

Annual Report

2000 - 2001



TeleCard Limited





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COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. Sultan-ul-Arfeen
Mr. Shahid Firoz
Mr. Khalid Firoz
Mr. Javaid Firoz
Mr. Brian Lee Bowen
Mr. Bo Ericsson
Dr. Dudley B. Christie
Mr. Javaid Firoz

CHIEF EXECUTIVE

COMPANY SECRETARY

Mr. Haroon Iqbal

BANKERS

Union Bank Ltd.
ABN - Amro Bank.
Muslim Commercial Bank Ltd.
Bank Alfalah Ltd.

AUDITORS

Ford, Rhodes, Robson, Morrow,
Chartered Accountants

REGISTERED OFFICE

World Trade Center
75, East Blue Area, Fazal-ul-Haq Road
Islamabad, Pakistan

CORPORATE OFFICE

7th Floor
World Trade Center
10, Khayaban-e-Roomi, Clifton
Karachi, Pakistan

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 8th Annual General Meeting of the shareholders of the Company will be held on Monday, 31st December 2001 at 9:00 am at TeleCard Registered office in Islamabad to transact the following business:

- 1- To confirm the minutes of the last Extra Ordinary General Meeting held on Jan 30th 2001.
- 2- To receive, consider and adopt the Audited Accounts of the Company for the year ended June 2001 together with the Directors and Auditors report there on.
- 3- To approve cash dividend @10% (Rs. 1/- per ordinary share) recommended by the directors.
- 4- To appoint Auditors of the Company and fix their remuneration. Present Auditors M/s. Ford, Rhodes, Robson, Morrow, Chartered Accountants retire and being eligible, offer themselves for re- appointment.
- 5- To transact any other business with the permission of the chair.

By order of the Board

Haroon Iqbal

Company Secretary
Islamabad

Dated: December,10, 2001

Notes:

- 1- The Share Transfer Book of the Company will remain closed from December 25, 2001 to December 31 2001 (both days inclusive).
- 2- Any member of the Company entitled to attend and vote at the General Meeting may appoint another member as his/her proxy to attend and vote instead of him/her. A company or corporation may, by means of a resolution of its directors, appoint a person who is not a member as proxy. Proxies/ Nomination letters must be received at the Registered office of the Company not less than 48 hours before the time of holding the meeting.
- 3- Any change of address should be notified immediately to the Company's Share Registrar, Gangjees Associates, 516 Clifton Center, Clifton, Karachi.
- 4- For identification, CDC account holders should present the Participants National Identity Card, and CDC Account Number.



DIRECTORS' REPORT

	2 0 0 1	2 0 0 0
	Rupees	Rupees
Sales	715,774,565	543,377,937
Cost of Sales	451,498,225	365,631,532
Gross Profit	<u>264,276,340</u>	<u>177,746,405</u>
Other operating income	10,602,334	3,011,787
	<u>274,878,674</u>	<u>180,758,192</u>
Administrative and selling expenses	<u>117,694,777</u>	<u>115,065,578</u>
	157,183,897	65,692,614
Financial Charges	<u>37,674,957</u>	<u>35,909,156</u>
Net Profit before taxation	119,508,940	29,783,458
Taxation -Current	15,934,677	2,717,620
- Prior years	<u>4,384,304</u>	<u>33,043</u>
	<u>20,318,981</u>	<u>2,750,663</u>
Net Profit for the Year	99,189,959	27,032,795
Accumulated losses brought forward	<u>(31,468,763)</u>	<u>(58,501,558)</u>
	67,721,196	(31,468,763)
Appropriations		
Proposed dividend @ Rs. 1.00 (2000 Nil) per ordinary share os Rs. 10 each	<u>25,000,000</u>	
Unappropriated	<u>42,721,196</u>	<u>(31,468,763)</u>

CHIEF EXECUTIVE REVIEW

The review on page ---- to --- deals with business activities during the year and the future outlook of the company. The Directors of the company endorse the contents of this review.

PATTERN OF HOLDING OF SHARES

The pattern of share holding is attached on page no. ----

EARNING PER SHARE

Earning per share of the year ended June 30, 2001 is Rs. 3.97

AUDITORS

The present auditors M/S Ford, Rhodes, Robson, Morrow, Chartered Accountants retire, and being eligible, offer themselves for re-appointment.

By Order of the Board

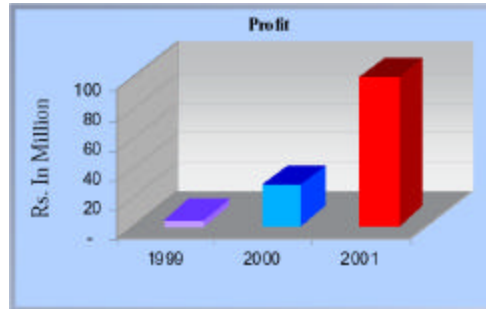
Javaid Firoz
Chief Executive

Karachi: December 10, 2001

REVIEW OF OPERATIONS

I feel great pleasure in presenting the Annual Audited Report of your company for the year 2000-2001. This year is of particular significance as it is the first year that your company is distributing cash dividends to its shareholders. I am confident that this is a start of period of substantial returns to the company and its shareholders.

I am also pleased to inform you that the expansion plans undertaken by the Company have been executed very successfully. Despite the economic slowdown in the country and increased competition in the industry your company has produced excellent results. The company posted sales of Rs. 716 million in the current financial year as compared to Rs. 543 million in the previous period, registering an increase of 32%. After tax profit for the current year was over Rs. 99 million compared to previous year profit of Rs. 27 million, depicting an increase of more than 267% over the year 2000. ROE achieved by your company in the current year was nearly 31%. This marked increase in after tax profit is reflection of the company's commitment to produce better return for the shareholders and to become one of the most profitable player in the local telecom market.

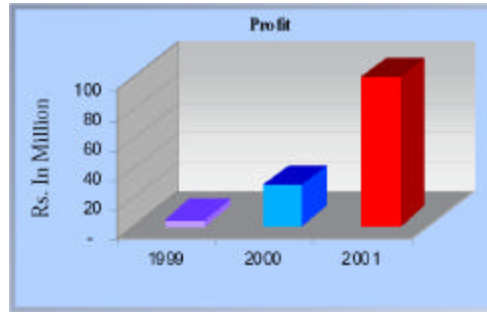
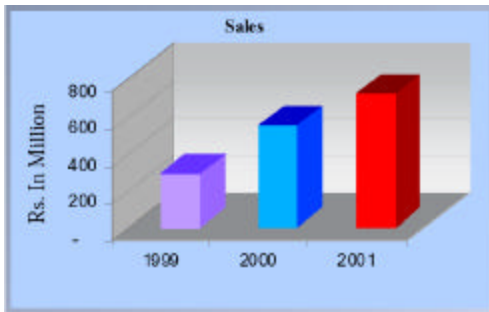


The company has adopted two-pronged strategy of maximizing sales as well as controlling costs. This strategy has produced the desired results and the company has been able to perform better on both the fronts. Strong focus on controlling cost has resulted in improving our profit margins significantly. Gross margin this year is 37% compared to previous years 33%. Selling and administrative expense, which during the previous year was Rs 115 million, remained at this level reflecting the economies of scale achieved by your company. This expense as a percentage of sales has gone down from over 21% to 16%. Due to the combination of the above, the company has been able to improve its net profit margin significantly. Net margin during the current year was nearly 14% compared to previous year of 5%. The company's drive to improve its margin will continue by enhancing operational efficiency.

I am also pleased to report positive developments regarding your company's case against the PTCL. As you are aware, we have a dispute with the PTCL regarding the payment of the Relief Rebate provided to it by the government of Pakistan for partial closure of its services in 1995. The company had filed a suit in the High Court of Sindh for recovery of the rebate. The Honorable High court has



decided the case in favour of the company and appointed a firm of Chartered Accountants to determine the actual liability of the PTCL.



Future Outlook

The payphone industry remains dynamic which fast changing fundamentals. Though the payphone industry in the country is still one of the fastest growing industries in the country, macroeconomic conditions are having an impact on growth, and competition in the industry has intensified resulting in pressure on margins. The industry is facing competition not only due to the presence of a large number of big and small payphone operators, but also from substitute products like prepaid calling cards. This trend will continue in the future and industry will witness increasing competition from new products. It is clear that operators, which are limited to the wireline payphone business, will see declining margin in the near future. However, exciting new opportunities for growth and sustaining margins will be available to companies who are able to provide related telecommunication services in the post deregulation environment.

Your Board and management is fully aware of these developments and opportunities and is executing a multi-pronged strategy to position itself for continuing high growth and sustained profitability. Part of this strategy is to increase the capital base of the company to Rs. 500 million through a 100% Rights Issue which has already been announced. This additional capital will enable us to enhance our productive capacity and be prepared for exploiting further opportunities in the sector. We are confident of maintaining strong returns on the additional equity capital of the company.

A larger sized company will also help in managing pressure on margins and industry consolidation through realizing further savings from economies of scale.

A very important part of your Company's strategy is the implementation of the Wireless Local Loop (WLL). The company has already installed the initial WLL system and is now in the final stages of launching the WLL based services. System capacity on the WLL network is expected to reach 15,000 within the current financial year, which will compensate for the dilution in earnings per share due to the rights issue. We are hopeful that the years of persistent hard work by the management in developing this project will Inshallah payoff handsomely in providing greater satisfaction to all our stakeholders. It will not only allow TeleCard to reach markets and customers it was unable to serve in the past, but it will also enable your company to provide additional services opening newer sources of revenue



growth. Moreover, this head start in providing wireless services will position TeleCard well for exploiting opportunities in the post deregulation period.

Your management also continues to evaluate other emerging opportunities in the sector and the potential to merge/ acquire associated companies providing different telecommunications services. The acquisition of Supernet as announced earlier is under consideration and will be executed at the appropriate stage. Supernet is an associated company and a strong player in the Internet and Data communication segment of the market.

Appreciation

I would take this opportunity to thank my company personnel whose efforts and dedication helped in registering phenomenal growth and success of the company and without their untiring efforts, such remarkable progress would not have been possible. The company will continue to invest in human resources, as the company fully understands the importance of quality of people in changing the company's fortune.

We also appreciate the cooperation given to us by the Pakistan Telecommunication Authority and Pakistan Telecommunications Corporation Limited in solving the various issues, and all the financial institutions that deposed confidence in the company and management and played a critical role in progress of the company.

I also thank my board members who played a critical role in formulating the corporate strategy of the company and their valuable input in key matters.

I also express my sincere appreciation for the confidence and support of our valued shareholders.

Karachi: December 10, 2001

Javid Firoz



AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **TELECARD LIMITED** as at June 30, 2001 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- (a) in our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2001 and of the profit, its cash flows and changes in equity for the year then ended;



- (d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980); and
- (e) Without qualifying our opinion, we draw attention to the following matters:
- (i) as discussed in notes 9.2 and 9.3 to the accounts, the lawsuit filed by the company during the year ended June 30, 2000 in the Honorable High Court of Sindh with regard to the recovery of Karachi Relief Rebate and Interconnect Discount, aggregating to Rs.226.971 million at the end of the current year, from the Pakistan Telecommunication Company Limited (PTCL) has been decided by the above referred Court in favour of the company. However, the final determination of the actual liability of the PTCL in this regard is dependent upon the report of a firm of Chartered Accountants, appointed by the Court for this purpose. Accordingly, pending the finalization of the report in question, no provision for any amount that may not be recoverable has been made in the accounts of the current year.
 - (ii) as stated in note 4.1 to the accounts, the company during the current year has written back a sum of Rs.21.716 million due to a foreign supplier with the corresponding credit to capital work-in-progress, for the reasons disclosed therein. This is in addition to royalty written back amounting to Rs.9.064 million due to the Pakistan Telecommunication Authority, as more fully discussed in note 18.1 to the accounts.
 - (iii) the ultimate outcome of the matters disclosed in note 19 under Contingencies cannot presently be determined and, hence, pending the resolution thereof, no provision for an aggregate sum of Rs.42.526 million has been made in the accounts of the current year.

Karachi : December 8th, 2001

Chartered Accountants

TELECARD LIMITED
BALANCE SHEET
AS AT JUNE 30, 2001

	Note	June 30, 2001 Rupees	June 30, 2000 Rupees
ASSETS			
NON-CURRENT ASSETS			
Tangible fixed assets			
Operating fixed assets	3	359,937,030	302,496,450
Capital work-in-progress	4	<u>66,766,452</u>	<u>85,588,063</u>
		426,703,482	388,084,513
Long term advance and deposits	5	20,092,811	13,127,303
Deferred costs	6	11,541,538	12,527,405
CURRENT ASSETS			
Stock-in-trade	7	12,218,366	5,295,962
Trade debts	8	24,112,387	43,243,841
Advances, deposits, prepayment and other receivables	9	244,618,769	175,571,065
Cash and bank balances	10	<u>12,035,927</u>	<u>16,813,843</u>
		292,985,449	240,924,711
TOTAL ASSETS		<u>751,323,280</u>	<u>654,663,932</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVE			
Share Capital			
Authorized			
125,000,000 (2000:100,000,000) Ordinary shares of Rs.10 each		<u>1,250,000,000</u>	<u>1,000,000,000</u>
Issued, subscribed and paid-up			
25,000,000 (2000:25,000,000) Ordinary shares of Rs.10 each fully paid in cash		250,000,000	250,000,000
Revenue reserve	11	<u>42,721,196</u>	<u>(31,468,763)</u>
		292,721,196	218,531,237
NON-CURRENT LIABILITIES			
Long term loans	12	98,568,214	123,568,214
Obligations under finance leases	13	38,791,725	29,905,136
Long term deposits	14	71,118,445	39,882,499
Deferred liabilities	15	<u>11,288,784</u>	<u>30,679,423</u>
		219,767,168	224,035,272
CURRENT LIABILITIES			
Current maturity of long term loans and obligations under finance leases	16	51,574,369	42,959,367
Short term running finances	17	16,865,400	-
Creditors, accrued and other liabilities	18	145,395,147	169,138,056
Proposed dividend		<u>25,000,000</u>	<u>-</u>
		238,834,916	212,097,423
CONTINGENCIES AND COMMITMENTS	19		
TOTAL EQUITY AND LIABILITIES		<u>751,323,280</u>	<u>654,663,932</u>

The annexed notes form an integral part of these accounts.

Chief Executive

Director

TELECARD LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2001

	Note	2 0 0 1 Rupees	2 0 0 0 Rupees
SALES AND SERVICES	20	715,774,565	543,377,937
Cost of sales and services	21	451,498,225	366,017,659
GROSS PROFIT		264,276,340	177,360,278
OTHER INCOME	22	10,602,334	3,011,787
		274,878,674	180,372,065
Administrative and selling expenses	23	114,646,576	114,679,451
Other charges	24	3,048,201	-
		117,694,777	114,679,451
OPERATING PROFIT		157,183,897	65,692,614
Financial charges	25	37,674,957	35,909,156
PROFIT BEFORE TAXATION		119,508,940	29,783,458
Taxation	26	20,318,981	2,750,663
NET PROFIT FOR THE YEAR		99,189,959	27,032,795
Accumulated losses brought forward		(31,468,763)	(58,501,558)
PROFIT AVAILABLE FOR APPROPRIATION / (ACCUMULATED LOSSES)		67,721,196	(31,468,763)
APPROPRIATION:			
Proposed dividend @ Rs.1.00 (2000: Rs. Nil) per Ordinary share of Rs.10 each		25,000,000	-
UNAPPROPRIATED PROFIT / (ACCUMULATED LOSSES) CARRIED FORWARD		42,721,196	(31,468,763)
BASIC EARNINGS PER SHARE	27	3.97	1.08

The annexed notes form an integral part of these accounts.

Chief Executive

Director

TELECARD LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2001

	Note	2001 Rupees	2000 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	29	111,647,563	93,736,408
Income tax paid		(7,343,760)	(14,165,324)
Financial charges paid		(24,777,220)	(37,257,375)
Gratuity paid		(2,687,232)	(700,500)
Deferred costs		985,867	(5,437,486)
Long term advance and deposits		(6,965,508)	2,304,238
Long term deposits from distributors and Indoor Call Point holders		31,235,946	21,936,599
Net cash flow from operating activities		102,095,656	60,416,560
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(115,913,773)	(103,188,335)
Sale proceeds of fixed assets		37,837,541	60,108,150
Net cash used in investing activities		(78,076,232)	(43,080,185)
CASH FLOW FROM FINANCING ACTIVITIES			
Obligations under finance leases		(25,820,240)	(29,831,537)
Deferred Liability - Supplier's Credit		-	(41,742)
Custom duties debentures		-	(3,145,533)
Long term loans		-	50,000,000
Payment of long term loans		(19,842,500)	(28,002,201)
Net cash used in financing activities		(45,662,740)	(11,021,013)
NET (DECREASE) / INCREASE IN CASH AND			
CASH EQUIVALENTS		(21,643,316)	6,315,362
CASH AND CASH EQUIVALENTS AT THE BEGINNING			
OF THE YEAR		16,813,843	10,498,481
CASH AND CASH EQUIVALENTS AT THE			
END OF THE YEAR	30	(4,829,473)	16,813,843

Chief Executive

Director

TELECARD LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2001

	Share Capital	Revenue Reserve	Total
	Issued, subscribed and paid-up	(Accumulated losses)/ Unappropriated profit	
	----- Rupees -----		
Balance as at June 30, 1999	250,000,000	(58,501,558)	191,498,442
Net profit for the year	-	27,032,795	27,032,795
Balance as at June 30, 2000	<u>250,000,000</u>	<u>(31,468,763)</u>	<u>218,531,237</u>
Net profit for the year	-	99,189,959	99,189,959
Proposed dividend	-	(25,000,000)	(25,000,000)
Balance as at June 30, 2001	<u>250,000,000</u>	<u>42,721,196</u>	<u>292,721,196</u>

Chief Executive

Director



TELECARD LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2001

1. THE COMPANY AND ITS OPERATIONS

Telecard Limited was incorporated in Pakistan on October 29, 1992 as a public limited company. The shares of the company are listed on Karachi and Islamabad Stock Exchanges. The company has obtained a license from the Government of Pakistan to install, own and operate a network of card operated payphones throughout the country and has, therefore, embarked on building a nationwide payphones network.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These accounts have been prepared in accordance with the requirements of the Companies Ordinance, 1984 and International Accounting Standards as applicable in Pakistan.

2.2 Tangible fixed assets

(a) Owned

These are stated at cost less accumulated depreciation. Exchange gains and losses arising on foreign currency liabilities acquired and utilized for the acquisition of assets are included in the cost of the respective assets.

Depreciation is charged to income applying straight line method whereby the cost of the asset alongwith the exchange differences included therein is written off over its estimated useful life. The rates used are stated in note 3 to the accounts. Full year's depreciation is charged in the year of addition, except for payphones on which depreciation is charged from the date of acquisition, while no depreciation is charged in the year of disposal.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized and the assets so replaced, if any, are retired.

Gains and losses on disposal of assets are included in income currently.

(b) Leased

Assets held under finance leases are stated at cost less accumulated depreciation. The outstanding obligations under finance leases less financial charges allocated to future periods are shown as a liability. The financial charge to-date is calculated at the interest rates implicit in the leases and is charged to the profit and loss account.

Depreciation is charged at the same rates as charged on company owned assets or over the lease period, as appropriate.

2.3 Capital work-in-progress

Capital work-in-progress is stated at cost. It consists of expenditure, including exchange differences, borrowing cost, consultancy services, etc., incurred in respect of fixed assets in the course of their construction and installation.

2.4 Borrowing costs

Costs incurred in respect of borrowings for specific projects are capitalized during their construction and are written off after their completion over the useful lives of the related assets. Any income earned on unutilized borrowings is netted off against capitalized borrowing costs.

2.5 Deferred costs

These are written off as and when payphones are installed in the subsequent period.

2.6 Stock-in-trade

These are valued at lower of cost and net realizable value. Cost is determined on first-in-first out basis except for stock in transit which is stated at invoice price plus other charges paid thereon upto the balance sheet date.



2.7 Staff retirement benefits

The company operates an unfunded gratuity scheme for all of its employees. Provision is made annually, to cover obligations under the scheme, by way of a charge to profit and loss account, calculated with reference to the last drawn salary and the length of service of each employee (note 15.1).

2.8 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account applicable tax credits and rebates, if any, or minimum tax based on turnover, whichever is higher.

Deferred

The company accounts for deferred taxation on all timing differences using the liability method. However, deferred tax is not provided if it can be established with reasonable probability that these timing differences will not reverse in the foreseeable future.

2.9 Foreign currency translations

Transactions in foreign currencies are translated into rupees at the rates of exchange ruling on the date of the transactions. Assets and liabilities in foreign currencies are translated into Pak Rupees at the rate of exchange prevailing at the balance sheet date except where forward exchange contracts have been entered into in which case the contracted rates are applied. Exchange differences arising on borrowings for the acquisition of fixed assets are capitalized, all other exchange differences are routed through the profit and loss account.

2.10 Revenue recognition

Sales are recorded on despatch of cards to dealers/customers.

Income from indoor call points is recorded when the agreement is signed between the parties and the initial services have been rendered and income earned.

Profit arising on sale and lease back of fixed assets is credited to profit and loss account over the period of the lease. Any resulting loss is taken to the profit and loss account currently.

3.5 The following fixed assets were disposed of during the year :

Description	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain / (loss) on disposal	Mode of sale	Particulars of buyers
----- R u p e e s -----							
Payphones	948,579	429,395	519,184	942,000	422,816	Insurance Claim	EFU General Insurance Limited
Payphones	22,734,417	-	22,734,417	22,500,000	(234,417)	Sale & Lease back	National Development Leasing Corporation Limited
Payphones	14,108,582 36,842,999	- -	14,108,582 36,842,999	14,084,331 36,584,331	(24,251) (258,668)	Sale & Lease back	Orix Leasing Pakistan Limited
Furniture, Fixtures & Office Equipment	35,874	5,575	30,299	30,000	(299)	Insurance Claim	EFU General Insurance Limited
Computers	121,500	72,900	48,600	121,500	72,900	Insurance Claim	EFU General Insurance Limited
Card Verifiers Written down value not exceeding Rs.5,000 each	31,000	6,200	24,800	31,000	6,200	By Negotiation	Various Distributors
Vehicles Written down value not exceeding Rs.5,000 each	121,600	121,600	-	128,710	128,710	Negotiation	Employees
	<u>38,101,552</u>	<u>635,670</u>	<u>37,465,882</u>	<u>37,837,541</u>	<u>371,659</u>		

Note	June 30, 2 0 0 1 Rupees	Additions/ (Adjustment) Rupees	June 30, 2 0 0 0 Rupees
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4. CAPITAL WORK-IN-PROGRESS

Faisalabad

Freehold land	3,019,761	-	3,019,761
Communication equipment and related expenses	4.1 & 4.2 61,644,765	792,111 (21,715,648) (20,923,537)	82,568,302

Karachi

Expenditure incurred in respect of telecommunication system being installed in Karachi	2,101,926	2,101,926	-
	<u>66,766,452</u>	<u>2,894,037</u> <u>(21,715,648)</u>	<u>85,588,063</u>

4.1 The company in prior years had accrued a sum of Rs.21.716 million on account of certain services it had anticipated from a foreign supplier in respect of a telecommunication system to be installed in Faisalabad. However, since these services could not be rendered and are no longer required, the company during the current year has written back the accrual, as stated above, with the corresponding credit to the capital work-in-progress (note 15), as the same is not payable any more.

4.2 Included in communication equipment at the end of the year are certain equipment costing Rs.2.20 million, which are not in the name of the company. The company is currently in the process of transferring the same from First Leasing Corporation Limited.

	Note	June 30, 2001 Rupees	June 30, 2000 Rupees
5. LONG TERM ADVANCE AND DEPOSITS			
Advance			
 Considered good			
 Unsecured			
Line rent - Pakistan Telecommunication Company Limited (PTCL)		1,297,019	747,224
Deposits			
Line deposit -PTCL		7,219,379	7,219,379
Rent		1,183,280	685,000
Lease		<u>10,393,133</u>	<u>4,475,700</u>
		<u>20,092,811</u>	<u>13,127,303</u>
6. DEFERRED COSTS			
Indoor Call Points (ICP) Project	6.1	<u>11,541,538</u>	<u>12,527,405</u>
<p>6.1 This represents expenditure incurred in respect of indoor payphones which remained uninstalled until the end of the current year. This expenditure comprises of personnel cost, promotional material and line rent. The same is being carried forward to match with the revenue which will be realised on the installation of the indoor payphones. Pursuant to this policy, therefore, the balance outstanding at the beginning of the year was expensed out during the current year upon the installation of uninstalled indoor payphones as follows:</p>			
Personnel cost	23	7,235,150	5,544,910
Sales promotion	23	3,466,047	754,632
Line rent	21.1	<u>1,826,208</u>	<u>790,377</u>
		<u>12,527,405</u>	<u>7,089,919</u>
7. STOCK-IN-TRADE			
 Payphone cards			
in hand		11,838,292	5,295,962
in transit		<u>380,074</u>	<u>-</u>
		<u>12,218,366</u>	<u>5,295,962</u>
8. TRADE DEBTS			
Unsecured			
Considered good		24,112,387	43,243,841
Considered doubtful		<u>2,626,954</u>	<u>2,271,820</u>
		26,739,341	45,515,661
Less: Provision for debts considered doubtful		<u>2,626,954</u>	<u>2,271,820</u>
		<u>24,112,387</u>	<u>43,243,841</u>

9. ADVANCES, DEPOSITS, PREPAYMENT AND OTHER RECEIVABLES

Advances

Considered good

Unsecured

Executives	9.1	1,397,589	1,514,379
Employees		282,666	202,216
Suppliers		3,091,660	2,778,474
Income tax - net		7,744,263	20,719,484
		12,516,178	25,214,553

Deposits

Lease		-	2,728,690
Margin against letters of credit		-	1,980,410
Others		348,000	401,070
		348,000	5,110,170

Prepayment

Rent		1,115,396	1,778,249
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Other receivables

Due from Pakistan Telecommunication Company Limited (PTCL):

Karachi Relief Rebate	9.2	220,630,179	119,387,811
Interconnect Discount	9.3	6,340,996	6,340,996
Due from an associated undertaking	9.4	-	485,115
Insurance claims		2,582,137	1,210,800
Less: Provision against insurance claim considered doubtful		(1,210,800)	(1,210,800)
		1,371,337	-
Due from a leasing company		-	15,000,000
Claim against a bank	9.5	997,939	997,939
Miscellaneous		1,298,744	1,256,232
		<u>244,618,769</u>	<u>175,571,065</u>

- 9.1 The maximum aggregate amount due from the executives at the end of any month during the year was Rs.2.387 (2000: Rs.1.237) million.
- 9.2 This represents amount receivable from PTCL in respect of Karachi Relief Rebate, allowed by the Government of Pakistan to the Operators affected by the network shutdown in Karachi, vide its letter dated January 20, 1997. During the year ended June 30, 2000, the company filed a law suit against the PTCL in the Honorable High Court of Sindh for the recovery of Rs.71.276 million accrued upto October 1999 and consequential losses thereon. The Honorable High Court of Sindh, during the current year, has decided the case in favour of the company and appointed a firm of Chartered Accountants for the determination of actual amount receivable (final amount) from the PTCL. In the meantime, pending the determination of final amount as aforesaid, the company further accrued a sum of Rs.102.849 million in the accounts of the current year, in addition to a sum of Rs.119.388 million accrued upto the year ended June 30, 2000, out of which a sum of Rs.1.607 million has been received during the current year.
- 9.3 This represents amount due in respect of Interconnect Discount the company is entitled for under an agreement signed by the company with the PTCL. The amount of Rs.6.341 (2000: Rs.6.341) million relates to the period commencing July 1998 to March 1999 and is also subject to the determination of the final amount, as stated in note 9.2 above. The company is confident that it will recover the entire amount of Rs.6.341 million from the PTCL and, hence, no provision has been made thereagainst in the accounts of the current year.
- 9.4 The maximum aggregate amount due from an associated undertaking at the end of any month during the year was Rs.0.082 (2000: Rs.1.596) million.
- 9.5 This represents amount receivable from a bank in respect of the PTCL bills paid by the company into the bank but the same were not passed over to the PTCL by the bank. The company has filed a law suit in the Honorable High Court of Sindh for the recovery of Rs.0.998 million from the bank. Accordingly, pending a final decision by the Honorable High Court of Sindh in this regard, no provision has been made for the same in the accounts of the current year.

	Note	June 30, 2001 Rupees	June 30, 2000 Rupees
10. CASH AND BANK BALANCES			
In hand		1,844,000	1,569,000
In transit		7,828,809	7,322,461
At banks in current accounts		2,363,118	7,922,382
		<u>12,035,927</u>	<u>16,813,843</u>
11. REVENUE RESERVE			
Revenue reserve			
Unappropriated profit / (Accumulated losses)		<u>42,721,196</u>	<u>(31,468,763)</u>
12. LONG TERM LOANS			
Secured			
Term Finance - from a bank	12.1	<u>43,750,000</u>	<u>63,592,500</u>
Promissory note discount facility - from a financial institution	12.2	<u>79,818,214</u>	<u>79,818,214</u>
		123,568,214	143,410,714
Less: Current maturity shown under current liabilities	16	<u>25,000,000</u>	<u>19,842,500</u>
		<u>98,568,214</u>	<u>123,568,214</u>

12.1 This represents a local currency loan arranged by the company from a bank for a period of three years and is repayable in twelve quarterly installments, commencing April 10, 2000 to January 10, 2003. The loan carries mark up @ 16.75% (2000:16.75%) per annum and is secured by first pari passu charge over payphones of the company.

12.2 This represents withdrawals made by the company against a promissory note discount facility of Rs.80.00 million obtained by the company from a financial institution. The repayment of the same is due on July 31, 2002. The facility carries mark up @ 16.0% (2000: 16.0%) per annum and is secured by way of hypothecation of stock, promissory note of the company and personal guarantee of a director.

13. OBLIGATIONS UNDER FINANCE LEASES

The company has entered into finance lease agreements with the leasing companies in respect of payphones and vehicles. The rates of interest used as the discounting factor range between 17% and 21.01% (2000: 17% and 21.01%) per annum.

The amount of future minimum lease payments together with the present value of the minimum lease payments and the periods during which they fall due are as follows:

Particulars	June 30, 2001		June 30, 2000	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
	Rupees			
Year ended June 30, 2001	-	-	30,422,692	23,116,867
Year ending June 30, 2002	34,459,277	26,574,364	18,060,692	14,593,789
June 30, 2003	25,843,909	22,801,373	16,158,870	15,311,347
June 30, 2004	16,427,089	15,990,357	-	-
Total minimum lease payments	<u>76,730,275</u>	<u>65,366,094</u>	<u>64,642,254</u>	<u>53,022,003</u>
Less: Financial charges allocated to future periods	11,364,181	-	11,620,251	-
Present value of minimum lease payments	<u>65,366,094</u>	<u>65,366,094</u>	<u>53,022,003</u>	<u>53,022,003</u>
Less: Current maturity, including overdue balances of Rs.0.415 million (2000: Nil), shown under current liabilities	16			
	<u>26,574,369</u>	<u>26,574,369</u>	<u>23,116,867</u>	<u>23,116,867</u>
	<u>38,791,725</u>	<u>38,791,725</u>	<u>29,905,136</u>	<u>29,905,136</u>



	Note	June 30, 2 0 0 1 Rupees	June 30, 2 0 0 0 Rupees
14. LONG TERM DEPOSITS			
Security deposits			
Distributors		4,735,892	1,950,000
Indoor Call Point holders		66,382,553	37,932,499
		<u>71,118,445</u>	<u>39,882,499</u>
15. DEFERRED LIABILITIES			
Staff Gratuity	15.1	11,288,784	8,963,775
Supplier's credit	4.1	-	21,715,648
		<u>11,288,784</u>	<u>30,679,423</u>
15.1 Staff Gratuity			
Opening Balance		8,963,775	5,673,150
Provision made during the year		5,012,241	3,991,125
		<u>13,976,016</u>	<u>9,664,275</u>
Less: Paid during the year		2,687,232	700,500
		<u>11,288,784</u>	<u>8,963,775</u>
16. CURRENT MATURITY OF LONG TERM LOANS AND OBLIGATIONS UNDER FINANCE LEASES			
Long term loans	12	25,000,000	19,842,500
Obligations under finance leases	13	26,574,369	23,116,867
		<u>51,574,369</u>	<u>42,959,367</u>
17. SHORT TERM RUNNING FINANCES			
From banks			
Under markup arrangements - secured	17.1	<u>16,865,400</u>	-
<p>17.1 The company has arranged facilities for short term running finances from commercial banks aggregating to Rs.24.270 million. These finances are secured against pari passu charge over payphone cards, payphones and other assets of the company.</p> <p>The rates of markup range between 16% and 18% per annum, payable quarterly. The purchase prices are repayable on various dates, latest by February 28, 2002.</p>			
18. CREDITORS, ACCRUED AND OTHER LIABILITIES			
Creditors			
Pakistan Telecommunication Company Limited (PTCL)		81,151,207	113,933,392
Bills payable		17,965,785	16,251,802
		<u>99,116,992</u>	<u>130,185,194</u>
Accrued liabilities			
Markup on secured:			
Long term loans		15,331,211	3,263,851
Short term running finances		656,627	-
Interest on obligations under finance leases - overdue		173,750	-
Accrued expenses		12,390,702	15,408,214
		<u>28,552,290</u>	<u>18,672,065</u>
Other liabilities			
Royalty payable to PTA	18.1	8,123,467	17,187,085
Due to associated undertakings		9,359,265	2,908,471
Tax deducted at source		243,133	185,241
		<u>17,725,865</u>	<u>20,280,797</u>
		<u>145,395,147</u>	<u>169,138,056</u>



18.1 In view of a legal opinion obtained by the company during the current year with regard to the recovery of royalty due to the Pakistan Telecommunication Authority (PTA), stating that the PTA is not lawfully entitled to charge or recover royalty, the company during the current year has written back a sum of Rs.9.064 million as it considers the same to be no longer payable to the PTA. In this regard, subsequent to the end of the current year, the company has filed an appeal, alongwith other Operators, under Section 7(1) of the Pakistan Telecommunication (Re-Organization) Act, 1996 with the Honorable Lahore High Court against the PTA in respect of royalty payable there to by the company since commencement of its operations challenging its applicability. However, to be prudent and in anticipation of a possible out of court settlement, the company has not written back the remaining balance of royalty amounting to Rs.8.123 million, in the accounts of the current year. At the same time, however, it has not accrued a sum of Rs.8.928 million on account of royalty for the current year, pending a final decision in this matter.

19. CONTINGENCIES AND COMMITMENTS

Contingencies

19.1 During the year ended June 30, 2000, the original assessments framed by the Deputy Commissioner of Income Tax (DCIT) under Section 62 of the Income Tax Ordinance, 1979 for the assessment years 1995-96, 1996-97 and 1997-98 were set aside by the Inspecting Additional Commissioner (IAC) under section 66A of the said Ordinance, taking the view that part of the income of the company falls under the Presumptive Tax Regime (PTR) and, hence, the same should be assessed under Section 80C. The company, while protesting the above-referred orders of the IAC, filed an appeal against the same before the Income Tax Appellate Tribunal (ITAT).

During the current year, the above-referred appeal has been decided against the company. Further, the appeal effect orders have been passed by the concerned DCIT on the instructions of the IAC whereby the liability of the company has been determined at Rs. 6.041 million as opposed to Rs. 3.103 million the company provided in the accounts in prior years in respect of the above referred assessment years. The company while rejecting the above decision of the ITAT has decided to file a petition before the Honorable High Court of Sindh. Accordingly, pending the resolution of this matter, no provision has been made in the accounts of the current year for the difference of Rs.2.938 million, resulted from the decision of the ITAT with regard to the above referred assessment years.

In view of the setting aside of the assessments, as referred to above, it is likely that the assessments for the subsequent assessment years 1998-99, 1999-2000 and 2000-2001 may be finalized under the presumptive tax regime as opposed to under the normal basis, used by the company in filing its returns of income for the above-referred assessment years. Since these assessments are currently pending finalization, it is not possible at this stage to quantify the impact of possible assessments under the presumptive tax regime and, hence, for this reason, no provision has been made in the accounts of the current year for any liability that may arise as a result thereof.

19.2 Although the assessments, as referred to in 19.1, have been set-aside, the company has reduced the tax charge for current taxation in the accounts by Rs. 19.662 million, representing the tax benefit of losses assessed in the original assessment orders which, if dis allowed due to the setting aside of the assessments, would result in additional tax liability of the equivalent sum.

19.3 Ziarat Enterprise, a collecting agency, has filed a lawsuit against the company for the recovery of Rs.0.644 (2000: Rs.0.644) million on account of Octroi for prior years. The company is confident that the outcome of the case will be in its favour and, hence, no liability in this respect will arise. Accordingly, no provision has been made for the same in the accounts of the current year.

	June 30, 2 0 0 1 Rupees	June 30, 2 0 0 0 Rupees
19.4 Claims not acknowledged as debt		
(i) relating to royalty due to the PTA, including Rs.8.928 million for which no accrual was made in the current year as discussed in note 18.1	17,992,389	-
(ii) license renewal fee	625,000	500,000
(iii) others	<u>664,500</u>	<u>106,146</u>
	<u>19,281,889</u>	<u>606,146</u>
Commitments		
19.5 Outstanding letters of credit at the end of the year	<u>14,017,428</u>	<u>12,410,000</u>
19.6 Outstanding letters of guarantee at the end of the year	<u>143,000</u>	<u>440,000</u>



	Note	June 30, 2 0 0 1 Rupees	June 30, 2 0 0 0 Rupees
20. SALES AND SERVICES			
Sales against payphone cards		710,499,235	514,416,135
Less: Discount		<u>31,378,770</u>	<u>23,835,296</u>
		679,120,465	490,580,839
Service fee in respect of indoor payphones		<u>36,654,100</u>	<u>52,797,098</u>
		<u>715,774,565</u>	<u>543,377,937</u>
21. COST OF SALES AND SERVICES			
Pakistan Telecommunication Company Limited (PTCL) billing - net	21.1	362,611,235	260,464,756
Cost of cards sold	21.2	32,537,519	48,351,466
Depreciation	3.4	50,294,838	39,715,436
Royalty		-	11,118,270
Cards printing charges		212,390	107,849
Insurance		1,350,891	1,658,600
Payphones and canopy maintenance		1,053,488	842,231
Payphones and canopy rentals		3,313,784	3,049,502
Parts and tools consumed		124,080	709,549
		<u>451,498,225</u>	<u>366,017,659</u>
21.1 Pakistan Telecommunication Company Limited (PTCL) billing			
PTCL billing for the year		501,096,168	335,684,413
Less: Karachi Relief Rebate		<u>102,849,351</u>	<u>65,928,587</u>
Interconnect Discount		<u>35,635,582</u>	<u>9,291,070</u>
		138,484,933	75,219,657
		<u>362,611,235</u>	<u>260,464,756</u>
21.2 Cost of cards sold			
Opening stock		5,295,962	210,807
Add: Purchases		<u>39,459,923</u>	<u>53,436,621</u>
		44,755,885	53,647,428
Less: Closing stock		<u>12,218,366</u>	<u>5,295,962</u>
		<u>32,537,519</u>	<u>48,351,466</u>
22. OTHER INCOME			
Exchange gain - net		-	2,834,418
Gain on sale of fixed assets - net		371,659	31,231
Royalty payable to PTA written back	18.1	9,063,618	-
Others		1,167,057	146,138
		<u>10,602,334</u>	<u>3,011,787</u>

	Note	June 30, 2001 Rupees	June 30, 2000 Rupees
23. ADMINISTRATIVE AND SELLING EXPENSES			
Salaries and other benefits		49,142,752	45,703,607
Gratuity		5,012,241	3,991,125
Postage, telephone and telex		5,633,355	5,925,104
Vehicles running and maintenance		9,979,993	7,646,309
Travelling		4,571,645	5,689,397
Office maintenance		680,122	870,469
Entertainment		865,167	712,984
Stationery and photocopies		2,046,698	1,458,281
Rent		15,720,926	13,534,071
Electricity		3,591,574	2,829,807
Insurance		453,295	759,444
Legal and professional charges		3,756,797	1,767,140
Auditors' remuneration	23.1	583,894	526,197
Sales promotion		4,770,723	4,109,318
Subscription		760,642	2,306,100
Depreciation	3.4	5,982,766	6,003,277
Provision for debts considered doubtful		437,986	2,271,820
Provision for insurance claim considered doubtful		-	1,210,800
Other Receivables written-off		-	6,276,307
Amortisation of share floatation expenses		-	563,084
Miscellaneous		656,000	524,810
		<u>114,646,576</u>	<u>114,679,451</u>
23.1 Auditors' remuneration			
Audit fee		300,000	300,000
Other services		125,000	125,000
Tax services		126,894	73,296
Out-of-pocket expenses		<u>32,000</u>	<u>27,901</u>
		<u>583,894</u>	<u>526,197</u>
24. OTHER CHARGES			
Exchange loss - net		<u>3,048,201</u>	<u>-</u>
25. FINANCIAL CHARGES			
Markup on secured:			
Long term loans		21,510,244	22,888,255
Short term running finances		1,385,900	-
Interest on:			
Obligations under finance leases		13,785,530	9,991,175
Amount due to an associated undertaking		-	551,855
Late payment of rent		-	505,300
Custom duties debentures		-	944,311
Bank charges		993,283	1,028,260
		<u>37,674,957</u>	<u>35,909,156</u>



	Note	June 30, 2 0 0 1 Rupees	June 30, 2 0 0 0 Rupees
26. TAXATION			
Current		15,934,677	2,717,620
Prior		<u>4,384,304</u>	<u>33,043</u>
		<u>20,318,981</u>	<u>2,750,663</u>
Current			
The Income-tax assessments of the company have been finalised upto and including the assessment year 1997-98, corresponding to the income year ended June 30, 1997 (Also refer note 19.1 & 19.2).			
Deferred			
Deferred tax liability on timing differences computed under the liability method is estimated at Rs.21.982 (2000: Rs.3.218 (debit)) million. However, no provision has been made in the accounts for the same as the management believes that these timing differences are not likely to reverse in the foreseeable future in view of its plans for capital expenditure in future.			
27. BASIC EARNINGS PER SHARE			
Basic earnings per share has been computed by dividing the net profit for the year after taxation with the number of Ordinary shares issued by the company.			
28. UNAVAILED CREDIT FACILITIES			
Short term running finances		<u>7,404,600</u>	-
Letters of credit		<u>14,294,772</u>	<u>16,625,302</u>
29. CASH GENERATED FROM OPERATIONS			
Profit before taxation		119,508,940	29,783,458
Adjustments for non-cash charges and other items:			
Depreciation		56,277,604	45,718,713
Provision for gratuity		5,012,241	3,991,125
Financial charges		37,674,957	35,909,156
Provision for debts considered doubtful		437,986	2,271,820
Provision for insurance claim considered doubtful		-	1,210,800
Other receivables written off		-	6,276,307
Amortization of share floatation expenses		-	563,084
Royalty payable to PTA written back		(9,063,618)	-
Gain on sale of fixed assets - net		(371,659)	(31,231)
		<u>89,967,511</u>	<u>95,909,774</u>
Profit before working capital changes		<u>209,476,451</u>	<u>125,693,232</u>
(Increase) / Decrease in current assets			
Stock-in-trade		(6,922,404)	(4,138,458)
Trade debts		18,693,468	(25,897,821)
Advances, deposits, prepayment and other receivables		(82,022,925)	(75,863,611)
		<u>(70,251,861)</u>	<u>(105,899,890)</u>
(Decrease)/Increase in Creditors, accrued and other liabilities		<u>(27,577,027)</u>	<u>73,943,066</u>
Cash generated from operations		<u>111,647,563</u>	<u>93,736,408</u>
30. CASH AND CASH EQUIVALENTS			
Cash and bank balances		12,035,927	16,813,843
Short term running finances		<u>(16,865,400)</u>	-
		<u>(4,829,473)</u>	<u>16,813,843</u>



31. REMUNERATION OF THE CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

	2001		2000	
	Chief Executive Rupees	Executives Rupees	Chief Executive Rupees	Executives Rupees
Managerial remuneration	-	10,856,551	2,700,000	8,364,730
Other perquisites and benefits:				
House rent	-	4,885,448	-	3,764,128
Medical	-	-	90,000	-
Utilities	-	1,085,655	-	836,473
Retirement benefits	-	1,079,199	-	221,000
	-	7,050,302	90,000	4,821,601
	-	17,906,853	2,790,000	13,186,331
Number of persons	1	51	1	43

31.1 In addition, the Chief Executive, a Director and some Executives are provided with the free use of company maintained cars.

32. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

32.1 Financial assets and liabilities

	Interest / Markup bearing			Non-Interest / Markup bearing			Total	
	Maturity upto one year	Maturity after one year	Sub-total	Maturity upto one year	Maturity after one year	Sub-total	June 30, 2001	June 30, 2000
	R u p e e s							
FINANCIAL ASSETS								
Deposits	-	-	-	348,000	18,795,792	19,143,792	19,143,792	17,490,249
Trade debts	-	-	-	24,112,387	-	24,112,387	24,112,387	43,243,841
Other receivables	-	-	-	230,639,195	-	230,639,195	230,639,195	143,468,093
Cash and bank balances	-	-	-	12,035,927	-	12,035,927	12,035,927	16,813,843
June 30, 2001	-	-	-	267,135,509	18,795,792	285,931,301	285,931,301	221,016,026
June 30, 2000	-	-	-	208,635,947	12,380,079	221,016,026	221,016,026	
FINANCIAL LIABILITIES								
Long term loans	25,000,000	98,568,214	123,568,214	-	-	-	123,568,214	143,410,714
Obligations under finance leases	26,574,369	38,791,725	65,366,094	-	-	-	65,366,094	53,022,003
Deferred liabilities	-	-	-	-	11,288,784	11,288,784	11,288,784	30,679,423
Long term deposits	-	-	-	-	71,118,445	71,118,445	71,118,445	39,882,499
Short term running finances	16,865,400	-	16,865,400	-	-	-	16,865,400	-
Creditors, accrued and other liabilities	-	-	-	145,152,014	-	145,152,014	145,152,014	168,952,815
Proposed dividend	-	-	-	25,000,000	-	25,000,000	25,000,000	-
June 30, 2001	68,439,769	137,359,939	205,799,708	170,152,014	82,407,229	252,559,243	458,358,951	435,947,454
June 30, 2000	42,959,367	153,473,350	196,432,717	168,952,815	70,561,922	239,514,737	435,947,454	

32.2 Credit risk exposure

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. Out of the total financial assets of Rs.285,931 million, the financial assets which are subject to credit risk amounted to Rs.273,895 million. The company believes that it is not exposed to major concentration of credit risk. In order to reduce exposure to credit risk, the company applies credit limits and obtain deposits from the customers.



32.3 Interest / markup rate risk exposure

The company is exposed to interest / markup rate risk on some of the financial assets and obligations. Significant financial assets / liabilities which are exposed to various rates of interest are mentioned in the respective notes to the accounts.

32.4 Liquidity risk

Liquidity risk reflects the company's inability in raising funds to meet commitments. Management closely monitors the company's liquidity and cashflow position. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration in terms of avoidance of undue reliance on large individual customer.

32.5 Foreign exchange risk management

Foreign currency risk arises mainly when receivables and payables exist due to sale and purchase transactions with foreign undertakings.

32.6 Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in the accounts approximate their fair values.

33. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

June 30,	June 30,
2 0 0 1	2 0 0 0
Rupees	Rupees

Aggregate amounts in respect of:

Purchases	1,381,500	-
Expenses incurred by the associated undertaking on behalf of the company	-	17,759,575
Expenses charged by the associated undertaking	16,250,831	10,356,160
Mark-up charged by an associated undertaking	-	551,855
Payments made by associated undertakings on behalf of the company	213,322	11,548,817

34. NUMBER OF EMPLOYEES

<u>332</u>	<u>292</u>
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35. GENERAL

35.1 Figures of the previous year have been rearranged, wherever considered necessary, for the purposes of comparison.

35.2 Figures have been rounded off to the nearest rupee.

Chief Executive

Director



**TELECARD LIMITED
PATTERN OF HOLDING OF SHARES HELD BY THE SHAREHOLDERS
AS AT JUNE 30, 2001.**

NO. OF SHAREHOLDERS	FROM	SHAREHOLDING TO	TOTAL SHARES HELD
35	1	100	3,500
127	101	500	56,500
96	501	1000	95,600
2	1001	5000	6,200
3	5001	10000	25,100
2	10001	15000	26,800
1	15001	20000	16,300
1	30001	35000	34,500
2	45001	50000	100,000
1	55001	60000	55,950
1	85001	90000	90,000
1	115001	120000	120,000
1	125001	130000	130,000
3	135001	140000	418,000
1	295001	300000	300,000
1	1285001	1290000	1,289,050
1	1495001	1500000	1,500,000
1	2450001	2455000	2,450,900
1	3655001	3660000	3,660,000
1	14620001	14625000	14,621,600
282			25,000,000

**TELECARD LIMITED
CATEGORIES OF SHAREHOLDERS
AS AT JUNE 30, 2001.**

CATEGORIES OF SHAREHOLDERS	NUMBER	SHARES HELD	PERCENTAGE
1. Joint Stock Companies	6	7,716,750	30.87
2. Financial Institutions	0	0	0.00
3. Central Depository Company	1	14,621,600	58.49
4. Modarba Companies	0	0	0.00
5. Insurance Companies	0	0	0.00
6. Investment Companies	2	34,600	0.14
7. Individuals	267	1,003,150	4.01
8. Associated Companies	0	0	0.00
9. Foreign Investors	6	1,623,900	6.50
10. Others	0	0	0.00
	282	25,000,000	100.00



PROXY FORM 8TH ANNUAL GENERAL MEETING

**The Secretary
Telecard Ltd.
75-East Blue Area,
Fazal-ul-Haq Road,
Islamabad.**

I/We _____

of _____

being a member of Telecard Limited hereby appoint _____

of _____

or failing him/her _____

as my/our proxy in my/our absence to attend and vote for me/us and on my/our behalf at the 8th Annual General Meeting of the Company to be held on Monday December 31st, 2001 and at any adjournment thereof.

As witness my hand this _____ day of _____ 2001

Signed by the said _____

in the presence of _____

Witness

Signature on
Revenue stamp of
appropriate value

(Signature should agree with
the Specimen signature
registered with the Company)

Notes:

1. A member entitled to attend and vote at a General Meeting is entitled to appoint a Proxy to attend and vote instead of him/her.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorized in writing. A proxy need not be a Member of the Company.
3. The instrument appointing a proxy, together with the Power of Attorney, if any, under which it is signed or a notarially certified copy thereof, should be deposited at the Registered Office not less than 48 hours before the time of the meeting.

