



Pak Datacom



Pak Datacom Limited

1st Quarter Report
July 2015 to September 2015
(Un-Audited)

COMPANY PROFILE

BOARD OF DIRECTORS

- | | | |
|----|-----------------------------------|-----------------|
| 1. | Maj. Gen. (R) Muhammad Khalid Rao | Chairman |
| 2. | Muhammad Arshad Khan Kayani | Chief Executive |
| 3. | Amjad Hussain Qureshi | |
| 4. | Jamil Anwar | |
| 5. | Engr. Shahzad Sami Qureshi | |
| 6. | Raja Waheed Zaman | |
| 7. | Taimur Faiz Cheema | |

AUDIT COMMITTEE

- | | | |
|----|----------------------------|----------|
| 1. | Raja Waheed Zaman | Chairman |
| 2. | Amjad Hussain Qureshi | |
| 3. | Engr. Shahzad Sami Qureshi | |
| 4. | Jamil Anwar | |

HUMAN RESOURCE & REMUNERATION COMMITTEE

- | | | |
|----|-----------------------------|----------|
| 1. | Engr. Shahzad Sami Qureshi | Chairman |
| 2. | Muhammad Arshad Khan Kayani | |
| 3. | Amjad Hussain Qureshi | |

CFO/ COMPANY SECRETARY

Syed Sajjad Hasan Jafri

REGISTERED OFFICE

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

HEAD OFFICE

3rd Floor, Umar Plaza, Blue Area, Islamabad.

Tel: (051) 2344123, 2344125, Fax: (051) 2344111

SHARES DEPARTMENT

Hassan Farooq Associates (Pvt.) Limited, HF House,
7/3-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

Abbasi Law Chambers, House # 271, Street # 69, G-10/3,
Islamabad

DIRECTORS' REPORT

The Board of Directors of Pak Datacom Limited (PDL) is pleased to present the operational results of first quarter of the financial year 2015 – 2016 i.e. from July 01, 2015 to September 30, 2015.

PDL earned total revenue of Rs. 173.420 million during first three months of current financial year and has posted pre-tax profit of Rs. 36.530 million as compared to Rs. 38.130 million of the same period of last year.

PDL management is putting all efforts to achieve business targets by strategic measures for increasing the operational performance and exploring new ventures. Keeping in view the current economic scenario, the Company will continue to follow this policy to seek new revenue streams and explore feasible ventures, for enhancing the profitability of the Company. PDL management is working to explore the opportunity in international market/telecom sector in order to bring growth in its revenue streams besides expansion in its network by improving the operational performance. Through strategic laid down plans and policies, the management is striving hard for getting more business from potential clients.

We thank our valued shareholders, regulators, stock exchanges and customers for their trust and consistent support for PDL. We also hope that employees of the Company will work hard to promote business of the Company.

For and on behalf of the Board

**Islamabad
October 28, 2015**

**Muhammad Arshad Khan Kayani
Chief Executive**

CONDENSED INTERIM BALANCE SHEET

AS AT SEPTEMBER 30, 2015

	Note	Un-audited September 30, 2015 Rupees	Audited June 30, 2015 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital-100,000,000 ordinary shares (June 2015: 100,000,000) of rupees 10 each		<u>1,000,000,000</u>	<u>1,000,000,000</u>
Issued, subscribed and paid up capital	4	98,010,000	98,010,000
Reserves		741,744,289	717,269,198
		839,754,289	815,279,198
NON-CURRENT LIABILITIES			
Employees' retirement and other service benefits- leave encashment		40,567,682	39,330,185
CURRENT LIABILITIES			
Customers' deposits		117,154,744	114,481,932
Trade and other payables		89,099,810	87,219,208
Provision for taxation		62,804,079	49,039,681
		269,058,633	250,740,821
		<u>1,149,380,604</u>	<u>1,105,350,204</u>
CONTINGENCIES AND COMMITMENTS	5		
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	240,619,979	248,584,782
Intangible assets	7	6,618,500	6,725,250
		247,238,479	255,310,032
Deferred taxation		5,776,238	4,066,734
CURRENT ASSETS			
Trade debts		133,217,022	99,953,056
Advances		181,326,361	166,695,112
Trade deposits and short term prepayments		77,152,936	80,713,563
Other receivables		9,952,000	11,975,667
Interest accrued		1,481,041	4,161,824
Advance tax		80,458,748	62,169,443
Short term investments		341,172,000	334,844,000
Cash and bank balances		71,605,779	85,460,773
		896,365,887	845,973,438
		<u>1,149,380,604</u>	<u>1,105,350,204</u>

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

**CONDENSED INTERIM
PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2015**

	Note	September 30, 2015 Rupees	September 30, 2014 Rupees
Revenue	8	173,419,505	167,899,429
Cost of services	9	(116,568,952)	(111,873,703)
Gross profit		56,850,553	56,025,726
Administrative expenses	10	(23,172,527)	(23,427,734)
Marketing expenses	11	(5,024,087)	(5,062,369)
		(28,196,614)	(28,490,103)
Operating profit		28,653,939	27,535,623
Other income/ (loss)		8,372,853	10,749,771
		37,026,792	38,285,394
Finance cost		(496,807)	(155,641)
Profit before taxation		36,529,985	38,129,753
Provision for taxation		(12,054,894)	(12,964,116)
Profit after taxation		24,475,091	25,165,637
Earning per share		2.50	2.57

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

Amjad Hussain Qureshi
Director

Muhammad Arshad Khan Kayani
Chief Executive

**CONDENSED INTERIM STATEMENT OF
COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2015**

	September 30, 2015 Rupees	September 30, 2014 Rupees
Profit after taxation	24,475,091	25,165,637
Other comprehensive income/ (loss)	-	-
Total comprehensive income	<u>24,475,091</u>	<u>25,165,637</u>

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

Amjad Hussain Qureshi
Director

Muhammad Arshad Khan Kayani
Chief Executive

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2015

	September 30, 2015 Rupees	September 30, 2014 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period before taxation	36,529,985	38,129,753
<u>Adjustments for non-cash and other items:</u>		
Depreciation	9,188,421	10,213,383
Amortisation-intangible assets	106,750	106,750
(Gain)/ loss on disposal of property, plant and equipment	(1,061)	-
Finance cost	496,807	155,641
Exchange gain	(5,770,901)	(7,424,534)
Return on bank deposits/ short term investments	(2,600,891)	(3,325,237)
Provision for gratuity	3,600,000	3,500,000
Provision for earned leave encashment	1,400,000	1,500,000
	6,419,125	4,726,003
Operating profit before working capital changes	42,949,110	42,855,756
Movement in working capital:		
<u>(Increase)/decrease in current assets:</u>		
Trade debts - unsecured	(33,263,966)	(57,817,407)
Advances	(14,631,249)	(10,993,644)
Trade deposits and short term prepayments	3,560,627	(1,500,102)
Other receivables	2,023,667	200,000
<u>Increase/(decrease) in current liabilities:</u>		
Customers deposits	2,672,812	3,801,782
Trade and other payables	(1,717,144)	33,104,013
	(41,355,253)	(33,205,358)
Cash generated from operations	1,593,857	9,650,398
Taxes paid	(18,289,305)	(18,634,471)
Earned leave paid/ adjusted	(162,503)	(71,512)
Return on bank deposits/ short term investments	5,281,674	4,895,637
Finance cost	(496,807)	(155,641)
	(13,666,941)	(13,965,987)
Net cash flows from operating activities	(12,073,084)	(4,315,589)
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(1,285,557)	(2,668,856)
Proceeds on the disposal of property, plant and equipment	63,000	-
Net cash flows from investing activities	(1,222,557)	(2,668,856)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(2,254)	(39,223,926)
Net increase/ (decrease) in cash and cash equivalents	(13,297,895)	(46,208,371)
Cash and cash equivalents at the beginning of the period	420,304,773	362,145,587
Effect of foreign exchange rate change	5,770,901	7,424,534
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	412,777,779	323,361,750

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

Amjad Hussain Qureshi
Director

Muhammad Arshad Khan Kayani
Chief Executive

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)

FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2015

	Share Capital	Revenue Reserves		Total	
	Issued, subscribed and paid-up Rupees	General Reserve Rupees	Unappropriated profit Rupees		Rupees
		98,010,000	481,500,000		
Balance as at June 30, 2014	-	-	25,165,637	798,286,769	
Total comprehensive income for the period	-	50,000,000	(50,000,000)	25,165,637	
Transfer to general reserve	-	-	-	-	
Transactions with owners	-	-	-	-	
Final dividend for the year ended June 30, 2014 (Rs. 4.00 per share)	-	-	(39,204,000)	(39,204,000)	
Balance as at September 30, 2014	98,010,000	531,500,000	154,738,406	784,248,406	
Total comprehensive income for the period	-	-	50,632,792	50,632,792	
Interim dividend for the year ended June 30, 2015 (Rs. 2.00 per share)	-	-	(19,602,000)	(19,602,000)	
Balance as at June 30, 2015	98,010,000	531,500,000	185,769,198	815,279,198	
Total comprehensive income for the period	-	-	24,475,091	24,475,091	
Transfer to general reserve	-	-	-	-	
Balance as at September 30, 2015	98,010,000	531,500,000	210,244,289	839,754,289	

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

Amjad Hussain Qureshi
Director

Muhammad Arshad Khan Kayani
Chief Executive

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2015

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 applicable licenses from Pakistan Telecommunication Authority.

2 BASIS OF PREPARATION

2.1 Statement of Compliance

These condensed interim financial statements (unaudited) for the first quarter ended September 30, 2015 have been prepared in accordance with International Accounting Standard (IAS) -34, 'Interim financial reporting', directive issued by the Securities and Exchange Commission of Pakistan (SECP) and the requirements of Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 shall prevail.

2.2 Adoption of new and revised standards, interpretations and amendments

The new standards and amendments to the approved accounting standards and interpretations that are mandatory for the accounting periods beginning on or after January 01, 2015 are either considered not to be relevant or to have any insignificant impact on the company's operations and therefore, are not detailed in these financial statements.

2.3 Accounting convention

These financial statements have been prepared under the historical cost convention except for recognition of certain employees retirement and other service benefits which are measured at present value.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of measurements

The accounting policies and methods of computation adopted in the preparation of these financial statements are the same as those applied in the preparation of audited annual financial statements for the year ended June 30, 2015.

3.2 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Pakistani Rupee which is the Company's functional and presentation currency.

3.3 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.

Actual results may differ from these estimates. 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.

	Un-audited September 30, 2015 Rupees	Audited June 30, 2015 Rupees
4 ISSUED, SUBSCRIBED AND PAID UP CAPITAL		
5,400,000 (June 2015: 5,400,000) ordinary shares of Rs. 10/- each fully paid in cash	54,000,000	54,000,000
4,401,000 (June 2015: 4,401,000) ordinary shares of Rs. 10/- each issued as fully paid bonus shares	44,010,000	44,010,000
	<u>98,010,000</u>	<u>98,010,000</u>

Out of total issued share capital, 5,398,353 (June 2015: 5,398,353) ordinary shares are held by Telecom Foundation, Pakistan.

5 CONTINGENCIES AND COMMITMENTS

- 5.1** Guarantees and letter of credits issued by the bank on behalf of the Company amounted to Rs. 250.93 million (June 2015: Rs. 273.92 million).
- 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 after appropriate measures for the recovery of advance payments of US\$ 0.64 million; equivalent to Rs. 65.99 million (June 2015: US\$ 0.64 million; equivalent to Rs. 64.56 million) referred the matter to the arbitration, which in its award given on May 03, 2012 imposed additional payment of US \$ 0.64 million; equivalent to Rs. 65.99 million on the Company. The Company has filed the case in Islamabad High Court against the award, outcome of which is still pending. The Company had made provision against the advance payment of US \$ 0.64 million; equivalent to Rs. 65.99 million during the year ended June 30, 2012 as a matter of abandon caution. However the Board and the management is of the opinion that the maximum loss even if the case is decided against the Company will not exceed US\$ 1.27 million; equivalent to Rs. 131.99 million (June 2015 : US\$ 1.27 million; equivalent to Rs. 129.12 million).
- 5.3** The Company did not withheld tax on dividend amounting to Rs. 0.90 million (June 2015: Rs. 0.90 million) due to exemption available under clause 47B of the second schedule of Income Tax Ordinance 2001. The CIT (Appeals) in the appeal has withheld the decision of tax levied by the tax authority and appeal is now pending with the Income Tax Appellate Tribunal, Islamabad. The case is expected to be decided in favour of the Company.
- 5.4** Capital commitments outstanding in respect of purchase of equipment amounted to Rs. 64.69 million (June 2015: Rs. 58.72 million).

		Un-audited September 30, 2015 Rupees	Audited June 30, 2015 Rupees
6	PROPERTY, PLANT AND EQUIPMENT		
	Net book Value- Pakistan	240,178,072	248,118,690
	Net book Value- UAE	441,907	466,092
		240,619,979	248,584,782
6.1	Property, plant and equipment- Pakistan		
	Cost		
	Opening balance	859,202,204	850,969,693
	Additions during the period	1,285,557	26,320,117
	Deletion/disposals during the period	(69,900)	(18,087,606)
	Closing balance	860,417,861	859,202,204
	Accumulated depreciation		
	Opening balance	611,083,514	582,492,311
	Additions during the period	9,164,236	42,578,203
	Deletion/disposals during the period	(7,961)	(13,987,000)
	Closing balance	620,239,789	611,083,514
	Net book value	240,178,072	248,118,690
6.2	Property, plant and equipment- UAE		
	Cost		
	Opening balance	770,181	770,181
	Additions during the period	-	-
	Deletion/disposals during the period	-	-
	Closing balance	770,181	770,181
	Accumulated depreciation		
	Opening balance	304,089	181,701
	Additions during the period	24,185	122,388
	Deletion/disposals during the period	-	-
	Closing balance	328,274	304,089
	Net book value	441,907	466,092
		240,619,979	248,584,782

Ist charge of Rs. 140.00 million (June 2015: Rs. 140.00 million) on fixed assets, present and future current assets of the Company of Rs. 400.00 million (June 2015: Rs. 400.00 million) with lien on import documents and US\$ 1.50 million; equivalent to Rs. 155.99 million (June 2015: US\$ 1.50 million; equivalent to Rs. 150.29 million) in shape of F.C-FDR (proportionately adjustable on receipt of shipping documents under letter of credit) has been created in favour of Soneri Bank Limited for an unfunded facility of Rs. 273.53 million (June 2015: Rs. 273.53 million).

		Un-audited September 30, 2015 Rupees	Audited June 30, 2015 Rupees
7	INTANGIBLE ASSETS		
	Cost		
	Opening balance	11,744,006	11,744,006
	Additions during the period	-	-
	Deletion/disposals during the period	-	-
	Closing balance	11,744,006	11,744,006
	Accumulated amortisation		
	Opening balance	5,018,756	4,591,756
	Additions during the period	106,750	427,000
	Deletion/disposals during the period	-	-
	Closing balance	5,125,506	5,018,756
	Net book value	6,618,500	6,725,250

	Un-audited September 30, 2015 Rupees	Un-Audited September 30, 2014 Rupees
8 REVENUE		
CVAS Data License	172,639,505	167,179,429
Telecom Infrastructure Provider License	780,000	720,000
	<u>173,419,505</u>	<u>167,899,429</u>
9 COST OF SERVICES		
Channel and local lead rentals	30,865,446	29,224,941
Space segment rentals	29,536,342	28,931,121
Salaries and other benefits	33,281,017	30,979,554
Repair and maintenance expenses	4,873,901	4,136,802
License fee	882,700	1,053,898
Depreciation	9,188,421	10,213,383
Amortisation	106,750	106,750
Travelling and local conveyance	553,881	396,435
Telephone expenses	465,276	355,554
Vehicle running expenses	3,654,557	3,694,437
Insurance	188,896	126,698
Entertainment	235,475	184,456
Rent, rates and taxes	901,887	756,491
Utilities	1,102,319	1,190,400
Operating lease rentals	732,084	522,783
	<u>116,568,952</u>	<u>111,873,703</u>
10 ADMINISTRATIVE EXPENSES		
Salaries and other benefits	17,608,274	16,294,660
Travelling and local conveyance	148,962	75,972
Telephone expenses	210,886	352,773
Vehicle running expenses	922,112	1,719,153
Insurance	64,531	60,104
Entertainment	330,498	383,538
Rent, rates and taxes	820,176	1,308,901
Legal and professional charges	824,148	1,431,801
Printing and stationery	258,629	224,965
Utilities	1,105,927	773,363
Auditors' remuneration	50,000	115,000
Operating lease rentals	828,384	687,504
	<u>23,172,527</u>	<u>23,427,734</u>
11 MARKETING EXPENSES		
Advertisement and marketing expenses	200,869	153,475
Salaries and other benefits	4,284,792	4,182,677
Travelling and local conveyance	83,955	98,852
Telephone expenses	36,893	88,022
Vehicle running expenses	214,799	348,078
Insurance	12,515	10,253
Entertainment	10,672	1,420
Operating lease rentals	179,592	179,592
	<u>5,024,087</u>	<u>5,062,369</u>
12 EARNING PER SHARE (BASIC AND DILUTED)		
Profit after taxation	24,475,091	25,165,637
Basic and diluted earnings per share (Pak Rs./share)	<u>2.50</u>	<u>2.57</u>

Weighted average number of ordinary shares as at September 30, 2015 are 9,801,000 (September 2014: 9,801,000) and there are no dilutive ordinary shares till September 30, 2015 (September 2014: Nil).

13 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of holding and associated companies, companies with common directorship, directors, key management staff and employees retirement and other service benefits;

13.1 There were no transaction with the holding company (Telecom Foundation) during the period other than those disclosed in these financial statements.

13.2 The Company has no subsidiary company and there are no transactions with companies with common directorship other than those disclosed in these financial statements.

13.3 Salaries and other benefits under note numbers 8, 9, and 10 include remuneration to Directors, Chief Executive and Executives amounting to Rs. 10.95 million (September 2014: Rs. 10.33 million). Advances include advance against salaries to executives amounting to Rs. 0.57 million (June 2015: Rs. 0.30 million). The Chief Executive and Executives of the Company are also provided Company maintained vehicles for official purpose only. There are no transactions with the key management personnel other than those disclosed in these financial statements as per their terms of employment.

13.4 Salaries and other benefits under note numbers 9, 10, and 11 include employees retirement benefits of Rs. 5.00 million (September 2014: Rs. 5.01 million)

14 OPERATING SEGMENTS

These financial statement have been prepared on the basis of a single reportable segment.

Out of total revenue, 99.55 % (September 2014: 99.57 %) is generated from CVAS Data License while 0.45 % (September 2014: Rs. 0.43 %) is generated from Telecom Infrastructure Provider license and other projects.

Revenue from major customers of the Company amounts to Rs. 105.15 million (September 2014: Rs. 98.62 million) representing 61.00 % (September 2014: 57.49 %) of the total revenue.

Out of total non-current assets of the company, 99.82 % (June 2015: 99.78 %) assets are located in Pakistan.

15 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Company on October 28, 2015.

16 GENERAL

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

Amjad Hussain Qureshi
Director

Muhammad Arshad Khan Kayani
Chief Executive



Pak Datacom

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