

DIRECTORS' REPORT

The Board of Directors of Pak Datacom Limited (PDL) has the pleasure in presenting to the shareholders operational results of 1st quarter of the financial year 2008-09 i.e. from 1st July, 2008 to 30th September, 2008.

The Company, on successful completion of financial year 2007-08, continued its business momentum and profitability during 1st quarter of current financial year. PDL has earned total revenue of Rs. 242.365 million as compared to Rs. 139.606 million of corresponding period of last year while it has posted a pre-tax profit of Rs. 53.771 million as compared to Rs. 41.277 million of the same period of last year.

Despite adverse economic conditions prevailing globally as well as at national level, the management is working hard not only to off set the impact but enhance the revenue viz-a-viz profit. PDL has achieved a steady growth in both DXX and VSAT based networks by adding new nodes in major cities, making PDL one of the largest DXX network provider in Pakistan. Multi Protocol Label Switching (MPLS) network was also expanded due to increase in demand. The Company is also working efficiently in majority of remote areas to provide best possible services to its customers. I-Direct services offered by PDL have also seen a steady growth during the period and will soon be able to achieve additional business from major customers.

We expect that the Company will come up to the expectations of the valued shareholders in the ensuing period and targets set would be achieved by the dedication of the management and employees of the Company.

On behalf of the Board

Islamabad
October 30, 2008

Syed Mahmood Ahmad
Chief Executive

PAK DATACOM LIMITED
BALANCE SHEET
AS AT SEPTEMBER 30, 2008

| | September 30 2008 Rupees | June 30 2008 Rupees | | September 30 2008 Rupees | June 2008 Rupees |
|--|--------------------------------|---------------------------|---|--------------------------------|------------------------|
| EQUITY AND LIABILITIES | | | ASSETS | | |
| SHARE CAPITAL AND RESERVES | | | NON-CURRENT ASSETS | | |
| Authorised share capital 10,000,000 (June 2008: 10,000,000) ordinary shares of Rupees 10/-each | 100,000,000 | 100,000,000 | Property, plant & equipment | 338,123,313 | 357,552,970 |
| Issued, subscribed & paid up capital | 78,408,000 | 78,408,000 | Long term deposits | 162,650 | 162,650 |
| Reserves | 401,683,182.00 | 398,095,182 | | | |
| | 480,091,182 | 476,503,182 | | | |
| NON-CURRENT LIABILITIES | | | CURRENT ASSETS | | |
| Deferred liabilities | 64,911,685 | 69,348,347 | Trade debts - unsecured | 140,917,757 | 172,458,824 |
| Long term customers' deposits | 71,355,267 | 55,683,773 | Advances, deposits, prepayments and other receivables | 138,620,901 | 123,977,080 |
| CURRENT LIABILITIES | | | Short term investments | 192,813,205 | 96,421,265 |
| Due to associated companies | 661,600 | 252,640 | Cash & bank balances | 60,604,453 | 82,415,520 |
| Creditors, accrued and other liabilities | 180,400,053 | 181,613,243 | | 532,956,316 | 475,272,689 |
| Provision for taxation | 73,822,492 | 49,587,124 | | | |
| | 254,884,145 | 231,453,007 | | | |
| CONTINGENCIES AND COMMITMENTS | | | | | |
| | - | - | | | |
| | 871,242,279 | 832,988,309 | | 871,242,279 | 832,988,309 |

The annexed notes 1 to 11 form an integral part of these financial statements.

AMJAD HUSSAIN QURESHI
Director

SYED MAHMOOD AHMAD
Chief Executive

PAK DATACOM LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2008

| | For the quarter July- September 2008 Rupees | For the quarter July- September 2007 Rupees |
|------------------------|--|--|
| Revenue | 242,364,963 | 139,606,044 |
| Operating expenses | <u>(189,144,275)</u> | <u>(102,249,765)</u> |
| Operating profit | 53,220,688 | 37,356,279 |
| Other income | <u>784,243</u> | <u>3,981,485</u> |
| | 54,004,931 | 41,337,764 |
| Financial charges | <u>(233,854)</u> | <u>(60,655)</u> |
| Profit before taxation | 53,771,077 | 41,277,109 |
| Provision for taxation | <u>(18,819,877)</u> | <u>(15,182,416)</u> |
| Profit after taxation | <u>34,951,200</u> | <u>26,094,693</u> |
| Earning per share | <u>4.46</u> | <u>3.33</u> |

The annexed notes 1 to 11 form an integral part of these financial statements.

AMJAD HUSSAIN QURESHI
Director

SYED MAHMOOD AHMAD
Chief Executive

PAK DATACOM LIMITED
CASH FLOW STATEMENT
FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2008

| | September 30 2008 Rupees | September 30 2007 Rupees |
|---|--------------------------------|--------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit for the year before taxation | 53,771,077 | 41,277,109 |
| Adjustment for non-cash and other items | | |
| Depreciation | 21,391,179 | 13,994,466 |
| (Gain)/ loss on disposal of fixed assets | 13,019,849 | (1,009,990) |
| Financial charges | 233,854 | 60,655 |
| Exchange (gain)/ loss | (10,682,621) | (345,819) |
| Return / Interest on bank deposits | (3,121,471) | (2,625,676) |
| Provision for gratuity | 1,100,000 | 549,031 |
| Provision for earned leave | 978,829 | 146,397 |
| | <u>22,919,619</u> | <u>10,769,064</u> |
| Operating profit before working capital changes | 76,690,696 | 52,046,173 |
| (Increase)/decrease in current assets | | |
| Trade debtors | 31,541,067 | (23,030,137) |
| Advances, deposits, prepayments and other receivables | 3,319,925 | (12,057,456) |
| | <u>34,860,992</u> | <u>(35,087,593)</u> |
| Increase/(decrease) in current liabilities | | |
| Due to associated undertakings | 408,960 | - |
| Creditors, accrued and other liabilities | (33,169,569) | 7,590,382 |
| | <u>(32,760,609)</u> | <u>7,590,382</u> |
| | <u>78,791,079</u> | <u>24,548,962</u> |
| Cash generated from operations | | |
| Taxes paid | (16,693,437) | (15,235,953) |
| Gratuity paid/adjusted | - | - |
| Return / Interest on bank deposits | 1,851,162 | 4,048,824 |
| Financial charges paid | (233,854) | (60,655) |
| | <u>(15,076,129)</u> | <u>(11,247,784)</u> |
| Net cash flows from operating activities | 63,714,950 | 13,301,178 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Fixed capital expenditure | (15,266,484) | (37,792,580) |
| Proceeds on the disposal of fixed assets | 285,113 | 1,653,486 |
| Net cash flows in investing activities | (14,981,371) | (36,139,094) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Dividend paid | (506,821) | (90,114) |
| Long term customers' deposits | 15,671,494 | 1,476,399 |
| Net cash flows from financing activities | 15,164,673 | 1,386,285 |
| Net (decrease)/increase in cash and cash equivalents | 63,898,252 | (21,451,631) |
| Cash and cash equivalents at the beginning of the period | 178,836,785 | 193,245,454 |
| Effect of foreign exchange rate change | 10,682,621 | 345,819 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | <u>253,417,658</u> | <u>172,139,642</u> |

The annexed notes 1 to 11 form an integral part of these financial statements.

AMJAD HUSSAIN QURESHI
Director

SYED MAHMOOD AHMAD
Chief Executive

PAK DATACOM LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2008

| | Share Capital | Capital Reserves | Revenue Reserves | | Total |
|---|---|----------------------|--------------------|---------------------------------|--------------------|
| | 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 | - | - | - | - | - |
| Net profit for the period | - | - | - | 26,094,693 | 26,094,693 |
| Balance as at September 30, 2007 | 78,408,000 | 12,042,000 | 231,500,000 | 82,398,047 | 404,348,047 |
| Transfer to General Reserves | - | - | - | - | - |
| Interim dividend for the year ended June 30, 2008 | - | - | - | (15,681,600) | (15,681,600) |
| Net profit for the period | - | - | - | 87,836,735 | 87,836,735 |
| 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) |
| Interim dividend for the year ended June 30, 2009 | - | - | - | - | - |
| Net profit for the period | - | - | - | 34,951,200 | 34,951,200 |
| Balance as at September 30, 2008 | 78,408,000 | 12,042,000 | 281,500,000 | 108,141,182 | 480,091,182 |

The annexed notes 1 to 11 form an integral part of these financial statements.

AMJAD HUSSAIN QURESHI
Director

SYED MAHMOOD AHMAD
Chief Executive

PAK DATACOM LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 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 accordance with the requirement of International Accounting Standard 34 "Interim Financial Reporting".

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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 (June 2007: 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 2007: 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. 2.411 million (June 2008: Rs.1.155 million)

PAK DATACOM LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2008

| | September 30 2008 Rupees | September 30 2007 Rupees |
|------------------------------------|--------------------------------|--------------------------------|
| 5 REVENUE | | |
| Pakistan | 242,364,963 | 139,073,624 |
| Bangladesh | - | 532,420 |
| | <u>242,364,963</u> | <u>139,606,044</u> |
| 6 OPERATING EXPENSES | | |
| Direct expenses | 147,854,108 | 82,735,089 |
| Indirect expenses | 41,290,167 | 19,514,676 |
| | <u>189,144,275</u> | <u>102,249,765</u> |
| 6.1 Direct expenses | | |
| Channel & local lead rent | 44,416,999 | 30,778,878 |
| Space segment rentals | 74,593,416 | 32,377,501 |
| Equipment and maintenance cost | 4,117,765 | 3,308,271 |
| Repair & maintenance | 1,735,140 | 1,354,573 |
| License fee | 1,599,609 | 921,400 |
| Depreciation | 21,391,179 | 13,994,466 |
| | <u>147,854,108</u> | <u>82,735,089</u> |
| 6.2 Indirect expenses | | |
| Salaries, wages and other benefits | 30,288,864 | 13,220,546 |
| Welfare exp | 750,000 | - |
| Traveling and local conveyance | 1,287,538 | 629,116 |
| Telephone lines bills | 1,360,738 | 1,250,952 |
| Vehicle running | 3,022,746 | 1,920,943 |
| Insurance | 236,566 | 166,439 |
| Entertainment | 361,986 | 192,149 |
| Rent, rates and taxes | 1,435,016 | 882,947 |
| Legal and professional charges | 790,777 | 547,352 |
| Printing and stationery | 404,137 | 88,153 |
| Advertisement | 795,476 | 228,550 |
| Electricity | 556,323 | 387,529 |
| | <u>41,290,167</u> | <u>19,514,676</u> |

PAK DATACOM LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2008

7 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 september 30, 2008 and september 30, 2007 and fixed assets information regarding geographical segments as at september 30, 2008 and June 30, 2008.

| <u>Segment revenue</u> | <u>Total</u> | | <u>Pakistan</u> | | <u>Bangladesh</u> | |
|--------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | <u>September 2008</u> | <u>September 2007</u> | <u>September 2008</u> | <u>September 2007</u> | <u>September 2008</u> | <u>September 2007</u> |
| | <u>Rupees</u> | | <u>Rupees</u> | | <u>Rupees</u> | |
| Operating profit/ (loss) | | | | | | |
| Revenue | 242,364,963 | 139,606,044 | 242,364,963 | 139,073,624 | - | 532,420 |
| Less: Direct expenses | (147,854,108) | (82,735,089) | (147,854,108) | (81,498,147) | - | (1,236,942) |
| Contribution margin | 94,510,855 | 56,870,955 | 94,510,855 | 57,575,477 | - | (704,522) |
| Indirect expenses | (41,290,167) | (19,514,676) | (41,290,167) | (19,440,252) | - | (74,424) |
| Operating profit/ (loss) | <u>53,220,688</u> | <u>37,356,279</u> | <u>53,220,688</u> | <u>38,135,225</u> | <u>-</u> | <u>(778,946)</u> |

| <u>Segment assets</u> | <u>Total</u> | | <u>Pakistan</u> | | <u>Bangladesh</u> | |
|--------------------------------|-----------------------|--------------------|-----------------------|--------------------|-----------------------|------------------|
| | <u>September 2008</u> | <u>June 2008</u> | <u>September 2008</u> | <u>June 2008</u> | <u>September 2008</u> | <u>June 2008</u> |
| | <u>Rupees</u> | | <u>Rupees</u> | | <u>Rupees</u> | |
| Net book value of fixed assets | | | | | | |
| Fixed assets at cost | 569,198,525 | 450,661,097 | 569,198,525 | 450,661,097 | - | - |
| Less: Accumulated depreciation | (231,075,212) | (193,529,403) | (231,075,212) | (193,529,403) | - | - |
| Net book value of fixed assets | <u>338,123,313</u> | <u>257,131,694</u> | <u>338,123,313</u> | <u>257,131,694</u> | <u>-</u> | <u>-</u> |

| | September 30 2008 Rupees | September 30 2007 Rupees |
|---|--------------------------------|--------------------------------|
| 8 EARNINGS PER SHARE (BASIC & DILUTED) | | |
| Profit after taxation | 34,951,200 | 26,094,693 |
| | (Number of shares) | |
| Weighted average number of ordinary shares | 7,840,800 | 7,840,800 |
| | 7,840,800 | 7,840,800 |
| | (Rupees) | |
| Basic & diluted earnings per share | 4.46 | 3.33 |

9 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of subsidiary, holding and associated companies, directors, companies with common directorship, key Following is the related party with whom transactions were undertaken during the period.

| | | |
|--------------------------------------|------------|------------|
| Telecom Foundation (Holding Company) | | |
| Dividend | 17,274,732 | 12,956,049 |
| Rentals | 408,960 | 90,750 |
| | 17,683,692 | 13,046,799 |

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.

10 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the company on October 30, 2008.

11 GENERAL

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

AMJAD HUSSAIN QURESHI
 Director

SYED MAHMOOD AHMAD
 Chief Executive