

TELECARD LIMITED  
CONDENSED INTERIM BALANCE SHEET  
AS AT MARCH 31, 2012

	Note	March 31, 2012 (Un-audited)	June 30, 2011 (Audited)
.....(Rs. in '000).....			
<b><u>ASSETS</u></b>			
<b>NON-CURRENT ASSETS</b>			
<b>Fixed assets</b>			
Property, plant and equipment	4	1,855,520	2,130,039
Intangible assets		2,223,705	2,359,843
		<u>4,079,225</u>	4,489,882
Long-term investment		340,637	340,637
Long-term deposits		53,324	52,913
Deferred taxation		58,613	-
		<u>4,531,799</u>	4,883,432
<b>CURRENT ASSETS</b>			
Stock-in-trade		679	862
Trade debts	5	105,568	123,543
Loans and advances	6	22,413	14,732
Deposits and prepayment		28,813	30,819
Accrued Mark-up	7	57,134	49,486
Other receivables	8	3,534,095	3,570,306
Taxation – net		111,805	120,293
Bank balances		4,205	8,659
		<u>3,864,711</u>	3,918,700
<b>TOTAL ASSETS</b>		<u><u>8,396,510</u></u>	<u><u>8,802,132</u></u>
<b><u>EQUITY AND LIABILITIES</u></b>			
<b>SHARE CAPITAL AND RESERVES</b>			
<b>Share capital</b>			
<b>Authorised</b>			
400,000,000 (2011: 400,000,000) Ordinary shares of Rs.10 each		<u>4,000,000</u>	<u>4,000,000</u>
<b>Issued, subscribed and paid-up</b>		<u>3,000,000</u>	3,000,000
<b>Unappropriated (loss) / profit</b>		<u>(20,195)</u>	445,398
		<u>2,979,805</u>	3,445,398
<b>NON-CURRENT LIABILITIES</b>			
Long-term loans	9	164,125	201,625
Redeemable capital	10	879,060	476,160
Advance from a Contractor	11	421,670	467,121
Advance from subsidiary		96,104	147,924
Accrued Markup-TFC		73,099	-
Long-term deposits		61,213	59,724
Deferred liabilities	12	1,592,327	1,783,098
		<u>3,287,598</u>	3,135,652
<b>CURRENT LIABILITIES</b>			
Trade and other payables	13	1,508,877	1,294,742
Accrued interest / Mark-up	14	124,287	113,819
Short-term borrowings	15	96,110	-
Short-term running finances		292,268	292,735
Current maturities of long-term liabilities	16	107,565	519,786
		<u>2,129,107</u>	2,221,082
<b>CONTINGENCIES AND COMMITMENTS</b>	17	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>8,396,510</u></u>	<u><u>8,802,132</u></u>

The annexed notes from 1 to 28 form an integral part of these condensed financial statements.

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Chief Executive

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Director

TELECARD LIMITED  
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT  
FOR THE PERIOD ENDED MARCH 31, 2012  
(UN-AUDITED)

		<b>Nine Months Ended</b>		<b>Quarter Ended</b>	
		<b>March 31, 2 0 1 2 ..... (Rs. in '000) .....</b>	<b>March 31, 2 0 1 1 ..... (Rs. in '000) .....</b>	<b>March 31, 2 0 1 2 ..... (Rs. in '000) .....</b>	<b>March 31, 2 0 1 1 ..... (Rs. in '000) .....</b>
<b>REVENUE – net</b>		<b>906,496</b>	1,235,549	<b>284,592</b>	346,543
Direct costs	18	<b>(1,155,047)</b>	(1,108,300)	<b>(407,015)</b>	(346,212)
<b>GROSS (LOSS) / PROFIT</b>		<b>(248,551)</b>	127,249	<b>(122,423)</b>	332
Distribution costs and administrative expenses	19	<b>(272,897)</b>	(271,478)	<b>(86,055)</b>	(95,181)
Other operating expenses	20	<b>(4,325)</b>	(5,733)	<b>(437)</b>	2,871
		<b>(277,222)</b>	(277,211)	<b>(86,492)</b>	(92,310)
Other operating income	21	<b>22,712</b>	28,035	<b>6,537</b>	13,376
Liabilities no longer payable written back	22	<b>905</b>	535,405	<b>-</b>	-
		<b>23,617</b>	563,440	<b>6,537</b>	13,376
		<b>(253,605)</b>	286,229	<b>(79,955)</b>	(78,934)
<b>OPERATING (LOSS) / PROFIT</b>		<b>(502,156)</b>	413,478	<b>(202,378)</b>	(78,602)
Finance costs	23	<b>(203,053)</b>	(204,823)	<b>(62,642)</b>	(65,907)
<b>(LOSS) / PROFIT BEFORE TAXATION</b>		<b>(705,209)</b>	208,655	<b>(265,020)</b>	(144,510)
Taxation	24	<b>239,616</b>	(75,597)	<b>91,719</b>	50,664
<b>NET (LOSS) / PROFIT FOR THE PERIOD</b>		<b>(465,593)</b>	133,058	<b>(173,301)</b>	(93,845)
<b>EARNINGS PER SHARE - Basic and diluted (Rupees)</b>		<b>(1.55)</b>	0.44	<b>(0.58)</b>	(0.31)

The annexed notes from 1 to 28 form an integral part of these condensed financial statements.

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Chief Executive

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Director

TELECARD LIMITED  
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME  
FOR THE PERIOD ENDED MARCH 31, 2012  
(UN-AUDITED)

	Nine Months Ended		Quarter ended	
	March 31, 2 0 1 2 ..... (Rs. in '000) .....	March 31, 2 0 1 1	March 31, 2 0 1 2 ..... (Rs. in '000) .....	March 31, 2 0 1 1
Net (loss) / profit for the period	<b>(465,593)</b>	133,058	<b>(173,301)</b>	(93,845)
Other comprehensive income for the period	-	-	-	-
<b>Total comprehensive (loss) / income for the period</b>	<b>(465,593)</b>	133,058	<b>(173,301)</b>	(93,845)

The annexed notes from 1 to 28 form an integral part of these condensed financial statements.

\_\_\_\_\_  
**Chief Executive**

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**Director**

TELECARD LIMITED  
CONDENSED INTERIM CASH FLOW STATEMENT  
FOR THE PERIOD ENDED MARCH 31, 2012  
(UN-AUDITED)

	<b>March 31, 2012</b>	<b>March 31, 2011</b>
	..... (Rs. in '000) .....	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
(Loss) / profit before taxation	(705,209)	208,655
<b>Adjustments for non cash charges and other items:</b>		
Depreciation	284,234	347,994
Provision for gratuity	1,167	1,167
Financial charges	200,676	204,823
Amortization of intangible assets	136,138	136,138
Gain on sale of fixed assets	(1,181)	-
Advance from a contractor	(45,451)	(43,375)
Provision for written back	-	(254)
Dividend income	-	(8,388)
	575,583	638,104
<b>(Loss)/profit before working capital changes</b>	(129,625)	846,760
<b>(Increase) / Decrease in current assets</b>		
Stock-in-trade	183	(252)
Trade debts	17,975	115,946
Loans and advances	(7,681)	54,927
Deposits, prepayments and other receivables	30,569	1,801
	41,047	172,422
<b>Increase / (decrease) from creditors, accrued and other liabilities</b>	214,135	(453,362)
<b>Cash generated from operations</b>	125,557	565,820
Income Tax (paid)/adjusted	(577)	18,521
Financial charges paid	(117,109)	(190,932)
Gratuity Paid	(1,870)	(1,023)
Long Term loans and deposits	(411)	261
Due to Employees	(8,238)	(8,886)
Liability for long Term deposits	1,489	(1,240)
	(126,716)	(183,299)
<b>Net cash (used in)/generated from operating activities</b>	(1,159)	382,521
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	(9,891)	(15,836)
Sale proceeds from fixed asset	1,356	-
Dividend received	-	8,388
<b>Net cash used in investing activities</b>	(8,535)	(7,448)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Repayment of long term loans	(38,583)	(259,375)
Advance from subsidiary	(51,820)	-
Proceed from/ (repayment) of short term borrowing	96,110	(17,000)
Short term Running finance	(467)	43,570
Repayment of redeemable capital	-	(105,840)
Dividend paid	-	(30,000)
Repayment of obligations under finance leases	-	(1,640)
<b>Net cash flow / (used in) financing activities</b>	5,240	(370,285)
<b>NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b>	(4,454)	4,788
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	8,659	23,580
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	4,205	28,368

The annexed notes from 1 to 28 form an integral part of these condensed financial statements.

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Chief Executive

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Director

TELECARD LIMITED  
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED MARCH 31, 2012  
(UN-AUDITED)

	<b>Issued, subscribed and paid-up</b>	<b>Unappropriated (Loss) / Profit</b>	<b>Total</b>
	..... (Rs in '000) .....		
<b>Balance as at June 30, 2010</b>	3,000,000	400,988	3,400,988
Net profit for the period	-	133,058	133,058
Other comprehensive income	-	-	-
<b>Total comprehensive income</b>	-	133,058	133,058
Final dividend @ Rs 0.10 per Ordinary share of Rs. 10 each for the year ended June 30, 2010		(30,000)	(30,000)
<b>Balance as at March 31, 2011</b>	<u>3,000,000</u>	<u>504,046</u>	<u>3,504,046</u>
<b>Balance as at June 30, 2011</b>	<b>3,000,000</b>	<b>445,398</b>	<b>3,445,398</b>
Net loss for the period	-	(465,593)	(465,593)
Other comprehensive income	-	-	-
Total comprehensive income	-	(465,593)	(465,593)
<b>Balance as at March 31, 2012</b>	<u><b>3,000,000</b></u>	<u><b>(20,195)</b></u>	<u><b>2,979,805</b></u>

The annexed notes from 1 to 28 form an integral part of these condensed financial statements.

\_\_\_\_\_  
Chief Executive

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Director

TELECARD LIMITED  
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED MARCH 31, 2012  
(UN-AUDITED)

**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, these include 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. BASIS OF PREPARATION OF CONDENSED FINANCIAL STATEMENTS**

These condensed interim financial statements are unaudited but subject to limited scope review by auditors. These are required to be presented to the shareholders in accordance with Section 245 of the Companies Ordinance, 1984 and have been prepared in accordance with the requirements of International Accounting Standards (IAS) - 34 "Interim Financial Reporting", as applicable in Pakistan. The condensed interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements for the year ended June 30, 2011.

**3. ACCOUNTING POLICIES**

The accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the financial statements for the year ended June 30, 2011 except as follows:

**New and amended standards and interpretations**

The Company has adopted the following amended IFRS and IFRIC interpretation which became effective during the period:

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

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

IFRS 7 - Financial Instrument 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 effect on the financial statements.

The financial risk management objectives and policies are consistent with those disclosed in the annual financial statements of the Company for the year ended June 30, 2011.

	Note	Mar 31, 2 0 1 2 (Un-audited) ..... (Rs. in '000) .....	June 30, 2 0 1 1 (Audited)
<b>4. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating fixed assets	4.1	1,310,747	1,583,459
Capital work-in-progress	4.2	544,773	546,580
		<u>1,855,520</u>	<u>2,130,039</u>
<b>4.1. Operating fixed assets</b>			
Opening net book value		1,583,459	2,014,483
Additions during the period / year	4.1.1	11,697	17,820
		<u>1,595,156</u>	<u>2,032,303</u>
Disposals during the period / year	4.1.2	1,226	-
Accumulated depreciation on disposals		(1,051)	-
Depreciation charged during the period/year		284,234	448,844
		<u>284,409</u>	<u>448,844</u>
		<u>1,310,747</u>	<u>1,583,459</u>
<b>4.1.1. Details of additions during the current period are as follows:</b>			
<b>Owned</b>			
Apparatus, plant and equipment		9,590	11,443
Computers and related accessories		2,028	4,889
Furniture, fixtures and office equipment		79	916
Vehicles		-	572
		<u>11,697</u>	<u>17,820</u>
<b>4.1.2. Details of disposals made during the current period are as follows:</b>			
<b>Owned</b>			
Vehicles		1,226	-
<b>4.2. CAPITAL WORK-IN-PROGRESS</b>			
Owned		517,084	518,492
Advances to Suppliers		27,689	28,088
		<u>544,773</u>	<u>546,580</u>
<b>5. TRADE DEBTS</b>			
<b>Unsecured</b>			
Considered good		105,568	123,543
Considered doubtful		204,732	204,732
		<u>310,300</u>	<u>328,275</u>
Less: Provision for debts considered doubtful		(204,732)	(204,732)
		<u>105,568</u>	<u>123,543</u>

6. LOANS AND ADVANCES	Mar 31, 2012 (Un-audited) ..... (Rs. in '000) .....	June 30, 2011 (Audited)
<b>Loans - unsecured</b>		
<b>Considered good</b>		
<b>Current portion of long term loans</b>		
Executives	135	130
Employees	113	113
	<u>248</u>	<u>243</u>
<b>Advances - unsecured</b>		
<b>Considered good</b>		
Executives	2,614	2,032
Employees	5,390	4,084
Suppliers	14,161	8,373
	<u>22,165</u>	<u>14,489</u>
<b>Considered doubtful</b>		
Suppliers	11,647	11,647
Provision for advances considered doubtful	(11,647)	(11,647)
	<u>-</u>	<u>-</u>
	<u>22,413</u>	<u>14,732</u>

**7. ACCRUED MARK-UP**

Due from a bank	7.1	48,587	48,587
Mark-up on current account with related parties		8,547	899
		<u>57,134</u>	<u>49,486</u>

7.1 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.

**8. OTHER RECEIVABLES**

<b>Considered good</b>			
Due from Related parties		46,630	76,893
<b>Others:</b>			
Pakistan Telecommunication Company Limited			
Karachi Relief Rebate	8.1	651,541	651,541
Interconnect discount	8.2	28,701	28,701
WPS - Payments made under protest	13.1	289,725	289,725
Leased Lines and upfront connection charges	8.3	131,517	131,517
LL & LDI charges - payments made under protest	8.4	200,000	200,000
Wire line	8.1(a)	48,712	48,712
Multi-metering	8.1(a)	18,287	18,287
		<u>1,368,483</u>	<u>1,368,483</u>
Pakistan Telecommunication Authority	8.5	2,111,115	2,111,115
Insurance claims		2,325	9,743
Claim against a bank	8.6	998	998
Augere Pakistan		1,972	2,907
Due from Zonal Employees		2,572	167
		<u>3,534,095</u>	<u>3,570,306</u>
<b>Considered doubtful</b>			
Due from PTCL		10,361	10,361
Due from zonal employees		15,874	15,874
Insurance claims		7,418	-
Others		4,162	4,162
		<u>37,815</u>	<u>30,397</u>
Provision for other receivables considered doubtful		(37,815)	(30,397)
		<u>3,534,095</u>	<u>3,570,306</u>



- 8.1 (a)** In the interest of public safety, the Government of Pakistan (GoP) is empowered to close transmission of all messages / services, subject to certain conditions. Section 54 of the Pakistan Telecommunication (Reorganisation) Act 1996 states that the GoP can do so "provided that the GoP may compensate any licensee whose facilities or services are affected by any action under that section". Under these powers, the GoP shut down the service of the Company from July 1995 to January 1997. The Company served a notice to the GoP for compensation and as a quid pro quo and in consideration of the Company having agreed to withdraw its claim, the GoP offered the Karachi Relief Rebate Package. This arrangement was duly approved by the Cabinet and announced, on behalf of GoP, by the PTA.

As per the award of the GoP, the PTCL started paying the Karachi Relief Rebate up to June 30, 1998 and thereafter, unilaterally, decided to discontinue payments against the said package.

During the year ended June 30, 2000, the Company filed a law suit against the PTCL in the High Court of Sindh (the Court) for the recovery of Rs.71.276 million accrued up to October 1999 and consequential losses thereon, aggregating to Rs.2,261.924 million. The Court, during the year ended June 30, 2002, on an application filed by the Company, passed an interim order in favor of the Company and appointed a firm of Chartered Accountants for the determination of the actual amount receivable (final sum) from the PTCL. The said firm calculated the relief rebate and interconnect discount in accordance with the direction of the Court, containing various amounts determined under various alternatives, for the period commencing January 1997 to August 2001.

The Company contends that the relief rebate allowed to it through the PTA's letter, dated January 20, 1997, is of a continuing nature as no cessation date is mentioned in that letter. The Company further contends that the relief package was approved by the GoP after negotiations between the GoP and the Company.

As the Court already passed an interim order in August 2001 in favor of the Company and in light of the above, the management of the Company is confident that the recovery of the amount accrued to date would be as prayed by the Company.

The total amount due to be recovered on account of relief rebate amounted 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 losing 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 (June 30, 2011: Rs.48.712) million and Rs.18.287 (June 30, 2011: Rs.18.287) million, respectively, and considers the recovery of these sums to be virtually certain. Accordingly, it has not made any provision against the above referred sums, pending a final decision by the Court in this matter.

- (b)** During the year ended June 30, 2002, the PTCL filed a law suit against the Company for the recovery of Rs.334.313 million, alleging and disputing the relief rebate claimed / adjusted by the Company. In the opinion of the legal advisor of the Company, if it is decided by the Court that the Company is not entitled to the Karachi Relief Rebate and the decision in this case is against the Company, then the Company would have to pay only the above amount on account of Karachi Relief Rebate. If, however, it was concluded by the Court that the relief rebate is applicable, then, no amount would be liable to be paid by the Company to the PTCL but in fact the Company would be entitled to recover certain amounts as claimed in the law suit, discussed in (a) above. As per the above-referred legal advisor, there is likelihood that the Plaintiff will not succeed in its claim in this suit. Accordingly, pending the decision of the Court in this respect, the Company has not made any provision for the aforesaid claim in these condensed interim 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.

- 8.2** This represents the amount of interconnect discount which is subject to the determination of the final sum, as stated in note 8.1 (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.

- 8.3** 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.

- 8.4** 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.

8.5 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.4,239.296 million up to March 31, 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 March 31, 2012, in addition to Rs.29.473 million, aggregating to Rs. 4,268.769 million (June 30, 2011: Rs. 3,878.272 million), against which the Company paid a sum of Rs.2,111.115 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 to the PTA on behalf of the Company, during the year ended June 30, 2010 and (c) Rs.181.636 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.2,132.382 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.

8.6 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 (June 30, 2011: Rs.0.998 million) and damages, aggregating to Rs.8.245 (June 30, 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.

	<b>Mar 31, 2 0 1 2 (Un-audited)</b>	<b>June 30, 2 0 1 1 (Audited)</b>
	..... (Rs. in '000) .....	
<b>9. LONG TERM FINANCES</b>		
<b>- Secured</b>		
<b>From banks and financial institutions</b>		
Local currency Loan - I	-	7,000
Local currency Loan - II	<b>131,250</b>	150,000
Local currency Loan - III	<b>98,500</b>	98,500
Local currency Loan - IV	<b>13,167</b>	26,000
	<b>242,917</b>	281,500
Less: Current maturity shown under current liabilities	<b>(78,792)</b>	(79,875)
	<b>164,125</b>	201,625

		Mar 31, 2 0 1 2 (Un-audited)	June 30, 2 0 1 1 (Audited)
		..... (Rs. in '000) .....	
<b>10.</b>	<b>REDEEMABLE CAPITAL</b>		
	Balance as at July 01	10.1      882,000	882,000
	Current maturity shown under current liabilities, including	<u>(2,940)</u>	<u>(405,840)</u>
		<u>879,060</u>	<u>476,160</u>
<b>10.1</b>	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. In this regard, on December 30, 2011, the redemption schedule of the TFCs relating to the redemption again, falling due on May 27, 2011 and all redemptions scheduled thereafter, was restructured, again, without any financial consequences or delay penalties, after the approval obtained by the Company from the TFC holders upon its request, as a result of which, the last redemption date has now been extended to May 27, 2015, instead of the earlier revised final redemption date of November 27, 2013.		
	Similarly, the unpaid mark-up accrued on the redemption due on and 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.73.099 million, which is due after a period of twelve months, has been classified as non-current in these condensed interim financial statements.		
	These are secured against a first specific charge over the fixed assets of the Company, aggregating to Rs.800.000 (June 30, 2011: Rs.800.000) million and specific charge over the intangible assets (frequency spectrum) procured from the PTA.		
<b>11.</b>	<b>ADVANCE FROM A CONTRACTOR</b>		
	<b>Unsecured</b>		
	Opening balance	467,121	525,517
	Taken to income during the period	<u>(45,451)</u>	<u>(58,396)</u>
		<u>421,670</u>	<u>467,121</u>
<b>12.</b>	<b>DEFERRED LIABILITIES</b>		
	Staff gratuity	6,827	7,530
	Deferred taxation	-	190,068
	Spectrum fee payable	12.1 <u>1,585,500</u>	<u>1,585,500</u>
		<u>1,592,327</u>	<u>1,783,098</u>
<b>12.1</b>	This represents the balance of Initial Spectrum Fees (balance fees) in respect of the license and related frequencies acquired by the Company. 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 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 was pleased to grant 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 period, the Ministry of Information Technology and Telecommunication, 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, the details of which are yet to be finalized. In view of the legal advisor of the Company, this implies that the PTA will have to permit the Licensees (including the Company) to start paying the balance Initial Spectrum Fee in installments, the first of which cannot be demanded before August 2014, as the Initial Spectrum Fee has already been paid until that time.

The legal advisor of the Company has opined that there is more than an even chance of success in the current lawsuit and that the PTA can no longer make demands for balance of Initial Spectrum Fee till at least August 2014 as the same would be completely contradictory to the said letter issued by the Ministry of Information Technology. Accordingly, for this reason, the management has classified the said liability as non-current.

		<b>Mar 31, 2012</b>	<b>June 30, 2011</b>
		<b>(Un-audited)</b>	<b>(Audited)</b>
		<b>..... (Rs. in '000) .....</b>	
<b>13. TRADE AND OTHER PAYABLES</b>			
<b>Trade</b>			
Pakistan Telecommunication Company Limited	13.1	665,977	659,358
ZTE Corporation Limited		33,724	31,486
Others		286,999	196,838
		<b>986,700</b>	<b>887,682</b>
<b>Other payables</b>			
Pakistan Telecommunication Authority		59,616	41,989
Related parties		50,186	19,288
Accrued liabilities		46,388	36,069
Advances from customers		9,576	11,964
Unclaimed dividends		7,892	6,216
Unclaimed TFCs		259	-
Unearned income		88,012	78,864
Sales tax – net		65,694	58,083
Income tax deducted at source		192,272	150,735
Workers' Welfare Fund		2,282	2,282
Others		-	1,570
		<b>522,177</b>	<b>407,060</b>
		<b>1,508,877</b>	<b>1,294,742</b>

13.1 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 (June 30, 2011: Rs.968.000) million on account of air time charges, line rent and access charges and Rs.276.000 (June 30, 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 March 31, 2012 amounted to Rs.1,396.992 (June 30, 2011: Rs.1,396.992) million. However, the management, while acknowledging the liability to the extent of Rs.609.708 (June 30, 2011: Rs.609.708) million does not accept liability for the remaining sum of Rs.787.284 (June 30, 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 (June 30, 2011: Rs.289.725) million, as due from the PTCL under other receivables (note 8) 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.

		Mar 31, 2 0 1 2 (Un-audited)	June 30, 2 0 1 1 (Un-audited)
		..... (Rs. in '000) .....	
<b>14.</b>	<b>ACCRUED MARK-UP</b>		
	<b>Secured:</b>		
	Redeemable capital	56,002	65,511
	Long term loans	19,471	24,030
	Short term running finances	17,917	12,505
		<u>93,390</u>	<u>102,046</u>
	<b>Unsecured:</b>		
	Related parties	30,897	11,773
		<u>124,287</u>	<u>113,819</u>
<b>15.</b>	<b>SHORT-TERM LOAN FROM A SUBSIDIARY COMPANY-unsecured</b>	<b>15.1</b>	<b>-</b>
<b>15.1</b>	This represents a short-term loan received from Supernet Limited, a subsidiary Company, carrying mark-up at the rate of 15.00% per annum, and is repayable on demand.		
<b>16.</b>	<b>CURRENT MATURITIES OF LONG TERM LIABILITIES</b>		
	Long term loans	78,792	79,875
	Redeemable capital (TFCs)	2,940	405,840
	Advance from a subsidiary company	12,000	12,000
	Liabilities against assets subject to finance lease	13,309	13,309
	Due to employees	524	8,762
		<u>107,565</u>	<u>519,786</u>
<b>17.</b>	<b>CONTINGENCIES AND COMMITMENTS</b>		
	<b>(a) Contingencies</b>		
<b>17.1</b>	There has been no change in the status of contingencies reported in the financial statements for the year ended June 30, 2011		
<b>17.2</b>	The contingencies in respect of matters relating to PTCL including claims in respect of Karachi Relief Rebate, interconnect discount etc. have been disclosed in notes 8.1, 8.2, 8.3, 8.4 and 13.1 to these condensed interim financial statements. Pending resolution of these matters, no provision has been made against the amounts disclosed in these notes.		
	<b>(b) Commitments</b>		
<b>17.3</b>	Counter guarantees given to banks	<u>180,000</u>	<u>180,000</u>

TELECARD LIMITED  
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED MARCH 31, 2012

	Nine Months Ended		Quarter Ended	
	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
	..... (Rs. in '000) .....		..... (Rs. in '000) .....	
<b>18. DIRECT COSTS</b>				
Interconnect charges	485,743	348,518	190,864	112,373
Network media charges	65,977	67,603	21,795	22,865
Network sites rent	102,886	115,924	32,749	28,274
Network sites utilities and maintenance	60,808	71,955	18,014	21,493
Insurance	6,239	8,116	1,922	2,656
Annual license fees	19,355	17,827	5,946	5,946
Cost of cards sold	590	1,152	135	347
Depreciation	277,311	341,067	90,210	106,878
Amortization of intangible assets	136,138	136,138	45,379	45,380
	<u>1,155,047</u>	<u>1,108,300</u>	<u>407,014</u>	<u>346,212</u>
<b>19. DISTRIBUTION COST AND ADMINISTRATIVE EXPENSES</b>				
Salaries and other benefits	141,675	143,882	45,671	50,636
Gratuity	1,167	1,167	389	389
Postage, telephone and telex	2,404	2,608	840	914
Vehicles running and maintenance	19,747	17,167	6,762	6,190
Travelling & entertainment	3,551	3,855	1,266	1,332
Office maintenance	6,020	7,593	1,933	2,527
Stationery and photocopies	2,807	4,361	953	1,297
Rent	38,041	40,034	12,822	14,330
Utilities	21,862	15,833	6,218	5,903
Insurance	3,399	4,387	1,091	1,566
Legal and professional charges	5,748	6,120	2,291	1,589
Auditors' remuneration	2,934	3,380	1,172	811
Sales promotion and marketing	6,749	10,195	1,883	4,855
Fees and subscription	1,602	1,600	9	79
Depreciation	6,923	6,926	2,310	2,289
Donation	209	1,057	-	60
Provision for debts considered doubtful	-	4	-	-
Provision for insurance claims	7,418	-	-	-
Provision for penalties	-	670	-	-
Others	641	640	444	415
	<u>272,897</u>	<u>271,478</u>	<u>86,056</u>	<u>95,181</u>
<b>20. OTHER OPERATING EXPENSES</b>				
Exchange loss	4,325	1,475	437	78
Workers' Welfare Fund	-	4,258	-	(2,949)
	<u>4,325</u>	<u>5,733</u>	<u>437</u>	<u>(2,871)</u>
<b>21. OTHER OPERATING INCOME</b>				
Mark-up on loan to the Subsidiary Company	-	1,678	-	-
Mark-up on current account with related parties	7,647	1,368	2,015	-
Return on bank deposits	99	96	22	-
Dividend Income	-	8,388	-	-
Professional Services	13,500	13,500	4,500	13,500
Gain on sale of fixed asset	1,180	-	-	-
Provision written back	-	-	-	(97)
Others	286	3,005	-	(27)
	<u>22,712</u>	<u>28,035</u>	<u>6,537</u>	<u>13,376</u>

	Nine Months Ended		Quarter Ended	
	March 31, 2012 ..... (Rs. in '000) .....	March 31, 2011	March 31, 2012 ..... (Rs. in '000) .....	March 31, 2011
<b>22. LIABILITIES NO LONGER PAYABLE</b>				
<b>WRITTEN BACK</b>				
Alcatel Lucent Pakistan Limited	-	516,000	-	-
Workers' Welfare Fund	-	19,405	-	-
Others	<b>905</b>	-	-	-
	<b>905</b>	<b>535,405</b>	<b>-</b>	<b>-</b>

**23. FINANCE COSTS**

**Mark-up on secured:**

- Redeemable capital	<b>114,467</b>	116,082	<b>37,294</b>	37,189
- Long term loans	<b>32,294</b>	61,194	<b>9,213</b>	16,640
- Short term running finances	<b>34,792</b>	24,316	<b>11,060</b>	10,672
Finance leases	-	258	-	-
Markup on advance from subsidiary	<b>19,124</b>	-	<b>4,411</b>	-
Bank charges	<b>2,377</b>	2,973	<b>665</b>	1,406
	<b>203,054</b>	<b>204,823</b>	<b>62,643</b>	<b>65,907</b>

**24. TAXATION**

Current	<b>9,065</b>	12,053	<b>2,846</b>	3,368
Deferred	<b>(248,681)</b>	63,544	<b>(94,565)</b>	(54,032)
	<b>(239,616)</b>	<b>75,597</b>	<b>(91,719)</b>	<b>(50,664)</b>

**25. TRANSACTIONS WITH RELATED PARTIES**

The related parties include major shareholders, entities having directors in common with the Company, directors and other key management personnel. Transactions with related parties are as under:

	Nine Months Ended	
	March 31, 2012 ..... (Rs. in '000) .....	March 31, 2011
<b>Subsidiary</b>		
<b>Supernet Limited</b>		
Services provided to the Company	<b>10,060</b>	7,011
Services provided by the Company	<b>62,890</b>	12,616
Mark-up charged to the Company	<b>19,124</b>	-
Short-term Loan to the Company	<b>96,110</b>	-
Mark-up charged by the Company	-	1,613
Dividend received	-	8,388
<b>Telecard E-Solutions (Pvt) Ltd</b>		
Payments made by the company	<b>10,524</b>	-

	Nine Months Ended	
	March 31, 2012	March 31, 2011
	..... (Rs. in '000) .....	
<b>Entities having directors in common with the Company</b>		
<b>Arfeen International (Private) Limited</b>		
Payments made on behalf of the company	997	-
Payments made by company	780	-
Rent expenses charged to the Company	4,140	4,140
Mark-up charged by the Company	2,243	-
Services provided by the Company	148	-
<b>Envicrete Limited</b>		
Payments made by the company	49	-
<b>Chaman Investment (Private) Limited</b>		
Service provided to the company	-	648
<b>World Trade Centre (Private) Limited</b>		
Services provided to the Company	46,442	27,244
<b>Instaphone (Private) Limited</b>		
Payments made by the company	2,615	-
Mark-up Charged by the company	167	-
Payments made on behalf of the related party		4,785
<b>Instaphone Infrastructure (Private) Limited</b>		
Service Provided to the company	48,669	46,251
Service Provided by the company	13,500	13,500
Payments made on behalf of the related party	3,716	2,874
Mark-up charged by the company	5,237	-
<b>Telegateway Limited</b>		
Service Provided to the company	1,000	-

**26. CORRESPONDING FIGURES**

<u>From</u>	<u>To</u>	<u>(Rupees in '000)</u>
Other income	Revenue	30,276
Deposits and prepayments	Long-term deposits	3,787

**27. DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on April 30, 2012 by the Board of Directors of the Company.

**28. GENERAL**

Figures have been rounded off to the nearest thousand rupees.

\_\_\_\_\_  
Chief Executive

\_\_\_\_\_  
Director