Annual Report 2012

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.*

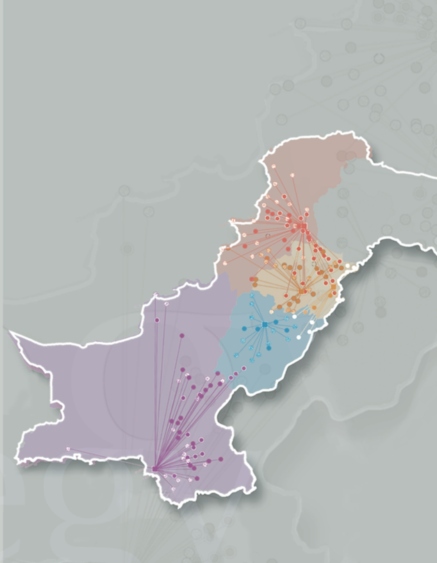
- *Valuing our employees and providing a satisfying, challenging and rewarding work environment.*

- *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 every payphone operation. Over the years, through a synergy of a dedicated team, cutting edge technologies and uncompromised value, 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 service through operational excellence, cost effectiveness, capital discipline and personal accountability.

Growth Drivers

Competitive Edge

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

Value Growth

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

Growth Drivers

Our Strategy in Action

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

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

Futuristic Approach

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

Contents

Company Information:

Board of Directors	Mr. Sultan ul Arfeen (Chairman) Mr. Shahid Firoz Mr. Shams ul Arfeen Syed Aamir Hussain (CEO) Mr. Tipu Saeed Khan Mr. Hissan ul Arfeen Mr. Waseem Ahmad
Board Audit Committee	Mr. Sultan ul Arfeen (Chairman) Mr. Shahid Firoz Mr. Shams ul Arfeen
Human Resource & Remuneration Committee	Mr. Shahid Firoz (Chairman) Mr. Shams ul Arfeen Syed Aamir Hussain
Chief Executive Officer	Syed Aamir Hussain
Legal Advisor	Mohsin Tayebaly & Co.
Chief Financial Officer	Mr. Tipu Saeed Khan
Company Secretary	Mr. Waseem Ahmad
Bank	KASB Bank Limited Standard Chartered Bank (Pakistan) Ltd. Deutsche Bank Citibank Faysal Bank Ltd. National Bank of Pakistan Pak Oman Investment Company Ltd. Silk Bank Summit Bank
Registrar and Share Transfer Office	Jwaffs Registrar Services Pvt Ltd. 505 5th Floor, Kashif Centre, Near Hotel Mehran Main Shahra-e- Faisal Karachi
Registered Office	3rd Floor, 75 East Blue Area Fazal ul Haq Road, Islamabad, Pakistan
Corporate Office	7th Floor, World Trade Centre, 10 Khayaban-e-Roomi, Clifton, Karachi. Pakistan

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 19th Annual General Meeting of the shareholders of the Company will be held on 30 November 2012 at 1100 hours, at 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 Extra Ordinary General Meeting of the shareholders on 29 June 2012.

2. To receive, consider and adopt Annual Audited Financial Statement of the Company together with the Directors and the Auditors' report thereon for the year ended June 30, 2012, together with the Audited Consolidated Financial Statements of the Company and the Auditors' report thereon for the year ended June 30, 2012.

3. To appoint external auditors of the Company for the year ended June 30, 2013 and fix their remuneration. In this respect it may be noted that a notice under Section 253(1) of the Companies Ordinance, 1984 has been received from a shareholder of the Company requesting for the change in the existing auditors of the Company. The retiring auditors M/s Ernst & Young Ford Rhodes Sidat Hyder-Chartered Accountants being eligible have also offered themselves for re-appointment. The Board of Directors, on recommendation of the Audit Committee of the Company, has proposed the appointment of M/s Parker Randall-A.J.S., Chartered Accountants, as external auditors, for the year ended June 30, 2013.

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

By order of the Board

Waseem Ahmad
Company Secretary

12 November 2012

Notes

1. The Members Register will remain closed from the 24 November 2012 to 30 November 2012 (both days inclusive). Transfer received in order by Shares Registrar, Jwaffs Registrar Services (Pvt.) Limited, 505, 5th Floor, Kashif Centre, Near Hotel Mehran, Main Sharah-e-Faisal Karachi by the close of business on 23 November 2012 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 Cards (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 holder 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 share 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 2012.

Review of Current Operations

The revenue for the year was Rs. 1.44 billion compared to Rs. 1.65 billion for the corresponding period. The reduction is directly attributed to significant decline in the rates for the Long Distance and International (LDI) segment of the Company. The direct cost was, however, increased due to enhanced termination at considerably compromised margins resulting from fierce competition faced by the telecom companies. These circumstances have resulted in narrowing profit margins and reduced revenues impacting Company's ability to retire its obligation towards the Term Finance Facility. The management is making concerted efforts to improve the situation and is confident of navigating the Company out of these financially difficult times.

Due to above mentioned reasons the financial performance of the Company remained challenged. The Company incurred a Gross Loss for the year in the sum of Rs. 216 million against the Gross Profit of Rs. 171 million in 2011. The administrative and distribution cost was almost stable with a slight increase of 7%. Last year, the Company wrote back a liability in the sum of Rs. 549 million and this year such an amount was only available to the extent of Rs. 9 million, hence, resulting in an Operating Loss of Rs. 612 million against an Operating Profit of Rs. 395 million last year. The Finance Cost remained at a reduced level of Rs. 275 million against Rs. 284 million last year. The Net Loss of the Company was Rs. 609 million, compared to the profit of Rs. 74 million in the preceding time frame. Loss per share for the period was Rs. 2.03 compared to Earning per share of Rs. 0.25 in 2011.

On a consolidated basis the total revenue was Rs.2.52 billion against Rs.2.59 billion last year resulting in net loss of Rs. 582 million in comparison with net profit of Rs. 90 million last time.

Significant Event

Subsequent to the year end all the 14 LDIs of the industry signed an International Clearing House (ICH) agreement under the directive of the Ministry for Information Technology in the guidance of the Pakistan Telecommunication Authority (PTA). Under this arrangement all the international incoming traffic will be handled by PTCL and all the LDIs will receive their share according to a pre-agreed ratio. It is expected that the implementation of ICH will bring rate stability in addition to curbing the menace of illegal traffic.

Corporate Strategy & Future Outlook

Your Company through itself and its subsidiaries, Supernet, Telecard E- Solutions (Pvt.) Limited and Telegateway Limited, has established itself as an alternate service provider. It is delivering fully integrated telecommunication services which include basic wireless telephony, long-distance and international, data services and payphones.

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's performance improved during 2012 despite serious and persistent economic down-turn. It posted total revenues of Rs. 1.2 billion as compared to Rs. 1.05 billion in 2011. Net profit for the year was increased by 25% in comparison with preceding year's profit of Rs. 23.90 million. This year it stood at Rs.29.98 million.

In the first year of operations, Telecard E-solutions posted revenue of Rs. 23.7 million and Gross profit of Rs. 4.27 million; however, owing to commencement expenses it incurred a loss of Rs. 3.53 million.

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 15.*
- 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	4
Shams ul Arfeen	4
Shahid Firoz	3
Syed Aamir Hussain	2
Hissan ul Arfeen	4
Tipu Saeed	5
Waseem Ahmad	5

Consolidated Financial Statements

Consolidated Financial Statements of the Company as on 30 June 2012 are annexed.

Auditors Observations

In respect of paragraph (a) of the auditors' observation, your Company's management contends that the investee company is unlisted and the financial information required estimating the fair value of investment is not readily available. Further, the Company is currently making efforts to determine the fair market value of the investment and would accordingly make adjustments, if required, to the carrying value of investment.

Auditors

Subsequent to the year end, the Company received a notice under Section 253(1) of the Companies Ordinance, 1984 from a shareholder of the Company requesting for the change in the existing auditors of the Company. The retiring auditors M/s Ernst & Young Ford Rhodes Sidat Hyder-Chartered Accountants being eligible have also offered themselves for re-appointment. The Board of Directors, on recommendation of the Audit Committee of the Company, has proposed the appointment of M/s Parker Randall-A.J.S., Chartered Accountants, as external auditors, for the year ended June 30, 2013.

The reason for this change came from the fact that these auditors were constantly auditing the Company for the last so many years and brining a new auditor would be in line with the best practices of corporate governance.

Dividends

In view of the challenges ahead, the Company has not declared dividend this year.

Pattern of Shareholding

The pattern of shareholding as on 30 June 2012 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.

On behalf of the Board

Syed Aamir Hussain
Chief Executive Officer

8 November 2012

Six Year Financial Summary
Financial Analysis

	June 2012 Rupees	June 2011 Rupees	June 2010 Rupees	June 2009 Rupees	June 2008 Rupees	June 2007 Rupees
REVENUE- Net	1,436,288	1,651,617	2,444,502	3,791,473	1,904,313	2,147,662
Direct Cost	(1,652,677)	(1,480,673)	(1,774,849)	(2,506,398)	(2,176,714)	(2,135,487)
Gross Profit / (Loss)	(216,389)	170,944	669,653	1,285,075	(272,401)	12,175
Administrative and selling expenses	(419,630)	(392,128)	(491,129)	(622,784)	(599,979)	(565,822)
Other operating expenses	(20,303)	(3,298)	(58,848)	(39,748)	(63,443)	-
Other operating income	35,235	70,293	44,757	69,992	88,687	439,377
Gain on sale of intangible asset	-	-	1,478,758	-	-	-
Gain arising from present value adjustment	-	-	-	-	426,196	-
Liabilities no longer payable written back	9,411	548,707	87,927	-	-	-
	(395,287)	223,574	1,061,465	(592,540)	(148,539)	(126,445)
Operating Profit / (Loss)	(611,676)	394,518	1,731,118	692,535	(420,940)	(114,270)
Financial costs	(274,947)	(284,159)	(530,449)	(580,719)	(528,919)	(499,598)
(Loss) / Profit before taxation	(886,623)	110,359	1,200,669	111,816	(949,859)	(613,868)
Taxation	277,643	(35,949)	(502,207)	(56,641)	407,323	168,906
(Loss) Profit after taxation	(608,980)	74,410	698,462	55,175	(542,536)	(444,962)
Accumulated profit / (Loss) b/f	445,398	400,988	(297,474)	(352,648)	198,888	634,850
	(163,852)	475,398	400,988	(297,474)	(352,648)	189,888
Final dividends @ Rs. 0.10 per Ordinary Share of Rs. 10 each for the year ended June 30, 2010	-	(30,000)	-	-	-	-
	(163,852)	475,398	400,988	(297,474)	(352,648)	189,888
(Loss) / Earning Per Share (Rupees)	(2.03)	0.25	2.33	0.18	(1.81)	(1.48)

Statement of Compliance with 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 Exchange(s) 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 of Corporate Governance in the following manner:

1. *The Company encourages representation of independent non-executive directors on its Board. At present the Board includes:*

Category	Names
Non-Executive Director	Mr. Sultan ul Arfeen
	Mr. Shahid Firoz
	Mr. Shams ul Arfeen
	Mr. Hissan ul Arfeen
Executive Director	Syed Aamir Hussain
	Mr. Tipu Saeed
	Mr. Waseem Ahmad
Independent Director	-

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

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

4. *During the year the election for the Directors of the Company were held on the 29 June 2012 and as a consequence following persons were elected for a period of three years:*

   Mr. Sultan ul Arfeen
   Mr. Shahid Firoz
   Mr. Shams ul Arfeen
   Mr. Syed Aamir Hussain
   Mr. Tipu Saeed
   Mr. Hissan ul Arfeen
   Mr. Waseem Ahmad

5. *The Company has prepared a 'Code of Conduct' and has ensured that appropriate steps have been taken to disseminate it through the company along with its supporting policies and procedure.*

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, in his absence, by a director elected by the board for this purpose and the Board met at least once 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 company is in the process of arranging orientation course for its new directors to apprise them of their duties and responsibilities.

10. No new appointments of the Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit were made during the year. However, any changes to the remuneration, terms and conditions of the employment of CFO, Company Secretary and Head of Internal Audit have been determined by the CEO with the approval of the Board of Directors.

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

14. The company has complied with all the corporate and financial reporting requirements of CCG.

15. The Board has formed an Audit Committee comprising of non-executive directors. Chairman of the Committee is also the Chairman of the Board of directors.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the CCG. The terms of reference of the committee have been formed and advised the committee for compliance.

17. The Board has formed an HR Committee. It comprises three Members; two of whom are non-executive directors and the Chairman of the committee is a non-executive director.

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. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).

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

Syed Aamir Hussain
Chief Executive Officer

8 November 2012

ERNST & YOUNG

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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, the Listing Regulations require the Company to place before the Board of Directors for their consideration and approval related party transactions, distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code, effective for the year ended 30 June 2012.

We draw your attention to clauses 1, 9 and 15 of the Statement which mention certain non-compliance with the Code.

Our conclusion is not qualified in respect of the above matters.

Ernst & Young Ford Rhodes Sidat Hyder

Chartered Accountants
08 November 2012
Karachi

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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Telecard Limited (the Company) as at 30 June 2012 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.

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

(a) As disclosed in note 7.1 to the accompanying financial statements, the Company owns shares in a foreign company which is stated at Rs.480.630 million. We have not been provided with sufficient audit evidence to support the fair value of such investment, as required under the International Accounting Standards – 39 "Financial Instruments: Recognition and Measurement". Accordingly, in the absence of such information, we are unable to satisfy ourselves regarding the valuation of such investment and its consequential impact, if any, on the accompanying financial statements;

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

(c) in our opinion:

(i) except for the effect of matter stated in paragraph (a) above, 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;

(d) except for the effect of matter stated in paragraph (a) above, in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, 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 2012 and of the loss, its comprehensive loss, cash flows and changes in equity for the year then ended; and

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(e) 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 subsequent to the end of the year.

We further 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 has been made in the accompanying financial statements for any amount that may not be recoverable;

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 in the accompanying financial statements for the amount claimed by the PTCL;

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.4,312.104million, out of which the Company has paid a sum of Rs.2,115.921 million to the PTA upto the end of the current year under protest. The Islamabad High Court, however, decided the case in favour of the PTA during the year ended 30 June 2009. 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.2,115.921 million, shown by the Company under other receivables (note 14.6) nor any provision has been made for the remaining sum of Rs.2,196.183million in the accompanying financial statements;

iv) notes 30.1 to 30.14to 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 in the accompanying financial statements for any liability that may arise therefrom;

v) note 13.1 to the accompanying financial statements in respect of 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 in the accompanying financial statements there against;

vi) note 23.2 to the accompanying financial statements in respect of Spectrum Fee payable, shown under deferred liabilities, as a result of the appeal instituted by the Company in the Islamabad High Court during the current year; and

vii) note 19.1to the accompanying financial statements concerning the redemption of Term Finance Certificates.

Our opinion is not qualified in respect of the above matters.

Ernst & Young Ford Rhodes Sidat Hyder

Chartered Accountants

Audit Engagement Partner's Name: Khurram Jameel
Date: 08 November 2012
Karachi

BALANCE SHEET
AS AT JUNE 30, 2012

	Note	June 30, 2012	June 30, 2011
		------- (Rupees in '000) -------	
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Property, plant and equipment	5	1,770,295	2,130,039
Intangible assets	6	2,178,326	2,359,843
		3,948,621	4,489,882
Long-term Investments	7	821,767	340,637
Long-term deposits	8	53,275	52,913
Deferred taxation	9	101,938	-
		4,925,601	4,883,432
CURRENT ASSETS			
Stock-in-trade		581	862
Trade debts	10	132,695	123,543
Loans and advances	11	16,456	14,732
Deposits and prepayments	12	21,138	30,915
Accrued mark-up	13	64,139	49,486
Other receivables	14	3,516,703	3,570,139
Taxation – net	15	93,626	120,293
Cash and bank balances	16	5,546	8,826
		3,850,884	3,918,796
TOTAL ASSETS		8,776,485	8,802,228
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital			
Authorised			
400,000,000 (2011: 400,000,000) Ordinary shares of Rs.10 each		4,000,000	4,000,000
Issued, subscribed and paid-up	17	3,000,000	3,000,000
Revenue reserve			
(Accumulated loss) / Unappropriated profit		(163,582)	445,398
		2,836,418	3,445,398
NON-CURRENT LIABILITIES			
Long-term loans	18	304,167	201,625
Redeemable capital	19	776,160	476,160
Advance from a Subsidiary Company	20	51,274	147,924
Due to a Contractor	21	896,182	467,121
Long-term deposits	22	61,816	59,724
Deferred liabilities	23	1,590,594	1,783,098
Accrued mark-up	24	68,433	-
		3,748,626	3,135,652
CURRENT LIABILITIES			
Trade and other payables	25	1,525,775	1,294,838
Accrued interest / mark-up	26	163,795	113,819
Short-term running finances	27	224,802	292,735
Short-term borrowing	28	137,371	-
Current maturities of long-term liabilities	29	139,698	519,786
		2,191,441	2,221,178
CONTINGENCIES	30		
TOTAL EQUITY AND LIABILITIES		8,776,485	8,802,228

The annexed notes from 1 to 46 form an integral part of these financial statements.

Chief Executive   Director

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2012

	Note	June 30, 2012	June 30, 2011
		------- (Rupees in '000) -------	
REVENUE – net	31	1,436,288	1,651,617
Direct costs	32	(1,652,677)	(1,480,673)
GROSS (LOSS) PROFIT		(216,389)	170,944
Administrative and selling expenses	33	(419,630)	(392,128)
Other operating expenses	34	(20,303)	(3,298)
		(439,933)	(395,426)
Other operating income	35	35,235	70,293
Liabilities no longer payable written back	36	9,411	548,707
		44,646	619,000
		(395,287)	223,574
OPERATING (LOSS) / PROFIT		(611,676)	394,518
Finance costs	37	(274,947)	(284,159)
(LOSS) / PROFIT BEFORE TAXATION		(886,623)	110,359
Taxation	38	277,643	(35,949)
NET (LOSS) / PROFIT FOR THE YEAR		(608,980)	74,410
(LOSS) / EARNINGS PER SHARE - Basic and diluted	39	(2.03)	0.25

The annexed notes from 1 to 46 form an integral part of these financial statements.

Chief Executive

Director

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2012

	Note	June 30, 2012	June 30, 2011
		------- (Rupees in '000) -------	
Net (loss) / profit for the year		(608,980)	74,410
Other comprehensive income		-	-
Total comprehensive (loss) / income for the year		(608,980)	74,410

The annexed notes from 1 to 46 form an integral part of these financial statements.

Chief Executive

Director

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2012

	Note	June 30, 2012	June 30, 2011
		------- (Rupees in '000) -------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	40	204,606	595,943
Income tax adjusted		12,304	18,874
Finance costs paid		(152,960)	(244,357)
Retirement benefits paid		(3,865)	(2,621)
Long-term loans		218	192
Due to employees		(8,762)	(22,549)
Liability for long-term deposits		2,092	(1,388)
Long-term deposits		(362)	353
Net cash generated from operating activities		53,271	344,447
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(10,666)	(19,876)
Proceeds from disposal of property, plant and equipment		2,180	-
Dividend income received		-	8,388
Long-term investments		(500)	(100)
Net cash used in investing activities		(8,986)	(11,588)
CASH FLOWS FROM FINANCING ACTIVITIES			
Advance from a Contractor		(51,569)	(58,369)
Advance from a Subsidiary Company		(96,650)	159,924
Proceeds / (repayment) of long-term finances		32,347	(317,625)
Proceeds / (repayment) of short-term borrowings		137,371	(17,000)
Proceeds / (repayment) of short-term running finances		(67,933)	22,964
Repayment of obligations under finance lease		(151)	(1,640)
Dividend paid		-	(30,000)
Repayment of redeemable capital		(980)	(105,840)
Net cash generated from / (used in) financing activities		(47,565)	(347,613)
NET DECREASE IN CASH AND CASH EQUIVALENTS DURING THE YEAR		(3,280)	(14,754)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		8,826	23,580
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	16	5,546	8,826

The annexed notes from 1 to 46 form an integral part of these financial statements.

Chief Executive

Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2012

	Issued, subscribed and paid-up	(Accumulated losses) / Unappropriated profit	Total
	------------------------ (Rupees in ‘000)		-----------------------
Balance as at June 30, 2010	3,000,000	400,988	3,400,988
Net profit for the year	-	74,410	74,410
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	74,410	74,410
Final dividend @ Rs.0.10 per share	-	(30,000)	(30,000)
Balance as at June 30, 2011	3,000,000	445,398	3,445,398
Net loss for the year	-	(608,980)	(608,980)
Other comprehensive income	-	-	-
Total comprehensive loss for the year	-	(608,980)	(608,980)
Balance as at June 30, 2012	3,000,000	(163,582)	2,836,418

The annexed notes from 1 to 46 form an integral part of these financial statements.

Chief Executive

Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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

2.1 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.

2.2 These are the separate financial statements of Company in which investment in subsidiaries are reported on the basis of direct equity interest and are not consolidated.

3. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention.

4. SIGNIFICANT ACCOUNTING POLICIES

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

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

	Standard or Interpretation	Effective Date (accounting periods beginning on or after)
IFRS 7	Financial Instruments : Disclosures – (Amendments) Amendments enhancing disclosures about offsetting of financial assets and financial liabilities	01 January 2013
IAS 1	Presentation of Financial Statements – Presentation of items of comprehensive income	01 July 2012
IAS 12	Income Taxes (Amendment) - Recovery of Underlying Assets	01 January 2012
IAS 19	Employee Benefits –(Amendment)	01 January 2013
IAS 32	Offsetting Financial Assets and Financial liabilities – (Amendment)	01 January 2014

The Company expects that the adoption of the above revisions, amendments and interpretations of the standards will not affect the Company's financial statements in the period of initial application.

In addition to the above, the following new standards have been issued by IASB which are yet to be notified by the Securities and Exchange Commission of Pakistan for the purpose of applicability in Pakistan.

		IASB Effective date (annual periods beginning Standard on or after)
IFRS 9	Financial Instruments: Classification and Measurement	01 January 2015
IFRS 10	Consolidated Financial Statements	01 January 2013
IFRS 11	Joint Arrangements	01 January 2013
IFRS 12	Disclosure of Interests in Other Entities	01 January 2013
IFRS 13	Fair Value Measurement	01 January 2013

4.2 Standards, amendments and interpretations adopted during the year

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as described below:

New and amended standards and interpretations

The Company has adopted the following new and amended IFRS and IFRIC interpretations which became effective during the year:

IFRS 7 - Financial Instruments: Disclosures (Amendment)
IAS 24 - Related Party Disclosures (Revised)
IFRIC 14 - Prepayments of a Minimum Funding Requirement (Amendment)

In May 2010, IASB issued amendments to various standards primarily with a view to removing inconsistencies and clarifying wording. These improvements are listed below:

IFRS 7 - Financial Instruments: Disclosures - Clarification of disclosures
IAS 1 - Presentation of Financial Statements - Clarification of statement of changes in equity
IAS 34 - Interim Financial Reporting - Significant events and transactions
IFRIC 13 - Customer Loyalty Programmes - Fair value of award credits

The adoption of the above standards, amendments, interpretations and improvements did not have any material effect on the financial statements.

4.3 Dividends and appropriation to general reserve

Dividends and appropriation to general reserves are recognised in the financial statements in the period in which these are approved.

4.4 Significant accounting estimates and judgments

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

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
> other receivables	4.8 & 14
Recognition of tax and deferred tax	4.16, 9, 15 &38
Accounting for staff retirement benefits	4.15& 23.1

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.

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 profit and loss accountin 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 Investments

Subsidiary Companies

Investment in Subsidiary Companiesis 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.

Available-for-sale

These are initially measured at fair value plus directly attributable transaction costs and are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available for-sale reserve until (i) the investment is derecognised, at which time the cumulative gain or loss is recognised in the profit and loss account, or (ii) determined to be impaired, at which time the cumulative loss is recognised in the profit and loss account.

For investments traded in active market, fair value is determined by reference to quoted market price and the investments for which a quoted market price is not available, or the fair value cannot be reasonably calculated, are measured at cost, subject to impairment review at each balance sheet date.

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 and chequesin 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.

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.

	Note	June 30, 2012	June 30, 2011
		------- (Rupees in '000) -------	
5. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	5.1	1,228,126	1,583,459
Capital work-in-progress	5.2	542,169	546,580
		1,770,295	2,130,039

5.1 Operating fixed assets

	Note	COST					ACCUMULATED DEPRECIATION				WRITTEN DOWN VALUE
		As at July 01, 2011	Additions/ Transfers	(Disposal/ derecognition)	As at June 30, 2012	Rate/ period	As at July 01, 2011	For the year	(On disposals) / (transfers)*	As at June 30, 2012	As at June 30, 2012
		--------- (Rs. in '000) ---------					----------------- (Rs. in '000) -----------------				
June 30, 2012											
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	311	33	-	344	281
Apparatus, plant and equipment	5.1.2&5.2	5,499,744	12,794	-	5,512,538	5-33%	3,976,939	349,457	-	4,326,396	1,186,142
Sign boards		30,875	-	-	30,875	25%	30,875	-	-	30,875	-
Furniture, fixtures and office equipment		45,439	79	-	45,518	10%	30,247	3,238	-	33,485	12,033
Computers and related accessories		58,579	2,204	-	60,783	33%	52,046	4,532	-	56,578	4,205
Vehicles		26,355	- 1,640	(2,070)	25,925	20%	23,423	889	(1,895) 1,640*	24,057	1,868
		5,668,537	15,077 1,640*	(2,070) (3,900)*	5,679,284		4,117,741	358,149	(1,895) (3,900)** 1,640*	4,471,735	1,207,549
Leased											
Apparatus, plant and equipment	5.1.2&5.1.3	131,698	-	-	131,698	10-33%	99,360	11,761	-	111,121	20,577
Vehicles	5.1.3	3,342	- (1,640)*	-	1,702	20%	3,017	325	- (1,640)*	1,702	-
		135,040	- (1,640)*	-	133,400		102,377	12,086	- (1,640)*	112,823	20,577
		5,803,577	15,077	(2,070) (3,900)*	5,812,684		4,220,118	370,235	(1,895) (3,900)*	4,584,558	1,228,126

	Note	COST				ACCUMULATED DEPRECIATION				WRITTEN DOWN VALUE
		As at July 01, 2010	Additions/ Transfers	As at June 30, 2011	Rate/ period	As at July 01, 2010	For the year	(On On transfers*	As at June 30, 2011	As at June 30, 2011
		--------- (Rs. in '000) ---------				----------------- (Rs. in '000) -----------------				
June 30, 2011										
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	280	31	-	311	314
Apparatus, plant and equipment	5.1.2&5.2	5,478,146	11,443 10,155*	5,499,744	5-33%	3,545,282	426,171	- 5,486*	3,976,939	1,522,805
Sign boards		30,875	-	30,875	25%	30,752	123	-	30,875	-
Furniture, fixtures and office equipment		44,523	916	45,439	10%	26,953	3,294	-	30,247	15,192
Computers and related accessories		53,690	4,889	58,579	33%	47,868	4,178	-	52,046	6,533
Vehicles		25,783	572	26,355	20%	22,297	1,126	-	23,423	2,932
		5,640,562	17,820 10,155*	5,668,537		3,677,332	434,923	- 5,486*	4,117,741	1,550,796
Leased										
Apparatus, plant and equipment	5.1.2&5.1.3	141,853	- (10,155)*	131,698	10-33%	91,252	13,594	- (5,486)*	99,360	32,338
Vehicles	5.1.3	3,342	-	3,342	20%	2,689	328	-	3,017	325
		145,195	- (10,155)*	135,040		93,941	13,922	- (5,486)*	102,377	32,663
		5,785,757	17,820	5,803,577		3,771,273	448,845	-	4,220,118	1,583,459

5.1.1 This represents cost incurred by the Company during the year ended June 30, 1997in acquiringleasehold land from the Karachi Municipal Corporation for a period of thirteen years for constructing a Time Tower thereon. The underlying lease agreement was in the name of Arfeen International (Private) Limited, a related party. The lease agreement expired during the year ended June 30, 2010.As a result,the Company has derecognised the leasehold land from its books in the current year.

5.1.2 These include:

5.1.2.1 Line Protection Units, costing Rs.22.206 (2011: Rs.22.206) million, having a net book value of Rs.0.136 (2011: Rs.0.519) 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.1,925.666(2011: Rs.1,922.745) million, having a net book value of Rs.23.569 (2011: Rs.63.721) million,which are in the possession of the customers of the Company in the ordinary course of business.

5.1.2.3 Outdoor payphone units,with an aggregate cost of Rs.248.983 (2011: Rs.248.983) million anda net book value of Rs.0.079 (2011: Rs.0.121) million, installed by the Company at various locations throughout the country in the ordinary course of business.

5.1.3 Although leases relating to these assets have expired,the same have not been transferred to owned assets as the formalities in respect of their transfer from the leasing companies are currently in process.

5.1.4 The cost of fully depreciated assets as at June 30, 2012 amounted to Rs.2,358.600 (2011: Rs.1,992.960) million.

	Note	June 30, 2012	June 30, 2011
		------- (Rupees in '000) -------	
5.1.5 Depreciation for the year has been allocated as follows:			
Direct costs	32	361,125	439,572
Administrative and selling expenses	33	9,110	9,273
		370,235	448,845

	Owned equipment	Advances to suppliers	Total
	-------------- (Rupees in '000) --------------		
5.2 Capital work-in-progress			
As at July 01, 2011	518,492	28,088	546,580
Additions during the year	846	179	1,025
Transfer to apparatus, plant and equipment	(2,254)	(410)	(2,664)
Transfer to profit and loss	-	(2,772)	(2,772)
June 30, 2012	517,084	25,085	542,169
June 30, 2011	518,492	28,088	546,580

5.3 The details of operating fixed assets disposed off during the year are as follows:

Description	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain on disposal	Mode of sale	Particulars of buyer
Vehicles							
Toyota Corolla	1,170	1,014	156	980	824	Negotiation	Atique, Karachi
Suzuki Bolan	57	38	19	375	356	Negotiation	Istaphone Infrastructure (Pvt.) Ltd, Karachi
Honda City	843	843	-	825	825	Negotiation	Siddique Ahmed, Karachi
June 30, 2012	2,070	1,895	175	2,180	2,005		

6. INTANGIBLE ASSETS

	Note	COST As at July 01, 2011	COST As at June 30, 2012	Period Yrs	ACCUMULATED AMORTISATION As at July 01, 2011	ACCUMULATED AMORTISATION For the year	ACCUMULATED AMORTISATION As at June 30, 2012	WRITTEN DOWN VALUE As at June 30, 2012
		----Rupees in '000----			-----------------Rupees in '000-----------------			
June 30, 2012								
WLL Licenses	6.1	3,345,096	3,345,096	16-20	1,005,510	179,969	1,185,479	2,159,617
LDI License	6.2	29,029	29,029	20	8,772	1,548	10,320	18,709
		3,374,125	3,374,125		1,014,282	181,517	1,195,799	2,178,326

	Note	COST As at July 01, 2010	COST As at June 30, 2011	Period Yrs	ACCUMULATED AMORTISATION As at July 01, 2010	ACCUMULATED AMORTISATION For the year	ACCUMULATED AMORTISATION As at June 30, 2011	WRITTEN DOWN VALUE As at June 30, 2011
		----Rupees in '000----			-----------------Rupees in '000-----------------			
June 30, 2011								
WLL Licenses	6.1	3,345,096	3,345,096	16-20	825,541	179,969	1,005,510	2,339,586
LDI License	6.2	29,029	29,029	20	7,224	1,548	8,772	20,257
		3,374,125	3,374,125		832,765	181,517	1,014,282	2,359,843

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 16-20 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 an effective period of 20 years, commencing July 27, 2004.

6.3 The amortization for the year has been allocated to direct costs.

	Note	June 30, 2012	June 30, 2011
		------- (Rupees in '000) -------	
7. LONG-TERM INVESTMENTS			
Wholly owned Subsidiary Companies - unquoted			
Supernet Limited			
36,066,690 (2011: 36,066,690) Ordinary shares of Rs.10 each[Breakup value: Rs.17.59 (2011: Rs.16.76)] per share, based on the audited financial statements of the Company for the year ended June 30, 2012		340,537	340,537
Telecard Asia (UK) Limited			
1 (2011: 1) Ordinary share of £1 (equivalent to Rs.147) [Breakup value: £1 (equivalent to Rs.147) (2011: Rs.138)] per share, based on the unaudited financial statements of the Company for the year ended May 31, 2012		-	-
Telecard E-Solutions (Private) Limited			
10,000 (2011: 10,000) Ordinary shares of Rs.10 each [Breakup value: Rs.Nil (2011: Rs.Nil)] per share, based on the audited financial statements of the Company for the year ended June 30, 2012		100	100
Telegateway Limited			
50,000 (2011:Nil) Ordinary shares of Rs.10 each [Breakup Value: Rs.0.929 (2011:Nil)] per share, based on the audited financial statements of the Company for the year ended June 30, 2012.		500	-
		341,137	340,537
Available-for-sale			
Augere Holdings (Netherlands) B.V.	7.1	480,630	-
		821,767	340,637

7.1 Pursuant to an "Amended and Restated Network Agreement" dated April 26, 2010, the Company, during the year, received class A Preference Ordinary shares of Augere Holdings (Netherlands) B.V. amounting to US$5.305 (equivalent to Rs.480.630) million, against issuance of a Credit Note which requires the Company to provide services to Augere Pakistan (Private)Limited, a subsidiary of the investee company.

The fair value of such investment cannot be determined for the purpose of initial recognition as required under IAS – 39 "Financial Instruments: Recognition and Measurement", as the investee company is unlisted and the financial information required to estimate its fair value is not readily available. The Company is currently making efforts to determine the fair value of the investment and would accordingly make adjustments, if required, to the carrying amount of the investment.

	Note	June 30, 2012	June 30, 2011
		------- (Rupees in '000) -------	
8. LONG-TERM DEPOSITS			
Security deposits			
Line deposits – PTCL		47,597	47,439
Rented premises		5,678	5,474
		53,275	52,913
9. DEFERRED TAXATION			
Deferred tax credits arising from:			
Accelerated tax depreciation		(144,428)	(217,322)
Amortisation of intangible assets		(315,778)	(254,537)
Leases		(7,202)	(11,432)
		(467,408)	(483,291)
Deferred tax debits arising from:			
Retirement benefits		1,783	5,702
Provisions		95,247	92,637
Carry forward tax losses		472,316	194,884
		569,346	293,223
		101,938	(190,068)

9.1 The above deferred tax asset has been recognized in these financial statements as the management estimates that sufficient taxable profits will be available in future years against which the unused carry forward losses and other deductible temporary differences can be utilised.

10. TRADE DEBTS		
Unsecured		
Considered good		
Related parties	2,487	366
Others	130,208	123,177
	132,695	123,543
Considered doubtful		
Others	204,732	204,732
Provision for debts considered doubtful	(204,732)	(204,732)
	-	-
	132,695	123,543

10.1 As at June 30, 2012, the ageing analysis of unimpaired trade debts is as follows:

	Total	Neither past due nor impaired	Past due but not impaired: > one month up to one year	Past due but not impaired: Above one year
	----------	---------- (Rupees in '000)	----------	----------
June 30, 2012	132,695	87,419	21,440	23,836
June 30, 2011	123,543	67,088	14,278	42,177

11. LOANS AND ADVANCES

	Note	June 30, 2012	June 30, 2011
		------- (Rupees in '000)	-------
Loans – unsecured			
Considered good			
Executives		-	130
Employees		25	113
		25	243
Advances – unsecured			
Considered good			
Executives	11.1	3,092	2,032
Employees		4,214	4,084
Suppliers		9,125	8,373
		16,431	14,489
Considered doubtful			
Executives		626	626
Employees		967	967
Suppliers		10,054	10,054
		11,647	11,647
Provision for advances considered doubtful		(11,647)	(11,647)
		-	-
		16,431	14,489
		16,456	14,732

11.1 The maximum aggregate amount due from the executives at the end of any month during the year was Rs.3.328 (2011: Rs.3.311) million.

12. DEPOSITS AND PREPAYMENT

	June 30, 2012	June 30, 2011
Deposits		
Lease deposits	13,158	13,309
Others	559	578
	13,717	13,887
Prepayment		
Rent	7,421	17,028
	21,138	30,915

	Note	June 30, 2012	June 30, 2011
		------- (Rupees in '000) -------	

13. ACCRUED MARK-UP

	Note	June 30, 2012	June 30, 2011
Due from a bank	13.1	48,587	48,587
Related parties	13.2&14.1.1	15,552	899
		64,139	49,486

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

	June 30, 2012	June 30, 2011
Arfeen International (Private) Limited	8,432	-
Instaphone (Private) Limited	765	597
Instaphone Infrastructure (Private) Limited	6,355	302
	15,552	899

14. OTHER RECEIVABLES

	Note	June 30, 2012	June 30, 2011
Considered good			
Due from related parties	14.1	28,191	76,893
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	25.1	289,725	289,725
Leased lines and upfront connection charges	14.4	131,517	131,517
LL & LDI charges – payments made under protest	14.5	200,000	200,000
Wire line	14.2(a)	48,712	48,712
Multi-metering	14.2(a)	18,287	18,287
		1,368,483	1,368,483
Pakistan Telecommunication Authority	14.6	2,115,921	2,111,115
Claim against a bank	14.7	998	998
Insurance claims		2,325	9,743
Due from a Contractor		785	2,907
		3,488,512	3,493,246

	Note	June 30, 2012	June 30, 2011
		------- (Rupees in '000) -------	
Considered doubtful			
Due from PTCL	14.8	10,361	10,361
Insurance claims		8,628	1,210
Due from Zonal employees		15,874	15,874
Others		2,952	2,952
		37,815	30,397
Provision for other receivables considered doubtful	14.9	(37,815)	(30,397)
		-	-
		3,516,703	3,570,139

14.1 Related parties

	June 30, 2012	June 30, 2011
Instaphone Infrastructure (Private) Limited	14,455	59,896
Envicrete Limited	170	346
Arfeen International (Private) Limited	6,003	12,360
Instaphone (Private) Limited	3,049	4,240
Telecard E-Solutions (Private) Limited	-	23
Supernet Limited	4,374	-
Telegateway Limited	112	-
Grand Leisure Corporation (Private) Limited	28	28
	28,191	76,893

14.1.1 The above amounts due from related parties represents current account balances which are recoverable on demand. These carry mark-up at the rate of 6 months KIBOR plus 3.5% (2011: 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 upto 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.

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.

14.2 (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 there against 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 there against 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, along with other LDI Licencees, 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 on behalf of the USF a sum of Rs.4,282.631 million up to June 30, 2012 (June 30, 2011: Rs.3,848.799 million) in respect of APC for USF on the basis of international termination traffic by the Company up to June 30, 2012, in addition to Rs.29.473 million, aggregating to Rs.4,312.104 million (June 30, 2011: Rs.3,878.272 million), against which the Company paid a sum of Rs.2,115.921 million under protest (June 30, 2011: Rs.2,111.115) million (including forced payments in respect of research and development and RBS), comprising (a) Rs.729.479 million paid by the Company during the year ended June 30, 2010 and (b) a sum of Rs.1,200.000 million paid by the Contractor (note 21) to the PTA on behalf of the Company, during the year ended June 30, 2010 and (c) Rs.186.442 million paid up to 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.2,196.183 million (June 30, 2011: Rs. 1,767.157) 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.

In addition to, and without prejudice to its claims given above, the Company instituted further proceedings before the Sindh High Court at Karachi against the PTA and others on the basis that it has not correctly adjusted payments received from the Company, and that it is not following the provisions of Access Promotion Rules, 2004 and Access Promotion Regulations, 2005, and as a consequence demanding illegal and inflated dues from the Company. The Company has obtained interim injunctions from the Court preventing any adverse actions from PTA. The PTA has yet to file any response in these matters in the Court.

Further, subsequent to the year end, in compliance with the directive of Ministry of Information Technology (MoIT) dated August 13, 2012 and the instructions issued there under by the PTA, vide letter No. 04 01/12/(AP/CA) PTA, dated August 23, 2012, for the establishment of International Clearing House Exchange (ICH) [refer not 19.1] between the LDI Operators and PTCL, which shall come into effect from October 1, 2012, all LDI Operators have authorised PTCL to terminate all Pakistan incoming traffic on their behalf and not via their own networks. As per the terms of the ICH agreement, PTCL will retain 100% APC from the settlement rate which will be directly disbursed on account of APCL, APC for USF and MTR/MTR-I as per the existing rules and regulations. However, the pre-ICH claims of PTA on account of APC for USF against such LDI Operators, where these are still pending, will remain the individual LDI Operators' responsibility, and will be settled through legal process. Furthermore, LDI operators will open a PTA-LDI Escrow account with PTA on individual basis and PTCL shall deposit 15% of respective net LDI share collected under this agreement in the said accounts, and the same can be utilized to settle the alleged outstanding claims of PTA on account of APC for USF if the decision of the Court is against the Company.

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 (2011: Rs.0.998 million) and damages, aggregating to Rs.8.245 (2011: 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, as a matter of prudence, the management has made full provision against the above claim.

	Note	June 30, 2012	June 30, 2011
		------- (Rupees in '000) -------	
14.9 Provision for other receivables considered doubtful			
Opening balance		30,397	30,397
Provision for the current year	33	7,418	-
		37,815	30,397

	Note	June 30, 2012	June 30, 2011
		------- (Rupees in '000) -------	

15. TAXATION – net

	Note	June 30, 2012	June 30, 2011
Advance income tax		107,989	136,809
Provision for taxation - current	38	(14,363)	(16,516)
		93,626	120,293

16. CASH AND BANK BALANCES

	Note	June 30, 2012	June 30, 2011
Cash at banks:			
In current accounts			
Local currency		941	6,005
Foreign currency		33	1,348
		974	7,353
Savings accounts – local currency	16.1	1,868	1,306
Cash and cheques in hand		2,704	167
		5,546	8,826

16.1 These carry mark-up at rates, ranging between 5% and 6% (2011: 1.75% and 3.75%) per annum.

17. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

June 30, 2012	June 30, 2011		June 30, 2012	June 30, 2011
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, 105,207,157 (2011: 58,991,594) Ordinary shares of Rs.10 each, amounting to Rs.1,052,071,570 (2011: Rs.589,915,940), were held by the related parties of the Company.

18. LONG-TERM LOANS

	Note	June 30, 2012	June 30, 2011
Secured			
From banks and financial institutions			
Local currency loan – I		-	7,000
Local currency loan – II		-	150,000
Local currency loan – III	18.1	98,500	98,500
Local currency loan – IV	18.2	9,680	26,000
Local currency loan – V	18.3	205,667	-
		313,847	281,500
Current maturity of local currency loans shown under current liabilities	29	(9,680)	(79,875)
		304,167	201,625

18.1 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. The loan was restructured during the year ended June 30, 2010 and is now repayable as a lump sum on May 23, 2014. The loan carries mark-up at the rate of one year KIBOR plus 2.10% (2011:one year KIBOR plus 2.10%) per annum. It is secured against paripassu charge over the present and future fixed assets of the Company to the extent of Rs.467.000(2011: Rs.467.000) million.

18.2 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 year ended June 30, 2010, the said running financing facility was restructured as a medium term finance facility. It is now repayable in eighteen monthly installments, commencing July 1, 2010. The loan carries mark-up at the rate of one month KIBOR plus 2.00% (2011: one month KIBOR plus 2.00%) per annum. It is secured against paripassu charge over the present and future fixed assets of the Company to the extent of Rs.116.670(2011: Rs.116.670) million.

18.3 The Company in prior years had obtained a local currency loan 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. The loan was restructured during the year ended June 30, 2011 to be repayable in eight semi annual installments, commencing January 23, 2010. During the current year, however, the Company again restructured this loan, modifying its repayment schedule as well as merging the running finance facility amounting to Rs.74.417 million, obtained from the same bank into this demand finance. This loan carries mark-up at the rate of six months KIBOR plus 3.5% (2011: six months KIBOR plus 3.5%) per annum. It is secured against paripassu charge over the present and future fixed assets of the Company to the extent of Rs.467.000 (2011: Rs.467.000) million.

	Note	June 30, 2012	June 30, 2011
		------- (Rupees in '000) -------	
19. REDEEMABLE CAPITAL			
Secured			
Term Finance Certificates	19.1	881,020	882,000
Current maturity shown under current liabilities	29	(104,860)	(405,840)
		776,160	476,160

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% (June 30, 2011: six months KIBOR plus 3.75%) per annum. However, during the year ended June 30, 2010, 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 was extended to November 27, 2013, instead of the original final redemption date of November 27, 2010.

However, the last two redemptions, due on May 27, 2011 and November 27, 2011 could not be redeemed by the Company. As a result, during the current year, on December 30, 2011, the redemption schedule of the TFCs relating to the redemption, falling due on May 27, 2011 and all redemptions scheduled thereafter, was restructured, without any financial consequences or delay penalties, after the approval obtained by the Company from the TFC holders upon its request.As a consequence thereof, the last redemption date has now been extended to May 27, 2015, instead of the revised final redemption date of November 27, 2013. The said restructuring has resulted in lower current maturity as shown in note 29.

The mark-up payable along with the redemption due on May 27, 2011 aggregated to Rs.74.833 million, out of which, a sum of Rs.23.739 million had already been paid by the Company when it became due, leaving an unpaid balance of Rs.51.094 million. As part of the above restructuring, the said unpaid mark-up has also been restructured, whereby, Rs.20.000 million, were due on or before November 30, 2011 and Rs.31.094 million were due on or before December 30, 2011, which were paid during the current year.

Similarly, the unpaid mark-up accrued on the redemption due on November 27, 2011, aggregating to Rs.77.965 million, has been restructured whereby, it is now due in 13 unequal installments, commencing May 27, 2012 to May 27, 2015. As a result, accrued mark-up, aggregating to Rs.68.433 million, which is due after a period of twelve months, has been classified as non-current in these financial statements.

According to the rescheduled agreement, in the event if the International Clearing House (ICH) agreement is signed on or before September 30, 2012, the redemption of TFCs shall be accelerated. Subsequent to the year end, the Company along with all other LDI Operators of the country signed the ICH agreement on August 30, 2012 with an effective implementation date of October 1, 2012. As a result the Company will accelerate the redemption schedule of TFCs, as stipulated in the rescheduled agreement, the details of which are not yet finalized. However, the ICH agreement has been suspended by the Lahore High Court in its interim order dated October 25, 2012.

These are secured against a first specific charge over the fixed assets of the Company, aggregating to Rs.800.000 (2011: Rs.800.000) million and specific charge over the intangible assets (frequency spectrum) procured from the PTA.

	Note	June 30, 2012	June 30, 2011
		------- (Rupees in '000) -------	
20. ADVANCE FROM A SUBSIDIARY COMPANY			
Unsecured			
Advance received from Supernet Limited	20.1	159,924	256,700
Taken to income during the current year upon rendering of services	31	(96,650)	(96,776)
		63,274	159,924
Current maturity shown under current liabilities	29	(12,000)	(12,000)
		51,274	147,924

20.1 This represents advance received in respect of a non-exclusive right for certain infrastructure services to be provided by the Company to Supernet Limited for the period, commencing October 2009 to October 2013, as a result of an agreement signed between the Company and Supernet Limited during the year ended June 30, 2011. According to the agreement, the Company will provide these services for a period of four years at a fixed rate as follows: first nine months – no charge, following twelve months @ Rs.1.750 million per month, remaining months @ Rs.1.000 million per month. Further, the Company will receive an annual variable fee @ 8% of data networking revenue of Supernet Limited, if the same exceeds Rs.500.000 million in a year. Accordingly, revenue for the current year includes a sum of Rs.12.000 million representing the fixed fee and a sum of Rs.81.833 million as variable fee for the year ended June 30, 2012. Based on historical results, the Company expects that the said advance will be adjusted over the remaining term of the agreement.

The advance carries mark-up at the rate of one month KIBOR plus 4.5% (2011: 4.5%) per annum.

	Note	June 30, 2012	June 30, 2011
		------- (Rupees in '000) -------	
21. DUE TO A CONTRACTOR			
Unsecured			
Advance from a Contractor	21.1	396,454	467,121
Due to the Contractor in respect of shares issued during the year	7.1	499,728	-
		896,182	467,121
21.1 Opening balance		467,121	525,517
Taken to income during the current year upon rendering of services		(70,667)	(58,396)
Unamortised balance		396,454	467,121

21.1.1 During the year ended June 30, 2010, that is, on April 30, 2010, the Company sold licenses for the 3.5 GHz frequencies to a Subsidiary Company of the Contractor, for a consideration of Rs.1,580.084 million, after obtaining necessary approval from the PTA. 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 to be rendered to the Contractor for a period of three years, commencing July 1, 2008 to June 30, 2011. 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.

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, 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 infrastructure 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. As the Contractor was committed to issue shares to the Company, shares in question,valuing Rs.480.630 million (equivalent to US$5.307 million)were issued during the current year on April 04, 2012. The above referred consideration of Rs.1,051.250 million in respect of provision of services had been adjusted by the Company against a sum of Rs.80.293 million during the year ended June 30, 2010, representing amounts due from the Contractor in respect of services rendered thereto, pursuant to the Amended and Restated Network Agreement, discussed above.

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 during the balance life of its WLL Licenses, i.e. approximately fourteen years. Since the Credit Note in question has not been finalised to-date, 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.

	Note	June 30, 2012	June 30, 2011
		------- (Rupees in '000) -------	

22. LONG-TERM DEPOSITS

	Note	June 30, 2012	June 30, 2011
Security deposits			
Distributors		7,855	7,905
Indoor Call Point holders		31,332	31,479
Others		22,629	20,340
		61,816	59,724

23. DEFERRED LIABILITIES

	Note	June 30, 2012	June 30, 2011
Staff gratuity	23.1	5,094	7,530
Spectrum Fee payable	23.2	1,585,500	1,585,500
Deferred taxation		-	190,068
		1,590,594	1,783,098

23.1 Reconciliation of the carrying amount of staff gratuity

	June 30, 2012	June 30, 2011
Balance at the beginning of the year	7,530	8,595
Charge for the year	1,429	1,556
Payments during the year	(3,865)	(2,621)
	5,094	7,530

The latest valuation was carried out as at June 30, 2010. The management considers that the provision made for gratuity in respect of current year would not be materially different from the amount that would have been determined by the Actuary.

	June 30, 2012	June 30, 2011
23.2 Spectrum Fee payable	1,585,500	1,585,500

This represents the balance of Initial Spectrum Fees (balance fees) 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, through the Ministry of Information Technology, to grant a moratorium 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 granting of the moratorium of 4 years, expiring during 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 the PTA approving the staggering of balance of initial spectrum fees in ten equal instalments, commencing the year 2009. However, few days later, the 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 the 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 but the PTA, without appreciating those facts, issued a final determination order dated, May 11, 2011 demanding the payment of this fee along with late payment charges.

The Company instituted an appeal against the above said Order in the Islamabad High Court seeking to set it aside on the basis that the same was issued in undue haste and without affording the Company an opportunity of hearing. The Court granted an injunction against PTA through its order, dated June 13, 2011. Further, a Civil Suit has also been filed jointly by the Company, DVCOM Data (Private) Limited and Great Bear International Services (Private) Limited in the High Court of Islamabad seeking a declaration as to the continuation of the moratorium on the payment of this balance of Initial Spectrum Fees, which is currently pending adjudication.

During the current year, the Ministry of Information Technology and Telecommunication (MoIT), vide its letter dated August 30, 2011, has accepted the long outstanding request of the WLL industry and has instructed the PTA to collect the balance fees in installments.

However, the above mentioned appeal was disposed-off by the said Court during the current year due to mis representation of PTA in the Court contending that the said directive of MoIT was issued for some other Spectrum not relevant for the WLL Operators. a Constitutional Petition for grant of Leave to Appeal (CPLA) was filed by the Company, in the Supreme Court, challenging the dismissal of the appeal by the Islamabad High Court mainly on the grounds of MoIT afore-referred letter through which this balance fees was required to be collected in installments. In parallel, a fresh Writ was also instituted by the Company in the Islamabad High Court highlighting incorrect statement from PTA and also the MoIT directive in this regard which is pending adjudication. The Supreme Court has disposed of the CPLA with the directions to the MoIT, being at the top of the hierarchy, to enforce its directive on the PTA and also to resolve the controversy whether the directive does or does not relate to the licensees

In view of the aforementioned order of the Honorable Supreme Court, the legal advisor of the Company has requested the MoIT to enforce its directions on PTA and initiate collection of the balance spectrum fee in 10 equal annual installments, with the first of such annual installments becoming due in January 2013, to ensure all installments are paid prior to the expiry of the current term of licenses. The response from MOIT is still awaited, pending due to which, the liability has not been discounted to its present value.

	Note	June 30, 2012	June 30, 2011
		------- (Rupees in '000) -------	
24. ACCRUED MARK-UP			
Accrued on redeemable capital – secured		68,443	-

24.1 This represents unpaid mark-up in respect of redeemable capital as a result of restructuring as discussed in detail in note 19.1.

25. TRADE AND OTHER PAYABLES

	Note	June 30, 2012	June 30, 2011
		------- (Rupees in '000) -------	
Trade			
Pakistan Telecommunication Company Limited			
Wireless Payphone Service (WPS)	25.1	609,708	609,708
LL & LDI charges		68,470	48,059
Others		562	1,591
		678,740	659,358
ZTE Corporation Limited		35,408	31,486
Inter-connect operators		189,266	104,426
Others		117,265	92,412
		1,020,679	887,682
Other payables			
Due to related parties	25.2	60,824	19,288
Pakistan Telecommunication Authority		56,331	41,989
Advances from customers		10,424	11,964
Unearned income from wireless payphone cards		9,375	78,864
Accrued liabilities		49,326	36,165
Unclaimed dividend		7,892	6,216
Sales tax payable		60,889	52,353
Income tax deducted at source		188,399	137,377
Workers' Welfare Fund		2,282	2,282
Zakat payable		-	1,570
Others		59,354	19,088
		505,096	407,156
		1,525,775	1,294,838

25.1 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 (2011: Rs.968.000) million on account of air time charges, line rent and access charges and Rs.276.000 (2011: 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 years ended June 30, 2009, and June 30, 2010 respectively, for WPS charges. Hence, total amount claimed by the PTCL as at June 30, 2011 amounted to Rs. 1,396.992 (2011: Rs.1,396.992) million. However, the management, while acknowledging the liability to the extent of Rs.609.708 (2011: Rs.609.708) million does not accept liability for the remaining sum of Rs.787.284 (2011: Rs.787.284) 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 (2011: 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, 2012	June 30, 2011
		------- (Rupees in '000) -------	
25.2 Related parties			
World Trade Center (Private) Limited		55,172	12,345
Envicon (Private) Limited		52	52
Total Telecom Limited		421	402
Supernet Limited		-	2,342
Telecard E-Solution		1,032	-
Chaman Investment (Private) Limited		4,147	4,147
		60,824	19,288

25.2.1 These above amounts due to related parties represents current account balances which are payable on demand. These carry mark-up at the rate of six months KIBOR plus 3.5% (2011: six months KIBOR plus 3.5%) per annum.

26. ACCRUED / INTEREST MARK-UP

	Note	June 30, 2012	June 30, 2011
On secured:			
Long-term loans	18	25,380	24,030
Redeemable capital	19	83,638	65,511
Short-term running finances	27	11,107	12,505
		120,125	102,046
On unsecured:			
Short-term borrowing	28	8,606	-
Advance from a Subsidiary Company	20.1	35,064	11,629
Current accounts with related parties		-	144
		163,795	113,819

27. SHORT-TERM RUNNING FINANCES

	Note	June 30, 2012	June 30, 2011
From banks – secured	27.1	224,802	292,735

27.1 The Company has arranged short-term running finance facilities, aggregating to Rs.225.000 (2011: Rs.300.000) million, from various commercial banks. These carry mark-up, ranging between three months KIBOR plus 2.75% to six months KIBOR plus 3% (2011: three months KIBOR plus 2.75% to six months KIBOR plus 3%) per annum, payable quarterly. The purchase prices are repayable in various dates. These facilities are secured against first paripassu hypothecation charge over current assets of the Company to the extent of Rs.394.000 (2011: Rs.394.000) million, as well as ranking charge over fixed assets of the Company to the extent of Rs.400.000 (2011: Rs.400.000) million.

	Note	June 30, 2012	June 30, 2011
		------- (Rupees in '000) -------	
28. SHORT-TERM BORROWING			
Unsecured			
Loan from a subsidiary	28.1	137,371	-

28.1 This represents a short-term loan obtained by the Company from Supernet Limited to meet the working capital requirements of the Company, carrying mark-up at the rate of KIBOR plus 4.5% per annum and is payable on demand.

29. CURRENT MATURITIES OF LONG-TERM LIABILITIES

	Note	June 30, 2012	June 30, 2011
Long-term loans	18	9,680	79,875
Redeemable capital (TFCs)	19	104,860	405,840
Advance from a Subsidiary Company	20	12,000	12,000
Liabilities against assets subject to finance lease		13,158	13,309
Due to employees		-	8,762
		139,698	519,786

30. CONTINGENCIES

30.1 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 that amount within the due date.

During the year ended June 30, 2011, the Court dismissed the appeal as having become infructous on the basis of an incorrect statement by PTA's counsel that the Company has paid the amount and, therefore, the matter has been resolved. The Company filed an application under section 12(2) CPC praying that the subject amounts have not been paid and consequently the dispute still needs adjudication. The Court restored the Stay Order initially granted to the Company.

The above appeal will be fixed for final arguments by the above referred Court. In the meantime, the Order remains suspended. Pending to the final determination of the above by the said Court, no provision for the remaining balance of Rs.101.651 million has been made in these financial statements.

30.2 *During the year ended June 30, 2009, 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.*

Thereafter, during the year ended June 30, 2011, the PTA issued a Determination dated October 31, 2010 in respect of the above matter, and demanded a sum of Rs.56.47 million from the Company on account of short payment of APC for USF. The Company has filed a Writ Petition which is currently pending before the Islamabad High Court interalia praying that the opportunity of being heard be afforded to the Company and the amount determined in the said Determination be corrected in view of the Company's application.

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.

30.3 *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.*

30.4 *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.*

30.5 *During the year, the PTA issued a show cause notice to the Company alleging that the amount in the sum of Rs.23 million on account of Annual Radio Spectrum Fees (ARFSF) for the year ended June 30, 2011 has not been paid. The Company in its reply to the said notice requested the PTA to receive this amount in 12 equal monthly installments while submitting the cheque for the first installment mainly on the grounds of business losses and consequent cash flow constraints. The PTA has turned down this request and issued a determination demanding the amount including late payment fees in lump sum. The said determination was challenged in the Islamabad High Court and the Court was pleased to suspend the operations of the order. The case is pending adjudication.*

30.6 *During the current year, the PTA issued a show cause notice to the Company, demanding the payment of Annual Regulatory Dues in the sum of Rs. 21 million. However, the Company worked out these dues to be Rs. Nil as it contended that these dues should be calculated by using accrual basis of accounting, to arrive at the net revenue on which these charges should be calculated under the LDI and WLL License conditions. The PTA, on the other hand, only allows expenses that are paid during the year to be deducted from the revenue. This contention was not accepted by the PTA and a determination was issued by the authority demanding the fees so calculated. The Company instituted an appeal in the Islamabad High Court, challenging the alleged amount demanded by the PTA and the Court suspended the said determination of PTA. The matter is pending adjudication and in view of the Company's legal advisor, the Company has a good arguable case and no liability has been recorded in these financial statements.*

30.7 PTA, in the current year, issued a show cause notice, alleging that the Company is not following the Approved Settlement Rate (ASR) while selling the international minutes as determined by PTA. The Company in response has rejected the allegations by stating that the very issue of determining ASR in light of the relevant Rules and Regulations of the Authority stands sub-judice in the Honorable High Court of Sindh, which is currently pending and any further deliberations/implications/decisions relating to the ASR issue can only be made once a binding principle is established by the said Court in this matter. Further, the Company has also instituted a petition in the Honourable High Court of Sindh, challenging the show cause notice and the Court granted a stay to the effect that PTA will not revoke or cancel the Company's license in the matter. As per the legal advisor of the Company, the case is in its preliminary stage and the Company has good arguable case on its merits and is likely to succeed in obtaining the relief sought against the respondent.

30.8 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 aggregate financial impact of the above matters on the tax provision made by the Company in the financial statements works out to be Rs.74.601 (2011: Rs.74.601) 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.

30.9 During the current year, the Company has filed a Constitutional Petition before the High Court of Sindh at Karachi, seeking certain declarations and restraining orders against PTA & National Accountability Bureau, challenging the Notice, dated May 27, 2011, issued by PTA to the Company under section 5(r) of the NAB Ordinance whereby the PTA has required the Company to make payment of Rs.1,233.540 million on account of APC for USF Contribution till January 2011, which was payable by the Company within 30 days from the date of the Notice. In view of Company's legal advisor,the Company has agood arguable case on merit and is likely to succeed in obtaining the relief claimed against the respondents. Accordingly, no provision has been made for any liability in these financial statements for the above.

30.10 PTCL's claim amounting to Rs.1,607.072 (2011: Rs.1,590.651) 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.

30.11 During the year ended June 30, 2010, the PTA issued a determination relating to the Annual Regulatory Dues for 2008 and demanded a payment of Rs.54.548 million. The Company has challenged the determination in the High Court of Sindh, mainly on the ground that the 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.

30.12 Contingencies in respect of matters relating to the PTCL have been disclosed in notes 14.2, 14.3, 14.4, 14.5, and 25.1 to the financial statements. Pending resolutions of these matters no provision has been made against the amounts disclosed in these notes.

30.13 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.

30.14 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.

30.15 Counter guarantees given to banks amounting to Rs.180 (2011: Rs180) million.

	Note	June 30, 2012	June 30, 2011
		------- (Rupees in '000) -------	
31. REVENUE – net			
Turnover		1,277,342	1,515,476
Trade discounts		(8,018)	(18,869)
		1,269,324	1,496,607
Services rendered to the Contractor under the Network Agreement		70,314	58,234
Interoperator infrastructure services	20	96,650	96,776
		1,436,288	1,651,617
32. DIRECT COSTS			
Interconnect charges – net		770,148	473,129
Network media charges		87,784	91,759
Network sites rent		135,596	160,016
Network sites utilities and maintenance		90,873	95,961
Insurance		8,158	9,295
Annual Regulatory charges		16,789	27,945
Cost of cards sold	32.1	687	1,479
Depreciation	5.1.5	361,125	439,572
Amortisation	6	181,517	181,517
		1,652,677	1,480,673
32.1 Cost of cards sold			
Opening stock		862	8,836
Purchases		406	(6,495)
		1,268	2,341
Closing stock		(581)	(862)
		687	1,479

	Note	June 30, 2012	June 30, 2011
		------- (Rupees in '000) -------	

33. ADMINISTRATIVE AND SELLING EXPENSES

	Note	June 30, 2012	June 30, 2011
Salaries and other benefits	33.1	183,395	196,795
Postage, telephone and telex		3,240	3,702
Vehicles running and maintenance		26,460	23,992
Travelling and entertainment		4,723	6,298
Office security and maintenance		8,466	10,050
Stationery		3,639	6,040
Rent		51,046	47,018
Utilities		29,805	28,521
Insurance		4,655	5,615
Legal and professional charges		19,349	8,250
Auditors' remuneration	33.2	3,727	4,251
Donations	33.3	329	1,057
Sales promotion and marketing		16,379	17,270
Fee and subscription		1,602	1,600
Depreciation	5.1.5	9,110	9,273
Late payment surcharge – PTA		5,244	-
Stock written off		-	8,184
Provision for debts considered doubtful		-	2,860
Provision for other receivables considered doubtful	14.9	7,418	-
Provision for advances considered doubtful		-	6,002
Provision for penalties		39,804	4,662
Others		1,239	688
		419,630	392,128

33.1 This includes Rs.1.429 (2011: Rs.1.556) million in respect of gratuity expense for the year and Rs.3.826 (2011: Rs.3.493) million in respect of the Company's contribution towards provident fund.

33.2 Auditors' remuneration

	June 30, 2012	June 30, 2011
Fee for the audit of annual financial statements	2,000	2,000
Fee for the audit of consolidated financial statements	350	350
Fee for the review of half yearly financial statements and other certifications	980	980
Tax services	28	631
Out-of-pocket expenses	369	290
	3,727	4,251

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

34. OTHER OPERATING EXPENSES

	June 30, 2012	June 30, 2011
Exchange loss – net	20,303	1,016
Workers' Welfare Fund	-	2,282
	20,303	3,298

	Note	June 30, 2012	June 30, 2011
		------- (Rupees in '000) -------	

35. OTHER OPERATING INCOME

	Note	June 30, 2012	June 30, 2011
Mark-up on current accounts with related parties		14,797	2,538
Mark-up on loan to a wholly owned Subsidiary Company		-	1,678
Return on bank balances		142	162
Gain on sale of fixed assets		2,005	-
Professional Services to a related party	35.1	18,000	54,000
Dividend income		-	8,388
Scrap sales		-	3,358
Others		291	169
		35,235	70,293

35.1 This represents accounting and human resource services rendered by the Company to a related party.

36. LIABILITIES NO LONGER PAYABLE WRITTEN BACK

	Note	June 30, 2012	June 30, 2011
Alcatel Lucent Pakistan Limited		-	516,000
Workers' Welfare Fund		-	19,405
Due to employees		-	11,346
Due to PTA	36.1	8,506	1,956
Others		905	-
		9,411	548,707

36.1 This consists of write back of provision of Rs.3.700 million in respect of regulatory fee as discussed in note 30.6 and Rs.4.806 million written back against the provision for APC for USF as discussed in note 14.6.

37. FINANCE COSTS

	Note	June 30, 2012	June 30, 2011
Interest / mark-up on:			
Long-term loans		44,005	78,955
Redeemable capital		151,523	153,694
Finance lease arrangements		-	257
Short-term borrowing		8,606	-
Short-term running finances		43,800	35,788
		247,934	268,694
Markup on advance from the subsidiary		23,435	11,773
Bank charges		3,578	3,692
		274,947	284,159

38. TAXATION

	Note	June 30, 2012	June 30, 2011
Current	15& 38.2	(14,363)	(16,516)
Deferred		292,006	(18,710)
Flood relief surcharge		-	(723)
		277,643	(35,949)

38.1 The income tax assessments of the Company have been finalised up to and including the tax year 2011, except for certain tax year in respect of which, appeals are currently in progress at different forums (note 30.8).

38.2 The relationship between income tax expense and accounting profit has not been presented in these financial statements as 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, 2012	June 30, 2011
		------- (Rupees in '000) -------	

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

(Loss) / profit after tax for the year		(608,980)	74,410
		Number of shares	
Weighted average number of shares		300,000,000	300,000,000
		------- (Rupees in '000) -------	
Basic (loss) / earnings per share		(2.03)	0.25

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

40. CASH GENERATED FROM / (UTILISED IN) OPERATIONS

(Loss) / profit before taxation		(886,623)	110,359
Adjustments for non-cash charges and other items:			
Depreciation		370,235	448,845
Amortisation		181,517	181,517
Provision for gratuity		1,429	1,556
Finance costs		271,369	284,160
Dividend income		-	(8,388)
Provision for debts considered doubtful		-	2,860
Provision for advances considered doubtful		-	6,002
Provision for insurance claims		7,418	-
Profit on sale of fixed assets		(2,005)	-
		829,963	916,552
(Loss) / profit before working capital changes		(56,660)	1,026,911
(Increase) / decrease in current assets			
Stock-in-trade		281	7,974
Trade debts		(9,152)	97,835
Loans and advances		(1,942)	55,231
Deposits and prepayment		9,777	6,752
Accrued mark-up		(14,653)	16,766
Other receivables		46,018	(47,234)
		30,329	137,324
Decrease in trade and other payables		230,937	(568,292)
Cash generated from operations		204,606	595,943

41. REMUNERATION OF THE CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

	2012			2011		
	Chief Executive	Director	Executives	Chief Executive	Director	Executives
	(Rs. in '000)			(Rs. in '000)		
Managerial remuneration	5,806	6,135	30,938	5,806	5,806	36,905
Other perquisites and benefits:						
House rent	2,613	2,761	13,922	2,613	2,613	16,607
Medical	-	55	2,398	35	-	590
Retirement benefits	411	199	3,171	-	-	1,103
Utilities	581	614	3,094	581	581	3,691
	3,605	3,629	22,585	3,229	3,194	21,991
	9,411	9,764	53,523	9,035	9,000	58,896
Number of persons	1	2	32	1	1	35

41.1 A Director of the Company isalso provided with the free use of the Company maintained car and other benefits in accordance with their terms of service.

42. 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.

42.1 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.

42.1.1 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, 2012, the Company is exposed to such risk mainly in respect of long-term and short-term borrowings.

Management of the Company estimates that 1% increase in the market interest rate, with all other factors remaining constant, would increase the Company's loss by Rs.13.624 million and a 1% decrease would result in andecrease in the Company's loss by the same amount. However, in practice, the actual results may differ from the sensitively analysis.

42.1.2 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, 2012 US$	June 30, 2011 US$
Trade debts	1,077,199	904,642
Bank balances	436	15,703
Trade and other payables	(530,648)	(516,233)
	546,987	404,112

The following significant exchange rates have been applied at the reporting dates:

Exchange rate (Rupees)	94.00	85.85

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, 2012	+10	5,142	5,142
	-10	(5,142)	(5,142)
June 30, 2011	+10	4,451	4,451
	-10	(4,451)	(4,451)

42.1.3 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, 2012 the Company is not exposed to equity price risk.

42.2 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, 2012	June 30, 2011
	------- (Rupees in '000) -------	
Trade debts	132,695	123,543
Deposits, loans and advances	30,173	28,619
Accrued mark-up	64,139	49,486
Other receivables	3,516,703	3,570,139
Bank balances	2,842	8,659
	3,746,552	3,780,446

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	132,695	123,543
Bank balances		
A1+	2,767	1,789
A1	-	6,612
A2	-	176
A-2	20	62
A-1+	20	20
A3	35	-
	2,842	8,659

42.3 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 attempts to follow effective cash management and planning policy to ensure the availability of funds through committed credit facilities. 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	-	9,680	304,167	-	313,847
Redeemable capital	-	104,860	776,160	-	881,020
Long-term deposits	-	-	61,816	-	61,816
Spectrum Fee payable	-	-	1,585,500	-	1,585,500
Trade and other payables	-	1,525,775	-	-	1,525,775
Accrued mark-up	154,636	9,159	68,433	-	232,228
Short-term running finances / borrowing	137,371	224,802	-	-	362,173
June 30, 2012	292,007	1,874,276	2,796,076	-	4,962,359

	Less than 3 months	3 to 12 months	1 to 5 Years	5 years	Total
	----------------------------(Rupees in '000)----------------------------				
Long-term loans	-	79,875	201,625	-	281,500
Redeemable capital	-	405,840	476,160	-	882,000
Long-term deposits	-	-	59,724	-	59,724
Spectrum Fee payable	-	-	1,585,500	-	1,585,500
Trade and other payables	247,828	1,047,010	-	-	1,294,838
Accrued mark-up	113,819	-	-	-	113,819
Short-term running finances	-	292,735	-	-	292,735
June 30, 2011	361,647	1,825,460	2,323,009	-	4,510,116

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

42.4 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, except for available-for-sale investment as disclosed in note 7.1.

42.5 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, 2012	June 30, 2011
	------- (Rupees in '000) -------	
Long-term loans	313,847	281,500
Redeemable capital	881,020	882,000
Spectrum Fee payable	1,585,500	1,585,500
Debt	2,780,367	2,749,000
Issued, subscribed and paid-up capital	3,000,000	3,000,000
(Accumulated losses) / Unappropriated profit	(163,582)	445,398
Total capital	2,836,418	3,445,398
Capital and debt	5,616,785	6,194,398
Gearing ratio	49.5%	44.4%

43. TRANSACTIONS WITH RELATED PARTIES

The related parties include Subsidiaries, 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:

	June 30, 2012	June 30, 2011
	------- (Rupees in '000) -------	
Wholly Owned Subsidiary Companies		
Supernet Limited		
Services rendered	118,015	105,459
Services received	13,369	11,583
Short-term borrowing received	137,371	-
Repayment of short term loan	-	55,224
Interest income	-	1,678
Advance received by the company	-	256,700
Dividend received	-	8,388
Interest expense	32,041	11,629
Telecard E-Solutions (Private) Limited		
Payments made on behalf of the Company	14,431	123
Services rendered	6,703	-
Telegateway Limited		
Payment made by the Company	96	-
Entities having directors in common with the Company		
Pakcom Limited		
Interest income	-	2,039
Arfeen International (Private) Limited		
Payments made by the Company	780	1,296
Payment made on behalf of the Company	1,822	403
Repayment of long-term loan	-	17,000
Rent charged	5,520	5,520
Interest income	-	8,228
Interest expense	8,432	144
Services rendered	203	-
Chaman Investment (Private) Limited		
Services rendered	-	720
World Trade Center (Private) Limited		
Service received	63,116	61,077
Envicrete Limited		
Payment made by the Company	211	-
Payment made on behalf of the Company	387	203

	June 30, 2012	June 30, 2011
	------- (Rupees in '000) -------	
Instaphone Infrastructure (Private) Limited		
Payment made by the Company	4,209	38,232
Payment made on behalf of the Company	1,087	-
Sale of fixed assets	375	-
Purchase of fixed asset	1,150	-
Services rendered	18,000	54,000
Services received	64,761	78,015
Interest income	6,053	183
Instaphone (Private) Limited		
Payment made by the Company	2,662	8,024
Services rendered	540	-
Interest income	167	498
Others		
Provident Fund		
Contribution during the year	3,826	3,493

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

44. CORRESPONDING FIGURES

Certain corresponding figures have been reclassified for the purposes of better presentation, however, there were no material reclassification.

45. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on November 08, 2012 by the Board of Directors of the Company.

46. GENERAL

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

Chief Executive

Director

Annual Report 2012

CONSOLIDATED FINANCIAL STATEMENTS

Telecard Limited

ERNST & YOUNG

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated Balance Sheet of Telecard Limited (the Holding Company) and its Subsidiary Companies (together referred to as Group) as at 30 June 2012 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 modified opinions on the financial statements of the Holding Company and its Subsidiary Company, Supernet Limited. The financial statements of Telecard Asia (UK) Limited were un-audited and the financial statements of Telecard E-Solutions (Private) Limited and Telegateway Limited were audited by other firms of auditors whose reports have been furnished to us and our opinion, in so far as it relates to the amounts included for such companies, is based solely on the reports of such other auditors.

These consolidated financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

Except as stated in paragraph below, 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.

As disclosed in note 10.4 to the accompanying consolidated financial statements, the Holding Company owns shares in a foreign company which are carried at Rs.480.630 million. We have not been provided with sufficient audit evidence to support the fair value of such investment, as required under the International Accounting Standards – 39 "Financial Instruments: Recognition and Measurement". Accordingly, in the absence of such information, we are unable to satisfy ourselves regarding the valuation of such investment and its consequential impact, if any, on the accompanying consolidated financial statements.

Except for the effect of the matter discussed in the paragraph above, in our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 30 June 2012 and the results of its operations for the year then ended, in accordance with approved accounting standards as applicable in Pakistan.

We draw attention to the contents of:

i) *notes 17.2(a) and 17.3 to the accompanying consolidated financial statements in respect of the lawsuit filed by the Holding 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 Holding Company, the Court passed an interim order in favour of the Holding 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 has been made in the accompanying consolidated financial statements for any amount that may not be recoverable;*

ii) *note 17.2(b) to the accompanying consolidated financial statements with regard to a lawsuit filed by the PTCL against the Holding Company during the year ended 30 June 2002. Pending a decision of the Court in this respect, the Group has not made any provision in the accompanying consolidated financial statements for the amount claimed by the PTCL;*

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iii) note 17.6 to the accompanying consolidated financial statements in respect of the Pakistan Telecommunication Authority's (PTA) claim for Access Promotion Contribution for Universal Service Fund of Rs.4,312.104 million, out of which the Holding Company has paid a sum of Rs.2,115.921 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 year ended 30 June 2009. As a result, the Holding 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.2,115.921 million, shown by the Company under other receivables (note 17.6) nor any provision has been made for the remaining sum of Rs.2,196.183 million in the accompanying consolidated financial statements;

iv) notes 33.1 to 33.17 to the accompanying consolidated 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 in the accompanying consolidated financial statements for any liability that may arise therefrom;

v) note 16.1 to the accompanying consolidated financial statements in respect of mark-up claimed by the Holding Company from a commercial bank which has been accrued by the Holding Company in the accompanying consolidated financial statements. Pending a final decision in this matter, no provision has been made in the accompanying consolidated financial statements there against;

vi) note 26.2 to the accompanying consolidated financial statements in respect of Spectrum Fee payable, shown under deferred liabilities, as a result of the appeal instituted by the Holding Company in the Islamabad High Court during the current year;

vii) note 23.1 to the accompanying consolidated financial statements concerning the redemption of Term Finance Certificates; and

viii) note 29.5 to the consolidated financial statements regarding tax deducted from payments made to certain Foreign Satellite Bandwidth providers not deposited to-date in the federal treasury.

Our opinion is not qualified in respect of the above matters.

Ernst & Young Ford Rhodes Sidat Hyder

Chartered Accountants

Audit Engagement Partner's Name: Khurram Jameel

Date: 08 November 2012

Karachi

CONSOLIDATED BALANCE SHEET
AS AT JUNE 30, 2012

	Note	June 30, 2012	June 30, 2011
		------- (Rupees in '000) -------	
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Property, plant and equipment	6	1,858,187	2,228,423
Intangible assets	7	2,248,686	2,429,939
		4,106,873	4,658,362
Long-term loans and advances	8	5,820	5,820
Long-term deposits	9	71,726	100,500
Long-term investments	10	480,630	-
Deferred taxation	11	154,201	-
		4,819,250	4,764,682
CURRENT ASSETS			
Stock-in-trade		581	862
Communication stores	12	94,160	99,091
Trade debts	13	483,901	448,850
Loans and advances	14	52,963	64,132
Deposits and prepayments	15	69,679	91,610
Accrued mark-up	16	65,306	49,978
Other receivables	17	3,552,848	3,579,779
Taxation – net	18	164,595	165,895
Short-term investment	19	34,180	31,799
Cash and bank balances	20	21,423	17,093
		4,509,636	4,549,089
TOTAL ASSETS		9,328,886	9,313,771
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital			
Authorised			
400,000,000 (2010: 400,000,000) Ordinary shares of Rs.10 each		4,000,000	4,000,000
Issued, subscribed and paid-up	21	3,000,000	3,000,000
Unappropriated profit		151,702	734,375
		3,151,702	3,734,375
NON-CURRENT LIABILITIES			
Long-term loans	22	304,167	201,625
Redeemable capital	23	776,160	476,160
Advance from a Contractor	24	896,182	467,121
Long-term deposits	25	67,730	93,038
Deferred liabilities	26	1,594,515	1,735,293
Due to employees	27	-	228
Mark-up accrued	28	68,433	-
		3,707,187	2,973,465
CURRENT LIABILITIES			
Trade and other payables	29	1,825,140	1,520,264
Accrued interest / mark-up	30	124,363	105,205
Short-term running finances	31	352,057	437,836
Current maturities of long-term liabilities	32	168,437	542,626
		2,469,997	2,605,931
CONTINGENCIES AND COMMITMENTS	33		
TOTAL EQUITY AND LIABILITIES		9,328,886	9,313,771

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

Chief Executive

Director

CONSOLIDATED PROFIT AND LOSS ACCOUNT
THE YEAR ENDED JUNE 30, 2012

	Note	June 30, 2012	June 30, 2011
		------- (Rupees in '000) -------	
REVENUE – net	34	2,520,995	2,589,586
Direct costs	35	(2,580,981)	(2,231,540)
GROSS (LOSS) / PROFIT		(59,986)	358,046
Distribution costs and administrative expenses	36	(559,564)	(599,921)
Other operating expenses	37	(23,758)	(3,912)
		(583,322)	(563,833)
Other operating income	38	41,548	68,146
Liabilities no longer payable written back	39	21,083	548,707
		62,631	616,853
		(520,691)	53,020
OPERATING (LOSS) / PROFIT		(580,677)	411,066
Finance costs	40	(266,078)	(277,682)
(LOSS) / PROFIT BEFORE TAXATION		(846,755)	133,384
Taxation	41	264,082	(43,588)
NET (LOSS) / PROFIT FOR THE YEAR		(582,673)	89,796
		------- (Rupees)-------	
(LOSS) / EARNINGS PER SHARE - Basic and diluted	42	(1.94)	0.30

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

Chief Executive

Director

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2012

	Note	June 30, 2012	June 30, 2011
		------- (Rupees in '000) -------	
Net profit for the year		(582,673)	89,796
Other comprehensive income		-	-
Total comprehensive (loss) / income for the year		(582,673)	89,796

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

Chief Executive

Director

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2012

	Note	June 30, 2012	June 30, 2011
		------- (Rupees in '000) -------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	43	376,066	752,443
Income tax paid		(26,819)	(1,721)
Finance costs paid		(173,347)	(241,416)
Retirement benefits paid		(3,910)	(2,682)
Long-term loans and advances		-	192
Due to employees		(10,182)	(24,701)
Liability for long-term deposits		(18,216)	(34,701)
Long-term deposits		28,774	(5,438)
Net cash generated from operating activities		172,366	441,976
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(61,883)	(122,670)
Proceeds from disposal of property, plant and equipment		2,688	-
Intangible assets		(328)	-
Net cash used in investing activities		(59,523)	(122,670)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		-	(30,000)
Advance from a Contractor		(51,569)	(583,396)
Repayment of redeemable capital		(980)	(105,840)
Repayment of long-term finances – net		32,347	(317,625)
Repayment from short-term borrowings - net		-	(17,000)
Proceeds / (repayment) of short-term running finance - net		(85,779)	168,065
Repayment of obligations under finance lease		(151)	(1,640)
Net cash used in financing activities		(106,132)	(362,436)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE YEAR		6,711	(43,130)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		48,892	92,022
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	44	55,603	48,892

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

Chief Executive

Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2012

	Issued, subscribed and paid-up	(Accumulated losses) / Unappropriated profit	Total
	(Rupees in '000)		
Balance as at June 30, 2010	3,000,000	674,579	3,674,579
Net profit for the year	-	89,796	89,796
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	89,796	89,796
Final dividend @ Rs.0.10 per Ordinary share of Rs.10 each for the year ended June 30, 2010	-	(30,000)	(30,000)
Balance as at June 30, 2011	3,000,000	734,375	3,734,375
Net loss for the year	-	(582,673)	(582,673)
Other comprehensive income	-	-	-
Total comprehensive loss	-	(582,673)	(582,673)
Balance as at June 30, 2012	3,000,000	151,702	3,151,702

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

Chief Executive

Director

NOTES OF THE CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JUNE 30, 2012

1. THE GROUP AND ITS OPERATIONS

The Group comprises of:

· > Telecard Limited – Holding Company
· > Supernet Limited – Subsidiary Company
· > Telecard Asia (UK) Limited - Subsidiary Company
· > Telecard E-Solutions (Private) Limited - Subsidiary Company
· > Telegateway Limited – Subsidiary Company

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

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. Telecard Limited holds 100% equity of Supernet Limited.

Telecard Asia (UK) Limited is engaged in providing international telecommunication service. Telecard Limited holds 100% equity of Telecard Asia (UK) Limited.

Telecard E-Solutions (Private) Limited is engaged in providing telecommunication solutions and other IT related Services. Telecard Limited holds 100% equity of Telecard E-Solutions (Private) Limited.

Telegateway Limited is engaged in the business of providing means of communicating audio, video or audio/video messages transmitted by radio cable, impulses and beams or by any combination thereof or by any other means through space, air, land, water, underground or underwater as permissible under the law. Telecard Limited holds 100% equity of Telegateway Limited.

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.

4. BASIS OF CONSOLIDATION

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

	Standard or Interpretation	Effective Date (accounting periods beginning on or after)
IFRS 7	Financial Instruments : Disclosures - (Amendments) Amendments enhancing disclosures about offsetting of financial assets and financial liabilities	01 January 2013
IAS 1	Presentation of Financial Statements – Presentation of items of comprehensive income	01 July 2012
IAS 12	Income Taxes (Amendment) - Recovery of Underlying Assets	01 January 2012
IAS 19	Employee Benefits –(Amendment)	01 January 2013
IAS 32	Offsetting Financial Assets and Financial liabilities – (Amendment)	01 January 2014

The Group expects that the adoption of the above revisions, amendments and interpretations of the standards will not affect the Group's consolidated financial statements in the period of initial application.

In addition to the above, the following new standards have been issued by IASB which are yet to be notified by the Securities and Exchange Commission of Pakistan for the purpose of applicability in Pakistan.

		IASB Effective date (annual periods beginning Standard on or after)
IFRS 9	Financial Instruments: Classification and Measurement	01 January 2015
IFRS 10	Consolidated Financial Statements	01 January 2013
IFRS 11	Joint Arrangements	01 January 2013
IFRS 12	Disclosure of Interests in Other Entities	01 January 2013
IFRS 13	Fair Value Measurement	01 January 2013

5.2 Standards, amendments and interpretations adopted during the year

The accounting policies adopted in the preparation of these consolidated financial statements are consistent with those of the previous financial year except as described below:

New and amended standards and interpretations

The Group has adopted the following new and amended IFRS and IFRIC interpretations which became effective during the year:

IFRS 7 - Financial Instruments: Disclosures (Amendment)
IAS 24 - Related Party Disclosures (Revised)
IFRIC 14 - Prepayments of a Minimum Funding Requirement (Amendment)

In May 2010, IASB issued amendments to various standards primarily with a view to removing inconsistencies and clarifying wording. These improvements are listed below:

IFRS 7 - Financial Instruments: Disclosures - Clarification of disclosures
IAS 1 - Presentation of Financial Statements - Clarification of statement of changes in equity
IAS 34 - Interim Financial Reporting - Significant events and transactions
IFRIC 13 - Customer Loyalty Programmes - Fair value of award credits

The adoption of the above standards, amendments, interpretations and improvements did not have any material effect on the consolidated financial statements.

5.3 Dividends and appropriation to general reserve

Dividends and appropriation to general reserves are recognised in the consolidated financial statements in the period in which these are approved.

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 & 13
Recognition of tax and deferred tax	5.15, 11 & 41
Accounting for staff retirement benefits	5.14 & 26.1

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

Goodwill represents the excess of the cost of the acquisition over the fair value of identifiable net assets of a 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.

	Note	June 30, 2012	June 30, 2011
		------- (Rupees in '000) -------	
6. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	6.1	1,316,018	1,681,843
Capital work-in-progress	6.2	542,169	546,580
		1,858,187	2,228,423

6.1 Operating fixed assets

	Note	COST					ACCUMULATED DEPRECIATION				WRITTEN DOWN VALUE
		As at July 01, 2011	Additions/ Transfers	(Disposal/ derecognition)	As at June 30, 2012	Rate/ period	As at July 01, 2011	For the year	(On disposals) / (transfers)*	As at June 30, 2012	As at June 30, 2012
		(Rs. in '000)					(Rs. in '000)				
June 30, 2012											
Owned											
Freehold land		3,020	-	-	3,020	-	-	-	-	-	3,020
Leasehold land	6.1.1	3,900	-	(3,900)	-	13 yrs	3,900	-	(39,000)	-	-
Leasehold improvements		3,653	-	-	3,653	20%	3,653	-	-	3,653	-
Building on freehold land		625	-	-	625	20 yrs	311	33	-	344	281
Apparatus, plant and equipment	6.1.2&6.2	6,292,316	53,887	-	6,346,203	5-33%	4,683,285	405,868	-	5,089,153	1,257,050
Sign boards		30,875	-	-	30,875	25%	30,875	-	-	30,875	-
Furniture, fixtures and office equipment		61,312	3,659	-	64,971	10%	38,753	4,642	-	43,395	21,576
Computers and related accessories		77,548	5,978	-	83,526	20-33%	67,890	7,292	-	75,182	8,344
Vehicles	6.1.3	24,854	2,770 1,640	(2,634)	26,630	20%	20,512	1,552	(1,989) 1,640*	21,715	4,915
		6,498,103	66,294 1,640*	(6,534)	6,559,503		4,849,179	419,387	(5,889) 1,640*	5,264,317	1,295,186
Leased											
Apparatus, plant and equipment	6.1.2	131,442	-	-	131,442	10-33%	98,849	11,761	-	110,610	20,832
Vehicles		2,953	- (1,640)*	-	1,313	20%	2,627	325	- (1,640)*	1,312	-
		134,395	- (1,640)*	-	132,755		101,476	12,086	- (1,640)*	111,922	20,832
		6,632,498	66,294	(6,534)	6,692,258		4,950,655	431,473	(5,889)	6,376,239	1,316,018

	Note	COST				ACCUMULATED DEPRECIATION				WRITTEN DOWN VALUE
		As at July 01, 2010	Additions/ Transfers	As at June 30, 2011	Rate/ period	As at July 01, 2010	For the year	(On transfers)*	As at June 30, 2011	As at June 30, 2011
		(Rs. in '000)				(Rs. in '000)				
June 30, 2011										
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%	3,653	-	-	3,653	-
Building on freehold land		625	-	625	20 yrs	280	31	-	311	314
Apparatus, plant and equipment	6.1.2&6.2	6,175,827	106,334 10,155*	6,292,316	5-33%	4,170,310	507,489	- 5,486*	4,683,285	1,609,031
Sign boards		30,875	-	30,875	25%	30,752	123	-	30,875	-
Furniture, fixtures and office equipment		56,617	4,695	61,312	10%	34,339	4,414	-	38,753	22,559
Computers and related accessories		70,227	7,321	77,548	20-33%	61,354	6,536	-	67,890	9,658
Vehicles	6.1.3	22,590	2,264	24,854	20%	19,104	1,408	-	20,512	4,342
		6,367,334	120,614 10,155*	6,498,103		4,323,692	520,001	5,486*	4,849,179	1,648,924
Leased										
Apparatus, plant and equipment	6.1.2	141,597	- (10,155)*	131,442	10-33%	90,741	13,594	- (5,486)*	98,849	32,593
Vehicles		2,953	-	2,953	20%	2,299	328	-	2,627	326
		144,550	- (10,155)*	134,395		93,040	13,922	(5,486)*	101,476	32,919
		6,511,884	120,614	6,632,498		4,416,732	533,923	-	4,950,655	1,681,843

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 was in the name of Arfeen International (Private) Limited, a related party. The lease agreement expired during the year ended June 30, 2010. As a result, the Group has derecognised the leasehold land from its books in the current year.

6.1.2 These include:

6.1.2.1 Line Protection Units, costing Rs.22.206 (2011: Rs.22.206) million, having a net book value of Rs.0.136 (2011: Rs.0.519) 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.1,925.666 (2011: Rs.1,922.745) million, having a net book value of Rs.23.569 (2011: Rs.258.423) 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 (2011: Rs.248.983) million, with a net book value of Rs.0.079 (2011: Rs.0.121) million, installed by the Group at various locations throughout the country in the ordinary course of business.

6.1.3 Leases relating to these assets have expired during the current year. However, these assets have not been transferred to owned assets as the formalities in respect of their transfer from the leasing companies are currently in process.

Description	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain on disposal	Mode of sale	Particulars
	....................(Rs. in '000)...................						
Vehicles							
Toyota Corolla	1,169	1,013	156	980	824	Negotiation	Atique, Karachi
Suzuki Bolan	57	38	19	375	356	Negotiation	Istaphone Infrastructure (Pvt.) Ltd, Karachi
Honda City	843	843	-	825	825	Negotiation	Siddique Ahmed, Karachi
	2,069	1,894	175	2,180	2,005		

6.1.4 The cost of fully depreciated assets as at June 30, 2012 is Rs.3,253.51 (2011: Rs. 2,741.08) million.

	Note	June 30, 2012	June 30, 2011
		------- (Rupees in '000) -------	
6.1.5 Depreciation for the year has been allocated as follows:			
Direct costs	35	417,536	520,889
Distribution costs and administrative expenses	36	13,937	13,033
		431,473	533,922

	Owned Equipment	Advances to suppliers	Total
	------- (Rupees in ‘000) -------		
6.2 Capital work-in-progress			
As at July 01, 2011	518,492	28,088	546,580
Additions during the year	846	179	1,025
Transfer to apparatus, plant and equipment	(2,254)	(410)	(2,664)
Transfer to profit and loss	-	(2,772)	(2,772)
June 30, 2012	517,084	25,085	542,169
June 30, 2011	518,492	28,088	546,580

7. INTANGIBLE ASSETS

	Note	COST/REVALUATION			Period	ACCUMULATED AMORTISATION			WRITTEN DOWN VALUE
		As at July 01, 2011	Additions during the year	As at June 30, 2012	Yrs	As at July 01, 2011	For the year	As at June 30, 2012	As at June 30, 2012
		----Rupees in ‘000----				-----------------Rupees in ‘000-----------------			
June 30, 2012									
WLL Licenses	7.1 & 7.2	3,345,096	-	3,345,096	16-20 yrs	1,005,510	179,969	1,185,479	2,159,617
LDI License	7.3	29,029	-	29,029	20 yrs	8,772	1,548	10,320	18,709
Computer software		38,836	-	38,836	5 yrs	38,660	64	38,724	112
Goodwill		116,536	328	116,864	-	46,616	-	46,616	70,248
		3,529,497	328	3,529,825		1,099,558	181,581	1,281,139	2,248,686

	Note	COST / REVALUATION		Period	ACCUMULATED AMORTISATION			WRITTEN DOWN VALUE
		As at July 01, 2010	As at June 30, 2011	Yrs	As at July 01, 2010	For the year	As at June 30, 2011	As at June 30, 2011
		----Rupees in ‘000----			-----------------Rupees in ‘000-----------------			
June 30, 2011								
WLL Licenses	7.1 & 7.2	3,345,096	3,345,096	16-20 yrs	825,541	179,969	1,005,510	2,339,586
LDI License	7.3	29,029	29,029	20 yrs	7,224	1,548	8,772	20,257
Computer software		38,836	38,836	5 yrs	38,595	65	38,660	176
Goodwill		116,538	116,536		46,616	-	46,616	69,920
		3,529,497	3,529,497		917,976	181,582	1,099,558	2,429,939

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 16-20 years, commencing August 04, 2004.

7.2 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 effective period 20 years, commencing July 27, 2004

7.3 The cost of fully amortised intangible asset as at June 30, 2012 is Rs.38.514 (2011: Rs.38.514) million.

	Note	June 30, 2012	June 30, 2011
		------- (Rupees in ‘000) -------	
7.4 Amortization for the year has been allocated as follows:			
Direct costs	35	181,517	181,517
Distribution costs and administrative expenses	36	64	65
		181,581	181,582

8. LONG-TERM ADVANCES

	Note	June 30, 2012	June 30, 2011
Unsecured			
Considered good			
Pakistan Telecommunication Company Limited	8.1	5,820	5,820
Considered doubtful		1,929	1,929
Provision for advances considered doubtful		(1,929)	(1,929)
		-	-
		5,820	5,820
		5,820	5,820

8.1 These represent advances given to Pakistan Telecommunication Company Limited (PTCL) for obtaining links and circuits for different projects of the Group, which are adjusted after these are closed.

9. LONG-TERM DEPOSITS

	Note	June 30, 2012	June 30, 2011
Security deposits			
Considered good			
Line deposits – PTCL	9.1	52,839	52,681
Rented premises		5,678	5,474
China Orient Telecom Satellite Company Limited	9.2	6,473	5,073
Intelsat Corporation	9.3	3,135	-
		68,125	63,228
New Skies Satellite B.V.	9.4	22,662	37,116
SpaceCom International LLC.	9.5	17,407	31,541
Others		460	95
		40,529	68,752
Current portion shown under current assets	15	(36,928)	(31,480)
		3,601	37,272
		71,726	100,500
Considered doubtful		1,729	1,729
Provision against long-term deposits considered doubtful		(1,729)	1,729)
		-	-
		71,726	100,500

9.1 These includes deposits given to Pakistan Telecommunication Company Limited (PTCL) at the time of obtaining links and circuits for different projects of the Group and are adjusted after the same are closed.

9.2 This represents amount given to China Orient Telecom Satellite Company Limited, a foreign satellite bandwidth provider, as a security deposit for the use of satellite bandwidth.

9.3 This represents security deposit given to Intelsat Corporation, a foreign Satellite Bandwidth Provider, representing one month's charge for the use of 10 MHz bandwidth, availed from IS904 Space Satellite.

9.4 This includes security deposit given to New Skies Satellite B.V., a foreign Satellite Bandwidth provider, representing one month's monthly recurring charges for the use of 52MHz bandwidth, availed from the NSS Space Satellite. This deposit will be adjusted against recurring charge for the month of April 2013, amounting to Rs.16.966 million each.

9.5 This represents security deposit given to SpaceCom International LLC., a foreign Satellite Bandwidth provider, representing one month's monthly recurring charges for the use of 54MHz bandwidth, availed from the IS904 Space Satellite. This deposit will be adjusted against recurring charge for the month of April 2013, amounting to Rs.17.406 million (equivalent to US$184,235) each.

	Note	June 30, 2012	June 30, 2011
		------- (Rupees in '000) -------	
10. LONG-TERM INVESTMENTS			
Available-for-sale			
Augere Holding (Netherland) B.V.	10.1	480,630	-

10.1 Pursuant to an "Amended and Restated Network Agreement" dated April 26, 2010, the Group, during the year, received class A Preference Ordinary shares of Augere Holdings (Netherlands) B.V. amounting to US$5.305 (equivalent to Rs.480.630) million, against issuance of a Credit Note which requires the Company to provide services to Augere Pakistan (Private)Limited, a subsidiary of the investee company.

The fair value of such investment cannot be determined for the purpose of initial recognition as required under IAS – 39 "Financial Instruments: Recognition and Measurement", as the investee company is unlisted and the financial information required to estimate its fair value is not readily available. The Group is currently making efforts to determine the fair value of the investment and would accordingly make adjustments, if required, to the carrying amount of the investment.

11. DEFERRED TAXATION

	2012	2011
Deferred tax credits arising on:		
Accelerated tax depreciation	124,422	(197,841)
Amortisation of intangible assets	315,778	(253,959)
Leases	7,202	(11,432)
	447,402	(463,232)
Deferred tax debits arising from:		
Retirement benefits	(3,018)	7,045
Short-term provisions	(126,269)	123,303
Tax losses brought forward	(472,316)	194,884
	(601,603)	325,232
	154,201	(138,000)

	Note	June 30, 2012	June 30, 2011
		------- (Rupees in '000) -------	

12. COMMUNICATION STORES

	Note	June 30, 2012	June 30, 2011
Stores		101,774	108,430
Provision for slow moving communication stores	12.1	(10,742)	(10,474)
		91,032	97,956
Consumables		3,128	1,135
		94,160	99,091

12.1 Provision against slow moving stores:

	Note	June 30, 2012	June 30, 2011
Balance at the beginning of the year		10,474	9,921
Charge for the year	35	268	553
		10,742	10,474

13. TRADE DEBTS

	Note	June 30, 2012	June 30, 2011
Unsecured			
Considered good			
Related parties	13.1	15,743	17,352
Others		468,158	431,498
		483,901	448,850
Considered doubtful		275,903	272,754
Provision for debts considered doubtful	13.2	(275,903)	(272,754)
		-	-
		483,901	448,850

13.1 Due from related parties

	June 30, 2012	June 30, 2011
Pakcom Limited	12,497	15,534
Arfeen International (Private) Limited	1,357	12
Grand Leisure Corporation (Private) Limited	1,196	1,477
Envicrete Limited	693	326
World Trade Center (Private) Limited	-	3
	15,743	17,352

13.2 Provision for debts considered doubtful:

	Note	June 30, 2012	June 30, 2011
Opening balance		272,754	270,041
Charge for the year	36	21,641	50,639
Provision written off against trade debts during the year		(18,492)	(47,926)
		275,903	272,754

13.3 As at June 30, 2012, the ageing analysis of unimpaired trade debts is as follows:

	Total	Neither past due nor impaired	Past due but not impaired: > one month up to one year	Past due but not impaired: Above one year
	----------	----------	(Rupees in '000)	----------
June 30, 2012	493,901	206,535	155,375	121,991
June 30, 2011	448,850	118,224	128,644	119,348

	Note	June 30, 2012	June 30, 2011
		------- (Rupees in '000)	-------
14. LOANS AND ADVANCES			
Loans – unsecured			
Considered good			
Short-term loans			
Executives		-	130
Employees		113	113
		113	243
Advances – unsecured			
Considered good			
Executives	14.1	3,092	2,032
Employees		20,566	21,325
Suppliers		29,192	40,532
		52,850	63,889
Considered doubtful			
Executives		626	626
Employees		967	967
Suppliers		19,443	19,443
		(21,036)	21,036
Provision for advances considered doubtful		(21,036)	(21,036)
		-	-
		52,850	63,889
		52,963	64,132

14.1 The maximum aggregate amount due from the executives at the end of any month during the year was Rs.3.238 (2011: Rs.3.311) million.

	Note	June 30, 2012	June 30, 2011
		------- (Rupees in '000) -------	
15. DEPOSITS AND PREPAYMENTS			
Deposits			
Considered good:			
Lease deposits		13,158	13,309
Current portion of other long-term deposits	9	36,928	31,480
Margin against guarantee		2,900	2,900
Earnest money		6,936	3,063
Others		1,529	1,620
Considered doubtful:			
Earnest money		1,770	1,770
Provision for doubtful deposits		(1,770)	(1,770)
		-	-
		61,451	52,372
Prepayments			
Rent		7,595	26,408
Insurance		-	11,047
Others		633	1,783
		69,679	91,610

16. ACCRUED MARK-UP

	Note	June 30, 2012	June 30, 2011
Due from a bank	16.1	48,587	48,587
Mark-up on current accounts with related parties	16.2 & 17.1.1	16,170	899
Short-term investment		549	492
		65,306	49,978

16.1 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.

16.2 Related parties

	June 30, 2012	June 30, 2011
Instaphone (Private) Limited	765	597
Instaphone Infrastructure (Private) Limited	6,355	302
Arfeen International (Private) Limited	8,432	-
Grand Leisure Corporation (Private) Limited	114	-
Envicrete Limited	84	-
Pakcom Limited	258	-
Others	162	-
	16,170	899

	Note	June 30, 2012	June 30, 2011
		------- (Rupees in '000) -------	
17. OTHER RECEIVABLES			
Considered good			
Due from related parties	17.1	26,574	79,739
Others:			
Pakistan Telecommunication Company Limited			
Karachi Relief Rebate	17.2	651,541	651,541
Interconnect discount	17.3	28,701	28,701
WPS - under protest payments	29.1	289,725	289,725
Leased lines and upfront connection charges	17.4	13,1517	131,517
LL & LDI charges – under protest payments	17.5	200,000	200,000
Wire line	17.2(a)	48,712	48,712
Multi-metering	17.2(a)	18,287	18,287
		1,368,483	1,368,483
Pakistan Telecommunication Authority	17.6	2,115,921	2,111,115
Claim against a bank	17.7	998	998
Insurance claims		3,775	10,087
Paktel Limited		-	1,228
Due from a Contractor		785	2,907
Income tax refundable	17.8	2,991	-
Others		3,321	5,222
		3,496,274	3,500,040
Considered doubtful			
Due from PTCL	17.9	10,361	10,361
Due from Zonal employees		15,874	15,874
Others		5,579	7,026
		31,814	33,261
Provision for other receivables considered doubtful	17.10	(31,814)	(33,261)
		-	-
		3,522,848	3,579,779

17.1 Related parties

	June 30, 2012	June 30, 2011
Pakcom Limited	1,621	1,621
Instaphone Infrastructure (Private) Limited	14,455	59,896
Envicrete Limited	699	875
Grand Leisure Corporation (Private) Limited	747	747
Arfeen International (Private) Limited	6,003	12,360
Instaphone (Private) Limited	3,049	4,240
	26,574	79,739

17.1.1 The above amounts due from related parties represents current account balances which are recoverable on demand. These carry mark-up at the rate of 6 months KIBOR plus 3.5% (2011: 6 months KIBOR plus 3.5%) per annum (note 16.2).

17.2 (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.

17.2 (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 consolidated financial statements.

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

17.3 *This represents the amount of interconnect discount which is subject to the determination of the final sum, as stated in note 17.2 (a) above. The Group is confident that it will recover the entire amount of interconnect discount from the PTCL and, hence, no provision has been made thereagainst in these consolidated financial statements.*

17.4 *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 consolidated financial statements.*

17.5 *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 consolidated financial statements.*

17.6 *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 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, along with other LDI Licencees, 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 on behalf of the USF a sum of Rs.4,282.631 million up to June 30, 2012 (June 30, 2011: Rs.3,848.799 million) in respect of APC for USF on the basis of international termination traffic by the Group up to June 30, 2012, in addition to Rs.29.473 million, aggregating to Rs.4,312.104 million (June 30, 2011: Rs.3,878.272 million), against which the Group paid a sum of Rs.2,115.921 million under protest (June 30, 2011: Rs.2,111.115) million (including forced payments in respect of research and development and RBS), comprising (a) Rs.729.479 million paid by the Group during the year ended June 30, 2010 and (b) a sum of Rs.1,200.000 million paid by the Contractor (note 21) to the PTA on behalf of the Group, during the year ended June 30, 2010 and (c) Rs.186.442 million paid up to 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.2,196.183 million (June 30, 2011: Rs. 1,767.157) million in these consolidated 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.

In addition to, and without prejudice to its claims given above, the Group instituted further proceedings before the Sindh High Court at Karachi against the PTA and others on the basis that it has not correctly adjusted payments received from the Group, and that it is not following the provisions of Access Promotion Rules, 2004 and Access Promotion Regulations, 2005, and as a consequence demanding illegal and inflated dues from the Group. The Group has obtained interim injunctions from the Court preventing any adverse actions from PTA. The PTA has yet to file any response in these matters in the Court.

Further, subsequent to the year end, in compliance with the directive of Ministry of Information Technology (MoIT) dated August 13, 2012 and the instructions issued there under by the PTA, vide letter No. 04 01/12/(AP/CA) PTA, dated August 23, 2012, for the establishment of International Clearing House Exchange (ICH) [refer not 19.1] between the LDI Operators and PTCL, which shall come into effect from October 1, 2012, all LDI Operators have authorised PTCL to terminate all Pakistan incoming traffic on their behalf and not via their own networks. As per the terms of the ICH agreement, PTCL will retain 100% APC from the settlement rate which will be directly disbursed on account of APCL, APC for USF and MTR/MTR-I as per the existing rules and regulations. However, the pre-ICH claims of PTA on account of APC for USF against such LDI Operators, where these are still pending, will remain the individual LDI Operators' responsibility, and will be settled through legal process. Furthermore, LDI operators will open a PTA-LDI Escrow account with PTA on individual basis and PTCL shall deposit 15% of respective net LDI share collected under this agreement in the said accounts, and the same can be utilized to settle the alleged outstanding claims of PTA on account of APC for USF if the decision of the Court is against the Group.

17.7 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 (2011: Rs.0.998 million) and damages, aggregating to Rs.8.245 (2011: Rs.8.245) million, against the bank. Accordingly, pending a final decision by the Court in this regard, no provision has been made for the above referred sum in these consolidated financial statements.

17.8 During the current year, the Assistant Commissioner Income Tax adjudged the Supernet Limited as assessee in default for non deduction of withholding tax u/s 153 of the Income Tax Ordinance, 2001, for the tax year 2004 and demanded Rs.2.797 million in respect of tax not deducted and Rs. 2.414 million in respect of default surcharge of the same. The Company filed an appeal before the Commissioner (Appeals) which was rejected. The Company filed second appeal before the Tribunal, which is pending adjudication and made a payment of Rs. 2.605 million, being 50% of above stated tax demand. Later on the Group opted to avail benefit of tax Amnesty scheme vide Notification SRO 547/(I)/2012 dated May 22, 2012 in respect of waiver of default surcharge and made further payment of Rs.191,576 and informed the Taxation Officer that since the Company has paid the original tax demand, the default surcharge stood waived. The Taxation officer rejected the Company's plea and demanded the payment of default surcharge. As per the legal advisor, the outcome of abovementioned appeal is likely to be in favour of the Company and a separate rectification application is being filed before the Commissioner (Appeals) requesting the rectification of his order and on the completion of proceedings the tax paid by the Company would become refundable.

17.9 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, as a matter of prudence, the management has made full provision against the above claim.

	Note	June 30, 2012	June 30, 2011
		------- (Rupees in '000) -------	
17.10 Provision for other receivables considered doubtful			
Opening balance		33,261	33,823
Written back during the year		(1,447)	-
Provision written back against other receivables		-	(562)
		31,814	33,261

18. TAXATION – net

	Note	June 30, 2012	June 30, 2011
Advance income tax		192,477	189,017
Provision for taxation - current		(27,882)	(23,122)
		164,595	165,895

	Note	June 30, 2012	June 30, 2011
		------- (Rupees in '000) -------	

19. SHORT-TERM INVESTMENT

	Note	June 30, 2012	June 30, 2011
Held to maturity			
Term deposit receipts	19.1	34,180	31,799

19.1 These represent term deposit receipts, having a face value of Rs.34.180 (2011: Rs.31.799) million, placed with a commercial bank for a period of three months, maturing latest by August 10, 2011. The rate of return thereon is 10.20% (2011: 11.5%) per annum.

20. CASH AND BANK BALANCES

	Note	June 30, 2012	June 30, 2011
Cash at banks:			
In current accounts			
Local currency		4,111	9,335
Foreign currency		4,524	6,231
		8,635	15,566
Savings accounts – local currency	20.1	9,520	1,306
Cash and cheques in hand		3,268	221
		21,423	17,093

20.1 These carry mark-up at rates, ranging between 5% and 6% (2011: 1.75% and 3.75%) per annum.

21. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

June 30, 2012	June 30, 2011		June 30, 2012	June 30, 2011
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

21.1 As at the end of the current year, 105,207,157 (2011: 58,991,594) Ordinary shares of Rs.10 each, amounting to Rs.1,052,071,570 (2011: Rs.589,915,940), were held by the related parties of the Holding Company..

22. LONG-TERM LOANS

	Note	June 30, 2012	June 30, 2011
Secured			
From banks and financial institutions			
Local currency loan – I		-	7,000
Local currency loan – II		-	150,000
Local currency loan – III	22.1	98,500	98,500
Local currency loan – IV	22.2	9,680	26,000
Local currency loan – V	22.3	205,667	-
		313,847	281,500
Current maturity of local currency loans shown under current liabilities	32	(9,680)	(79,875)
		304,167	201,625

22.1 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. The loan was restructured during the year ended June 30, 2010 and is now repayable as a lump sum on May 23, 2014. The loan carries mark-up at the rate of one year KIBOR plus 2.10% (2011: one year KIBOR plus 2.10%) 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 (2011: Rs.467.000) million.

22.2 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 year ended June 30, 2010, the said running financing facility was restructured as a medium term finance facility. It is now repayable in eighteen monthly installments, commencing July 1, 2010. The loan carries mark-up at the rate of one month KIBOR plus 2.00% (2011: one month KIBOR plus 2.00%) per annum. It is secured against pari passu charge over the present and future fixed assets of the Group to the extent of Rs.116.670 (2011: Rs.116.670) million.

22.3 The Group in prior years had obtained a local currency loan 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. The loan was restructured during the year ended June 30, 2011 to be repayable in eight semi annual installments, commencing January 23, 2010. During the current year, however, the Group again restructured this loan, modifying its repayment schedule as well as merging the running finance facility amounting to Rs.74.417 million, obtained from the same bank into this demand finance. This loan carries mark-up at the rate of six months KIBOR plus 3.5% (2011: 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 (2011: Rs.467.000) million.

	Note	June 30, 2012	June 30, 2011
		------- (Rupees in '000) -------	
23. REDEEMABLE CAPITAL			
Secured			
Term Finance Certificates	23.1	881,020	882,000
Current maturity shown under current liabilities	32	(104,860)	(405,840)
		776,160	476,160

23.1 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% (June 30, 2011: six months KIBOR plus 3.75%) per annum. However, during the year ended June 30, 2010, 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 was extended to November 27, 2013, instead of the original final redemption date of November 27, 2010.

However, the last two redemptions, due on May 27, 2011 and November 27, 2011 could not be redeemed by the Group. As a result, during the current year, on December 30, 2011, the redemption schedule of the TFCs relating to the redemption, falling due on May 27, 2011 and all redemptions scheduled thereafter, was restructured, without any financial consequences or delay penalties, after the approval obtained by the Group from the TFC holders upon its request. As a consequence thereof, the last redemption date has now been extended to May 27, 2015, instead of the revised final redemption date of November 27, 2013. The said restructuring has resulted in lower current maturity as shown in note 32.

The mark-up payable along with the redemption due on May 27, 2011 aggregated to Rs.74.833 million, out of which, a sum of Rs.23.739 million had already been paid by the Group when it became due, leaving an unpaid balance of Rs.51.094 million. As part of the above restructuring, the said unpaid mark-up has also been restructured, whereby, Rs.20.000 million, were due on or before November 30, 2011 and Rs.31.094 million were due on or before December 30, 2011, which were paid during the current year.

Similarly, the unpaid mark-up accrued on the redemption due on November 27, 2011, aggregating to Rs.77.965 million, has been restructured whereby, it is now due in 13 unequal installments, commencing May 27, 2012 to May 27, 2015. As a result, accrued mark-up, aggregating to Rs.68.433 million, which is due after a period of twelve months, has been classified as non-current in these consolidated financial statements.

According to the rescheduled agreement, in the event if the International Clearing House (ICH) agreement is signed on or before September 30, 2012, the redemption of TFCs shall be accelerated. Subsequent to the year end, the Group along with all other LDI Operators of the country signed the ICH agreement on August 30, 2012 with an effective implementation date of October 1, 2012. As a result the Group will accelerate the redemption schedule of TFCs, as stipulated in the rescheduled agreement, the details of which are not yet finalized. However, the ICH agreement has been suspended by the Lahore High Court in its interim order dated October 25, 2012.

These are secured against a first specific charge over the fixed assets of the Group, aggregating to Rs.800.000 (2011: Rs.800.000) million and specific charge over the intangible assets (frequency spectrum) procured from the PTA.

	Note	June 30, 2012	June 30, 2011
		------- (Rupees in '000) -------	
24. ADVANCE FROM A CONTRACTOR			
Unsecured			
Advance from a Contractor	24.1	396,454	467,121
Due to the Contractor in respect of shares issued during the year		499,728	-
		896,182	467,121
24.1 Opening balance		467,121	525,517
Taken to income during the current year upon rendering of services	34	(70,667)	(58,396)
Unamortised balance		396,454	467,121

24.1.1 *During the year ended June 30, 2010, that is, on April 30, 2010, the Group sold licenses for the 3.5 GHz frequencies to a Subsidiary Company of the Contractor, for a consideration of Rs.1,580.084 million, after obtaining necessary approval from the PTA. 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 to be rendered to the Contractor for a period of three years, commencing July 1, 2008 to June 30, 2011. 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.

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 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, 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 infrastructure 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 17.6 under Other Receivables, aggregating to Rs.1,200.000 million. As the Contractor was committed to issue shares to the Group, shares in question, valuing Rs.480.630 million (equivalent to US$5.307 million) were issued during the current year on April 04, 2012. The above referred consideration of Rs.1,051.250 million in respect of provision of services had been adjusted by the Group against a sum of Rs.80.293 million during the year ended June 30, 2010, representing amounts due from the Contractor in respect of services rendered thereto, pursuant to the Amended and Restated Network Agreement, discussed above.

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 during the balance life of its WLL Licenses, i.e. approximately fourteen years. Since the Credit Note in question has not been finalised to-date, 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.

	Note	June 30, 2012	June 30, 2011
		------- (Rupees in '000) -------	

25. LONG-TERM DEPOSITS

	Note	June 30, 2012	June 30, 2011
Security deposits			
Telenor LDI Communication (Private) Limited	25.1	37,447	66,627
Distributors		7,855	7,905
Indoor Call Point holders		31,332	31,479
Pakistan Mobile Communication Limited	25.2	8,872	-
Others		22,629	20,340
		108,135	126,351
Current portion shown under current liabilities	32	(40,405)	(33,313)
		67,730	93,038

25.1 During the year ended June 30, 2010, the Group entered into an agreement 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 8.1 and 8.2. This deposit is due to be adjusted against monthly recurring charges for the months of April 2011, April 2012 and April 2013, amounting to Rs.37.447 (2011: Rs.33.313) million each.

25.2 During the current year, the Group entered into an agreement with Pakistan Mobile Communication Limited (Mobilink). Under the provisions of the said agreement, Mobilink deposited a sum of Rs.8.872 million with the Group, representing three month's monthly recurring charges, in respect of the use of C-band Satellite bandwidth. This deposit is adjustable against monthly recurring charges for the month of August 2012, August 2013 and August 2014, amounting Rs 2.957 million each.

26. DEFERRED LIABILITIES

	Note	June 30, 2012	June 30, 2011
Staff gratuity	26.1	9,015	11,793
Deferred taxation		-	138,000
Spectrum Fee payable	26.2	1,585,500	1,585,500
		1,594,515	1,735,293

26.1 Reconciliation of the carrying amount of staff gratuity

	June 30, 2012	June 30, 2011
Balance at the beginning of the year	11,793	12,243
Charge for the year	1,132	2,232
Payments during the year	(3,910)	(2,682)
	9,015	11,793

The latest valuation was carried out as at June 30, 2010. The management considers that the provision made for gratuity in respect of current year would not be materially different from the amount that would have been determined by the Actuary.

	Note	June 30, 2012	June 30, 2011
		------- (Rupees in '000) -------	
26.2 Spectrum fee payable		1,585,500	1,585,500

This represents the balance of Initial Spectrum Fees (balance fees) in respect of the license and related frequencies acquired by the Group, as referred to in note 6. In 2005, the WLL Operators requested the Government, through the Ministry of Information Technology, to grant a moratorium 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 granting of the moratorium of 4 years, expiring during 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 the PTA approving the staggering of balance of initial spectrum fees in ten equal instalments, commencing the year 2009. However, few days later, the 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 the 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 but the PTA, without appreciating those facts, issued a final determination order dated, May 11, 2011 demanding the payment of this fee along with late payment charges.

The Group instituted an appeal against the above said Order in the Islamabad High Court seeking to set it aside on the basis that the same was issued in undue haste and without affording the Group an opportunity of hearing. The Court granted an injunction against PTA through its order, dated June 13, 2011. Further, a Civil Suit has also been filed jointly by the Group, DVCOM Data (Private) Limited and Great Bear International Services (Private) Limited in the High Court of Islamabad seeking a declaration as to the continuation of the moratorium on the payment of this balance of Initial Spectrum Fees, which is currently pending adjudication.

During the current year, the Ministry of Information Technology and Telecommunication (MoIT), vide its letter dated August 30, 2011, has accepted the long outstanding request of the WLL industry and has instructed the PTA to collect the balance fees in installments.

However, the above mentioned appeal was disposed-off by the said Court during the current year due to mis representation of PTA in the Court contending that the said directive of MoIT was issued for some other Spectrum not relevant for the WLL Operators, a Constitutional Petition for grant of Leave to Appeal (CPLA) was filed by the Group, in the Supreme Court, challenging the dismissal of the appeal by the Islamabad High Court mainly on the grounds of MoIT afore-referred letter through which this balance fees was required to be collected in installments. In parallel, a fresh Writ was also instituted by the Group in the Islamabad High Court highlighting incorrect statement from PTA and also the MoIT directive in this regard which is pending adjudication. The Supreme Court has disposed of the CPLA with the directions to the MoIT, being at the top of the hierarchy, to enforce its directive on the PTA and also to resolve the controversy whether the directive does or does not relate to the licensees.

In view of the aforementioned order of the Honorable Supreme Court, the legal advisor of the Group has requested the MoIT to enforce its directions on PTA and initiate collection of the balance spectrum fee in 10 equal annual installments, with the first of such annual installments becoming due in January 2013, to ensure all installments are paid prior to the expiry of the current term of licenses. The response from MOIT is still awaited, pending due to which, the liability has not been discounted to its present value.

	Note	June 30, 2012	June 30, 2011
		------- (Rupees in '000) -------	

27. DUE TO EMPLOYEES

	Note	June 30, 2012	June 30, 2011
Amount due to employees	27.1	334	10,516
Current portion shown under current liabilities	32	(334)	(10,288)
		-	228

27.1 This represents the outstanding balance of gratuity payable to the employees under "Non-Workmen Category" as a result of the introduction of a loyalty drawing program by the Group during the year ended June 30, 2008. According to the program, the Group froze the balance on account of gratuity accumulated up to March 31, 2008 in respect of such employees and transferred the balance amounting to Rs.7.827 million from staff gratuity to due to employees. The balance is payable to employees in 48 equal monthly instalments. If for any reason, the employment ceases at any time prior to 48 months, the amount of un-drawn instalments shall stand forfeited. Further, if an employee who is covered under the staff gratuity 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.

28. ACCRUED MARK-UP

	Note	June 30, 2012	June 30, 2011
Accrued on redeemable capital – secured		68,443	-

28.1 This represents unpaid mark-up in respect of redeemable capital as a result of restructuring as discussed in detail in note 23.1.

29. TRADE AND OTHER PAYABLES

	Note	June 30, 2012	June 30, 2011
Trade			
Pakistan Telecommunication Company Limited			
Wireless Payphone Service (WPS)	29.1	609,708	609,708
LL & LDI charges		68,470	48,059
Others		562	1,591
		678,740	659,358
ZTE Corporation Limited		35,408	31,486
Interconnect operators		189,266	104,426
Others		216,413	174,044
		1,119,827	969,314
Other payables			
Current accounts with related parties	29.2	62,211	18,343
Pakistan Telecommunication Authority	39	58,305	41,989
Advances from customers and franchisees	29.3	10,624	12,164
Unearned income from wireless payphone cards		9,375	90,969
Accrued liabilities		64,277	48,384
Unclaimed dividend		7,892	6,216
Sales tax – net		62,352	60,040
Income tax deducted at source	29 .4 & 29.5	363,153	263,359
Workers' Welfare Fund		7,770	7,770
Others		59,354	1,716
		705,313	550,950
		1,825,140	1,520,264

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 (2011: Rs.968.000) million on account of air time charges, line rent and access charges and Rs.276.000 (2011: 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 years ended June 30, 2010, and June 30, 2011 respectively, for WPS charges. Hence, total amount claimed by the PTCL as at June 30, 2012 amounted to Rs.1,396.992 (2011: Rs.1,396.992) million. However, the management, while acknowledging the liability to the extent of Rs.609.708 (2011: Rs.609.708) million does not accept liability for the remaining sum of Rs.787.284 (2011: Rs.787.284) million and has not recorded the same in these consolidated financial statements. In this respect, the Group, during the year ended June 30, 2007, paid a sum of Rs.100.000 million to the PTCL under protest to ensure uninterrupted WPS. 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 (2011: Rs.289.725) million, as due from the PTCL under other receivables (note 15) and has not adjusted the same in these consolidated 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, 2012	June 30, 2011
		------- (Rupees in '000) -------	
29.2 Related parties			
World Trade Center (Private) Limited		56,034	12,345
Total Telecom Limited		421	402
Envicon (Private) Limited		52	52
Arfeen International (Private) Limited		1,002	841
Chaman Investment (Private) Limited		4,702	4,703
		62,211	18,343

29.2.1 These represent balances due to related parties in respect of services received therefrom. These carry mark-up at the rate of six months KIBOR plus 3.5% (2011: six 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.12.738 (2011: Rs.12.738) million, representing tax deductions from payments made to a foreign Satellite Service Provider, as discussed in more detailed in note 33.12.

29.5 In addition, the Group has withheld an aggregate sum of Rs.146.949 (current year deduction Rs.58.593) million from payments made to SpaceCom International LLC., New Skies Satellite B.V., Orange Business Services and China Orient Satellite Group Limited (foreign Satellite Bandwidth Providers). During the current year, the Group filed an application to the Commissioner of Inland Revenue, seeking exemption from the requirements of withholding tax from payment to SpaceCom International LLC., and New Skies Satellite B.V. The Group has prayed that the said Satellite Bandwidth Providers do not have any permanent establishment in Pakistan and further, their countries of origin, United States of America, Netherlands, United Kingdom and China, have double tax treaties with Pakistan. Hence, the payments are considered to be outside the scope of taxation. Pending a final decision in this matter, the Group has not deposited the said withholding tax.

	Note	June 30, 2012	June 30, 2011
		------- (Rupees in '000) -------	
30. ACCRUED / INTEREST MARK-UP			
On secured:			
Long-term loans	22	25,380	24,030
Redeemable capital	23	83,638	65,511
Short-term running finances	31	15,345	15,520
		124,363	105,061
On unsecured:			
Current accounts with related parties		-	144
		124,363	105,205
31. SHORT-TERM RUNNING FINANCES			
From banks – secured		352,057	437,836

The Group has arranged short-term running finance facilities, aggregating to Rs.375.000 (2011: Rs.480.000) million from various commercial banks. These carry mark-up ranging between three months KIBOR plus 2.75% to six months KIBOR plus 3.5% (2011: three months KIBOR plus 2.75% to six months KIBOR plus 3%) per annum, payable quarterly. The purchase prices are repayable on various dates, latest by February 28, 2012. These facilities are secured against first pari passu hypothecation charge over current assets of the Group to the extent of Rs.394.000 (2011: Rs.394.000) million, as well as ranking charge over fixed assets of the Group to the extent of Rs.400.000 (2011: Rs.400.000) million.

32. CURRENT MATURITIES OF LONG-TERM LIABILITIES

	Note	June 30, 2012	June 30, 2011
Long-term loans	22	9,680	79,875
Redeemable capital (TFCs)	23	104,860	405,840
Liabilities against assets subject to finance lease		13,158	13,309
Long-term deposits	25	40,405	33,314
Due to employees	27	334	10,288
		168,437	542,626

33. CONTINGENCIES AND COMMITMENTS

Contingencies

33.1 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 that amount within the due date.

During the year ended June 30, 2011, the Court dismissed the appeal as having become infructous on the basis of an incorrect statement by PTA's counsel that the Group has paid the amount and, therefore, the matter has been resolved. The Group filed an application under section 12(2) CPC praying that the subject amounts have not been paid and consequently the dispute still needs adjudication. The Court restored the Stay Order initially granted to the Group.

The above appeal will be fixed for final arguments by the above referred Court. In the meantime, the Order remains suspended. Pending to the final determination of the above by the said Court, no provision for the remaining balance of Rs.101.651 million has been made in these consolidated financial statements.

33.2 During the year ended June 30, 2009, 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.

Thereafter, during the year ended June 30, 2011, the PTA issued a Determination dated October 31, 2010 in respect of the above matter, and demanded a sum of Rs.56.47 million from the Group on account of short payment of APC for USF. The Group has filed a Writ Petition which is currently pending before the Islamabad High Court interalia praying that the opportunity of being heard be afforded to the Company and the amount determined in the said Determination be corrected in view of the Group's application.

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 consolidated financial statements.

33.3 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 consolidated financial statements.

33.4 *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 Company'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 consolidated financial statements pending a final decision in this matter.*

33.5 *During the year, the PTA issued a show cause notice to the Group alleging that the amount in the sum of Rs.23 million on account of Annual Radio Spectrum Fees (ARFSF) for the year ended June 30, 2011 has not been paid. The Group in its reply to the said notice requested the PTA to receive this amount in 12 equal monthly installments while submitting the cheque for the first installment mainly on the grounds of business losses and consequent cash flow constraints. The PTA has turned down this request and issued a determination demanding the amount including late payment fees in lump sum. The said determination was challenged in the Islamabad High Court and the Court was pleased to suspend the operations of the order. The case is pending adjudication.*

33.6 *During the current year, the PTA issued a show cause notice to the Group, demanding the payment of Annual Regulatory Dues in the sum of Rs.21 million. However, the Group worked out these dues to be Rs. Nil as it contended that these dues should be calculated by using accrual basis of accounting, to arrive at the net revenue on which these charges should be calculated under the LDI and WLL License conditions. The PTA, on the other hand, only allows expenses that are paid during the year to be deducted from the revenue. This contention was not accepted by the PTA and a determination was issued by the authority demanding the fees so calculated. The Group instituted an appeal in the Islamabad High Court, challenging the alleged amount demanded by the PTA and the Court suspended the said determination of PTA. The matter is pending adjudication and in view of the Group's legal advisor, the Group has a good arguable case and no liability has been recorded in these consolidated financial statements.*

33.7 *PTA, in the current year, issued a show cause notice, alleging that the Group is not following the Approved Settlement Rate (ASR) while selling the international minutes as determined by PTA. The Group in response has rejected the allegations by stating that the very issue of determining ASR in light of the relevant Rules and Regulations of the Authority stands sub-judice in the Honorable High Court of Sindh, which is currently pending and any further deliberations/implications/decisions relating to the ASR issue can only be made once a binding principle is established by the said Court in this matter. Further, the Group has also instituted a petition in the Honourable High Court of Sindh, challenging the show cause notice and the Court granted a stay to the effect that PTA will not revoke or cancel the Group's license in the matter. As per the legal advisor of the Group, the case is in its preliminary stage and the Group has good arguable case on its merits and is likely to succeed in obtaining the relief sought against the respondent.*

33.8 *In respect of the assessment years 1999 - 2000 to 2002 - 2003, the Holding 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 Holding Company on purchase of fixed assets. Tax demand in respect of these cases amounts to Rs.59.812 million. The Holding 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 Holding 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 Holding Company has filed an appeal against the same before the Income Tax Appellate Tribunal (ITAT) which has decided the case against the Holding 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 Holding Company has filed an appeal in the Court, which has not been heard to-date.

The income tax assessments of Supernet Limited, a Subsidiary Company have been finalised up to and including the tax year 2011. While finalising the Subsidiary Company's income tax assessments for the assessment years 1997-98 to 2002-03, the taxation officer had not allowed credit of taxes paid by the Subsidiary Company, aggregating Rs.17.078 million, on account of non-verifiability of payment challans. The Subsidiary Company through its Tax Consultants has applied for a rectification for Rs.15.605 million and separate rectification application of Rs.1.473 million will be filed in near the future. The management is confident that the eventual outcome of the matter will be decided in favour of the Subsidiary Company. Accordingly, no adjustment has been made to the above, shown under advance income tax in note 18, pending a final decision in this matter.

The aggregate financial impact of the above matters on the tax provision made by the Group in the consolidated financial statements works out to be Rs.91.679 (2011: Rs.91.679) 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 consolidated financial statements.

33.9 During the current year, the Group has filed a Constitutional Petition before the High Court of Sindh at Karachi, seeking certain declarations and restraining orders against PTA & National Accountability Bureau, challenging the Notice, dated May 27, 2011, issued by PTA to the Group under section 5(r) of the NAB Ordinance whereby the PTA has required the Group to make payment of Rs.1,233.540 million on account of APC for USF Contribution till January 2011, which was payable by the Group within 30 days from the date of the Notice. In view of Company's legal advisor, the Group has a good arguable case on merit and is likely to succeed in obtaining the relief claimed against the respondents. Accordingly, no provision has been made for any liability in these consolidated financial statements for the above.

33.10 PTCL's claim amounting to Rs.1,607.072 (2011: Rs.1,590.651) 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 consolidated financial statements.

33.11 During the year ended June 30, 2010, the PTA issued a determination relating to the Annual Regulatory Dues for 2008 and demanded a payment of Rs.54.548 million. The Group has challenged the determination in the High Court of Sindh, mainly on the ground that the 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 consolidated financial statements pending a final decision.

33.12 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.27.934 (2011: Rs.27.788) million. Out of this amount, a sum of Rs.12.738 (2011: Rs.12.738) 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.15.196 (2011: Rs.15.196) million has not been provided for in these consolidated 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 consolidated financial statements.

33.13 A suit was filed by Huawei Technologies Company Limited, China, in the High Court of Sindh against the Company for the return of certain equipment or payment of US$300,000 equivalent to Rs.25.815 (2011: Rs.25.680) million and a compensation of US$270,000, [approximately Rs.23.234 (2011: Rs.23.112) 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 consolidated financial statements.

33.14 Contingencies in respect of matters relating to the PTCL have been disclosed in notes 17.2, 17.3, 17.4, 17.5, and 29.1 to the consolidated financial statements. Pending resolutions of these matters no provision has been made against the amounts disclosed in these notes.

33.15 Contingency in respect of the PTA claim for APC for USF is disclosed in note 17.6 to the consolidated financial statements against which no provision has been made in these consolidated financial statements in accordance with the advice of the legal advisor.

33.16 Contingency relating to accrued mark-up is disclosed in note 16.1 to the consolidated financial statements against which no provision has been made for the reason disclosed in the said note.

33.17 Counter guarantees given to banks amounting to Rs.207.898 (2011: Rs.182.900) million.

	Note	June 30, 2012	June 30, 2011
		------- (Rupees in '000) -------	
34. REVENUE – Net			
Turnover		2,316,336	2,442,135
Trade discounts		(8,018)	(18,913)
		2,308,318	2,423,222
Services rendered to the Contractor		70,314	58,234
Sale of equipment		142,363	108,130
		2,520,995	2,589,586
35. DIRECT COSTS			
Salaries and other benefits	35.1	82,297	56,691
Interconnect charges – net		770,148	473,129
Network media charges		79,550	80,956
Network sites rent		135,200	160,016
Network sites utilities and maintenance		107,291	110,345
Satellite communication charges		620,315	547,373
Cost of cards sold	35.2	687	1,479
Communication stores consumed	35.3	131,542	10,171
Provision against slow moving stores	12.1	268	553
Support services		12,355	6,628
Repair and maintenance		1,044	290
Royalty	35.4	2,004	6,374
Consultancy charges		3,479	18,967
Printing and stationery		3	53
Conveyance and travelling		5,691	13,919
Communication		1,559	1,821
Insurance		9,846	11,427
Annual license fee		16,789	27,945
Depreciation	6.1.5	417,536	520,889
Amortisation	7.4	181,517	181,517
Others		1,860	997
		2,580,981	2,231,540

35.1 This includes a sum of Rs.0.273 (2011: Rs.0.309) million in respect of the Group's contribution to the Provident Fund and Rs.Nil (2011: Rs.0.276 million) in respect of the Staff Gratuity.

	Note	June 30, 2012	June 30, 2011
		------- (Rupees in '000) -------	
35.2 Cost of cards sold			
Opening stock		862	8,836
Purchases		406	(6,495)
		1,268	2,341
Closing stock		(581)	(862)
		687	1,479
35.3 Communication stores consumed			
Opening stock		108,431	100,346
Purchases		124,885	18,256
		233,316	118,602
Closing stock		(101,774)	(108,431)
		131,542	10,171

35.4 This represents royalty paid to PTA for the establishing, maintaining and operating of data Class Value Added Services (CVAS) in Pakistan under license number DIR (L)/CVAS-303/PTA/2009, granted on October 23, 2009 for the period of 15 years.

36. DISTRIBUTION COSTS AND ADMINISTRATIVE EXPENSES

	Note	June 30, 2012	June 30, 2011
Salaries and other benefits	36.1	254,861	278,923
Postage, telephone and telex		3,244	3,702
Vehicles running and maintenance		26,460	23,992
Travelling and entertainment		18,304	13,697
Office security and maintenance		8,466	10,050
Stationery		4,808	6,870
Rent and utilities		101,677	94,379
Insurance		6,484	6,105
Legal and professional charges		20,888	9,070
Auditors' remuneration	36.2	4,414	4,751
Donation		329	1,057
Sales promotion and marketing		13,853	18,925
Fee and subscription		2,995	2,024
Depreciation	6.1.5	13,937	13,033
Amortisation	7.4	64	65
Repair and maintenance		1,982	865
Communication		747	1,183
Provision for debts considered doubtful	13.2	21,641	50,639
Provision for advances considered doubtful	14.2	-	6,728
Provision for additional tax and penalties		39,804	4,662
Provision for insurance claims		7,418	-
Late payment surcharge – PTA		5,244	-
Stock written off		-	8,184
Others		1,944	1,017
		559,564	559,921

36.1 This includes Rs.1.429 million in respect of gratuity expense for the year (2011: Rs.1.929 million) and Rs.5.063 (2011: Rs.4.845) million in respect of the Group's contribution towards provident fund.

	Note	June 30, 2012	June 30, 2011
		------- (Rupees in '000) -------	
36.2 Auditors' remuneration			
Fee for the audit of annual financial statements		2,570	2,400
Fee for the audit of consolidated financial statements		350	350
Fee for the review of half yearly financial statements and special certifications		980	980
Tax services		28	631
Out-of-pocket expenses		486	390
		4,414	4,751
37. OTHER OPERATING EXPENSES			
Exchange loss – net		23,758	1,016
Workers' Welfare Fund		-	2,896
		23,758	3,912
38. OTHER OPERATING INCOME			
Mark-up on current accounts with related parties		15,416	2,598
Return on bank deposits and term deposit receipt		4,952	4,907
Gain on sale of fixed assets		2,043	-
Provision against other receivables considered doubtful written back		-	562
Exchange gain - net		-	2,524
Professional service to a related party		18,000	54,000
Scrap sales		-	3,358
Others		1,137	197
		41,548	68,146
39. LIABILITIES NO LONGER PAYABLE WRITTEN BACK			
Alcatel Lucent Pakistan Limited (trade creditor)		-	516,000
Workers' Welfare Fund		-	19,405
Due to employees		-	11,346
Payable to PTA	39.1	8,506	1,956
Others		12,577	-
		21,083	548,707

39.1 This consists of write back of provision of Rs.3.700 million in respect of regulatory fee as discussed in note 33.6 and Rs.4.806 million written back against the provision for APC for USF as discussed in note 17.6.

	Note	June 30, 2012	June 30, 2011
		------- (Rupees in '000) -------	

40. FINANCE COSTS

Mark-up on secured:			
Redeemable capital		151,523	153,694
Long term loans		44,005	78,955
Finance lease arrangements		-	257
Short term running finances		65,410	39,554
Current accounts with related parties		-	144
Bank charges		5,140	5,078
		266,078	277,682

41. TAXATION

Current	41.1	31,852	30,666
Prior		(3,733)	(7,544)
Deferred		(292,201)	19,743
Flood relief surcharge		-	723
		(264,082)	43,588

41.1 The relationship between income tax expense and accounting profit has not been presented in these consolidated financial statements as the provision for taxation for the current year is based on minimum tax on turnover under section 113 of the Income Tax Ordinance, 2001.

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

(Loss) / profit after tax for the year	(582,673)	89,796
	Number of shares	
Weighted average number of shares	300,000,000	300,000,000
	------- (Rupees in '000) -------	
(Loss) / basic earnings per share	(1.94)	0.30

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

	Note	June 30, 2012	June 30, 2011
		------- (Rupees in '000) -------	

43. CASH GENERATED FROM OPERATIONS

	Note	June 30, 2012	June 30, 2011
(Loss) / profit before taxation		(846,755)	133,384
Adjustments for non-cash charges and other items:			
Depreciation	6.1.5	431,473	533,922
Amortisation	7	181,581	181,582
Provision / (reversal) for gratuity		1,132	2,232
Finance costs		260,938	272,604
Provision for compensated absences		-	1,514
Provision for debts considered doubtful	36	21,641	50,639
Provision against advances considered doubtful		-	6,728
Provision against other receivables considered doubtful written back		-	(562)
Provision against slow moving stores	35	268	553
(Profit) / loss on sale of fixed assets		(2,043)	-
		894,990	1,049,212
Profit before working capital changes		48,235	1,182,596
Decrease / (increase) in current assets			
Communication stores		4,663	(8,634)
Stock-in-trade		281	7,974
Trade debts		(56,692)	560,357
Loans and advances		11,169	(20,703)
Deposits and prepayments		21,931	21,290
Other receivables		56,931	(57,828)
Short-term investment and accrued mark-up		(15,328)	16,584
		22,955	519,340
Increase / (decrease) in trade and other payables		304,876	(949,493)
Cash generated from / (utilised in) operations		376,066	752,443

44. CASH AND CASH EQUIVALENT

	Note	June 30, 2012	June 30, 2011
Short term investments	19	34,180	31,799
Cash and bank balances	20	21,423	17,093
		55,603	48,892

45. REMUNERATION OF THE CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2012			2011		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	(Rs. in '000)			(Rs. in '000)		
Managerial remuneration	12,627	6,135	61,175	14,931	5,806	44,198
Other perquisites and benefits:						
House rent	2,613	2,761	13,922	2,613	2,613	16,607
Medical	49	55	2,751	70	-	625
Retirement benefits	411	199	3,171	-	-	1,103
Utilities	4,310	-	27,799	6,530	-	4,806
Perquisites and benefits	-	-	2,425	760	-	482
Leave passage	581	614	3,094	581	581	3,691
	7,964	3,629	53,162	10,554	3,194	27,314
	20,591	9,764	114,337	25,485	9,000	71,512
Number of persons	2	2	59	2	1	35

45.1 A Director of the Group is also provided with the free use of the Group maintained car and other benefits in accordance with their terms of service.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

46.1 Market risk

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

46.1.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate because of changes in the market interest rates. As of June 30, 2012, the Group is exposed to such risk mainly in respect of long-term and short-term borrowings and short-term investments and loan.

Management of the Group estimates that 1% increase in the market interest rate, with all other factors remaining constant, would decrease the Group's profit by Rs.19.10 million and a 1% decrease would result in an increase in the Group's profit by the same amount. However, in practice, the actual results may differ from the sensitively analysis.

46.1.2 Foreign currency risk

Foreign currency risk is the risk that the 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, 2012 US$	June 30, 2011 US$
Trade debts	1,077,199	904,642
Bank balances	436	15,703
Trade and other payables	(530,648)	(516,233)
	546,987	404,112

	June 30, 2012	June 30, 2011
	------- (Rupees in '000) -------	
The following significant exchange rates have been applied at the reporting dates:		
Exchange rate	94.00	85.85

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, 2012	+10	5,142	5,142
	-10	(5,142)	(5,142)
June 30, 2011	+10	4,451	4,451
	-10	(4,451)	(4,451)

46.1.3 Equity risk

Equity price risk is the risk of volatility in share prices resulting from their dependence on market sentiments, speculative activities, supply and demand for shares and liquidity in the market. As of June 30, 2012 the Group is not exposed to equity price risk.

46.2 *Credit risk*

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

	June 30, 2012	June 30, 2011
	------- (Rupees in '000) -------	
Trade debts	483,901	448,850
Short-term investment	34,180	31,799
Long-term advances	5,820	5,820
Long-term deposits	71,726	100,500
Loans and advances	52,963	64,132
Other receivables	3,522,848	3,579,779
Accrued mark-up	65,306	49,978
Bank balances	18,641	17,093
	4,255,385	4,297,951

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	483,901	448,850
Short-term investment		
A-3	34,180	31,799
Bank balances		
A1+	12,254	6,733
A1	6,244	9,879
A2	-	176
A-2	88	62
A-1+	20	20
A1-	-	56
A3	35	-
	18,641	16,926

46.3 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group follows effective cash management and planning policy to ensure the availability of funds through committed credit facilities. At the balance sheet date, the Group has unavailed credit facility of Rs.22.200 (2011: Rs.42.200) 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	-	9,680	304,167	-	313,847
Redeemable capital	-	104,860	776,160	-	881,020
Long-term deposits	-	40,405	67,730	-	108,135
Spectrum fee payable	-	-	1,585,500	-	1,585,500
Trade and other payables	2,419	1,822,721	-	-	1,825,140
Accrued mark-up	124,363	-	-	-	124,363
Short-term running finances	127,255	224,802	-	-	352,057
June 30, 2012	254,037	2,202,468	2,733,557	-	5,190,062

	Less than 3 months	3 to 12 months	1 to 5 Years	5 years	Total
	-----------(Rupees in '000)-----------				
Long-term loans	-	79,875	201,625	-	281,500
Redeemable capital	-	405,840	476,160	-	882,000
Long-term deposits	-	33,313	93,038	-	126,351
Spectrum fee payable	-	-	1,585,500	-	1,585,500
Trade and other payables	247,828	1,272,341	-	-	1,520,169
Accrued mark-up	105,205	-	-	-	105,205
Short-term running finances	145,101	292,735	-	-	437,836
June 30, 2011	498,134	2,084,104	2,356,323	-	4,938,561

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

46.4 Fair value of financial instruments

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

The carrying values of all financial assets and liabilities reflected in the consolidated financial statements approximate their fair values, except for available-for-sale investment as disclosed in note 10.1.

46.5 Capital management

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

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

	June 30, 2012	June 30, 2011
	------- (Rupees in '000) -------	
Long-term loans	313,847	281,500
Redeemable capital	881,020	882,500
Due to PTA	1,585,500	1,585,500
Debt	2,780,367	2,749,500
Issued, subscribed and paid-up capital	3,000,000	3,000,000
Unappropriated profit / (Accumulated loss)	151,702	734,375
Total capital	3,151,702	3,734,375
Capital and debt	5,932,069	6,483,375
Gearing ratio	46.9%	42.4%

47. TRANSACTIONS WITH RELATED PARTIES

The related parties include 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

	2012	2011
Pakcom Limited		
Mark-up charged during the year	-	2,039
Arfeen International (Private) Limited		
Sale of fixed assets	-	8,228
Payments made on behalf of the Group	1,822	403
Payments made by the Group	780	1,296
Repayment of long-term loan	-	17,000
Markup charged during the year	8,432	144
Rent charged during the year	5,520	5,549
Service received	759	-
Service rendered	203	-
Chaman Investment (Private) Limited		
Services rendered	-	720

	June 30, 2012	June 30, 2011
	------- (Rupees in '000) -------	
World Trade Center (Private) Limited		
Services rendered	22,817	14,845
Service received	63,116	61,077
Envicrete Limited		
Payment made	211	-
Payment made on behalf of the Group	387	203
Grand Leisure Corporation (Private) Limited		
Services rendered	236	180
Provident Fund		
Contribution during the year	3,826	3,493
Instaphone Infrastructure (Private) Limited		
Payment made by the Group	4,209	38,232
Payment made on behalf of the Group	1,087	-
Sale of fixed assets	375	-
Services rendered	18,000	54,000
Services received	6,761	78,015
Mark-up charged during the year	6,053	183
Instaphone (Private) Limited		
Payment made by the Group	2,615	8,024
Services rendered	540	-
Mark-up charged	167	498

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

48. CORRESPONDING FIGURES

Certain corresponding figures have been reclassified for the purposes of better presentation, however, there were no material reclassification.

49. DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorised for issue on November 08, 2012 by the Board of Directors.

50. GENERAL

Figures have been rounded off to the nearest thousand rupees.

Chief Executive

Director

Pattern of Shareholding
As at June 30, 2012

Number of share Holders	Share Holding From	To	Total Share Held
170	1	100	7,789
596	101	500	269,750
922	501	1000	909,202
1,888	1001	5000	5,994,097
731	5001	10000	6,246,548
287	10001	15000	3,844,368
221	15001	20000	4,159,696
154	20001	25000	3,713,924
79	25001	30000	2,249,092
44	30001	35000	1,458,244
63	35001	40000	2,437,805
26	40001	45000	1,132,788
94	45001	50000	4,653,246
22	50001	55000	1,177,170
25	55001	60000	1,468,591
14	60001	65000	889,074
21	65001	70000	1,451,309
18	70001	75000	1,339,100
11	75001	80000	863,500
8	80001	85000	673,812
3	85001	90000	270,000
6	90001	95000	561,587
43	95001	100000	4,282,873
9	100001	105000	921,197
7	105001	110000	759,312
4	110001	115000	455,500
5	115001	120000	593,000
10	120001	125000	1,239,129
2	125001	130000	257,210
5	130001	135000	667,800
2	135001	140000	277,604
2	140001	145000	287,000
10	145001	150000	1,494,249
2	150001	155000	308,370
2	155001	160000	319,536
5	165001	170000	847,012
3	170001	175000	519,035
1	180001	185000	183,000
2	185001	190000	375,212
2	190001	195000	388,000
17	195001	200000	3,396,767
1	210001	215000	214,792
3	215001	220000	654,288
2	220001	225000	442,266
2	225001	230000	458,000
1	230001	235000	235,000
1	235001	240000	238,500
6	245001	250000	1,499,412
1	250001	255000	250,052
3	255001	260000	780,000
1	260001	265000	265,000
3	270001	275000	816,642
4	295001	300000	1,200,000

Number of share Holders	Share Holding From	To	Total Share Held
1	300001	305000	301,000
3	305001	310000	929,002
2	315001	320000	640,000
3	325001	330000	986,724
3	330001	335000	999,431
2	335001	340000	678,690
3	345001	350000	1,050,000
1	365001	370000	367,790
1	370001	375000	375,000
6	395001	400000	2,397,500
1	400001	405000	401,600
1	410001	415000	410,319
1	420001	425000	421,800
2	445001	450000	899,735
1	450001	455000	454,129
1	465001	470000	465,392
1	480001	485000	485,000
5	495001	500000	2,500,000
1	505001	510000	506,900
2	515001	520000	1,039,002
1	520001	525000	520,355
1	525001	530000	527,932
1	570001	575000	575,000
2	595001	600000	1,200,000
1	600001	605000	604,176
1	630001	635000	634,375
1	685001	690000	686,236
1	725001	730000	727,255
1	845001	850000	850,000
1	885001	890000	886,430
1	895001	900000	896,430
2	905001	910000	1,812,856
1	920001	925000	923,000
1	995001	1000000	1,000,000
1	1195001	1200000	1,200,000
1	1250001	1255000	1,255,000
1	1470001	1475000	1,475,000
1	1495001	1500000	1,500,000
1	1545001	1550000	1,545,577
1	1605001	1610000	1,608,500
1	2395001	2400000	2,400,000
1	2450001	2455000	2,450,900
1	2495001	2500000	2,500,000
1	2845001	2850000	2,850,000
1	2995001	3000000	2,996,749
1	3890001	3895000	3,894,858
1	5005001	5010000	5,005,876
1	7315001	7320000	7,320,000
1	7500001	7505000	7,500,006
1	10495001	10500000	10,500,000
1	13070001	13075000	13,071,500
1	22725001	22730000	22,727,180
1	24370001	24375000	24,370,345
1	29095001	29100000	29,100,000
1	56175001	56180000	56,179,000
5,642			300,000,000

Catagories of Shareholders

As at June 30,2012

Name	NO OF SHARES	NOS	%
INDIVIDUALS	129,502,057	5,535	43
ASSOCIATED COMPANIES			
CHAMAN INVESTMENT (PVT) LTD	34,500	1	0.01
ARFEEN INTERNATIONAL (PVT) LTD	90,000	2	0.03
GATES LTD	2,450,900	2	0.82
	2,575,400	5	0.86
JOINT STOCK COMPANIES	125,403,920	70	41.80
BANKS, DFI'S, NBFI'S, INSURANCE COMPANIES,	5,730,739	16	1.91
MODARBAS AND MUTUAL FUNDS & OTHERS	909,850	2	0.30
	132,044,509	88	44.01
FOREIGN INVESTORS			
BOSTON SAFE DEPOSIT & TRUST	2,000	1	0.00
LEHMAN BROTHERS SECURITIES	3,400	1	0.00
STATE STREET BANK & TRUST CO.	8,100	1	0.00
BARING SECURITIES NOMINEES LTD	400	1	0.00
ICG USA	2,500,000	1	0.83
INTERNATIONAL COMMUNICATION	7,320,000	1	2.44
	9,833,900	6	3.28
DIRECTORS,CHIEF EXECUTIVE AND THEIR SPOUSES			
SULTAN UL ARFEEN	1,426,362	2	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	22,783,130	2	7.59
	26,044,134	8	8.68
Total	300,000,000	5,642	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.
of _________________________________ or failing him
of __________________________________ as my / our
proxy to vote for me/us an on my behalf at the Annual General Meeting of the Company to be held on Friday 30 November 2012 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___________________, 2012.

WITNESS:

1. Signature: _________________________
   Name:
   Adress:
   CNIC No.
					-							-	

   Or Passport No. ____________________

Rupees Five Revenue Stamp

2. Signature: _________________________
   Name:
   Adress:
   CNIC No.
					-							-	

   Or Passport No. ____________________

Signature of the shareholder
1. For physical shareholders: The signature should agree with the specimen registered with the company.
2. For CDC shareholders: The signature should agree with the specimen on CNIC attached).

CNIC No.

					-							-	

NOTES:

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

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

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