

TELECARD LIMITED

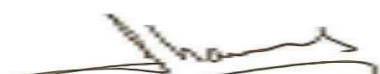
**CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

(UN-AUDITED)

TELECARD LIMITED
CONDENSED INTERIM BALANCE SHEET
AS AT DECEMBER 31, 2009
(UN-AUDITED)

	Note	December 31, 2009 (Un-audited) ----- (Rupees in '000) -----	June 30, 2009 (Audited)
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Property, plant and equipment	4	2,876,639	3,179,332
Intangible assets	5	4,264,302	4,378,840
		<u>7,140,941</u>	<u>7,558,172</u>
Long-term investment in a Subsidiary		340,537	340,537
Long-term loans		192	192
Long-term deposits		50,703	50,664
		<u>7,532,373</u>	<u>7,949,565</u>
CURRENT ASSETS			
Stock-in-trade		8,840	8,857
Trade debts		210,186	366,499
Loans and advances	6	80,348	40,481
Deposits and prepayments		49,845	43,630
Accrued mark-up	7	110,950	100,182
Other receivables	8	1,653,168	948,763
Taxation – net		184,158	184,828
Short-term investment – Term Deposit Receipts		-	68,740
Cash and bank balances		9,193	9,587
		<u>2,306,688</u>	<u>1,771,567</u>
TOTAL ASSETS		<u><u>9,839,061</u></u>	<u><u>9,721,132</u></u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVE			
Share capital			
Authorised			
400,000,000 (June 30, 2009: 400,000,000) Ordinary shares of Rs.10 each		<u>4,000,000</u>	<u>4,000,000</u>
Issued, subscribed and paid-up capital		<u>3,000,000</u>	<u>3,000,000</u>
Revenue reserve			
Accumulated losses		<u>(352,053)</u>	<u>(161,181)</u>
		<u>2,647,947</u>	<u>2,838,819</u>
SURPLUS ON REVALUATION OF INTANGIBLE ASSETS		<u>841,065</u>	<u>870,067</u>
NON-CURRENT LIABILITIES			
Long-term financing	9	393,000	499,500
Redeemable capital	10	882,000	600,000
Liabilities against assets subject to finance lease		-	1,868
Advance from a Contractor	11	530,442	276,874
Long-term deposits		63,723	66,137
Deferred liabilities		28,253	23,283
Due to employees		30,994	35,649
Deferred taxation		198,179	223,106
Due to Pakistan Telecommunication Authority	12	1,506,939	1,428,378
		<u>3,633,530</u>	<u>3,154,795</u>
CURRENT LIABILITIES			
Trade and other payables	13	1,310,266	1,312,484
Accrued mark-up		176,452	106,290
Short-term borrowings		461,625	392,691
Current maturities of long-term liabilities	14	768,176	1,045,986
		<u>2,716,519</u>	<u>2,857,451</u>
CONTINGENCIES AND COMMITMENT	15		
TOTAL EQUITY AND LIABILITIES		<u><u>9,839,061</u></u>	<u><u>9,721,132</u></u>

The annexed notes from 1 to 26 form an integral part of these condensed interim financial statements.



Chief Executive



Director

TELECARD LIMITED

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT
FOR THE HALF-YEAR ENDED DECEMBER 31, 2009
(UN-AUDITED)

	Note	Half-Year Ended		Quarter Ended	
		December 31, 2009	December 31, 2008	December 31, 2009	December 31, 2008
		-----Rs in '000-----		-----Rs in '000-----	
REVENUE – net		1,085,175	1,818,772	210,187	768,389
Direct costs	16	(917,026)	(1,337,007)	(381,368)	(477,179)
GROSS PROFIT / (LOSS)		168,149	481,765	(171,181)	291,210
Distribution costs and administrative expenses	17	(212,915)	(367,443)	(99,832)	(118,448)
Other operating expenses	18	(11,050)	(28,473)	(5,928)	(50,044)
Other operating income	19	42,226	30,776	35,601	17,897
		(181,739)	(365,140)	(70,159)	(150,595)
OPERATING (LOSS) / PROFIT		(13,590)	116,625	(241,340)	140,615
Finance costs	20	(225,785)	(255,709)	(113,540)	(129,159)
(LOSS) / PROFIT BEFORE TAXATION		(239,375)	(139,084)	(354,880)	11,456
Taxation	21	19,501	23,929	108,314	(13,190)
NET LOSS FOR THE PERIOD		(219,874)	(115,155)	(246,566)	(1,734)
		Rupees	Rupees	Rupees	Rupees
BASIC AND DILUTED LOSS PER SHARE		(0.73)	(0.38)	(0.82)	(0.01)

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Chief Executive



Director

TELECARD LIMITED

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED DECEMBER 31, 2009
(UN-AUDITED)

	Half-year ended		Quarter ended	
	December 31, 2009	December 31, 2008	December 31, 2009	December 31, 2008
	-----Rs. in '000-----			
Net loss for the period	(219,874)	(115,155)	(246,566)	(1,734)
Other comprehensive income for the period	-	-	-	-
Total comprehensive loss for the period	(219,874)	(115,155)	(246,566)	(1,734)

The annexed notes from 1 to 26 form an integral part of these condensed interim financial statements.



Chief Executive



Director

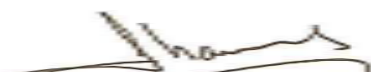
TELECARD LIMITED

CONDENSED INTERIM CASH FLOW STATEMENT
FOR THE HALF-YEAR ENDED DECEMBER 31, 2009
(UN-AUDITED)

	Half-Year Ended	
	December 31, 2009	December 31, 2008
	-----Rs in '000-----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(239,375)	(139,084)
Adjustments for non cash charges and other items:		
Depreciation	312,236	339,589
Provision for gratuity	6,804	6,252
Finance costs	147,224	184,933
Interest of PTA license fee	78,561	70,776
Amortisation of intangible assets	147,086	144,636
Advance from a contractor	(138,432)	(138,435)
(Gain) / loss on disposal of fixed assets	(1,425)	176
Deferred income on sale and lease back	-	(663)
	552,054	607,264
Profit before working capital changes	312,679	468,180
Working capital changes		
(Increase) / decrease in current assets		
Stock-in-trade	17	1,128
Trade debts	156,313	(121,161)
Loans and advances	(39,867)	16,970
Deposits, prepayments and other receivables	(721,388)	(18,368)
	(604,925)	(121,431)
Decrease / (increase) in trade and other payables	(2,218)	350,744
Cash (utilised in) / generated from operations	(294,464)	697,493
Income tax paid	(4,754)	(7,548)
Advance received from a Contractor	392,000	-
Finance costs paid	(77,062)	(155,879)
Gratuity paid	(1,835)	(5,678)
Long-term loans and deposits	(39)	(2,674)
Due to employees	(6,677)	(10,946)
Long-term deposits	(2,415)	(4,113)
	299,218	(186,838)
Net cash generated from / (used in) operating activities	4,754	510,655
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure	(42,091)	(48,123)
Sales proceeds from disposal of fixed assets	1,425	843
Net cash used in investing activities	(40,666)	(47,280)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of redeemable capital	(35,280)	(259,920)
Repayment of long-term loans	(56,500)	(143,103)
Short-term borrowings	50,000	(64,289)
Repayment of liabilities against assets subject to finance lease	(10,376)	(43,178)
Net cash used in financing activities	(52,156)	(510,490)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(88,068)	(47,115)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	(314,364)	(169,607)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	(402,432)	(216,722)

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Chief Executive



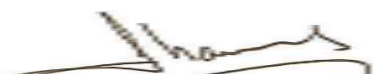
Director

TELECARD LIMITED

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED DECEMBER 31, 2009
(UN-AUDITED)

	Share Capital	Revenue Reserve	
	Issued, subscribed and paid-up	Accumulated losses	Total
	----- (Rupees in '000) -----		
Balance as at June 30, 2008	3,000,000	(263,254)	2,736,746
Surplus on revaluation of intangible assets realised during the period on account of incremental amortisation charge thereon – net of tax	-	29,002	29,002
Net loss for the period	-	(115,155)	(115,155)
Other comprehensive income	-	-	-
Total comprehensive loss	-	(115,155)	(115,155)
Balance as at December 31, 2008	3,000,000	(349,407)	2,621,591
Balance as at June 30, 2009	3,000,000	(161,181)	2,838,819
Surplus on revaluation of intangible assets realised during the period on account of incremental amortisation charge thereon – net of tax	-	29,002	29,002
Net loss for the period	-	(219,874)	(219,874)
Other comprehensive income	-	-	-
Total comprehensive loss	-	(219,874)	(219,874)
Balance as at December 31, 2009	3,000,000	(352,053)	2,647,947

The annexed notes from 1 to 26 form an integral part of these condensed interim financial statements.



Chief Executive



Director

TELECARD LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED DECEMBER 31, 2009
(UN-AUDITED)

1. THE COMPANY AND ITS OPERATIONS

Telecard Limited (the Company) was incorporated in Pakistan on October 29, 1992 as a Public Limited Company. The shares of the Company are listed on the Karachi and Islamabad Stock Exchanges. The Company itself and through its Subsidiary is licensed to provide fully integrated telecommunication services, including basic wireless telephony, long distance and international services and payphones.

The registered office of the Company is located at World Trade Centre, 75, East Blue Area, Fazal-ul-Haq Road, Islamabad. The principal place of business of the Company is located at World Trade Centre, 10, Khayaban-e-Roomi, Clifton, Karachi.

2. BASIS OF PREPARATION

These condensed interim financial statements are unaudited but subject to limited scope review by auditors. These are required to be presented to the shareholders in accordance with Section 245 of the Companies Ordinance, 1984 and have been prepared in accordance with the requirements of International Accounting Standards (IAS) - 34 "Interim Financial Reporting", as applicable in Pakistan. The condensed interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements for the year ended June 30, 2009.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual financial statements of the Company for the year ended June 30, 2009, except for the adoption of revised IAS 1 "Presentation of Financial Statements (Revised)" as explained below:

The revised IAS 1 was issued in September 2007 and became effective for financial years beginning on or after January 01, 2009. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Company has elected to present two statements. However, surplus on revaluation of intangible assets is reported under separate account shown below equity in accordance with the requirements of the Companies Ordinance, 1984. The Company currently does not have any items of income and expenses representing other comprehensive income. Therefore, comprehensive (loss) / income is equal to the net (loss) / profit reported for all periods presented. Comparative information has also been re-presented to bring it in conformity with the revised standard.

	Note	December 31, 2009 (Un-audited) ----- (Rupees in '000) -----	June 30, 2009 (Audited)
4. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	4.1	2,338,039	2,643,856
Capital work-in-progress	4.2	538,600	535,476
		<u>2,876,639</u>	<u>3,179,332</u>

	Note	December 31, 2009 (Un-audited) ----- (Rupees in '000) -----	June 30, 2009 (Audited)
4.1 Operating fixed assets			
Opening net book value		2,643,856	3,204,457
Additions during the current period / year	4.1.1	<u>6,419</u>	<u>113,272</u>
		2,650,275	3,317,729
Disposals during the current period / year	4.1.2	<u>2,158</u>	<u>6,741</u>
Accumulated depreciation on disposals		(2,158)	(3,688)
Depreciation charged during the period / year		<u>312,236</u>	<u>670,820</u>
		312,236	673,873
		<u>2,338,039</u>	<u>2,643,856</u>
4.1.1 Details of additions made during the current period / year are as follows:			
Owned			
Apparatus, plant and equipment		485	105,924
Computers and related accessories		2,797	4,322
Furniture, fixtures and office equipment		107	2,991
Vehicles		3,030	35
		<u>6,419</u>	<u>113,272</u>
4.1.2 Details of disposals made during the current period / year are as follows:			
Owned			
Apparatus, plant and equipment		-	959
Computers and related accessories		-	166
Furniture, fixtures and office equipment		-	162
Vehicles		2,158	5,454
		<u>2,158</u>	<u>6,741</u>
4.2 Capital work-in-progress			
Owned		<u>478,851</u>	<u>479,301</u>
Leased		<u>40,000</u>	<u>40,000</u>
		518,851	519,301
Advances to suppliers		<u>19,749</u>	<u>16,175</u>
		<u>538,600</u>	<u>535,476</u>

5. INTANGIBLE ASSETS

Wireless local loop (WLL) licenses	5.1, 5.2 & 5.3	5,161,888	5,129,340
Long distance International (LDI) license	5.4	<u>29,029</u>	<u>29,029</u>
		5,190,917	5,158,369
Amortisation to-date		<u>(926,615)</u>	<u>(779,529)</u>
		<u>4,264,302</u>	<u>4,378,840</u>

5.1 Included herein are borrowing costs capitalised by the Company, aggregating to Rs.406.400 (June 30, 2009: Rs.373.852) million, including Rs.32.548 (June 30, 2009: Rs.86.585) million capitalised during the current period.

5.2 The WLL Licenses represent cost of non-exclusive licenses granted by the Pakistan Telecommunication Authority (PTA) to the Company for providing certain telecommunication services in the specified regions of the country and for establishing, maintaining and operating a telecommunication system, in accordance with the terms and conditions of the licenses. The cost of the licenses include applications fee, initial license fee and spectrum fee paid to the PTA. This also includes a sum of Rs.484.496 (June 30, 2009: Rs.451.948) million in respect of arrangement fee, mark-up and other ancillary costs incurred to finance the acquisition of the above licenses. The licenses are effective for a period of 20 years, commencing August 04, 2004.

5.3 On June 30, 2008, the Company revalued one of the frequencies of WLL licenses to Rs.1,530 million, equivalent to US\$22.500 million, maintaining that the said value represented the fair value of licenses of the above referred frequency. The value of such frequency was based on a valid subsisting offer based on the then market value of the frequency.

The said revaluation resulted in a surplus on revaluation of Rs.1,427.803 million, representing the difference between the fair value and the carrying value of the above frequency of Rs.102.197 million in the books of the Company.

Had there been no revaluation, the written down value of intangible assets would have been Rs.2,976.752 (June 30, 2009: Rs.3,040.275) million.

- 5.4 This represents cost of non-exclusive license granted by the PTA to the Company for providing the LDI telecommunication services in the country for a period of 20 years, commencing July 27, 2004.

	Note	December 31, 2009 (Un-audited) ----- (Rupees in '000) -----	June 30, 2009 (Audited) -----
6. LOANS AND ADVANCES			
	6.1	<u>80,348</u>	<u>40,481</u>
6.1 This includes an unsecured loan given by the Company to its Subsidiary Company, Supernet Limited, amounting to Rs.68.256 (June 30, 2009: Rs.29.756) million, carrying mark-up at the rate of six months KIBOR plus 3.5% (June 30, 2009: six months KIBOR plus 3.5%) per annum.			
7. ACCRUED MARK-UP			
Due from a bank	7.1	48,587	48,587
Mark-up on loan to a Subsidiary Company		44,722	38,722
Mark-up on current accounts with related parties		17,641	12,873
		<u>110,950</u>	<u>100,182</u>
7.1 This represents amount due from a commercial bank in respect of the funds raised through the Term Finance Certificates (TFCs), that had been held by the said bank since April 20, 2005 whereas the mark-up paid to the Company, commenced August 01, 2005. A claim in respect of the above was lodged by the Company with the bank during the year ended June 30, 2005, which is pending settlement therewith. The management is currently making necessary efforts to recover the aforesaid mark-up and is, therefore, confident about the recovery of the same.			
Further, during the year ended June 30, 2008, an additional claim of Rs.194.494 million has been lodged by the Company with the said bank as compensation for delay in the receipt of the above referred amount. However, the management has not accrued the same in the condensed interim financial statements of the current period as a matter of prudence.			
8. OTHER RECEIVABLES			
Considered good			
Related parties	8.1	27,574	77,122
Others:			
Pakistan Telecommunication Company Limited			
Karachi Relief Rebate	8.2	651,541	651,541
Interconnect discount	8.3	28,701	28,701
		<u>680,242</u>	680,242
Pakistan Telecommunication Authority	8.4	933,620	181,636
Augere Pakistan (Private) Limited		1,374	-
Claim against a bank		998	998
Due from Zonal offices		595	
Insurance claims		8,765	8,765
		<u>1,625,594</u>	871,641
Considered doubtful			
Due from PTCL	8.5	10,361	10,361
Due from Zonal employees		16,176	16,176
Others		4,159	4,177
		<u>30,696</u>	30,714
Provision for other receivables considered doubtful	8.6	(30,696)	(30,714)
		-	-
		<u>1,653,168</u>	<u>948,763</u>

	December 31, 2009 (Un-audited) ----- (Rupees in '000) -----	June 30, 2009 (Audited) -----
	23,553	75,935
	1,519	485
	2,436	613
	38	38
	28	51
	<u>27,574</u>	<u>77,122</u>

8.1 This represents amounts due from the following related parties:

Pakcom Limited	23,553	75,935
Instaphone Limited	1,519	485
Instaphone Infrastructure (Private) Limited	2,436	613
Envicrete Limited	38	38
Grand Leisure Corporation Limited	28	51
	<u>27,574</u>	<u>77,122</u>

8.1.1 The above balances carry mark-up at the rate of KIBOR + 3.75% per annum and are recoverable on demand.

8.2 (a) In the interest of public safety, the Government of Pakistan (GoP) is empowered to close transmission of all messages / services, subject to certain conditions. Section 54 of the Pakistan Telecommunication (Reorganisation) Act, 1996, states that GoP can do so "Provided that the GoP may compensate any licensee whose facilities or services are affected by any action under that section". Under these powers, the GoP shut down the service of the Company from July 1995 to January 1997. The Company served a notice to the GoP for compensation and as a quid pro quo and in consideration of the Company having agreed to withdraw its claim, GoP offered the Karachi Relief Rebate Package. This arrangement was duly approved by the cabinet and announced, on behalf of GoP, by the PTA.

As per the award of GoP, PTCL started paying the Interim Relief Rebate up to June 30, 1998 and thereafter, unilaterally, the PTCL decided to discontinue payments against the said package.

During the year ended June 30, 2008, the Company filed a law suit against the PTCL in the High Court of Sindh (the Court) for the recovery of Rs.71.276 million accrued up to October 1999 and consequential losses thereon, aggregating to Rs.2,261.924 million. The Court, during the year ended June 30, 2002, on an application filed by the Company, passed an interim order in favor of the Company and appointed a firm of Chartered Accountants for the determination of the actual amount receivable (final sum) from the PTCL. The said firm calculated the relief rebate and interconnect discount in accordance with the direction of the Court, containing various amounts determined under various alternatives, for the period commencing January 1997 to August 2001.

The Company contends that the relief rebate allowed to it through PTA's letter dated January 20, 1997 is of a continuing nature as no cessation date is mentioned in that letter. The Company further contends that the relief package was approved by the GoP after negotiations between the GoP and the Company.

As the Court already passed an interim order in August 2001 in favor of the Company and in light of the above, the management of the Company is confident that the recovery of the amount accrued to date would be as prayed by the Company.

The total amount due to be recovered on account of relief rebate amounts to Rs.698.690 million up to June 30, 2006. On a prudent basis, the Company accrued relief package up to June 30, 2005, aggregating to Rs.651.541 million, after which the practice of accruing the said relief was discontinued. In the view of the legal advisor of the Company, the Company has a strong case and the likelihood of the Company losing the case is remote. Hence, the management is confident about the realisation of the said amount together with the amount receivable from the PTCL in respect of wireline and multi-metering of Rs.48.600 million and Rs.18.287 million, respectively, as disclosed in note 13.1 to the condensed interim financial statements and considers the recovery of these sums to be virtually certain. Accordingly, it has not made any provision against the above referred sums, pending a final decision by the Court in this matter.

(b) During the year ended June 30, 2002, the PTCL filed a law suit against the Company for the recovery of Rs.334.313 million, alleging and disputing the relief rebate claimed / adjusted by the Company. In the opinion of the legal advisor of the Company, if it is decided by the court that the Company is not entitled to the Karachi relief rebate and the decision in this case is against the Company, then the Company would have to pay only the above amount on account of Karachi relief rebate. If, however, it was concluded by the court that the relief rebate is applicable, then, no amount would be liable to be paid by the Company to the PTCL but in fact the Company would be entitled to recover certain amounts as claimed in law suit discussed in (a) above. As per the above-referred legal advisor, there is likelihood that the Plaintiff will not succeed in its claim in this suit. Accordingly, pending the decision of the Court in this respect, the Company has not made any provision for the aforesaid claim in these condensed interim financial statements.

The Court, in its order dated June 25, 2003, ordered the Company not to create third party interest on its fixed assets as well as undertakings except in the ordinary course of business till the disposal of this case.

- 8.3** This represents the amount of interconnect discount which is subject to the determination of the final sum, as stated in note 8.2 (a) above. The Company is confident that it will recover the entire amount of interconnect discount from the PTCL and, hence, no provision has been made there against in these condensed interim financial statements.
- 8.4** In March 2007, the PTA issued show cause notices to eight telecom companies, including the Company, in respect of Access Promotion Contribution (APC) for Universal Service Fund (USF) under the AP Rules, 2004 and AP Regulations, 2005. In case of the Company, the amount demanded was Rs.29.473 million. The Company responded to the show cause notice and appeared before the Authority through its Counselor, contending that the AP Rules, 2004 and the AP Regulations, 2005 were ultra vires and were of no legal effect whatsoever. During the year ended June 30, 2008, the PTA issued a final determination, upholding the said show cause notice and demanded the amount therein. A stay order against the PTA determination was obtained by the Company through the Islamabad High Court and writ petition was filed against the PTA and others. During the previous year, the Islamabad High Court decided the case in favour of the PTA. The Company as a result thereof has filed an appeal in the Supreme Court of Pakistan, which is in the initial stages of hearing. Further, the PTA billed a sum of Rs.441.484 (June 30, 2009: Rs.740.033) million, in respect of services utilised by the Company during the current period. In this regard, as at the end of current period, the Company has paid amounts aggregating to Rs.933.620 million under protest. Pending a final decision in this matter, the Company has recorded the said sum as due from the PTA under other receivables and has not adjusted the same nor any provision has been made for the remaining sum of Rs.277.370 million in these condensed interim financial statements as management is confident that it will succeed in recovering the above referred sum.
- 8.5** This represents amounts overbilled by the PTCL in respect of Optical Fibre lines based on the rates applicable during the relevant billing periods. A claim in respect of the above is pending settlement. However, pending the settlement, as a matter of prudence, the management has made full provision against the above claim in these condensed interim financial statements.

Note	December 31, 2009 (Un-audited) ----- (Rupees in '000) -----	June 30, 2009 (Audited)
8.6 Provision for other receivables considered doubtful		
Balance at the beginning of the period / year	30,714	35,959
Provision written back	(18)	(5,245)
	<u>30,696</u>	<u>30,714</u>

9. LONG-TERM FINANCING

Secured

From banks and financial institutions

Local currency loan – I	9.1	28,000	35,000
Local currency loan – II	9.1	187,500	225,000
Local currency loan – III	9.1	400,000	400,000
		615,500	660,000

Unsecured

From related parties

Arfeen International	9.1	23,500	35,500
		639,000	695,500

Current maturity of local currency loans shown under current liabilities

	14	(246,000)	(196,000)
		393,000	499,500

- 9.1** The principal terms and condition of the outstanding loans have remained the same as disclosed in the annual financial statements of the Company for the year ended June 30, 2009.

	Note	December 31, 2009 (Un-audited) ----- (Rupees in '000) -----	June 30, 2009 (Audited)
10. REDEEMABLE CAPITAL			
Secured			
Balance as at July 01	10.1	1,128,960	1,648,800
Redemption during the period / year		(35,280)	(519,840)
		1,093,680	1,128,960
Current maturity shown under current liabilities	14	(211,680)	(528,960)
		882,000	600,000

- 10.1** This represents listed Term Finance Certificates (TFCs) issued by the Company to various financial institutions, trusts and general public for the purposes of acquiring radio spectrum frequencies from the PTA and expanding / upgrading new WLL network.

During the current period, the redemption schedule of the TFCs relating to the redemption falling due on November 27, 2009 and all redemptions scheduled thereafter was restructured after the approval obtained by the Company from the TFC holders upon its request, whereby, the last redemption date has now been extended to 27 November 2013, instead of the original final redemption date of 27 November 2010.

These carry mark-up at a rate of six months KIBOR + 3.75% (June 30, 2009: six months KIBOR + 3.75%) per annum, and are secured against a first specific charge over the fixed assets of the Company, aggregating to Rs.1,600.000 (June 30, 2009: Rs.1,600.000) million and specific charge over the intangible assets (frequency spectrum) procured from the PTA.

11. ADVANCE FROM A CONTRACTOR

Unsecured

In respect of broadband wireless internet services	11.1 & 11.2	807,306	553,738
Current maturity shown under current liabilities	14	(276,864)	(276,864)
		530,442	276,874

- 11.1** This represents an advance received during the year ended June 30, 2008 from a foreign Contractor, equivalent to US\$ 12.500 million, in respect of broadband wireless internet services the Company agreed to provide to the said Contractor during the period commencing July 01, 2008 to June 30, 2011. As a result, a sum Rs.138.435 (June 30, 2009: Rs.276.870) million has been recognised as income during the current period on account of the above referred services the Company rendered to the Contractor up to the end of the current period.

- 11.2** This also includes a sum of Rs.392.000 million (US\$ 4.726 million) received by the Company during the current period as further advance for the period commencing July 01, 2011 in respect of these services. The underlying agreement in this regard is currently in the final stages of being formalised.

12. DUE TO PAKISTAN TELECOMMUNICATION AUTHORITY

Balance at the beginning of the year	12.1	1,428,378	1,286,827
Imputed interest charged to profit and loss account	12.2	78,561	141,551
		1,506,939	1,428,378

- 12.1** This represents the balance of spectrum fees, due to PTA in respect of the license and related frequencies acquired by the Company, as referred to in note 6. The PTA later granted a moratorium of 4 years to the WLL industry including the Company for the payment of balance of the spectrum fees. Accordingly, total amount of Rs.1,585,500 million is not payable before March 2010, carrying no interest. However, along with the industry the Company is currently negotiating the payment terms with the PTA such as to bring the same in line with the principles adopted for fees payable by Cellular Mobile Operators. The Company accompanied by other telecommunication companies is of the considered judgement that the said amount will on a worse case basis become payable in 10 yearly instalments, commencing in March 2010. Therefore, in view of this it is reasonable to classify this liability as non-current.

- 12.2** The spectrum fees has been discounted to present value of future cash flows, using an effective interest rate of 11% per annum.

	Note	December 31, 2009 (Un-audited) ----- (Rupees in '000) -----	June 30, 2009 (Audited)
13. TRADE AND OTHER PAYABLES			
Trade payables			
Pakistan Telecommunication Company Limited – net	13.1	5,278	128,186
ZTE Corporation Limited – net		43,375	41,482
Alcatel Lucent Limited		505,800	487,800
Augere Pakistan (Private) Limited		-	1,963
Others		122,967	103,554
		677,420	762,985
Other payables			
Pakistan Telecommunication Authority		138,711	121,728
Due to related parties	13.2	85,225	46,033
Accrued liabilities		38,399	38,101
Advances from customers		96,405	99,061
Unclaimed dividends		6,216	6,216
Unearned income from wireless payphone cards		98,859	111,571
Sales tax – net		56,742	27,489
Income tax deducted at source		101,059	88,070
Workers' Welfare Fund		10,319	10,319
Others		911	911
		632,846	549,499
		1,310,266	1,312,484

13.1 This is stated net of the following:

		Amount due to/ (Amount due from) Rs. in '000	Amount due to/ (Amount due from) Rs. in '000
Wireless Payphone Service (WPS)	13.1.1	418,356	413,248
Wire line		(48,600)	(48,598)
Multi-metering		(18,287)	(18,287)
LL & LDI charges		(306,914)	(160,202)
WPS – under protest	13.1.1	(100,000)	(100,000)
Others		60,723	42,025
		5,278	128,186

13.1.1 During the year ended June 30, 2007, the PTCL submitted an application in the Court of Senior Civil Judge, Islamabad, for arbitration in respect of resolution of disputes relating to WPS, claiming a sum of Rs.968.000 million on account of air time charges, line rent and access charges and Rs.276.000 million in respect of leased line charges from the Company. Further, during the current period, the PTCL raised a bill for Rs.38.920 (June 30, 2009: Rs.74.753) million for current period charges. Hence, total amount claimed by the PTCL as at December 31, 2009 amounted to Rs.1,357.673 (June 30, 2009: Rs. 1,318.753) million. However, the management, while acknowledging the liability to the extent of Rs.588.356 (June 30, 2009: Rs.583.248) million does not accept liability for the remaining sum of Rs.769.317 (June 30, 2009: Rs.735.505) million and has not recorded the same in these condensed interim financial statements. In this respect, the Company, during the year ended June 30, 2007, paid a sum of Rs.100.000 million to the PTCL under protest to ensure uninterrupted WPS.

During the year ended June 30, 2008, a notice was served by the PTCL to the Company, stating that unless the above referred sum was paid, the PTCL would suspend the WPS service to the Company. The Company approached the Court in this matter, praying the declaration of the above referred notice as unlawful, and seeking at the same time, a permanent injunction, restraining the PTCL from suspending the said service. The Court issued an Order, dated February 26, 2008 and instructed the Company to pay Rs.17.000 million per month to the PTCL irrespective of the amount invoiced by the PTCL, with the said amount subject to final determination upon completion of the arbitration process. Based on said Order, the Company has paid a sum of Rs.170.000 million to PTCL for the period commencing July 2008 to February 2009. Thereafter, the Company has stopped paying the said amount to the PTCL, contending that average billing of PTCL for the said period was only Rs.2.520 million.

	Note	December 31, 2009 (Un-audited) ----- (Rupees in '000) -----	June 30, 2009 (Audited)
13.2 These represent interest free current account balances with the following related parties, and are payable on demand:			
World Trade Center (Private) Limited		37,294	17,332
Envicon (Private) Limited		52	52
Arfeen International (Private) Limited		13,705	8,072
Total Telecom Limited		12,845	12,844
Supernet Limited		18,334	5,159
Chaman Investment (Private) Limited		2,995	2,574
		<u>85,225</u>	<u>46,033</u>

14. CURRENT MATURITIES OF LONG-TERM LIABILITIES

Long-term financing	9	246,000	196,000
Redeemable capital	10	211,680	528,960
Advance from a Contractor	11	276,864	276,864
Liabilities against assets subject to finance lease		23,368	31,876
Due to employees		10,264	12,286
		<u>768,176</u>	<u>1,045,986</u>

15. CONTINGENCIES AND COMMITMENT

Contingencies

15.1 There has been no change in the status of Contingencies, as reported in the annual financial statements for the year ended June 30, 2009, except for the suit referred to the Arbitration Tribunal of the International Chamber of Commerce, Singapore, which was initially filed in the Court of Senior Civil Judge, Islamabad, by Wi-tribe Limited and Buraq Telecom Limited against the Company and Broad Band Services (Private) Limited, as disclosed in note 33.3 to the annual financial statements of the Company for the year ended June 30, 2009, which has been decided in favour of the Company subsequent to the end of the current period, on January 12, 2010. The Tribunal unanimously rejected the arbitration application, including all claims filed by Wi-tribe Limited and Buraq Telecom Limited. Further, the Tribunal also ordered the plaintiffs to pay a sum of US\$ 192,500 to the Company being the share of arbitration cost borne by the Company.

15.2 The contingencies in respect of matters relating to PTCL including claim in respect of Karachi Relief Rebate, interconnect discount etc. have been disclosed in notes 8.2, 8.3, and 13.1.1 to these condensed interim financial statements.

15.3 Counter guarantees given to banks 214,500 214,500

Commitment

15.4 Post dated cheques issued to PTA - 175,006

Note	Half-year ended December 31, 2009 ----- Rs. in '000 -----	Half-year ended December 31, 2008 ----- Rs. in '000 -----	Quarter ended December 31, 2009 ----- Rs. in '000 -----	Quarter ended December 31, 2008 ----- Rs. in '000 -----
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16. DIRECT COSTS

Interconnect charges	264,527	660,633	41,750	136,263
Annual license fee	16,985	16,985	8,493	8,493
Cost of cards sold	1,105	2,146	544	1,222
Optical fiber network	5,473	11,318	2,737	5,659
Internet bandwidth	14,661	14,667	6,552	8,913
Depreciation	304,967	333,766	152,174	168,997
Amortisation of intangible assets	16.1 147,086	144,636	73,543	72,664
Network sites rent	112,207	102,474	69,549	50,802
Network sites utilities and maintenance	46,378	45,258	24,090	21,608
Insurance	3,637	5,124	1,936	2,558
	<u>917,026</u>	<u>1,337,007</u>	<u>381,368</u>	<u>477,179</u>

16.1 The amortisation charge for the half-year and quarter ended December 31, 2008 includes a sum of Rs.44.618 million and Rs.22.309 million, respectively, representing incremental amortisation charge in respect of revalued intangible assets, which was taken to profit and loss account instead of transfer to equity. The said amounts were duly rectified in the annual financial statements of the Company for the year ended June 30, 2009 and, therefore, the comparative information in these condensed interim financial statements has been restated to take effect of the said adjustment.

	Half-year ended December 31, 2009 ----- Rs. in '000 -----	Half-year ended December 31, 2008 ----- Rs. in '000 -----	Quarter ended December 31, 2009 ----- Rs. in '000 -----	Quarter Ended December 31, 2008 ----- Rs. in '000 -----
17. DISTRIBUTION COSTS AND ADMINISTRATIVE EXPENSES				
Salaries and other benefits	98,014	118,535	45,911	59,738
Gratuity	6,804	6,252	3,678	3,126
Postage, telephone and telex	2,434	1,907	990	1,019
Vehicles running and maintenance	11,003	14,432	5,003	6,744
Travelling and entertainment	5,038	5,355	1,934	2,514
Office security and maintenance	4,228	4,253	2,360	1,931
Stationery and photocopies	2,627	3,449	1,508	1,538
Rent	37,678	27,167	16,449	13,701
Utilities	12,981	14,447	6,539	6,284
Insurance	2,953	2,098	1,593	594
Legal and professional charges	5,112	17,937	1,437	4,576
Auditors' remuneration	1,981	1,611	1,100	811
Sales promotion and marketing	9,136	142,176	4,049	14,612
Fee and subscription	1,387	1,916	638	177
Depreciation	7,269	5,823	3,567	1,055
Donation	1,000	-	-	-
Provision for debts considered doubtful	2,462	-	2,462	-
Others	808	85	614	28
	<u>212,915</u>	<u>367,443</u>	<u>99,832</u>	<u>118,448</u>
18. OTHER OPERATING EXPENSES				
Exchange loss	11,050	28,297	5,928	49,868
Loss on sale of fixed assets	-	176	-	176
	<u>11,050</u>	<u>28,473</u>	<u>5,928</u>	<u>50,044</u>
19. OTHER OPERATING INCOME				
Gain on sale of fixed assets	1,425	-	-	-
Amortisation of deferred income on sale and lease back arrangements	-	663	-	663
Mark-up on loan to Supernet Limited - Subsidiary company	6,000	8,169	3,218	4,085
Mark-up on bank deposits and installments sales	1,375	2,573	-	1,287
Provision written back	18	740	-	740
Mark-up on current account with related parties	4,768	-	4,768	-
Site sharing income	12,561	14,633	11,996	7,427
Income against license	10,208	-	10,208	-
Others	5,871	3,998	5,411	3,695
	<u>42,226</u>	<u>30,776</u>	<u>35,601</u>	<u>17,897</u>
20. FINANCE COSTS				
Mark-up on secured:				
Redeemable capital	65,096	88,681	31,878	44,288
Long-term loans	50,518	64,454	25,590	31,276
Interest on license fee	78,561	70,776	39,281	38,895
Short-term loans	1,169	2,856	1,169	-
Short-term running finances	28,392	22,566	14,745	11,171
Finance lease arrangements	1,032	4,456	198	2,456
Bank charges	1,017	1,920	679	1,073
	<u>225,785</u>	<u>255,709</u>	<u>113,540</u>	<u>129,159</u>

	Half-year ended December 31, 2009	Half-year ended December 31, 2008	Quarter ended December 31, 2009	Quarter ended December 31, 2008
	----- Rs. in '000 -----		----- Rs. in '000 -----	
Current	5,426	-	1,051	(5,252)
Deferred	(24,927)	(23,929)	(109,365)	18,442
	<u>(19,501)</u>	<u>(23,929)</u>	<u>(108,314)</u>	<u>13,190</u>

	December 31, 2009	December 31, 2008
	----- Rs. in '000 -----	

22. CASH AND CASH EQUIVALENTS

Short-term investment	-	68,869
Cash and bank balances	9,193	14,286
Short-term running finance	(411,625)	(299,877)
	<u>(402,432)</u>	<u>(216,722)</u>

23. TRANSACTIONS WITH RELATED PARTIES

The related parties include a Subsidiary Company, entities having directors in common with the Company, major shareholders of the Company, directors and other key management personnel and retirement benefit plans. Transactions with related parties, other than those disclosed elsewhere in the condensed interim financial statements are as under:

Subsidiary

Supernet Limited

Services provided by the Company	4,729	9,639
Services provided to the Company	17,904	11,318
Loan given by the Company	65,500	-
Repayment of loan to Subsidiary company	28,000	11,550
Mark-up charged by the Company	6,000	8,169

Entities having directors in common with the Company

Arfeen International (Private) Limited

Rent expenses charged to the Company	2,760	2,760
Mark-up charged to the Company	2,754	2,699

Pakcom Limited

Services provided to the Company	48,342	15,019
Services provided by the Company	5,961	11,241
Mark-up charged by the Company	4,550	-

Chaman Investment (Private) Limited

Services received by the Company	421	360
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World Trade Center (Private) Limited

Services received by the Company	16,124	17,167
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Instaphone Limited

Call center service received by the Company	5,760	5,760
Mark-up charged by the Company	99	-

Instaphone Infrastructure (Private) Limited

Service charges	2,320	-
Rent paid on behalf of the related party	1,096	-
Mark-up charged by the Company	119	-

24. CORRESPONDING FIGURES

The following major corresponding figures have been reclassified for the purposes of better presentation:


<u>From</u>	<u>To</u>	<u>(Rupees in '000)</u>
Other receivables - Augere Pakistan (Private) Limited	Trade debts	29,380
	Trade and other payables	1,963
Direct costs	Other operating income	14,633

25. DATE OF AUTHORISATION FOR ISSUE


These condensed interim financial statements were authorised for issue on 26 FEB 2010 by the Board of Directors of the Company.

26. GENERAL

- 26.1** The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended December 31, 2009 and December 31, 2008 have not been subject to a limited scope review by the auditors of the Company, as the scope of the review covered only the cumulative figures for the half years ended December 31, 2009 and December 31, 2008.
- 26.2** Figures presented in these interim condensed financial statements have been rounded off to the nearest thousand rupees, unless otherwise stated.



Chief Executive



Director