

Pak Datacom Limited



Pak Datacom

COMPANY PROFILE

BOARD OF DIRECTORS

- | | | |
|----|---------------------|-----------------|
| 1. | Farooq Ahmed Awan | Chairman |
| 2. | Salman Elahi Malik | Chief Executive |
| 3. | Iftikhar Ahmed Raja | |
| 4. | Muhammad Arif | |
| 5. | Syed Gauhar Ali | |
| 6. | Qaiser Sohail | |
| 7. | Nessar Ahmed | |
| 8. | Muhammad Yaqoob | |

CFO / COMPANY SECRETARY

Syed Sajjad Hasan Jafri

AUDIT COMMITTEE

1. Iftikhar Ahmed Raja
2. Muhammad Arif
3. Nessar Ahmed

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

Ahmed Bashir,
Ground Floor, State Life Building No. 7,
Jinnah Avenue, Blue Area, Islamabad

DIRECTORS' REPORT

The Board of Directors of Pak Datacom Limited (PDL) is pleased to present the accounts for the fiscal half year from 1st July, 2011 to 31st December 2011.

In the first half of the year, despite market slowdown, PDL net pretax profit increased to PKR 65.79 million, while total revenue was PKR 379.89 million.

PDL management has already initiated strategic measures to increase the operational performance which has resulted in the increased revenue and profit of the second quarter. We are exploring new technology ventures, strengthening and expanding our existing customer base in Pakistan and potential business opportunities in international markets.

PDL is currently going through the process of total network rationalization. We are actively negotiating with terrestrial and satellite bandwidth/media providers to reduce the cost and enhance our gross margin. In parallel, we are making a prudent effort to minimize the related operational expenses.

The management has a strong conviction that all these actions will bring positive results during the succeeding quarters; with the dedication and hard work of PDL employees, our most valuable asset.

For and on behalf of the Board

**Islamabad
February 23, 2012**

**Salman Elahi Malik
Chief Executive**

REPORT TO THE MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim balance sheet of Pak Datacom Limited ("the Company") as at December 31, 2011 and the related condensed interim profit and loss account, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the condensed interim financial statements for the half year 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.

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, 2011 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan relating to the interim financial reporting.

The figures for the quarter ended December 31, 2011 in the interim financial information have not been reviewed and we do not express a conclusion on them as we are required to review only the cumulative figures for the half year ended December 31, 2011.

Islamabad
February 23, 2012

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

CONDENSED INTERIM BALANCE SHEET

AS AT DECEMBER 31, 2011

	Note	Un-audited December 31, 2011 Rupees	Audited June 30, 2011 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital - 10,000,000 ordinary shares (June 2011: 10,000,000) of Rupees 10 each		100,000,000	100,000,000
Issued, subscribed and paid up capital	4	78,408,000	78,408,000
Reserves		610,274,748	575,776,089
		688,682,748	654,184,089
NON-CURRENT LIABILITIES			
Deferred liabilities		69,300,675	69,801,463
CURRENT LIABILITIES			
Customers' deposits		97,753,414	91,292,964
Due to associated companies		649,620	650,820
Trade and other payables		164,758,687	138,905,289
Provision for taxation		27,648,766	15,711,414
		290,810,487	246,560,487
		1,048,793,910	970,546,039
CONTINGENCIES AND COMMITMENTS			
ASSETS			
NON-CURRENT ASSETS			
Property plant and equipment	6	352,159,137	370,157,970
Intangible assets	7	1,935,647	2,469,649
Capital work in progress		10,305,115	-
		364,399,899	372,627,619
CURRENT ASSETS			
Trade debts - unsecured		121,211,759	98,287,860
Advances		38,378,502	12,798,778
Trade deposits and short term prepayments		117,775,848	127,198,200
Other receivables		752,101	20,678,361
Interest accrued		2,081,864	1,696,623
Advance tax		66,708,973	59,311,541
Short term investments		174,292,000	203,680,000
Cash and bank balances		163,192,964	74,267,057
		684,394,011	597,918,420
		1,048,793,910	970,546,039

The annexed notes 1 to 16 form an integral part of these financial statements.

IFTIKHAR AHMED RAJA
DIRECTOR

SALMAN ELAHI MALIK
CHIEF EXECUTIVE

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

	Note	For the Quarter Ended		For the Half Year Ended	
		December, 31 2011 Rupees	December, 31 2010 Rupees	December 31, 2011 Rupees	December 31, 2010 Rupees
Revenue	8	203,874,959	167,657,493	379,889,068	389,657,758
Cost of services	9	(152,425,454)	(140,708,437)	(287,499,231)	(302,844,364)
Gross Profit		51,449,505	26,949,056	92,389,837	86,813,394
Administrative expenses	10	(20,289,522)	(23,547,122)	(41,522,986)	(39,619,566)
Marketing expenses	11	(347,143)	(104,984)	(1,811,126)	(324,074)
		(20,636,665)	(23,652,106)	(43,334,112)	(39,943,640)
Operating profit		30,812,840	3,296,950	49,055,725	46,869,754
Other operating income		9,761,026	6,183,368	17,097,342	11,715,965
		40,573,866	9,480,318	66,153,067	58,585,719
Finance cost		(272,807)	(755,078)	(365,456)	(1,028,257)
Profit before taxation		40,301,059	8,725,240	65,787,611	57,557,462
Provision for taxation		(14,527,860)	(4,360,412)	(23,448,152)	(21,451,689)
Profit after taxation		25,773,199	4,364,828	42,339,459	36,105,773
Other comprehensive income		-	-	-	-
Net profit for the period		25,773,199	4,364,828	42,339,459	36,105,773
Earning per share	12	3.29	0.55	5.40	4.60

The annexed notes 1 to 16 form an integral part of these financial statements.

IFTIKHAR AHMED RAJA
DIRECTOR

SALMAN ELAHI MALIK
CHIEF EXECUTIVE

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

	December 31, 2011 Rupees	December 31, 2010 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period before taxation	65,787,611	57,557,462
Adjustment for non-cash and other items:		
Depreciation	30,590,455	33,957,910
Amortisation	534,002	217,017
Amortisation of Joint venture assets	614,674	-
(Gain)/ loss on disposal of property, plant and equipment	(264,210)	(1,012,686)
Finance cost	365,456	1,028,257
Exchange gain	(9,488,058)	(222,435)
Return / Interest on bank deposits	(6,738,760)	(6,542,957)
Provision for gratuity	6,000,000	4,000,000
Provision for earned leave encashment	5,000,000	3,000,000
	<u>26,613,559</u>	<u>34,425,106</u>
Operating profit before working capital changes	92,401,170	91,982,568
(Increase)/decrease in current assets		
Trade debts - unsecured	(22,923,899)	(15,416,585)
Advances	(25,579,726)	(16,198,929)
Trade deposits and short term prepayments	5,126,380	36,218,663
Other receivables	19,926,260	(36,787,730)
	<u>(23,450,985)</u>	<u>(32,184,581)</u>
Increase/(decrease) in current liabilities		
Customers' deposits	6,460,451	2,536,933
Due to associated companies	(1,200)	(475,842)
Trade and other payables	25,741,272	(26,027,151)
	<u>32,200,523</u>	<u>(23,966,060)</u>
Cash generated from operations	101,150,708	35,831,927
Taxes paid	(23,531,334)	(35,337,446)
Gratuity paid/adjusted	(1,704,028)	-
Earned leave paid/ adjusted	(877,686)	(335,696)
Return / Interest on bank deposits	6,353,519	4,245,588
Finance cost	(365,456)	(1,028,257)
	<u>(20,124,985)</u>	<u>(32,455,811)</u>
Net cash flows from operating activities	81,025,723	3,376,116
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(13,377,086)	(10,679,460)
Intangible assets	-	(2,604,206)
Capital work in progress	(10,305,115)	-
Proceeds on the disposal of property, plant and equipment	435,000	1,517,026
Net cash flows in investing activities	<u>(23,247,201)</u>	<u>(11,766,640)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(7,728,673)	(38,350,361)
Net (decrease)/increase in cash and cash equivalents	50,049,849	(46,740,885)
Cash and cash equivalents at the beginning of the period	277,947,057	359,136,023
Effect of foreign exchange rate change	9,488,058	222,435
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>337,484,964</u>	<u>312,617,573</u>

The annexed notes 1 to 16 form an integral part of these financial statements.

IFTIKHAR AHMED RAJA
DIRECTOR

SALMAN ELAHI MALIK
CHIEF EXECUTIVE

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

	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, 2009	78,408,000	12,042,000	331,500,000	210,171,632			632,121,632
<u>Transactions with owners</u>							
Interim dividend for the year ended June 30, 2010	-	-	-	(23,522,400)			(23,522,400)
Net 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)			-
<u>Transactions with owners</u>							
Final dividend for the year ended June 30, 2010	-	-	-	(39,204,000)			(39,204,000)
Net 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
<u>Transactions with owners</u>							
Interim dividend for the year ended June 30, 2011	-	-	-	(11,761,200)			(11,761,200)
Net profit for the period	-	-	-	(18,597,427)			(18,597,427)
Balance as at June 30, 2011	78,408,000	12,042,000	381,500,000	182,234,089			654,184,089
Transfer to General reserves	-	-	-	-			-
<u>Transactions with owners</u>							
Final dividend for the year ended June 30, 2011	-	-	-	(7,840,800)			(7,840,800)
Net profit for the period	-	-	-	42,339,459			42,339,459
Balance as at December 31, 2011	78,408,000	12,042,000	381,500,000	216,732,748			688,682,748

The annexed notes 1 to 16 form an integral part of these financial statements.

IFTIKHAR AHMED RAJA
DIRECTOR

SALMAN ELAHI MALIK
CHIEF EXECUTIVE

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

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

- 2.1 These condensed interim financial statements of the Company for the half year ended December 31, 2011 have been prepared in accordance with 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 and directives issued under the Companies Ordinance, 1984 have been followed.
- 2.2 These interim financial statements are un-audited and are being submitted to the shareholders in accordance with the requirements of section 245 of the Companies Ordinance, 1984. These interim financial statements are presented in accordance with the requirement of International Accounting Standard 34 "Interim Financial Reporting".

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, 2011. These condensed interim financial statements do not include all the information required for full annual financial statements and should be read in conjunction with annual financial statements for the year ended June 30, 2011.
- 3.2 The Company has contractual arrangement with an overseas venturer to engage in joint venture activities in UAE. The financial statements of the Company include its share of assets, liabilities, income and expenses in joint venture to the extent of Company's interest in joint venture operations. The Company's share of assets, liabilities, income and expenses in joint venture operation is recognised on the basis of cost statements received from the joint venture for the related period up to the balance sheet date.
- 3.3 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, 2011 Rupees	Audited June 30, 2011 Rupees
4 ISSUED, SUBSCRIBED AND PAID UP CAPITAL			
5,400,000 (June 2011: 5,400,000) ordinary shares of Rs. 10/- each fully paid in cash		54,000,000	54,000,000
2,440,800 (June 2011: 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>
Out of total issued share capital, 4,318,683 (June 2011: 4,318,683) ordinary shares are held by Telecom Foundation, Pakistan.			
5 CONTINGENCIES AND COMMITMENTS			
5.1	Guarantees, letter of credit and stand by letter of credit (SBLC) issued by the bank on behalf of the Company amounted to Rs.104.730 million (June 2011: Rs. 98.309 million) including SBLC of US \$ 1.000 million (June 2011: 1.000 million) issued in favour of a satellite operator against a future prospective business.		
5.2	The Company had entered into an agreement with a reseller of satellite bandwidth in Pakistan for provisioning of satellite segment. Due to certain technical issues, the bandwidth was never operational or utilised. Management has commenced appropriate measures for the recovery of security deposit and advance rent of US\$ 0.635 million; equivalent to Pak Rs. 57.023 million (June 2011 : US\$ 0.635 million; equivalent to Pak Rs. 54.642 million).		
5.3	Capital commitments in respect of purchase of equipment outstanding amounted to Rs. 22.778 million (June 2011: Rs 0.497 million).		
		Un-audited December 31, 2011 Rupees	Audited June 30, 2011 Rupees
6 PROPERTY, PLANT AND EQUIPMENT	Note		
Net book value - Pakistan	6.1	350,209,838	370,157,970
Net book value - Joint venture	6.2	1,949,299	-
		<u>352,159,137</u>	<u>370,157,970</u>
6.1 PROPERTY, PLANT AND EQUIPMENT - PAKISTAN			
<u>Cost</u>			
Opening balance		794,302,450	753,864,750
Additions / acquisitions during the period		10,813,113	44,736,401
Deletions / disposals during the period		(888,425)	(4,298,701)
Closing balance		804,227,138	794,302,450
<u>Accumulated depreciation</u>			
Opening balance		424,144,480	356,668,399
Additions / acquisitions during the period		30,590,455	70,000,617
Deletions / disposals during the period		(717,635)	(2,524,536)
Closing balance		454,017,300	424,144,480
Net book value		<u>350,209,838</u>	<u>370,157,970</u>

	Un-audited December 31, 2011 Rupees	Audited June 30, 2011 Rupees		
6.2 PROPERTY, PLANT AND EQUIPMENT - JOINT VENTURE				
<u>Cost</u>				
Opening balance	-	-		
Additions during the period	2,563,973	-		
Deletions / disposals during the period	-	-		
Closing balance	2,563,973	-		
<u>Accumulated amortisation</u>				
Opening balance	-	-		
Additions during the period	614,674	-		
Deletions / disposals during the period	-	-		
Closing balance	614,674	-		
Net book value	1,949,299	-		
7 INTANGIBLE ASSETS				
Computer softwares				
<u>Cost</u>				
Opening balance	3,204,006	-		
Additions during the period	-	3,204,006		
Deletions / disposals during the period	-	-		
Closing balance	3,204,006	3,204,006		
<u>Accumulated amortisation</u>				
Opening balance	734,357	-		
Additions during the period	534,002	734,357		
Deletions / disposals during the period	-	-		
Closing balance	1,268,359	734,357		
Net book value	1,935,647	2,469,649		
	For the Quarter ended	For the Half Year ended		
	December 31, 2011 Rupees	December 31, 2010 Rupees	December 31, 2011 Rupees	December 31, 2010 Rupees
8 REVENUE				
Revenue from operations	183,746,965	167,657,493	359,761,074	389,657,758
Revenue - joint venture - PDL share	20,127,994	-	20,127,994	-
	<u>203,874,959</u>	<u>167,657,493</u>	<u>379,889,068</u>	<u>389,657,758</u>
9 COST OF SERVICES				
Channel and local lead rentals	63,652,134	54,082,218	119,310,189	100,519,159
Space segment rentals	16,987,919	31,323,092	43,232,277	97,736,772
Equipment maintenance cost	3,387,769	2,800,573	4,695,557	5,369,094
Repair and maintenance expenses	410,820	1,736,331	3,105,049	4,216,432
License fee	918,734	(1,010,699)	1,798,806	497,353
Salaries and other benefits	38,354,106	34,505,641	71,283,802	60,330,627
Depreciation	15,453,144	17,054,264	30,590,455	33,957,910
Amortisation	311,734	217,017	534,002	217,017
Expenses - joint venture - PDL share	12,949,094	-	12,949,094	-
	<u>152,425,454</u>	<u>140,708,437</u>	<u>287,499,231</u>	<u>302,844,364</u>

	For the Quarter ended		For the Half Year ended	
	December 31, 2011 Rupees	December 31, 2010 Rupees	December 31, 2011 Rupees	December 31, 2010 Rupees
10 ADMINISTRATIVE EXPENSES				
Salaries and other benefits	9,588,526	8,626,410	17,820,950	15,082,657
Traveling and local conveyance	1,220,725	689,744	1,866,082	1,690,757
Telephone expenses	812,864	1,155,967	1,549,365	2,080,745
Vehicle running expenses	3,712,878	4,817,176	7,842,100	8,440,054
Insurance	539,048	649,811	713,823	932,794
Entertainment	383,857	421,679	718,695	657,450
Rent, rates and taxes	1,520,859	1,699,503	3,182,271	3,548,050
Legal and professional charges	650,168	1,520,858	972,538	1,872,505
Printing and stationery	514,873	674,324	1,175,130	916,395
Utilities	1,240,724	936,650	2,577,032	2,043,159
Welfare expenses	-	2,250,000	3,000,000	2,250,000
Auditors remuneration	105,000	105,000	105,000	105,000
	<u>20,289,522</u>	<u>23,547,122</u>	<u>41,522,986</u>	<u>39,619,566</u>
11 MARKETING EXPENSES				
Advertisement & marketing expenses	347,143	104,984	1,811,126	324,074
	<u>347,143</u>	<u>104,984</u>	<u>1,811,126</u>	<u>324,074</u>
12 EARNINGS PER SHARE (BASIC AND DILUTED)				
Profit after taxation	<u>25,773,199</u>	<u>4,364,828</u>	<u>42,339,459</u>	<u>36,105,773</u>
	(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)			
Basic and diluted earnings per share	<u>3.29</u>	<u>0.55</u>	<u>5.40</u>	<u>4.60</u>

There are no dilutive ordinary shares as at December 31, 2011 (December 31, 2010: Nil).

13 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Company on February 23, 2012.

14 MOVEMENT BETWEEN RESERVES AND PROPOSED DIVIDEND

The Board of Directors in its meeting held on February 23, 2012 approved interim cash dividend of Rs. 1.00 per share amounting to Rs. 7.841 million. The financial statements for the half year ended December 31, 2011 do not include the effect of aforementioned movement between reserves and proposed dividend.

15 CORRESPONDING FIGURES

Figures have been re-classified and re-arranged in respect of previous period from "Trade deposits and prepayments" to "Advances" of Rs. 11.995 million for the purpose of better presentation and disclosure.

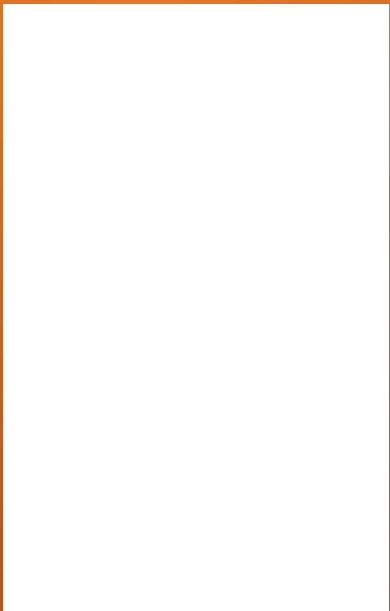
16 GENERAL

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

IFTIKHAR AHMED RAJA
DIRECTOR

SALMAN ELAHI MALIK
CHIEF EXECUTIVE

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