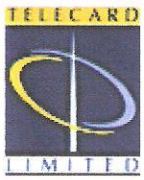

Telecard Limited
Financial Statements
for the Period Ended
31 March 2010

Company Information

Board of Directors	Mr. Sultan ul Arfeen (Chairman) Mr. Shams ul Arfeen Mr. Shahid Firoz Syed Nizam Ahmed Shah Mr. Imran Malik Mr. Hissan-ul-Arfeen Mr. Peregrine Moncreiffe
Board Audit Committee	Mr. Sultan ul Arfeen (Chairman) Syed Nizam Ahmed Shah Mr. Imran Malik
External Auditors	Ernst & Young Ford Rhodes Sidat Hyder Chartered Accountants
Chief Executive Officer	Mr. Shams ul Arfeen
Legal Advisor	Mohsin Tayebally & Co.
Chief Financial Officer	Mr. Farhan Mithani
Company Secretary	Mr. Waseem Ahmad
Banks	KASB Bank Limited Standard Chartered Bank (Pakistan) Ltd. Faysal Bank Ltd. National Bank of Pakistan Habib Bank Ltd. Pak Oman Investment Company Ltd. Saudi Pak Commercial Bank
Registrar and Share Transfer Office	Gangjees Registrar Services (Pvt.) Ltd. 516, Clifton Centre Khayaban-e-Roomi, Kehkashan, Block 5, Clifton, Karachi
Registered Office	3rd Floor, 75 East, Blue Area, Fazal-ul-Haq Road, Islamabad Pakistan
Corporate Office	7th Floor, World Trade Center, 10-Khayaban-e-Roomi, Clifton, Karachi Pakistan

Directors' Report

The Board of Directors of Telecard Limited is pleased to present the Financial Statements and review of your Company's performance for the period ended 31 March 2010.

Review of Current Operations

As already shared with the members in earlier reports, the company was severely affected by an outage of its Long Distance International (LDI) network in September 2009. The financial results for the current period under review continued to be affected by this outage. Revenue for the 9 month period was Rs. 1.58 billion compared to Rs. 2.74 billion for the corresponding period last year, a decline of 42%. The reduction in revenue, combined with unchanged fixed costs, drastically reduced Gross Profit from Rs. 833 million in previous period to Rs. 207 million. This had a consequential impact on the bottom line with the Company experiencing a net loss of Rs. 312 million. The loss per share during the nine months has increased from a negative of Rs. (0.12) in 2009 to Rs. (1.04) in 2010.

The latest quarter, however, reflects partial impact of the restoration of the LDI network, with revenue increasing by 136% from 210 million in the previous quarter to Rs.497 million. The Gross Profit for the quarter also improved as a consequence to Rs. 39 million from a negative figure of Rs. 172 million in the previous quarter, while net loss for the quarter also reduced substantially. The LDI business segment is back on track, and expansion of capacities is being planned to further increase the volume of traffic exchanged between the Company and other international carriers.

During the 9 months under review, the Company reduced its long term debt by Rs. 186 million. As at 31 March 2010 the current ratio stands at 0.94:1 and Debt Equity ratio stands at an improved 56:44.

On the WLL side, the Company has embarked on a multi-pronged approach for improving business performance which includes rationalization of deployed assets, service excellence, and market penetration. At the same time the Company is also exploring avenues for reducing the capital and operating costs related to such redeployment.

In addition, the Company is exploring opportunities for generating additional revenues from the different telecom segments, and different options are being evaluated and worked upon. We hope to share some concrete developments on this in the next report.

Apart from strengthening the revenue streams and exploring new markets, the management is on course to its program of reducing the cost structure. During the nine months ending 31 March 2010, the distribution cost and administrative expense were Rs.305 million, as against Rs.484 million during the same period last year, showing a reduction of 37%. Thus, owing to efficient use of resources, your Company has been able to reduce its expenses, despite inflationary pressures. Further actions in this regard are underway.