



Pak Datacom



Half Yearly Report
July 2018 to December 2018
(Un-Audited)

Pak Datacom Limited

COMPANY PROFILE

BOARD OF DIRECTORS

1. Mr. Yasir Qadir Chairman
2. Syed Jamal Nasir Chief Executive
3. Mr. Farrukh Ahmad Hamidi
4. Mr. Muhammad Tahir Mushtaq
5. Ms. Ameena Sohail
6. Mr. Basit Waheed
7. Mr. Arshad Rasheed Chaudhary
8. Mr. Muhammad Nehmatullah Toor

AUDIT COMMITTEE

1. Mr. Arshad Rasheed Chaudhary Chairman
2. Mr. Muhammad Nehmatullah Toor
3. Mr. Basit Waheed

HUMAN RESOURCES COMMITTEE

1. Mr. Arshad Rasheed Chaudhary Chairman
2. Mr. Farrukh Ahmad Hamidi
3. Mr. Muhammad Tahir Mushtaq
4. Mr. Basit Waheed

PROCUREMENT COMMITTEE

1. Mr. Yasir Qadir Chairman
2. Mr. Arshad Rasheed Chaudhary

NOMINATION COMMITTEE

1. Mr. Yasir Qadir Chairman
2. Mr. Basit Waheed

CHIEF FINANCIAL OFFICER

Ms. Farhat Mansoor

COMPANY SECRETARY

Mr. Waheed Iqbal

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

CDC House, 99-B, Block B, S.M.C.H.S., Main Shakra-e-Faisal, Karachi –
74400. Tel: (92-21) 111-111-500

AUDITORS

KPMG Taseer Hadi & Co., Chartered Accountants, 6th Floor, State Life
Building # 5, Jinnah Avenue, Blue Area, Islamabad.

LEGAL ADVISOR

Kundi & Kundi, Advocates & Legal Consultants, 29, Street # 63, Sector
F-10/3, Islamabad.

DIRECTORS' REPORT

The Board of Directors of Pak Datacom Limited (PDL) takes pleasure in presenting the Company's financial statements for the half year ended December 31, 2018. In the first six months period, PDL earned total revenue of Rs. 443.259 million as compared to Rs. 408.668 million of the corresponding period of last year while it posted net profit after tax Rs. 27.778 million translating into an earnings per share of Rs. 2.83.

The revenue and profitability of the Company enhanced during the first six months ended on December 31, 2018 mainly due to increase in revenue of core business. The management is actively putting all its efforts to deliver the signed projects. Further, the management is also taking specific measures to optimize operational expenditure. The management aims to maintain the growth and remains committed to attain high value for its shareholders in future and sincerely thank our shareholders, customers, for their trust and consistent support. We also hope that employees, our valuable asset, will work hard to achieve business targets set by the management.

For and on behalf of the Board

Islamabad
February 27, 2019

Arshad Rasheed Chaudry
Director

Syed Jamal Nasir
Chief Executive

Annexure of Directors Report (Information Required under Code of Corporate Governance Regulations 2017).

Composition of the Board

Total No of Directors	8
Male	7
Female	1

Composition:

At present the Board includes:

Category	Name
Executive Director/ Chief Executive	Syed Jamal Nasir
Non-Executive Directors	Mr. Yasir Qadir Mr. Tahir Mushtaq Ms. Ameena Sohail Mr. Muhammad Nehmatullah Toor Mr. Farrukh Ahmad Hamidi Mr. Basit Waheed
Independent Directors	Mr. Arshad Rasheed Chaudhry

Committees of the Board

Audit Committee

- i) Mr. Arshad Rasheed Chaudhary (Chairman)
- ii) Mr. Muhammad Nehmatullah Toor (Member)
- iii) Mr. Basit Waheed (Member)

Human Resource & Remuneration Committee

- i) Mr. Arshad Rasheed (Chairman)
- ii) Mr. Farrukh Ahmad Hamidi (Member)
- iii) Mr. Tahir Mushtaq (Member)
- iv) Mr. Basit Waheed (Member)

Nomination Committee

- i) Mr. Yasir Qadir (Chairman)
- ii) Mr. Basit Waheed (Member)

Director's remuneration

The Company is not paying any remuneration to Non-Executive Directors and Independent Directors except meeting fee i-e PKR 30,000 per meeting.

ڈائریکٹرز رپورٹ

پاک ڈیٹا کام لمیٹڈ (پی ڈی ایل) کے بورڈ آف ڈائریکٹرز کو 31 دسمبر 2018ء کو ختم ہونے والی 6 ماہ کی مدت کے مالیاتی گوشوارے پیش کرنے پر انتہائی خوشی محسوس ہو رہی ہے۔

ان 6 مہینوں کے دوران کمپنی کی کل آمدن 443.259 ملین روپے تھی جبکہ گزشتہ سال اسی مدت کے دوران ہونے والی آمدن 408.668 ملین روپے تھی۔ ٹیکس کی ادائیگی سے قبل اس کا منافع 27.778 ملین روپے تھا۔ اس عرصہ کے دوران اس کی فی شیئر آمدن 2.83 روپے تھی۔

31 دسمبر 2018ء کو ختم ہونے والی 6 ماہ کی مدت کے دوران کمپنی کی آمدن اور منافع میں ہونے والا اضافہ بنیادی طور پر کمپنی کے کاروبار کی آمدنی میں ہونے والے اضافے کی وجہ سے ہوا ہے۔ انتظامیہ دستخط شدہ منصوبوں کی تکمیل کے لیے اپنی تمام تر کوششیں بروئے کار لا رہی ہے۔ علاوہ ازیں، انتظامیہ اپنے روزمرہ کاروبار کی آمدن میں اضافہ کرنے کے لیے خصوصی اقدامات بھی کر رہی ہے۔ انتظامیہ کا مقصد ترقی کو برقرار رکھنا اور مستقبل میں اپنے حصص داروں کے لیے اعلیٰ قدر کے حصول کے لیے پرعزم رہنا ہے۔ ہم اپنے حصص داروں، صارفین، ان کے اعتماد اور مسلسل معاونت کے لیے ان کے تہہ دل سے شکرگزار ہیں۔ ہم یہ بھی اُمید رکھتے ہیں کہ ہمارے ملازمین جو ہمارا قیمتی اثاثے، انتظامیہ کے مقرر کردہ کاروباری اہداف کو حاصل کرنے کے لیے سخت محنت کریں گے۔

منجانب بورڈ

سید جمال ناصر
چیف ایگزیکٹو

ارشدرشید چودھری
ڈائریکٹر

اسلام آباد
27 فروری 2019ء

ڈائریکٹرز رپورٹ کا منسلکہ (ضابطہ تجارتی نظم و نسق قواعد 2017ء کے تحت مطلوبہ معلومات)۔

بورڈ کی ترتیب کی درج ذیل ہے:-

8	ڈائریکٹرز کی کل تعداد
7	مرد
1	خواتین

ترتیب:

فی الوقت بورڈ درج ذیل پر مشتمل ہے:-

نام	کیٹیگری
سید جمال ناصر	ایگزیکٹو ڈائریکٹر/ چیف ایگزیکٹو
جناب یاسر قادر جناب طاہر مشتاق محترمہ مدینہ سہیل جناب محمد نعمت اللہ طور جناب فرخ احمد جمیدی جناب باسط وحید	نان ایگزیکٹو ڈائریکٹرز
جناب ارشد رشید چوہدری	آزاد ڈائریکٹر

بورڈ کی کمیٹیاں

آڈٹ کمیٹی

- (i) جناب ارشد رشید چوہدری (چیئر مین)
- (ii) جناب محمد نعمت اللہ طور (رکن)
- (iii) جناب باسط وحید (رکن)

انسانی وسائل و معاوضہ کمیٹی

- (i) جناب ارشد رشید (چیئر مین)
- (ii) جناب فرخ احمد جمیدی (رکن)
- (iii) جناب طاہر مشتاق (رکن)
- (iv) جناب باسط وحید (رکن)

نامزدگی کمیٹی

- (i) جناب یاسر قادر (چیئر مین)
- (ii) جناب باسط وحید (رکن)

ڈائریکٹر کا معاوضہ

کمپنی نان ایگزیکٹو ڈائریکٹرز اور آزاد ڈائریکٹرز کو ماسوائے اجلاس فیس مبلغ 30,000 روپے فی اجلاس کے دیگر کوئی معاوضہ ادا نہیں کر رہی ہے۔

**INDEPENDENT AUDITORS' REVIEW REPORT
To the Members of Pak Datacom Limited
Report on Review of Interim Financial Statements**

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Pak Datacom Limited as at 31 December 2018 and the related condensed interim statement of profit or loss and other comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows, and notes to the financial statements for the six-month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements 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 statements is not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

Emphasis of Matter

We draw attention to note 5.2 to the condensed interim financial statements which describes the uncertainty relating to outcome of the contingency. Our conclusion is not modified in respect of these matter.

Other Matters

The figures for the three months period ended 31 December 2018, in the condensed interim statement of profit or loss and condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

The engagement partner on the audit resulting in these independent auditors' report is Mr. Inam Ullah Kakra.

Islamabad
February 27, 2019

KPMG Taseer Hadi & Co.
Chartered Accountants
Engagement Partner:
Inam-Ullah Kakra

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UN-AUDITED)

AS AT 31 DECEMBER 2018

		December 31, 2018 Un-audited	June 30, 2018 Audited
	Note	Rupees	
SHARE CAPITAL AND RESERVES			
Share capital		98,010,000	98,010,000
Reserves	4	681,014,639	682,639,902
Total share capital and reserves		779,024,639	780,649,902
LIABILITIES			
Deferred employee benefits		46,490,106	43,636,433
Liability against assets subject to finance lease		9,775,867	12,378,468
Non-current liabilities		56,265,973	56,014,901
Customers' deposits		161,053,899	140,433,318
Contract liability		7,320,000	-
Trade and other payables		187,912,057	163,632,587
Current portion of liability against assets subject to finance lease		5,312,450	5,306,597
Unclaimed dividend		10,058,728	10,157,011
Current liabilities		371,657,134	319,529,513
Total liabilities		427,923,107	375,544,414
Total share capital, reserves and liabilities		1,206,947,746	1,156,194,316
Contingencies and commitments	5		
ASSETS			
Property and equipment	6	211,568,813	226,070,394
Intangible assets	7	5,230,750	5,444,250
Deferred taxation		22,220,108	17,243,610
Non-current assets		239,019,671	248,758,254
Contract assets	8	171,822,024	168,907,149
Trade debts		372,656,919	252,192,359
Advances		12,407,012	9,114,973
Trade deposits and short term prepayments		31,954,556	65,262,199
Other receivables		801,632	419,225
Interest accrued		2,226,850	7,719,683
Advance tax		55,769,821	63,889,454
Short term investments		80,000,000	256,000,000
Cash and bank balances		240,289,261	83,931,020
Current assets		967,928,075	907,436,062
Total assets		1,206,947,746	1,156,194,316

The annexed notes 1 to 18 form an integral part of these condensed interim financial statements.

Syed Jamal Nasir
Chief Executive

Arshad Rasheed Chaudhary
Director

Farhat Mansoor
Chief Financial Officer

**CONDENSED INTERIM STATEMENT OF
PROFIT AND LOSS (UN-AUDITED)
FOR SIX MONTHS PERIOD ENDED 31 DECEMBER 2018**

	Note	Three months ended		Six months ended	
		31 December		31 December	
		2018	2017	2018	2017
		Rupees		Rupees	
Revenue	9	225,218,710	193,314,704	443,259,095	408,668,466
Cost of services	10	(214,229,885)	(153,557,506)	(377,620,345)	(323,173,093)
Gross profit		10,988,825	39,757,198	65,638,750	85,495,373
Administrative expenses	11	(23,420,211)	(27,034,902)	(44,899,159)	(49,349,288)
Marketing expenses	12	(6,719,908)	(5,930,063)	(11,766,546)	(11,836,768)
Finance cost		(390,173)	(533,460)	(822,688)	(916,161)
		(19,541,467)	6,258,773	8,150,357	23,393,156
Other income		27,870,514	7,388,009	33,717,206	12,440,665
Profit before taxation		8,329,047	13,646,782	41,867,563	35,833,821
Taxation		(4,016,201)	(4,837,486)	(14,089,826)	(12,180,881)
Profit for the period		4,312,846	8,809,296	27,777,737	23,652,940
Earning per share - basic and diluted		0.44	0.90	2.83	2.41

The annexed notes 1 to 18 form an integral part of these condensed interim financial statements.

Syed Jamal Nasir
Chief Executive

Arshad Rasheed Chaudhary
Director

Farhat Mansoor
Chief Financial Officer

**CONDENSED INTERIM STATEMENT OF PROFIT
OR LOSS AND OTHER COMPREHENSIVE
INCOME (UN-AUDITED)
FOR SIX MONTHS PERIOD ENDED 31 DECEMBER 2018**

	Three months ended		Six months ended	
	31 December		31 December	
	2018	2017	2018	2017
	Rupees		Rupees	
Profit for the period	4,312,846	8,809,296	27,777,737	23,652,940
Other comprehensive income/ (loss):				
Items that will not be reclassified to profit or loss:				
Remeasurement loss on defined benefit plan	-	-	-	-
Total comprehensive income	4,312,846	8,809,296	27,777,737	23,652,940

The annexed notes 1 to 18 form an integral part of these condensed interim financial statements.

Syed Jamal Nasir
Chief Executive

Arshad Rasheed Chaudhary
Director

Farhat Mansoor
Chief Financial Officer

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED) FOR SIX MONTHS PERIOD ENDED 31 DECEMBER 2018

	31 December 2018	2017
	Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period before taxation	41,867,563	35,833,821
Adjustments for:		
Depreciation	17,156,736	18,744,739
Amortisation-intangible assets	213,500	213,500
Property and equipment- charged off	12,188	62,828
Gain on disposal of property and equipment	-	(2,862,605)
Finance cost	822,688	916,161
Interest income on bank deposits and short term investments	(5,620,631)	(8,844,937)
Provision for gratuity	7,452,000	7,000,000
Provision for earned leave encashment	3,316,000	3,000,000
	23,352,481	18,229,686
	65,220,044	54,063,507
Changes in:		
Trade debts	(120,464,560)	100,225,162
Contract assets	(2,914,875)	(15,894,076)
Advances	(3,292,039)	(1,729,895)
Deposits and short term prepayments	33,307,643	(33,636,223)
Other receivables	(382,407)	4,706,450
Customers' deposits	20,620,581	5,710,069
Contract liability	7,320,000	-
Trade and other payables	25,827,470	66,974,257
	(39,978,187)	126,355,744
Cash generated from operations	25,241,857	180,419,251
Taxes paid	(10,946,691)	(11,379,374)
Gratuity paid	(9,000,000)	(7,016,115)
Earned leave paid	(462,327)	(1,069,769)
Interest received on bank deposits and short term investments	11,113,464	6,533,926
Finance cost paid	(822,688)	(916,161)
	(10,118,242)	(13,847,493)
Net cash flows from operating activities	15,123,615	166,571,758
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure	(2,667,343)	(10,410,176)
Proceeds on the disposal of property and equipment	-	3,160,313
Encashment of investments	176,000,000	-
Net cash flows from investing activities	173,332,657	(7,249,863)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(29,501,283)	(24,313,414)
Payment of finance lease obligation	(2,596,748)	(5,055,593)
Net cash used in financing activities	(32,098,031)	(29,369,007)
Net increase in cash and cash equivalents	156,358,241	129,952,888
Cash and cash equivalents at beginning of the period/ year	83,931,020	282,221,470
Cash and cash equivalents at end of the period/ year	240,289,261	412,174,358

The annexed notes 1 to 18 form an integral part of these condensed interim financial information.

Syed Jamal Nasir
Chief Executive

Arshad Rasheed Chaudhary
Director

Farhat Mansoor
Chief Financial Officer

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

FOR SIX MONTHS PERIOD ENDED 31 DECEMBER 2018

	Revenue reserves		Total Rupees
	Share Capital	General Reserves	
Balance as at 1 July 2017	98,010,000	586,500,000	114,718,794
Total comprehensive income for the period	-	-	23,652,940
Profit for the period	-	-	-
Other comprehensive income	-	-	23,652,940
Total comprehensive income for the period	-	5,000,000	(5,000,000)
Transfer to general reserve	-	-	-
Transactions with owners of the company	-	-	-
Distributions	-	-	-
Final dividend for the year ended 30 June 2017: Rs. 2.50 per share	-	-	(24,502,500)
Balance as at 31 December 2017	<u>98,010,000</u>	<u>591,500,000</u>	<u>798,379,234</u>
Balance as at 1 July 2018	98,010,000	591,500,000	91,139,902
Total comprehensive income for the period	-	-	27,777,737
Profit for the period	-	-	-
Other comprehensive income	-	-	27,777,737
Total comprehensive income for the period	-	-	27,777,737
Transactions with owners of the company	-	-	-
Distributions	-	-	-
Final dividend for the year ended 30 June 2018: Rs. 3.00 per share	-	-	(29,403,000)
Balance as at 31 December 2018	<u>98,010,000</u>	<u>591,500,000</u>	<u>779,024,639</u>

The annexed notes 1 to 18 form an integral part of these condensed interim financial statements.

Syed Jamal Nasir
Chief Executive

Arshad Rasheed Chaudhary
Director

Farhat Mansoor
Chief Financial Officer

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR SIX MONTHS ENDED 31 DECEMBER 2018

1 LEGAL STATUS AND OPERATIONS

The Pak Datacom Limited (the Company), a subsidiary of Telecom Foundation, Pakistan (TF), was incorporated in Pakistan on 13 July 1992 as a private limited Company under the Companies Ordinance, 1984 and was converted into a public limited Company on 26 June 1994. The Company started its commercial activities on 1 July 1994. The Company is listed on Pakistan Stock Exchange Limited (formerly Karachi, Lahore and Islamabad Stock Exchanges). 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

These condensed interim financial statements of the Company have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017. Where provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

The disclosures in these condensed interim financial statements do not include those reported for full annual audited financial statements and should therefore be read in conjunction with the annual audited financial statements for the year ended 30 June 2018.

Comparative statement of financial position is extracted from the annual audited financial statements as of 30 June 2018, whereas comparative statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows are stated from unaudited condensed interim financial statements for the six months period ended 31 December 2017.

These condensed interim financial statements are unaudited and are being submitted to the members as required under Section 237 of Companies Act, 2017 and Rule Book of Pakistan Stock Exchange Limited.

3 ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS

The accounting policies, significant judgements made in the application of accounting policies, key sources of estimations, the methods of computation adopted in preparation of these interim financial statements and financial risk management policies are the same as those applied in preparation of annual audited financial statements for the year ended 30 June 2018, except for the change mentioned below:

3.1 IFRS 15 Revenue from Contracts with Customers

The IASB issued IFRS 15 Revenue from Contracts with Customers ("IFRS 15") in May 2014. This IFRS replaces IAS 18 Revenue, IAS 11 Construction Contracts and several revenue-related interpretations. IFRS 15 establishes a single revenue recognition framework which requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive, when control is transferred to the purchaser. IFRS 15 became applicable to the Company on 01 July 2018 and the Company used the modified retrospective approach to adopt the standard. Under these transitional provision, the cumulative effect of initially applying IFRS 15 is recognized on the date of initial application as an adjustment to retained earnings.

The Company has reviewed its revenue stream i.e. setting up, operating and maintaining a network of data communication and underlying contracts with customers and, as result of this review, the adoption of IFRS 15 did not have a material impact on the Company's statement of profit or loss, statement of comprehensive income and financial position.

3.2 IFRS 9 Financial Instruments

- IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation became effective for annual periods beginning on or after 1 July 2018. However, Securities and Exchange Commission of Pakistan vide S.R.O. 229(I)/2019 dated 14 February 2019 has modified the effective date as "Reporting period/ year ending on or after 30 June 2019". IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Company is currently in the process of analyzing the potential impact of changes required in classification and measurement of financial instruments and the impact of expected loss model on adoption of the standard.

	31 December 2018	30 June 2018
Rupees		

4 RESERVES

Rupees

General reserve

Unappropriated profit

591,500,000	591,500,000
89,514,639	91,139,902
<u>681,014,639</u>	<u>682,639,902</u>

5 CONTINGENCIES AND COMMITMENTS

- Guarantees issued by the bank on behalf of the Company amounted to Rs. 184.10 million (June 2018: Rs. 194.54 million).
- 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 referred the matter to the arbitration, which in its award given on 3 May 2012 imposed additional payment of US \$ 0.64 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 during the year ended 30 June 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. The reseller had also filed a counter claim in the Civil Court, Islamabad for recovery of the Arbitration Award, which has been adjourned sine-die since the matter is already in the Honorable Islamabad High Court. During the year ended 30 June 2018, the case has been transferred from the Honorable Islamabad High Court to Civil Court Islamabad due to pecuniary jurisdiction.

- 5.3 The Company entered into an agreement with a customer for up-linking facility in Pakistan on 1 January 2007. The Company satisfactorily provided services up to 31 January 2012. The services were disconnected on 31 January 2012 based on the customer's request. The Company filed a suit in the Honorable Islamabad Civil Court for recovery of trade debts and the Company has made provision against trade debts amounting to Rs. 6.75 million during the year ended 30 June 2012. Consequent upon decree by the Honorable Civil Court, the Company filed an appeal in the Honorable Islamabad High Court on 17 February 2018. The appeal is in the initial stages and hopefully the expected outcome will be in favour of the Company.
- 5.4 The Company did not withhold tax on dividend amounting to Rs. 0.90 million (June 2018: Rs. 0.90 million) due to exemption available under clause 47B of the second schedule of Income Tax Ordinance 2001. The CIT (Appeals) has upheld the decision of lower authority and appeal for tax year 2012 & 2013 is now pending before the Income Tax Appellate Tribunal (ITAT), Islamabad. The cases are expected to be decided in favour of the Company.
- 5.5 Appeal filed before CIT (Appeals) against the order passed by Deputy Commissioner Inland Revenue u/s 122(1)/122(5) of the Income Tax Ordinance 2001 for the tax year 2012. The case is expected to be decided in favour of the Company.
- 5.6 The Deputy Commissioner Inland Revenue passed the order u/s 161/2015 for tax year 2016 which was challenged before CIT (Appeals). The CIT (Appeals) upheld the decision of lower authority and appeal is pending before the Income Tax Appellate Tribunal (ITAT) Islamabad. The case is expected to be decided in favour of the Company.
- 5.7 Capital commitments outstanding in respect of purchase of equipment amounted to Rs. 11.37 million (June 2018: Rs. 36.75 million).
- 5.8 Letters of credit issued by the Bank on behalf of the Company in ordinary course of the business, outstanding at period/year end amounted to Rs. 47.65 million (June 2018: Rs. 110.23 million).
- 5.9 All operating (Ijarah) lease payments are under cancellable operating lease arrangements under Shariah/ other arrangements and are due as follows:

	31 December 2018	30 June 2018
	Rupees	
Not Later than one year	117,061	398,143
Later than one year but not later than five year	-	-
	<u>117,061</u>	<u>398,143</u>

		31 December 2018	30 June 2018
	Note	Rupees	
6 PROPERTY AND EQUIPMENT			
Property and equipment - Pakistan	6.1	211,360,489	225,838,098
Property and equipment - UAE	6.2	208,324	232,296
		<u>211,568,813</u>	<u>226,070,394</u>
6.1 Property and equipment - Pakistan			
Cost			
Balance at beginning of the period/year		880,953,234	888,953,651
Additions during the period/year		2,667,343	38,991,172
Deletion/disposals during the period/year		(61,182)	(46,991,589)
Balance at end of the period/year		883,559,395	880,953,234
Accumulated depreciation			
Balance at beginning of the period/year		655,115,136	658,648,117
Charge for the period/year		17,132,764	39,637,752
Deletion/disposals during the period/year		(48,994)	(43,170,733)
Balance at end of the period/year		672,198,906	655,115,136
Net book value		<u>211,360,489</u>	<u>225,838,098</u>
6.2 Property and equipment - UAE			
Cost			
Balance at beginning of the period/year		770,181	770,181
Balance at end of the period/year		770,181	770,181
Accumulated depreciation			
Balance at beginning of the period/year		537,885	477,337
Charge for the period/year		23,972	60,548
Balance at end of the period/year		561,857	537,885
Net book value		<u>208,324</u>	<u>232,296</u>

First charge of Rs. 140 million (June 2018: Rs. 140 million) on fixed assets, present and future current assets of the Company of Rs. 400 million (June 2018: Rs. 400 million) for unfunded facility amounting to Rs. 250 million (June 2017: Rs. 250 million) from M/s Soneri Bank Limited, Islamabad.

		31 December 2018	30 June 2018
		Rupees	
7 INTANGIBLE ASSETS			
Cost			
Balance at beginning of the period/year		11,744,006	11,744,006
Balance at end of the period/year		11,744,006	11,744,006
Accumulated amortisation			
Balance at beginning of the period/year		6,299,756	5,872,756
Charge for the period/year		213,500	427,000
Balance at end of the period/year		6,513,256	6,299,756
Net book value		<u>5,230,750</u>	<u>5,444,250</u>
8 CONTRACT ASSETS			
Unbilled revenue		126,686,321	168,907,149
Prepayments		45,135,703	-
		<u>171,822,024</u>	<u>168,907,149</u>

Note	Three months ended		Six months ended	
	31 December		31 December	
	2018	2017	2018	2017
	Rupees		Rupees	
9 REVENUE				
CVAS data communication services	167,017,414	134,700,304	307,054,407	278,699,087
Telecom infrastructure services	838,628	998,400	1,456,765	1,996,800
Projects revenue	57,362,668	57,616,000	134,747,923	127,972,579
9.1	<u>225,218,710</u>	<u>193,314,704</u>	<u>443,259,095</u>	<u>408,668,466</u>

9.1 Revenue is exclusive of sales tax of Rs. 55.80 million (December 2017: Rs. 53.98 million).

Note	Three months ended		Six months ended	
	31 December		31 December	
	2018	2017	2018	2017
	Rupees		Rupees	
10 COST OF SERVICES				
Channel and local rent rentals	36,547,118	32,365,512	66,020,809	67,270,660
Space segment rentals	28,430,666	22,582,602	53,736,774	43,318,814
Salaries and other benefits	43,251,305	36,277,258	75,578,242	70,489,873
Repair and maintenance expenses	3,987,286	3,703,982	5,655,665	7,081,855
License fee	912,172	698,462	1,627,810	1,443,414
Depreciation	7,658,230	10,432,356	15,335,532	18,744,739
Amortisation	106,750	106,750	213,500	213,500
Travelling and local conveyance	433,004	442,864	737,727	1,483,994
Telephone expenses	59,084	37,262	255,688	337,891
Vehicle running expenses	2,087,325	2,486,130	6,227,288	5,023,374
Insurance	515,406	413,819	956,921	815,388
Entertainment	321,060	273,969	541,260	482,863
Rent, rates and taxes	1,235,665	1,273,239	2,463,456	2,480,253
Utilities	1,080,785	891,646	2,520,485	1,931,418
Operating lease rentals	-	(111,718)	-	840,318
Other projects cost	80,028,057	41,683,373	138,173,216	101,214,739
Bad debt expenses	7,575,972	-	7,575,972	-
	<u>214,229,885</u>	<u>153,557,506</u>	<u>377,620,345</u>	<u>323,173,093</u>

10.1 Salaries and other benefits include employees' retirement and other service benefits of Rs. 7.00 million (December 2017: Rs. 6.50 million).

Note	Three months ended		Six months ended	
	31 December		31 December	
	2018	2017	2018	2017
	Rupees		Rupees	
11 ADMINISTRATIVE EXPENSES				
Salaries and other benefits	17,466,882	15,929,654	33,041,847	32,749,435
Travelling and local conveyance	647,482	382,492	740,254	472,430
Telephone expenses	165,981	313,637	339,079	609,209
Vehicle running expenses	601,461	1,610,180	2,065,465	2,637,487
Insurance	70,319	42,378	142,017	79,071
Depreciation	743,595	-	1,487,195	-
Entertainment	404,357	363,240	630,081	684,970
Rent, rates and taxes	972,918	884,472	1,945,836	1,768,944
Legal and professional charges	992,612	2,142,220	2,194,655	3,184,635
Printing and stationery	547,060	770,568	706,645	1,099,985
Utilities	337,443	319,565	865,883	1,048,703
Welfare expenses	-	4,000,000	-	4,000,000
Auditors' remuneration	400,000	331,150	600,000	531,150
Operating lease rentals	70,101	(54,654)	140,202	483,269
	<u>23,420,211</u>	<u>27,034,902</u>	<u>44,899,159</u>	<u>49,349,288</u>

11.1 Salaries and other benefits include employees' retirement and other service benefits of Rs.2.91 million (December 2017: Rs. 2.70 million) and Directors' remuneration of Rs. 5.00 million (December 2017: Rs.3.55 million).

Note	Three months ended		Six months ended	
	31 December		31 December	
	2018	2017	2018	2017
	Rupees		Rupees	

12 MARKETING EXPENSES

Advertisement and marketing expenses	38,300	310,933	122,956	785,060
Salaries and other benefits	12.1 5,918,471	5,172,732	10,114,000	10,078,495
Travelling and local conveyance	248,238	225,808	289,250	383,837
Telephone expenses	14,550	30,175	56,794	93,914
Vehicle running expenses	250,090	177,987	681,794	416,025
Insurance	12,810	7,191	26,863	8,997
Depreciation	167,009	-	334,009	-
Operating lease rentals	70,440	5,237	140,880	70,440
	<u>6,719,908</u>	<u>5,930,063</u>	<u>11,766,546</u>	<u>11,836,768</u>

12.1 Salaries and other benefits include employees' retirement and other service benefits of Rs.0.86 million (December 2017: Rs. 0.80 million).

Note	Three months ended		Six months ended	
	31 December		31 December	
	2018	2017	2018	2017
	Rupees		Rupees	

13 EARNING PER SHARE (BASIC AND DILUTED)

Profit for the period	4,312,846	8,809,296	27,777,737	23,652,940
Average number of shares outstanding during the period	9,801,000	9,801,000	9,801,000	9,801,000
Earnings per share - basic	<u>0.44</u>	<u>0.90</u>	<u>2.83</u>	<u>2.41</u>

There is no dilutive effect on the earnings per share of the Company.

14 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.

	Six months ended	
	31 December	
	2018	2017
	Rupees	
Telecom Foundation - Holding Company		
Dividend paid during the period/ year	16,195,059	13,495,883
Donations paid during the period/ year	-	4,000,000
Payments against joint operations during the period/ year	-	1,714,781
TF Technologies (Private) Limited - Subsidiary of Holding Company		
Receivable against consultancy charges at period/ year end	114,500	114,500
Other related parties		
Contribution to gratuity fund	9,000,000	7,016,115
Remuneration of key management personnel	11,690,898	14,481,201

14.1 Salaries and other benefits under note numbers 10, 11 and 12 include remuneration to Directors, Chief Executive, and Executives amounting to Rs. 5.00 million (December 2017 : Rs. 3.55 million). Salaries and other benefits under the same note numbers include salaries and other benefits of the

key management personnel amounting to Rs. 11.63 million (December 2017-restated: Rs. 14.48 million). Key management personnel comprises of Chief Executive Officer, Chief Operating Officer, Chief Financial Officer and General Managers of the Company. Advances to employees include an amount of Rs. 2.20 million (June 2018: Rs. 2.295) paid to Mr. Hussain Raza which will be adjusted against the salary of employee in next year and Rs. 1.45 million (June 2018: Rs. 1.025 million) to Mr. Muhammad Pervaiz for project expenses which will be adjusted against the expenses incurred on behalf of the Company. Both of the advances are unsecured. The Chief Executive and Executives of the Company are also provided Company maintained vehicles for official purpose only.

- 14.2 Salary of Chief Executive Officer includes an amount of Rs. 2.201 (2018: Rs. 2.201 million) paid during the last year to ex-Managing Director of the Company on account of managerial remuneration and other allowances. The management, on directions of the Board of Directors is pursuing for recovery of these payments as the appointment was withdrawn ab-initio by the Ministry of Information Technology & Telecommunication.

15 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount that would be received on sale of an asset or paid on transfer of a liability in an orderly transaction between market participants at the measurement date. Consequently, differences can arise between carrying values and fair value estimates. Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The fair value of financial assets and liabilities traded in active markets i.e. listed equity shares are based on the quoted market prices at the close of trading on the period end date. The quoted market prices used for financial assets held by the Company is current bid price. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

IFRS 13, 'Fair Value Measurements' requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

- 15.1 The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

	Carrying amount		Fair Value				
	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Rupees							
31 December 2018							
Financial assets not measured at fair value							
Contract assets	126,686,321	-	126,686,321	-	-	-	-
Trade debts	372,656,919	-	372,656,919	-	-	-	-
Advances	3,737,287	-	3,737,287	-	-	-	-
Trade deposits and short term prepayments	26,894,080	-	26,894,080	-	-	-	-
Other receivables	801,632	-	801,632	-	-	-	-
Interest accrued	2,226,850	-	2,226,850	-	-	-	-
Short term investments	80,000,000	-	80,000,000	-	-	-	-
Cash and bank balances	240,289,261	-	240,289,261	-	-	-	-
	<u>853,292,350</u>	<u>-</u>	<u>853,292,350</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

	Carrying amount			Fair Value			
	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Rupees							
Financial liabilities not measured at fair value							
Liability against assets subject to finance lease	-	9,775,867	9,775,867	-	-	-	-
Customers' deposits	-	161,053,899	161,053,899	-	-	-	-
Contract liability	-	7,320,000	7,320,000	-	-	-	-
Trade and other payables	-	156,842,771	156,842,771	-	-	-	-
Current portion of liability against assets subject to finance lease	-	5,312,450	5,312,450	-	-	-	-
	<u>-</u>	<u>340,304,987</u>	<u>340,304,987</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FAIR VALUE OF FINANCIAL INSTRUMENTS							
30 June 2018							
Financial assets not measured at fair value							
Contract assets	168,907,149	-	168,907,149	-	-	-	-
Trade debts	252,192,359	-	252,192,359	-	-	-	-
Advances	6,314,973	-	6,314,973	-	-	-	-
Trade deposits and short term prepayments	19,826,764	-	19,826,764	-	-	-	-
Other receivables	419,225	-	419,225	-	-	-	-
Interest accrued	7,719,683	-	7,719,683	-	-	-	-
Short term investments	256,000,000	-	256,000,000	-	-	-	-
Cash and bank balances	83,931,020	-	83,931,020	-	-	-	-
	<u>795,311,173</u>	<u>-</u>	<u>795,311,173</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities not measured at fair value							
Liability against assets subject to finance lease	-	12,378,468	12,378,468	-	-	-	-
Customers' deposits	-	140,433,318	140,433,318	-	-	-	-
Trade and other payables	-	115,101,878	115,101,878	-	-	-	-
Current portion of liability against assets subject to finance lease	-	5,306,597	5,306,597	-	-	-	-
	<u>-</u>	<u>273,220,261</u>	<u>273,220,261</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

15.2 The Company has not disclosed the fair values for these financial assets and financial liabilities, as these are either short term in nature or repriced periodically. Therefore, their carrying amounts are reasonable approximation of fair value.

16 NON ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors approved interim cash dividend at the rate of Rs Nil per share amounting to Rs Nil in its meeting held on 27 February 2019.

17 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Company on 27 February 2019.

18 GENERAL

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

Syed Jamal Nasir
Chief Executive

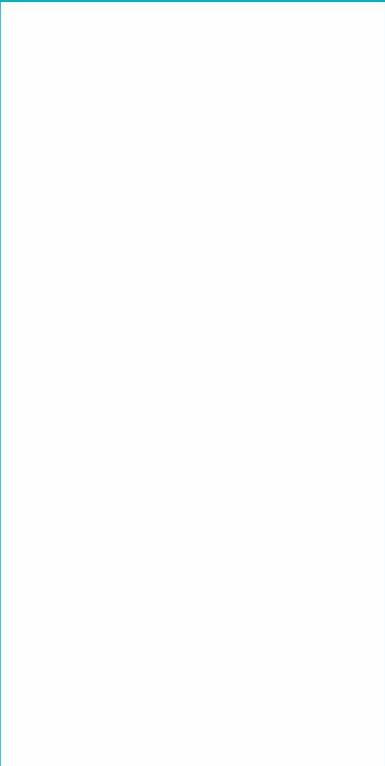
Arshad Rasheed Chaudhary
Director

Farhat Mansoor
Chief Financial Officer



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