

TELECARD LIMITED

**CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

(UN-AUDITED)

AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim balance sheet of **Telecard Limited** (the Company) as at **31 December 2011** and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof (here-in-after referred to as "interim financial information") for the six-month period then ended. Management is responsible for the preparation and presentation of this 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.

Scope of Review

We conducted our review in accordance with International Standard 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.

Conclusion

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

We draw attention to the contents of:

- (i) notes 6.1(a) and 6.2 to the accompanying condensed interim financial statements in respect of the lawsuit filed by the Company during the year ended 30 June 2000 in the High Court of Sindh (the Court) with regard to the recovery of Karachi Relief Rebate, Interconnect discount and other related amounts from Pakistan Telecommunication Company Limited (PTCL). On an application filed by the Company, the Court passed an interim order in favour of the Company and appointed a firm of Chartered Accountants to determine the actual amount due from the PTCL in this regard. The said firm submitted its report to the Court during the year ended 30 June 2002, containing various amounts determined under various alternatives, for the period commencing January 1997 to August 2001. Accordingly, pending a final decision by the Court in this matter, no provision for any amount that may not be recoverable has been made in the accompanying condensed interim financial statements for any amounts that may not be recoverable;

- (ii) note 6.1(b) to the accompanying condensed interim financial statements with regard to a lawsuit filed by the PTCL against the Company during the year ended 30 June 2002. Pending a decision of the Court in this respect, the Company has not made any provision in the accompanying condensed interim financial statements for the amount claimed by the PTCL;
- (iii) note 6.5 to the accompanying condensed interim financial statements in respect of the Pakistan Telecommunication Authority's (PTA) claim for Access Promotion Contribution for Universal Service Fund of Rs.4,243.497 million, out of which the Company paid a sum of Rs.2,111.115 million to the PTA up to the end of the current period under protest. The Islamabad High Court, however, decided the case in favour of the PTA during the year ended June 30, 2009. As a result, the Company has filed an appeal in the Supreme Court of Pakistan, and, hence, pending a final decision in this matter, no adjustment has been made to the above referred sum of Rs.2,111.115 million shown by the Company under other receivables (note 6.5) nor any provision has been made for the remaining sum of Rs.2,132.382 million in the accompanying condensed interim financial statements;
- (iv) notes 14.1 and 14.2 to the accompanying condensed interim financial statements in respect of contingencies the ultimate outcome of which cannot presently be determined and, hence, pending the resolution thereof, no provision has been made for any liability that may arise therefrom;
- (v) note 5.1 to the accompanying condensed interim financial statements in respect of additional mark-up claimed by the Company from a commercial bank which has been accrued by the Company in the accompanying condensed interim financial statements. Pending a final decision in this matter, no provision has been made in the accompanying condensed interim financial statements there against; and
- (vi) note 9.1 to the accompanying condensed interim financial statements in respect of Spectrum Fee payable, shown under deferred liabilities, as a result of the appeal instituted by the Company in the Islamabad High Court during the year ended 30 June 2011.

Our conclusion is not qualified in respect of the above matters.

Chartered Accountants

Date: 29 February 2012

Karachi:

TELECARD LIMITED
CONDENSED INTERIM BALANCE SHEET
AS AT DECEMBER 31, 2011

	Note	December 31, 2011 (Un-audited)	June 30, 2011 (Audited)
----- (Rupees in '000) -----			
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Property, plant and equipment	4	1,945,680	2,130,039
Intangible assets		2,269,085	2,359,843
		<u>4,214,765</u>	<u>4,489,882</u>
Long-term investments		340,637	340,637
Long-term deposits		53,134	52,913
		<u>4,608,536</u>	<u>4,883,432</u>
CURRENT ASSETS			
Stock-in-trade		751	862
Trade debts		88,495	123,543
Loans and advances		19,498	14,732
Deposits and prepayments		34,465	30,819
Accrued mark-up	5	55,119	49,486
Other receivables	6	3,546,216	3,570,306
Taxation – net		118,293	120,293
Bank balances		3,248	8,659
		<u>3,866,085</u>	<u>3,918,700</u>
TOTAL ASSETS		<u><u>8,474,621</u></u>	<u><u>8,802,132</u></u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVE			
Share capital			
Authorised			
400,000,000 (June 30, 2011: 400,000,000) Ordinary shares of Rs.10 each		<u>4,000,000</u>	<u>4,000,000</u>
Issued, subscribed and paid-up capital		<u>3,000,000</u>	<u>3,000,000</u>
Revenue reserve			
Unappropriated profit		<u>153,108</u>	<u>445,398</u>
		<u>3,153,108</u>	<u>3,445,398</u>
NON-CURRENT LIABILITIES			
Long-term loans	7	201,625	201,625
Redeemable capital	8	879,060	476,160
Advance from a Contractor		437,291	467,121
Advance from a Subsidiary Company		99,104	147,924
Accrued interest on redeemable capital		77,506	-
Long-term deposits		60,790	59,724
Deferred liabilities	9	1,628,206	1,783,098
		<u>3,383,582</u>	<u>3,135,652</u>
CURRENT LIABILITIES			
Trade and other payables	10	1,416,552	1,294,742
Accrued interest / mark-up	11	105,037	113,819
Short-term running finances		297,011	292,735
Short-term loan from a Subsidiary Company	12	45,450	-
Current maturities of long-term liabilities	13	73,881	519,786
		<u>1,937,931</u>	<u>2,221,082</u>
CONTINGENCIES	14		
TOTAL EQUITY AND LIABILITIES		<u><u>8,474,621</u></u>	<u><u>8,802,132</u></u>

The annexed notes from 1 to 26 form an integral part of these condensed interim financial statements.

CHIEF EXECUTIVE

DIRECTOR

TELECARD LIMITED
 CONDENSED INTERIM PROFIT AND LOSS ACCOUNT
 FOR THE HALF-YEAR ENDED DECEMBER 31, 2011
 (UN-AUDITED)

Note	Half-Year Ended		Quarter Ended	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
	-----Rs in '000-----		-----Rs in '000-----	
REVENUE – net	621,904	889,006	265,758	465,964
Direct costs	15 (748,031)	(762,088)	(369,143)	(380,459)
GROSS (LOSS) / PROFIT	(126,127)	126,918	(103,385)	85,505
Administrative and selling expenses	16 (186,840)	(176,297)	(93,286)	(87,322)
Other operating expenses	17 (3,888)	(8,604)	(2,897)	(7,276)
Liabilities no longer payable written back	18 905	535,405	905	19,405
Other operating income	19 16,176	14,659	9,626	13,062
	(173,647)	365,163	(85,652)	(62,131)
OPERATING (LOSS) / PROFIT	(299,774)	492,081	(189,037)	23,374
Finance costs	20 (140,412)	(138,916)	(68,194)	(64,615)
(LOSS) / PROFIT BEFORE TAXATION	(440,186)	353,165	(257,231)	(41,241)
Taxation	21 147,896	(126,261)	84,886	15,651
NET (LOSS) / PROFIT FOR THE PERIOD	(292,290)	226,904	(172,345)	(25,590)
	Rupees	Rupees	Rupees	Rupees
EARNINGS PER SHARE - Basic and diluted	(0.97)	0.76	(0.57)	(0.09)

The annexed notes from 1 to 26 form an integral part of these condensed interim financial statements.

 CHIEF EXECUTIVE

 DIRECTOR

TELECARD LIMITED
 CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
 FOR THE HALF-YEAR ENDED DECEMBER 31, 2011
 (UN-AUDITED)

	Half-year ended		Quarter ended	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
	-----Rs. in '000-----			
Net (loss) / profit for the period	(292,290)	226,904	(172,345)	(25,590)
Other comprehensive income for the period	-	-	-	-
Total comprehensive (loss) / income for the period	(292,290)	226,904	(172,345)	(25,590)

The annexed notes from 1 to 26 form an integral part of these condensed interim financial statements.

 CHIEF EXECUTIVE

 DIRECTOR

TELECARD LIMITED

CONDENSED INTERIM CASH FLOW STATEMENT
FOR THE HALF-YEAR ENDED DECEMBER 31, 2011
(UN-AUDITED)

Note	Half-Year Ended	
	December 31, 2 0 1 1	December 31, 2 0 1 0
	-----Rs in '000-----	
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) /profit before taxation	(440,186)	353,165
Adjustments for non cash charges and other items:		
Depreciation	191,714	238,826
Provision for gratuity	779	779
Finance costs	138,699	138,916
Amortisation of intangible assets	90,758	90,758
Advance from a contractor	(29,830)	(28,842)
Provision for insurance claims considered doubtful	7,418	-
Amount due to employees written back	(905)	-
Gain on sale of fixed assets	(1,180)	-
Provision written back	-	(97)
Dividend income	-	(8,388)
	397,453	431,952
(Loss) / profit before working capital changes	(42,733)	785,117
Working capital changes		
(Increase) / decrease in current assets		
Stock-in-trade	111	(305)
Trade debts	35,048	103,496
Loans and advances	(4,766)	56,623
Deposits, prepayments and other receivables	7,393	5,955
	37,786	165,769
Decrease / (increase) in trade and other payables	122,714	(627,596)
Cash generated from operations	117,767	323,290
Income tax refund (paid) / received	(4,219)	22,464
Finance costs paid	(69,974)	(157,994)
Gratuity paid	(1,555)	(427)
Long-term loans and deposits	(221)	261
Due to employees	(5,422)	(5,925)
Long-term deposits	1,066	(1,723)
	(80,325)	(143,344)
Net cash generated from operating activities	37,442	179,946
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure	(7,531)	(10,770)
Sales proceeds from disposal of fixed assets	1,355	-
Dividend income received	-	8,388
Net cash used in investing activities	(6,176)	(2,382)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	-	(30,000)
Repayment of redeemable capital	-	(105,840)
Advance from a Subsidiary Company	(48,820)	-
Repayment of long-term loans	(37,583)	(60,375)
Repayments of short-term borrowing	-	(17,000)
Repayment of liabilities against assets subject to finance lease	-	(1,640)
Short-term loan from a Subsidiary Company	45,450	-
Net cash flows used in financing activities	(40,953)	(214,855)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(9,687)	(37,291)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	(284,076)	(246,191)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	(293,763)	(283,482)

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The annexed notes from 1 to 26 form an integral part of these condensed interim financial statements.

CHIEF EXECUTIVE

DIRECTOR

TELECARD LIMITED

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED DECEMBER 31, 2011
(UN-AUDITED)

	Share Capital	Revenue Reserve	Total
	Issued, subscribed and paid-up	Unappropriated profit	
	----- (Rupees in '000) -----		
Balance as at June 30, 2010	3,000,000	400,988	3,400,988
Net profit for the period	-	226,904	226,904
Other comprehensive income	-	-	-
Total comprehensive income	-	226,904	226,904
Final dividend @ Rs.0.10 per Ordinary share of Rs.10 each for the year ended June 30, 2010	-	(30,000)	(30,000)
Balance as at December 31, 2010	3,000,000	597,892	3,597,892
Balance as at June 30, 2011	3,000,000	445,398	3,445,398
Net loss for the period	-	(292,290)	(292,290)
Other comprehensive income	-	-	-
Total comprehensive loss	-	(292,290)	(292,290)
Balance as at December 31, 2011	3,000,000	153,108	3,153,108

The annexed notes from 1 to 26 form an integral part of these condensed interim financial statements.

CHIEF EXECUTIVE

DIRECTOR

TELECARD LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED DECEMBER 31, 2011
(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, including 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

These condensed interim financial statements of the company for the six months period ended December 31, 2011 have been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed. 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 AND ESTIMATES

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	December 31, 2011 (Un-audited) ----- (Rupees in '000) -----	June 30, 2011 (Audited)
4. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	4.1	1,400,897	1,583,459
Capital work-in-progress	4.2	544,783	546,580
		1,945,680	2,130,039
4.1 Operating fixed assets			
Opening net book value		1,583,459	2,014,483
Additions during the current period / year	4.1.1	9,327	17,820
		1,592,786	2,032,303
Disposals during the current period / year		1,226	-
Accumulated depreciation on disposals		(1,051)	-
Depreciation charged during the period / year		191,714	448,844
		191,889	448,844
		1,400,897	1,583,459
4.1.1 Details of additions made during the current period / year including transfers from capital work-in-progress are as follows:			
Owned			
Apparatus, plant and equipment		8,081	11,443
Computers and related accessories		1,182	4,889
Furniture, fixtures and office equipment		64	916
Vehicles		-	572
		9,327	17,820
4.2 Capital work-in-progress			
Owned equipment		517,084	518,492
Advances to suppliers		27,699	28,088
		544,783	546,580
5. ACCRUED MARK-UP			
Due from a bank	5.1	48,587	48,587
Mark-up on current accounts with related parties		6,532	899
		55,119	49,486

5.1 This represents amount due from a commercial bank in respect of funds raised through the 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 currently 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.

	December 31, 2011 (Un-audited)	June 30, 2011 (Audited)
Note	----- (Rupees in '000) -----	
6. OTHER RECEIVABLES		
Considered good		
Due from related parties	55,467	76,893
Others:		
Pakistan Telecommunication Company Limited		
Karachi Relief Rebate	6.1 651,541	651,541
Interconnect discount	6.2 28,701	28,701
WPS – payments made under protest	10.1 289,725	289,725
Leased lines and upfront connection charges	6.3 131,517	131,517
LL & LDI charges – payments made under protest	6.4 200,000	200,000
Wire line	6.1(a) 48,712	48,712
Multi-metering	6.1(a) 18,287	18,287
	1,368,483	1,368,483
Pakistan Telecommunication Authority	6.5 2,111,115	2,111,115
Claim against a bank	6.6 998	998
Insurance claims	2,325	9,743
Due from Augere Pakistan (Private) Limited	5,004	2,907
Due from employees of Zonal offices	2,824	167
	3,546,216	3,570,306
Considered doubtful		
Due from PTCL	10,361	10,361
Due from employees of Zonal offices	15,874	15,874
Insurance claims	7,418	-
Others	4,162	4,162
	37,815	30,397
Provision for other receivables considered doubtful	6.7 (37,815)	(30,397)
	-	-
	3,546,216	3,570,306

6.1 (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.

- 6.2** This represents the amount of interconnect discount which is subject to the determination of the final sum, as stated in note 6.1 (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.
- 6.3** 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.
- 6.4** 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.
- 6.5** 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 Licensees, 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.4,214.024 million up to December 31, 2011 (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 December 31, 2011, in addition to Rs.29.473 million, aggregating to Rs. 4,243.497 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.

- 6.6** 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.

	Note	December 31, 2011 (Un-audited) ----- (Rupees in '000) -----	June 30, 2011 (Audited)
6.7 Provision for other receivables considered doubtful			
Opening balance		30,397	30,397
Provision made during the period	16	7,418	-
		<u>37,815</u>	<u>30,397</u>

7. LONG-TERM LOANS

Secured

From banks and financial institutions

Local currency loan – I	7.1	-	7,000
Local currency loan – II	7.1	131,250	150,000
Local currency loan – III	7.1	98,500	98,500
Local currency loan – IV	7.1	14,167	26,000
		243,917	281,500
Current maturity of local currency loans shown under current liabilities	13	(42,292)	(79,875)
		<u>201,625</u>	<u>201,625</u>

- 7.1** The principal terms and conditions of the outstanding loans have remained the same as disclosed in the annual financial statements of the Company for the year ended June 30, 2011.

8. REDEEMABLE CAPITAL

Secured

Term Finance Certificates	8.1	882,000	882,000
Current maturity shown under current liabilities	13	(2,940)	(405,840)
		<u>879,060</u>	<u>476,160</u>

- 8.1** 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, during the current period, 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.

As part of the above restructuring, the unpaid mark-up accrued on the redemption due on May 27, 2011, aggregating to Rs.51.094, out of Rs. 74.833 million,(of which Rs. 23.74 million has already been paid) restructured, whereby, Rs.20.000 million, were due on or before November 30, 2011 (which have already been paid by the Company during the current period), and Rs.31.094 million are due on or before December 30, 2011, which have been paid by the Company, subsequent to the period end.

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.77.506 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.

Note	December 31, 2011 (Un-audited)	June 30, 2011 (Audited)
	----- (Rupees in '000) -----	

9. DEFERRED LIABILITIES

Staff gratuity		6,754	7,530
Spectrum Fee payable	9.1	1,585,500	1,585,500
Deferred taxation	9.2	35,952	190,068
		<u>1,628,206</u>	<u>1,783,098</u>

- 9.1** 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.

The spectrum fee had been discounted to present value of future cash flows, using an effective interest rate of 11% per annum, until the year ended June 30, 2010.

	Note	December 31, 2011 (Un-audited) ----- (Rupees in '000) -----	June 30, 2011 (Audited)
9.2 Deferred taxation			
Deferred tax credits arising from:			
Accelerated tax depreciation		177,739	217,322
Amortisation of intangible assets		285,667	254,537
Leases		9,317	11,432
		472,723	483,291
Deferred tax debits arising from:			
Retirement benefits		(3,533)	(5,702)
Short-term provisions		(95,412)	(92,637)
Tax losses brought forward		(337,826)	(194,884)
		(436,771)	(293,223)
		35,952	190,068

10. TRADE AND OTHER PAYABLES

Trade

Pakistan Telecommunication Company Limited – net	10.1	609,708	609,708
Wireless Payphone Service (WPS)		48,933	49,650
Others		658,641	659,358
ZTE Corporation Limited – net		33,291	31,486
Others		234,826	196,838
		926,758	887,682

Other payables

Current accounts with related parties		38,736	19,288
Pakistan Telecommunication Authority		53,705	41,989
Accrued liabilities		43,232	36,069
Advances from customers		11,777	11,964
Unclaimed dividend		8,153	6,216
Unearned income from wireless payphone cards		84,754	78,864
Sales tax – net		61,461	58,083
Income tax deducted at source		185,694	150,735
Workers' Welfare Fund		2,282	2,282
Others		-	1,570
		489,794	407,060
		1,416,552	1,294,742

10.1 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 December 31, 2011 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 6) 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.

	Note	December 31, 2011 (Un-audited) ----- (Rupees in '000) -----	June 30, 2011 (Audited)
11. ACCRUED INTEREST / MARK-UP			
Secured:			
Redeemable capital		45,863	65,511
Long-term loans		20,806	24,030
Short-term running finances		11,885	12,505
		<u>78,554</u>	<u>102,046</u>
Unsecured:			
Related parties		26,483	11,773
		<u>105,037</u>	<u>113,819</u>
12. SHORT-TERM LOAN FROM A SUBSIDIARY COMPANY - unsecured			
	12.1	<u>45,450</u>	-

12.1 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.

13. CURRENT MATURITIES OF LONG-TERM LIABILITIES

Long-term loans	7	42,292	79,875
Redeemable capital	8	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		3,340	8,762
		<u>73,881</u>	<u>519,786</u>

14. CONTINGENCIES

- 14.1** There has been no change in the status of Contingencies, as reported in the annual financial statements for the year ended June 30, 2011.
- 14.2** 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 6.1, 6.2, 6.3, 6.4 and 10.1 to these condensed interim financial statements. Pending resolution of these matters, no provision has been made against the amounts disclosed in these notes.

	December 31, 2011 (Un-audited) ----- (Rupees in '000) -----	June 30, 2011 (Audited) ----- (Rupees in '000) -----
14.3 Counter guarantees given to banks	<u>180,000</u>	<u>180,000</u>

	Half-year ended December 31, 2011 ----- Rs. in '000 -----	Half-year ended December 31, 2010 ----- Rs. in '000 -----	Quarter Ended December 31, 2011 ----- Rs. in '000 -----	Quarter ended December 31, 2010 ----- Rs. in '000 -----
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15. DIRECT COSTS

Interconnect charges – net	294,879	236,145	138,956	120,934
Network media charges	44,183	44,738	27,486	23,891
Network sites rent	70,136	87,650	37,070	44,636
Network sites utilities and maintenance	42,793	50,462	19,431	25,032
Insurance	4,317	5,460	2,027	2,718
Annual license fees	13,409	11,881	5,941	5,941
Cost of cards sold	455	805	176	400
Depreciation	187,101	234,189	92,677	111,528
Amortisation	90,758	90,758	45,379	45,379
	<u>748,031</u>	<u>762,088</u>	<u>369,143</u>	<u>380,459</u>

16. ADMINISTRATIVE AND SELLING EXPENSES

Salaries and other benefits	96,003	93,245	45,433	47,361
Gratuity	779	779	779	779
Postage, telephone and telex	1,564	1,694	814	770
Vehicles running and maintenance	12,985	10,977	6,522	5,616
Travelling and entertainment	2,285	2,523	1,046	1,404
Office security and maintenance	4,086	5,066	1,911	2,226
Stationery and photocopies	1,853	3,064	927	1,631
Rent	25,219	25,704	12,244	11,196
Utilities	15,644	9,930	6,969	3,656
Insurance	2,309	2,821	1,004	1,369
Legal and professional charges	3,457	4,531	2,484	3,018
Auditors' remuneration	1,762	2,569	792	1,137
Sales promotion and marketing	4,866	5,340	1,371	2,393
Fee and subscription	1,592	1,521	976	1,507
Depreciation	4,613	4,637	2,288	2,295
Donation	209	997	209	180
Provision for debts considered doubtful	-	4	-	4
Provision for penalties	-	670	-	670
Provision for insurance claims considered doubtful	7,418	-	7,418	-
Others	196	225	99	110
	<u>186,840</u>	<u>176,297</u>	<u>93,286</u>	<u>87,322</u>

Note	Half-year ended December 31, 2011 ----- Rs. in '000 -----	Half-year ended December 31, 2010 ----- Rs. in '000 -----	Quarter Ended December 31, 2011 ----- Rs. in '000 -----	Quarter ended December 31, 2010 ----- Rs. in '000 -----
17. OTHER OPERATING EXPENSES				
Exchange loss – net	3,888	1,397	2,897	69
Workers' Welfare Fund	-	7,207	-	7,207
	<u>3,888</u>	<u>8,604</u>	<u>2,897</u>	<u>7,276</u>
18. LIABILITIES NO LONGER PAYABLE WRITTEN BACK				
Alcatel Lucent Pakistan Limited	-	516,000	-	-
Workers' Welfare Fund	-	19,405	-	19,405
Amount due to employees written back	905	-	905	-
	<u>905</u>	<u>535,405</u>	<u>905</u>	<u>19,405</u>
19. OTHER OPERATING INCOME				
Gain on sale of fixed assets	1,180	-	1,180	-
Mark-up on loan to Supernet Limited - a wholly owned Subsidiary	-	1,678	-	90
Return on bank deposits and term deposits receipts	77	96	42	87
Mark-up on current accounts with related parties	5,633	1,368	3,618	1,368
Professional charges	9,000	-	4,500	-
Dividend income	-	8,388	-	8,388
Provision against other receivables considered doubtful written back	-	97	-	97
Others	286	3,032	286	3,032
	<u>16,176</u>	<u>14,659</u>	<u>9,626</u>	<u>13,062</u>
20. FINANCE COSTS				
Interest / mark-up on secured:				
Redeemable capital	77,173	78,893	38,379	34,841
Long-term loans	23,081	44,554	11,660	21,395
Finance lease arrangements	-	258	-	222
Short-term running finances	23,732	13,644	11,369	7,008
Mark-up on advance from subsidiary	14,713	-	5,798	-
Bank charges	1,713	1,567	988	1,149
	<u>140,412</u>	<u>138,916</u>	<u>68,194</u>	<u>64,615</u>
21. TAXATION				
Current	6,220	8,685	2,658	4,551
Deferred	(154,116)	117,576	(87,544)	(20,202)
	<u>(147,896)</u>	<u>126,261</u>	<u>(84,886)</u>	<u>(15,651)</u>

	December 31, 2 0 1 1	December 31, 2 0 1 0
	----- Rs. in '000 -----	
22. CASH AND CASH EQUIVALENTS		
Bank balances	3,248	22,858
Short-term running finances	<u>(297,011)</u>	<u>(306,340)</u>
	<u>(293,763)</u>	<u>(283,482)</u>

23. TRANSACTIONS WITH RELATED PARTIES

The related parties include Subsidiary Companies, entities having directors in common with the Company, major shareholders of the Company, directors and other key management personnel and retirement benefit plans. Transactions with related parties, other than those disclosed elsewhere in the condensed interim financial statements are as under:

Subsidiary	December 31, 2 0 1 1	December 31, 2 0 1 0
	----- Rs. in '000 -----	
Supernet Limited		
Services provided by the Company	6,802	4,630
Services provided to the Company	54,207	9,137
Repayment of short-term loan	-	29,500
Mark-up charged by the Company	14,713	1,613
Dividend received	-	8,388
Short-term loan	45,450	-
Telecard E-Solutions (Private) Limited		
Payments made by the company	7,742	-
Entities having directors in common with the Company		
Arfeen International (Private) Limited		
Payments made on behalf of the Company	217	-
Service rendered	96	-
Rent expenses charged to the Company	2,760	2,760
Mark-up charged to the Company	1,510	-
Chaman Investment (Private) Limited		
Services received by the Company	-	432
World Trade Center (Private) Limited		
Services received by the Company	31,459	18,163
Envicrete Limited		
Services rendered	31	103
Instaphone (Private) Limited		
Mark-up charged by the Company	167	-
Payment made by the Company	2,615	-
Instaphone Infrastructure (Private) Limited		
Service charges	33,254	37,875
Service rendered	9,000	-
Rent paid on behalf of the related party	3,404	2,759
Mark-up charged by the Company	3,954	-

24. CORRESPONDING FIGURES

The following major corresponding figures have been reclassified for the purposes of better presentation:

<u>From</u>	<u>To</u>	(Audited) June 30, 2011	Half-year ended December 31, 2010
		(Rupees in '000)	
Other income	Revenue	-	20,462
Deposits and prepayments	Long-term deposits	3,787	-

25. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on 29th February 2012 by the Board of Directors of the Company.

26. GENERAL

- 26.1** The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended December 31, 2011 and December 31, 2010 have not been subject to a limited scope review by the auditors of the Company, as the scope of the review covered only the cumulative figures for the half years ended December 31, 2011 and December 31, 2010.
- 26.2** Figures presented in these interim condensed financial statements have been rounded off to the nearest thousand rupees, unless otherwise stated.

CHIEF EXECUTIVE

DIRECTOR