

DIRECTORS' REPORT

The Board of Directors of Pak Datacom Limited (PDL) has the pleasure in presenting to the share holders operating results of first half of financial year 2008-2009 i.e. from 1st July 2008 to 31st December 2008.

The Company's revenue base has grown up considerably during first six months of current financial year i.e. Rs. 492,933 million as against Rs. 294.773 million for the corresponding period of last year. The profitability was also slightly improved to Rs. 101.897 million as compared to Rs. 90.164 million of the same period of last year. Due to prevailing market situation, increase in cost of operation and decrease in margins, the profitability in proportion to revenue growth was contained.

There has been steady growth in DXX, VSAT based networks and i-Direct services. During the period under review some new customers have also been added. We expect steady growth in the business despite global as well as national economic recession.

It is hoped that the Company will come up to the expectations of the valued share holders in the remaining half of the financial year and targets set would be achieved by the dedication of the management and employees of the Company.

On behalf of the Board

Islamabad
February 25, 2009

Syed Mahmood Ahmad
Chief Executive

REVIEW REPORT TO THE MEMBERS

Independent Auditors' Report on Review of condensed Interim Financial Information to the Members of Pak Datacom Limited.

Introduction

We have reviewed the accompanying condensed balance sheet of Pak Datacom Limited as of December 31st, 2008 and the related condensed profit and loss account, condensed cash flow statement and condensed statement of changes in equity for the six months' period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed interim profit and loss account for the quarters ended December 2008 and 2007 have not been reviewed as we are required to review only the cumulative figures for the half year ended December 31, 2008.

Scope of review

We conducted our review in accordance with international standards on review engagements 2410, "Review of Interim Financial Information performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as at December 31, 2008 is not prepared in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

Date: 25 February, 2009
Islamabad

KHALID MAJID RAHMAN SARFARZ
RAHIM IQBAL RAFIQ
CHARTERED ACCOUNTANTS

Engagement Partner: Muttee ur Rehman Mirza

BALANCE SHEET (UN-AUDITED)

AS AT DECEMBER 31, 2008

	<u>December 31, 2008</u> Rupees	<u>June 30, 2008</u> Rupees
EQUITY AND LIABILITIES		
SHARE CAPITAL AND RESERVES		
Authorised share capital 10,000,000 (June 2008: 10,000,000) ordinary shares of Rupees 10/-each	<u>100,000,000</u>	<u>100,000,000</u>
* Issued, subscribed & paid up capital	78,408,000	78,408,000
Reserves	432,881,104	398,095,182
	511,289,104	476,503,182
NON-CURRENT LIABILITIES		
Deferred liabilities	64,037,815	69,348,347
CURRENT LIABILITIES		
Customers' deposits	74,596,177	55,683,773
Due to associated companies	570,160	252,640
Creditors, accrued and other liabilities	147,273,869	181,613,243
Provision for taxation	49,671,039	49,587,124
	272,111,245	287,136,780
CONTINGENCIES AND COMMITMENTS		
	-	-
	<u>847,438,164</u>	<u>832,988,309</u>
ASSETS		
NON-CURRENT ASSETS		
Property, plant & equipment	368,937,616	357,552,970
Long term deposits	162,650	162,650
CURRENT ASSETS		
Trade debts - unsecured	129,226,708	172,458,824
Advances, deposits, prepayments and other receivables	115,808,481	123,977,080
Short term investments	159,217,027	96,421,265
Cash & bank balances	74,085,682	82,415,520
	478,337,898	475,272,689
	<u>847,438,164</u>	<u>832,988,309</u>

The annexed notes 1 to 14 form an integral part of these financial statements.

PROFIT AND LOSS ACCOUNT (UN-AUDITED)**FOR THE HALF YEAR ENDED DECEMBER 31, 2008**

	For the quarter October- December 2008 Rupees	For the quarter October- December 2007 Rupees	For six months ended December 31, 2008 Rupees	For six months ended December 31, 2007 Rupees
Revenue	250,567,879	155,166,714	492,932,842	294,772,758
Operating expenses	(203,431,627)	(112,045,437)	(392,575,902)	(214,295,202)
Operating profit	47,136,252	43,121,277	100,356,940	80,477,556
Other income	1,134,037	5,862,307	1,918,280	9,843,792
	48,270,289	48,983,584	102,275,220	90,321,348
Financial charges	(144,810)	(97,000)	(378,664)	(157,655)
Profit before taxation	48,125,479	48,886,584	101,896,556	90,163,693
Provision for taxation	(16,927,557)	(17,116,716)	(35,747,434)	(32,299,132)
Profit after taxation	31,197,922	31,769,868	66,149,122	57,864,561
Earning per share	3.98	4.05	8.44	7.38

The annexed notes 1 to 14 form an integral part of these financial statements.

AMJAD HUSSAIN QURESHI
DIRECTOR

SYED MAHMOOD AHMAD
CHIEF EXECUTIVE

CASH FLOW STATEMENT (UN-AUDITED)

FOR THE HALF YEAR ENDED DECEMBER 31, 2008

	December 31, 2008 Rupees	December 31, 2007 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year before taxation	101,896,556	90,163,693
Adjustment for non-cash and other items		
Depreciation	44,028,234	29,756,497
(Gain)/ loss on disposal of fixed assets	11,972,988	(984,231)
Financial charges	378,664	157,655
Exchange (gain)/ loss	(7,962,799)	(1,589,166)
Return/ interest on bank deposits	(5,928,470)	(4,150,818)
Provision for gratuity	2,200,000	1,100,000
Provision for earned leave	2,468,616	400,000
	<u>47,157,233</u>	<u>24,689,937</u>
Operating profit before working capital changes	149,053,789	114,853,630
(Increase)/ decrease in current assets		
Trade debtors	43,232,116	(54,905,796)
Advances, deposits, prepayments and other receivables	(3,343,358)	(1,130,118)
	<u>39,888,758</u>	<u>(56,035,914)</u>
Increase/ (decrease) in current liabilities		
Customers' deposits	18,912,404	3,308,086
Due to associated undertakings	317,520	(1,000)
Creditors, accrued and other liabilities	(34,701,942)	(1,584,400)
	<u>(15,472,018)</u>	<u>1,722,686</u>
	173,470,529	60,540,402
Cash generated from operations		
Taxes paid	(30,483,138)	(40,487,785)
Gratuity paid/ adjusted	(2,032,543)	(4,295)
Earned leave paid/ adjusted	(180,107)	(55,308)
Return/ interest on bank deposits	4,661,005	5,458,753
Financial charges paid	(378,664)	(157,655)
	<u>(28,413,447)</u>	<u>(35,246,290)</u>
Net cash flows from operating activities	<u>145,057,082</u>	<u>25,294,112</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(69,164,548)	(45,621,868)
Proceeds on the disposal of fixed assets	1,778,680	1,653,486
Net cash flows in investing activities	<u>(67,385,868)</u>	<u>(43,968,382)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(31,168,089)	(20,874,880)
Net cash flows from financing activities	<u>(31,168,089)</u>	<u>(20,874,880)</u>
Net (decrease)/ increase in cash and cash equivalents	46,503,125	(39,549,150)
Cash and cash equivalents at the beginning of the period	178,836,785	193,245,454
Effect of foreign exchange rate change	7,962,799	1,589,166
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>233,302,709</u>	<u>155,285,470</u>

The annexed notes 1 to 14 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)

FOR THE HALF YEAR ENDED DECEMBER 31, 2008

	<u>Share Capital Issued, subscribed and paid-up Rs.</u>	<u>Capital Reserves</u>	<u>Revenue Reserves</u>		<u>Total Rs.</u>
		<u>Share premium Rs.</u>	<u>General Rs.</u>	<u>Unappropriated profit Rs.</u>	
Balance as at June 30, 2007	78,408,000	12,042,000	181,500,000	129,825,754	401,775,754
Transfer to General Reserves	-	-	50,000,000	(50,000,000)	-
Final dividend for the year ended June 30, 2007	-	-	-	(23,522,400)	(23,522,400)
Interim dividend for the year ended June 30, 2008	-	-	-	-	-
Net profit for the period	-	-	-	57,864,561	57,864,561
Balance as at December 31, 2007	78,408,000	12,042,000	231,500,000	114,167,915	436,117,915
Transfer to General Reserves	-	-	-	-	-
Interim dividend for the year ended June 30, 2008	-	-	-	(15,681,600)	(15,681,600)
Net profit for the period	-	-	-	56,066,867	56,066,867
Balance as at June 30, 2008	78,408,000	12,042,000	231,500,000	154,553,182	476,503,182
Transfer to General Reserves	-	-	50,000,000	(50,000,000)	-
Final dividend for the year ended June 30, 2008	-	-	-	(31,363,200)	(31,363,200)
Net profit for the period	-	-	-	66,149,122	66,149,122
Balance as at December 31, 2008	78,408,000	12,042,000	281,500,000	139,339,104	511,289,104

The annexed notes 1 to 14 form an integral part of these financial statements.

AMJAD HUSSAIN QURESHI
DIRECTOR

SYED MAHMOOD AHMAD
CHIEF EXECUTIVE

NOTES TO THE FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2008

1 LEGAL STATUS AND OPERATIONS

- 1.1 Pak Datacom Limited (the Company), a subsidiary of Telecom Foundation, was incorporated in Pakistan on July 13, 1992 as a private limited company under the Companies Ordinance, 1984 and was converted into a public limited company on June 26, 1994. The Company started its commercial activities on July 1, 1994. The Company is listed on all stock exchanges of Pakistan. The registered office of the Company is located at 1st Floor, TF Complex, 7 - Mauve Area, G - 9/4, Islamabad.
- 1.2 The objective of the Company is to set up, operate and maintain a network of data communication and to serve the needs of the subscribers against approved tariff charges.

2 STATEMENT OF COMPLIANCE

- 2.1 These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan, directive issued by the Securities and Exchange Commission of Pakistan (SECP) and the requirements of Companies Ordinance, 1984. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) as notified under the provisions of the Companies Ordinance, 1984. Wherever requirements of the Companies Ordinance, 1984 or directives issued by the SECP differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the said directives take precedence.
- 2.2 These interim financial statements are un-audited and are being submitted to the shareholders in accordance with the requirements of section 245 of the Companies Ordinance, 1984. These interim financial statements are presented in condensed form in accordance with the requirement of International Accounting Standard 34 "Interim Financial Reporting".

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- 3.1 The accounting policies adopted in the preparation of these financial statements are same as those applied in the preparation of financial statement for the year ended June 30, 2008
- 3.2 The depreciation rate of office building, datacom system machinery, testing equipment, air conditioners and furniture & fixtures have been changed from 5%, 20%, 10%, 10% and 10% per annum to 7.50%, 25%, 25%, 25% and 25% per annum respectively with effect from July 2008. The above revision has been accounted for as change in accounting estimate in accordance with the requirements of International Accounting Standard (IAS) 8 "Accounting Policies, Changes in Accounting Estimates and Errors". Accordingly, the effect of these changes in accounting estimates have been recognized

prospectively in the profit and loss account of the current year. Had there been no changes in these estimates, the profit before tax would have been increased by an amount of Rs.9,009,997.

4 CONTINGENCIES AND COMMITMENTS

- 4.1 Guarantees issued by the bank on behalf of the Company amounting to Rs. 3.652 million (June 2008: Rs. 3.652 million). These guarantees were issued in favour of customers of the Company.
- 4.2 During the year 2003, the Company entered into an agreement to provide VSAT services to a customer for a minimum term of two years. The agreement was terminated by the customer on June 30, 2003 after six months of service on the ground of non-compliance with the agreement claiming Rs.1.00 million while the Company's equipment valued at Rs.1.294 million (June 2008: Rs. 1.294 million) has been retained as a security against the claim. The Company has, however made a counter claim of Rs. 5.216 million (June 2008: Rs. 5.216 million). Legal case has been filed against the customer for recovery.
- 4.3 Capital commitments in respect of purchase of equipment outstanding amounting to Rs. 39.912 million (June 2008: Rs. 1.155 million)

December 31	June 30
2008	2008
Rupees	Rupees

5

PROPERTY PLANT AND EQUIPMENT

Opening written down value	357,552,970	267,470,527
Additions/ acquisitions during the period	69,164,548	171,881,219
Deletion/ disposals during the period	(61,872,704)	(31,602,526)
Depreciation for the period	(44,028,234)	(69,996,003)
Depreciation on transfer/ disposal	48,121,036	19,799,753
Closing written down value	<u>368,937,616</u>	<u>357,552,970</u>

	For the quarter October- December 2008 Rupees	For the quarter October- December 2007 Rupees	For six months ended December 31, 2008 Rupees	For six months ended December 31, 2007 Rupees
6 REVENUE				
Pakistan	250,567,879	154,840,014	492,932,842	293,913,638
Bangladesh	-	326,700	-	859,120
	<u>250,567,879</u>	<u>155,166,714</u>	<u>492,932,842</u>	<u>294,772,758</u>
7 OPERATING EXPENSES				
Direct expenses	164,352,950	82,650,660	312,207,058	165,385,749
Indirect expenses	39,078,677	29,394,777	80,368,844	48,909,453
	<u>203,431,627</u>	<u>112,045,437</u>	<u>392,575,902</u>	<u>214,295,202</u>
7.1 Direct expenses				
Channel & local lead rent	56,063,457	23,526,262	100,480,456	54,305,140
Space segment rentals	81,148,101	38,026,437	155,741,517	70,403,938
Equipment and maintenance cost	1,235,386	2,243,580	5,353,151	5,551,851
Repair & maintenance	1,515,203	2,073,920	3,250,343	3,428,493
License fee	1,753,748	1,018,430	3,353,357	1,939,830
Depreciation	22,637,055	15,762,031	44,028,234	29,756,497
	<u>164,352,950</u>	<u>82,650,660</u>	<u>312,207,058</u>	<u>165,385,749</u>
7.2 Indirect expenses				
Salaries, wages and other benefits	31,144,116	21,090,542	61,432,980	34,311,088
Welfare exp	750,000	-	1,500,000	-
Traveling and local conveyance	740,169	1,469,810	2,027,707	2,098,926
Telephone lines bills	705,380	1,204,627	2,066,118	2,455,579
Vehicle running	2,549,404	1,641,882	5,572,150	3,562,825
Insurance	123,624	148,855	360,190	315,294
Entertainment	200,830	213,294	562,816	405,443
Rent, rates and taxes	1,559,000	1,641,159	2,994,016	2,524,106
Legal and professional charges	218,370	329,670	1,009,147	877,022
Printing and stationery	396,525	437,975	800,662	526,128
Advertisement	369,650	717,040	1,165,126	945,590
Electricity	221,609	454,923	777,932	842,452
Auditors' remuneration	100,000	45,000	100,000	45,000
	<u>39,078,677</u>	<u>29,394,777</u>	<u>80,368,844</u>	<u>48,909,453</u>

8 SEGMENT INFORMATION

Geographical segment

The Company is providing the services of data communication in Pakistan and Bangladesh. The following table present revenue and profit information regarding geographical segments for the period ended December 31, 2008 and December 31, 2007 and fixed assets information regarding geographical segments as at December 31, 2008 and June 30, 2008

Segment revenue	Total		Pakistan		Bangladesh	
	December 31, 2008	December 31, 2007	December 31, 2008	December 31, 2007	December 31, 2008	December 31, 2007
	Rupees		Rupees		Rupees	
Operating profit/ (loss)						
Revenue	492,932,842	294,772,758	492,932,842	293,913,638	-	859,120
Less: Direct expenses	(312,207,058)	(165,385,749)	(312,207,058)	(163,624,666)	-	(1,761,083)
Contribution margin	180,725,784	129,387,009	180,725,784	130,288,972	-	(901,963)
Indirect expenses	(80,368,844)	(48,909,453)	(80,368,844)	(48,766,906)	-	(142,547)
Operating profit/ (loss)	<u>100,356,940</u>	<u>80,477,556</u>	<u>100,356,940</u>	<u>81,522,066</u>	-	<u>(1,044,510)</u>
Segment assets	Total		Pakistan		Bangladesh	
	December 31, 2008	June 30, 2008	December 31, 2008	June 30, 2008	December 31, 2008	June 30, 2008
	Rupees		Rupees		Rupees	
Net book value of fixed assets						
Fixed assets at cost	622,234,209	450,661,097	622,234,209	450,661,097	-	-
Less: Accumulated depreciation	(253,296,593)	(193,529,403)	(253,296,593)	(193,529,403)	-	-
Net book value of fixed assets	<u>368,937,616</u>	<u>257,131,694</u>	<u>368,937,616</u>	<u>257,131,694</u>	-	-

8.1 Indirect expenses between Pakistan & Bangladesh operations were charged on the basis of revenue.

8.2 Bangladesh operations were closed in June 2008

9 EARNINGS PER SHARE (BASIC & DILUTED)

	December 31, 2008	December 31, 2007
	Rupees	Rupees
Profit after taxation	<u>66,149,122</u>	<u>57,864,561</u>
	(Number of shares)	
Weighted average number of ordinary shares	<u>7,840,800</u>	<u>7,840,800</u>
	<u>7,840,800</u>	<u>7,840,800</u>
	(Rupees)	
Basic & diluted earnings per share	<u>8.44</u>	<u>7.38</u>

10 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of subsidiary, holding and associated companies, directors, companies with common directorship, key management staff and staff retirement benefits fund.

Following is the related party with whom transactions were undertaken during the period.

	December 31 2008	June 30 2008
Telecom Foundation (Holding Company)	<u> </u>	<u> </u>
Dividend	17,274,732	12,956,049
Rentals	897,960	681,900
Welfare expenses-TF Schools	1,500,000	-
	<u>19,672,692</u>	<u>13,637,949</u>

There were no transactions with the key management personnel other than under their terms of employment. The Company has no subsidiary company and there are no transactions with companies with common directorship.

11 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the company on February 25, 2009.

12 MOVEMENT BETWEEN RESERVES & PROPOSED DIVIDEND

The Board of Directors in its meeting held on February 25, 2009, approved interim cash dividend of Rs. NIL per share (2007: Rs. 2.00 per share) amounting to Rs.NIL (2007: Rs.15.682 million). The financial statement for the period ended December 31, 2008 do not include the effect of the aforementioned movement between reserves and proposed dividend.

13 RECLASSIFICATION

Long term customer's deposits have been reclassified as "customers' deposits" now disclosed under current liabilities. This presentation have been made to make the financial statements more realistic as majority of the agreements are for a period of one year. The comparative figures have been accordingly disclosed

14 GENERAL

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