

DIRECTORS' REPORT

The Board of Directors of Pak Datacom Limited (PDL) has the pleasure in presenting to the share holders the operating results of third quarter of financial year 2008-09 i.e. from 1st July 2008 to 31st March 2009.

The company's revenue base has grown considerably during first nine months of current financial year i.e. Rs. 765.491 million as against Rs. 469.000 million for the corresponding period of last year. The profitability also improved during the period under review.

There has been steady growth of customer base of DXX, VSAT and I-Direct. During the period under review, some new customers have also been added. We expect to maintain the steady growth in the business despite global as well as national economic recession.

PDL is expanding its I-Direct network by adding second DVB-S2 Hub in Karachi and one Mini Hub in Quetta to provide better services to its customers.

It is hoped that the company will come up to the expectations of the valued share holders in the remaining quarter of the financial year and targets would be achieved with dedication of the management and employees of the company.

On behalf of the Board

Islamabad
April 28, 2009

Syed Mahmood Ahmad
Chief Executive

BALANCE SHEET (UN-AUDITED)**AS AT MARCH 31, 2009**

	March 31, 2009 Rupees	June 30, 2008 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 Reserves	<u>78,408,000</u> <u>475,990,952</u> 554,398,952	<u>78,408,000</u> <u>398,095,182</u> 476,503,182
NON-CURRENT LIABILITIES		
Deferred liabilities	67,346,794	69,348,347
CURRENT LIABILITIES		
Customers' deposits	<u>75,846,572</u>	<u>55,683,773</u>
Due to associated companies	663,920	252,640
Creditors, accrued and other liabilities	138,664,091	181,613,243
Provision for taxation	<u>70,414,894</u>	<u>49,587,124</u>
	285,589,477	287,136,780
CONTINGENCIES AND COMMITMENTS	-	-
	<u>907,335,223</u>	<u>832,988,309</u>
ASSETS		
NON-CURRENT ASSETS		
Property, plant & equipment	387,923,068	357,552,970
Long term deposits	162,650	162,650
CURRENT ASSETS		
Trade debts - unsecured	<u>155,257,952</u>	<u>172,458,824</u>
Advances, deposits, prepayments and other receivables	135,160,720	123,977,080
Short term investments	168,123,967	96,421,265
Cash & bank balances	<u>60,706,866</u>	<u>82,415,520</u>
	519,249,505	475,272,689
	<u>907,335,223</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 NINE MONTHS ENDED MARCH 31, 2009**

	For the quarter		For nine months	
	January- March 2009 Rupees	January- March 2008 Rupees	ended March 31, 2009 Rupees	ended March 31, 2008 Rupees
Revenue	272,557,785	174,227,104	765,490,627	468,999,862
Operating expenses	(213,089,951)	(137,518,507)	(605,665,853)	(351,813,709)
Operating profit	59,467,834	36,708,597	159,824,774	117,186,153
Other income	6,933,530	3,558,269	8,851,810	13,402,061
	66,401,364	40,266,866	168,676,584	130,588,214
Financial charges	(78,521)	(89,822)	(457,185)	(247,477)
Profit before taxation	66,322,843	40,177,044	168,219,399	130,340,737
Provision for taxation	(23,212,995)	(14,085,555)	(58,960,429)	(46,384,687)
Profit after taxation	43,109,848	26,091,489	109,258,970	83,956,050
Earning per share	5.50	3.33	13.94	10.71

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 NINE MONTHS ENDED MARCH 31, 2009

	March 31, 2009 Rupees	March 31, 2008 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year before taxation	168,219,399	130,340,737
Adjustment for non-cash and other items		
Depreciation	68,467,018	49,622,539
(Gain)/ loss on disposal of fixed assets	11,959,925	(984,231)
Net book value of assets charged to consumption	370,487	103,740
Financial charges	457,185	247,477
Exchange (gain)/ loss	(10,848,921)	(3,763,215)
Return / interest on bank deposits	(9,962,815)	(5,535,038)
Provision for gratuity	3,300,000	2,500,000
Provision for earned leave	3,468,616	2,500,000
	67,211,495	44,691,272
Operating profit before working capital changes	235,430,894	175,032,009
(Increase)/ decrease in current assets		
Trade debtors	17,200,872	(50,593,574)
Advances, deposits, prepayments and other receivables	(8,541,283)	(5,586,970)
	8,659,589	(56,180,544)
Increase/ (decrease) in current liabilities		
Customers' deposits	20,162,799	2,902,008
Due to associated undertakings	411,280	(1,000)
Creditors, accrued and other liabilities	(43,117,971)	30,522,742
	(22,543,892)	33,423,750
Cash generated from operations	221,546,591	152,275,215
Taxes paid	(43,563,545)	(54,374,053)
Gratuity paid/ adjusted	(3,132,543)	(4,295)
Earned leave paid/ adjusted	(340,268)	(169,225)
Return / interest on bank deposits	7,621,443	7,008,481
Financial charges paid	(457,185)	(247,477)
	(39,872,098)	(47,786,569)
Net cash flows from operating activities	181,674,493	104,488,646
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(113,006,208)	(126,127,091)
Proceeds on the disposal of fixed assets	1,838,680	1,653,486
Net cash flows in investing activities	(111,167,528)	(124,473,605)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(31,361,838)	(23,287,754)
Net cash flows from financing activities	(31,361,838)	(23,287,754)
Net (decrease)/ increase in cash and cash equivalents	39,145,127	(43,272,713)
Cash and cash equivalents at the beginning of the period	178,836,785	193,245,454
Effect of foreign exchange rate change	10,848,921	3,763,215
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	228,830,833	153,735,956

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

STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)

FOR NINE MONTHS ENDED MARCH 31, 2009

	Share Capital	Capital Reserves	Revenue Reserves		Total Rs.
	Issued, subscribed and paid-up Rs.	Share premium Rs.	General Rs.	Unappropriated profit Rs.	
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	-	-	-	(15,681,600)	(15,681,600)
Net profit for the period	-	-	-	83,956,050	83,956,050
Balance as at March 31, 2008	78,408,000	12,042,000	231,500,000	124,577,804	446,527,804
Net profit for the period	-	-	-	29,975,378	29,975,378
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	-	-	-	109,258,970	109,258,970
Balance as at March 31, 2009	78,408,000	12,042,000	281,500,000	182,448,952	554,398,952

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 NINE MONTHS ENDED MARCH 31, 2009

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, directives 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 accordance with the requirement of International Accounting Standard 34 "Interim Financial Reporting".

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Accounting convention

The accounting policies adopted in the preparation of these financial statements are same as those applicable in the preparation of financial statements of the Company for the year ended June 30, 2008.

3.2 Use of critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience, industry trends, legal and technical pronouncements and various other factors that are believed to be reasonable under the circumstances. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised. Significant areas requiring the use of management estimates in these financial statements relate to useful life of

depreciable assets, provisions for doubtful debts and provision for income tax and deferred tax. The determination of provision for employee retirement benefits that are defined benefit plans require actuarial valuation. The company employs the services of professional actuaries to make such estimates and assumptions using actuarial techniques.

4 CONTINGENCIES AND COMMITMENTS

- 4.1 Guarantees issued by the bank on behalf of the Company amounting to Rs. 5.342 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. 4.527 million (June 2008: Rs.1.155 million)

5 PROPERTY, PLANT & EQUIPMENT

Cost

	March 31, 2009 Rupees	June 30, 2008 Rupees
Opening balance	614,942,365	474,663,672
Additions/ acquisitions during the period	113,006,208	171,881,218
Delitions/ disposals during the period	(62,418,009)	(31,602,526)
Closing balance	665,530,564	614,942,364

Accumulated depreciation

Opening balance	257,389,395	207,193,145
Depreciation for the period	68,467,018	69,996,003
Depreciation on transfer/ disposals during the period	(48,248,917)	(19,799,753)
Closing balance	277,607,496	257,389,395

Written down value

387,923,068	357,552,969
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	For the quarter		For nine months	
	January-March 2009 Rupees	January-March 2008 Rupees	ended March 31, 2009 Rupees	ended March 31, 2008 Rupees
6 REVENUE				
Pakistan	272,557,785	173,868,914	765,490,627	467,782,552
Bangladesh	-	358,190	-	1,217,310
	<u>272,557,785</u>	<u>174,227,104</u>	<u>765,490,627</u>	<u>468,999,862</u>
7 OPERATING EXPENSES				
Direct expenses	181,211,511	108,584,323	493,418,569	273,970,072
Indirect expenses	31,878,440	28,934,184	112,247,284	77,843,637
	<u>213,089,951</u>	<u>137,518,507</u>	<u>605,665,853</u>	<u>351,813,709</u>
7.1 Direct expenses				
Channel & local lead rent	52,358,522	30,526,543	152,838,978	84,831,683
Space segment rentals	97,713,787	50,449,346	253,455,304	120,853,284
Equipment maintenance cost	3,258,544	5,450,046	8,611,695	11,001,897
Repair & maintenance expense	1,592,993	1,044,811	4,843,336	4,473,304
License fee	1,848,881	1,247,535	5,202,238	3,187,365
Depreciation	24,438,784	19,866,042	68,467,018	49,622,539
	<u>181,211,511</u>	<u>108,584,323</u>	<u>493,418,569</u>	<u>273,970,072</u>
7.2 Indirect expenses				
Salaries, wages and other benefits	23,952,906	22,930,221	85,385,886	57,241,309
Welfare expenses	750,000	-	2,250,000	-
Traveling and local conveyance	712,882	1,088,465	2,740,589	3,187,391
Telephone expenses	1,089,074	840,825	3,155,192	3,296,404
Vehicle running expenses	2,410,502	1,762,762	7,982,652	5,325,587
Insurance	216,209	130,615	576,399	445,909
Entertainment	282,036	222,232	844,852	627,675
Rent, rates and taxes	1,547,409	1,388,306	4,541,425	3,912,412
Legal and professional charges	193,830	182,127	1,202,977	1,059,149
Printing and stationery	251,382	53,636	1,052,044	579,764
Advertisement	43,500	12,170	1,208,626	957,760
Electricity	422,560	322,825	1,200,492	1,165,277
Auditors' remuneration	6,150	-	106,150	45,000
	<u>31,878,440</u>	<u>28,934,184</u>	<u>112,247,284</u>	<u>77,843,637</u>

8 SEGMENT INFORMATION

Geographical segment

The Company is providing the services of data communication in Pakistan and Bangladesh. The following table presents revenue and profit information regarding geographical segments for the period ended March 31, 2009 and March 31, 2008 and fixed assets information regarding geographical segments as at March 31, 2009 and June 30, 2008.

	Total		Pakistan		Bangladesh	
	March 31, 2009	March 31, 2008	March 31, 2009	March 31, 2008	March 31, 2009	March 31, 2008
	Rupees		Rupees		Rupees	
Operating profit/ (loss)						
Revenue	765,490,627	468,999,862	765,490,627	467,782,552	-	1,217,310
Less: Direct expenses	(493,418,569)	(273,970,072)	(493,418,569)	(270,928,441)	-	(3,041,631)
Contribution margin	272,072,058	195,029,790	272,072,058	196,854,111	-	(1,824,321)
Indirect expenses	(112,247,284)	(77,843,637)	(112,247,284)	(77,641,591)	-	(202,046)
Operating profit/ (loss)	159,824,774	117,186,153	159,824,774	119,212,520	-	(2,026,367)
Segment assets						
	Total		Pakistan		Bangladesh	
	March 31, 2009	June 30, 2008	March 31, 2009	June 30, 2008	March 31, 2009	June 30, 2008
	Rupees		Rupees		Rupees	
Net book value of fixed assets						
Fixed assets at cost	665,530,564	614,942,365	665,530,564	614,942,365	-	-
Less: Accumulated depreciation	(277,607,496)	(257,389,395)	(277,607,496)	(257,389,395)	-	-
Net book value of fixed assets	387,923,068	357,552,970	387,923,068	357,552,970	-	-

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

8.2 Bangladesh operations were closed in June 2008.

	<u>March 31, 2009 Rupees</u>	<u>March 31, 2008 Rupees</u>
9 EARNINGS PER SHARE (BASIC & DILUTED)		
Profit after taxation	<u>109,258,970</u>	<u>83,956,050</u>
	(Number of shares)	
Weighted average number of ordinary shares	<u>7,840,800</u>	<u>7,840,800</u>
	(Rupees)	
Basic & diluted earnings per share	<u>13.94</u>	<u>10.71</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.

	<u>March 31, 2009 Rupees</u>	<u>March 31, 2008 Rupees</u>
Telecom Foundation (Holding Company)		
Dividend	17,274,732	12,956,049
Rentals	1,346,940	1,022,850
Welfare expenses-TF Schools	2,250,000	-
	<u>20,871,672</u>	<u>13,978,899</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 April 28, 2009.

12 MOVEMENT BETWEEN RESERVES & PROPOSED DIVIDEND

The Board of Directors in its meeting held on April 28, 2009 approved interim cash dividend of Rs. 2 per share amounting to Rs. 15,681,600. The financial statements for the period ended March 31, 2009 do not include the effect of aforementioned movement between reserves and proposed dividend.

13 RECLASSIFICATION

Long term customers' deposits have been reclassified as "customers' deposits" now disclosed under current liabilities. This presentation has 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.

AMJAD HUSSAIN QURESHI
DIRECTOR

SYED MAHMOOD AHMAD
CHIEF EXECUTIVE