

DIRECTORS' REPORT

Dear Shareholders,

The Board of Directors is pleased in presenting Annual Report and Audited Accounts of Pak Datacom Limited (PDL) for the year ended June 30, 2008. Salient features of the Company operations are described below;

Board of Directors

No change took place in the composition of the Board of Directors during the year under consideration.

PDL Operations & Future Plans

In the year 2007-08 PDL has achieved a steady growth in both DXX and VSAT based networks by adding new nodes in major cities, making PDL the second largest DXX network in Pakistan. Multi Protocol Label Switching (MPLS) network was also expanded due to the increase in demand. We have introduced a country wide UAN for customer support for both DXX and VSAT networks. This has been a part of our continuous commitment to our clients for the best possible service and support. Field support offices along with trained and experienced staff in majority of these remote areas has also been provided for speedy and efficient services to our customers who demand the best.

I-Direct services offered by PDL have also seen a steady growth during this year and PDL has been engaged with different customers for provisioning of I-direct based connectivities and will soon be able to achieve large networks from different sectors.

PDL is conducting technical/commercial feasibility of laying optical fiber cable in principal cities in a phased manner for our future expansion.

Social Welfare

Realizing the social responsibility, PDL has contributed Rs. 2.5 million towards social welfare in the financial year 2007-08 in the field of education.

Financials

The Company, by the Grace of Allah and by virtue of its excellent maintenance support to its customers almost maintained the profitability as compared to last year. The company earned total revenue of Rs. 690.47 million as compared to Rs. 523.47 million of last year's same period while it has posted a pre tax profit of Rs. 175.28 million against Rs. 157.95 million of last year.

Profit before tax is proposed to be appropriated as follows: -

	Pak Rupees
Profit for the year before taxation	175,279,121
Provision for taxation	61,347,692
Profit after taxation	113,931,429
Basic earning per share (EPS)	14.53
Interim cash dividend @ 20% i.e. Rs. 2.00 per share (2007: 20% i.e. Rs. 2.00 per share)	15,681,600
Subsequent Effects	
Transfer to General Reserves (2007: Rs. 50.000 million)	50,000,000
Proposed final cash dividend @ 40% i.e. Rs. 4.00 per share (2007: 30% i.e. Rs. 3.00 per share)	31,363,200

Amendments in the Companies Ordinance, 1984 require that events subsequent to the financial year including declaration of dividends should be incorporated in the financial period in which it is declared. As a result, final dividend for the year 2008 shall be reflected in the financial statements for the year 2009. This will have no effect on payment of dividend to shareholders.

Value of Investments of Gratuity Fund

The value of investments of gratuity fund based on its un-audited accounts of June 30, 2008 (audit in progress) was Rs. 28 million.

Auditors

The retiring auditors, M/S Khalid Majid Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants, being eligible, offer themselves for re-appointment for the year ending June 30, 2009.

Compliance of Code of Corporate Governance

Compliance statement of code of Corporate Governance formulated by Securities and Exchange Commission of Pakistan is annexed with this report.

Shareholding Pattern

Statement showing the pattern of shareholding is annexed with this report.

Acknowledgement

We thank our valued customers for their continued confidence in PDL to operate and maintain their data networks. We also express our thanks to the employees of the company for their commitment for cause of the company.

ON BEHALF OF THE BOARD

Islamabad
September 25, 2008

SYED MAHMOOD AHMAD
Chief Executive

CORPORATE GOVERNANCE

Statement of Directors Responsibilities

The Board is committed to follow the code of Corporate Governance to maintain high quality standard of good corporate governance. The company is complying with the provisions of the codes as set out by the Securities and Exchange Commission of Pakistan. There has been no material departure from the practices of code of corporate governance as detailed in listing regulations.

Presentation of Financial Statements

The financial statements, prepared by the management of the Company, fairly present Company's state of affairs, the results of its operations, cash flows and changes in equity.

Books of Accounts

The company has maintained proper books of accounts.

Accounting Policies

Appropriate accounting policies have been consistently applied in preparation of financial statements except those disclosed in the financial statements of the company.

Application of International Accounting Standards

International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.

Internal Control Systems

The system of internal control is sound in design and has been effectively implemented and monitored.

Going Concern

There is no doubt about the Company's ability to operate in foreseeable future.

Audit Committee

The Directors have established an Audit Committee to assist the Board of Directors to discharge its responsibilities for Corporate Governance, reporting requirements and internal controls. The Committee comprises 3 Directors including the Chairman of the Committee. The Audit Committee is responsible for design and implementation of sound internal controls of the company. The reviewing of financial reports, internal audit and assistance in external audit are also the main functions of the Committee.

Board Meetings

During the financial year, seven meetings of the Board of Directors were held while attendance by each Director is given below;

<u>Name of Director</u>	<u>Number of meetings Attended</u>
Chairman Mr. Iftikhar Ahmed Raja	7
Chief Executive Syed Mahmood Ahmad	7
Directors Mr. Muhammad Azeem	7
Mr. Khushmir Khan	7
Mr. Muhammad Arif	7
Mr. Masud Jawaid	7
Mr. Amjad Hussain Qureshi	7

Transfer Pricing Policy Compliance

Transactions involving related parties arising in normal course of business are conducted at arm's length at normal commercial rates on the same terms and conditions as third party transactions using valuation mode as admissible. The company has fully complied with best practice on transfer pricing as contained in listing regulation of stock exchanges in Pakistan.

COMPARISON OF KEY FINANCIAL DATA OF THE LAST SIX FINANCIAL YEARS

	<u>Year Ended June 30</u>					<u>(Rs. in million)</u>
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Tangible Fixed Assets	286.481	239.178	210.468	168.964	162.219	133.452
Share Capital and Reserves	401.776	331.652	254.704	193.732	178.028	191.609
Revenue	523.473	513.770	417.453	217.096	182.894	185.385
Operating Profit	136.755	149.425	109.972	28.340	17.070	14.154
Profit before taxation	157.947	164.037	118.502	28.894	18.981	12.939
Profit after taxation	103.625	105.460	75.228	20.174	10.316	7.239
Earning per Share - Rupees	13.22	14.80	10.55	2.83	1.45	1.02
Dividend (%) - Cash	50.00	40.00	25.00	20.00	12.50	10.00
- Bonus Shares	-	10.00	-	-	-	-

Statement of Compliance with the Code of Corporate

The statement of compliance with Code of Corporate Governance is annexed with this report.

Statement of Compliance with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance contained in the listing regulations of all the three Stock Exchanges of the country for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Directors of the company have confirmed that none of them is serving as a director in more than ten listed companies, including this company.
2. All the Directors of the Company are registered taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or being a member of a Stock Exchange has been declared as a defaulter by that Stock Exchange.
3. All casual vacancies in the Board were filled in within 30 days thereof.
4. Company's 'Statement of Ethics and Business Practices' has been prepared and signed by all the Directors and employees of the company.
5. The Board has developed vision/mission statement, overall corporate strategy and significant policies of the Company.
6. A complete record of particulars of significant policies and Board decisions along with the dates on which they were approved or amended has been maintained.
7. The power of the Board have been duly exercised and decision on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive and Directors have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and held at least in each quarter. Written notices of Board meetings, along with agenda and working papers were circulated at least seven days before the meetings. Where the period was short for emergent meetings, it was agreed by the members of the Board. The minutes of the meetings were appropriately recorded and circulated.
9. All the Directors on the Boards have adequate exposure of corporate matters and are well aware of their duties and responsibilities. Appropriate orientation courses of the Directors were arranged in consultation with the Board.
10. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters which are required to be disclosed.
11. CEO and CFO have duly endorsed the financial statements of the Company before approval of the Board.

12. The Directors, CEO and Executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
13. The Company has complied with all the corporate and financial reporting requirements of the Code.
14. The meetings of the audit committee were held in every quarter prior to approval of the interim and final results of the Company as required by the Code. The terms of reference of the committee have been formed and duly approved by the Board and advised to the committee for compliance.
15. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on the code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
16. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
17. We confirm that all other material principles contained in the Code have been complied with.

ON BEHALF OF THE BOARD

Islamabad
September 25, 2008

SYED MAHMOOD AHMAD
Chief Executive

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Pak Datacom Limited** ("the Company") as at June 30, 2008 and the related profit & loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of Company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit & loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2008 and of the profit, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, Zakat deductible at source under the Zakat and Usher Ordinance, 1980 (XVIII of 1980) was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Date: September 25, 2008
Islamabad

KHALID MAJID RAHMAN SARFARAZ
RAHIM IQBAL RAFIQ

Chartered Accountants
(KMR changed to KMRSRIR under the direction of the Sindh High Court)

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Pak Datacom Limited to comply with the Listing Regulation of Karachi, Lahore and Islamabad Stock Exchanges where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2008.

Date: September 25, 2008
Islamabad

KHALID MAJID RAHMAN SARFARAZ
RAHIM IQBAL RAFIQ

Chartered Accountants

(KMR changed to KMRSRIR under the direction of the Sindh High Court)

PAK DATACOM LIMITED
BALANCE SHEET
AS ON June 30, 2008

	June 30, 2008	June 30, 2007		June 30, 2008	June 30, 2007
Note	Rupees	Rupees	Note	Rupees	Rupees
EQUITY AND LIABILITIES			ASSETS		
SHARE CAPITAL AND RESERVES			NON-CURRENT ASSETS		
Authorised share capital 10,000,000 (June 2007: 10,000,000) ordinary shares of Rupees 10/-each	100,000,000	100,000,000	Property, plant & equipment	11	357,552,970
Issued, subscribed & paid up capital	4	78,408,000	Capital work in progress		-
Reserves	5	398,095,182	Long term deposits		18,847,779
		476,503,182			162,650
		401,775,754			162,650
NON-CURRENT LIABILITIES			CURRENT ASSETS		
Deferred liabilities	6	69,348,347	Trade debts - unsecured	12	172,458,824
Long term customers' deposits	7	55,683,773	Advances, deposits, prepayments and other receivables	13	97,023,688
			Short term investments	14	123,977,080
CURRENT LIABILITIES			Cash & bank balances	15	96,421,265
Due to associated companies	8	252,640			82,415,520
Creditors, accrued and other liabilities	9	181,613,243			475,272,689
Provision for taxation		49,587,124			390,363,979
		231,453,007			832,988,309
CONTINGENCIES AND COMMITMENTS	10	-			676,844,935
		-			676,844,935
		832,988,309			832,988,309
		676,844,935			676,844,935

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

AMJAD HUSSAIN QURESHI
Director

SYED MAHMOOD AHMAD
Chief Executive

PAK DATACOM LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2008

	Note	June 30, 2008 Rupees	June 30, 2007 Rupees
Revenue	16	690,469,097	523,473,305
Operating expenses	17	<u>(547,226,102)</u>	<u>(386,718,270)</u>
Operating profit		143,242,995	136,755,035
Other income	18	<u>32,335,780</u>	<u>21,457,367</u>
		175,578,775	158,212,402
Financial charges		<u>(299,654)</u>	<u>(264,936)</u>
Profit before taxation		175,279,121	157,947,466
Provision for taxation	20	<u>(61,347,693)</u>	<u>(54,322,376)</u>
Profit after taxation		<u>113,931,428</u>	<u>103,625,090</u>
Earning per share	21	<u>14.53</u>	<u>13.22</u>

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

AMJAD HUSSAIN QURESHI
Director

SYED MAHMOOD AHMAD
Chief Executive

PAK DATACOM LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2008

	June 30, 2008 Rupees	June 30, 2007 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year before taxation	175,279,121	157,947,466
Adjustment for non-cash and other items		
Depreciation	69,996,003	51,042,717
(Gain)/ loss on disposal of fixed assets	(15,203)	(29,101)
(Gain)/ loss on disposal of Bangladesh operations	(156,057)	-
(Gain)/ loss on disposal of other projects	(7,132,630)	-
Bad debts written off	-	6,602,344
Net book value of assets charged to consumption	103,740	-
Financial charges	299,654	264,936
Exchange (gain)/ loss	(11,871,647)	2,532,370
Return / Interest on bank deposits	(6,890,227)	(14,524,135)
Provision for gratuity	4,166,990	(322,508)
Provision for earned leave	2,602,972	781,288
	<u>51,103,595</u>	<u>46,347,911</u>
Operating profit before working capital changes	226,382,716	204,295,377
(Increase)/decrease in current assets		
Trade debtors	(75,435,136)	(28,415,787)
Advances, deposits, prepayments and other receivables	(17,080,604)	(2,060,241)
	<u>(92,515,740)</u>	<u>(30,476,028)</u>
Increase/(decrease) in current liabilities		
Due to associated undertakings	163,440	(1,800)
Creditors, accrued and other liabilities	66,216,467	18,172,711
	<u>66,379,907</u>	<u>18,170,911</u>
Cash generated from operations	200,246,883	191,990,260
Taxes paid	(64,867,272)	(61,134,001)
Gratuity paid/adjusted	(4,295)	(4,100,000)
Return / Interest on bank deposits	8,339,903	15,202,877
Financial charges paid	(299,654)	(264,936)
	<u>(56,831,318)</u>	<u>(50,296,060)</u>
Net cash flows from operating activities	143,415,565	141,694,200
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(153,033,440)	(98,395,603)
Proceeds on the disposal of fixed assets	19,002,923	78,880
Net cash flows in investing activities	(134,030,517)	(98,316,723)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(38,188,845)	(32,886,525)
Long term customers' deposits	2,523,481	(8,812,979)
Net cash flows from financing activities	(35,665,364)	(41,699,504)
Net (decrease)/increase in cash and cash equivalents	(26,280,316)	1,677,973
Cash and cash equivalents at the beginning of the period	193,245,454	194,099,851
Effect of foreign exchange rate change	11,871,647	(2,532,370)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>178,836,785</u>	<u>193,245,454</u>

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

AMJAD HUSSAIN QURESHI
Director

SYED MAHMOOD AHMAD
Chief Executive

PAK DATACOM LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2008

	Share Capital	Capital Reserves	Revenue Reserves		Total
	Issued, subscribed and paid-up Rs.	Share premium Rs.	General Rs.	Unappropriated profit Rs.	
Balance as at July 01, 2006	71,280,000	19,170,000	131,500,000	109,702,264	331,652,264
Transfer to General Reserves	-	-	50,000,000	(50,000,000)	-
Final dividend for the year ended June 30, 2006	-	-	-	(17,820,000)	(17,820,000)
Bonus shares issued	7,128,000	(7,128,000)	-	-	-
Interim dividend for the year ended June 30, 2007	-	-	-	(15,681,600)	(15,681,600)
Net profit for the period	-	-	-	103,625,090	103,625,090
Balance as at June 30, 2007	78,408,000	12,042,000	181,500,000	129,825,754	401,775,754
Transfer to General Reserves	-	-	50,000,000	(50,000,000)	-
Final dividend for the year ended June 30, 2007	-	-	-	(23,522,400)	(23,522,400)
Interim dividend for the year ended June 30, 2008	-	-	-	(15,681,600)	(15,681,600)
Net profit for the period	-	-	-	113,931,428	113,931,428
Balance as at June 30, 2008	78,408,000	12,042,000	231,500,000	154,553,182	476,503,182

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

AMJAD HUSSAIN QURESHI
 Director

SYED MAHMOOD AHMAD
 Chief Executive

PAK DATACOM LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

1 LEGAL STATUS AND OPERATIONS

- 1.1 Pak Datacom Limited (the Company), a subsidiary of Telecom Foundation, was incorporated in Pakistan on July 13, 1992 as a private limited company under the Companies Ordinance, 1984 and was converted into a public limited company on June 26, 1994. The Company started its commercial activities on July 1, 1994. The Company is listed on all stock exchanges of Pakistan. The registered office of the Company is located at 1st Floor, TF Complex, 7 - Mauve Area, G - 9/4, Islamabad.
- 1.2 The objective of the Company is to set up, operate and maintain a network of data communication and to serve the needs of the subscribers against approved tariff charges.

2 STATEMENT OF COMPLIANCE

- 2.1 These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan, directive issued by the Securities and Exchange Commission of Pakistan (SECP) and the requirements of Companies Ordinance, 1984. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) as notified under the provisions of the Companies Ordinance, 1984. Wherever requirements of the Companies Ordinance, 1984 or directives issued by the SECP differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the said directives take precedence.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Accounting convention

These financial statements have been prepared under the historical cost convention.

3.2 Use of critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience, industry trends, legal and technical pronouncements and various other factors that are believed to be reasonable under the circumstances. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised. Significant areas requiring the use of management estimates in these financial statements relate to useful life of depreciable assets, provisions for doubtful debts and provision for income tax and deferred tax. The determination of provision for employee retirement benefits that are defined benefit plans require actuarial valuation. The company employs the services of professional actuaries to make such estimates and assumptions using actuarial techniques.

3.3 Employees' retirement benefits

3.3.1 Gratuity

The Company has established an approved gratuity fund under defined benefit plan covering all its employees who have completed the minimum qualifying period of six months of the service. The fund operates under a trust administered by the Board of Trustees. The amount of gratuity admissible shall be a sum equal to one month gross salary drawn immediately preceding the date of his service of the Company for each completed year of service in the Company. Actuarial valuation of the fund was carried out as at June 30, 2008 using Projected Unit Credit (PUC) Actuarial Cost method. Provisions are made annually to cover the obligation based on actuarial valuation and are charged to profit. The amount recognised in the balance sheet represents the present value of the defined benefit obligation less the fair value of plan assets net of any unrecognised actuarial gain/(loss).

3.3.2 Leave encashment

The Company provides a facility to its employees for accumulating their annual earned leave. Unutilized earned leave can be used at any time by retaining minimum forty days leave balance while earned leaves may be encashed upto thirty (30) days during the year subject to the Company's approval. Up to 100 days of accumulated leaves can be encashed on retirement. Actuarial valuation of the scheme was carried out as at June 30, 2008 using Projected Unit Credit (PUC) Actuarial Cost method. Provisions are made annually to cover the obligation for accumulating compensated absences based on actuarial valuation and are charged to profit. The amount recognised in the balance sheet represents the present value of the defined benefit obligation.

3.4 Taxation

Current

Provision for taxation is based on taxable income at applicable tax rates after taking into account tax credits and rebates available, if any.

Deferred

The Company provides for deferred taxation using the liability method on all major temporary timing differences at the balance sheet date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses and tax credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted at the balance sheet date.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

PAK DATACOM LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

3.5 Revenue recognition

Revenue arising from provision of data communication, maintenance of network and allied services to customer is recognized as the services are rendered. However, revenue from sale of equipment incidental to rendering of services is recognized on delivery of equipment to customers. Return on bank deposits and short term investments is recognised on accrual basis.

3.6 Property, plant and equipment

Fixed assets, except free-hold land and capital work in progress, are stated at cost less accumulated depreciation. Free-hold land and capital work in progress are stated at cost.

Depreciation is charged to profit & loss account using the reducing balance method at the rates specified in the fixed assets schedule given in note 11.

Depreciation is charged on additions from the first day of the month in which the asset is available for use while no depreciation is charged in the month in which the asset is disposed off in accordance with International Accounting Standards (IAS) 16 "Property, Plant and, Equipment".

Maintenance and normal repairs are charged to profit & loss account in the period in which they are incurred. Major renewals and improvements are capitalized.

Gains and losses on disposal of fixed assets are charged to the profit & loss account.

3.7 Foreign currency transactions

All monetary assets & liabilities in foreign currencies are translated into Pak Rupee at exchange rates prevailing at the balance sheet date. Transactions in foreign currencies are translated into Pak Rupee at the rate prevailing at transaction date. Any component of an exchange gain or loss relating to a recognised change in the fair value of non-monetary asset is charged to profit and loss account.

3.8 Trade Debts

Trade debts are originally recognized at nominal value and reduced by doubtful debts. Debts considered bad and irrecoverable are written off when identified. Provision is made on the balance on the basis including age analysis and management understanding of collectability of the debts.

3.9 Financial instruments

All financial assets and liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. These are derecognised when the Company ceases to be the party to the contractual provisions of the instruments.

Financial assets mainly comprise long term deposits, trade debts, advances, deposits and other receivables and bank balances. Financial liabilities are classified according to the substance of the contractual arrangements entered into. Significant liabilities are creditors, employees retirement benefits, and other liabilities.

All financial assets and liabilities are initially measured at cost which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortised cost or cost, as the case may be.

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if the Company has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the assets and settle the liability simultaneously.

3.10 Borrowings and borrowing costs

Short term loans and borrowings are measured at fair value. Mark up, interest and other charges on short term loans are charged to profit and loss account.

3.11 Creditors, accrued and other liabilities

Liabilities for trade and other amounts payable are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

3.12 Segment Reporting

A geographical segment is a distinguishable component of the Company that is engaged in providing services within a different geographical area, which is subject to risk and rewards that are different from those of other segments. The Company was currently operating in two geographical segments, Pakistan and Bangladesh.

3.13 Related party transactions

Transactions involving related parties arising in the normal course of business are conducted at arm's length at normal commercial rates on the same terms and conditions as third party transactions using valuation modes as admissible.

3.14 Provisions

Provisions are recognised when the Company has a legal or constructive obligation as a result of a past event, and it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. However, provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

PAK DATACOM LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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3.15 Dividend

Dividend is recognised as a liability in the period in which it is declared.

3.16 Capital Management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitor the return on capital and the level of dividend to the shareholders. There were no changes to the company's approach to capital management during the year and the company is not subject to externally imposed capital requirements.

3.17 Impairment

The carrying amount of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of such assets is estimated and impairment losses are recognised in the profit and loss account.

3.18 Short Term Investments

Short Term Investments are acquired for the purpose of selling in the near future. These are stated at fair values with any resulting gains or losses directly recognised in the profit & loss account.

3.19 Cash & Cash equivalents

Cash & cash equivalents for the purpose of cash flow statement comprise cash in hand and at bank and includes short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Cash & cash equivalents are carried in the balance sheet at cost.

3.20 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following standards, interpretations, and amendments to approved accounting standards effective for the accounting period on or after January 01, 2009, are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements:

IFRS-3	Business Combinations
IAS-1	Presentation of Financial Statements (effective from January 01, 2009)
IAS-23	Borrowing Costs
IAS-27	Consolidated and Separate Financial Statements
IFRIC-13	Customer Loyalty Programs

PAK DATACOM LIMITED
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	Notes	June 30, 2008 Rupees	June 30, 2007 Rupees
4 ISSUED, SUBSCRIBED AND PAID UP CAPITAL			
5,400,000 (June 2007: 5,400,000) ordinary shares of Rs. 10/- each fully paid in cash		54,000,000	54,000,000
2,440,800 (June 2007: 2,440,800) ordinary shares of Rs. 10/- each issued as fully paid bonus shares		24,408,000	24,408,000
		<u>78,408,000</u>	<u>78,408,000</u>
4,318,683 (June 2007: 4,318,683) ordinary shares are held by Telecom Foundation , Pakistan.			
5 RESERVES			
Capital			
Share premium		12,042,000	12,042,000
Revenue			
General		231,500,000	181,500,000
Unappropriated profit		154,553,182	129,825,754
		<u>386,053,182</u>	<u>311,325,754</u>
		<u>398,095,182</u>	<u>323,367,754</u>
6 DEFERRED LIABILITIES			
Deferred tax	6.1	57,678,666	43,388,120
Leave encashment	6.2	11,669,681	9,066,709
		<u>69,348,347</u>	<u>52,454,829</u>
6.1 Deferred tax			
Deferred tax has been calculated at the corporate tax rate of 35% (June 2007: 35%) of credit /(debit) balance arising on account of accelerated depreciation on datacom system machinery.			
6.2 Leave encashment			
Opening balance		9,066,709	8,285,421
Add: Provision for the period		11,521,883	1,005,376
		20,588,592	9,290,797
Less: Payments/adjustments during the period			
Amount paid		(8,907,206)	(125,551)
Other adjustments		(11,705)	(98,537)
		<u>(8,918,911)</u>	<u>(224,088)</u>
Net Payable		<u>11,669,681</u>	<u>9,066,709</u>
6.2.1 Leave encashment			
Results of actuarial valuation as on June 30, 2008 are as follows;			
Projected benefits obligations (PBO)		11,669,681	9,066,709
Assets of fund		-	-
Funding deficit		11,669,681	9,066,709
Liability provision as at June 30, 2007		(9,066,709)	(8,285,421)
Increase / (decrease) in provision		<u>2,602,972</u>	<u>781,288</u>
6.2.2 Actuarial assumptions			
Valuation discount rate		12% p.a	10% p.a
Salary increase rate		12% p.a	10% p.a
Leave accumulation factor		15 days per annum	15 days per annum
6.2.3 Actuarial liability			
Given the valuation results of June 30, 2008, the PBO (actuarial liability from PUC valuation method) for the period works out to Rs. 11,669,681. As per para 126 of IAS 19 (revised 2007), the leave encashment benefit falls under 'other long term benefits'. No specific disclosure is required for this kind of benefit as per IAS 19 para 131. Therefore, total liability to be recognised in the books of the company as at the valuation date is the Actuarial Liability, which amounts to RS.11,669,681 (June 30, 2007: Rs. 9,066,709).			
7 LONG TERM CUSTOMERS' DEPOSITS			
These represent interest free deposits received from customers repayable at the time of termination of the agreements.			
8 DUE TO ASSOCIATED COMPANIES			
Telecom Foundation.		164,440	-
TF Technologies (Private) Limited		88,200	89,200
		<u>252,640</u>	<u>89,200</u>

PAK DATACOM LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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	June 30, 2008	June 30, 2007
Notes	Rupees	Rupees
9 CREDITORS, ACCRUED AND OTHER LIABILITIES		
Advances from customers	27,893,860	19,469,505
Creditors		
Trade	109,495,805	66,634,102
Machinery	15,098,096	5,332,352
	124,593,901	71,966,454
License fee payable	4,546,781	3,440,849
Accrued liabilities	21,165,915	17,107,182
Taxes payable	-	-
Gratuity payable	10,658	-
Un-claimed dividend	3,402,128	2,386,973
	<u>181,613,243</u>	<u>114,370,963</u>
9.1 Gratuity payable		
Opening balance	(4,152,037)	270,471
Add: Provision for the period	4,166,990	(322,508)
	14,953	(52,037)
Less: Contribution to gratuity fund		
Amount paid	-	(4,100,000)
Adjustment of advances during the period	(4,295)	-
	<u>(4,295)</u>	<u>(4,100,000)</u>
Payable / (receivable) from defined benefit obligation	<u>10,658</u>	<u>(4,152,037)</u>
9.1.1 Gratuity fund actuarial valuation as at June 30, 2008		
<u>Reconciliation of payable to / (receivable from) defined benefit plan</u>		
Present value of defined benefit obligation	33,274,649	25,164,000
Fair value of any plan assets	(30,228,722)	(28,475,379)
Unrecognized actuarial gains/ (losses)	(3,035,269)	(840,658)
	<u>10,658</u>	<u>(4,152,037)</u>
<u>Movement in net liability/ (asset) recognized</u>		
Opening net (asset) /liability	(4,152,037)	270,471
Expense / (income) for the year	4,162,695	(322,508)
Contributions	-	(4,100,000)
Closing net (asset)/ liability	<u>10,658</u>	<u>(4,152,037)</u>
<u>Charge for/ (Income from) the Defined Benefit Plan</u>		
Current service cost	2,772,148	2,343,910
Interest cost	2,516,400	2,077,792
Expected return on plan assets	(2,847,538)	(2,295,605)
Actuarial (gain) or loss recognized	1,721,684	-
Recognised transitional (assets) / liability	-	(2,448,605)
	<u>4,162,694</u>	<u>(322,508)</u>
<u>Actuarial assumptions:</u>		
- Valuation discount rate	12 %	10 %
- Salary increase rate	12 %	10 %
- Expected return on plan assets	12 %	10 %
The expected return on Plan assets is based on the market expectations and depend upon the asset portfolio of the company, at the beginning of the period, for return over the entire life of the related obligation.		
<u>Working for disclosure as per IAS-19 (revised 2007)</u>		
<u>Actuarial gain/loss in Obligations</u>		
Present value of obligation at June 30, 2007	25,164,000	20,777,916
Current service cost	2,772,148	2,343,910
Interest cost	2,516,400	2,077,792
Payments made during the year	(1,196,231)	(702,789)
Actuarial (gain) or loss on obligation (balancing figure)	4,018,332	667,171
Present value of obligation as at June 30, 2008	<u>33,274,649</u>	<u>25,164,000</u>
<u>Actuarial gain/loss in Assets</u>		
Total assets as at June 30, 2007	28,475,379	22,956,050
Expected return on plan assets	2,847,538	2,295,605
Contributions	-	4,100,000
Payments made during the year	(1,196,231)	(702,789)
Actuarial (gain) or loss on assets (balancing figure)	102,036	(173,487)
Fair value of the plan assets as at June 30, 2008	<u>30,228,722</u>	<u>28,475,379</u>

PAK DATACOM LIMITED
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Unrecognised actuarial gain/(losses) at June 30, 2008

Corridor Limit

The limits of corridor as at July 01, 2007

10% of obligations

10% of plan assets

Which works out to

Unrecognised actuarial gains/ (losses) as at 1 July 2007

Limit of corridor as at 1 July 2007

Excess

Average expected remaining working lives in years

Actuarial gain/ (loss) to be recognised

Unrecognised actuarial gain/(losses)

Unrecognized Actuarial Gain (Losses) at 1 July 2007

Actuarial Gain or (Loss) on obligations

Actuarial Gain or (Loss) on Assets

Subtotal

Actuarial (gain) loss recognised

Unrecognized Actuarial Gain (Losses) at 1 July 2008

Expense / (Income) for the year ended June 30, 2008

Current service cost

Interest cost

Expected return on plan assets

Net actuarial (gain)/ losses recognised

Transitional liability recognised

(Asset)/ Liability to be recognised in the balance sheet

Present value of defined benefit obligation

Fair value of any plan assets

(Surplus)/Deficit in the Fund

Unrecognized actuarial gains/ (losses)

Unrecognized transitional liability

Movement in net asset / (liability) in balance sheet

Movement in net liability/ (asset) recognized

Opening liability/ (asset)

Expense / (income) for the year

Contributions

Closing net (asset)/ liability

Break up of fair value of plan assets

Placements in term deposit receipts

Deposits with banks

Total

Gratuity Fund - Experience Adjustment

Funding (Surplus)/ Deficit

Present Value of Defined Benefits Obligation

Fair Value of any Plan assets

Actuarial Gain/ (Loss) on Obligation

Actuarial Gain/ (Loss) on Assets

	June 30, 2008 Rupees	June 30, 2007 Rupees
	2,516,400	2,077,792
	2,847,538	2,295,605
	2,847,538	2,295,605
	(840,658)	-
	2,847,538	2,295,605
	-	-
	15	14
	-	-
	(840,658)	-
	(4,018,332)	(667,171)
	102,036	(173,488)
	(4,756,954)	(840,659)
	1,721,684	-
	(3,035,270)	(840,659)
	2,772,148	2,343,910
	2,516,400	2,077,792
	(2,847,538)	(2,295,605)
	1,721,684	(2,448,605)
	-	-
	4,162,694	(322,508)
	33,274,649	25,164,000
	(30,228,722)	(28,475,379)
	3,045,927	(3,311,379)
	(3,035,269)	(840,658)
	-	-
	10,658	(4,152,037)
	(4,152,037)	270,471
	4,162,695	(322,508)
	-	(4,100,000)
	10,658	(4,152,037)

	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
	95%	92%	28,713,789	26,215,619
	5%	8%	1,514,933	2,259,760
	100%	100%	30,228,722	28,475,379
	June 30, 2008 Rupees	June 30, 2007 Rupees	June 30, 2006 Rupees	June 30, 2005 Rupees
	33,274,649	25,164,000	23,226,521	11,697,606
	(30,228,722)	(28,475,379)	(22,956,050)	(7,939,945)
	3,045,927	(3,311,379)	270,471	3,757,661
	(4,018,332)	(667,171)	-	-
	102,036	(173,488)	-	-

10 CONTINGENCIES AND COMMITMENTS

- 10.1** Guarantees issued by the bank on behalf of the Company amounting to Rs. 3.652 million (June 2007: Rs. 3.327 million). These guarantees were issued in favour of customers of the Company.
- 10.2** During the year 2003, the Company entered into an agreement to provide VSAT services to a customer for a minimum term of two years. The agreement was terminated by the customer on June 30, 2003 after six months of service on the ground of non-compliance with the agreement claiming Rs.1.00 million while the Company's equipment valued at Rs.1.294 (June 2007: Rs. 1.294 million) has been retained as a security against the claim. The Company has, however made a counter claim of Rs. 5.216 million (June 2007: Rs. 5.216 million). Legal case has been filed against the customer for recovery.
- 10.3** Capital commitments in respect of purchase of equipment outstanding amounting to Rs. 1.155million (June 2007: Rs. 31.872 million)

PAK DATACOM LIMITED

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11 PROPERTY, PLANT & EQUIPMENT

Particulars	C O S T				Rat %	D E P R E C I A T I O N				Net book value
	As at 1-Jul-07 Rs.	Additions Rs.	Transfer / disposals Rs.	As at 30-Jun-08 Rs.		As at 1-Jul-07 Rs.	For the period Rs.	Transfer / disposals Rs.	As at 30-Jun-08 Rs.	as at 30-Jun-08 Rs.
Free hold land	3,175,700	-	-	3,175,700	-	-	-	-	-	3,175,700
Free hold office building	3,813,250	-	-	3,813,250	5	1,344,085	123,458	-	1,467,543	2,345,707
Datacom system machinery	419,204,158	155,999,556	(27,757,531)	547,446,183	20	182,820,534	64,858,987	(16,949,599)	230,729,922	316,716,261
Office equipment	8,059,710	1,369,016	(593,326)	8,835,400	25	4,656,832	1,042,445	(437,506)	5,261,771	3,573,629
Testing equipment	8,318,408	5,876,165	(322,000)	13,872,573	10	3,136,453	707,506	(197,777)	3,646,182	10,226,391
Air conditioners	1,268,659	359,622	(127,210)	1,501,071	10	619,047	90,402	(77,470)	631,979	869,092
Furniture and fixtures	3,075,135	253,480	(96,524)	3,232,091	10	1,559,202	166,127	(58,782)	1,666,547	1,565,544
Vehicles	27,748,652	8,023,380	(2,705,935)	33,066,097	20	13,056,992	3,007,078	(2,078,619)	13,985,451	19,080,646
June 30, 2008	474,663,672	171,881,219	(31,602,526)	614,942,365		207,193,145	69,996,003	(19,799,753)	257,389,395	357,552,970
June 30, 2007	395,238,348	79,547,824	(122,500)	474,663,672		156,223,149	51,042,717	(72,721)	207,193,145	267,470,527

11.1 Disposal of fixed assets

	Cost	Accumulated depreciation	Net book value	Sale proceeds/ adjustments	Mode of disposal	Particulars of purchaser
<u>Datacom system machinery-PAK</u>						
DTU	44,168	18,409	25,759	-	Damaged	Damaged during earth quake.
Datacom system machinery - PAK	1,808,000	1,086,577	721,423		Discarded & charged off	Net book value of asset disposed off.
3100 Satellite Router with 4W Ku Band BUC	1,902,788	285,418	1,617,370	8,750,000	Installation cost	Installed to PDL customer -Tele medicine.
Datacom system machinery - BGD	24,002,575	15,559,195	8,443,380	8,599,437	Negotiation	Shakti Engineering Ltd; Kha-214/E, Progati Sarani, Merul Badda, Gulshan, Dhaka-1212, Bangladesh.
	27,757,531	16,949,599	10,807,932	17,349,437		
<u>Office Equipment</u>						
Computer Equipment	233,240	201,504	31,736		Discarded & charged off	Net book value of asset disposed off.
Office Equipment	18,071	13,907	4,164		Discarded & charged off	Net book value of asset disposed off.
Laptop Toshiba XCDT 4220	190,000	140,302	49,698		Discarded & charged off	Net book value of asset charged to operating expenditures
Laptop Toshiba NX9030	122,000	67,958	54,042		Discarded & charged off	Net book value of asset charged to operating expenditures
Laptop Dell Latitude C600	30,015	13,835	16,180	4,502	Stolen	Partial recovery from PDL employees
	593,326	437,506	155,820	4,502		
<u>Testing Equipment</u>	322,000	197,777	124,223		Negotiation	Shakti Engineering Ltd; Kha-214/E, Progati Sarani, Merul Badda, Gulshan, Dhaka-1212, Bangladesh.
<u>Air Conditioners</u>	127,210	77,470	49,740		Negotiation	Shakti Engineering Ltd; Kha-214/E, Progati Sarani, Merul Badda, Gulshan, Dhaka-1212, Bangladesh.
<u>Furniture & Fixtures</u>	96,524	58,782	37,742		Negotiation	Shakti Engineering Ltd; Kha-214/E, Progati Sarani, Merul Badda, Gulshan, Dhaka-1212, Bangladesh.
<u>Vehicles</u>						
Honda CD 70 Model 1993	30,000	17,917	12,083	9,500	Auctioned	Mr. Naveed Talib Hussain Goraya H.No.1, Block 3-E, Sector G-9/2, Islamabad.
Suzuki Bolan Model 1994	261,500	247,363	14,137	167,000	Auctioned	Shafat-Ullah Malik, Flat #2-B,Bazar#11, Sector I-10/4, Islamabad.
Suzuki Mehran Model 1994	241,935	228,856	13,079	141,926	Auctioned	Sajjad Ali Khan, Dhoke Awan Near ACC Road, Wah Cantt. Tehsil Taxila District Rawalpindi.
Suzuki Cultus Model 2000	540,000	428,641	111,359	321,001	Auctioned	Mr. Naveed Talib Hussain Goraya H.No.1, Block 3-E, Sector G-9/2, Islamabad.
Suzuki Baleeno Model 2002	799,000	541,547	257,453	452,200	Auctioned	Muhammad Saleem, H.No.148/C, Saidpur, Scheme No.02, S/Town Rawalpindi.
Honda City Model 2000	803,500	596,378	207,122	545,000	Auctioned	Malik Ishaq, H.No. SA-1063, Charrah Road, Mohullah Fazal Karim, Sadiqabad, Rawalpindi.
Yamaha 100 Model 1992	30,000	17,917	12,083	12,357	Auctioned	Mr. Peer -ur- Rehman, Azam Warsic, P.O. Wana, Tehsil Burmail, Distt South Waziristan Agency.
	2,705,935	2,078,619	627,316	1,648,984		
June 30, 2008	31,602,526	19,799,753	11,802,773	19,002,923		
June 30, 2007	122,500	72,721	49,779	78,880		

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	Notes	June 30, 2008 Rupees	June 30, 2007 Rupees
12 TRADE DEBTS - UNSECURED			
Considered good		172,458,824	97,023,688
Considered bad		10,737,936	6,602,344
Considered doubtful		-	10,737,936
		<u>183,196,760</u>	<u>114,363,968</u>
Less: Considered bad and written off		(10,737,936)	(6,602,344)
Provision for doubtful debts		-	(10,737,936)
		<u>(10,737,936)</u>	<u>(17,340,280)</u>
		<u>172,458,824</u>	<u>97,023,688</u>
13 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Advances - considered good to			
Suppliers - secured		654,800	-
Due from associated companies	13.1	-	759,346
Employees - unsecured		<u>2,800,304</u>	<u>2,932,732</u>
		3,455,104	3,692,078
Trade deposits			
Margin against bank guarantee		800,000	850,000
Others		<u>31,733,639</u>	<u>24,479,646</u>
		32,533,639	25,329,646
Prepayments		2,400,286	3,402,918
Prepaid gratuity expense	9.1	-	4,152,037
Interest receivable		725,105	2,174,781
Other receivable		16,273,217	5,157,000
Advance tax		<u>68,589,729</u>	<u>56,186,377</u>
		<u>123,977,080</u>	<u>100,094,837</u>

13.1 Maximum amount due from associated undertaking at the end of any month during the period aggregated Rs. 0.73 million (June 2007: Rs. 1.00 million).

14 SHORT TERM INVESTMENTS

These represent investments in term deposit receipts maturing in the short term previously classified as "investments available for sale", and now re-classified as "cash & cash equivalents". These investments carry interest rate ranging from 4.10% to 5.10% (June 2007: 4.10% to 10.75%) per annum. Included in these investments are foreign currency term deposit receipts amounting to US \$ 1,417,960 (June 2007: US \$1,240,000).

15 CASH & BANK BALANCES

Cash in hand		-	-
Cash at bank in			
Current accounts	15.1	9,511,824	14,850,294
Deposit accounts	15.2	69,484,777	46,251,019
Current accounts-dividend		<u>3,418,919</u>	<u>2,396,891</u>
		<u>82,415,520</u>	<u>63,498,204</u>

15.1 Current accounts include foreign currency deposits of US \$ 21,559 (June 2007: US \$ 21,591) and Bangladeshi Taka 3,993,852 (June 2007: BD Taka 10,607,352).

15.2 Deposit accounts include foreign currency deposits of US \$ 57,891 (June 2007: US \$ 266,227).

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NOTES TO THE FINANCIAL STATEMENTS
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	Notes	June 30, 2008 Rupees	June 30, 2007 Rupees
16 REVENUE			
Pakistan		688,906,187	521,340,665
Bangladesh		1,562,910	2,132,640
		<u>690,469,097</u>	<u>523,473,305</u>
17 OPERATING EXPENSES			
Direct expenses	17.1	420,771,034	301,001,747
Indirect expenses	17.2	126,455,068	85,716,523
		<u>547,226,102</u>	<u>386,718,270</u>
17.1 Direct expenses			
Channel & local lead rent		131,211,207	152,951,454
Space segment rentals		193,695,016	69,379,670
Equipment and maintenance cost		13,576,156	13,455,837
Repair & maintenance		7,645,871	3,771,036
License fee		4,646,781	3,798,689
Bad debts		-	6,602,344
Depreciation		69,996,003	51,042,717
		<u>420,771,034</u>	<u>301,001,747</u>
17.2 Indirect expenses			
Salaries, wages and other benefits	17.2.1	93,811,677	63,617,582
Welfare exp		2,500,000	-
Traveling and local conveyance		4,419,559	1,748,557
Telephone lines bills		4,811,491	4,152,929
Vehicle running		7,856,859	6,517,081
Insurance		657,441	496,774
Entertainment		874,878	770,789
Rent, rates and taxes		6,293,163	3,015,167
Legal and professional charges		1,404,449	2,335,457
Printing and stationery		932,536	908,267
Advertisement		1,072,860	516,469
Electricity		1,615,155	1,437,451
Auditors' remuneration	17.2.2	205,000	200,000
		<u>126,455,068</u>	<u>85,716,523</u>
17.2.1			
These include amount in respect of staff retirement benefits of Rs.15.689 million (June 2007: Rs. 0.683 million).			
17.2.2 Auditors' remuneration			
Audit fee		200,000	165,000
Out of pocket expenses		5,000	35,000
		<u>205,000</u>	<u>200,000</u>
18 OTHER INCOME			
Return on bank deposits/ short term investments		6,890,227	14,524,135
Profit/(loss) on disposal of fixed assets		15,203	29,101
Maintenance project income		8,646,723	9,436,501
Miscellaneous income		4,755,923	-
Profit/(loss) on disposal of Bangladesh operations		156,057	-
Exchange gain/(loss)		11,871,647	(2,532,370)
		<u>32,335,780</u>	<u>21,457,367</u>

PAK DATACOM LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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19 SEGMENT INFORMATION

Geographical segment

The Company is providing the services of data communication in Pakistan and Bangladesh. The following table present revenue and profit information regarding geographical segments for the period ended June 30, 2008 and June 30, 2007 and fixed assets information regarding geographical segments as at June 30, 2008 and June 30, 2007.

<u>Segment revenue</u>	<u>Total</u>		<u>Pakistan</u>		<u>Bangladesh</u>	
	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>June 30, 2008</u>	<u>June 30, 2007</u>
	<u>Rupees</u>		<u>Rupees</u>		<u>Rupees</u>	
Operating profit/ (loss)						
Revenue	690,469,097	523,473,305	688,906,187	521,340,665	1,562,910	2,132,640
Less: Direct expenses	(420,771,034)	(301,001,747)	(417,500,481)	(296,721,706)	(3,270,553)	(4,280,041)
Contribution margin	269,698,063	222,471,558	271,405,706	224,618,959	(1,707,643)	(2,147,401)
Indirect expenses	(126,455,068)	(85,716,523)	(126,168,831)	(85,367,312)	(286,237)	(349,211)
Operating profit/ (loss)	<u>143,242,995</u>	<u>136,755,035</u>	<u>145,236,875</u>	<u>139,251,647</u>	<u>(1,993,880)</u>	<u>(2,496,612)</u>

<u>Segment assets</u>	<u>Total</u>		<u>Pakistan</u>		<u>Bangladesh</u>	
	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>June 30, 2008</u>	<u>June 30, 2007</u>
	<u>Rupees</u>		<u>Rupees</u>		<u>Rupees</u>	
Net book value of fixed assets						
Fixed assets at cost	614,942,365	474,663,672	614,942,365	450,661,097	-	24,002,575
Less: Accumulated depreciation	(257,389,395)	(207,193,145)	(257,389,395)	(193,529,403)	-	(13,663,742)
Net book value of fixed assets	<u>357,552,970</u>	<u>267,470,527</u>	<u>357,552,970</u>	<u>257,131,694</u>	<u>-</u>	<u>10,338,833</u>

19.1 Indirect expenses between Pakistan & Bangladesh operations have been charged on the basis of revenue.

19.2 Due to unfavorable business circumstances, Bangladesh operations were closed in June 2008, and assets and liabilities were disposed off as referred in Note 11.

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	Notes	June 30, 2008 Rupees	June 30, 2007 Rupees
20 PROVISION FOR TAXATION			
Current - for the year		43,000,130	52,463,920
Prior year		4,057,017	-
Deferred		14,290,546	1,858,456
	20.1	<u>61,347,693</u>	<u>54,322,376</u>
20.1 Reconciliation of tax charge for the period			
Accounting profit		175,279,121	157,947,466
Tax on accounting profit at 35% (June 2007: 35%)		61,347,693	55,281,613
Tax effect of expenses that are inadmissible for tax purposes		21,978,548	17,854,766
Tax effect of prior year		4,057,017	-
Tax effect of expenses that are admissible for tax purposes		<u>(40,326,111)</u>	<u>(20,672,459)</u>
		47,057,147	52,463,920
Tax effect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amount used for taxation purposes		<u>14,290,546</u>	<u>1,858,456</u>
		<u>61,347,693</u>	<u>54,322,376</u>

20.2 The Company was assessed u/s 169 of the Income Tax Ordinance 2001 (section 80C of the Income Tax Ordinance, 1979) for the assessment years 1997-98 to 2002-03 and the tax year 2003 which resulted in an additional tax liability of Rs. 26.032 million for which no provision has been made in these financial statements. The assessee filed appeals against these assessment orders passed u/s 169 of the Income Tax Ordinance 2001 (section 80C of the Income Tax Ordinance, 1979) for the assessment year 1997-98 to 2002-03 and the tax year 2003 before Commissioner of Income Tax (Appeals) who has set aside the assessment orders by directing the assessing officer to accept the contention of the assessee and to make assessment under normal law. The Honorable Income Tax Appellate Tribunal also rejected the departmental appeals and upheld the order of learned Commissioner of Income Tax (Appeal) by accepting the assessee's contention to be taxed under normal law. The Honorable Income Tax Appellate Tribunal also rejected Reference Application filed by the department. The department has filed a reference before Honorable High Court which is pending for decision.

Orders of the tax year 2004, 2005 and 2006 were modified by the taxation officer creating a net tax liability of Rs.4,057,017/- for which provision has been made in these financial statements. The company has filed appeals against all the orders and the management is of the opinion that the issues will ultimately be resolved in favour of the Company.

21 EARNINGS PER SHARE (BASIC & DILUTED)

Profit after taxation	<u>113,931,428</u>	<u>103,625,090</u>
	(Number of shares)	
Weighted average number of ordinary shares	7,840,800	7,128,000
Bonus shares issued (2007:10% after June 30, 2006)	-	712,800
	<u>7,840,800</u>	<u>7,840,800</u>
	(Rupees)	
Basic & diluted earnings per share	<u>14.53</u>	<u>13.22</u>

22 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of subsidiary, holding and associated companies, directors, companies with common directorship, key management staff and staff retirement benefits fund.

Following is the related party with whom transactions were undertaken during the period.

Telecom Foundation (Holding Company)		
Dividend	21,593,415	9,815,190
Rentals	<u>2,233,920</u>	<u>272,250</u>
	<u>23,827,335</u>	<u>10,087,440</u>

Balance due to associated undertaking is disclosed in Note 8 to these financial statements.

Transactions with the directors are disclosed in Note 24 to these financial statements.

There were no transactions with the key management personnel other than under their terms of employment.

The Company has no subsidiary company and there are no transactions with companies with common directorship.

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23 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

Financial assets and liabilities

	Interest/mark-up bearing				Non-Interest bearing			June 30, 2008
	Effective interest rate range %	Maturity up to one year	Maturity after one year	Sub total	Maturity up to one year	Maturity after one year	Sub total	Total
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Financial assets								
Long term deposits	-	-	-	-	-	162,650	162,650	162,650
Trade debts	-	-	-	-	172,458,824	-	172,458,824	172,458,824
Advances, deposits, prepayments and other receivables	-	-	-	-	49,531,961	-	49,531,961	49,531,961
Short term investments	4.10% to 5.10%	96,421,265	-	96,421,265	-	-	-	96,421,265
Cash at bank	1.5 % to 5%	69,484,777	-	69,484,777	12,930,743	-	12,930,743	82,415,520
June 30, 2008		165,906,042	-	165,906,042	234,921,528	162,650	235,084,178	400,990,220
June 30, 2007	1.50% to 10.75%	175,998,269	-	175,998,269	147,691,646	162,650	147,854,296	323,852,565
Financial liabilities								
Long term customer's deposits	-	-	-	-	-	55,683,773	55,683,773	55,683,773
Deferred liabilities	-	-	-	-	-	11,669,681	11,669,681	11,669,681
Due to associated companies	-	-	-	-	252,640	-	252,640	252,640
Creditors, accrued and other liabilities	-	-	-	-	153,719,383	-	153,719,383	153,719,383
June 30, 2008		-	-	-	153,972,023	67,353,454	221,325,477	221,325,477
June 30, 2007		-	-	-	94,990,658	62,227,001	157,217,659	157,217,659
Off balance sheet items								
Guarantees					3,651,627	-	3,651,627	3,651,627
Capital commitments					1,155,000	-	1,155,000	1,155,000
June 30, 2008		-	-	-	4,806,627	-	4,806,627	4,806,627
June 30, 2007		-	-	-	35,199,119	-	35,199,119	35,199,119

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Since the company has not borrowed any fund, the risk occurrence is minimum.

Currency risk

Foreign currency risk arises where receivables and payables exist due to transactions with foreign undertakings. The management believes that the Company is not exposed to major concentration of currency risk as the effect of risk on foreign currency receivables is counter with foreign currency payables. Payables exposed to foreign currency risk is countered through hedging of foreign currency payments with our bank and the bank is responsible to provide foreign currency at agreed rates.

Credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties fail to perform as contracted. The Company deals mostly with regular and permanent customers who pay the receivables on due dates. Company considers the credit risk as minimal except where provision has been accordingly made in the financial statements.

Fair value of financial assets and liabilities

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair value.

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NOTES TO THE FINANCIAL STATEMENTS
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24 REMUNERATION TO CHIEF EXECUTIVE, DIRECTORS & EXECUTIVES

The aggregate amounts charged in the accounts for remuneration, including all benefits to the Chief Executive, Directors and executives of the Company, are as follows:

	June 30, 2008			June 30, 2007		
	Rupees			Rupees		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
Managerial remuneration	300,000	-	2,128,814	170,000	-	-
Bonus/Other allowances	-	-	1,209,187	-	-	-
Meeting fee/Honorarium	226,000	940,000	-	160,000	650,000	-
	<u>526,000</u>	<u>940,000</u>	<u>3,338,001</u>	<u>330,000</u>	<u>650,000</u>	<u>-</u>
Number of persons including those who worked part of the year	1	6	2	1	6	-

The Chief Executive, Chairman and Executives of the Company are also provided company maintained vehicles for official purpose only.

	June 30, 2008	June 30, 2007
	Rupees	Rupees
25 NUMBER OF EMPLOYEES		
Total number of employees at the end of the period	249	211

26 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the company on September 25, 2008.

27 MOVEMENT BETWEEN RESERVES & PROPOSED DIVIDEND

The Board of Directors in its meeting held on September 25, 2008 approved (i) transfer of Rs.50 million (2007:Rs.50.00 million) from unappropriated profit to general reserves; (ii) final cash dividend of Rs.4.00 per share (2007: 3.00 per share) amounting to Rs.31.363 million (2007:Rs.23.522 million).

28 GENERAL

Figures have been

- rounded off to the nearest Rupee, unless otherwise stated
- re-classified wherever necessary and identified in the relevant note.

AMJAD HUSSAIN QURESHI
 Director

SYED MAHMOOD AHMAD
 Chief Executive