.620.883) million.

	Note	June 30, 2010	June 30, 2009
		------- (Rupees in '000) -------	
5.1.5 Depreciation for the year has been allocated as follows:			
Direct costs	34	**624,213**	667,800
Distribution costs and administrative expenses	35	**13,730**	3,020
		637,943	670,820

	Owned equipment (note 5.2.1)	Advances to suppliers	Leased equipment	Total
	------------------------Rupees in '000------------------------			
5.2 Capital work-in-progress				
As at July 01, 2009	479,301	16,175	40,000	535,476
Additions during the year	-	9,789	-	9,789
Transfer to apparatus, plant and equipment	(740)	-	-	(740)
Transfer from leased to owned network projects	40,000	-	(40,000)	-
June 30, 2010	**518,561**	**25,964**	**-**	**544,525**
June 30, 2009	479,301	16,175	40,000	535,476

5.2.1 Included herein is an aggregate sum of Rs.20.275 (2009: Rs.21.015) million, representing wireless payphone units that would be activated upon issuance of connections to customers.

6. INTANGIBLE ASSETS

	Note	COST				ACCUMULATED AMORTISATION				WRITTEN DOWN VALUE
		As at July 01, 2009	Disposal during the year	As at June 30, 2010	Period yrs	As at July 01, 2009	For the year	(On disposal)	As at June 30, 2010	As at June 30, 2010
		---------------Rupees in '000---------- -				-----------------------Rupees in '000---------------------- -				
June 30, 2010										(Restated)
WLL Licenses	6.1 & 6.3	3,459,535	(114,439)	3,345,096	20	652,294	186,360	(13,113)	825,541	2,519,555
LDI License	6.2	29,029	-	29,029	16-20	5,676	1,548	-	7,224	21,805
		3,488,564	(114,439)	3,374,125		657,970	187,908	(13,113)	832,765	2,541,360

	COST				ACCUMULATED AMORTISATION			WRITTEN DOWN VALUE
	As at July 01, 2008	Additions during the year	As at June 30, 2009	Period 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								(Restated)
WLL Licenses	3,459,535	-	3,459,535	20	465,601	186,693	652,294	2,807,241
LDI License	29,029	-	29,029	16-20	4,128	1,548	5,676	23,353
	3,488,564	-	3,488,564		469,729	188,241	657,970	2,830,594

6.1 These represent 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 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 ranging between 16 and 20 years, commencing July 27, 2004.

6.3 The following intangible asset was disposed off during the year:

Description	Cost	Accumulated amortisation	Written down value	Sale proceeds / consideration	Gain on disposal	Mode of sale	Particulars of buyers
	------------------------------ (Rs. in '000) ------------------------------						
Intangible assets							
WLL Licenses - (3.5 Ghz Spectrum) (note 6.3.1)	114,439	13,113	101,326	1,580,084	1,478,758	Negotiation	Sharp Communication (Private) Limited

6.3.1 During the year ended June 30, 2004, the Company was granted licenses for Wireless Local Loop (WLL) by the PTA, which included licenses for the 3.5 GHz frequencies, costing Rs.113.655 million. The Company entered into a Joint Venture Agreement (JVA) in October 2007 in respect of the 3.5 GHz licenses, which had valued the licenses at $22.5 million. This JVA was terminated by the Company in February 2008 as certain external approvals which formed conditions precedent to the closing of the JVA could not be obtained. The JVA partner, however, disputed the Company's position and pressed for completion of the JVA, and initiated a number of legal proceedings including Arbitration by the International Court of Arbitration, as discussed in detail in note 32.3.

The Company considered the ongoing demand by a third party as sufficient basis to establish a higher value of the spectrum, and consequently revalued the licenses of the 3.5 GHz frequencies on June 30, 2008 to Rs.1,530 million. Such revaluation, however, did not meet the requirement of an "active market", as defined in International Accounting Standard (IAS) - 38 "Intangible Assets" and, as a consequence thereof, carried the same in the books of the Company at its revalued amount, as opposed to the carrying value thereof, maintaining that the above referred revalued amount represented the fair value of the frequencies as at that date. The revaluation in question, accordingly, resulted in a surplus on revaluation of Rs.1,427.803 million, representing the difference between the fair value, as stated above, and the carrying value of the frequency of Rs.102.197 million in the books of the Company as at June 30, 2008.

In addition, the Company had also been capitalising ineligible borrowing costs on all the licenses for WLL, aggregating to Rs.155.417 million as at June 30, 2009, which related to frequencies which had become operational in previous years and, as such, did not qualify for capitalisation under the requirements of IAS - 23 "Borrowing Costs", as the said IAS allows capitalisation of only those borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset are eligible for capitalization.

During the current year, on August 6, 2009, the Securities and Exchange Commission of Pakistan (S.E.C.P) serve d a show cause notice to the Company under Section 472, read with Section 234, of the Companies Ordinance, 1984, questioning the Company's non-compliance with the requirement of (a) IAS - 38, with regard to the determination of the value of the frequencies in question in the absence of an active market and (b) IAS - 23, in respect of the capitalisation of ineligible borrowing costs. These non-compliances had also been reported by the Auditors in their report on the annual financial statements of the Company for the year June 30, 2009, in view of their disagreement with the accounting treatment accorded by the Company.

The S.E.C.P disposed of the above referred matters, vide its Order, dated November 9, 2009, directing the Company to "undo the default" and comply with the requirement of IAS -23 of charging such costs to the profit and loss account. As for the matter relating to the revaluation of the frequencies, the S.E.C.P allowed the Company to make an appropriate judgment in accordance with the applicable requirements.

Accordingly, in order to comply with the above Order, the Company reversed (a) Surplus on revaluation of intangible assets by Rs.1,427.803 million and (b) ineligible borrowing costs by an aggregate sum of Rs.155.417 million during the current year and treated these as "Prior Period Adjustments", in the financial statements of the current year, in accordance with the requirements of IAS - 8 "Accounting Policies, Changes in Accounting Estimates and Errors". As a result of these adjustments, the written down value of the intangible asset in question was brought down to its correct written down value (without including the effect of revaluation) of Rs.102.197 million as at June 30, 2008, and the ineligible borrowing costs, aggregating to Rs.155.417 million, was also reversed by according retrospective application thereto.

Thereafter, on April 30, 2010, the Company sold the licenses for the 3.5 GHz frequencies to a Subsidiary Company of the Contractor, discussed in note 21, for a consideration of Rs.1,580.084 million, after obtaining necessary approval from the PTA. The written down value of the said frequencies on the date of disposal amounted to Rs.101.326 million, resulting in a gain on sale of the frequencies of Rs.1,478.758 million, as shown in the profit and loss account. This sale was made in accordance with the terms of an 'Amended and Restated Network Agreement' (the Agreement) signed on April 26, 2010, between the Company, Contractor and its Subsidiary Company, covering (a) the sale of licenses and (b) provision of services to the Contractor for future periods pursuant to a credit note for Rs.1,051.250 million, equivalent to US$12.5 million, to be issued by the Company.

The Agreement, as referred to above, superseded the earlier Network Agreement the Company signed with the Contractor during the year ended June 30, 2008 under which the Company received a sum of Rs.830.608 million for services rendered to the Contractor for a period of three years commencing July 1, 2008 to June 30, 2011, as discussed in note 21. During the term of the said agreement, up to the date of the supersession, the Company had recognised income aggregating to Rs.507.594 million, leaving an unamortised balance of Rs.323.014 million, as disclosed in note 21.

Against the sale consideration of Rs.1,580.084, the Contractor paid (i) a sum of Rs.662.880 million to the Company and (ii) a sum of Rs.594.190 million directly to the PTA on behalf of the Company against the amounts due thereto by the Company in respect of various charges to fulfill a precondition for the execution and transfer of the title of the licenses in the name of the Subsidiary of the Contractor, which the Company has recorded as payment made under protest in note 14.6 under Other Receivables. Further, as the balance of Rs.323.014 million of unamortised advance from the Contractor was not refundable thereto as a result of the supersession of the earlier agreement therewith, as discussed in note 21.1, the Company applied the same against the above referred sale consideration in accordance with the Amended and Restated Network Agreement.

On the other hand, against the provision of services of Rs.1,051.250 million to the Contractor for future services, as referred to in (b) above, the Contractor paid a sum of Rs.605.810 million directly to the PTA on behalf of the Company for the same reasons as explained above, which has also been recorded by the Company as payment made under protest in note 14.6 under Other Receivables, aggregating to Rs.1,200.000 million. Additionally, the Contractor is committed to issue shares to the Company for a value of Rs.445.440 million which will be recorded by the Company as and when these are issued by the Contractor. The above referred consideration of Rs.1,051.250 million in respect of provision of services has been adjusted by the Company against a sum of Rs.80.293 million as shown in note 21.1, representing amounts due from the Contractor, shown in trade debts in note 10.1, in respect of services rendered thereto, pursuant to the Amended and Restated Network Agreement discussed above.

7. LONG-TERM INVESTMENT

	June 30, 2010	June 30, 2009
	------- (Rupees in '000) -------	
In a wholly owned Subsidiary Company		
Unquoted – at cost		
Supernet Limited 33,550,410 (2009: 33,550,410) Ordinary shares of Rs.10 each [Breakup value: Rs.660.768 million (2009: Rs.470.873 million)], based on the audited financial statements of the Company for the year ended June 30, 2010	**340,537**	340,537

8. LONG-TERM LOANS

	Note	June 30, 2010	June 30, 2009
Secured, considered good			
Executives	8.1, 8.2 & 8.3	**135**	80
Employees	8.1	**116**	122
		251	202
Recoverable within one year shown under current assets			
Executives		**(55)**	-
Employees		**(4)**	(10)
	11	**(59)**	(10)
		192	192

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.

8.2 Reconciliation of the carrying amount of loans to executives

	June 30, 2010	June 30, 2009
Opening balance	**80**	242
Disbursements	**55**	-
Repayments	**-**	(162)
	135	80

8.3 The maximum aggregate amount due from the executives at the end of any month during the year was Rs.0.135 (2009: Rs.0.080) million.

9. LONG-TERM DEPOSITS

	Note	June 30, 2010	June 30, 2009
		------- (Rupees in '000) -------	
Security deposits			
Line deposits – PTCL		**43,569**	43,560
Rented premises		**5,910**	6,089
Leasing companies		**14,325**	21,432
Refundable within one year shown under current assets	12	**(14,325)**	(20,417)
		-	1,015
		49,479	50,664

10. TRADE DEBTS

	Note	June 30, 2010	June 30, 2009
Unsecured			
Considered good	10.1	**224,238**	366,499
Considered doubtful		**201,872**	105,782
Provision for debts considered doubtful	10.2	**(201,872)**	(105,782)
		-	-
		224,238	366,499

10.1 This is stated net of Rs.80.293 million adjusted by the Company against advance from a Contractor, as referred to in notes 6.3.1 and 21.1.

10.2 Provision for debts considered doubtful:

	Note	June 30, 2010	June 30, 2009
Opening balance		**105,782**	85,433
Charge for the year	35	**96,090**	20,349
		201,872	105,782

10.3 As at June 30, 2010, the ageing analysis of unimpaired trade debts is as follows:

			Past due but not impaired			
	Total	Neither past due nor impaired	> 3 months upto 6 months	> 6 months upto 9 months	> 9 months upto 1 year	> 1 year
	-------	-------	-------	(Rupees in '000)	-------	-------
June 30, 2010	**224,238**	**88,239**	**89,249**	**14,501**	**13,680**	**18,569**
June 30, 2009	366,499	211,992	5,825	22,098	6,687	119,897

11. LOANS AND ADVANCES

	Note	June 30, 2010	June 30, 2009
		------- (Rupees in '000) -------	
Loans – unsecured			
Considered good			
Current portion of long-term loans			
Executives		55	-
Employees		4	10
	8	59	10
Wholly owned Subsidiary Company	11.1 & 11.2	55,224	29,756
		55,283	29,766
Advances – unsecured			
Considered good			
Executives	11.3	1,229	1,106
Employees		5,737	4,162
Suppliers		13,716	7,756
		20,682	13,024
Considered doubtful			
Suppliers		5,645	5,645
Provision for advances considered doubtful	11.4	(5,645)	(5,645)
		-	-
		20,682	13,024
		75,965	42,790

11.1 Movement during the year

	Note	June 30, 2010	June 30, 2009
Opening balance		29,756	109,300
Addition during the year		66,500	-
Adjustment against accrued mark-up during the year	13	11,845	-
Repayment during the year		(52,877)	(79,544)
		55,224	29,756

11.2 This carries mark-up at the rate of six months KIBOR plus 3.5% (2009: six months KIBOR plus 3.5%) per annum and is recoverable on demand.

11.3 The maximum aggregate amount due from the executives at the end of any month during the year was Rs.3.255 (2009: Rs.1.759) million.

11.4 Provision for advances considered doubtful:

	Note	June 30, 2010	June 30, 2009
Opening balance		5,645	3,000
Charge for the year	35	-	2,645
		5,645	5,645

12. DEPOSITS AND PREPAYMENT

	Note	June 30, 2010	June 30, 2009
		------- (Rupees in '000) -------	
Deposits			
Current portion of long-term lease deposits	9	**14,325**	20,417
WLL deposit with PTCL		**3,787**	3,787
Others		**480**	475
		18,592	24,679
Prepayment			
Rent		**22,766**	18,951
		41,358	43,630

13. ACCRUED MARK-UP

Due from a bank	13.1	**48,587**	48,587
Mark-up on loan to the wholly owned Subsidiary Company	11.1	**24**	38,722
Mark-up on current accounts with related parties	13.2 & 14.1.1	**17,641**	12,873
		66,252	100,182

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 was 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.

13.2 Related parties

Pakcom Limited	**17,423**	12,873
Instaphone (Private) Limited	**99**	-
Instaphone Infrastructure (Private) Limited	**119**	-
	17,641	12,873

14. OTHER RECEIVABLES

	Note	June 30, 2010	June 30, 2009
		(Rupees in '000)	
Considered good			
Related parties	14.1	**32,566**	77,122
Others:			
Pakistan Telecommunication Company Limited			
Karachi Relief Rebate	14.2	**651,541**	651,541
Interconnect discount	14.3	**28,701**	28,701
WPS - under protest payments	27.1	**289,725**	289,725
Leased lines and upfront connection charges	14.4	**131,517**	131,517
LL & LDI charges – under protest payments	14.5	**200,000**	200,000
Wire line	14.2(a)	**48,712**	48,598
Multi-metering	14.2(a)	**18,287**	18,287
		1,368,483	1,368,369
Pakistan Telecommunication Authority	14.6	**2,111,115**	181,636
Claim against a bank	14.7	**998**	998
Insurance claims		**9,743**	8,765
		3,490,339	1,559,768
Considered doubtful			
Due from PTCL	14.8	**10,361**	10,361
Due from Zonal employees		**15,874**	16,176
Others		**4,162**	4,177
		30,397	30,714
Provision for other receivables considered doubtful	14.9	**(30,397)**	(30,714)
		-	-
		3,522,905	1,636,890

14.1 Related parties

	2010	2009
Pakcom Limited	**14,875**	77,033
Instaphone Infrastructure (Private) Limited	**12,341**	-
Supernet Limited	**5,200**	-
Envicrete Limited	**122**	38
Grand Leisure Corporation (Private) Limited	**28**	51
	32,566	77,122

14.1.1 The above amounts due from related parties represent current account balances which are recoverable on demand. These carry mark-up at the rate of 6 months KIBOR plus 3.5% (2009:6 months KIBOR plus 3.5%) per annum (note 13.2).

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 (Reorganisation) 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, 2000, 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 realisation of the said amount together with the amount receivable from the PTCL in respect of wireline and multi- metering of Rs.48.712 million and Rs.18.287 million, respectively, 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.

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 These represent payments made by the Company to the PTCL against leased lines and upfront connection charges erroneously billed by the PTCL under WPS. The Company claimed the said amounts through an application filed in the High Court of Sindh during the year ended June 30, 2008, for the recovery thereof from the PTCL. The proceedings in this lawsuit were subsequently stayed and the dispute referred for arbitration in the Islamabad High Court, which is currently in progress. The Company is confident that it will recover the entire amount from the PTCL and, hence, no provision has been made thereagainst in these financial statements.

14.5 During the year ended June 30, 2007, the Company paid a sum of Rs.200 million to the PTCL on its demand in order to restore the services blocked by the PTCL. Thereafter, as a result of a settlement agreement between PTCL and the Company, PTCL agreed that after reconciliation of the disputed amounts under LL and LDI, any dues payable to the Company by the PTCL will be paid immediately. As the said reconciliation has not been finalized, the above amount has not been adjusted in these financial statements.

14.6 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 year ended June 30, 2009, 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 demanded a sum of Rs.2,239.675 million up to June 30, 2010 (2009: Rs.926.475 million) in respect of APC for USF on the basis of airtime utilized by the Company up to June 30, 2010, in addition to Rs.29.473 million, aggregating to Rs.2,269.148 million, against which the Company paid a sum of Rs.2,111.115 million under protest (2009: Rs.181.636) million (including forced payments in respect of research and development and RBS), comprising (a) Rs.729.479 million paid by the Company during the current year and (b) a sum of Rs.1,200.000 million paid by the Contractor to PTA on behalf of the Company, as discussed in note 6.3.1 and (c) Rs.181.636 million paid upto June 30, 2009. 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.158.033 (2009: Rs.774.312) million in these financial statements as management, based on the legal opinion received from its legal advisor in this regard, is confident that it will succeed in recovering the above referred sum.

14.7 This represents amount due from a bank in respect of the PTCL bills paid by the Company to the bank but 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 (2009: Rs.0.998 million) and damages, aggregating to Rs.8.245 (2009: 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.

14.8 This represents amount over billed by the PTCL and paid by the Company 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.

14.9 Provision for other receivables considered doubtful	Note	June 30, 2010	June 30, 2009
		------- (Rupees in '000) -------	
Opening balance		**30,714**	35,959
Provision written back on account of amount recovered	37	**(317)**	(5,245)
		30,397	30,714

15. TAXATION – net

Advance income tax		**168,475**	184,828
Provision for taxation – current	41	**(12,069)**	-
		156,406	184,828

16. BANK BALANCES

Cash at banks:			
In current accounts			
Local currency		**592**	1,914
Foreign currency		**21,970**	172
		22,562	2,086
In savings accounts			
Local currency	16.1	**1,018**	5,192
		23,580	7,278

16.1 These carry mark-up at rates, ranging between 3% and 5% (2009: 2.05% and 5.00%) per annum.

17. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

June 30, 2010	June 30, 2009			
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

17.1 As at the end of the current year, 8,929,649 (2009: 8,929,649) Ordinary shares of Rs.10 each, amounting to Rs.89,296,490 (2009: Rs.89,296,490), were held by the related parties of the Company.

18. LONG-TERM LOANS

	Note	June 30, 2010	June 30, 2009
Secured		------- (Rupees in '000) -------	
From banks and financial institutions			
Local currency loan – I	18.1	**21,000**	35,000
Local currency loan – II	18.2	**178,125**	225,000
Local currency loan – III	18.3	**330,000**	400,000
Local currency loan – IV	18.4	**70,000**	-
		599,125	660,000
Current maturity of local currency loans shown under current liabilities	31	**(97,125)**	(196,000)
		502,000	464,000

18.1 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 at the rate of six months KIBOR plus 3.75% (2009: six months KIBOR plus 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 (2009: Rs.94.000) million.

18.2 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 was repayable in eight semi-annual installments commencing July 24, 2008. However, the loan has been restructured during the current year and is now repayable in eight semi-annual installments, commencing January 23, 2010. The loan carries mark-up at the rate of six months KIBOR plus 3.5% (2009: six months KIBOR plus 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 (2009: Rs.467.000) million.

18.3 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 was repayable in eight semi-annual installments commencing November 23, 2009. However, the loan has been restructured during the current year and is now repayable as a lump sum on May 23, 2014. It is secured against pari passu charge over the present and future fixed assets of the Company to the extent of Rs.467.000 (2009: Rs.534.000) million.

18.4 During the year ended June 30, 2008, the Company arranged a running finance facility from a commercial bank amounting to Rs.100 million under an agreement dated March 31, 2008. During the current year, the said running financing facility has been restructured as a medium term finance facility. It is repayable in eighteen monthly installments, commencing July 1, 2010. The loan carries mark-up at the rate of one month KIBOR plus 2.00%. It is secured against pari passu charge over the present and future fixed assets of the Company to the extent of Rs.116.670 million.

19. REDEEMABLE CAPITAL

	Note	June 30, 2010	June 30, 2009
		------- (Rupees in '000) -------	
Secured			
Term Finance Certificates	19.1	**987,840**	1,128,960
Current maturity shown under current liabilities	31	**(211,680)**	(528,960)
		776,160	600,000

19.1 This represents listed Term Finance Certificates (TFC) 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 were 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 plus 3.75% (2009: six months KIBOR plus 3.75%) per annum. However, during the current year, the redemption schedule of the TFCs relating to the redemption, falling due on November 27, 2009 and all redemptions scheduled thereafter, was restructured after the approval obtained by the Company from the TFC holders upon its request, as a result of which, the last redemption date has now been extended to 27 November 2013, instead of the original final redemption date of November 27, 2010.

These are secured against a first specific charge over the fixed assets of the Company, aggregating to Rs.800.000 (2009: Rs.800.000) million and specific charge over the intangible assets (frequency spectrum) procured from the PTA.

20. 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 16% and 19% (2009: 13% and 21.14%) 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:

	Note	June 30, 2010		June 30, 2009	
		Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
		------------- Rs. in '000	-------------	-------------	-------------
June 30, 2010		-	-	32,682	31,876
June 30, 2011		**14,980**	**14,949**	1,899	1,868
Total minimum lease payments		**14,980**	**14,949**	34,581	33,744
Financial charges allocated to future periods		**(31)**	-	(837)	-
Present value of minimum lease Payments		**14,949**	**14,949**	33,744	33,744
Current maturity shown under current liabilities	31	**(14,949)**	**(14,949)**	(31,876)	(31,876)
		-	-	1,868	1,868

	Note	June 30, 2010	June 30, 2009
		------- (Rupees in '000) -------	
21. ADVANCE FROM A CONTRACTOR			
Unsecured			
Advance from a Contractor	21.1	**525,517**	553,738
Adjustable within one year shown under current liabilities	31	-	(276,864)
		525,517	276,874

21.1 Advance from a Contractor

Opening balance		**553,738**	830,608
Taken to income upon rendering of service as per the Network Agreement cancelled and superseded on April 26, 2010	6.3.1 & 33	**(230,724)**	(276,870)
Unamortised balance on April 30, 2010	6.3.1	**323,014**	553,738
Applied against sale consideration of 3.5Ghz WLL Licences pursuant to Amended and Restated Network Agreement	6.3.1 & 21.1.1	**(323,014)**	-
		-	553,738
Advance received during the current year	21.1.2	**605,810**	-
Trade debts applied there against	6.3.1 & 10.1	**(80,293)**	-
		525,517	553,738

21.1.1 This is as a result of the supersession of a Network Agreement entered into by the Company with Augere Pakistan (Private) Limited (the Contractor) during the year ended June 30, 2008 in respect of broadband wireless internet services the Company agreed to provide to the said Contractor for a period of three years, ending June 30, 2011, as discussed in detail in note 6.3.1.

21.1.2 This represents an advance received during the current year from the Contractor, in respect of infrastructure services the Company has agreed to provide to the said Contractor, pursuant to a credit note for Rs.1,051.250 million (equivalent to US$12.5 million) to be issued by the Company, as discussed in detail in note 6.3.1.

Although the Amended and Restated Network Agreement does not specify the period in which such infrastructure services are to be provided by the Company to the Contractor, the Company estimates that based on the current usage level, the value of the Credit Note will be exhausted in the balance life of its WLL Licenses, i.e. approximately fourteen years. Since the credit note in question has not been finalised to-date, as discussed in note 6.3.1, it is not possible at present to calculate the amount to be taken into income during the next twelve months and, accordingly, no amounts have been transferred to current liabilities at the end of the current year.

22. LONG-TERM DEPOSITS

	Note	June 30, 2010	June 30, 2009
		------- (Rupees in '000) -------	
Security deposits			
Distributors		**9,346**	12,435
Indoor Call Point holders		**32,957**	34,892
Others		**18,809**	18,810
		61,112	66,137

23. DEFERRED LIABILITIES

	Note	June 30, 2010	June 30, 2009
Staff gratuity	23.1	**8,595**	23,283

23.1 Staff gratuity

23.1.1 Reconciliation of obligations as at year end

	2010	2009
Present value of defined benefit obligation	**8,595**	23,283

23.1.2 Movement in liability

	2010	2009
Net liability at beginning of the year	**23,283**	21,344
(Reversal of charge) / charge for the year	**(11,746)**	12,504
Benefits paid during the year	**(2,942)**	(10,565)
	8,595	23,283

23.1.3 (Reversal of charge) / charge for the year

	2010	2009
Current service cost	**473**	11,397
Interest cost	**2,794**	2,760
Reversal of past service cost	**(13,675)**	-
Actuarial gains recognised during the year	**(1,338)**	(1,653)
	(11,746)	12,504

23.1.4 Movement in defined benefit obligation

	2010	2009
Present value of defined benefit obligation at beginning of the year	**23,283**	21,344
Current service cost	**473**	11,397
Interest cost	**2,794**	2,760
Reversal of past service cost	**(13,675)**	-
Benefits paid during the year	**(2,942)**	(10,565)
Actuarial gains on present value of defined benefit obligation	**(1,338)**	(1,653)
	8,595	23,283

23.1.5 Principal actuarial assumptions

The latest valuation was carried out as at June 30, 2010, using Projected Unit Credit Method. Following assumptions have been used for valuation of the scheme:

	2010	2009
Expected rate of increase in salaries, per annum	**11%**	11%
Expected discount rate, per annum	**12%**	12%

23.1.6 Comparison for five years

	2010	2009	2008	2007	2006
	(Rupees in '000)				
Present value of defined benefit obligation	**8,595**	23,283	21,344	57,034	44,057

24. DUE TO EMPLOYEES

	Note	June 30, 2010	June 30, 2009
		(Rupees in '000)	
Amount due to employees in respect of bonus	24.1	**31,311**	47,935
Current portion shown under current liabilities	31	**(9,814)**	(12,286)
		21,497	35,649

24.1 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 accumulated up to March 31, 2008 in respect of such employees and transferred the balance amounting to Rs.65.745 million from staff gratuity to due to employees as at that date. 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.

25. DEFERRED TAXATION

	2010	2009
Deferred tax credits arising on:		
Accelerated tax depreciation	**309,332**	451,105
Amortisation of intangible assets	**195,332**	168,813
Leases	**12,707**	32,674
	517,371	652,592
Deferred tax debits arising from:		
Retirement benefits	**(13,967)**	(24,926)
Short-term provisions	**(85,437)**	(80,224)
Tax losses brought forward	**(246,609)**	(866,222)
	(346,013)	(971,372)
	171,358	(318,780)

26. DUE TO PAKISTAN TELECOMMUNICATION AUTHORITY

	Note	2010	2009
Balance at the beginning of the year	26.1	**1,428,378**	1,286,827
Imputed interest charged to profit and loss account	40	**157,122**	141,551
		1,585,500	1,428,378

26.1 This represents the balance of initial spectrum fees (balance fee) due to PTA in respect of the license and related frequencies acquired by the Company, as referred to in note 6. In 2005 the WLL Operators requested the government thru the Ministry of Information Technology (MoIT) to grant a moratorium of 4 years for payment of the balance fees followed by a staggered payment schedule over 10 years. The PTA, pursuant to the approval of the Economic Coordination Committee (ECC), confirmed grant of the moratorium of 4 years, expiring in March 2010, to the WLL industry, including the Company, for the payment of balance of the spectrum fees while other payment modalities were to be finalized. Since then, WLL Operators have been requesting the authorities for a confirmation of staggering of the balance fees over 10 years. On March 10, 2010, the Company received a letter from PTA approving the staggering of balance of initial spectrum fees in ten equal instalments commencing from the financial year 2009-10. However, few days later, PTA withdrew the said letter regarding it as being issued inadvertently, and instead, issued a show cause notice to the Company on June 02, 2010 seeking explanation for non-payment of the balance of initial spectrum fee with an immediate demand for the payment of the said amount. The Company thereafter submitted a detailed response against the show cause notice to the PTA, raising several legal and factual grounds.

Subsequent to the year end, on October 6, 2010, a Writ Petition has been instituted against the PTA by the WLL industry, including the Company, before the Lahore High Court, Rawalpindi Bench. The principal relief sought in the Writ Petition includes (a) direction to PTA for withdrawal of the aforementioned show cause notice and declaration thereof as unlawful and having been issued without due authority, and (b) direction to PTA and Ministry of Information Technology to act in accordance with law and refrain from making any demand for payment of the initial spectrum fee from the petitioners until atleast 2013 or if such demand is to be made prior thereto, the same to be based upon approval obtained from the ECC in view of its earlier decision granting the concession. The Court has granted a stay in the said petition and refrained the PTA from taking any adverse action in the matter.

The legal advisor of the Company is of the view that there is more than an even chance of success in the current Writ Petition that the Company would be successful in obtaining the additional 4 year moratorium and payment in 10 annual instalments, commencing 2013. The legal advisor has also opined that the balance spectrum fee demanded by PTA is "not legally and contractually due and payable as at June 30, 2010", and, as such, the same will not be due during the ensuing year. Accordingly, for this reason, the management has classified the said liability as non-current.

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

27. TRADE AND OTHER PAYABLES

	Note	June 30, 2010	June 30, 2009
		------- (Rupees in '000) -------	
Trade			
Pakistan Telecommunication Company Limited			
Wireless Payphone Service (WPS)	27.1	**609,708**	602,973
LL & LDI charges		**-**	171,315
Others		**59,089**	42,025
		668,797	816,313
ZTE Corporation Limited		**35,576**	41,482
Alcatel Lucent Pakistan Limited		**513,600**	487,800
Others		**189,160**	192,085
		1,407,133	1,537,680

Other payables

	Note	June 30, 2010	June 30, 2009
		------- (Rupees in '000) -------	
Current accounts with related parties	27.2	**39,197**	41,480
Pakistan Telecommunication Authority	39	**37,703**	121,728
Advances from customers		**15,436**	12,493
Unearned income from wireless payphone cards		**86,287**	111,571
Accrued liabilities		**37,369**	38,101
Unclaimed dividend		**6,216**	6,216
Sales tax – net		**58,604**	27,489
Income tax deducted at source		**127,940**	88,070
Workers' Welfare Fund		**46,238**	10,319
Others		**911**	911
		455,901	458,378
		1,863,034	1,996,058

27.1 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 (2009: Rs.968.000) million on account of air time charges, line rent and access charges and Rs.276.000 (2009: Rs.276.000) million in respect of leased line charges from the Company. Further, the PTCL raised bills for Rs.50.912 and Rs.102.080 million for the current year and the year ended June 30, 2009, respectively, for WPS charges. Hence, total amount claimed by the PTCL as at June 30, 2010 amounted to Rs.1,396.992 (2009: Rs.1,346.080) million. However, the management, while acknowledging the liability to the extent of Rs.609.708 (2009: Rs.602.973) million does not accept liability for the remaining sum of Rs.787.284 (2009: Rs.743.107) 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. Further, the Company also paid a sum of Rs.189.725 million under protest during the year ended June 30, 2009, including Rs.170.000 million discussed in detail in the following paragraph, and recorded the above amounts, aggregating to Rs.289.725 (2009: Rs.289.725) million, as due from the PTCL under other receivables (note 14) and has not adjusted the same in these financial statements, pending the final resolution of the arbitration proceedings.

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 PTCL not to suspend the WPS service provided the Company to continued 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, which is currently under progress. Based on said Order, the Company has paid a sum of Rs.170.000 million to PTCL for the period commencing May 2008 to February 2009. Thereafter, the Company stopped paying the said amount to the PTCL, as services under the WPS Agreement were no longer required.

	Note	June 30, 2010	June 30, 2009
		------- (Rupees in '000) -------	

27.2 Related parties

World Trade Center (Private) Limited		**25,193**	17,332
Envicon (Private) Limited		**52**	52
Arfeen International (Private) Limited		**8,822**	3,519
Total Telecom Limited		**402**	12,844
Supernet Limited		**-**	5,159
Pakcom Limited		**-**	-
Instaphone (Private) Limited		**1,301**	-
Chaman Investment (Private) Limited		**3,427**	2,574
		39,197	41,480

27.2.1 The above amounts due from related parties are payable on demand. These carry mark-up at the rate of 6 months KIBOR plus 3.5% per annum.

28. ACCRUED / INTEREST MARK-UP

	Note	June 30, 2010	June 30, 2009
On secured:			
Long-term loans	18	**18,888**	44,221
Redeemable capital	19	**15,184**	18,994
Short-term loan obtained and repaid during the year		**3,128**	-
Short-term running finances	29	**8,830**	9,824
		46,030	73,039
On unsecured:			
Short-term borrowing – related party	30	**8,228**	4,955
Current accounts with related parties	27.2.1	**19,759**	33,251
		74,017	110,843

29. SHORT-TERM RUNNING FINANCES

From banks – secured		**269,771**	392,691

The Company has arranged short-term running finance facilities, aggregating to Rs.300.000 (2009: Rs.400.000) million from various commercial banks. These carry mark-up ranging between three months KIBOR plus 2.75% to six months KIBOR plus 3% (2009: three months KIBOR plus 2.25% to six months KIBOR plus 2.75%) per annum, payable quarterly. The purchase prices are repayable on various dates, latest by November 30, 2010. These facilities are secured against first pari passu hypothecation charge over current assets of the Company to the extent of Rs.394.000 (2009: Rs.394.000) million.

30. SHORT-TERM BORROWING

Unsecured

Loan from a related party			
Arfeen International (Private) Limited		**17,000**	35,500

30.1 The loan from the above referred related party carries markup at the rate of 15% (2009: 15%) per annum, and is repayable on demand.

31. CURRENT MATURITIES OF LONG-TERM LIABILITIES

	Note	June 30, 2010	June 30, 2009
		------- (Rupees in '000) -------	
Long-term loans	18	**97,125**	196,000
Redeemable capital (TFCs)	19	**211,680**	528,960
Liabilities against assets subject to finance lease	20	**14,949**	31,876
Advance from a Contractor	21	**-**	276,864
Due to employees	24	**9,814**	12,286
		333,568	1,045,986

32. CONTINGENCIES AND COMMITMENTS

Contingencies

32.1 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 and 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). The Company paid the said sum, however, pending a final decision on the Company's appeal in this regard, no provision has been made by the Company for the remaining balance of Rs.101.651 million in these financial statements. Further, in view of the Company's legal advisor, the Company's appeal is on a sound legal footing and could very well be decided in favour of the Company.

32.2 The PTA issued a show cause notice to the Company, alleging that the Company has violated the Access Promotion Rules, 2004 and Access Promotion 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 vary vires of the AP Rules, 2004 and AP Regulations, 2005 under which the aforementioned show cause notice has been issued to the Company. In view of the Company's legal advisor, at this juncture, amount of penalties, if any, imposed by the PTA on above referred irregularities cannot be ascertained, hence, no provision has been made by the Company for any liability that may arise as a result of this matter in these financial statements.

32.3 The Company and Wi-Tribe Limited (Wi-Tribe) had entered into a Joint Venture Agreement (JVA) in October 2007 which could not be consummated due to lack of certain external approvals, and the JVA was thus terminated by Telecard. Wi-Tribe contested the termination of the JVA and initiated Arbitration proceedings in ICC International Court of Arbitration (Court) seeking to force Telecard to consummate the transaction, and to pay monetary damages to Wi-Tribe. During the year the Arbitration Tribunal pronounced the Award which was entirely in the favor of the company with costs to be paid to the Company by Wi-Tribe.

In parallel Wi-tribe initiated a number of cases in different courts of Pakistan in an attempt to avoid enforcement of the Award and to prolong the dispute. The Company filed an Enforcement Order and an Anti-Suit Injunction in the High Court of Singapore whereby the Company sought to enforce the Award on Wi-Tribe and to refrain Wi-Tribe from continuing or initiating any new litigation relating to the subject matter in the Courts of Pakistan. However, subsequent to the year end, on October 4, 2010, a Settlement Agreement has been signed between the Company, Wi-Tribe and other involved parties whereby all parties have agreed to withdraw all pending litigation, without any compensation, cost or other payment to be made by any party to the other.

32.4 The Company filed a law suit against the Karachi Building Control Authority (KBCA) before the High Court of Sindh (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 regularise 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 dismantle the antennas and / or take legal action. The Court has granted interim injunction and matter is pending for hearing of application. In view of the Company's legal advisor, it is not possible at this juncture to assess and estimate the financial impact of the case in question, however, the Company has a good arguable case and is likely to succeed and as such is not likely to suffer any loss on account of this litigation. 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.

32.5 A suit has been filed by a shareholder of the Company in Islamabad High Court 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, based on the assessment of its legal advisor, is confident that the outcome of the case will be in its favor and, hence, no liability in this respect will arise. Accordingly, no provision has been made for the same in these financial statements pending a final decision in this matter.

32.6 The income tax assessments of the Company have been finalised up to and including the tax year 2009.

In respect of the assessment years 1999 - 2000 to 2002 - 2003, the Company was assessed partly under the presumptive tax regime (now final 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 High Court of Sindh (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 Income Tax Appellate Tribunal (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 filed an appeal against the same before the Commissioner of Income Tax (Appeals) [CIT(A)], who decided the appeal in the manner that the loss was assessed from Rs.1,033.598 million to Rs.40.517 million. The tax demand issued by the Taxation Officer amounts to Rs.10.431 million. The Company has filed an appeal before ITAT on the issues disallowed by 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.85.032 (2009: Rs.1,014.601) million. However, the management, based on the opinion of its tax advisors, is confident about the favorable outcome of the above matters and, hence, no additional provision has been considered necessary in these financial statements.

32.7 PTCL's claim amounting to Rs.1,541.620 (2009: Rs.1,478.717) 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.

32.8 During the current year, PTA issued a determination relating to the Annual Regulatory Dues for 2008 and demanded payment of Rs. 54.548 million. The Company has challenged the determination in the High Court of Sindh mainly on the ground that PTA can only claim Annual Regulatory Dues on the licensed services and not on the non-licensed revenue streams. In view of the Company's legal advisor, the Company has a good arguable case on merits and is likely to succeed. Accordingly, as the case is pending adjudication, no provision has been made for the same in these financial statements pending a final decision.

32.9 Contingencies in respect of matters relating to the PTCL have been disclosed in notes 14.2, 14.3, 14.4, 14.5, 14.6 and 27.1 to the financial statements. Pending resolutions of these matters no provision has been made against the amounts disclosed in these notes.

32.10 Contingency in respect of the PTA claim for APC for USF is disclosed in note 14.6 to the financial statements against which no provision has been made in these financial statements in accordance with the advice of the legal advisor.

32.11 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.

32.12 Counter guarantees given to banks amounting to Rs.214.500 (2009: Rs.214.500) million.

	Note	June 30, 2010	June 30, 2009
		------- (Rupees in '000) -------	
Commitments			
32.13 Post dated cheques issued to the PTA		-	175,006

33. REVENUE – net

	Note	June 30, 2010	June 30, 2009
Turnover		**2,216,867**	3,578,250
Trade discounts		**(33,414)**	(63,647)
		2,183,453	3,514,603
Services rendered to the Contractor under the Network Agreement	6.3.1 & 21.1	**230,724**	276,870
		2,414,177	3,791,473

34. DIRECT COSTS

	Note	June 30, 2010	June 30, 2009
		------- (Rupees in '000) -------	
			(Restated)
Interconnect charges – net		**587,963**	1,245,441
Network media charges		**90,620**	86,297
Network sites rent		**140,718**	172,380
Network sites utilities and maintenance		**95,948**	98,392
Insurance		**7,908**	10,221
Annual license fee		**37,575**	33,970
Cost of cards sold	34.1	**1,996**	3,656
Depreciation	5.1.5	**624,213**	667,800
Amortisation	6	**187,908**	188,241
Call center charges		**5,084**	-
		1,779,933	2,506,398

34.1 Cost of cards sold

	2010	2009
Opening stock	**8,857**	10,220
Purchases	**1,975**	2,293
	10,832	12,513
Closing stock	**(8,836)**	(8,857)
	1,996	3,656

35. DISTRIBUTION COSTS AND ADMINISTRATIVE EXPENSES

	Note	June 30, 2010	June 30, 2009
		------- (Rupees in '000) -------	
Salaries and other benefits	35.1	**170,462**	250,602
Postage, telephone and telex		**4,219**	4,198
Vehicles running and maintenance		**21,990**	25,867
Travelling and entertainment		**8,500**	15,317
Office security and maintenance		**8,080**	9,598
Stationery		**4,805**	6,781
Rent		**69,149**	55,847
Utilities		**28,452**	28,767
Insurance		**5,669**	2,570
Legal and professional charges		**21,417**	30,383
Auditors' remuneration	35.2	**4,458**	3,451
Donation	35.3	**1,000**	-
Sales promotion and marketing		**15,442**	150,360
Fee and subscription		**2,124**	2,948
Depreciation	5.1.5	**13,730**	3,020
Bad debts written off		**-**	9,608
Provision for debts considered doubtful	10.2	**96,090**	20,349
Provision for advances considered doubtful	11.4	**-**	2,645
Loss on sale of fixed assets		**-**	92
Provision for penalties		**14,426**	-
Others		**1,116**	381
		491,129	622,784

35.1 This includes Rs.11.746 million in respect of reversal of gratuity expense for the year [(2009: Rs.12.504 million) expense for the year] and Rs.3.371 (2009: Rs.3.371) million in respect of the Company's contribution towards provident fund.

35.2 Auditors' remuneration

	2010	2009
Fee for the audit of annual financial statements	**1,850**	1,750
Fee for the audit of consolidated financial statements	**350**	350
Fee for the review of half yearly financial statements and other certifications	**1,025**	1,010
Tax services	**850**	26
Out-of-pocket expenses	**383**	315
	4,458	3,451

35.3 Donations do not include any donee in whom any director or his spouse has any interest.

36. OTHER OPERATING EXPENSES

	2010	2009
Exchange loss - net	**22,929**	29,429
Workers' Welfare Fund	**35,919**	10,319
	58,848	39,748

37. OTHER OPERATING INCOME

	Note	June 30, 2010	June 30, 2009
		------- (Rupees in '000) -------	
Mark-up on loan to the wholly owned Subsidiary Company	11.1	24,832	13,666
Mark-up on current accounts with related parties		4,768	12,873
Return on bank deposits and term deposit receipt		1,012	9,622
Site sharing income		35,409	26,767
Gain on sale of fixed assets		1,425	-
Amortisation of deferred income on sale and lease back arrangements		-	663
Provision against other receivables considered doubtful written back	14.9	317	5,245
Spectrum maintenance fee		11,909	-
Others		494	1,156
		80,166	69,992

38. GAIN ON SALE OF INTANGIBLE ASSET

	2010	2009
GAIN ON SALE OF INTANGIBLE ASSET	1,478,758	-

Refer note 6.3.1 for details in this regard.

39. LIABILITIES NO LONGER PAYABLE WRITTEN BACK

	2010	2009
Other payable to PTA	79,706	-
Other trade creditors	8,221	-
	87,927	-

40. FINANCE COSTS

	Note	2010	2009
Interest / mark-up on:			
Long-term loans		106,079	122,596
Redeemable capital		183,487	259,753
Finance lease arrangements		1,444	5,769
Short-term borrowing		4,274	2,856
Short-term running finances		52,648	43,766
		347,932	434,740
Current accounts with related parties		19,759	-
Imputed interest on spectrum fee	26	157,122	141,551
Bank charges		5,636	4,428
		530,449	580,719

41. TAXATION

	Note	2010	2009
Current	41.1	12,069	-
Deferred		490,138	56,641
		502,207	56,641

41.1 The provision for taxation for the current year is based on minimum tax on turnover under section 113 of the Income Tax Ordinance, 2001.

	Note	June 30, 2010	June 30, 2009
		------- (Rupees in '000) -------	

42. EARNINGS PER SHARE – basic and diluted

Profit after tax for the year		**698,462**	55,175
		Number of shares	
Weighted average number of shares		**300,000,000**	300,000,000
		------- (Rupees) -------	
Basic earnings per share		**2.32**	0.18

There is no dilutive effect on the basic earnings of the Company.

43. CASH GENERATED FROM / (UTILISED IN) OPERATIONS

		June 30, 2010	June 30, 2009
Profit before taxation		**1,200,669**	111,816
Adjustments for non-cash charges and other items:			
Depreciation		**637,943**	670,820
Amortisation		**187,908**	188,241
Provision for gratuity		**(11,746)**	12,503
Finance costs		**373,327**	439,170
Interest on PTA license fee		**157,122**	141,551
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		**96,090**	20,349
Provision against other receivables considered doubtful written back		**(317)**	(5,245)
Provision for advances considered doubtful		-	2,645
(Profit) / loss on sale of fixed assets		**(1,425)**	92
Profit on sale of intangible asset		**(1,478,758)**	-
Bad debts written-off		-	9,608
Amortisation of deferred income on sale and lease back arrangements		-	(663)
		(39,856)	1,452,532
Profit before working capital changes		**1,160,813**	1,564,348
(Increase) / decrease in current assets			
Stock-in-trade		**21**	1,363
Trade debts		**46,171**	(39,620)
Loans and advances		**(33,175)**	76,459
Deposits and prepayment		**2,272**	2,421
Other receivables		**(1,885,698)**	(900,511)
		(1,836,479)	(859,888)
(Decrease) / increase in trade and other payables		**(133,024)**	799,056
Cash (used in) / generated from operations		**(808,690)**	1,503,516

44. CASH AND CASH EQUIVALENTS

	Note	June 30, 2010	June 30, 2009
		------- (Rupees in '000) -------	
Short-term investment		-	68,740
Bank balances	16	23,580	7,278
		23,580	76,018

45. PRIOR PERIOD ADJUSTMENTS

The Company in order to comply with the requirements of IAS - 8 "Accounting Policies, Changes in Accounting Estimates and Errors", made the following adjustments in these financial statements, as a result of the matters discussed in detail in note 6.3.1:

(a) the reversal of revaluation surplus arising on intangible asset; and

(b) the reversal of borrowing costs capitalised on intangible asset.

These adjustments have been accounted for retrospectively in accordance with the requirement of International Accounting Standard (IAS) - 8 "Accounting Policies, Changes in Accounting Estimates and Errors" as a result of which the comparatives for the prior year have been restated. Further, in accordance with the requirements of the revised IAS 1 "Presentation of Financial Statements (Revised)", the Company has presented a third balance sheet as at the end of the earliest period presented, i.e., June 30, 2008. The effects of restatement on the financial statements of the current year are as follows:

June 30, 2009	(As originally reported) 2009	Effect of prior period errors	2009 Restated
	-------------- (Rupees in '000)	--------------	
Restatement in balance sheet			
Intangible assets	4,378,840	(1,548,246)	2,830,594
Accumulated losses	(161,181)	(136,293)	(297,474)
Deferred tax (liability) / asset	(223,106)	541,886	318,780
Restatement in profit and loss account			
Direct costs	2,610,072	(103,674)	2,506,398
Finance costs	494,135	86,584	580,719
Profit after taxation	44,068	11,107	55,175
Earnings per share – basic	0.15	0.03	0.18

June 30, 2008	(As originally reported) 2008	Effect of prior period errors	2008 Restated
	-------------- (Rupees in '000)	--------------	
Restatement in balance sheet			
Intangible assets	4,584,169	(1,565,334)	3,018,835
Accumulated losses	(263,254)	(89,395)	(352,649)
Surplus on revaluation of intangible assets - net of tax	928,072	(928,072)	-
Deferred tax (liability) / asset	(172,446)	548,867	375,421
Restatement in profit and loss account			
Direct costs	2,189,052	(12,338)	2,176,714
Finance costs	460,618	68,300	528,918
Loss after taxation	(506,160)	(36,376)	(542,536)
Loss per share – basic	(1.69)	(0.12)	(1.81)

46. REMUNERATION OF THE CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

	2010			2009		
	Chief Executive	Director	Executives	Chief Executive	Director	Executives
	(Rs. in '000)			(Rs. in '000)		
Managerial remuneration	**5,161**	**5,806**	**32,962**	5,806	3,871	44,916
Other perquisites and benefits:						
House rent	**2,322**	**2,613**	**14,833**	2,613	1,742	19,116
Medical	-	-	**484**	-	29	664
Retirement benefits	**188**	-	**1,591**	-	322	2,404
Utilities	**516**	**581**	**3,296**	581	387	4,248
	3,026	**3,194**	**20,204**	3,194	2,480	26,432
	8,187	**9,000**	**53,166**	9,000	6,351	71,348
Number of persons	**1**	**1**	**32**	1	1	43

46.1 The Chief Executive Officer and a Director 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.

47. 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.

47.1 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.

47.1.1 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, 2010, the Company is exposed to such risk mainly in respect of long-term and short-term borrowings and short-term investments and loan. When the Company has surplus cash available for investment, it minimizes the interest rate risk by investing in fixed rate investments like Term Deposit Receipts.

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.

47.1.2 Foreign currency risk

Foreign currency risk is the risk that the value of financial assets or a financial liability will fluctuate due to a change in a foreign exchange rates. It arises mainly where receivables and payables exist due to transactions in foreign currency. The Company's exposure to foreign currency risk is as follows:

	June 30, 2010 US$	June 30, 2009 US$
Trade debts	**2,096,323**	2,261,937
Bank balances	**257,254**	2,121
Trade and other payables	**(6,591,724)**	(6,631,218)
	(4,238,147)	(4,367,160)
The following significant exchange rates have been applied at the reporting dates:		
Exchange rate (Rupees)	**85.6**	81.3

The foreign currency exposure is partly covered as majority of the Company's billing is determined in dollars which is converted into rupees at the exchange rate prevailing at the transaction date. The Company has assessed that hedging its foreign currency borrowings will be more expensive than assuming the risk itself.

Sensitivity analysis:

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Company's profit before tax and the Company's equity.

	Change in US dollar rate (%)	Effect on profit / (loss)	Effect on Equity
		------- (Rupees in '000) -------	
June 30, 2010	**+10**	**(36,279)**	**(36,279)**
	-10	**36,279**	**36,279**
June 30, 2009	**+10**	(35,505)	(35,505)
	-10	35,505	35,505

47.1.3 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, 2010 the Company is not exposed to equity price risk.

47.2 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, 2010	June 30, 2009
	------- (Rupees in '000) -------	
Trade debts	**224,238**	366,499
Short-term investment	**-**	68,740
Bank balances	**23,580**	7,278
	247,818	442,517

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	**224,238**	366,499
Short-term investment		
A-3	**-**	68,740
Bank balances		
A1+	**504**	1,432
A1	**97**	5,762
A3	**22,979**	84
	23,580	7,278

47.3 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.30.229 (2009: Rs.7.257) million. The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

	Less than 3 months	3 to 12 months	1 to 5 Years	5 years	Total
	-----------------------------(Rupees in '000)				-----------------------------
Long-term loans	-	97,125	502,000	-	599,125
Redeemable capital	-	211,680	776,160	-	987,840
Liabilities against assets subject to finance leases	-	14,949	-	-	14,949
Long-term deposits	-	-	61,112	-	61,112
Due to PTA	-	-	1,585,500	-	1,585,500
Trade and other payables	-	1,863,034	-	-	1,863,034
Accrued mark-up	74,017	-	-	-	74,017
Short-term running finances	-	269,771	-	-	269,771
Short-term borrowing	17,000	-	-	-	17,000
June 30, 2010	1,268,767	2,456,559	2,924,772	-	5,472,348

	Less than 3 months	3 to 12 months	1 to 5 Years	5 years	Total
	-----------------------------(Rupees in '000)				-----------------------------
Long-term loans	44,500	151,500	464,000	-	660,000
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	-	-	1,428,378	-	1,428,378
Trade and other payables	-	1,996,058	-	-	1,996,058
Accrued mark-up	110,843	-	-	-	110,843
Short-term running finances	-	392,691	-	-	392,691
Short-term borrowing	35,500	-	-	-	35,500
June 30, 2009	196,687	3,095,241	2,560,383	-	5,852,311

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

47.4 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 arm's length transaction.

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

47.5 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, 2010	June 30, 2009
	------------(Rupees in '000)------------	
Long-term loans	**599,125**	660,000
Redeemable capital	**987,840**	1,128,960
Obligation under finance leases	**14,949**	33,744
Due to PTA	**1,585,500**	1,428,378
Debt	**3,187,414**	3,251,082
Issued, subscribed and paid-up capital	**3,000,000**	3,000,000
Unappropriated profit / (accumulated losses)	**727,942**	(297,474)
Total capital	**3,727,942**	2,702,526
Capital and debt	**6,915,356**	5,953,608
Gearing ratio	**46.1%**	54.6%

48. 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:

Wholly Owned Subsidiary Company		
Supernet Limited		
Services rendered	**9,833**	10,463
Services received	**24,735**	9,776
Loan provided during the year	**124,318**	-
Repayment of short term loan	**69,093**	79,543
Markup charged during the year	**24,832**	13,666
Entities having directors in common with the Company		
Pakcom Limited		
Services rendered	**916**	62,756
Services received	**58,917**	94,412
Mark-up charged during the year	**4,550**	12,873

	June 30, 2010	June 30, 2009
	------------(Rupees in '000)------------	
Arfeen International (Private) Limited		
Sale of fixed assets	-	2,103
Payments made on behalf of the Company	-	5,809
Payments made by the Company	**377**	2,290
Repayment of long-term loan	**53,100**	6,000
Markup charged during the year	-	3,778
Rent charged during the year	**5,520**	-
Loan obtained during the year	**34,600**	-
Total Telecom Limited		
Payments made by the Company	-	18
Payments made on behalf of the Company	**1,508**	1,184
(Repayment) / receipt of long-term loan	-	(91,743)
Markup charged during the year	**11,556**	2,510
Payment of mark-up made during the year	**44,807**	-
Chaman Investment (Private) Limited		
Services rendered	**864**	2,574
World Trade Center (Private) Limited		
Services rendered	**395**	28
Service received	**58,084**	60,366
Markup on current account	**19,759**	-
Envicrete Limited		
Sale of fixed assets	-	38
Payment made on behalf of the Company	**131**	-
Grand Leisure Corporation (Private) Limited		
Services rendered	-	51
Payment made on behalf of the Company	**23**	-
Provident Fund		
Contribution during the year	**3,371**	3,371
Instaphone infrastructure		
Payment made by the Company	**11,809**	613
Services rendered	**12,913**	-
Instaphone (Private) Limited		
Payment made by the Company	**958**	1,018
Services rendered	**15,253**	14,040

48.1 Balances outstanding with related parties have been disclosed in the respective notes to the financial statements.

49. CORRESPONDING FIGURES

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

From	To	(Rupees in '000)
Cash in hand	Loans and advances	2,309
Trade and other payables	**Trade and other payables**	
Advances from customers	Others	86,568
Other receivable – Augere Pakistan	Trade debts	29,389
	Trade and other payables	1,963

From	To	(Rupees in '000)
Trade and other payables – Related parties	Accrued mark-up	4,553
Trade and other payables	**Other receivables**	
WPS - under protest	WPS - under protest	289,725
LL & LDI charges	Leased lines and upfront connection charges	112,840
Wire line	Wire line	48,598
Multi-metering	Multi-metering	18,287
LL & LDI charges	LL & LDI charges	200,000
Direct costs - optical fiber network charges	Direct costs - Network media charges	8,997
Direct costs - internet bandwidth charges	Direct costs - Network media charges	25,562
Direct costs - network sites rent	Direct costs - Network media charges	51,738

50. MOVEMENT BETWEEN RESERVES AND PROPOSED DIVIDEND

The Board of Directors in its meeting held on **15 October 2010** proposed a final cash dividend for the year ended June 30, 2010, at the rate of **Rs.0.10 (2009 nil)** per Ordinary share of Rs.10 each, amounting to **Rs. 30,000,000** for approval of the members at the Annual General Meeting to be held on **November 12, 2010.**

51. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on **15 October 2010** by the Board of Directors of the Company.

52. GENERAL

Figures in these financial statements have been rounded off to the nearest thousand rupees, unless otherwise stated.

Chief Executive **Director**

Annual Report
2010

Consolidated Financial Statements

Telecard Limited

AUDITOR'S REPORT TO THE MEMEBERS

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 2010** and the related consolidated profit and loss account, consolidated statement of comprehensive income, 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.

In our opinion, the consolidated financial statements present fairly the financial position of Telecard Limited and its Subsidiary Company as at 30 June 2010 and the results of their operations for the year then ended.

without qualifying our opinion, we draw attention to the contents of:

i) notes 15.2(a) and 15.3 to the accompanying 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 financial statements;

ii) note 15.2(b) to the accompanying 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 financial statements;

iii) note 15.6 to the accompanying financial statements in respect of the Pakistan Telecommunication Authority's (PTA) claim for Access Promotion Contribution for Universal Service Fund of Rs.2,269.148 million, out of which the Group paid a sum of Rs.2,111.115 million to the PTA up to the end of 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.2,111.115 million shown by the Group under other receivables (note 15.6) nor any provision has been made for the remaining sum of Rs.158.033 in the accompany financial statements;

iv) notes 34.1 to 34.14 to the accompanying financial statements in respect of contingencies the ultimate outcome of which cannot presently be determined and, hence, pending the resolution thereof, no provision has been made for any liability that may arise therefrom in the accompanying financial statements;

v) note 14.1 to the accompanying 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 financial statements. Pending a final decision in this matter, no provision has been made thereagainst in the accompanying financial statements;

vi) note 47 to the accompanying financial statements in respect of prior period adjustments, accounted for by the Group during the current year in accordance with the requirements of IAS-8 "Accounting Policies, Changes in Accounting Estimates and Errors", as a result of the matters discussed in note 7.3.1; and

vii) note 28 in respect of amount due to PTA shown under non-current liabilities, as a result of a Writ Petition instituted by the WLL Industry, including the Group, subsequent to the end of the current year.

Ernst & Young Ford Rhodes Sidat Hyder

Audit Engagement Partner's Name: Pervez Muslim

Chartered Accountants

Date: October 15, 2010

Place: Karachi

CONSOLIDATED BALANCE SHEET
AS AT JUNE 30, 2010

	Note	June 30, 2010	June 30, 2009	June 30, 2008
		(Rupees in '000)		
ASSETS			Restated (Note 47)	Restated (Note 47)
NON-CURRENT ASSETS				
Fixed assets				
Property, plant and equipment	6	**2,639,677**	3,316,309	4,025,648
Intangible assets	7	**2,611,521**	2,900,823	3,088,941
		5,251,198	6,217,132	7,114,589
Long-term loans and advances	8	**6,012**	7,136	7,880
Long-term deposits	9	**91,275**	58,555	67,509
Deferred taxation		**-**	380,944	406,312
		5,348,485	6,663,767	7,596,290
CURRENT ASSETS				
Stock-in-trade		**8,836**	8,857	10,220
Communication stores	10	**91,010**	110,705	71,441
Trade debts	11	**1,057,917**	723,661	770,853
Loans and advances	12	**50,157**	33,251	26,672
Deposits and prepayments	13	**116,591**	51,576	62,572
Accrued mark-up	14	**66,562**	61,891	48,587
Other receivables	15	**3,521,689**	1,642,504	732,032
Taxation – net	16	**191,458**	229,234	205,627
Short-term investment	17	**9,571**	75,555	69,185
Bank balances	18	**82,451**	8,772	39,102
		5,196,242	2,946,006	2,036,291
TOTAL ASSETS		**10,544,727**	9,609,773	9,632,581

CONSOLIDATED BALANCE SHEET
AS AT JUNE 30, 2010

EQUITY AND LIABILITIES	Note	June 30, 2010	June 30, 2009	June 30, 2008
SHARE CAPITAL AND RESERVES		---------- (Rupees in '000) ----------		
Share capital Authorised			Restated (Note 47)	Restated (Note 47)
400,000,000 (2009: 400,000,000) Ordinary shares of Rs.10 each		**4,000,000**	4,000,000	4,000,000
Issued, subscribed and paid-up	19	**3,000,000**	3,000,000	3,000,000
Unappropriated profit / (Accumulated losses)		**674,579**	(149,568)	(299,376)
		3,674,579	2,850,432	2,700,624
NON-CURRENT LIABILITIES				
Long-term loans	20	**502,000**	464,000	854,243
Redeemable capital	21	**776,160**	600,000	1,128,960
Liabilities against assets subject to finance leases	22	-	1,868	23,139
Advance from a Contractor	23	**525,517**	276,874	618,503
Long-term deposits	24	**127,739**	66,137	78,003
Deferred liabilities	25	**12,243**	27,280	26,345
Due to employees	26	**23,139**	39,361	55,323
Deferred taxation	27	**118,256**	-	-
Due to Pakistan Telecommunication Authority	28	**1,585,500**	1,428,378	1,286,827
		3,670,554	2,903,898	4,071,343
CURRENT LIABILITIES				
Trade and other payables	29	**2,469,661**	2,183,543	1,448,316
Accrued interest / mark-up	30	**74,017**	114,069	162,042
Short-term running finances	31	**269,771**	407,783	292,436
Short-term borrowing	32	**17,000**	35,500	64,289
Current maturities of long-term liabilities	33	**369,145**	1,114,548	893,531
		3,199,594	3,855,443	2,860,614
CONTINGENCIES AND COMMITMENTS	34			
TOTAL EQUITY AND LIABILITIES		**10,544,727**	9,609,773	9,632,581

The annexed notes from 1 to 54 form an integral part of these consolidated financial statements.

Chief Executive

Director

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

	Note	June 30, 2010	June 30, 2009 Restated (Note 47)
REVENUE – net	35	**3,634,286**	4,406,184
Direct costs	36	**(2,705,579)**	(2,944,401)
GROSS PROFIT		**928,707**	1,461,783
Distribution costs and administrative expenses	37	**(611,782)**	(720,687)
Other operating expenses	38	**(62,845)**	(40,625)
		(674,627)	(761,312)
Other operating income	39	**74,729**	59,086
Gain on sale of intangible asset	40	**1,478,758**	-
Liabilities no longer payable written back	41	**95,309**	12,108
		1,648,796	71,194
		974,169	(690,118)
OPERATING PROFIT		**1,902,876**	771,665
Finance costs	42	**(535,240)**	(594,935)
PROFIT BEFORE TAXATION		**1,367,636**	176,730
Taxation	43	**(543,489)**	(26,922)
NET PROFIT FOR THE YEAR		**824,147**	149,808
EARNINGS PER SHARE - Basic and diluted (Rupees)	44	**2.75**	0.50

The annexed notes from 1 to 54 form an integral part of these consolidated financial statements.

Chief Executive

Director

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2010

	June 30, 2010	June 30, 2009
	------- (Rupees in '000) -------	
		Restated (Note 47)
Net profit for the year	**824,147**	149,808
Other comprehensive income	-	-
Total comprehensive income	**824,147**	149,808

The annexed notes from 1 to 54 form an integral part of these financial statements.

Chief Executive

Director

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2010

	Note	June 30, 2010	June 30, 2009
		------- (Rupees in '000) -------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from / (used in) operations	45	**(672,943)**	1,611,271
Income tax refund received		**25,000**	-
Income tax paid		**(31,152)**	(23,449)
Finance costs paid		**(406,667)**	(538,053)
Retirement benefits paid		**(3,715)**	(11,587)
Long-term loans and advances		**1,124**	(27)
Due to employees		**(18,492)**	(38,704)
Liability for long-term deposits		**94,915**	-
Long-term deposits		**(32,720)**	5,301
Net cash (used in) / generated from operating activities		**(1,045,010)**	1,004,752
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		**(57,446)**	(61,972)
Proceeds from disposal of property, plant and equipment		**2,090**	3,887
Proceeds from the sale of intangible assets		**1,257,070**	-
Net cash generated from / (used in) investing activities		**1,201,714**	(58,085)
CASH FLOWS FROM FINANCING ACTIVITIES			
Advance from a Contractor		**294,793**	(276,870)
Repayment of long-term finances - net		**(286,995)**	(683,083)
Proceeds from short-term borrowings - net		**-**	(64,289)
(Repayment) / proceeds of short-term running finance - net		**(138,012)**	115,347
Repayment of obligations under finance lease		**(18,795)**	(61,732)
Net cash used in financing activities		**(149,009)**	(970,627)
NET DECREASE / (INCREASE) IN CASH AND CASH EQUIVALENTS DURING THE YEAR		**7,695**	(23,960)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**84,327**	108,287
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	46	**92,022**	84,327

The annexed notes from 1 to 54 form an integral part of these consolidated financial statements.

Chief Executive   **Director**

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

	Issued, subscribed and paid-up	(Accumulated losses) / Unappropriated profit	Total
	(Rupees in '000)		
Balance as at June 30, 2008 - as previously reported	3,000,000	(209,981)	2,790,019
Effect of prior period adjustments (note 47)	-	(89,395)	(89,395)
Balance as at June 30, 2008 – as restated	3,000,000	(299,376)	2,700,624
Net profit for the year - restated (note 47)	-	149,808	149,808
Other comprehensive income	-	-	-
Total comprehensive income	-	149,808	149,808
Balance as at June 30, 2009 - restated	**3,000,000**	**(149,568)**	**2,850,432**
Net profit for the year	**-**	**824,147**	**824,147**
Other comprehensive income	**-**	**-**	**-**
Total comprehensive income	**-**	**824,147**	**824,147**
Balance as at June 30, 2010	**3,000,000**	**674,579**	**3,674,579**

The annexed notes from 1 to 54 form an integral part of these consolidated financial statements.

Chief Executive **Director**

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

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 28) and certain employees' benefits which have been carried at present value (note 25).

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:

standards or interpretations:			Effective date (accounting periods beginning on or after)
IAS 32	-	Financial Instruments: Presentation - Classification of Rights Issues (Amendment)	February 01, 2010
IAS 24	-	Related Party Disclosures (Revised)	January 01, 2011
IFRS 2	-	Share-based Payments: Amendments relating to Group Cash-settled Share-based Payment Transactions	January 01, 2010
IFRIC 14	-	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (Amendments)	January 01, 2011
IFRIC 19	-	Extinguishing Financial Liabilities with Equity Instruments	July 01, 2010

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, except for the implementation of IAS -24 "Related Party Disclosures (Revised)", which may effect certain disclosures.

In addition to the above, amendments to various accounting standards have also been issued by the IASB as a result of its annual improvement project in April 2009. Such improvements are generally effective for accounting periods beginning on or after 01 January 2010. The Group expects that such improvements to the standards will not have any material impact on the Group's financial statements in the period of initial application.

5.2 Changes in accounting policies and disclosures as a result of adoption of new and amended accounting standards

During the current year, the Group adopted the following new and amended IFRS as of July 01, 2009, resulting in extended presentation and disclosure changes, as described below:

IAS 1 - "Presentation of Financial Statements (Revised)"

The revised IAS 1 was issued in September 2007 and became effective for financial years beginning on or after January 01, 2009. The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard has introduced the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. Accordingly, the Group has opted to prepare two statements in these financial statements. Comparative information has also been re-presented to bring it in conformity with the revised standard.

The revised IAS 1 also requires that when the entity applies an accounting policy retrospectively or makes retrospective statement or reclassifies items in the financial statements, it should present a restated financial position (balance sheet) as at beginning of comparative period in addition to the current requirement of presenting the balance sheet as at the end of the current and the comparative period.

As the change in accounting policy impacts only the presentation aspects, there is no impact on the earnings of the Group.

IFRS 7 - "Financial Instruments: Disclosures" (Amendments)

The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognised at fair value. The fair value measurement and the liquidity risk disclosures are not significantly impacted by the amendments.

As the change in accounting policy impacts only the presentation aspects, there is no impact on the earnings of the Group.

IFRS 8 - "Operating Segments"

IFRS - 8 replaces IAS 14, 'Segment Reporting'. It requires a 'management approach', under which segment information is presented on the same basis as that used for internal purposes. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision maker.

The management has determined that the Group has a single reportable segment as the Chief Operating decision maker views the Group's operations as one reportable segment.

5.3 Standards or interpretations effective in 2010 but not relevant to the Group

The following standards and interpretations are effective for financial periods beginning on or after July 1, 2009 but are either not relevant or do not have any effect / material effect on the financial statements of the Group:

IFRS 2	-	Share Based Payment - Amendments regarding Vesting Conditions and Cancellations (Amendment)
IFRS 3	-	Business Combinations (Revised)
IAS 32	-	Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation (Amendments)
IAS 39	-	Financial Instruments: Recognition and Measurement - Eligible hedged items (Amendments)
IFRIC 15	-	Agreements for the Construction of Real Estate
IFRIC 16	-	Hedges of a Net Investment in a Foreign Operation
IFRIC 17	-	Distributions of Non-cash Assets to owners
IFRIC 18	-	Transfers of Assets from Customers

5.4 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	5.5, 6 & 7
Impairment of	

• Fixed assets	5.5, 6 & 7
• Trade debts	5.8 & 11
Recognition of tax and deferred tax	5.15, 27 & 43
Accounting for staff retirement benefits	5.14 & 25

5.5 Fixed assets

5.5.1 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.

5.5.2 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

Good will 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.

5.5.3 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 are written down to their recoverable amount.

5.6 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.

5.7 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.

5.8 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.

5.9 Cash and cash equivalents

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

5.10 Trade and other payables

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

5.11 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.

5.12 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.

5.13 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.

5.14 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.

5.15 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.

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.

5.19 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.

5.20 Related party transactions

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

5.21 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. PROPERTY, PLANT AND EQUIPMENT

	Note	June 30, 2010	June 30, 2009
		------- (Rupees in '000) -------	
Operating fixed assets	6.1	**2,095,152**	2,780,833
Capital work-in-progress	6.2	**544,525**	535,476
		2,639,677	3,316,309

6.1 Operating fixed assets

	Note	COST					ACCUMULATED DEPRECIATION				WRITTEN DOWN VALUE
		As at July 01, 2009	Additions/ Transfers *	(Disposal)	As at June 30, 2010	Rate/ period	As at July 01, 2009	For the year (adjustment) **	(On disposal) / (transfers) *	As at June 30, 2010	As at June 30, 2010
		(Rs. in '000)					(Rs. in '000)				
<u>June 30, 2010</u>											
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%	3,548	105	-	3,653	-
Building on freehold land		625	-	-	625	20 yrs	249	31	-	280	345
Apparatus, plant and equipment	6.1.2 & 6.2	6,106,439	39,388 30,000 *	-	6,175,827	5-33%	3,457,336	702,641	- 10,333 *	4,170,310	2,005,517
Sign boards		30,875	-	-	30,875	25%	29,600	1,152	-	30,752	123
Furniture, fixtures and office equipment		55,898	719	-	56,617	10%	30,134	4,205	-	34,339	22,278
Computers and related accessories		64,967	5,260	-	70,227	20%	55,140	6,214	-	61,354	8,873
Vehicles	6.1.3	21,692	3,030 1,079 *	(3,211)	22,590	20%	17,685	3,551	(3,211) 1,079 *	19,104	3,486
		6,291,069	48,397 31,079 *	(3,211)	6,367,334		3,597,592	717,899	(3,211) 11,412 *	4,323,692	2,043,642
Leased											
Apparatus, plant and equipment	6.1.2	171,597	- (30,000) *	-	141,597	10-33%	85,223	15,851	- (10,333) *	90,741	50,856
Vehicles		4,032	- (1,079) *	-	2,,953	20%	3,050	328	- (1,079) *	2,299	654
		175,629	(31,079) *	-	144,550		88,273	16,179	- (11,412) *	93,040	51,510
		6,466,698	48,397	(3,211)	6,511,884		3,685,865	734,078	(3,211) - *	4,416,732	2,095,152

	Note	COST				Rate/ period	ACCUMULATED DEPRECIATION				WRITTEN DOWN VALUE
		As at July 01, 2008	Additions/ Transfers *	(Disposal)	As at June 30, 2009		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	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 & 6.2	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	6.1.3	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 year ended June 30, 2009, 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 prior year had been adjusted by Rs.15.809 million, representing excess depreciation charged in prior years.

6.1.1 This represents cost incurred by the Group during the year ended June 30, 1997, 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. The lease agreement expired during the current year, as a result of which Arfeen International (Private) Limited are currently in the process of renewing the same.

6.1.2 These include:

6.1.2.1 Line Protection Units, costing Rs.22.206 (2009: Rs.22.206) million, having a net book value of Rs.1.152 (2009: Rs.2.066) 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.2,167.167 (2009: Rs.2,140.398) million, having a net book value of Rs.248.640 (2009: Rs.527.777) 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 (2009: Rs.248.983) million, with a net book value of Rs.0.165 (2009: Rs.19.539) 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	Sale proceeds	Gain / (loss) on disposal	Mode of sale	Particulars of buyers
	------------------------------ (Rs. in '000) ------------------- -----------						
Vehicles							
Toyota Corolla	1,079	1,079	-	750	750	Negotiation	Mrs. Fareeda Jameel Virk, Karachi
Toyota Corolla	1,079	1,079	-	675	675	Negotiation	Mr. Zain Saeed, Karachi
Suzuki Khyber	55	55	-	240	240	Negotiation	Mr. Abdul Waseem, Karachi
Suzuki Bolan	499	499	-	255	255	Negotiation	Mr. Muhammad Saleem, Lahore
Suzuki Bolan	499	499	-	170	170	Negotiation	Mr. Imran Khan, Islamabad
June 30, 2010	**3,211**	**3,211**	**-**	**2,090**	**2,090**		
June 30, 2009	8,082	5,029	3,053	3,887	834		

6.1.4 The cost of fully depreciated assets as at June 30, 2010 is Rs.1,685.000 (2009: Rs.1,024.141) million.

6.1.5 Depreciation for the year has been allocated as follows:

	Note	June 30, 2010	June 30, 2009
		------- (Rupees in '000) -------	
Direct costs	36	**718,298**	765,572
Distribution costs and administrative expenses	37	**15,780**	5,417
		734,078	770,989

	Owned equipment (note 6.2.1)	Advances to suppliers	Leased equipment	Total
6.2 Capital work-in-progress	------------------------Rupees in '000------------------------			
As at July 01, 2009	479,301	16,175	40,000	535,476
Additions during the year	-	9,789	-	9,789
Transfer to apparatus, plant and equipment	(740)	-	-	(740)
Transfer from leased to owned network projects	40,000	-	(40,000)	-
June 30, 2010	**518,561**	**25,964**	**-**	**544,525**
June 30, 2009	479,301	16,175	40,000	535,476

6.2.1 Included herein is an aggregate sum of Rs.20.275 (2009: Rs.21.015) million, representing wireless payphone units that would be activated upon issuance of connections to customers.

7. INTANGIBLE ASSETS

	Note	COST / REVALUATION			Period yrs	ACCUMULATED AMORTISATION			WRITTEN DOWN VALUE
		As at July 01, 2009	Additions during the year	As at June 30, 2010		As at July 01, 2009	For the year / (On disposal)	As at June 30, 2010	As at June 30, 2010
		----------------Rupees in '000----------------				-----------------------Rupees in '000-----------------------			
June 30, 2010									(Restated)
WLL Licenses	7.1 & 7.2	3,459,535	(114,439)	3,345,096	20 yrs	652,294	186,360	825,541	2,519,555
LDI License	7.3	29,029	-	29,029	16-20 yrs	5,676	1,548	7,224	21,805
Computer software		38,836	-	38,836	5 yrs	38,530	65	38,595	241
Goodwill		116,536	-	116,536	-	46,616	-	46,616	69,920
							(13,113)		
		3,643,936	(114,439)	3,529,497		743,116	187,973	917,976	2,611,521
							(13,113)		

	Note	COST / REVALUATION			Period yrs	ACCUMULATED AMORTISATION			WRITTEN DOWN VALUE
		As at July 01, 2008	Additions during the year	As at June 30, 2009		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									(Restated)
WLL Licenses	7.1 & 7.2	3,459,535	-	3,459,535	20 yrs	465,601	186,693	652,294	2,807,241
LDI License	7.3	2,9029	-	2,9029	16-20 yrs	4,128	1,548	5,676	23,353
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
		3,643,615	323	3,643,938		554,674	188,441	743,115	2,900,823

7.1 These represent 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 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.

7.3 The following intangible asset was disposed off during the year:

Description	Cost	Accumulated amortisation	Written down value	Sale proceeds / consideration	Gain on disposal	Mode of sale	Particulars of buyers
	------------------------------ (Rs. in '000) ---------------------------						
<u>Intangible assets</u>							
WLL Licenses - (3.5 Ghz Spectrum) (note 7.3.1)	114,439	13,113	101,326	1,580,084	1,478,758	Negotiation	Sharp Communication (Private) Limited

7.3.1 During the year ended June 30, 2004, the Group was granted licenses for Wireless Local Loop (WLL) by the PTA, which included licenses for the 3.5 GHz frequencies, costing Rs.113.655 million. The Group entered into a Joint Venture Agreement (JVA) in October 2007 in respect of the 3.5 GHz licenses, which had valued the licenses at $22.5 million. This JVA was terminated by the Group in February 2008 as certain external approvals which formed conditions precedent to the closing of the JVA could not be obtained. The JVA partner, however, disputed the Group's position and pressed for completion of the JVA, and initiated a number of legal proceedings including Arbitration by the International Court of Arbitration, as discussed in detail in note 34.3.

The Group considered the ongoing demand by a third party as sufficient basis to establish a higher value of the spectrum, and consequently revalued the licenses of the 3.5 GHz frequencies on June 30, 2008 to Rs.1,530 million. Such revaluation, however, did not meet the requirement of an "active market", as defined in International Accounting Standard (IAS) - 38 "Intangible Assets" and, as a consequence thereof, carried the same in the books of the Group at its revalued amount, as opposed to the carrying value thereof, maintaining that the above referred revalued amount represented the fair value of the frequencies as at that date. The revaluation in question, accordingly, resulted in a surplus on revaluation of Rs.1,427.803 million, representing the difference between the fair value, as stated above, and the carrying value of the frequency of Rs.102.197 million in the books of the Group as at June 30, 2008.

In addition, the Group had also been capitalising ineligible borrowing costs on all the licenses for WLL, aggregating to Rs.155.417 million as at June 30, 2009, which related to frequencies which had become operational in previous years and, as such, did not qualify for capitalisation under the requirements of IAS - 23 "Borrowing Costs", as the said IAS allows capitalisation of only those borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset are eligible for capitalization.

During the current year, on August 6, 2009, the Securities and Exchange Commission of Pakistan (S.E.C.P) served a show cause notice to the Group under Section 472, read with Section 234, of the Companies Ordinance, 1984, questioning the Group's non-compliance with the requirement of (a) IAS - 38, with regard to the determination of the value of the frequencies in question in the absence of an active market and (b) IAS - 23, in respect of the capitalisation of ineligible borrowing costs. These non-compliances had also been reported by the Auditors in their report on the annual financial statements of the Group for the year June 30, 2009, in view of their disagreement with the accounting treatment accorded by the Group.

The S.E.C.P disposed of the above referred matters, vide its Order, dated November 9, 2009, directing the Group to "undo the default" and comply with the requirement of IAS -23 of charging such costs to the profit and loss account. As for the matter relating to the revaluation of the frequencies, the S.E.C.P allowed the Group to make an appropriate judgment in accordance with the applicable requirements.

Accordingly, in order to comply with the above Order, the Group reversed (a) Surplus on revaluation of intangible assets by Rs.1,427.803 million and (b) ineligible borrowing costs by an aggregate sum of Rs.155.417 million during the current year and treated these as "Prior Period Adjustments", in the financial statements of the current year, in accordance with the requirements of IAS - 8 "Accounting Policies, Changes in Accounting Estimates and Errors". As a result of these adjustments, the written down value of the intangible asset in question was brought down to its correct written down value (without including the effect of revaluation) of Rs.102.197 million as at June 30, 2008, and the ineligible borrowing costs, aggregating to Rs.155.417 million, was also reversed by according retrospective application thereto.

Thereafter, on April 30, 2010, the Group sold the licenses for the 3.5 GHz frequencies to a Subsidiary Company of the Contractor, discussed in note 23, for a consideration of Rs.1,580.084 million, after obtaining necessary approval from the PTA. The written down value of the said frequencies on the date of disposal amounted to Rs.101.326 million, resulting in a gain on sale of the frequencies of Rs.1,478.758 million, as shown in the profit and loss account. This sale was made in accordance with the terms of an 'Amended and Restated Network Agreement' (the Agreement) signed on April 26, 2010, between the Group, Contractor and its Subsidiary Company, covering (a) the sale of licenses and (b) provision of services to the Contractor for future periods pursuant to a credit note for Rs.1,051.250 million, equivalent to US$12.5 million, to be issued by the Group.

The Agreement, as referred to above, superseded the earlier Network Agreement the Group signed with the Contractor during the year ended June 30, 2008 under which the Group received a sum of Rs.830.608 million for services rendered to the Contractor for a period of three years commencing July 1, 2008 to June 30, 2011, as discussed in note 23. During the term of the said agreement, up to the date of the supersession, the Group had recognised income aggregating to Rs.507.594 million, leaving an unamortised balance of Rs.323.014 million, as disclosed in note 23.

Against the sale consideration of Rs.1,580.084, the Contractor paid (i) a sum of Rs.662.880 million to the Group and (ii) a sum of Rs.594.190 million directly to the PTA on behalf of the Group against the amounts due thereto by the Group in respect of various charges to fulfill a precondition for the execution and transfer of the title of the licenses in the name of the Subsidiary of the Contractor, which the Group has recorded as payment made under protest in note 15.6 under Other Receivables. Further, as the balance of Rs.323.014 million of unamortised advance from the Contractor was not refundable thereto as a result of the supersession of the earlier agreement therewith, as discussed in note 23.1, the Group applied the same against the above referred sale consideration in accordance with the Amended and Restated Network Agreement.

On the other hand, against the provision of services of Rs.1,051.250 million to the Contractor for future services, as referred to in (b) above, the Contractor paid a sum of Rs.605.810 million directly to the PTA on behalf of the Group for the same reasons as explained above, which has also been recorded by the Group as payment made under protest in note 15.6 under Other Receivables, aggregating to Rs.1,200.000 million. Additionally, the Contractor is committed to issue shares to the Group for a value of Rs.445.440 million which will be recorded by the Group as and when these are issued by the Contractor. The above referred consideration of Rs.1,051.250 million in respect of provision of services has been adjusted by the Group against a sum of Rs.80.293 million as shown in note 23.1, representing amounts due from the Contractor, shown in trade debts in note 11.1, in respect of services rendered thereto, pursuant to the Amended and Restated Network Agreement discussed above.

7.4 The cost of fully amortised intangible asset as at June 30, 2010 is Rs.38.514 (2009: Rs.38.514) million.

	Note	June 30, 2010	June 30, 2009
		------- (Rupees in ‘000) -------	
8. LONG-TERM LOANS AND ADVANCES			
Loans - secured, considered good			
Executives	8.1, 8.2 & 8.3	**135**	80
Employees	8.1	**116**	122
		251	202
Recoverable within one year shown under current assets			
Executives		**(55)**	-
Employees		**(4)**	(10)
	12	**(59)**	(10)
		192	192
Advances – secured			
Considered good			
Pakistan Telecommunication Company Limited		**5,820**	6,944
Considered doubtful		**1,929**	772
Provision for advances considered doubtful	8.4	**(1,929)**	(772)
		-	-
		5,820	6,944
		6,012	7,136

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.

		Note	June 30, 2010	June 30, 2009
			------- (Rupees in '000) -------	
8.2	**Reconciliation of the carrying amount of loans to executives**			
	Opening balance		**80**	242
	Disbursements		**55**	-
	Repayments		**-**	(162)
			135	80

8.3 The maximum aggregate amount due from the executives at the end of any month during the year was Rs.0.135 (2009: Rs.0.080) million.

		Note	June 30, 2010	June 30, 2009
8.4	**Provision against doubtful long-term advances:**			
	Balance at the beginning of the year		**772**	-
	Charge for the year	37	**1,157**	772
			1,929	772

9. LONG-TERM DEPOSITS

	Note	June 30, 2010	June 30, 2009
Security deposits			
Considered good			
Line deposits – PTCL		**48,811**	49,786
Rented premises		**5,910**	6,089
China Orient Telecom Satellite Company Limited		**5,073**	1,665
Leasing companies		**14,325**	21,432
Refundable within one year shown under current assets	13	**(14,325)**	(20,417)
		-	1,015
		59,794	58,555
New Skies Satellite B.V.	9.1	**47,130**	-
SpaceCom International LLC.	9.2	**47,312**	-
		94,442	-
Current portion shown under current assets	13	**(62,961)**	-
		31,481	-
		91,275	58,555
Considered doubtful		**1,729**	691
Provision against long-term deposits considered doubtful	9.3	**(1,729)**	(691)
		-	-
		91,275	58,555

9.1 This represents security deposit given to New Skies Satellite B.V., a foreign Satellite Bandwidth Provider, representing three months' monthly recurring charges for the use of 54MHz bandwidth, availed from the NSS Space Satellite, in accordance with the terms of the contract signed therewith during the current year. This deposit will be adjusted against monthly recurring charges for the months of April 2011, April 2012 and April 2013, amounting to Rs.15.710 million (equivalent to US$183,524) each.

9.2 This represents security deposit given to SpaceCom International LLC., a foreign Satellite Bandwidth Provider, representing three months' monthly recurring charges for the use of 52MHz bandwidth, availed from the IS904 Space Satellite, in accordance with the terms of the contract signed therewith during the current year. This deposit will be adjusted against monthly recurring charges for the months of April 2011, April 2012 and April 2013, amounting to Rs.15.771 million (equivalent to US$184,235) each.

	Note	June 30, 2010	June 30, 2009
		------- (Rupees in '000) -------	
9.3 Provision against long-term deposits			
considered doubtful:			
Balance at the beginning of the year		**691**	-
Charge for the year	37	**1,038**	691
		1,729	691

10. COMMUNICATION STORES

	Note	June 30, 2010	June 30, 2009
Stores		**100,346**	115,834
Provision for slow moving communication stores	10.1	**(9,921)**	(6,081)
		90,425	109,753
Consumables		**585**	952
		91,010	110,705

10.1 Provision against slow moving stores:

	Note	June 30, 2010	June 30, 2009
Balance at the beginning of the year		**6,081**	3,521
Charge for the year	36	**3,840**	2,560
		9,921	6,081

11. TRADE DEBTS

Unsecured

	Note	June 30, 2010	June 30, 2009
Considered good			
Related parties	11.1	**12,918**	7,514
Others		**1,044,999**	716,147
		1,057,917	723,661
Considered doubtful		**270,041**	153,708
Provision for debts considered doubtful	11.2	**(270,041)**	(153,708)
		-	-
		1,057,917	723,661

11.1 Due from related parties

	June 30, 2010	June 30, 2009
Pakcom Limited	**11,208**	5,998
Arfeen International (Private) Limited	**453**	426
Grand Leisure Corporation (Private) Limited	**931**	751
Envicrete Limited	**326**	326
World Trade Center (Private) Limited	-	13
	12,918	7,514

11.2 This is stated net of Rs.80.293 million adjusted by the Group against advance from a Contractor, as referred to in notes 7.3.1 and 23.1.

	Note	June 30, 2010	June 30, 2009
		------- (Rupees in '000) -------	
11.3 Provision for debts considered doubtful:			
Opening balance		153,708	118,852
Charge for the year	37	116,333	34,856
		270,041	153,708

11.4 As at June 30, 2010, the ageing analysis of unimpaired trade debts is as follows:

	Total	Neither past due nor impaired	Past due but not impaired > 3 months upto 6 months	> 6 months upto 9 months	> 9 months upto 1 year	> 1 year
	---------- (Rupees in '000) ----------					
June 30, 2010	1,057,917	173,457	654,344	48,425	13,680	168,011
June 30, 2009	723,661	334,395	88,950	119,147	6,687	174,482

12. LOANS AND ADVANCES

	Note	June 30, 2010	June 30, 2009
Loans - unsecured, considered good			
Current portion of long-term loans			
Executives		55	-
Employees		4	10
	8	59	10
Advances – unsecured			
Considered good			
Executives	12.1	1,229	1,106
Employees		24,600	10,724
Suppliers		24,269	21,411
		50,098	33,241
Considered doubtful			
Suppliers		14,308	13,103
Provision for advances considered doubtful	12.2	(14,308)	(13,103)
		-	-
		50,098	33,241
		50,157	33,251

12.1 The maximum aggregate amount due from the executives at the end of any month during the year was Rs.3.255 (2009: Rs.1.759) million.

	Note	June 30, 2010	June 30, 2009
12.2 Provision for advances considered doubtful:			
Opening balance		13,103	10,458
Charge for the year	37	1,205	2,645
		14,308	13,103

13. DEPOSITS AND PREPAYMENTS

	Note	June 30, 2010	June 30, 2009
		------- (Rupees in '000) -------	
Deposits			
Considered good:			
Current portion of long-term lease deposits	9	**14,325**	20,417
Current portion of other long-term deposits	9	**62,961**	-
Margin against guarantee		**1,655**	3,521
WLL deposit paid to PTCL		**3,787**	3,787
Earnest money		**2,507**	1,721
Others		**1,150**	1,102
Considered doubtful:			
Earnest money		**1,770**	1,770
Provision for doubtful deposits		**(1,770)**	(1,770)
		-	-
		86,385	30,548
Prepayments			
Rent		**29,863**	20,666
Insurance		**-**	145
Others		**343**	217
		116,591	51,576

14. ACCRUED MARK-UP

	Note	June 30, 2010	June 30, 2009
Due from a bank	14.1	**48,587**	48,587
Mark-up on current accounts with related parties	14.2 & 15.1.1	**17,975**	13,304
		66,562	61,891

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.

14.2 Related parties

	June 30, 2010	June 30, 2009
Pakcom Limited	**17,757**	13,304
Instaphone (Private) Limited	**99**	-
Instaphone Infrastructure (Private) Limited	**119**	-
	17,975	13,304

15. OTHER RECEIVABLES

	Note	June 30, 2010	June 30, 2009
		------- (Rupees in '000) -------	
Considered good			
Related parties	15.1	**28,280**	78,028
Others:			
Pakistan Telecommunication Company Limited			
Karachi Relief Rebate	15.2	**651,541**	651,541
Interconnect discount	15.3	**28,701**	28,701
WPS - under protest payments	29.1	**289,725**	289,725
Leased lines and upfront connection charges	15.4	**131,517**	131,517
LL & LDI charges – under protest payments	15.5	**200,000**	200,000
Wire line	15.2(a)	**48,712**	48,598
Multi-metering	15.2(a)	**18,287**	18,287
		1,368,483	1,368,369
Pakistan Telecommunication Authority	15.6	**2,111,115**	181,636
Claim against a bank	15.7	**998**	998
Insurance claims		**11,411**	11,786
Paktel Limited		**1,228**	1,466
Others		**174**	221
		3,493,409	1,564,476
Considered doubtful			
Due from PTCL	15.8	**10,361**	10,361
Due from Zonal employees		**15,874**	16,176
Others		**7,588**	7,603
		33,823	34,140
Provision for other receivables considered doubtful	15.9	**(33,823)**	(34,140)
		-	-
		3,521,689	1,642,504

15.1 Related parties

	2010	2009
Pakcom Limited	**14,875**	77,033
Instaphone Infrastructure (Private) Limited	**12,341**	-
Envicrete Limited	**511**	419
Grand Leisure Corporation (Private) Limited	**553**	576
	28,280	78,028

15.1.1 The above amounts due from related parties represent current account balances which are recoverable on demand. These carry mark-up at the rate of 6 months KIBOR plus 3.5% (2009: 6 months KIBOR plus 3.5%) per annum (note 14.2).

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 (Reorganisation) 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, 2000, 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.

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 realisation of the said amount together with the amount receivable from the PTCL in respect of wireline and multi-metering of Rs.48.712 million and Rs.18.287 million, respectively, 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.

15.2 (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 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 financial statements.

15.4 These represent payments made by the Group to the PTCL against leased lines and upfront connection charges erroneously billed by the PTCL under WPS. The Group claimed the said amounts through an application filed in the High Court of Sindh during the year ended June 30, 2008, for the recovery thereof from the PTCL. The proceedings in this lawsuit were subsequently stayed and the dispute referred for arbitration in the Islamabad High Court, which is currently in progress. The Group is confident that it will recover the entire amount from the PTCL and, hence, no provision has been made thereagainst in these financial statements.

15.5 During the year ended June 30, 2007, the Group paid a sum of Rs.200 million to the PTCL on its demand in order to restore the services blocked by the PTCL. Thereafter, as a result of a settlement agreement between PTCL and the Group, PTCL agreed that after reconciliation of the disputed amounts under LL and LDI, any dues payable to the Group by the PTCL will be paid immediately. As the said reconciliation has not been finalized, the above amount has not been adjusted in these financial statements.

15.6 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 year ended June 30, 2009, 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 demanded a sum of Rs.2,239.675 million up to June 30, 2010 (2009: Rs.926.475 million) in respect of APC for USF on the basis of airtime utilized by the Group up to June 30, 2010, in addition to Rs.29.473 million, aggregating to Rs.2,269.148 million, against which the Group paid a sum of Rs.2,111.115 million under protest (2009: Rs.181.636) million (including forced payments in respect of research and development and RBS), comprising (a) Rs.729.479 million paid by the Group during the current year and (b) a sum of Rs.1,200.000 million paid by the Contractor to PTA on behalf of the Group, as discussed in note 7.3.1 and (c) Rs.181.636 million paid upto June 30, 2009. 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.158.033 (2009: Rs.774.312) million in these financial statements as management, based on the legal opinion received from its legal advisor in this regard, is confident that it will succeed in recovering the above referred sum.

15.7 This represents amount due from a bank in respect of the PTCL bills paid by the Group to the bank but 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 (2009: Rs.0.998 million) and damages, aggregating to Rs.8.245 (2009: 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.

15.8 This represents amount over billed by the PTCL and paid by the Group 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	2010	2009
			------- (Rupees in '000) -------	
15.9	**Provision for other receivables considered doubtful**			
	Opening balance		**34,140**	39,385
	(Provision written back) / charge for the year	39	**(317)**	(5,245)
			33,823	34,140

16. TAXATION – net

Advance income tax - net		**275,609**	269,097
Income tax refundable		**(84,151)**	(39,863)
		191,458	229,234

17. SHORT-TERM INVESTMENT

	Note	2010	2009
Held to maturity			
Term deposit receipts	17.1	**9,571**	75,555

17.1 This represents term deposit receipts, having a face value of Rs.9.571 (2009: Rs.6.815) million, placed with a commercial bank on June 30, 2010 for a period of six months, maturing on December 31, 2010. The rate of return thereon is 12% per annum. The said term deposit receipts are under lien against bank guarantees.

18. CASH AND BANK BALANCES

	Note	2010	2009
Cash in hand		-	772
Cash at banks:			
In current accounts			
Local currency		**27,798**	2,531
Foreign currency		**43,434**	253
		71,232	2,784
In savings accounts			
Local currency	18.1	**11,219**	5,216
		82,451	8,772

18.1 These carry mark-up at rates, ranging between 3% and 5% (2009: 2.05% and 5%) per annum.

19. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

June 30, 2010	June 30, 2009			
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 (2009: 8,929,649) Ordinary shares of Rs.10 each, amounting to Rs.89,296,490, were held by the related parties.

	Note	June 30, 2010	June 30, 2009
		------- (Rupees in '000) -------	
20. LONG-TERM LOANS			
Secured			
From banks and financial institutions			
Local currency loan – I	20.1	**21,000**	35,000
Local currency loan – II	20.2	**178,125**	225,000
Local currency loan – III	20.3	**330,000**	400,000
Local currency loan – IV	20.4	**70,000**	66,500
		599,125	726,500
Current maturity of local currency loans shown under current liabilities	33	**(97,125)**	(262,500)
		502,000	464,000

20.1 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 at the rate of six months KIBOR plus 3.75% (2009: six months KIBOR plus 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 (2009: Rs.94.000) million.

20.2 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 was repayable in eight semi-annual installments commencing July 24, 2008. However, the loan has been restructured during the current year and is now repayable in eight semi-annual installments, commencing January 23, 2010. The loan carries mark-up at the rate of six months KIBOR plus 3.5% (2009: six months KIBOR plus 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 (2009: Rs.467.000) million.

20.3 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 was repayable in eight semi-annual installments commencing November 23, 2009. However, the loan has been restructured during the current year and is now repayable as a lump sum on May 23, 2014. It is secured against pari passu charge over the present and future fixed assets of the Group to the extent of Rs.467.000 (2009: Rs.534.000) million.

20.4 During the year ended June 30, 2008, the Group arranged a running finance facility from a commercial bank amounting to Rs.100 million under an agreement dated March 31, 2008. During the current year, the said running financing facility has been restructured as a medium term finance facility. It is repayable in eighteen monthly installments, commencing July 1, 2010. The loan carries mark-up at the rate of one month KIBOR plus 2.00%. It is secured against pari passu charge over the present and future fixed assets of the Group to the extent of Rs.116.670 million.

21. REDEEMABLE CAPITAL

Secured

	Note	June 30, 2010	June 30, 2009
Term Finance Certificates	21.1	**987,840**	1,128,960
Current maturity shown under current liabilities	33	**(211,680)**	(528,960)
		776,160	600,000

21.1 This represents listed Term Finance Certificates (TFC) 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 were 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 plus 3.75% (2009: six months KIBOR plus 3.75%) per annum. However, during the current year, the redemption schedule of the TFCs relating to the redemption, falling due on November 27, 2009 and all redemptions scheduled thereafter, was restructured after the approval obtained by the Group from the TFC holders upon its request, as a result of which, the last redemption date has now been extended to 27 November 2013, instead of the original final redemption date of November 27, 2010.

These are secured against a first specific charge over the fixed assets of the Group, aggregating to Rs.800.000 (2009: Rs.800.000) million and specific charge over the intangible assets (frequency spectrum) procured from the PTA.

22. 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 16% and 19% (2009: 13% and 21.14%) 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, 2010		June 30, 2009	
	Note	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value Of minimum Lease payments
		Rs. in '000			
June 30, 2010		-	-	32,682	31,876
June 30, 2011		**14,980**	**14,949**	1,899	1,868
Total minimum lease payments		**14,980**	**14,949**	34,581	33,744
Financial charges allocated to future periods		**(31)**	-	(837)	-
Present value of minimum lease payments		**14,949**	**14,949**	33,744	33,744
Current maturity shown under current liabilities	33	**(14,949)**	**(14,949)**	(31,876)	(31,876)
		-	-	1,868	1,868

	Note	June 30, 2010	June 30, 2009
		------- (Rupees in '000) -------	

23. ADVANCE FROM A CONTRACTOR

	Note	June 30, 2010	June 30, 2009
Unsecured			
Advance from a Contractor	23.1	**525,517**	553,738
Adjustable within one year shown under current liabilities	33	**-**	(276,864)
		525,517	276,874

23.1 Advance from a Contractor

	Note	June 30, 2010	June 30, 2009
Opening balance		**553,738**	830,608
Taken to income upon rendering of service as per the Network Agreement cancelled and superseded on April 26, 2010	7.3.1 & 35	**(230,724)**	(276,870)
Unamortised balance on April 30, 2010	7.3.1	**323,014**	553,738
Applied against sale consideration of 3.5Ghz WLL Licences pursuant to Amended and Restated Network Agreement	7.3.1 & 23.1.1	**(323,014)**	-
		-	553,738
Advance received during the current year	23.1.2	**605,810**	-
Trade debts applied there against	7.3.1 & 11.1	**(80,293)**	-
		525,517	553,738

23.1.1 This is as a result of the supersession of a Network Agreement entered into by the Group with Augere Pakistan (Private) Limited (the Contractor) during the year ended June 30, 2008 in respect of broadband wireless internet services the Group agreed to provide to the said Contractor for a period of three years, ending June 30, 2011, as discussed in detail in note 7.3.1.

23.1.2 This represents an advance received during the current year from the Contractor, in respect of infrastructure services the Group has agreed to provide to the said Contractor, pursuant to a credit note for Rs.1,051.250 million (equivalent to US$12.5 million) to be issued by the Group, as discussed in detail in note 7.3.1.

Although the Amended and Restated Network Agreement does not specify the period in which such infrastructure services are to be provided by the Group to the Contractor, the Group estimates that based on the current usage level, the value of the Credit Note will be exhausted in the balance life of its WLL Licenses, i.e. approximately fourteen years. Since the credit note in question has not been finalised to-date, as discussed in note 7.3.1, it is not possible at present to calculate the amount to be taken into income during the next twelve months and, accordingly, no amounts have been transferred to current liabilities at the end of the current year.

24. LONG-TERM DEPOSITS

	Note	June 30, 2010	June 30, 2009
Security deposits			
Telenor LDI Communication (Private) Limited	24.1	**99,940**	-
Distributors		**9,346**	12,435
Indoor Call Point holders		**32,957**	34,892
Others		**18,809**	18,810
		161,052	66,137
Current portion shown under current liabilities	33	**(33,313)**	-
		127,739	66,137

24.1 During the current year, the Group entered into an agreement on February 12, 2010 with Telenor LDI Communication (Private) Limited [Telenor]. Under the provisions of the said agreement, Telenor deposited a sum of Rs.99.940 million with the Group, representing three months' monthly recurring charges, in respect of the use of 106 MHz bandwidth obtained by the Group from foreign Satellite Bandwidth Providers, discussed in notes 9.1 and 9.2. This deposit will be adjusted against monthly recurring charges for the months of April 2011, April 2012 and April 2013, amounting Rs.33.313 million (equivalent to US$ 396,353) each.

25. DEFERRED LIABILITIES

	Note	June 30, 2010	June 30, 2009
		------- (Rupees in '000) -------	
Staff gratuity	25.1	**12,243**	27,280

25.1 Staff gratuity

25.1.1 Reconciliation of obligations as at year end

Present value of defined benefit obligation	**12,243**	27,280

25.1.2 Movement in liability

Net liability at beginning of the year	**27,280**	25,681
(Reversal of charge) / charge for the year	**(11,322)**	13,186
Benefits paid during the year	**(3,715)**	(11,587)
	12,243	27,280

25.1.3 (Reversal of charge) / charge for the year

Current service cost	**1,114**	12,079
Interest cost	**2,794**	2,760
Reversal of past service cost	**(13,675)**	-
Transferred to 'due to employees'	**(217)**	-
Actuarial gains recognised during the year	**(1,338)**	(1,653)
	(11,322)	13,186

25.1.4 Movement in defined benefit obligation

Present value of defined benefit obligation at beginning of the year	**27,280**	25,681
Current service cost	**1,114**	12,079
Interest cost	**2,794**	2,760
Reversal of past service cost	**(13,675)**	-
Benefits paid during the year	**(3,715)**	(11,587)
Actuarial gains on present value of defined benefit obligation	**(1,338)**	(1,653)
	12,460	27,280

25.1.5 Principal actuarial assumptions

The latest valuation was carried out as at June 30, 2010, using Projected Unit Credit Method. Following assumptions have been used for valuation of the scheme:

Expected rate of increase in salaries, per annum	**11%**	11%
Expected discount rate, per annum	**12%**	12%

25.1.6 Comparison for five years

	2010	2009	2008	2007	2006
	(Rupees in '000)				
Present value of defined benefit obligation	**12,460**	27,280	25,681	64,186	55,487

26. DUE TO EMPLOYEES

	Note	June 30, 2010	June 30, 2009
		(Rupees in '000)	
Amount due to employees	26.1	**35,217**	53,709
Current portion shown under current liabilities	33	**(12,078)**	(14,348)
		23,139	39,361

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 Group during the year ended June 30, 2008. According to the program, the Group froze the balance on account of gratuity accumulated up to March 31, 2008 in respect of such employees and transferred the balance amounting to Rs.73.572 million from staff gratuity to due to employees. 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. Further, if an employee who is covered under the staff gratuity (deferred liability) is promoted to "Non-Workmen Category", his balance of gratuity is transferred to due to employees in the year of promotion, and paid as per the terms mentioned above.

27. DEFERRED TAXATION

	2010	2009
Deferred tax credits arising on:		
Accelerated tax depreciation	**289,842**	446,408
Amortisation of intangible assets	**194,468**	168,112
Leases	**12,707**	32,674
	497,017	647,194
Deferred tax debits arising from:		
Retirement benefits	**(16,347)**	(26,815)
Short-term provisions	**(115,805)**	(97,420)
Tax losses brought forward	**(246,609)**	(903,903)
	(378,761)	(1,028,138)
	118,256	(380,944)

28. DUE TO PAKISTAN TELECOMMUNICATION AUTHORITY

	Note	2010	2009
Balance at the beginning of the year	28.1	**1,428,378**	1,286,827
Imputed interest charged to profit and loss account	42	**157,122**	141,551
		1,585,500	1,428,378

28.1 This represents the balance of initial spectrum fees (balance fee) due to PTA in respect of the license and related frequencies acquired by the Group, as referred to in note 7. In 2005 the WLL Operators requested the government thru the Ministry of Information Technology (MoIT) to grant a moratorium of 4 years for payment of the balance fees followed by a staggered payment schedule over 10 years. The PTA, pursuant to the approval of the Economic Coordination Committee (ECC), confirmed grant of the moratorium of 4 years, expiring in March 2010, to the WLL industry, including the Group, for the payment of balance of the spectrum fees while other payment modalities were to be finalized. Since then, WLL Operators have been requesting the authorities for a confirmation of staggering of the balance fees over 10 years. On March 10, 2010, the Group received a letter from PTA approving the staggering of balance of initial spectrum fees in ten equal instalments commencing from the financial year 2009-10. However, few days later, PTA withdrew the said letter regarding it as being issued inadvertently, and instead, issued a show cause notice to the Group on June 02, 2010 seeking explanation for non-payment of the balance of initial spectrum fee with an immediate demand for the payment of the said amount. The Group thereafter submitted a detailed response against the show cause notice to the PTA, raising several legal and factual grounds.

Subsequent to the year end, on October 6, 2010, a Writ Petition has been instituted against the PTA by the WLL industry, including the Group, before the Lahore High Court, Rawalpindi Bench. The principal relief sought in the Writ Petition includes (a) direction to PTA for withdrawal of the aforementioned show cause notice and declaration thereof as unlawful and having been issued without due authority, and (b) direction to PTA and Ministry of Information Technology to act in accordance with law and refrain from making any demand for payment of the initial spectrum fee from the petitioners until atleast 2013 or if such demand is to be made prior thereto, the same to be based upon approval obtained from the ECC in view of its earlier decision granting the concession. The Court has granted a stay in the said petition and refrained the PTA from taking any adverse action in the matter.

The legal advisor of the Group is of the view that there is more than an even chance of success in the current Writ Petition that the Group would be successful in obtaining the additional 4 year moratorium and payment in 10 annual instalments, commencing 2013. The legal advisor has also opined that the balance spectrum fee demanded by PTA is "not legally and contractually due and payable as at June 30, 2010", and, as such, the same will not be due during the ensuing year. Accordingly, for this reason, the management has classified the said liability as non-current.

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

29. TRADE AND OTHER PAYABLES

	Note	June 30, 2010	June 30, 2009
		------- (Rupees in '000) -------	
Trade			
Pakistan Telecommunication Company Limited			
Wireless Payphone Service (WPS)	29.1	**609,708**	602,973
LL & LDI charges		**-**	171,315
Others		**59,089**	42,025
		668,797	816,313
ZTE Corporation Limited		**35,576**	41,482
Alcatel Lucent Pakistan Limited		**513,600**	487,800
Others		**662,534**	250,978
Balance c/f		**1,880,507**	1,596,573

	Note	June 30, 2010	June 30, 2009
		------- (Rupees in '000) -------	
Balance b/f		**1,880,507**	1,596,573
Other payables			
Current accounts with related parties	29.2	**40,594**	37,920
Pakistan Telecommunication Authority	41	**37,703**	121,728
Advances from customers and franchisees	29.3	**15,636**	12,693
Unearned income from wireless payphone cards		**142,328**	169,677
Accrued liabilities		**49,179**	48,013
Unclaimed dividend		**6,216**	6,216
Sales tax – net		**66,969**	46,023
Income tax deducted at source	29.4	**177,766**	131,766
Workers' Welfare Fund		**51,112**	11,196
Provident Fund		**328**	268
Others		**1,323**	1,470
		589,154	586,970
		2,469,661	2,183,543

29.1 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 (2009: Rs.968.000) million on account of air time charges, line rent and access charges and Rs.276.000 (2009: Rs.276.000) million in respect of leased line charges from the Group. Further, the PTCL raised bills for Rs.50.912 and Rs.102.080 million for the current year and the year ended June 30, 2009, respectively, for WPS charges. Hence, total amount claimed by the PTCL as at June 30, 2010 amounted to Rs.1,396.992 (2009: Rs.1,346.080) million. However, the management, while acknowledging the liability to the extent of Rs.609.708 (2009: Rs.602.973) million does not accept liability for the remaining sum of Rs.787.284 (2009: Rs.743.107) million and has not recorded the same in these 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. Further, the Group also paid a sum of Rs.189.725 million under protest during the year ended June 30, 2009, including Rs.170.000 million discussed in detail in the following paragraph, and recorded the above amounts, aggregating to Rs.289.725 (2009: Rs.289.725) million, as due from the PTCL under other receivables (note 15) and has not adjusted the same in these financial statements, pending the final resolution of the arbitration proceedings.

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 PTCL not to suspend the WPS service provided the Group to continued 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, which is currently under progress. Based on said Order, the Group has paid a sum of Rs.170.000 million to PTCL for the period commencing May 2008 to February 2009. Thereafter, the Group stopped paying the said amount to the PTCL, as services under the WPS Agreement were no longer required.

		Note	June 30, 2010	June 30, 2009
			------- (Rupees in '000) -------	
29.2	**Related parties**			
	World Trade Center (Private) Limited		**25,193**	17,526
	Total Telecom Limited		**402**	12,844
	Envicon (Private) Limited		**52**	52
	Arfeen International (Private) Limited		**9,663**	4,368
	Instaphone (Private) Limited		**1,301**	-
	Chaman Investment (Private) Limited		**3,983**	3,130
			40,594	37,920

29.2.1 The above amounts due from related parties are payable on demand. These carry mark-up at the rate of 6 months KIBOR plus 3.5% per annum.

29.3 These include advances from franchisees amounting to Rs.0.200 million, repayable on the termination of agreements with the franchisees.

29.4 This includes a sum of Rs.27.685 (2009: Rs.38.348) million, representing tax deductions from payments made to foreign Satellite Service Providers. The payment of these tax deductions were subject to the decision of High Court of Sindh.

This also includes a sum of Rs.14.654 million withheld by the Group during the current year from payments made to Satellite Bandwidth Providers. In this regard, subsequent to the year end, the Group has filed an application to the Commissioner of Inland Revenue, seeking exemption from the requirements of withholding tax from payment to the specified parties. The Group has prayed that the said Satellite Bandwidth Providers do not have any permanent establishment in Pakistan and further, their countries of origin, Netherlands and United States of America, have double tax treaties with Pakistan. Hence, the payments are considered to be outside the scope of taxation by the Group. Pending a final decision in this matter, the Group has not deposited the withholding tax.

30. ACCRUED / INTEREST MARK-UP

	Note	2010	2009
On secured:			
Long-term loans	20	**18,888**	46,768
Redeemable capital	21	**15,184**	18,994
Short-term loan obtained and repaid during the year		**3,128**	-
Short-term running finances	31	**8,830**	10,503
		46,030	76,265
On unsecured:			
Short-term borrowing – related party	32	**8,228**	4,955
Current accounts with related parties	29.4.1	**19,759**	32,849
		74,017	114,069

31. SHORT-TERM RUNNING FINANCES

	2010	2009
From banks – secured	**269,771**	407,783

The Group has arranged short-term running finance facilities, aggregating to Rs.330.000 (2009: Rs.430.000) million from various commercial banks. These carry mark-up ranging between three months KIBOR plus 3% to six months KIBOR plus 2.75% (2009: three months KIBOR plus 3% to six months KIBOR plus 2.75%) per annum, payable quarterly. The purchase prices are repayable on various dates, latest by November 30, 2010. These facilities are secured against first pari passu hypothecation charge over current assets of the Group to the extent of Rs.394.000 (2009: Rs.394.000) million.

32. SHORT-TERM BORROWING

	Note	June 30, 2010	June 30, 2009
		------- (Rupees in '000) -------	
Unsecured			
Loan from a related party			
Arfeen International (Private) Limited		**17,000**	35,500

32.1 The loan from the above referred related party carries markup at the rate of 15% (2009: 15%) per annum, and is repayable on demand.

33. CURRENT MATURITIES OF LONG-TERM LIABILITIES

	Note	June 30, 2010	June 30, 2009
Long-term loans	20	**97,125**	262,500
Redeemable capital (TFCs)	21	**211,680**	528,960
Liabilities against assets subject to finance lease	22	**14,949**	31,876
Advance from a contractor	23	-	276,864
Long-term deposits	24	**33,313**	-
Due to employees	26	**12,078**	14,348
		369,145	1,114,548

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 and 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). The Group paid the said sum, however, pending a final decision on the Group's appeal in this regard, no provision has been made by the Group for the remaining balance of Rs.101.651 million in these financial statements. Further, in view of the Group's legal advisor, the Group's appeal is on a sound legal footing and could very well be decided in favour of the Group.

34.2 The PTA issued a show cause notice to the Group, alleging that the Group has violated the Access Promotion Rules, 2004 and Access Promotion 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 vary vires of the AP Rules, 2004 and AP Regulations, 2005 under which the aforementioned show cause notice has been issued to the Group. In view of the Group's legal advisor, at this juncture, amount of penalties, if any, imposed by the PTA on above referred irregularities cannot be ascertained, hence, no provision has been made by the Group for any liability that may arise as a result of this matter in these financial statements.

34.3 The Group and Wi-Tribe Limited (Wi-Tribe) had entered into a Joint Venture Agreement (JVA) in October 2007 which could not be consummated due to lack of certain external approvals, and the JVA was thus terminated by Telecard. Wi-Tribe contested the termination of the JVA and initiated Arbitration proceedings in ICC International Court of Arbitration (Court) seeking to force Telecard to consummate the transaction, and to pay monetary damages to Wi-Tribe. During the year the Arbitration Tribunal pronounced the Award which was entirely in the favor of the Group with costs to be paid to the Group by Wi-Tribe.

In parallel Wi-tribe initiated a number of cases in different courts of Pakistan in an attempt to avoid enforcement of the Award and to prolong the dispute. The Group filed an Enforcement Order and an Anti-Suit Injunction in the High Court of Singapore whereby the Group sought to enforce the Award on Wi-Tribe and to refrain Wi-Tribe from continuing or initiating any new litigation relating to the subject matter in the Courts of Pakistan. However, subsequent to the year end, on October 4, 2010, a Settlement Agreement has been signed between the Group, Wi-Tribe and other involved parties whereby all parties have agreed to withdraw all pending litigation, without any compensation, cost or other payment to be made by any party to the other.

34.4 The Group filed a law suit against the Karachi Building Control Authority (KBCA) before the High Court of Sindh (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 regularise 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 dismantle the antennas and / or take legal action. The Court has granted interim injunction and matter is pending for hearing of application. In view of the Group's legal advisor, it is not possible at this juncture to assess and estimate the financial impact of the case in question, however, the Group has a good arguable case and is likely to succeed and as such is not likely to suffer any loss on account of this litigation. Hence, no provision for any liability that may arise as a result of this matter has been recorded by the Group in these financial statements.

34.5 A suit has been filed by a shareholder of the Group in Islamabad High Court 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, based on the assessment of its legal advisor, is confident that the outcome of the case will be in its favor and, hence, no liability in this respect will arise. Accordingly, no provision has been made for the same in these financial statements pending a final decision in this matter.

34.6 The income tax assessments of the Group have been finalised up to and including the tax year 2009.

In respect of the assessment years 1999 - 2000 to 2002 - 2003, the Group was assessed partly under the presumptive tax regime (now final 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.76.830 million. The Group has filed appeals against these cases with High Court of Sindh (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 Income Tax Appellate Tribunal (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 filed an appeal against the same before the Commissioner of Income Tax (Appeals) [CIT(A)], who decided the appeal in the manner that the loss was assessed from Rs.1,033.598 million to Rs.40.517 million. The tax demand issued by the Taxation Officer amounts to Rs.10.431 million. The Group has filed an appeal before ITAT on the issues disallowed by 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 financial statements works out to be Rs.85.032 (2009: Rs.1,014.601) million. However, the management, based on the opinion of its tax advisors, is confident about the favorable outcome of the above matters and, hence, no additional provision has been considered necessary in these financial statements.

34.7 PTCL's claim amounting to Rs.1,541.620 (2009: Rs.1,478.717) 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 financial statements.

34.8 During the current year, PTA issued a determination relating to the Annual Regulatory Dues for 2008 and demanded payment of Rs. 54.548 million. The Group has challenged the determination in the High Court of Sindh mainly on the ground that PTA can only claim Annual Regulatory Dues on the licensed services and not on the non-licensed revenue streams. In view of the Group's legal advisor, the Group has a good arguable case on merits and is likely to succeed. Accordingly, as the case is pending adjudication, no provision has been made for the same in these financial statements pending a final decision.

34.9 During the year ended June 30, 2005, a suit was filed by Shinawatra Satellite Public Company Limited, Thailand, in the High Court of Sindh against the Group for the recovery of transponder service fee, inclusive of withholding tax and interest thereon, amounting to US$324,625 equivalent to Rs.27.788 (2009: Rs.26.392) million. Out of this amount, a sum of Rs.12.378 (2009: Rs.12.378) million had been withheld from the payments made by the Group to the above-referred entity and is included in the income tax deducted at source in note 29.4. The balance amount of Rs.15.410 (2009: Rs.14.014) million has not been provided for in these financial statements as the Group's lawyer has opined that the suit is subject to evidence produced in this matter and is likely to be decided in Group's favour, and, hence, pending a final decision by the High Court of Sindh in this matter, no provision has been made for any liability that may arise as a result of the said lawsuit in these financial statements.

34.10 A suit was filed by Huawei Technologies Company Limited, China, in the High Court of Sindh against the Group for the return of certain equipment or payment of US$ 300,000 equivalent to Rs.25.680 (2009: Rs.24.390) million and a compensation of US$ 270,000, [approximately Rs.23.112 (2009: 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 opined that the suit is subject to evidence produced in this matter and is likely to be decided in Group's favour, and, hence, pending a final decision by the High Court of Sindh in this matter, no provision has been made for any liability that may arise as a result of the said lawsuit in these financial statements.

34.11 Contingencies in respect of matters relating to the PTCL have been disclosed in notes 15.2, 15.3, 15.4, 15.5, 15.7 and 29.1 to the financial statements. Pending resolutions of these matters no provision has been made against the amounts disclosed in these notes.

34.12 Contingency in respect of the PTA claim for APC for USF is disclosed in note 15.6 to the financial statements against which no provision has been made in these financial statements in accordance with the advice of the legal advisor.

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

34.14 Counter guarantees given to banks amounting to Rs.371.755 (2009: Rs.332.368) million.

Commitments	Note	June 30, 2010	June 30, 2009
		------- (Rupees in '000) -------	
34.15 Post dated cheques issued to the PTA		-	175,006
34.16 Outstanding letters of credit		-	123

35. REVENUE – Net

	Note	June 30, 2010	June 30, 2009
Turnover		**2,705,887**	4,004,731
Trade discounts		**(33,854)**	(65,859)
		2,672,033	3,938,872
Services rendered to the Contractor	7.3.1 & 23.1	**230,724**	276,870
Sale of equipment		**731,529**	190,442
		3,634,286	4,406,184

36. DIRECT COSTS

	Note	June 30, 2010	June 30, 2009
Salaries and other benefits	36.1	**43,263**	41,255
Interconnect charges – net		**587,963**	1,245,441
Network media charges		**79,675**	66,058
Network sites rent		**143,515**	172,819
Network sites utilities and maintenance		**106,923**	103,367
Satellite communication charges		**175,746**	166,333
Cost of cards sold	36.2	**1,996**	3,656
Communication stores consumed	36.3	**549,187**	102,657
Provision against slow moving stores	10.1	**3,840**	2,560
i-Direct costs		**20,178**	22,134
Repair and maintenance		**510**	703
Royalty		**4,178**	3,306
Consultancy charges		**19,097**	2,547
Printing and stationery		**109**	508
Conveyance and travelling		**5,053**	5,470
Communication		**1,229**	1,227
Insurance		**13,623**	15,625
Annual license fee		**37,575**	33,970
Depreciation	6.1.5	**718,298**	765,572
Amortisation	7	**187,908**	188,425
Call center charges		**5,084**	-
Others		**629**	768
		2,705,579	2,944,401

36.1 This includes a sum of Rs.0.203 (2009: Rs.0.183) million in respect of the Group's contribution to the Provident Fund and Rs.0.267 (2009: Rs.0.318) million in respect of the Staff Gratuity mentioned in note 25.1.1.

	Note	June 30, 2010	June 30, 2009
		------- (Rupees in '000) -------	
36.2 Cost of cards sold			
Opening stock		**8,857**	10,220
Purchases		**1,975**	2,293
		10,832	12,513
Closing stock		**(8,836)**	(8,857)
		1,996	3,656
36.3 Communication stores consumed			
Opening stock		**110,704**	71,441
Purchases		**529,492**	141,920
		640,196	213,361
Closing stock		**(91,009)**	(110,704)
		549,187	102,657

37. DISTRIBUTION COSTS AND ADMINISTRATIVE EXPENSES

	Note	June 30, 2010	June 30, 2009
Salaries and other benefits	37.1	**231,286**	297,753
Postage, telephone and telex		**4,219**	4,198
Vehicles running and maintenance		**21,990**	25,867
Travelling and entertainment		**15,401**	20,213
Office security and maintenance		**8,080**	9,598
Stationery		**5,507**	7,909
Rent and utilities		**116,128**	100,924
Insurance		**6,968**	3,633
Legal and professional charges		**22,634**	33,147
Auditors' remuneration	37.2	**4,838**	3,735
Donation		**1,000**	-
Sales promotion and marketing		**15,787**	150,850
Fee and subscription		**2,367**	3,143
Depreciation	6.1.5	**15,780**	5,417
Amortisation	7	**65**	16
Repair and maintenance		**868**	625
Communication		**3,303**	3,750
Bad debts written off		**-**	9,609
Provision for long term advances considered doubtful	8.4	**1,157**	772
Provision for long term deposits considered doubtful	9.3	**1,038**	691
Provision for debts considered doubtful	11.3	**116,333**	34,856
Provision for advances considered doubtful	12.2	**1,205**	2,645
Provision for additional tax and penalties		**14,426**	-
Others		**1,402**	1,336
		611,782	720,687

37.1 This includes a sum of Rs.4.433 (2009: Rs.4.172) million in respect of the Group's contribution to the Provident Fund and Rs.0.375 (2009: Rs.0.364) million in respect of the Staff Gratuity mentioned in note 25.1.1.

37.2 Auditors' remuneration

	2010	2009
Fee for the audit of annual financial statements	**2,150**	1,950
Fee for the audit of consolidated financial statements	**350**	350
Fee for the review of half yearly financial statements and special certifications	**1,025**	1,010
Tax services	**850**	26
Out-of-pocket expenses	**463**	399
	4,838	3,735

		Note	June 30, 2010	June 30, 2009
			------- (Rupees in '000) -------	

38. OTHER OPERATING EXPENSES

Exchange loss - net		**22,929**	29,429
Workers' Welfare Fund		**39,916**	11,196
		62,845	40,625

37.2 Auditors' remuneration

Fee for the audit of annual financial statements		**2,150**	1,950
Fee for the audit of consolidated financial statements		**350**	350
Fee for the review of half yearly financial statements and special certifications		**1,025**	1,010
Tax services		**850**	26
Out-of-pocket expenses		**463**	399
		4,838	3,735

39. OTHER OPERATING INCOME

Mark-up on current accounts with related parties		**4,865**	13,304
Return on bank deposits and term deposit receipt		**1,419**	11,005
Site sharing income		**35,409**	26,767
Gain on sale of fixed assets		**2,090**	834
Amortisation of deferred income on sale and lease back arrangements		**-**	663
Provision against other receivables considered doubtful written back	15.9	**317**	5,245
Spectrum maintenance fee		**11,909**	-
Exchange gain - net		**14,961**	106
Others		**3,759**	1,162
		74,729	59,086

40. GAIN ON SALE OF INTANGIBLE ASSET

GAIN ON SALE OF INTANGIBLE ASSET		**1,478,758**	-

Refer note 7.3.1 for details in this regard.

41. LIABILITIES NO LONGER PAYABLE WRITTEN BACK

Other payable to PTA		**79,706**	-
Other trade creditors		**15,603**	12,108
		95,309	12,108

42. FINANCE COSTS

Mark-up on secured:			
Redeemable capital		**183,487**	259,753
Long term loans		**107,039**	133,076
Finance lease arrangements		**1,444**	5,769
Short term running finances		**53,185**	45,229
Short term borrowings		**4,274**	2,856
Current accounts with related parties		**19,996**	-
Imputed interest on spectrum fee	28	**157,122**	141,551
Bank charges		**8,693**	6,701
		535,240	594,935

43. TAXATION

Current		**44,761**	2,998
Prior		**(473)**	(1,444)
Deferred		**499,201**	25,368
		543,489	26,922

44. EARNINGS PER SHARE – basic and diluted

	Note	June 30, 2010	June 30, 2009
		------- (Rupees in '000) -------	
Profit after tax for the year		**824,147**	149,808
		Number of shares	
Weighted average number of shares		**300,000,000**	300,000,000
		------- (Rupees) -------	
Basic earnings per share		**2.75**	0.50

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

45. CASH GENERATED FROM OPERATIONS

	Note	June 30, 2010	June 30, 2009
Profit before taxation		**1,367,636**	176,730
Adjustments for non-cash charges and other items:			
Depreciation	6.1.5	**734,078**	770,989
Amortisation	7	**187,973**	188,441
Provision for gratuity		**(11,322)**	13,186
Finance costs		**378,118**	453,384
Interest on PTA license fee		**157,122**	141,551
Provision for debts considered doubtful	37	**116,333**	34,856
Provision against advances considered doubtful	37	**3,400**	4,109
Provision against other receivables considered doubtful written back	39	**(317)**	(5,245)
Provision against slow moving stores	36	**3,840**	2,560
(Profit) / loss on sale of fixed assets		**(2,090)**	(834)
Profit on sale of intangible assets		**(1,478,758)**	-
Bad debts written off directly		**-**	9,608
Amortisation of deferred income on sale and lease back arrangements	39	**-**	(663)
		88,377	1,611,942
Profit before working capital changes		**1,456,013**	1,788,672
(Increase) / decrease in current assets			
Communication stores		**15,855**	(41,824)
Stock-in-trade		**21**	1,363
Trade debts		**(450,589)**	47,192
Loans and advances		**(20,306)**	(6,579)
Deposits and prepayments		**(65,015)**	10,996
Other receivables		**(1,879,185)**	(910,472)
Short-term investment and accrued mark-up		**(4,671)**	(13,304)
		(2,415,074)	(912,628)
Increase in trade and other payables		**286,118**	735,227
Cash (utilised in) / generated from operations		**(672,943)**	1,611,271

46. CASH AND CASH EQUIVALENT

	Note	June 30, 2010	June 30, 2009
Short term investments		**9,571**	75,555
Cash and bank balances	18	**82,451**	8,772
		92,022	84,327

47. PRIOR PERIOD ADJUSTMENTS

The Group in order to comply with the requirements of IAS - 8 "Accounting Policies, Changes in Accounting Estimates and Errors", made the following adjustments in these financial statements, as a result of the matters discussed in detail in note 7.3.1:

(a) the reversal of revaluation surplus arising on intangible asset; and

(b) the reversal of borrowing costs capitalised on intangible asset.

These adjustments have been accounted for retrospectively in accordance with the requirement of International Accounting Standard (IAS) - 8 "Accounting Policies, Changes in Accounting Estimates and Errors" as a result of which the comparatives for the prior year have been restated. Further, in accordance with the requirements of the revised IAS 1 "Presentation of Financial Statements (Revised)", the Group has presented a third balance sheet as at the end of the earliest period presented, i.e., June 30, 2008. The effects of restatement on the financial statements of the current year are as follows:

June 30, 2009	(As originally reported) 2009	Effect of prior period errors	2009 Restated
	-------------	(Rupees in '000)	-------------
Restatement in balance sheet			
Intangible assets	**4,449,069**	**(1,548,246)**	**2,900,823**
Accumulated losses	**(16,639)**	**(136,293)**	**(152,932)**
Deferred tax (liability) / asset	**(160,942)**	**541,886**	**380,944**
Restatement in profit and loss account			
Direct costs	**3,045,528**	**(103,674)**	**2,941,854**
Finance costs	**508,351**	**86,584**	**594,935**
Profit after taxation	**135,337**	**11,107**	**146,444**
Earnings per share – basic	**0.45**	**0.04**	**0.49**

June 30, 2008	(As originally reported) 2008	Effect of prior period errors	2008 Restated
	-------------	(Rupees in '000)	-------------
Restatement in balance sheet			
Intangible assets	4,654,275	(1,565,334)	3,088,941
Accumulated losses	(209,981)	(89,395)	(299,376)
Surplus on revaluation of intangible assets - net of tax	928,072	(928,072)	-
Deferred tax (liability) / asset	(142,555)	548,867	406,312
Restatement in profit and loss account			
Direct costs	2,738,414	(12,338)	2,726,076
Finance costs	478,281	68,300	546,581
Loss after taxation	(398,399)	(36,376)	(434,775)
Loss per share – basic	(1.33)	(0.12)	(1.45)

48. REMUNERATION OF THE CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

	2010			2009		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	(Rs. in '000)			(Rs. in '000)		
Managerial remuneration	**5,161**	**13,099**	**50,724**	5,806	10,568	58,468
Other perquisites and benefits:						
House rent	**2,322**	**2,613**	**14,833**	2,613	1,742	19,116
Medical	-	**35**	**844**	-	61	829
Retirement benefits	**188**	-	**1,591**	-	322	2,404
Utilities	**516**	**581**	**3,296**	581	387	4,248
Perquisites and benefits	-	**4,806**	**17,293**	-	3,537	14,096
Leave passage	-	**482**	**1,431**	-	422	788
	3,026	**8,517**	**39,288**	3,194	6,471	41,481
	8,187	**21,616**	**90,012**	9,000	17,039	99,949
Number of persons	**1**	**2**	**52**	1	2	60

48.1 The Chief Executive Officer and a Director of the Group are also provided with the free use of the Group maintained car and other benefits in accordance with their terms of service.

49. 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.

49.1 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.

49.1.1 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, 2010, the Group is exposed to such risk mainly in respect of long-term and short-term borrowings and short-term investments and loan. When the Group has surplus cash available for investment, it minimizes the interest rate risk by investing in fixed rate investments like Term Deposit Receipts and fixed rate saving accounts in banks.

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.30.362 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.

49.1.2 Foreign currency risk

Foreign currency risk is the risk that the value of financial assets or a financial liability will fluctuate due to a change in a foreign exchange rates. It arises mainly where receivables and payables exist due to transactions in foreign currency. The Group's exposure to foreign currency risk is as follows:

	June 30, 2010 US$	June 30, 2009 US$
Trade debts	**2,096,323**	2,261,937
Bank balances	**257,254**	2,121
Trade and other payables	**(6,591,724)**	(6,631,218)
	(4,238,147)	(4,367,160)

	June 30, 2010 Rupees	June 30, 2009 Rupees
The following significant exchange rates have been applied at the reporting dates:		
Exchange rate	**85.6**	81.3

The foreign currency exposure is partly covered as majority of the Group's billing is determined in dollars which is converted into rupees at the exchange rate prevailing at the transaction date. The Group has assessed that hedging its foreign currency borrowings will be more expensive than assuming the risk itself.

Sensitivity analysis:

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Group's profit before tax and the Group's equity.

	Change in US dollar rate (%)	Effect on profit / (loss)	Effect on Equity
		------- (Rupees in '000) -------	
June 30, 2010	**+10**	**(36,279)**	**(36,279)**
	-10	**36,279**	**36,279**
June 30, 2009	**+10**	(35,505)	(35,505)
	-10	35,505	35,505

49.1.3 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, 2010 the Group is not exposed to equity price risk.

49.2 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, 2010	June 30, 2009
	------- (Rupees in '000) -------	
Trade debts	**1,057,917**	723,661
Short-term investment	**9,571**	75,555
Long-term loans and advances	**6,012**	7,136
Long-term deposits	**91,275**	58,555
Loans and advances	**50,157**	33,251
Accrued mark-up	**66,562**	61,891
Bank balances	**82,452**	8,772
	1,363,946	968,821

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	**1,057,917**	723,661
Short-term investment		
A-3	**9,571**	75,555
Bank balances		
A1+	**49,014**	1,749
A1	**10,327**	6,135
A1-	**130**	31
A3	**22,981**	86
	82,452	8,001

49.3 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.60.229 (2009: Rs.22.164) million. The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

	Less than 3 months	3 to 12 months	1 to 5 Years	5 years	Total
	-----------------------------(Rupees in '000)-----------------------------				
Long-term loans	-	97,125	502,000	-	599,125
Redeemable capital	-	211,680	776,160	-	987,840
Liabilities against assets subject to finance leases	-	14,949	-	-	14,949
Long-term deposits	-	33,313	127,739	-	161,052
Due to PTA	-	24,056	1,585,000	-	1,729,653
Trade and other payables	612,770	1,863,034	-	-	2,475,804
Accrued mark-up	74,017	-	-	-	74,017
Short-term running finances	-	269,771	-	-	269,771
Short-term borrowing	72,195	-	-	-	72,195
June 30, 2010	**758,982**	**2,513,928**	**2,990,899**	**-**	**6,384,406**

	Less than 3 months	3 to 12 months	1 to 5 Years	5 years	Total
	-----------------------------(Rupees in '000)-----------------------------				
Long-term loans	44,500	151,500	464,000	-	660,000
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	-	-	1,428,378	-	1,428,378
Trade and other payables	-	2,183,543	-	-	2,183,543
Accrued mark-up	114,069	-	-	-	114,069
Short-term running finances	-	407,783	-	-	407,783
Short-term borrowing	35,500	-	-	-	35,500
June 30, 2009	199,913	3,297,818	2,560,383	-	6,058,114

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

49.4 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.

49.5 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.

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

	June 30, 2010	June 30, 2009
	------------(Rupees in '000)------------	
Long-term loans	**599,125**	726,500
Redeemable capital	**987,840**	1,128,960
Obligation under finance leases	**14,949**	33,744
Due to PTA	**1,585,500**	1,428,378
Debt	**3,187,414**	3,317,582
Issued, subscribed and paid-up capital	**3,000,000**	3,000,000
Unappropriated profit / (Accumulated loss)	**674,579**	(149,568)
Total capital	**3,674,579**	2,850,432
Capital and debt	**6,861,993**	6,168,014
Gearing ratio	**46.5%**	53.8%

50. 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 Group

	2010	2009
Pakcom Limited		
Services rendered	**3,796**	62,756
Services received	**58,917**	94,412
Mark-up charged during the year	**4,550**	12,873
Arfeen International (Private) Limited		
Sale of fixed assets	-	2,103
Payments made on behalf of the Group	-	5,809
Payments made by the Group	**377**	2,290
Repayment of long-term loan	**53,100**	6,000
Markup charged during the year	-	3,778
Rent charged during the year	**5,615**	110
Loan obtained during the year	**34,600**	-
Total Telecom Limited		
Payments made by the Group	-	18
Payments made on behalf of the Group	**1,508**	1,184
(Repayment) / receipt of long-term loan	-	(91,743)
Markup charged during the year	**11,556**	2,510
Payment of mark-up made during the year	**44,807**	-
Chaman Investment (Private) Limited		
Services rendered	**864**	2,574
World Trade Center (Private) Limited		
Services rendered	**395**	28
Service received	**72,265**	75,619
Markup on current account	**19,759**	-
Envicrete Limited		
Sale of fixed assets	-	38
Service rendered	-	190
Mark-up charged	**72**	69
Payment made on behalf of the Group	**131**	-

	June 30, 2010	June 30, 2009
	------------(Rupees in '000)------------	
Grand Leisure Corporation (Private) Limited		
Services rendered	**180**	186
Payment made on behalf of the Group	**23**	-
Mark-up charged	**99**	95
Provident Fund		
Contribution during the year	**3,371**	3,371
Instaphone infrastructure		
Payment made by the Group	**11,809**	613
Services rendered	**12,913**	-
Instaphone (Private) Limited		
Payment made by the Group	**958**	1,018
Services rendered	**2,880**	3,266
Services received	**16,973**	16,440

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

51. CORRESPONDING FIGURES

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

From	To	(Rupees in '000)
Cash in hand	Loans and advances	2,309
Trade and other payables	**Trade and other payables**	
Advances from customers	Others	86,568
Other receivable – Augere Pakistan	Trade debts	29,389
	Trade and other payables	1,963
Trade and other payables – Related parties	Accrued mark-up	4,553
Trade and other payables	**Other receivables**	
WPS - under protest	WPS - under protest	289,725
LL & LDI charges	Leased lines and upfront connection charges	112,840
Wire line	Wire line	48,598
Multi-metering	Multi-metering	18,287
LL & LDI charges	LL & LDI charges	200,000
Direct costs - optical fiber network charges	Direct costs - Network media charges	8,997
Direct costs - internet bandwidth charges	Direct costs - Network media charges	25,562
Direct costs - network sites rent	Direct costs - Network media charges	51,738
Revenue - net	**Revenue – net**	
Internet card sales	Data networking	53,699
Sale of equipment	Data networking	15,989
Administrative expenses	**Administrative expenses**	
Legal and professional charges	Communication	2,400
Administrative expenses	**Cost of sales**	
Legal and professional charges	Consultancy charges	2,547

52. MOVEMENT BETWEEN RESERVES AND PROPOSED DIVIDEND

The Board of Directors in its meeting held on **15 October 2010** proposed a final cash dividend for the year ended **June 30, 2010**, at the rate of **Rs.0.10 (2009 nil)** per Ordinary share of **Rs.10 each,** amounting to **Rs. 30,000,000** for approval of the members at the Annual General Meeting to be held on **November 12, 2010.**

The Board of Director of the subsidiary in it's meeting held on **15 october 2010** proposed a final cash divident for the year ended **June 30. 2010** at the rate of **Rs. 0.25** per ordinary shares of **Rs. 10** each and bonus shares at the rate of **Rs. 0.075** per ordinary share of Rs. 10 each for approval of the members at the Annual General Meeting to be held on **31st October 2010**.

53. DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorised for issue on October 15, 2010 by the Board of Directors.

54. GENERAL

Figures have been rounded off to the nearest thousand rupees.

Chief Executive

Director

Pattern of Shareholding
as at June 30, 2010

Number of Share Holders	Share Holding From	To	Total Share Held
729	1	100	6,663
678	101	500	314,893
1,089	501	1000	1,078,106
2,050	1001	5000	6,401,969
738	5001	10000	6,304,495
248	10001	15000	3,301,327
204	15001	20000	3,871,036
119	20001	25000	2,890,176
58	25001	30000	1,664,347
42	30001	35000	1,415,180
44	35001	40000	1,700,581
20	40001	45000	873,999
71	45001	50000	3,516,813
15	50001	55000	806,550
13	55001	60000	736,450
4	60001	65000	257,001
11	65001	70000	748,698
19	70001	75000	1,395,710
12	75001	80000	939,670
8	80001	85000	671,200
5	85001	90000	442,544
6	90001	95000	561,886
44	95001	100000	4,387,476
9	100001	105000	928,212
9	105001	110000	619,095
4	110001	115000	451,376
4	115001	120000	479,500
8	120001	125000	990,400
3	125001	130000	387,210
1	130001	135000	133,300
3	140001	145000	428,896
7	14500	150000	1,044,600
2	150001	155000	308,918
1	160001	165000	165,000
1	165001	170000	170,000
2	170001	175000	350,000
1	175001	180000	178,000
2	180001	185000	367,129
2	185001	190000	372,920
8	195001	200000	1,597,500
1	200001	205000	205,000
2	220001	225000	446,940
2	230001	235000	470,000
1	235001	240000	238,500
2	240001	245000	483,479
1	245001	250000	250,000
1	250001	255000	255,000
1	255001	260000	258,500
1	260001	265000	260,290
1	270001	275000	273,000
1	285001	290000	287,948
3	295001	300000	900,000
1	300001	305000	301,000
2	305001	310000	620,000
3	315001	320000	957,302
1	330001	335000	331,700
2	335001	340000	678,690

Pattern of Shareholding
as at june 30, 2010

Number of Share Holders	Share Holding From	To	Total Share Held
2	345001	350000	700,000
1	375001	380000	375,500
2	395001	400000	797,500
2	400001	405000	803,600
1	405001	410000	409,624
1	410001	415000	410,659
1	420001	425000	421,800
1	43001	435000	430,270
1	430001	440000	435,398
1	440001	445000	444,000
3	445001	450000	1,347,735
1	450001	455000	453,701
1	480001	485000	485,000
5	495001	500000	2,500,000
2	520001	525000	1,045,355
2	525001	530000	1,054,832
1	595001	600000	600,000
1	630001	635000	634,375
1	725001	730000	727,255
1	735001	740000	735,099
1	745001	750000	750,000
1	805001	810000	807,100
1	835001	840000	839,499
1	850001	855000	851,751
1	885001	890000	886,430
1	895001	900000	896,430
2	905001	910000	1,812,856
1	970001	975000	975,000
1	995001	1000000	1,000,000
1	1045001	1050000	1,050,000
1	1145001	1150000	1,150,000
1	1420001	1425000	1,423,500
1	1430001	1435000	1,435,000
1	2395001	2400000	2,400,000
1	2450001	2455000	2,450,900
2	2495001	2500000	5,000,000
1	2995001	3000000	2,996,749
1	3385001	3390000	3,385,500
1	3890001	3895000	3,894,858
1	4780001	4785000	4,781,000
1	4995001	5000000	5,000,000
1	6130001	613500	6,135,000
1	6695001	6700000	6,700,000
1	7235001	7240000	7,236,524
1	7315001	7320000	7,320,000
1	8995001	9000000	9,000,000
1	11785001	11790000	11,786,500
1	22725001	22730000	22,727,180
1	24970001	24375000	24,370,345
1	29095001	29100000	29,100,000
1	56175001	56180000	56,179,000
5,784			**300,000,000**

Catagories of Shareholders
AS AT JUNE 30, 2010

NAME	NO. OF SHARES	NOS	%
INDIVIDUALS	**105,021,748**	5,633	35%
ASSOCIATED COMPANIES			
CHAMAN INVESTMENT (PVT) LTD.	34,500	1	0.01
ARFEEN INTERNATIONAL (PVT) LTD.	3,086,749	1	1.02
WORLD TRADE CENTER (PVT) LTD.	53,470,345	2	18
ENVICRETE LTD.	2,400,000	1	0.8
GATES LTD.	3,085,275	1	1.02
	62,076,869	6	20.85
JOINT STOCK COMPANIES	66,772,266	113	22.2
BANKS, DFI'S NBFI'S INSURANCE COMPANIES, MODARABAS AND MUTUAL FUNDS & OTHERS	25,139,355	19	8.4
	91,911,621	132	30.6
FOREIGN INVESTORS			
BOSTON SAVE DEPOSIT & TRUST	2,000	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	301,000	1	0.10
CHAMAN ARA BEGUM	10,000	1	0.00
SHAMS UL ARFEEN	24,000,000	1	8
	27,261,004	6	9.09
	300,000,000	5,784	100

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 Friday 12 November, 2010 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 _____________, 2010

WITNESS:

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

CNIC No. | | | | | | – | | | | | | | | – | |
Or Passport No. ____________________

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

CNIC No. | | | | | | – | | | | | | | | – | |
Or Passport No. ____________________

Rupees Five Revenue Stamp

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.