



Pak Datacom Limited

Half Yearly Report

July 2010 to December 2010 (Un-audited)



Pak Datacom

COMPANY PROFILE

BOARD OF DIRECTORS

- | | | |
|----|-----------------------|-----------------|
| 1. | Gul Bahadar Yousafzai | Chairman |
| 2. | Ali Akhtar Bajwa | Chief Executive |
| 3. | Iftikhar Ahmed Raja | |
| 4. | Muhammad Arif | |
| 5. | Syed Gauhar Ali | |
| 6. | Amjad Hussain Qureshi | |
| 7. | Sheikh Muhammad Afzal | |

CFO / COMPANY SECRETARY

Syed Sajjad Hasan Jafri

AUDIT COMMITTEE

1. Iftikhar Ahmed Raja
2. Muhammad Arif
3. Amjad Hussain Qureshi

REGISTERED OFFICE

1st Floor, TF Complex, 7 - Mauve Area, G-9/4, Islamabad

HEAD OFFICE

3rd Floor, Umar Plaza, Blue Area, Islamabad
Tel # (051) 2872691, 2823677, Fax # (051) 2823270

SHARES DEPARTMENT

Hassan Farooq Associates (Private) Limited,
HF House, 7-G Mushtaq Ahmed Gormani Road, Gulberg II, Lahore
Tel # (042) 35761661-2, Fax # (042) 35755215

AUDITORS

HLB Ijaz Tabussum & Co.,
Chartered Accountants,
303, Sawan Road, G-10/1, Islamabad

LEGAL ADVISOR

M.A. Chaudhary & Co.,
Advocates & Corporate Consultants,
1-Wasil Plaza # 105, Blue Area, Islamabad

DIRECTORS' REPORT

The Board of Directors of Pak Datacom Limited (PDL) has the pleasure in presenting to the shareholders operational results of first half of the financial year 2010 - 2011 i.e. from 1st July, 2010 to 31st December, 2010.

Despite ongoing economic recession scenario and current telecom market trend PDL has earned total revenue of Rs. 389.658 million as compared to Rs. 499.222 million of the corresponding period of last year while it has posted pre-tax profit of Rs. 57.557 million as compared to Rs. 122.710 million of the same period of last year.

The decline in revenue is due to some network disconnections and discounts offered to some major customers. Keeping in view the country's overall economic situation, our customers as part of their cost cutting, are either temporarily going for disconnections or demanding discounts. PDL has already taken necessary steps to counter this revenue fall by exploring aggressively new business avenues within and outside Pakistan, mainly in Middle East. The Company expects to counter this revenue fall in near future as some projects are foreseen within and outside the country. In order to revitalize our resources, PDL has started to increase its presence in small cities where no other service provider is currently working in order to meet the future as well as current requirements of different business houses.

The management expects that despite current downfall, the Company will regain its activity level with dedication of the management and employees of the Company.

On behalf of the Board

Islamabad
February 24, 2011

Ali Akhtar Bajwa
Chief Executive

REVIEW REPORT TO THE MEMBERS

Introduction

We have reviewed the accompanying condensed interim balance sheet of Pak Datacom Limited (the 'company') as at December 31, 2010 and the related condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the accounts for the six months period then ended (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with the approved accounting standards as applicable in Pakistan relating to interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures for the quarters ended December 31, 2010 and December 31, 2009 in the condensed interim statement of comprehensive income have not been reviewed and do not express a conclusion thereon.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Auditors 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. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as at and for the half year ended December 31, 2010 is not prepared in all material respects, in accordance with approved accounting standards as applicable in Pakistan relating to the interim financial reporting.

Islamabad
Date: 24-02-2011

HLB IJAZ TABUSSUM & CO.,
Chartered Accountants
IJAZ AKBER-FCA

CONDENSED INTERIM BALANCE SHEET

AS AT DECEMBER 31, 2010

	Note	Un-audited December 31, 2010 Rupees	Audited June 30, 2010 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital - 10,000,000 ordinary shares (June 2010: 10,000,000) of Rupees 10 each		<u>100,000,000</u>	<u>100,000,000</u>
Issued, subscribed and paid up capital Reserves	4	<u>78,408,000</u> <u>606,134,716</u> 684,542,716	<u>78,408,000</u> <u>609,232,943</u> 687,640,943
NON-CURRENT LIABILITIES			
Deferred liabilities		67,783,644	69,821,452
CURRENT LIABILITIES			
Customers' deposits		89,055,312	86,518,379
Due to associated companies		650,820	1,126,662
Trade and other payables		121,935,045	143,108,557
Provision for taxation		24,847,224	91,980,107
		<u>236,488,401</u>	<u>322,733,705</u>
		<u>988,814,761</u>	<u>1,080,196,100</u>
CONTINGENCIES AND COMMITMENTS	5		
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	373,413,561	397,196,351
Intangible assets	7	2,387,189	-
		<u>375,800,750</u>	<u>397,196,351</u>
CURRENT ASSETS			
Trade debts - unsecured		100,567,938	85,151,353
Advances		4,987,822	783,409
Trade deposits and short term prepayments		117,364,662	141,588,809
Other receivables		41,029,201	4,241,471
Interest accrued		2,567,976	270,607
Advance tax		33,878,839	91,828,077
Short term investments		272,832,500	207,620,000
Cash and bank balances		39,785,073	151,516,023
		<u>613,014,011</u>	<u>682,999,749</u>
		<u>988,814,761</u>	<u>1,080,196,100</u>

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.

AMJAD HUSSAIN QURESHI
DIRECTOR

ALI AKHTAR BAJWA
CHIEF EXECUTIVE

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2010

	Note	Quarter Ended		Half Year Ended	
		December, 31 2010 Rupees	December, 31 2009 Rupees	December 31, 2010 Rupees	December 31, 2009 Rupees
Revenue		167,657,493	249,872,581	389,657,758	499,222,201
Cost of services	8	(140,708,437)	(179,565,467)	(302,844,364)	(358,789,840)
		<u>26,949,056</u>	<u>70,307,114</u>	<u>86,813,394</u>	<u>140,432,361</u>
Administrative expenses	9	(23,547,122)	(18,953,971)	(39,619,566)	(33,173,371)
Marketing expenses	10	(104,984)	(329,940)	(324,074)	(431,640)
		<u>(23,652,106)</u>	<u>(19,283,911)</u>	<u>(39,943,640)</u>	<u>(33,605,011)</u>
Operating profit		3,296,950	51,023,203	46,869,754	106,827,350
Other operating income		6,183,368	5,804,035	11,715,965	16,264,020
		<u>9,480,318</u>	<u>56,827,238</u>	<u>58,585,719</u>	<u>123,091,370</u>
Finance cost		(755,078)	(270,616)	(1,028,257)	(381,537)
Profit before taxation		8,725,240	56,556,622	57,557,462	122,709,833
Provision for taxation		(4,360,412)	(19,504,509)	(21,451,689)	(42,658,132)
Profit after taxation		4,364,828	37,052,113	36,105,773	80,051,701
Other comprehensive income		-	-	-	-
Total comprehensive profit for the period		<u><u>4,364,828</u></u>	<u><u>37,052,113</u></u>	<u><u>36,105,773</u></u>	<u><u>80,051,701</u></u>
Earning per share (Basic and diluted)	11	<u>0.55</u>	<u>4.73</u>	<u>4.60</u>	<u>10.21</u>

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.

AMJAD HUSSAIN QURESHI
DIRECTOR

ALI AKHTAR BAJWA
CHIEF EXECUTIVE

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2010

	December 31, 2010 Rupees	December 31, 2009 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year before taxation	57,557,462	122,709,833
Adjustment for non-cash and other items:		
Depreciation	33,957,910	36,409,697
Amortisation of intangible assets	217,017	-
Gain on disposal of property, plant and equipment	(1,012,686)	(1,531,179)
Net book value of assets charged to consumption	-	408,163
Finance cost	1,028,257	381,537
Exchange gain	(222,435)	(5,665,734)
Return / interest on bank deposits	(6,542,957)	(9,067,107)
Provision for gratuity	4,000,000	4,000,000
Provision for earned leave	3,000,000	3,000,000
	<u>34,425,106</u>	<u>27,935,377</u>
Operating profit before working capital changes	91,982,568	150,645,210
(Increase)/ decrease in current assets		
Trade debts- unsecured	(15,416,585)	(11,931,465)
Advances	(4,204,413)	2,358,604
Trade deposits and short term prepayments	24,224,147	(54,606,096)
Other receivables	(36,787,730)	(11,302,700)
	<u>(32,184,581)</u>	<u>(75,481,657)</u>
Increase/ (decrease) in current liabilities		
Customers' deposits	2,536,933	1,710,693
Due to associated companies	(475,842)	1,941,780
Trade and other payables	(26,027,151)	(50,811,355)
	<u>(23,966,060)</u>	<u>(47,158,882)</u>
	<u>35,831,927</u>	<u>28,004,671</u>
Cash generated from operations		
Taxes paid	(35,337,446)	(49,624,830)
Earned leave paid/ adjusted	(335,696)	(343,102)
Return / interest on bank deposits	4,245,588	12,299,172
Finance cost	(1,028,257)	(381,537)
	<u>(32,455,811)</u>	<u>(38,050,297)</u>
Net cash flows from operating activities	3,376,116	(10,045,626)
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(10,679,460)	(22,646,211)
Intangible assets	(2,604,206)	-
Proceeds on the disposal of property, plant and equipment	1,517,026	2,152,672
Net cash flows from investing activities	(11,766,640)	(20,493,539)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(38,350,361)	(40,409,331)
Net (decrease)/ increase in cash and cash equivalents	(46,740,885)	(70,948,496)
Cash and cash equivalents at the beginning of the period	359,136,023	361,333,314
Effect of foreign exchange rate change	222,435	5,665,734
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>312,617,573</u>	<u>296,050,552</u>

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2010

	Share Capital		Capital Reserves		Revenue Reserves		Total Rupees
	Issued, subscribed and paid-up Rupees	Share premium Rupees	General Reserves Rupees	Unappropriated profit Rupees			
Balance as at December 31, 2008	-	-	-	-	-	-	-
Transfer to General reserves	78,408,000	12,042,000	281,500,000	139,339,104	511,289,104		
Transactions with owners							
Interim dividend for the year ended June 30, 2009	-	-	-	(15,681,600)	(15,681,600)		
Total comprehensive profit for the period	-	-	-	95,666,427	95,666,427		
Balance as at June 30, 2009	78,408,000	12,042,000	281,500,000	219,323,931	591,273,931		
Transfer to General reserves	-	-	50,000,000	(50,000,000)	-		
Transactions with owners							
Final dividend for the year ended June 30, 2009	-	-	-	(39,204,000)	(39,204,000)		
Total comprehensive profit for the period	-	-	-	80,051,701	80,051,701		
Balance as at December 31, 2009	78,408,000	12,042,000	331,500,000	210,171,632	632,121,632		
Transfer to General reserves	-	-	-	-	-		
Transactions with owners							
Final dividend for the year ended June 30, 2009	-	-	-	-	-		
Interim dividend for the year ended June 30, 2010	-	-	-	(23,522,400)	(23,522,400)		
Total comprehensive profit for the period	-	-	-	79,041,711	79,041,711		
Balance as at June 30, 2010	78,408,000	12,042,000	331,500,000	265,690,943	687,640,943		
Transfer to General reserves	-	-	50,000,000	(50,000,000)	-		
Transactions with owners							
Final dividend for the year ended June 30, 2010	-	-	-	(39,204,000)	(39,204,000)		
Interim dividend for the year ended June 30, 2011	-	-	-	-	-		
Total comprehensive profit for the period	-	-	-	36,105,773	36,105,773		
Balance as at December 31, 2010	78,408,000	12,042,000	381,500,000	212,592,716	684,542,716		

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.

AMJAD HUSSAIN QURESHI
DIRECTOR

ALI AKHTAR BAJUWA
CHIEF EXECUTIVE

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED DECEMBER 31, 2010

1 LEGAL STATUS AND OPERATIONS

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. 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. The Company is also authorised to carry out any business relating to communication and information technology whether manufacturing or otherwise, that may seem to the company capable of being conveniently carried on to enhance the value of or render profitable any of the company's property or rights or which it may be advisable to undertake with a view to improve the profitability of the Company subject to a License from Pakistan Telecommunication Authority.

2 STATEMENT OF COMPLIANCE

These condensed interim financial statements of the Company for the half year ended December 31, 2010, has been prepared in accordance with the requirements of International Accounting Standard (IAS) 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.

3 ACCOUNTING POLICIES

3.1 The accounting policies and the methods of computation adopted in preparation of these condensed interim financial statements are the same as those applied in preparation of financial statements for the year ended June 30, 2010. These condensed interim financial statements does not include all the information required for full annual financial statements and should be read in conjunction with annual financial statements for year ended June 30, 2010.

3.2 There are certain new standards, amendments and interpretations of approved accounting standards that became effective during the period, however these do not have any significant impact on these financial statements.

Un-audited December 31, 2010 Rupees	Audited June 30, 2010 Rupees
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4 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

5,400,000 (June 2010: 5,400,000) ordinary shares of Rs. 10/- each fully paid in cash	54,000,000	54,000,000
2,440,800 (June 2010: 2,440,800) ordinary shares of Rs. 10/- each issued as fully paid bonus shares	24,408,000	24,408,000
	78,408,000	78,408,000

Out of total issued share capital, 4,318,683 (June 2010: 4,318,683) ordinary shares are held by Telecom Foundation, Pakistan.

5 CONTINGENCIES AND COMMITMENTS

- 5.1 Guarantees, letter of credits and stand by letter of credit (SBLC) issued by the bank on behalf of the Company amounted to Rs. 96.018 million (June 2010: Rs. 36.188 million) including SBLC of US\$ 1.000 million (June 2010: Nil) issued in favour of a satellite operator against a future prospective business. These guarantees were issued in favor of different clients of the Company.
- 5.2 Capital commitments in respect of purchase of equipment outstanding amounted to Rs. 3.969 million (June 2010: Rs.6.807 million).

	Un-audited December 31, 2010 Rupees	Audited June 30, 2010 Rupees
6 PROPERTY, PLANT AND EQUIPMENT		
Cost		
Opening balance	753,864,750	690,083,213
Additions/ acquisitions during the period	10,679,460	68,558,392
Deletion/disposals during the period	(1,969,702)	(4,776,855)
Closing balance	<u>762,574,508</u>	<u>753,864,750</u>
<u>Accumulated depreciation</u>		
Opening balance	356,668,399	284,818,383
Additions/ acquisitions during the period	33,957,910	75,350,218
Deletion/disposals during the period	(1,465,362)	(3,500,202)
Closing balance	<u>389,160,947</u>	<u>356,668,399</u>
Net book value	<u>373,413,561</u>	<u>397,196,351</u>
7 INTANGIBLE ASSETS		
Computer softwares		
Cost		
Opening balance	-	-
Additions during the period	2,604,206	-
Deletion/disposals during the period	-	-
Closing balance	<u>2,604,206</u>	-
<u>Accumulated amortisation</u>		
Opening balance	-	-
Additions during the period	(217,017)	-
Deletion/disposals during the period	-	-
Closing balance	<u>(217,017)</u>	-
<u>Net book value</u>	<u>2,387,189</u>	-
Amortisation rate per annum	<u>33.33%</u>	-

	Quarter ended		Half Year ended	
	December 31, 2010 Rupees	December 31, 2009 Rupees	December 31, 2010 Rupees	December 31, 2009 Rupees
8 COST OF SERVICES				
Channel and local lead rent	54,082,218	47,484,935	100,519,159	97,563,154
Space segment rentals	31,323,092	75,074,220	97,736,772	157,249,183
Equipment maintenance cost	2,800,573	2,133,302	5,369,094	4,792,543
Repair and maintenance expenses	1,736,331	2,450,963	4,216,432	3,074,402
License fee	(1,010,699)	1,649,159	497,353	3,878,445
Salaries, wages and other benefits	34,505,641	32,351,220	60,330,627	55,822,416
Depreciation	17,054,264	18,421,668	33,957,910	36,409,697
Amortisation of intangible assets	217,017	-	217,017	-
	<u>140,708,437</u>	<u>179,565,467</u>	<u>302,844,364</u>	<u>358,789,840</u>

	Quarter ended		Half Year ended	
	December 31, 2010 Rupees	December 31, 2009 Rupees	December 31, 2010 Rupees	December 31, 2009 Rupees
9 ADMINISTRATIVE EXPENSES				
Salaries, wages and other benefits	8,626,410	8,087,805	15,082,657	13,955,604
Traveling and local conveyance	689,744	1,151,459	1,690,757	1,736,317
Telephone expenses	1,155,967	1,255,216	2,080,745	2,178,567
Vehicle running expenses	4,817,176	2,809,288	8,440,054	5,180,201
Insurance	649,811	274,504	932,794	549,735
Entertainment	421,679	308,838	657,450	577,889
Rent, rates and taxes	1,699,503	1,859,158	3,548,050	3,290,074
Legal and professional charges	1,520,858	515,535	1,872,505	946,165
Printing and stationery	674,324	548,000	916,395	941,330
Utilities	936,650	539,168	2,043,159	1,162,489
Welfare expenses	2,250,000	1,500,000	2,250,000	2,550,000
Auditors' remuneration	105,000	105,000	105,000	105,000
	<u>23,547,122</u>	<u>18,953,971</u>	<u>39,619,566</u>	<u>33,173,371</u>
10 MARKETING EXPENSES				
Advertisement and marketing expenses	104,984	329,940	324,074	431,640
	<u>104,984</u>	<u>329,940</u>	<u>324,074</u>	<u>431,640</u>
11 EARNINGS PER SHARE (BASIC AND DILUTED)				
Profit after taxation	<u>4,364,828</u>	<u>37,052,113</u>	<u>36,105,773</u>	<u>80,051,701</u>
	Number of shares		Number of shares	
Weighted average number of ordinary shares	<u>7,840,800</u>	<u>7,840,800</u>	<u>7,840,800</u>	<u>7,840,800</u>
	Rupees		Rupees	
Basic and diluted earnings per share	<u>0.55</u>	<u>4.73</u>	<u>4.60</u>	<u>10.21</u>

There are no dilutive potential ordinary shares as at December 31, 2010 (December 31, 2009: Nil).

12 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Company on February 24, 2011.

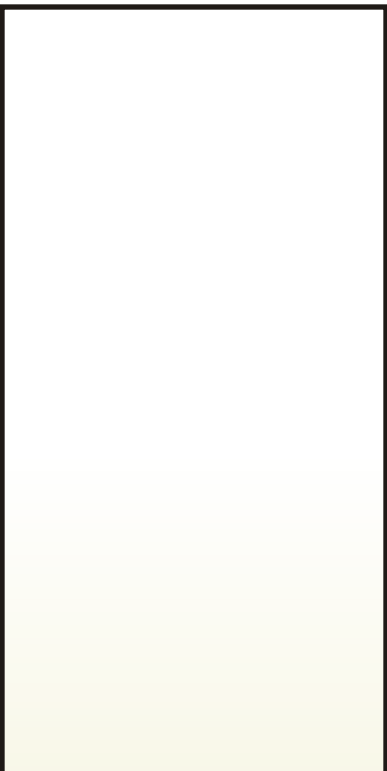
13 MOVEMENT BETWEEN RESERVES AND PROPOSED DIVIDEND

The Board of Directors in its meeting held on February 24, 2011 approved interim cash dividend of Rs. 1.50 per share amounting to Rs. 11.761 million. The financial statements for the period ended December 31, 2010 do not include the effect of aforementioned movement between reserves and proposed dividend.

14 GENERAL

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

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