



Our Vision

‘To be the quality telecommunications service provider of choice using sound business practices while enhancing the quality of life of the community and providing a strong return for our stakeholders’

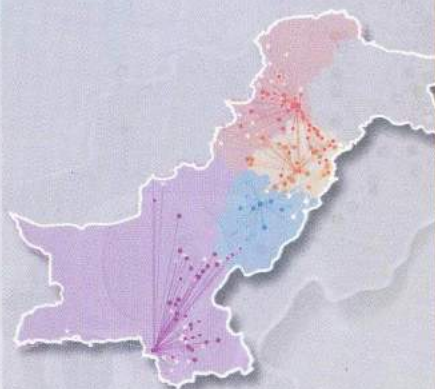
Our Mission



Our goal is to be the leading telecommunication service provider in the market and to make Telecard a name, which inspires pride and confidence. We will achieve our goal by:

- Making this company a customer driven organization providing quality telecommunication products and services which meet and exceed customer expectations.
- Valuing our employees and providing a satisfying, challenging and rewarding work environment.
- Maintaining mutually beneficial relations with our business partners.
- We instill pride of ownership and we are a financially rewarding investment for stakeholders.
- We are an exemplary corporate citizen which adds value to the community.

Our Strategy



to be everywhere
for everyone



To leverage our strong position in Pakistan's telecommunication sector and to be the first choice of the people.



Relationships

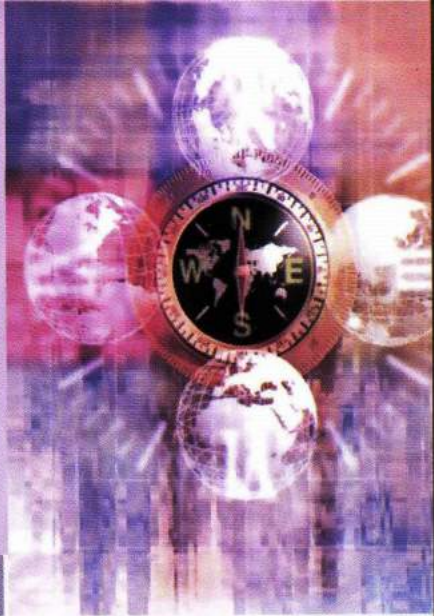
Within Reach

At Telecard, life revolves around a single goal, to bring people closer. We believe communication is the expression of life and we work endlessly to make it possible.

Telecard began its journey from a convenience-driven concept of the country's first every payphone operation. Over the years, through a synergy of a dedicated team, cutting edge technologies and uncompromised value, it has become an important part of every other Pakistani individual. Our products and services are entirely about providing effective communication with better connectivity whether it is voice or data.

Today, Telecard is a name that has become synonymous with a complete communication solution provider. We believe in eradicating hurdles to convenient communication, every step of the way. We envision a fast-paced, growing and a much more integrated society. We aim to strengthen our ties and create a world where distance has no meaning.

Growth Drivers

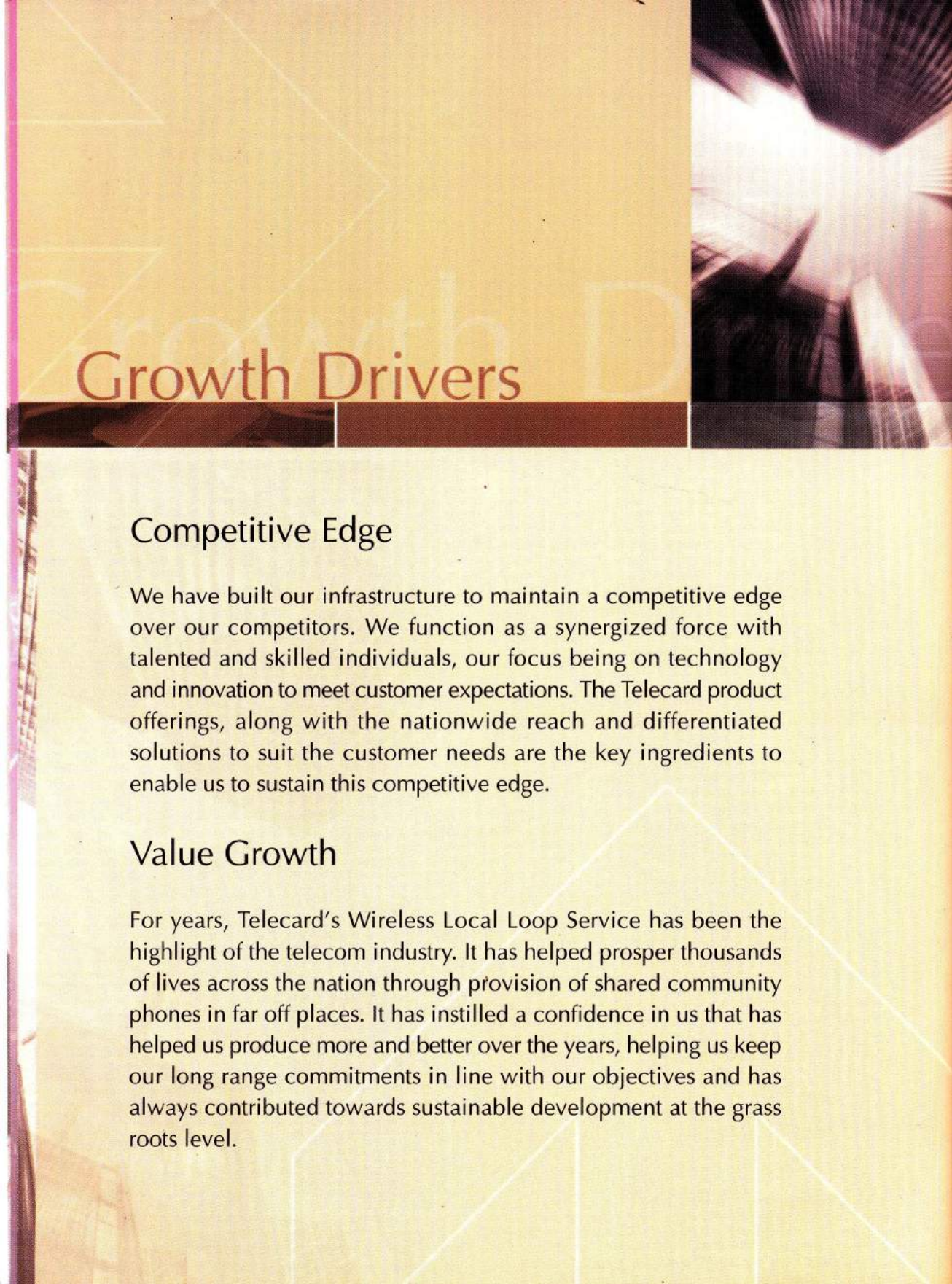


Strategic Direction

Our focus is to maintain our credibility through performance and reinforcing trust through consistency and strong business acumen. Telecard Limited aims to sustain its leadership position in the industry and become a dominant player in the telecom sector.

"First to Market"

We drive ourselves to deliver exciting opportunities by vigorously pursuing timelines that ensures our position as the "first to market" operator in almost all sectors of the telecom industry. We are constantly driven to create value for our service through operational excellence, cost effectiveness, capital discipline and personal accountability.



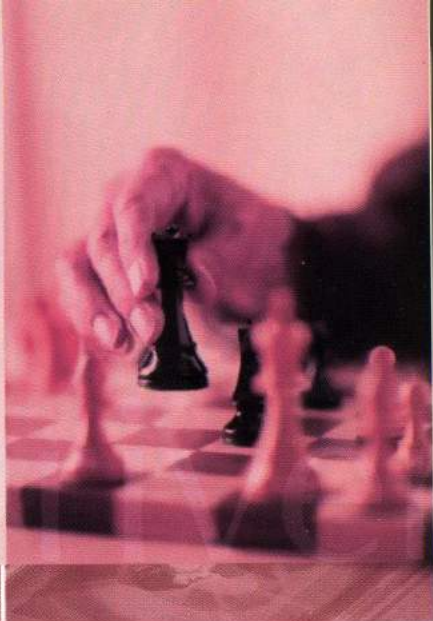
Growth Drivers

Competitive Edge

We have built our infrastructure to maintain a competitive edge over our competitors. We function as a synergized force with talented and skilled individuals, our focus being on technology and innovation to meet customer expectations. The Telecard product offerings, along with the nationwide reach and differentiated solutions to suit the customer needs are the key ingredients to enable us to sustain this competitive edge.

Value Growth

For years, Telecard's Wireless Local Loop Service has been the highlight of the telecom industry. It has helped prosper thousands of lives across the nation through provision of shared community phones in far off places. It has instilled a confidence in us that has helped us produce more and better over the years, helping us keep our long range commitments in line with our objectives and has always contributed towards sustainable development at the grass roots level.



Growth Drivers

Our Strategy in Action

We believe in constantly adding value to our dynamic portfolio. Telecard has launched a nationwide Wireless Local Loop Service based upon CDMA2000 1x technology that provide a unique combination of voice and data/internet for the first time in Pakistan.

We have partnered with a diverse set of organizations throughout the world to facilitate our Long Distance and International Calling Service. These partners include major international and regional carriers of repute.

Futuristic Approach

As part of our strategy for sustained growth, we believe in increased investment on training and development, human resource management as well as market research to keep ourselves abreast of the latest technologies and its applications. We envision ourselves as the leading Telecom Service Provider of choice and be a necessary element of every individual, household, and enterprise.

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Company Information:

Board of Directors

Mr. Sultan ul Arfeen (Chairman)
Mr. Shahid Firoz
Mr. Shams ul Arfeen
Syed Aamir Hussain (CEO)
Mr. Tipu Saeed Khan
Mr. Hissan ul Arfeen
Mr. Waseem Ahmad

Board Audit Committee

Mr. Sultan ul Arfeen (Chairman)
Mr. Shahid Firoz
Mr. Shams ul Arfeen

Human Resource & Remuneration Committee

Mr. Shahid Firoz (Chairman)
Mr. Shams ul Arfeen
Syed Aamir Hussain

Chief Executive Officer

Syed Aamir Hussain

Legal Advisor

Mohsin Tayebaly & Co.

Chief Financial Officer

Mr. Tipu Saeed Khan

Auditors

Parker Randall-A.J.S
901, QM House, Ellender Road, Karachi

Company Secretary

Mr. Waseem Ahmad

Bank

KASB Bank Limited
Standard Chartered Bank (Pakistan) Ltd
Deutsche Bank - AG
Faysal Bank Limited
National Bank of Pakistan
Silk Bank Limited
Summit Bank Limited

Registrar and Share Transfer Office

Jwaffs Registrar Services Pvt Ltd.
505 5th Floor, Kashif Centre,
Near Hotel Mehran Main Shahra-e- Faisal Karachi

Registered Office

3rd Floor, World Trade Centre, 75 East Blue Area
Fazal ul Haq Road, Islamabad, Pakistan

Corporate Office

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

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 21st Annual General Meeting of the shareholders of the Company will be held on 30 October 2014 at 1100 hours, at 3rd Floor, 75 East Blue Area, Fazal-ul-Haq Road, Islamabad to transact the following business.

Ordinary Business

1. To confirm the minutes of the last Annual General Meeting on 31 October 2013.
2. To receive, consider and adopt Annual Audited Financial Statement of the Company together with the Directors and the Auditors' report thereon for the year ended June 30 2014, together with the Audited Consolidated Financial Statements of the Company and the Auditors' report thereon for the year ended June 30 2014.
3. To appoint external auditors of the Company for the year ended June 30 2015 and fix their remuneration. Present Auditors M/s Parker Randall-A.J.S., Chartered Accountants are retiring and being eligible offer themselves for reappointment.
4. To transact any other business with the permission of the Chair.

By order of the Board

Waseem Ahmad
Company Secretary

Notes 09 October 2014

1. The Members Register will remain closed from the 24 October 2014 to 30 October 2014 (both days inclusive). Transfer received in order by Shares Registrar, Jwaffs Registrar Services (Pvt.) Limited, 505, 5th Floor, Kashif Centre, Near Hotel Mehran, Main Shahrah-e-Faisal Karachi by the close of business on 23 October 2014 will be considered in time for attending the meeting.
2. A member of the Company entitled to attend and vote at the meeting may appoint a proxy to attend and vote instead of him/her. Proxies in-order must be received, during business hours, at the Registered Office of the Company not less than 48 hours before the time of the Meeting.
3. Shareholders whose shares are deposited with Central Depository Company (CDC) are requested to bring their Computerized National Identity Cards (CNIC) along with their CDC Account Number for verification. In case of corporate entity, the Board of Directors resolution/power of attorney with specimen signatures of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.
4. For attending the meeting and appointing proxies CDC account holder will further have to follow the guidelines as laid down in Circular 01 dated 26 January 2000 issued by the SECP.
5. Shareholders are requested to notify the Registrar as aforesaid of any change in their address.
6. Members who are holding share in physical folios are requested to submit a copy of their CNIC at the office of our Registrar.

DIRECTORS' REPORT

The Directors of Telecard Limited are pleased to present the Annual Report and the audited financial statements of the Company for the year ended 30 June 2014.

Review and Current Operations

The revenue for the year was Rs. 1.609 billion compared to Rs. 1.820 billion for the corresponding financial year. The decrease is attributable to decline in international traffic minutes pertaining to the Long Distance and International segment of the Company. The decrease in the Direct Cost of the Company resulting from the reduced interconnect charges has strengthened the financial position of the Company. Consequently, the Company has posted a Gross Profit of Rs. 658 million against a Gross profit of Rs. 597 million in 2013.

The administrative and distribution cost further declined by 3% as compared to a 2% decrease in the corresponding financial year. This year, the Company has written back liabilities of Rs. 459 million and made provisions against other receivables as doubtful to the sum of Rs. 517 million. The Operating Profit increased to Rs. 289 million against an Operating Loss of Rs. 484 million in the corresponding time frame. The Finance Cost remained at a reduced level of 201 million against 228 million for the comparative year. The Net Profit for the Company was Rs. 69 million, compared to the loss of Rs. 457 million in the preceding time frame. Earnings per share for the year were Rs. 0.23 compared to loss per share of Rs. 1.52 in 2013.

On a consolidated basis the total revenue was Rs. 2.862 billion compared to Rs. 2.941 in the preceding financial year resulting in net profit of Rs. 157.406 million with a net loss of Rs. 453.440 million in the comparative time frame.

Corporate Strategy and Future Outlook

Within the last few years owing to intense competition in the telecom industry, your Company has made inroads in the segments namely the Enterprise Sales (ES) and Micro Business (MB). The Company is pleased to report that it has made 66% growth on a year-on-year basis in the MB segment along with an escalation of 30% in the domain of ES. These will remain the focus of the Company in the next 12-24 months.

Efforts are underway to aggressively addressing cost reductions, including considerable restructuring around outsourcing and controlled headcount. The business will continue its focus on delivering value to its stakeholders through a much leaner organization.

Term Finance Certificate

Your Company struggled to redeem the overdue TFC installments, due to decrease in revenue stream from LDI. Nonetheless, the Company is trying its level best to make the outstanding payments in the shortest possible time.

Subsidiary Company

Supernet Limited performance was consistent during 2014. It posted total revenue of Rs. 1.348 billion as compared to Rs. 1.21 billion in 2013. Net profit stood at Rs. 90.96 million for the year increased by 514% in comparison with preceding year's profit of Rs. 14.81 million owing to increase on account of Other Income. In the third year of operations, Telecard E Solutions (Pvt.) Limited posted revenue of Rs. 28 million and Gross profit of Rs. 9.7 million in comparison to the revenue of Rs. 33 million and Gross Profit of Rs. 14 million last year, respectively. Telegateway Limited in the second year of its operations has posted revenue of Rs. 29 million as against Rs. 24 million last financial year and Gross Profit of Rs. 8.9 million against Gross Profit of Rs. 6.8 million last year. Other subsidiaries namely Telecard Asia (UK) Limited, Nexus Communication (Pvt) Limited, Globetech Communication (Pvt) Limited, Glitz Communication (Pvt) Limited have yet to start their operations.

Transfer Pricing

The Company has fully complied with the best practices on transfer pricing as contained in the listing regulations of the Stock Exchange.

Directors Declaration on Corporate and Financial Reporting Framework

The Directors confirm compliance with the corporate and financial framework of the Code of Corporate Governance for the following:

- i) The financial statements prepared by the management of Telecard Limited presents fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- ii) Proper books of accounts of Telecard Limited have been maintained.
- iii) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- iv) International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
- v) The system of internal control is sound in design and has been effectively implemented and monitored.
- vi) There is no doubt at all upon Telecard's ability to continue as a going concern.
- vii) The values of investments in employee retirement funds based on the unaudited accounts as of June 30, 2014 is Rs 40.707 million of Staff Provident Fund.
- viii) There has been no material departure from the best practices of Corporate Governance as detailed in the listing Regulations.

Other Information

- i) Key operating and financial data for the last six years in summarized form is given on page 15.
- ii) There are no statutory payments on account of taxes, duties, levies and charges, which are outstanding and have not been disclosed in the Financial Statements.

During the year, six (6) Boards of Directors meetings were held and attended as follows:

Name of Directors	No. of Meetings Attended
Sultan ul Arfeen	6
Shams ul Arfeen	6
Shahid Firoz	5
Syed Aamir Hussain	6
Hissan ul Arfeen	4
Tipu Saeed Khan	6
Waseem Ahmad	5

Consolidated Financial Statements

Consolidated Financial Statements of the Company as on 30 June 2014 are annexed.

Auditors

The present auditors, Parker Randall-A.J.S. Chartered Accountants, retire and being eligible, offer themselves for re-appointment.

Dividends

In view of the challenges ahead, the Company has decided to retain its earnings and hence no dividend has been declared.

Pattern of Shareholding

The pattern of shareholding as on 30 June 2014 is annexed to this report.

Staff

We would like to put on record the appreciation for all staff whose dedication and commitment continue to be real asset for your Company. We sincerely thank them for their untiring effort throughout the year, and value their association.

On behalf of the Board



Syed Aamir Hussain
Chief Executive Officer

Six Year Financial Summary

Financial Analysis

	June 2014 Rupees in '000'	June 2013 Rupees in '000' (Restated)	June 2012 Rupees in '000'	June 2011 Rupees in '000'	June 2010 Rupees in '000'	June 2009 Rupees in '000'
REVENUE- Net	1,609,679	1,820,203	1,436,288	1,651,617	2,444,502	3,791,473
Direct Cost	(951,434)	(1,223,569)	(1,652,677)	(1,480,673)	(1,774,849)	(2,506,398)
Gross Profit / (Loss)	658,245	596,634	(216,389)	170,944	669,653	1,285,075
Administrative and selling expenses	(396,294)	(410,425)	(419,630)	(392,128)	(491,129)	(622,784)
Other operating expenses	(2,678)	(24,684)	(20,203)	(3,298)	(58,848)	(39,748)
Provision for impairment in the value of investment & for other receivables	(516,942)	(680,630)	-	-	-	-
Other income	546,831	34,868	44,646	619,000	132,684	69,992
Gain on sale of intangible asset	-	-	-	-	1,478,758	-
	369,083	1,080,871	(395,287)	(223,574)	1,061,465	(592,540)
Operating Profit/(Loss)	289,162	(484,237)	(611,676)	394,518	1,731,118	692,535
Financial costs	(200,996)	(228,311)	(274,947)	(284,159)	(530,449)	(580,719)
Profit/ (Loss) before taxation	88,166	(712,548)	(886,623)	110,359	1,200,669	111,816
Taxation	(18,797)	255,682	277,643	(35,949)	(502,207)	(56,641)
Profit/ (Loss) after taxation	69,369	(456,866)	(608,980)	74,410	698,462	55,175
Accumulated Profit / (Loss) b/f	(620,448)	(163,582)	445,398	400,988	(297,474)	(352,648)
	(551,079)	(620,448)	(163,582)	475,398	400,988	(297,474)
Final dividends @ Rs. 0.10 per Ordinary Share of Rs. 10 each for the year ended June 30, 2010	-	-	-	30,000	-	-
	(551,079)	(620,448)	(163,582)	445,398	400,988	(297,474)
Earning (Loss) / per share (Rupees)	0.23	(1.52)	2.03	0.25	2.33	(0.18)

Statement of Compliance with Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance contained in the listing regulations of Karachi and Islamabad Stock Exchange(s) for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code of Corporate Governance in the following manner:

1. The Company encourages representation of independent non-executive directors on its Board. At present the Board includes:

Category	Names
Non-Executive Director	Mr. Sultan ul Arfeen
	Mr. Shahid Firoz
	Mr. Shams ul Arfeen
	Mr. Hissan ul Arfeen
Executive Director	Syed Aamir Hussain
	Mr. Tipu Saeed Khan
	Mr. Waseem Ahmad

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to banking company, a DFI or an NBFI or, being a member of Stock Exchange, has been declared as defaulter by that Stock Exchange.
4. No casual vacancy occurred during the year.
5. The Company has prepared a 'Code of Conduct' and has ensured that appropriate steps have been taken to disseminate it through the company along with its supporting policies and procedure.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the Board met at least once every quarter. Written notices of the Board meetings, along with agenda and working papers were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The company arranged a training/orientation course for its directors to apprise them of their duties and responsibilities, and subsequent to the balance sheet date, below mentioned are the directors who have attended the training and are now certified directors:

Institute	Director Name
Institute of Chartered Accountants of Pakistan	Mr. Hissan ul Arfeen
	Mr. Waseem Ahmad

10. No new appointments of the Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit were made during the year. However, any changes to the remuneration, terms and conditions of the employment of CFO, Company Secretary and Head of Internal Audit have been determined by the CEO through Human Resource & Remuneration Committee, with the approval of the Board of Directors.
11. The directors' report for the year has been prepared in compliance with requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO, before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding
14. The company has complied with all the corporate and financial reporting requirements of CCG.
15. The Board has formed an Audit Committee comprising of non-executive directors. Chairman of the committee is also the Chairman of the Board of Directors.
16. The meetings of the Audit Committees were held at least once every quarter prior to approval of interim and final results of the Company, and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has formed an HR Committee. It comprises of three members; two of them are non-executive directors and the Chairman of the committee is a non executive director.
18. The Board has set up an effective internal audit function.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of internal/final results, and business decisions, which may materially affect the market price of the company's securities, was determined and intimated to directors, employees and stock exchange (s).
22. We confirm that all other material principles contained in the Code have been complied with.



Syed Aamir Hussain
Chief Executive Officer

29 September, 2014



Parker Randall-A.J.S.

CHARTERED ACCOUNTANTS

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REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **Telecard Limited** (the Company) for the year ended June 30, 2014 to comply with the Listing Regulation no. 35 of the Karachi Stock Exchange where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code require the Company to place before the Audit Committee and upon recommendation of the Audit Committee, place before the Board of Directors for the review and approval its related party transactions, distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors upon recommendation for the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code, as applicable to the Company for the year ended 30 June 2014.

Further we highlight below instances of non-compliances with the requirements of the Code as reflected in paragraphs 1 & 15 where these are stated in the Statement of Compliance.

- Paragraph 1 which describes the Board of Directors does not comprise of atleast one independent director; and
- Paragraph 15 which describes that the Chairman of Audit Committee is non-executive director as no independent director is on the Board.

Our conclusion is not qualified in respect of the above matters.

Chartered Accountants
02 October 2014
Karachi



Parker Randall-A.J.S.

CHARTERED ACCOUNTANTS

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URL: www.parkerandall.com
(R) : www.parkerandall.com
CPA/Chartered Accountant, Registered Auditor

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Telecard Limited (the Company) as at 30 June 2014 and the related profit and loss account, statement of comprehensive income, 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 account 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, statement of comprehensive income, 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 30 June 2014 and of the profit, its comprehensive income, cash flows and changes in equity for the year then ended; and
- (d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).



Parker Randall-A.J.S.

CHARTERED ACCOUNTANTS

Parker Randall
Parker Randall Karachi Office
No. 192, 2nd Floor, Al-Farooq
Road, Durrani Chowk
P.O. Box 1000, Durrani
P.O. Box 1000, Durrani
P.O. Box 1000, Durrani
P.O. Box 1000, Durrani
P.O. Box 1000, Durrani

We further draw attention to the contents of:

- i) notes 14.2(a) to the accompanying financial statements in respect of the lawsuit filed by the Company during the year ended 30 June 2000 in the High Court of Sindh with regard to the recovery of Karachi Relief Rebate, interconnect discount and other related amounts from Pakistan Telecommunication Company Limited, pending a final decision no provision has been made in the accompanying financial statements for any amount that may not be recoverable;
- ii) note 14.2(b) to the accompanying financial statements with regard to a lawsuit filed by the PTCL against the Company during the year ended 30 June 2002. Pending a final decision, the Company has not made any provision in the accompanying financial statements for the amount claimed by the PTCL;
- iii) note 14.6 to the accompanying financial statements in respect of the Pakistan Telecommunication Authority's claim for Access Promotion Contribution for Universal Service Fund. Pending a final decision by the Supreme Court of Pakistan, no provision has been made for the remaining sum of Rs.2,436.182 million in the accompanying financial statements;
- iv) notes 29.1 to 29.12 to the accompanying financial statements in respect of contingencies the ultimate outcome of which cannot presently be determined and, hence, pending the resolution thereof, no provision has been made in the accompanying financial statements for any liability that may arise there from;

Our opinion is not qualified in respect of the above matters.

Parker Randall A.J.S.

Chartered Accountants

Audit Engagement Partner: Muhammad Shabbir Kasbati

Date: 02 October 2014

Place: Karachi

BALANCE SHEET AS AT JUNE 30, 2014

	Note	June 30, 2014	June 30, 2013
		----- (Rupees in '000') -----	
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Property, plant and equipment	5	1,075,209	1,378,475
Intangible assets	6	1,815,292	1,996,809
		<u>2,890,501</u>	<u>3,375,284</u>
Long-term investments	7	341,437	341,137
Long-term deposits	8	56,052	53,456
Deferred taxation	9	363,972	366,672
		<u>3,651,962</u>	<u>4,136,549</u>
CURRENT ASSETS			
Stock-in-trade		302	628
Trade debts	10	111,465	224,153
Loans and advances	11	20,901	20,635
Deposits and prepayments	12	112,253	99,729
Accrued mark-up	13	29,526	69,462
Other receivables	14	2,778,395	3,475,933
Taxation – net	15	104,117	95,019
Bank balances	16	307,294	22,826
		<u>3,464,253</u>	<u>4,008,385</u>
TOTAL ASSETS		<u>7,116,215</u>	<u>8,144,934</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital			
400,000,000 (2013: 400,000,000) Ordinary shares of Rs.10/- each		4,000,000	4,000,000
Issued, subscribed and paid-up	17	3,000,000	3,000,000
Unappropriated loss		<u>(551,079)</u>	<u>(620,448)</u>
		<u>2,448,921</u>	<u>2,379,552</u>
NON-CURRENT LIABILITIES			
Long-term loans	18	61,875	154,104
Advance from a subsidiary	19	96,753	97,482
Redeemable capital	20	-	520,380
Advance from a Contractor	21	424,915	835,687
Long-term deposits	22	52,385	63,611
Deferred liabilities	23	1,590,341	1,593,626
Accrued mark-up		-	45,881
		<u>2,226,269</u>	<u>3,310,771</u>
CURRENT LIABILITIES			
Trade and other payables	24	1,000,701	1,403,399
Accrued interest / mark-up	25	281,201	265,262
Short-term running finances	26	168,821	190,621
Short-term borrowing	27	93,757	170,871
Current maturities of long-term liabilities	28	896,545	424,458
		<u>2,441,025</u>	<u>2,454,611</u>
Contingencies & commitments	29	-	-
TOTAL EQUITY AND LIABILITIES		<u>7,116,215</u>	<u>8,144,934</u>

The annexed notes from 1 to 47 form an integral part of these financial statements.


Chief Executive


Director

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2014

	Note	June 30, 2014 ----- (Rupees in '000') -----	June 30, 2013 ----- (Rupees in '000') -----
Revenue – net	30	1,609,679	(Restated) 1,820,203
Direct costs	31	951,434	1,223,569
Gross profit		658,245	596,634
Distribution costs & administrative expenses	32	396,294	410,425
Other operating expenses	33	2,678	24,684
Provision for impairment in the value of investment & for other receivables	34	516,942	680,630
		915,914	1,115,739
Other income	35	(546,831)	(34,868)
		369,083	1,080,871
Operating profit/(loss)		289,162	(484,237)
Finance costs	36	200,996	228,311
Profit/(Loss) before taxation		88,166	(712,548)
Taxation	37	(18,797)	255,682
Net profit/(loss) for the year		69,369	(456,866)
Earnings/(loss) per share - basic & diluted - (Rupees)	38	0.23	(1.52)

The annexed notes from 1 to 47 form an integral part of these financial statements.



Chief Executive



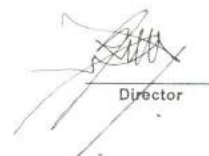
Director

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2014

	June 30, 2014	June 30, 2013
	----- (Rupees in '000') -----	
Net profit/(loss) for the year	69,369	(456,866)
Other comprehensive income	-	-
Total comprehensive income/(loss)	69,369	(456,866)

The annexed notes from 1 to 47 form an integral part of these financial statements.


Chief Executive


Director

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2014

	Note	June 30, 2014	June 30, 2013
		----- (Rupees in '000') -----	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	39	842,338	311,396
Income tax paid		(25,195)	(10,445)
Finance costs paid		(172,781)	(146,206)
Retirement benefits paid		(4,138)	(4,112)
Long-term loans		-	25
Liability for long-term deposits		(11,226)	1,874
Long-term deposits		(2,596)	(181)
Net cash generated from operating activities		626,402	152,351
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(26,351)	(9,437)
Dividend income received		-	9,017
Long-term investments		(300)	-
Proceeds from disposal of property, plant and equipment		4,683	1,400
Net cash (used in) / flow investing activities		(21,968)	980
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of redeemable capital		(88,425)	(425)
Advance from a contractor		(25,999)	(60,495)
Advance from a subsidiary		(45,531)	(27,792)
Repayment of long-term finances		(61,097)	(98,500)
(Repayment)/proceed from short-term borrowings		(77,114)	98,500
Repayment of short-term running finances		(21,800)	(34,234)
Repayment of obligations under finance lease		-	(13,158)
Net cash used in financing activities		(319,966)	(136,104)
Net increase in cash and cash equivalents		284,468	17,227
Cash and cash equivalents at the beginning of the year		22,826	5,599
Cash and cash equivalents at the end of the year	16	307,294	22,826

The annexed notes from 1 to 47 form an integral part of these financial statements.


Chief Executive

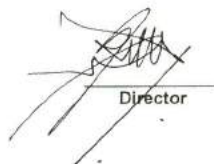

Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2014

	Issued, subscribed paid-up capital	Un- appropriated loss	Total
	----- (Rupees in '000') -----		
Balance as at June 30, 2012	3,000,000	(163,582)	2,836,418
Net loss for the year	-	(456,866)	(456,866)
Other comprehensive income	-	-	-
Total comprehensive loss	-	(456,866)	(456,866)
Balance as at June 30, 2013	3,000,000	(620,448)	2,379,552
Net profit for the year	-	69,369	69,369
Other comprehensive income	-	-	-
Total comprehensive income	-	69,369	69,369
Balance as at June 30, 2014	3,000,000	(551,079)	2,448,921

The annexed notes from 1 to 47 form an integral part of these financial statements.


Chief Executive


Director

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**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. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

These are the separate financial statements of Company in which investment in subsidiaries are reported on the basis of direct equity interest and are not consolidated.

3. BASIS OF PREPARATION

These financial statements have been prepared under the historical cost convention except for certain employees' benefits and liabilities which have been carried at present value (note 23).

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**4.1 Standards, interpretations and amendments to published approved accounting standards that are not yet effective and have not been early adopted by the Company.**

The following revised standards and interpretations with respect to approved accounting standards would be effective from the dates mentioned below against the respective standards or interpretations:

Standard or interpretation	Effective date (accounting periods beginning on or after)
IFRS 10 Consolidated Financial Statements	January 01, 2015
IFRS 11 Joint Arrangements	January 01, 2015
IFRS 12 Disclosure of Interests in Other Entities	January 01, 2015
IFRS 13 Fair Values Measurements	January 01, 2015
IAS 16 & 38 Clarification of Acceptable Method of Depreciation and Amorization	January 01, 2016
IAS 19 Employee Contributions	January 01, 2014
IAS 32 Offsetting Financial Assets and Financial Liabilities (Amendment)	January 01, 2014
IAS 36 Recoverable Amount for Non-Financial Assets (Amendment)	January 01, 2014
IAS 39 Novation of Derivatives and Continuation of Hedge Accounting (Amendment)	January 01, 2014

The Company expects that, the adoption of the above revisions and amendments of the standards will not affect the Company's financial statements in the period of initial application.

In addition to the above amendments, improvements to various accounting standards have also been issued by the IASB. Such improvement are generally effective for accounting periods beginning on or after January 01, 2014. The Company expects that such improvements to the standards will not have any impact on the Company's financial statements in the period of initial application.

Further, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standards	IASB effective date (accounting periods beginning on or after)
IFRS 1 First-time Adoption of International Financial Reporting Standards	January 01, 2009
IFRS 9 Financial Instruments: Classification and Measurement	January 01, 2018
IFRS 14 Regulatory Deferral Accounts	January 01, 2016
IFRS 15 Revenue from Contracts with Customers	January 01, 2017
IFRIC 21 Levies	January 01, 2014

The following interpretations issued by the IASB have been waived off by the SECP, effective January 16, 2012:

IFRIC 4 Determining Whether an Arrangement Contains a Lease
IFRIC 12 Service Concession Arrangement

4.2 Standards, amendments and interpretations adopted during the year

The Company has adopted the following revised standard amendments and interpretation of IFRSs which become effective during the year.

IAS 19 Employee Benefits (Revised)
IFRS 7 Financial instruments: Disclosures (Amendments)
Amendments Enhancing Disclosures About Offsetting of Financial Assets and Financial Liabilities.

Improvements to accounting standards issued by the IASB

IAS 1 Presentation of Financial Statements - Clarification of the Requirements for Comparative Information
IAS 16 Property, Plant and Equipment - Classification of Servicing Equipment
IAS 32 Financial Instruments: Presentation - Tax Effects of Distribution to Holders of Equity Instruments
IAS 34 Interim Financial Reporting - Interim Financial Reporting and Segment Information for Total Assets and Liabilities

The adoption of the above amendments, revisions, improvements to accounting standards and interpretations did not have any material effect on the financial statements of the Company.

4.3 Significant accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgments in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions in accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In the process of applying the Company's accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

	Note
Determining the residual values and useful lives of fixed assets Impairment of;	4.4, 5 & 6
> Fixed assets	4.4, 5 & 6
> Long term investments	4.5 & 7
> Trade debts and other receivable	4.7, 10 & 14
Accounting for staff retirement benefits	4.14 & 23.1
Recognition of tax and deferred tax	4.15, 9, 15 & 37
Advance from contractor	21.2

4.4 Fixed assets**4.4.1 Property, plant and equipment****Owned**

These are stated at cost less accumulated depreciation and impairment, if any, except for freehold land, which is stated at cost.

Depreciation is charged to income applying the straight-line method whereby the cost of an asset is written off over its estimated useful life. The rates used are stated in note 5.1 to the financial statements.

In respect of additions and deletions of assets during the year, depreciation is charged for the month of acquisition and up to the month preceding the deletion, respectively.

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are charged to statement of comprehensive income.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is recognized, except for gain on sale and leaseback transactions, which is deferred and amortized over the lease term of the asset.

The assets' residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each financial year end.

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

Leased

Assets held under finance leases are initially recorded at the lower of the present value of minimum lease payments under the lease agreements and the fair value of the leased assets. The related obligations under the leases less financial charges allocated to future periods are shown as a liability.

The financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of interest on the outstanding liability.

Depreciation is charged at the same rates as charged on the Company's owned assets.

Capital work-in-progress

Capital work-in-progress is stated at cost less impairment in value, if any. It consists of expenditure incurred and advances made in respect of fixed assets in the course of their erection, installation and acquisition.

4.4.2 Intangible assets

The costs of licenses and spectrums to provide telecommunication services are classified as intangible assets. These are stated at cost less accumulated amortization and impairment, if any. These are amortized over the period of licenses commencing from the date when the license is available for intended use i.e. the date when it is in the condition necessary for it to be capable of operating in the manner intended by the management.

4.4.3 Impairment

The carrying values of the Company's assets are reviewed for impairment at each reporting date when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

4.5 Investments

Subsidiary companies

Investment in a Subsidiary Companies are stated at cost less impairment, if any. An assessment is made at each balance sheet date to determine whether there is any indication that an investment may be impaired. If such indication exists, the estimated recoverable amount of the investment is determined and any impairment loss is recognized for the difference between the recoverable amount and the carrying value.

Available for sale

These are initially measured at fair value plus directly attributable transaction costs and are subsequently for -sale reserve until (i) the investment is derecognized, at which time the cumulative gain or loss is recognized in the profit and loss account, or (ii) determined to be impaired, at which time the cumulative loss is recognized in the profit and loss account.

For investments traded in active market, fair value is determined by reference to quoted market price and the investments for which quoted market is not available, or the fair value cannot be reasonably calculated, are measured at cost, subject to impairment review at each balance sheet date.

4.6 Stock in trade

Stock in trade comprise of voice communication cards. 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 up to the balance sheet date.

Net realizable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale.

4.7 Trade debts and other receivables

These are recognized and carried at original invoice amount less an allowance for any uncollectible amounts, if any. An estimate for doubtful debts is made when collection of the amount is no longer probable. Bad debts are written-off when identified.

4.8 Loans, advances and deposits

These are recognized at cost, which is the fair value of the consideration given. However, an assessment is made at each balance sheet date to determine whether there is an indication that a financial asset or group of assets may be impaired. If such indication exists, the estimated recoverable amount of that asset is determined and any impairment loss is recognized for the difference between the recoverable amount and the carrying value.

4.9 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash and cheques in hand, balances with banks and short-term investments, if any.

4.10 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Company.

4.11 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

4.12 Financial instruments

All the financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized at the time when the Company loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognized at the time when they are extinguished i.e., when the obligation specified in the contract is discharged, cancelled or expired. Any gains or losses on derecognition of financial assets and financial liabilities are taken to profit and loss account currently.

4.13 Offsetting financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet, if the Company has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

4.14 Employees' benefits**Gratuity fund**

The Company operates an unfunded gratuity scheme for its employees under "Workmen Category". Provision is made annually, to cover obligations under the plan, by way of a charge to profit and loss account, calculated in accordance with the actuarial valuation using "Projected Unit Credit Method". Actuarial gains or losses are recognized over the expected average remaining working lives of the employees participating in the plan.

Provident fund

The Company operates a recognized provident fund scheme for its employees. Equal monthly contributions are made, both by the Company and the employees, to the fund at the rate of 8.33% of basic salary.

Compensated absences

The Company accounts for these benefits in the period in which the absences are earned. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

4.15 Taxation**Current**

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and tax rebates available, if any, in accordance with the Income Tax Ordinance, 2001. The tax charge as calculated above is compared with turnover tax under Section 113 of the Income Tax Ordinance, 2001, and whichever is higher is provided in the financial statements.

Deferred

Deferred tax is recognized, using the liability method, on all major temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the assets can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

4.16 Foreign currency translation

The financial statements are presented in Pak Rupee, which is the Company's functional and presentation currency. Foreign currency transactions during the year are recorded at the exchange rates approximating those ruling on the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the spot rates of exchange prevailing on the balance sheet date. Non-monetary assets and liabilities are measured using exchange rates that existed when the values were determined. All differences are taken to the profit and loss account.

4.17 Borrowing costs

Finance costs incurred to finance the acquisition of various licenses from Pakistan Telecommunication Authority (PTA) and the construction and installation of network assets are capitalized up to the time such assets get ready for intended use. All other borrowing costs are recognized as expense in the period in which they are incurred.

4.18 Revenue

Revenue from prepaid and post paid packages is recognized on accrual basis.

Revenue from connection fee is recognized on sale of connections.

Revenue from Long Distance International (LDI) license is recognized at the time the call is terminated over the Company's network in case of international incoming calls and when the calls are handed over to international operators in case of outgoing calls.

In case of sharing arrangements with local operators, proportionate share is recognized at the time of termination of calls on designated operator's network.

Return on bank balances is accrued using effective interest method.

4.19 Interconnect charges and liability

Interconnect charges on all units / credits consumed in respect of wireless payphones are booked as liability on the basis of corresponding bills from interconnect partners except for the cases where management believes, based on its information system and records, that interconnect charges are over billed by the interconnect partners, in which case the liability is recorded on the basis of the Company's information system and records.

4.20 Dividend and other appropriation of reserves

Dividends and appropriation to general reserves are recognized in the financial statements in the period in which these are approved.

5. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets
Capital work-in-progress

5.1 Operating fixed assets

	June 30, 2014	June 30, 2013
	(Rupees in '000')	
	1,071,370	900,481
	3,839	477,994
	<u>1,075,209</u>	<u>1,378,475</u>

Note	Cost			Accumulated depreciation			W.D.V.		Depreciation rate Per annum
	As at July 01, 2013	Additions/ Transfers*	(Disposal)	As at June 30, 2014	As at July 01, 2013	For the year	(On disposals) / transfers*	As at June 30, 2014	
				(Rs. in '000')					
Owned									
Freehold land	3,020	-	-	3,020	-	-	-	3,020	-
Building on freehold land	625	-	-	625	375	31	-	406	20 years
Apparatus, plant and equipment	5,648,539	8,409	-	6,134,942	4,767,483	322,316	-	5,089,799	5-33%
Sign boards	30,875	477,994*	-	30,875	30,875	-	-	30,875	25%
Furniture, fixtures and office equipment	45,551	606	-	46,157	36,599	3,044	-	39,643	10%
Computers and related accessories	63,981	3,395	-	67,376	59,751	2,841	-	62,592	33%
Vehicles	27,891	10,101	(5,006)	32,986	24,918	1,384	(5,006)	21,296	20%
June 30, 2014	5,820,482	500,505	(5,006)	6,315,981	4,920,001	329,616	(5,006)	5,244,611	

The statement of property, plant and equipment for the last year is as follows:

Note	Cost			Accumulated depreciation			W.D.V.	Depreciation rate per annum
	As at July 01, 2012	Additions/ Transfers*	As at June 30, 2013 (Disposal)	As at July 01, 2012	For the year	(On disposals) / transfers*	As at June 30, 2013	
	(Rs. in '000')							
Owned								
Freehold land	3,020	-	-	3,020	-	-	3,020	-
Building on freehold land	625	-	-	625	31	-	375	25%
Apparatus, plant and equipment	5,512,538	4,303	5,648,539	4,326,396	319,000	-	4,767,483	5-33%
		131,698*				122,087*	881,056	
Sign boards	30,875	-	-	30,875	-	-	30,875	25%
Furniture, fixtures and office equipment	45,518	33	45,551	33,485	3,114	-	36,599	10%
Computers and related accessories	60,783	3,198	63,981	56,578	3,173	-	59,751	33%
Vehicles	25,925	1,904	(1,640)	27,891	799	(1,640)	24,918	20%
	5,679,284	9,438	(1,640)	5,820,482	326,117	1,702*	6,147,303	
		133,400*				(1,640)	900,481	
Leased								
Apparatus, plant and equipment	5.1.1	131,698	-	111,121	10,966	-	-	10-33%
Vehicles		1,702	-	1,702	-	(122,087)*	-	20%
		(1,702)*				(1,702)*	-	
June 30, 2013		133,400	-	112,823	10,966	(123,789)	-	
		5,812,684	(1,640)	5,820,482	337,083	(1,640)	6,147,303	

5.1.1 The cost of fully depreciated assets as at June 30, 2014 is Rs. 3,407,923 (2013: Rs. 4,729,005) million

5.1.2 The following assets were disposed off during the year.

Description	Cost	Accumulated depreciation	W.D.V	Sale proceeds	Gain on disposal	Mode of sale	Particulars of buyer
(Rupees in '000')							
Vehicles							
Honda Civic	1,360	1,360	-	1,100	1,100	Negotiation	Muhammad Shakeel, Karachi.
Honda Civic	1,288	1,288	-	1,085	1,085	Negotiation	Kamran Zaki, Karachi.
Honda Citi	126	126	-	500	500	Negotiation	Arfeen Int. (Pvt.) Ltd., Karachi.
Honda Civic	991	991	-	900	900	Negotiation	Arfeen Int. (Pvt.) Ltd., Karachi.
Suzuki Mehran	373	373	-	260	260	Negotiation	Ahmed Qayum, Karachi.
Suzuki Alto	472	472	-	425	425	Negotiation	Waseem Mirza, Karachi.
Suzuki Bolan	396	396	-	413	413	Negotiation	Muhammad Shakeel, Karachi.
June 30, 2014	5,006	5,006	-	4,683	4,683		

Note June 30, June 30,
2014 2013
----- (Rupees in '000') -----

5.1.3 Depreciation for the year has been allocated as follows:

Direct costs	31	322,233	329,883
Distribution costs and administrative expenses	32	7,384	7,200
		<u>329,617</u>	<u>337,083</u>

Owened equipment	Advances to suppliers	Total
(Rupees in '000')		

5.2 Capital work-in-progress

As at July 01, 2013	477,994	-	477,994
Additions during the year	-	3,839	3,839
Transferred to apparants, plant & equipment	(477,994)	-	(477,994)
June 30, 2014	<u>-</u>	<u>3,839</u>	<u>3,839</u>
June 30, 2013	<u>477,994</u>	<u>-</u>	<u>477,994</u>

6. INTANGIBLE ASSETS

Note	Cost		Accumulated amortization			W.D.V. as at	Period years %
	As at July 01, 2013	Disposal during the year	As at July 01, 2013	For the year (On disposal)	As at June 30, 2014	June 30, 2014	
(Rs. in '000')							
6.1	3,345,096	-	1,365,448	179,969	-	1,799,679	16-20
6.2	29,029	-	11,868	1,548	-	15,613	18-20
June 30, 2014	<u>3,374,125</u>	<u>-</u>	<u>1,377,316</u>	<u>181,517</u>	<u>-</u>	<u>1,815,292</u>	

Note	Cost		Accumulated amortization			W.D.V. as at	Period years
	As at July 01, 2012	Disposal during the year	As at July 01, 2012	For the year	(On disposal)	June 30, 2013	
(Rs. in '000')							
6.1	3,345,096	-	1,185,479	179,969	-	1,365,448	16-20
6.2	29,029	-	10,320	1,548	-	11,868	18-20
June 30, 2013	<u>3,374,125</u>	<u>-</u>	<u>1,195,799</u>	<u>181,517</u>	<u>-</u>	<u>1,377,316</u>	<u>1,996,809</u>

6.1 These represent cost of non-exclusive licenses granted by the 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 licenses are effective for a period of 16-20 years, commencing August 04, 2004.

This also include frequency NTR-II in respect of which the Company has given an option to a telecom operator to consider acquiring the same. The amortized cost of the frequency is Rs. 18.121 million.

6.2 This represents cost of non-exclusive license granted by the PTA to the Company for providing the LDI telecommunication services in the country for an effective period 18-20 years, commencing July 27, 2004.

	Note	June 30, 2014	June 30, 2013
----- (Rupees in '000') -----			
7. LONG TERM INVESTMENT			
In a wholly owned subsidiary company - unquoted (at cost)			
Supernet Limited		340,537	340,537
38,771,690 (2013: 38,771,690) ordinary shares of Rs.10 each [breakup value: Rs.18.86 (2013: Rs.16.51 per share)], based on the audited financial statements of the Company for the year ended June 30, 2014.			
TCL Asia (UK) Ltd		-	-
1 (2013: 1) ordinary share of £1 (equivalent to Rs.167.79) [breakup value: Nil (2013: Nil)], based on the unaudited financial statements of the company for the year ended May 31, 2014.			
Telecard E-Solutions (Pvt) Ltd		100	100
10,000 (2013: 10,000) ordinary shares of Rs.10 each [breakup value: Rs. Nil (2013: Rs. Nil)], based on the audited financial statements of the Company for the year ended June 30, 2014.			
Telegateway Limited		500	500
50,000 (2013:50,000) ordinary shares of Rs. 10 each [breakup value: Rs. Nil (2013:Nil)], based on the audited financial statements of the Company for the year ended June 30, 2014.			
Nexus Communication (Pvt) Ltd.		100	-
10,000 (2013:Nil) ordinary shares of Rs. 10 each [breakup value: Rs. Nil based on the unaudited financial statements of the Company for the year ended June 30, 2014.			
Glitz Communication (Pvt) Ltd.		100	-
10,000 (2013:Nil) ordinary shares of Rs. 10 each [breakup value: Rs. Nil (2013:Nil)], based on the unaudited financial statements of the Company for the year ended June 30, 2014.			
Globetech Communication (Pvt) Ltd.		100	-
10,000 (2013:Nil) ordinary shares of Rs. 10 each [breakup value: Rs. Nil (2013:Nil)], based on the unaudited financial statements of the Company for the year ended June 30, 2014.			
Available for sale			
Augere Holdings (Netherlands) B.V.	7.1	480,630	480,630
Impairment allowance		(480,630)	(480,630)
		<u>341,137</u>	<u>341,137</u>

7.1 Pursuant to an "Amended and Restated Network Agreement" dated April 26, 2010, the Company, during the last year received class 'A' Preference Ordinary shares of Augere Holdings (Netherlands) B.V. amounting to US\$5.305 (equivalent to Rs.480.630) million, against issuance of a Credit Note which requires the Company to provide services to Augere Pakistan (Private) Limited, a subsidiary of the investee company.

However, the fair value of such investment could not be determined for the purpose of initial recognition as required under IAS - 39 "Financial Instruments: Recognition and Measurement". In the absence of any information about the financial health of the company, the management does not expect any earning and cash flow in foreseeable future from the investment therefore as a matter of prudence, during the last year management had made full provision for impairment against the above investment.

	Note	June 30, 2014	June 30, 2013
----- (Rupees in '000') -----			
8. LONG-TERM DEPOSITS			
Security deposits - considered good			
Line deposits - PTCL		45,778	45,778
Rented premises		3,274	5,678
Others		7,000	2,000
		<u>56,052</u>	<u>53,456</u>
9. DEFERRED TAXATION			
Deferred tax credits arising on:			
Accelerated tax depreciation		(59,227)	(74,836)
Amortization of intangible assets		(423,762)	(376,002)
		<u>(482,989)</u>	<u>(450,838)</u>
Deferred tax debits arising from:			
Retirement benefits		1,646	2,844
Short term provisions		523,939	343,898
Tax losses brought forward		321,376	470,768
		<u>846,960</u>	<u>817,510</u>
		<u>363,972</u>	<u>366,672</u>
10. TRADE DEBTS			
Unsecured - Considered good			
Related parties		4,660	5,331
Others		106,805	218,822
		<u>111,465</u>	<u>224,153</u>
Considered doubtful			
Considered doubtful		204,732	204,732
Provision for debts considered doubtful	10.1	(204,732)	(204,732)
		<u>111,465</u>	<u>224,153</u>
10.1 Provision for debts considered doubtful			
Closing balance		<u>204,732</u>	<u>204,732</u>

10.2 As at June 30, 2014, the aging analysis of unimpaired trade debts is as follows:

	Total	Neither past due nor impaired	Past due but not impaired > Three months up to one year	Above one year
		(Rupees in '000')		
Others	106,805	2,834	46,380	57,591
Related parties	4,660	1,413	2,337	910
June 30, 2014	111,465	4,247	48,717	58,501
Others	218,822	32,929	153,931	31,962
Related parties	5,331	910	2,744	1,677
June 30, 2013	224,153	33,839	156,675	33,639

Note	June 30, 2014	June 30, 2013
	----- (Rupees in '000') -----	

11. LOANS AND ADVANCES

Advances - unsecured

Considered good

Executives	11.1	3,030	3,282
Employees		7,834	5,973
Suppliers		10,037	11,380
		20,901	20,635

Considered doubtful

Executives		276	626
Employees		942	967
Suppliers		3,282	10,054
Provision for advances Considered doubtful	11.2	(4,500)	(11,647)
		-	-
		20,901	20,635

11.1 The maximum aggregate amount due from the executives at the end of any month during the year was Rs. 3.795(2013: Rs. 4.553)million.

11.2 Provision for advances considered doubtful

Opening balance		11,647	11,647
Reversed during the year	35	(7,147)	-
		4,500	11,647

12. DEPOSITS AND PREPAYMENT

Deposits

Others	480	551
	480	551

Prepayment

Rent	14,719	12,504
International Traffic Monitoring System	97,054	86,674
	112,253	99,729

13. ACCRUED MARK-UP

Due from a bank	13.1	56,700	48,587
Mark-up on current accounts with related parties	13.2 & 14.1.1	21,413	20,875
		78,113	69,462
Provisions against accrued mark-up		(48,587)	-
		29,526	69,462

13.1 This includes claim lodged with commercial bank during the year ended June 30, 2005 in respect of funds raised through Term Finance Certificates, held by the said bank since April 20, 2005 whereas mark-up paid to the Company, commenced August 01, 2005. Pending settlement the management has during the year made full provision against the same.

	Note	June 30, 2014	June 30, 2013
----- (Rupees in '000') -----			
13.2 Related parties			
Instaphone (Private) Limited		1,680	1,222
Instaphone Infrastructure (Private) Limited		1,503	6,205
Arfeen International (Private) Limited		18,230	13,448
		<u>21,413</u>	<u>20,875</u>
14. OTHER RECEIVABLES			
Considered good			
Related parties	14.1	10,010	14,189
Others			
Pakistan Telecommunication Company Limited			
Karachi Relief Rebate	14.2	651,541	651,541
Interconnect discount	14.3	-	28,701
WPS - under protest payments	24.1	-	289,725
Leased lines and upfront connection charges	14.4	-	131,517
Wire line	14.2(a)	-	48,712
Multi-metering	14.2(a)	-	18,287
		651,541	1,168,483
Due from PTCL against PTA-Escrow		84,597	171,446
Pakistan Telecommunication Authority	14.6	2,022,560	2,115,921
Claim against a bank	14.7	998	998
Insurance claims	14.8	2,350	2,325
Due from a contractor		5,167	2,571
Others		1,172	-
		<u>2,768,385</u>	<u>3,461,744</u>
Considered doubtful			
Due from PTCL	14.9	10,361	10,361
Due from PTCL-under protest payment	14.5	200,000	200,000
Insurance Claim		8,628	8,628
Due from zonal employees		15,874	15,874
Interconnect discounts	14.3	28,701	-
WPS-under protest payments	24.1	289,725	-
Leased lines and upfront connection charges	14.4	131,517	-
Wire line	14.2(a)	48,712	-
Multi metering	14.2(a)	18,287	-
Others		2,952	2,952
		754,757	237,815
Provision for other receivables considered doubtful	14.10	(754,757)	(237,815)
		<u>2,778,395</u>	<u>3,475,933</u>
14.1 Related parties			
Supernet Limited		4,575	10,704
Instaphone (Private) Limited		3,049	3,049
Telecard E-Solutions (Pvt) Ltd.		2,261	-
TCL Asia (UK) Limited		97	86
Grand Leisure Corporation (Private) Limited		28	28
Envicrete Limited		-	322
		<u>10,010</u>	<u>14,189</u>

14.1.1 The above amounts due from related parties represent current account balances which are recoverable on demand. These carry mark-up at the rate of 6 months KIBOR plus 3.5% (2013: 6 months KIBOR plus 3.5%) per annum (note 13.2).

14.2(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 the 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, the 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 the GoP, the PTCL started paying the Karachi Relief Rebate in accordance with the direction of the Court, containing various amounts determined under various alternatives, for the period commencing January 1997 to August 2001.

During the year ended June 30, 2000, 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 the 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 amounted 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 and consider the recovery of this sum to be virtually certain. Accordingly, it has not made any provision against the above referred sum, pending a final decision by the Court in this matter.

However during the year management has decided to made full provision against the amount receivable from the PTCL in respect of wireline and multi-metering of Rs. 48.717 (2013: Rs. 48.717) million and Rs. 18.287 (2013: Rs. 18.287) million as a matter of prudence.

14.2(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 the 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 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.

- 14.3 This represents the amount of interconnect discount which is subject to the determination of the final sum, as stated in note 14.2 (a) above. However, pending the said determination management has during the year decided to make full provision against the said amount (2013:Rs. Nil) as a matter of prudence.
- 14.4 These represent payments made by the Company to the PTCL against leased lines and upfront connection charges erroneously billed by the PTCL under WPS. The Company claimed the said amounts through an application filed in the Court during the year ended June 30, 2008, for the recovery thereof from the PTCL. The proceedings in this lawsuit were subsequently stayed and the dispute referred for arbitration in the Islamabad High Court, which is currently in progress. However, pending the Court decision management has during the year decided to make full provision against the said amount (2013: Nil) as a matter of prudence.
- 14.5 During the year ended June 30, 2007, the Company paid a sum of Rs. 200 million to the PTCL on its demand in order to restore the services blocked by the PTCL. Thereafter, as a result of a settlement agreement between PTCL and the Company, PTCL agreed that after reconciliation of the disputed amounts under LL and LDI, any dues payable to the Company by the PTCL will be paid immediately. However, pending the said reconciliation the management has decided to make full provision against the said amount (2013: Rs. 200 million) as a matter of prudence.
- 14.6 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 repatriation was filed against the PTA and others. During the year ended June 30, 2009, the Islamabad High Court decided the case in favour of the PTA. The Company, along with other LDI licensees, 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 demanded on account of the USF a sum of Rs. 4,429.269 million up to June 30, 2014 (June 30, 2013: Rs. 4,429.269 million) in respect of APC for USF on the basis of international termination traffic by the Company up to Sep 30, 2012, in addition to Rs. 29.473 million, aggregating to Rs. 4,458.742 million (June 30, 2013: Rs. 4,458.742 million), against which the Company paid a sum of Rs. 2,022.560 million under protest (June 30, 2013: Rs. 2,115.921) million (including forced payments in respect of research and development and RBS), comprising (a) Rs.729.479 million paid by the Company during the year ended June 30, 2010 and (b) a sum of Rs.1,200.000 million paid by the Contractor to the PTA on behalf of the Company, during the year ended June 30, 2010 and (c) Rs. 93.081 million paid up to June 30, 2014. 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. 2,436.182 million (June 30, 2013: Rs. 2,342.821) million in these financial statements as management, based on the legal opinion received from its legal advisor in this regard, is confident that it will succeed in recovering the above referred sum.

In addition to, and without prejudice to its claims given above, the Company instituted further proceedings before the Sindh High Court at Karachi against the PTA and others on the basis that it has not correctly adjusted payments received from the Company, and that it is not following the provisions of Access Promotion Rules, 2004 and Access Promotion Regulations, 2005, while determining the said charge and as a consequence demanding illegal and inflated dues from the Company. The Company has obtained interim injunctions from the Court preventing any adverse actions from PTA

Further, during the year June 2012, in compliance with the directive of Ministry of Information Technology(MoIT) dated August 13, 2012 and the instructions issued there under by the PTA, vide letter No. 0401/12/(AP/CA) PTA, dated August 23, 2012, for the establishment of International Clearing House Exchange (ICH) between the LDI Operators and PTCL, which shall come into effect from October 1, 2012, all LDI Operators have authorized PTCL to terminate all Pakistan incoming traffic on their behalf and not via their own networks. As per the terms of the ICH agreement, PTCL will retain 100% APC from the settlement rate which will be directly disbursed

on account of APCL, APC for USF and MTR/MTR-I as per the existing rules and regulations on behalf of the Company. However, the pre-ICH claims of PTA on account of APC for USF against such LDI Operators, where these are still pending, will remain the individual LDI Operators' responsibility, and will be settled through legal process. Furthermore, LDI operators will open a PTA-LDI Escrow account with PTA on individual basis and PTCL shall deposit 15% of respective net LDI share collected under this agreement in the said accounts, and the same can be utilized to settle the alleged outstanding claims of PTA on account of APC for USF if the decision of the Court is against the Company.

During the year Company has instituted a Constitutional Petition before the High Court of Sindh for setting aside order dated April 30, 2013 passed by Competition Commission (CCP) of Pakistan whereby Policy Directive issued by the Ministry of Information Technology to form International Clearing House (ICH) has been declared as illegal. As per Sindh High Court Order dated September 05, 2013 the impugned order is suspended and the matter is pending for Katcha Peshi. The CCP has imposed penalty @ 7.5% of annual turnover of each LDI for FY 2012, also a fine of Rs. 1M is imposed on all LDI operators. The Company contend that CCP does not have any jurisdiction in matters concerning regulation of competition in the telecommunication sector as the same falls under the exclusive jurisdiction of PTA.

In addition to the Constitutional Petition the Company and other LDI Operators have also filed an appeal before the Competition Appellate Tribunal under the provision of Competition Act 2010 challenging the said CCP's Order dated April 30, 2013. The Appellate Tribunal has not yet been constituted by the Federal Government and as soon as the Appellate Tribunal is constituted the appeal will be fixed for hearing.

Further during the current year, the Company along with other LDI Operators before the High Court of Sindh seeking declaration and permanent injunction for setting aside the Policy Directive dated 17 June 2014 issued by Ministry of Information Technology, whereby it has on the recommendation of PTA withdrawn the earlier Policy Directive dated 13 August 2012, by way of which International Clearing House was mandated to be established. The Court has suspended the operations of the said directive and further restrained MoIT from taking any coercive action. The matter is pending for hearing. In view of our legal counsel the Company has a good arguable case on merits and the suit is likely to be decreed in favour of the Company.

- 14.7 This represents amount due from a bank in respect of the PTCL bills paid by the Company to the bank but not passed over to the PTCL by the bank. The Company has filed a lawsuit in the Court for the recovery of Rs.0.998 million (2013: Rs.0.998 million) and damages, aggregating to Rs.8.245 (2013: Rs.8.245) million, against the bank. Accordingly, pending a final decision by the Court in this regard, no provision has been made for the above referred sum in these financial statements.

Note	June 30, 2014	June 30, 2013
	----- (Rupees in '000') -----	

14.8 Insurance Claim

Insurance claim receivable	10,978	10,953
Provision for the Insurance Claim	(8,628)	(8,628)
	<u>2,350</u>	<u>2,325</u>

- 14.9 This represents amount over billed by the PTCL and paid by the Company 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.

14.10 Provision for other receivables considered doubtful

Opening balance		237,815	37,815
Provision for the year	34	<u>516,942</u>	<u>200,000</u>
		<u>754,757</u>	<u>237,815</u>

15. TAXATION – net

Advance income tax		120,214	104,071
Provision for taxation - current	37	<u>(16,097)</u>	<u>(9,052)</u>
		<u>104,117</u>	<u>95,019</u>

	Note	June 30, 2014	June 30, 2013
		----- (Rupees in '000') -----	
16. BANK BALANCES			
Cash at banks			
In current accounts			
Local currency	16.1	304,706	2,660
Foreign currency		402	402
		<u>305,108</u>	<u>3,062</u>
In savings accounts			
Local currency	16.2	303	18,391
Cheques in hand		1,883	1,373
		<u>307,294</u>	<u>22,826</u>

16.1 The bank balances includes an amount of Rs. 264.921 million representing the 15% share from LDI operators' monthly revenues obtained through the ICH arrangement. The amount is held in an Escrow account with PTA and the same can be utilized to settle the alleged claim of PTA on account of APC for USF if the decision of the Court is against the Company

16.2 These carry mark-up rates of 6% (2013: 6%) per annum.

17. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

June 30, 2014	June 30, 2013		
Number of shares			
<u>300,000,000</u>	<u>300,000,000</u>	Ordinary shares of Rs.10 each fully paid in cash	
		<u>3,000,000</u>	<u>3,000,000</u>

17.1 As at the end of the current year Rs. 83,906,257 (2013: Rs. 91,357,157) Ordinary shares of Rs.10 each, amounting to Rs. 839,062,570 (2013: Rs. 913,571,570), were held by the related parties of the Company.

18. LONG TERM LOANS

Secured

From banks and financial institutions

Local currency loan – I	18.1	-	9,680
Local currency loan – II	18.2	<u>154,250</u>	<u>205,667</u>
		<u>154,250</u>	<u>215,347</u>

Current maturity of local currency loans shown
under current liabilities

28	<u>(92,375)</u>	<u>(61,243)</u>
	<u>61,875</u>	<u>154,104</u>

- 18.1 During the year ended June 30, 2008, the Company arranged a running finance facility from a commercial bank amounting to Rs.100 million under an agreement dated March 31, 2008. During the year ended June 30, 2010, the said running financing facility was restructured as a medium term finance facility. It was repayable in eighteen monthly installments, commencing July 1, 2010. The loan carried mark-up at the rate of one month KIBOR plus 2.00% (2013: one month KIBOR plus 2.00%) per annum. It is secured against pari passu charge over the present and future fixed assets of the Company to the extent of Rs.116.670 (2013: Rs.116.670) million. During the year, this loan has been repaid in full.
- 18.2 The Company in prior years had obtained a local currency loan from a commercial bank for a period of five years, inclusive of eighteen months grace period repayable in eight semi-annual installments commencing July 24, 2008. The loan was restructured during the year ended June 30, 2010 repayable in eight semi-annual installments, commencing January 23, 2010. During the year ended June 30, 2012, the facility was restructured again by merging the running finance facility obtained from the same bank into this demand finance and repayable in five semi-annual installments starting from July 23, 2013. The loan carries mark-up at the rate of six months KIBOR plus 3.5% (2013: six months KIBOR plus 3.5%) per annum and it is secured against pari passu charge over the present and future fixed assets of the Company to the extent of Rs.467.000 (2013: Rs.467.000) million.

Note	June 30, 2014	June 30, 2013
	-----	-----
	(Rupees in '000')	(Rupees in '000')

19. ADVANCE FROM SUBSIDIARY

Unsecured

Opening as July 1		100,482	63,274
Received during the year		14,500	76,733
Transferred from loan to advance		52,371	65,000
Transferred from accrued mark up to advance		53,802	-
Taken to income upon rendering of services	19.1	(112,402)	(104,525)
		<u>108,753</u>	<u>100,482</u>
Less: Current maturity shown under current liabilities	28	(12,000)	(3,000)
		<u>96,753</u>	<u>97,482</u>

- 19.1 This represents non-exclusive right for certain infrastructure services to be provided by the Company to Supernet Limited for the period, commencing October 2009 to October 2013, as a result of an agreement signed between the Company and Supernet Limited. During the current year agreement has been renewed from Nov 2013 to Oct 2016. According to the agreement, the Company will provide these services for a fixed charge Rs.1.000 million per month. Further, the Company will receive an annual variable fee @ 8% of data networking revenue of Supernet Limited, if the same exceeds Rs.500.000 million in a year. Accordingly, revenue for the current year includes a sum of Rs.12.000 million representing the fixed fee and a sum of Rs.100.402 million as variable fee for the year ended June 30, 2014.

The advance carries markup at the rate of Nil (2013: Nil).

20. REDEEMABLE CAPITAL

Secured

Term Finance Certificates	20.1	792,170	880,595
Current maturity shown under current liabilities			
Amount over due	20.2	(271,790)	(174,995)
Amount payable in next 12 months		(520,380)	(185,220)
		<u>(792,170)</u>	<u>(360,215)</u>
		<u>-</u>	<u>520,380</u>

- 20.1 This represents listed Term Finance Certificates (TFC's) issued by the Company for the purposes of acquiring radio spectrum frequencies from the PTA and expanding/upgrading new WLL network redeemable in ten unequal semi-annual installments, commencing November 2005 with a semi-annual payment of mark-up at a rate of six months KIBOR plus 3.75% per annum with the last payment on November 27, 2010. However, the issue was restructured on two instances with the consent of TFC holders without penalties. Under the revised terms balance amount is repayable in 13 quarterly installments carrying mark-up at the rate of three months KIBOR plus 5.04 % with the last such payment on May 27, 2015.

These are secured against a first specific charge over the fixed assets of the Company, aggregating to Rs. 800.000 (2013: Rs. 800.000) million and specific charge over the intangible assets (frequency spectrum) procured from the PTA.

- 20.2 As on June 30, 2014 five full and one partial installments amounting to Rs. 271.790 million were overdue. The overdue principal amount is included in current maturity. Subsequently to the year end and till the authorization of these financial statements, Company has made partial payment of Rs. 22.626 million of the above overdue amount.

21. ADVANCE FROM CONTRACTOR

	Note	June 30, 2014	June 30, 2013
		----- (Rupees in '000') -----	
Unsecured			
Advance from a contractor		835,687	896,182
Exchange (gain)/loss on translation		(265)	24,403
Taken to income during the current year upon rendering of services		(25,734)	(84,898)
Written back during the year	21.1	<u>(384,773)</u>	<u>-</u>
		<u>424,915</u>	<u>835,687</u>

- 21.1 On April 30, 2010, the Company sold licenses for the 3.5 GHz frequencies to a Subsidiary Company of the Contractor, for a consideration of Rs.1,580.084 million, after obtaining necessary approval from the PTA. This sale was made in accordance with the terms of an 'Amended and Restated Network Agreement' (the Agreement) signed on April 26, 2010 between the Company, Contractor and its Subsidiary Company, covering (a) the sale of licenses and (b) provision of services to the Contractor for future periods pursuant to a Credit Note for Rs.1,051.250 million, equivalent to US\$12.5 million, to be issued by the Company.

Against the provision of infrastructure services of Rs. 1,051.250 million to the Contractor for future services, as referred to in (b) above, the Contractor paid a sum of Rs.605.810 million directly to the PTA on behalf of the Company against the amounts due thereto by the Company in respect of various charges to fulfill a precondition for the execution and transfer of the title of the licenses in the name of the Subsidiary of the Contractor which has been recorded by the Company as payment made under protest in note 14.6 under Other Receivables. As the Contractor was committed to issue shares to the Company, shares in question, valuing Rs. 480.630 million (equivalent to US\$5.307 million) were issued on April 04, 2012. The above referred consideration of Rs. 1,051.250 million in respect of provision of services had been adjusted by the Company against a sum of Rs.80.293 million during the year ended June 30, 2010, representing amounts due from the Contractor in respect of services rendered thereto, pursuant to the Amended and Restated Network Agreement, discussed above.

- 21.2 Although the Amended and Restated Network Agreement does not specify the period in which such infrastructure services are to be provided by the company to the Contractor, the company estimates that based on the current usage level, the entire value of the Credit Note will not be exhausted during the balance life of its WLL licenses. Since advance from the Contractor is not refundable and can be utilized against infrastructure services only, the Company has recognized to the income during the current year such amount that can reasonably be estimated as in excess of the amount that can be utilized over the remaining life of its WLL License. Since the Credit Note in question has not been finalized to date, it is not possible at present to calculate the amount to be taken into income during the next twelve months and accordingly, no amount have been transferred to the current liabilities at the end of the current year.

22. LONG TERM DEPOSITS

Security deposits
Distributors
Indoor Call Point holders
Others

Note	June 30, 2014	June 30, 2013
	----- (Rupees in '000') -----	

6,114	6,977
17,210	30,710
29,061	25,924
52,385	63,611

23. DEFERRED LIABILITIES

Staff gratuity
Spectrum fee payable

23.1	4,841	8,126
23.2	1,585,500	1,585,500
	1,590,341	1,593,626

23.1 Staff gratuity

23.1.1 Reconciliation of obligations as at year end

Present value of defined benefit obligation

4,841	8,126
-------	-------

23.1.2 Movement in liability

Net liability at beginning of the year
Charge for the year
Benefits paid during the year

8,126	5,094
853	7,144
(4,138)	(4,112)
4,841	8,126

23.1.3 Charge for the year

Interest cost
Past service cost
Actuarial loss recognised during the year

853	611
-	3,374
-	3,159
853	7,144

23.1.4 Movement in defined benefit obligation

Present value of defined benefit obligation at beginning of the year
Past service cost
Interest cost
Actuarial loss recognised during the year
Benefits paid during the year

8,126	5,094
-	3,374
853	611
-	3,159
(4,138)	(4,112)
4,841	8,126

23.1.5 Principal actuarial assumptions

The latest valuation was carried out as at June 30, 2013, using Projected Unit Credit Method. Following assumptions had been used for valuation of the scheme:

Expected rate of increase in salaries, per annum	9.50%	9.50%
Expected discount rate, per annum	10.50%	10.50%

23.1.6 Comparison for five years

	2014	2013	2012	2011	2010
	----- (Rupees in '000') -----				
Present value of defined benefit obligation	4,841	8,126	5,094	8,595	23,283

	Note	June 30, 2014	June 30, 2013
		----- (Rupees in '000') -----	
23.2 Spectrum fee payable		<u>1,585,500</u>	<u>1,585,500</u>

23.2.1 This represents the balance of Initial Spectrum Fees (balance fees) in respect of the license and related frequencies acquired by the Company, as referred to in note 6. In 2005, the WLL Operators requested the Government, through the Ministry of Information Technology & Telecommunication (MoIT), to grant a moratorium for payment of the balance fees followed by a staggered payment schedule over 10 years. The PTA, pursuant to the approval of the Economic Coordination Committee (ECC), confirmed granting of the moratorium of 4 years, expiring during March 2010, to the WLL industry, including the Company, for the payment of balance of the spectrum fees, while other payment modalities were to be finalized. Since then, WLL Operators have been requesting the authorities for a confirmation of staggering of the balance fees over 10 years. On March 10, 2010, the Company received a letter from the PTA approving the staggering of balance of initial spectrum fees in ten equal installments, commencing from the year 2009. However, few days later, the PTA withdrew the said letter regarding it as being issued inadvertently, and instead, issued a show cause notice to the Company on June 02, 2010, seeking explanation for the non-payment of the balance of initial spectrum fee, with an immediate demand for the payment of the said amount. The Company thereafter submitted a detailed response against the show cause notice to the PTA, raising several legal and factual grounds but the PTA, without appreciating those facts, issued a final determination order dated, May 11, 2011 demanding the payment of this fee along with late payment charges.

The Company instituted an appeal against the above said Order in the Islamabad High Court seeking to set it aside on the basis that the same was issued in undue haste and without affording the Company an opportunity of hearing. The Court granted an injunction against PTA through its order, dated June 13, 2011. Further, a Civil Suit has also been filed jointly by the Company, DVCOM Data (Private) Limited and Great Bear International Services (Private) Limited in the High Court of Islamabad seeking a declaration as to the continuation of the moratorium on the payment of this balance of Initial Spectrum Fees (ISF).

During the last years, the Ministry of Information Technology and Telecommunication (MoIT), vide its letter dated August 30, 2011, has accepted the long outstanding request of the WLL industry and has instructed the PTA to collect the balance fees in installments.

However, the above mentioned appeal was disposed-off by the said Court during the last year due to mis-representation of PTA in the Court contending that the said directive of MoIT was issued for some other Spectrum not relevant for the WLL Operators. A Constitutional Petition for grant of Leave to Appeal (CPLA) was filed by the Company, in the Supreme Court, challenging the dismissal of the appeal by the Islamabad High Court mainly on the grounds of MoIT afore-referred letter through which this balance fees was required to be collected in installments. In parallel, a fresh Writ was also instituted by the Company in the Islamabad High Court highlighting incorrect statement from PTA and also the MoIT directive in this regard which is pending adjudication. The Supreme Court has disposed of the CPLA with the directions to the MoIT, being at the top of the hierarchy, to enforce its directive on the PTA and also to resolve the controversy whether the directive does or does not relate to the licensees.

In view of the aforementioned order of the Honorable Supreme Court, the legal advisor of the Company has requested the MoIT to enforce its directions on PTA and initiate collection of the balance spectrum fee in 10 equal annual installments, with the first of such annual installments becoming due in January 2013, to ensure all installments are paid prior to the expiry of the current term of licenses. The response from MoIT is still awaited.

During the year the matter has been settled in the favour of the Company. The IHC allowed installments of balance initial spectrum fee as prayed by the Company in line with the directive of MoIT dated August 30, 2011. Since the installment plan is yet to be communicated to Company by MoIT, pending which, the liability has not been discounted to its present value.

24. TRADE AND OTHER PAYABLES

Trade

Pakistan Telecommunication Company Limited (PTCL)

Wireless Payphone Service (WPS)

LL & LDI charges

Others

Interconnect operators

Others

Other payables

Current accounts with related parties

Pakistan Telecommunication Authority

Advances from customers

Accrued liabilities

Unclaimed dividend

Unearned Income

Workers' Welfare Fund

Others

Note

June 30,
2014June 30,
2013

----- (Rupees in '000') -----

24.1

609,708

609,708

43,060

42,929

803

800

653,571

653,437

13,136

28,512

110,858

143,554

777,565

825,503

24.2

69,476

117,492

41,485

77,405

51

3,919

95,759

309,924

7,892

7,892

-

2,058

2,071

2,282

6,402

56,924

223,136

577,896

1,000,701

1,403,399

24.1 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 (June 30, 2013: Rs. 968,000) million on account of air time charges, line rent and access charges and Rs. 276,000 (June 30, 2013: Rs. 276,000) million in respect of leased line charges from the Company. Further, the PTCL raised a bill for Rs. 102.080 million and Rs. 50.912 million for years ended June 30, 2009 and June 30, 2010. Hence, total amount claimed by the PTCL as at December 31, 2010 amounted to Rs. 1,396.992 (June 30, 2013: Rs. 1,396.992) million. However, the management, while acknowledging the liability to the extent of Rs. 609,708 (June 30, 2013: Rs. 609,708) million does not accept the liability for the remaining sum of Rs. 787,284 (June 30, 2013: Rs. 787,284) million and has not recorded the same in these condensed interim financial statements. In this respect, however, 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. Further, the Company also paid a sum of Rs.189,725 million under protest during the year ended June 30, 2009, including Rs.170,000 million discussed in detail in the following paragraph, and recorded the above amounts, aggregating to Rs.289,725 (2013: Rs.289,725) million, as due from the PTCL under other receivables (note 14). However, pending the final resolution of the arbitration proceedings the management has during the year decided to made full provision against the said amount (2013: Nil) as a matter of prudence.

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 PTCL not to suspend the WPS service provided the Company to continued 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, which is currently under progress. Based on said Order, the Company paid a sum of Rs.170,000 million to PTCL for the period commencing May 2008 to February 2009. Thereafter, the Company stopped paying the said amount to the PTCL, as services under the WPS Agreement were no longer required.

	Note	June 30, 2014	June 30, 2013
		----- (Rupees in '000') -----	
24.2 Related parties			
World Trade Center (Private) Limited		1,761	79,345
Arfeen International (Private) Limited		7,113	795
Envicon (Private) Limited		52	52
Total Telecom Limited		421	421
Instaphone Infrastructure (Private) Limited		44,769	25,052
Telegatway Limited		10,520	5,755
Chaman Investment (Private) Limited		4,147	4,147
Envicrete Limited		211	-
Glitz Communication (Private) Limited		84	-
Globetech Communication (Private) Limited		84	-
Pakcom Limited		239	-
Nexus Communication (Private) Limited		75	-
Telecard E-Solutions (Private) Limited		-	1,925
24.2.1		69,476	117,492

24.2.1 The above amounts due from related parties are payable on demand. These carry mark-up at the rate of six months KIBOR plus 3.5% (2013: six months KIBOR plus 3.5%) per annum.

25. ACCRUED INTEREST / MARK-UP

On secured

Long-term loans	18	11,198	19,615
Redeemable capital	20 & 25.1	250,112	162,711
Short-term running finances	26	5,500	10,885
		266,810	193,211

On unsecured

Advance from subsidiary	19	-	35,063
Short term borrowings	27	157	29,047
Current accounts with related parties	24.2.1	14,234	7,491
		281,201	265,262

25.1 This includes overdue markup amounting to Rs.239.794 (2013:Rs.152.143) million.

26. SHORT-TERM RUNNING FINANCES

From banks – secured	26.1	168,821	190,621
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26.1 The Company has arranged short-term running finance facilities, aggregating to Rs.225.000 (2013: Rs.225.000) million, from commercial banks. These carry mark-up, ranging between three months KIBOR plus 2.75% to six months KIBOR plus 3% (2013: three months KIBOR plus 2.75% to six months KIBOR plus 3%) per annum, payable quarterly. The purchase prices are repayable on various dates. These facilities are secured against first pari passu hypothecation charge over current assets of the Company to the extent of Rs.394.000 (2013: Rs.394.000) million, as well as ranking charge over fixed assets of the Company to the extent of Rs.400.000 million (2013: Rs. 400 million).

27. SHORT TERM BORROWING

Loan - unsecured

	Note	June 30, 2014	June 30, 2013
		----- (Rupees in '000') -----	
Subsidiary	27.1	-	72,371
Related Party	27.2	93,757	98,500
		<u>93,757</u>	<u>170,871</u>

27.1 This represents short term loan received from subsidiary i.e., Supernet Limited carrying markup at the rate Nil (2013: 14%). During the year this loan has been repaid in full.

27.2 This represent short term loan received from a related party i.e., World Trade Center (Private) Limited and carrying markup at the rate 15% (2013: 15%). This loan is payable on demand.

28. CURRENT MATURITIES OF LONG TERM LIABILITIES

Long term loans	18	92,375	61,243
Advance from a subsidiary company	19	12,000	3,000
Redeemable capital (TFCs)	20	792,170	360,215
		<u>896,545</u>	<u>424,458</u>

29. CONTINGENCIES AND COMMITMENTS

29.1 During the year ended June 30, 2009, the PTA issued a show cause notice to the Company, alleging that the Company has violated the Access Promotion Rules, 2004 and Access Promotion Regulations, 2005 in respect of reporting requirements and certain discrepancies in the data provided to the PTA under the said rules/regulations. The Company has taken strong exceptions to the allegations being unfounded and made in undue haste without affording the Company an opportunity to explain its position which could have avoided the need for issuance of a show cause notice to start with. In particular, the Company has stated that complete data was provided to the PTA and the PTA had no occasion to allege violation of requirements of the rules/regulations. This was stated without prejudice to the Company's stance before the Supreme Court of Pakistan regarding the vary vires of the AP Rules, 2004 and AP Regulations, 2005 under which the aforementioned show cause notice has been issued to the Company.

Thereafter, during the year ended June 30, 2011, the PTA issued a Determination dated October 31, 2010 in respect of the above matter, and demanded a sum of Rs. 56.47 million from the Company on account of short payment of APC for USF. The Company has filed a Writ Petition which is currently pending before the Islamabad High Court inter alia praying that the opportunity of being heard be afforded to the Company and the amount determined in the said Determination be corrected in view of Company's application.

In view of the Company's legal advisor, at this juncture, amount of penalties, if any, imposed by the PTA on above referred irregularities cannot be ascertained, hence, no provision has been made by the Company for any liability that may arise as a result of this matter in these financial statements.

29.2 The Company filed a law suit against the Karachi Building Control Authority (KBCA) before the Court, for preventing their antennas from dismantling against notice issued by KBCA, dated February 26, 2006. The KBCA has instructed all cellular phone companies to regularize their antenna which involves obtaining an NOC from the KBCA, and a Stability Certificate within 15 days from the date of that notice, failing which the defendant has threatened to dismantle the antennas and/or take legal action. The Court has granted interim injunction and matter is pending for hearing of application. It is not possible at this juncture to assess and estimate the financial impact of the case in question. Hence, no provision for any liability that may arise as a result of this matter has been recorded by the Company in these financial statements.

- 29.3 PTA issued a show cause notice to the Company, demanding the payment of Annual Regulatory Dues in the sum of Rs. 21 million. However, the Company worked out these dues to be Rs. Nil as it contended that the dues should be calculated by using accrual basis of accounting, to arrive at the net revenue on which the charges should be calculated under the LDI and WLL License condition. The PTA, on the other hand, allows expenses that are paid during the year to be deducted from the revenue. This contention was not accepted by the PTA and a determination was issued by the authority demanding the fees so calculated. The Company instituted an appeal in the Islamabad High Court, challenging the alleged amount demanded by the PTA and the Court suspended the said determination of PTA. The matter is pending adjudication and in view of the Company's legal advisor, the Company has a good arguable case and no liability has been recorded in these financial statements.
- 29.4 PTA issued a show cause notice to the Company alleging that the amount in the sum of Rs. 23 million on account of Annual Radio Spectrum Fee (ARSF) for the year ended June 30, 2011, has not been paid. The Company in its reply to the said notice requested the PTA to receive this amount in 12 equal monthly installments while submitting the cheque for the first installment mainly on the grounds of business losses and consequent cash flow constraints. The PTA has turned down this request and issued a determination demanding the amount including late payment fees in lump sum. The said determination was challenged in the Islamabad High Court and the Court was pleased to suspend the operations of the order. The principal amount on this account has nonetheless been paid during the current year without prejudice to our case. The case is pending adjudication.
- 29.5 PTA, in the previous year, issued a show cause notice, alleging that the Company is not following the Approved Settlement Rate (ASR) while selling the international minutes as determined by the PTA. The Company in response has rejected the allegations by stating that the very issue of determining ASR in light of the relevant Rules and Regulations of the Authority stands sub-judice in the Honorable High Court of Sindh, which is currently pending and any further deliberations/implications/decisions relating to the ASR issue can only be made once a binding principle is established by the said Court in this matter. Further, the Company has also instituted a petition in the Honorable High Court of Sindh, challenging the show cause notice and the Court granted a stay to the effect that PTA will not revoke or cancel the Company's license in the matter. As per the legal advisor of the Company, it has a good arguable case on its merits and is likely to succeed in obtaining the relief sought against the respondent.
- 29.6 During the year ended June 30, 2012, the PTA issued a determination relating to the Annual Regulatory Due for 2008 and demanded a payment of Rs. 54.548 million. The Company has challenged the determination in the High Court of Sindh, mainly on the ground that the PTA can only claim Annual Regulatory Dues on the licensed services and not on the non licensed revenue streams. In view of the Company's legal advisor, the Company has a good arguable case on merits and is likely to succeed. Accordingly, as the case is pending adjudication, no provision has been made for the same in these financial statements pending a final decision.
- 29.7 During the current year company has filed a Constitutional Petition in the High Court of Sindh against Sindh Revenue Board for setting aside and declaring the notification dated November 16, 2012 of no legal effect issued by SRB to amend the Sindh Sales Tax on Services Rules 2011 to the effect that sales tax was to be paid by LD operators on charges received by them, on international incoming calls on a monthly basis, however, the Company's contention is that Sales Tax is only payable on services that are listed in the First and Second Schedule of Sales Tax Act. International incoming calls or anything synonymous to the same is not mentioned in the First and Second Schedule of the Sales Tax Act, hence no tax is payable on any amount received by the Company from foreign telecommunication operators in this regard.

The Court has restrained the respondents from taking any coercive action against the Company. The matter is pending Katcha Peshi and hearing, in view of our legal advisor the Company has a good arguable case on merits and is likely to succeed in obtaining the relief claimed against the respondents.

- 29.8 During the year ended June 30, 2013 This appeal was filed by the Company before the High Court of Sindh for setting aside Order dated June 30, 2012 passed by Pakistan Telecommunication Authority whereby PTA alleges that the Company is liable to pay APC for USF for the months of July 2010 to November 2011 Rs. 1.4 billion. The Court has granted stay and no coercive action be taken by PTA and the matter is pending for Katcha Peshi, in view of our legal advisor the Company has a good arguable case on merits and is likely to succeed in obtaining relief claimed against the respondents.
- 29.9 During the current year, the Company has filed a Constitutional Petition before the High Court of Sindh at Karachi, seeking certain declarations and restraining orders against PTA & National Accountability Bureau, challenging the Notice, dated May 27, 2011, issued by PTA to the Company under section 5(r) of the NAB Ordinance whereby the PTA has required the Company to make payment of Rs.1,233.540 million on account of APC for USF Contribution till January 2011, which was payable by the Company within 30 days from the date of the Notice. In view of Company's legal advisor, the Company has a good arguable case on merit and is likely to succeed in obtaining the relief claimed against the respondents. Accordingly, no provision has been made for any liability in these financial statements for the above.

The Company has filed a Constitutional Petition before the High Court of Sindh, seeking certain declarations and restraining orders against PTA and National Accountability Bureau challenging Notice dated May 29, 2012, issued by PTA to the Company under section 5(r) of the NAB Ordinance, whereby PTA has required the Company to make payment of alleged dues of Rs. 2.4 billion on account of APC for USF Contribution within 30 days from the date of the Notice. The Court has suspended the operations of the said order in addition to restraining the PTA from taking any coercive action. In view of our legal advisor the Company has a good arguable case on merit and is likely to succeed in obtaining relief claimed against the respondents. Accordingly, no provision has been made for any liability in these financial statements for the above.

- 29.10 In respect of the assessment years 1999 - 2000 to 2002 - 2003, the Company was assessed partly under the presumptive tax regime (now final tax regime) and partly under the normal tax regime. Further, for assessment years 2001 - 2002 and 2002 - 2003, apart from taxation on historic basis, the tax authorities disallowed tax credit as well as the reinvestment allowance claimed by the Company on purchase of fixed assets. Tax demand in respect of these cases amounts to Rs.59.812 million. The Company has filed appeals against these cases with High Court of Sindh (the Court), which are currently pending.

The income tax return filed by the Company for the tax year 2003 was subjected to tax audit. An order has been passed by the Taxation Officer under section 122(1) of the Income Tax Ordinance, 2001, whereby income has been assessed at Rs. 56.923 million against the reported tax loss of Rs. 5.945 million. The Company has filed an appeal against the same before the Income Tax Appellate Tribunal (ITAT) which has decided the case against the Company, after admitting an adjustment of tax refundable, amounting to Rs. 4.529 million, against tax demand admitting an adjustment of tax refundable, amounting to Rs. 4.529 million, against tax demand of Rs. 19.358 million, thus creating a final tax demand of Rs. 14.789 million. The Company has filed an appeal in the Court, which has not been heard to-date.

The aggregate financial impact of the above matters on the tax provision made by the Company in the financial statements works out to be Rs.74.601 (2013: Rs.74.601) million. However, the management, based on the opinion of its tax advisors, is confident about the favorable outcome of the above matters and, hence, no additional provision has been considered necessary in these financial statements.

- 29.11 PTCL's claim amounting to Rs. 1,627.552 (2013: Rs. 1,618.185) million in respect of monthly billing has not been acknowledged as debt by the Company. The Company maintains that the said amount is overbilled by the PTCL. Hence, no provision has been made against the same in these financial statements.
- 29.12 Contingencies in respect of matters relating to the PTCL have been disclosed in notes 14.2 and 24.1 to the financial statements. Pending resolutions of these matters no provision has been made against the amounts disclosed in these notes.
- 29.13 Contingency in respect of the PTA claim for APC for USF is disclosed in note 14.6 to the financial statements against which no provision has been made in these financial statements in accordance with the advice of the legal advisor.
- 29.14 Counter guarantees given to banks amounting to Rs. 180 (2013: Rs. 180) million.

	Note	June 30, 2014 ----- (Rupees in '000') -----	June 30, 2013 ----- (Restated) -----
30. REVENUE – NET			
Turnover		2,059,954	2,200,467
APC for USF	30.1	(586,759)	(566,602)
Trade discounts		(1,649)	(3,054)
		<u>1,471,546</u>	<u>1,630,811</u>
Services rendered to the contractor under the note 21		25,731	84,867
Interoperator infrastructure services	19.1	<u>112,402</u>	<u>104,525</u>
		<u><u>1,609,679</u></u>	<u><u>1,820,203</u></u>

30.1 This amount represents the APC for USF collected by PTCL on behalf of the Company for onward payment to USF as per the agreement dated August 30, 2012.

31. DIRECT COSTS

Interconnect charges – net		83,479	381,974
Network media charges		63,564	76,861
Network sites rent		97,513	118,228
Network sites utilities and maintenance		79,585	90,245
Insurance		10,340	10,112
Annual regulatory charges		103,012	24,852
Cost of cards sold	31.1	74	128
Depreciation	5.1.3	322,233	329,883
Monitoring expenses		10,117	9,769
Amortisation	6	<u>181,517</u>	<u>181,517</u>
		<u><u>951,434</u></u>	<u><u>1,223,569</u></u>

31.1 Cost of cards sold

Opening stock	628	581
Purchases	298	175
Stock written-off	<u>(550)</u>	<u>-</u>
	376	756
Closing stock	<u>(302)</u>	<u>(628)</u>
	<u><u>74</u></u>	<u><u>128</u></u>

32. DISTRIBUTION COSTS & ADMINISTRATIVE EXPENSES

	Note	June 30, 2014	June 30, 2013
		----- (Rupees in '000') -----	
Salaries and other benefits	32.1	142,802	164,874
Postage, telephone and telex		4,012	2,509
Vehicles running and maintenance		25,754	25,785
Travelling and entertainment		5,100	4,202
Office security and maintenance		15,051	9,603
Stationery		6,256	4,069
Rent, rates & taxes		36,462	53,452
Utilities		24,596	29,318
Insurance		3,600	3,781
Legal and professional charges		10,408	19,036
Auditors' remuneration	32.2	3,794	3,799
Donation	32.3	-	352
Sales promotion and marketing		14,945	16,580
Fee and subscription		1,198	978
Depreciation	5.1.3	7,384	7,200
Advances written-off		-	64,175
Late payment surcharge-PTA		40,513	-
Stock written-off		550	-
Provision for mark-up due from bank	13	48,587	-
Software support services		4,000	-
Others		1,282	712
		<u>396,294</u>	<u>410,425</u>

32.1 This includes Rs.0.853 million in respect of gratuity expense for the year (2013: Rs.7.144 million) and Rs.4.736 (2013: Rs.3.771) million in respect of the Company's contribution towards provident fund.

32.2 Auditors' remuneration

Fee for the audit of annual financial statements	2,000	2,000
Fee for the audit of consolidated financial statements	350	350
Fee for the review of half yearly financial statements and other certifications	1,298	1,120
Out-of-pocket expenses	146	329
	<u>3,794</u>	<u>3,799</u>

32.3 Donations do not include any donee in whom any director or his spouse has any interest.

33. OTHER EXPENSES

Exchange loss - net	879	24,684
Workers welfare fund	1,799	-
	<u>2,678</u>	<u>24,684</u>

	Note	June 30, 2014	June 30, 2013
----- (Rupees in '000') -----			
34. PROVISION FOR IMPAIRMENT IN THE VALUE OF INVESTMENT & FOR OTHER RECEIVABLES			
Provision for:			
Other receivables considered doubtful	14.10	516,942	200,000
Impairment in value of investment		-	480,630
		<u>516,942</u>	<u>680,630</u>
35. OTHER INCOME			
Income from financial assets			
Return on bank deposits		11,179	223
Dividend Income		-	9,017
Income from sale of option	35.1	20,880	-
Miscellaneous income		18,758	-
		50,817	9,240
Mark-up on current accounts with related parties		5,466	5,473
Income from non-financial assets			
Professional services	35.2	18,360	18,540
Gain on sale of fixed assets		4,683	1,400
Liabilities no longer payable written back	21.2	459,083	-
Provision written-back	11.2	7,147	-
Others		1,275	215
		<u>546,831</u>	<u>34,868</u>
35.1	This represents income from option granted to a telecom operator to consider acquiring one of Company's telecom license.		
35.2	This represent accounting and human resource services rendered by the Company to the related parties.		
36. FINANCE COSTS			
Interest/mark-up on:			
Long-term loans		19,360	35,615
Redeemable capital		127,795	133,184
Short-term borrowing		17,249	20,440
Short-term running finances		21,012	27,792
		185,416	217,031
Markup on current accounts with related parties		11,224	8,090
Bank charges		4,356	3,190
		<u>200,996</u>	<u>228,311</u>
37. TAXATION			
Current	15 & 37.1	16,097	9,052
Deferred		2,700	(264,734)
		<u>18,797</u>	<u>(255,682)</u>

- 37.1 The relationship between income tax expense and accounting profit has not been presented in these financial statements as the provision for taxation for the current year is based on minimum tax on turnover under section 113 of the Income Tax Ordinance, 2001.

The income tax assessments of the Company have been finalized up to and including the tax year 2013, except for certain tax year in respect of which, appeals are currently in progress at different forums (note29.10).

Note	June 30, 2014	June 30, 2013
	----- (Rupees in '000') -----	

38. EARNINGS PER SHARE – basic and diluted

Profit/(Loss) after tax for the year	<u>69,369</u>	<u>(456,866)</u>
Weighted average number of shares	<u>300,000,000</u>	<u>300,000,000</u>
Basic earnings/(Loss) per share (Rupees)	<u>0.23</u>	<u>(1.52)</u>

There is no dilutive effect on the basic earnings of the Company.

39. CASH GENERATED FROM/(UTILISED IN) OPERATIONS

Profit/(Loss) before taxation	88,166	(712,548)
-------------------------------	--------	-----------

Adjustments for non-cash charges and other items

Depreciation	329,617	337,083
Amortization	181,517	181,517
Provision for gratuity	853	7,144
Finance cost	196,641	225,121
Dividend income	-	9,017
Provision against other receivables	516,942	200,000
Liability written-back	(384,773)	-
Impairment on long term investment	-	480,630
Provision written-back	(7,147)	-
Advances written-off	-	64,175
Provision against accrued mark-up	48,587	-
Gain on sale of fixed assets	(4,683)	(1,400)
	<u>877,554</u>	<u>1,485,253</u>
Profit before working capital changes	<u>965,720</u>	<u>772,705</u>

(Increase)/decrease in current assets

Stock-in-trade	326	(47)
Trade debts	112,688	(91,459)
Loans and advances	6,880	(4,204)
Deposits and prepayment	(12,524)	(78,670)
Accrued markup	(8,651)	(5,323)
Other receivables	180,597	(159,231)
	<u>279,316</u>	<u>(338,934)</u>
Decrease in trade and other payables	<u>(402,698)</u>	<u>(122,375)</u>

Cash generated from operations	<u>842,338</u>	<u>311,396</u>
--------------------------------	----------------	----------------

40. REMUNERATION OF THE CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

	2014			2013		
	Chief Executive	Director	Executives	Chief Executive	Director	Executives
	(Rs. in '000')			(Rs. in '000')		
Managerial remuneration	5,806	4,662	37,464	5,806	3,290	31,658
Other perquisites and benefits:						
House rent	2,613	2,098	16,859	2,613	1,481	14,246
Medical	28	60	681	-	25	456
Retirement benefits	484	400	2,455	484	274	1,662
Utilities	581	466	3,746	581	329	3,166
	3,706	3,024	23,741	3,678	2,109	19,530
	9,512	7,686	61,205	9,484	5,399	51,188
Number of persons	1	2	36	1	2	34

40.1 A director of the Company is also provided with the free use of the Company maintained car and other benefits in accordance with their terms of service.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks i.e. market risk, credit risk and liquidity risk. The risk is managed through monitoring and controlling activities which are primarily set up to be performed based on limits established by the management. The Board of Directors supervises the overall risk management approach within the Company.

41.1 Market risk

Market risk is the risk that fair value of future cash flows will fluctuate because of changes in market variable such as interest rates, foreign exchange rates and equity prices.

41.1.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate because of changes in the market interest rates. As of June 30, 2014, the Company is exposed to such risk mainly in respect of long-terms and short term investments and loan. When the Company has surplus cash available for investment, it minimizes the interest rate risk by investing in fixed rate investments like Term Deposit Receipts.

Management of the Company estimates that 1% increase in the market interest rate, with all other factors remaining constant, would decrease the Company's profit by Rs.7.667 million and a 1% decrease would result in an increase in the Company's profit by the same amount. However, in practice, the actual results may differ from the sensitivity analysis.

41.1.2 Foreign currency risk

Foreign currency risk is the risk that the value of financial assets or a financial liabilities will fluctuate due to a change in a foreign exchange rates. It arises mainly where receivables and payables exist due to transactions in foreign currency. The Company's exposure to foreign currency risk is as follows:

	June 30, 2014 US \$	June 30, 2013 US \$
Trade debts	71,742	41,588
Bank balances	4,083	4,076
Trade and other payables	(502,564)	(602,226)
	<u>(426,739)</u>	<u>(556,562)</u>
The following significant exchange rates have been applied at the reporting dates:		
Exchange rate (Rupees)	<u>98.75</u>	<u>98.80</u>

The foreign currency exposure is partly covered as majority of the Company's billing is determined in dollars which is converted into rupees at the exchange rate prevailing at the transaction date. The Company has assessed that hedging its foreign currency borrowings will be more expensive than assuming the risk itself.

Sensitivity analysis

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Company's profit before tax and the Company's equity.

	Change in US dollar rate (%)	Effect on profit / (loss) ----- (Rupees in '000') -----	Effect on Equity
June 30, 2014	+10	<u>(4,214)</u>	<u>(4,214)</u>
	-10	<u>4,214</u>	<u>4,214</u>
June 30, 2013	+10	<u>5,499</u>	<u>5,499</u>
	-10	<u>(5,499)</u>	<u>(5,499)</u>

41.1.3 Equity risk

Equity price risk is the risk of volatility in share prices resulting from their dependence on market sentiments, speculative activities, supply and demand for shares and liquidity in the market. As of June 30, 2014 the Company is not exposed to equity price risk.

41.2 Credit risk

Credit risk is the risk that counterparty will cause a financial loss for the Company by failing to discharge its obligations. The table below analyses the Company's maximum exposure to credit risk.

	Note	June 30, 2014 ----- (Rupees in '000') -----	June 30, 2013
Trade debts		111,465	224,153
Deposits, loans and advances		21,381	21,185
Accrued mark-up		29,526	69,462
Other receivables		2,778,395	3,475,933
Bank balances		<u>305,411</u>	<u>21,453</u>
		<u>3,246,178</u>	<u>3,812,186</u>

Concentration of credit risk exists when changes in economic or industry factors affect the group of counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. The Company's portfolio of financial assets is broadly diversified and transactions are entered into with diverse credit worth counterparties thereby mitigating any significant concentration of credit risk.

The credit quality of financial assets that are neither past nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates as follows:

	Note	June 30, 2014	June 30, 2013
		----- (Rupees in '000') -----	
Trade debts			
Customers with no defaults in the past one year		<u>111,465</u>	<u>224,153</u>
Bank balances			
A1+		264,921	1,357
A1		1,088	548
A-2		3,283	19,470
A-1		759	73
A3		<u>35,360</u>	<u>5</u>
		<u>305,411</u>	<u>21,453</u>

41.3 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company attempts to follow effective cash management and planning policy to ensure the availability of funds through committed credit facilities. The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

	Less than 3 months	3 to 12 months	1 to 5 Years	Greater than 5 years	Total
	----- (Rupees in '000') -----				
Long-term loans	40,812	51,563	61,875	-	154,250
Redeemable capital	396,152	396,018	-	-	792,170
Long-term deposits	-	-	52,385	-	52,385
Spectrum fee payable	-	-	1,585,500	-	1,585,500
Trade and other payables	-	1,000,701	-	-	1,000,701
Accrued mark-up	281,201	-	-	-	281,201
Short-term borrowings / running finances	93,757	168,821	-	-	262,578
June 30, 2014	<u>811,922</u>	<u>1,617,103</u>	<u>1,699,760</u>	<u>-</u>	<u>4,128,785</u>
Long-term loans	-	61,243	154,104	-	215,347
Redeemable capital	-	360,215	520,380	-	880,595
Long-term deposits	-	-	63,611	-	63,611
Spectrum fee payable	-	-	1,585,500	-	1,585,500
Trade and other payables	-	1,403,401	-	-	1,403,401
Accrued mark-up	248,154	17,108	45,881	-	311,143
Short-term borrowings / running finance	170,871	190,621	-	-	361,492
June 30, 2013	<u>419,025</u>	<u>2,032,588</u>	<u>2,369,476</u>	<u>-</u>	<u>4,821,089</u>

Effective interest/mark-up rates for the financial liabilities are mentioned in the respective notes to the financial statements.

41.4 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

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

41.5 Capital management

The Company's objective when managing capital is to safeguard the Company's ability to remain as a going concern and continue to provide returns for shareholders.

The Company monitors capital using a gearing ratio, which is debt divided by total capital plus debt as follows:

Note	June 30, 2014	June 30, 2013
	----- (Rupees in '000') -----	
Long-term loans	154,250	215,347
Redeemable capital	792,170	880,595
Due to PTA	1,585,500	1,585,500
Debt	2,531,920	2,681,442
Issued, subscribed and paid-up capital	3,000,000	3,000,000
Accumulated losses	(551,079)	(620,448)
Total capital	2,448,921	2,379,552
Capital and debt	4,980,841	5,060,994
Gearing ratio	50.8%	53.0%

42. 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 financial statements are as under:

Wholly owned subsidiary companies

Supernet Limited

Services rendered	129,699	117,724
Services received	13,617	13,814
Advance received by the Company	14,500	76,733
Purchase of fixed asset	9,097	-
Markup charged to the Company	-	10,132
Dividend received	-	9,017
Payments made by the Company	-	800
Payments made on behalf of the Company	-	30

Telecard E-Solutions (Private) Limited

Payments made on behalf by the Company	267	1,116
Services received	10,140	10,875
Services rendered	151	80
Markup charged to the Company	-	214
Markup charged by the Company	193	-

Note	June 30, 2014	June 30, 2013
	----- (Rupees in '000') -----	
Telegateway Limited		
Services received	5,720	6,000
Services rendered	168	127
Payment made by the Company	287	7
Markup charged by the Company	35	
Markup charged to the Company	-	319
TCL Asia (UK) Limited		
Payments made on behalf by the Company	-	86
Nexus Communications (Pvt) Limited		
Payments made on behalf by the Company	25	-
Glitz Communications (Pvt) Limited		
Payments made on behalf by the Company	17	-
Globetech Communications (Pvt) Limited		
Payments made on behalf by the Company	17	-
Entities having directors in common with the Company		
Arfeen International (Private) Limited		
Payment made on behalf of the Company	2,150	1,516
Rent charged during the year	5,520	5,520
Markup charged by the Company	4,781	5,016
Services rendered	383	238
Sale of fixed assets	1,400	-
World Trade Center (Private) Limited		
Service received	34,939	62,095
Service rendered	156	116
Markup charged to the Company	23,771	17,715
Short term borrowing	-	98,500
Payment against short term borrowing	4,743	-
Envicrete Limited		
Services rendered	249	152
Provident Fund		
Contribution during the year	4,736	3,771
Instaphone Infrastructure (Private) Limited		
Payment made on behalf of the Company	1,661	3,802
Services rendered	18,000	18,000
Services received	39,627	57,140
Markup charged to the Company	4,702	150
Payment made by the Company	-	3,435

	June 30, 2014 ----- (Rupees in '000') -----	June 30, 2013 ----- (Rupees in '000') -----
Instaphone (Private) Limited		
Markup charged by the Company	457	457
Port Grand Limited		
Services received	148	-
Services rendered	71	-

42.1 Balances outstanding with related parties have been disclosed in the respective notes to the financial statements.

43. PROVIDENT FUND RELATED DISCLOSURES

The following information is based on latest un-audited financial statements of the Fund:

	June 30, 2014 (Un-audited) ----- (Rupees in '000') -----	June 30, 2013 (Audited) ----- (Rupees in '000') -----
Size of the Fund - total assets	44,168	36,368
Cost of the investment made	37,250	25,241
Percentage of investments made	92%	75%
Fair value of investments	43.1 40,707	27,340
43.1 The break-up of fair value of investments is:		
Bank balances/deposits	21,525	12,771
Mutual funds	12,886	8,951
National Saving Schemes	6,296	5,618
	40,707	27,340

43.2 The investments out of provident fund have been made in accordance with the provisions of Section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

44. NUMBER OF EMPLOYEES

The number of employees at the year ended were 175 (2013:260) and average number of employees during the year were 212 (2013: 269).

45. CORRESPONDING FIGURES

Certain corresponding figures have been reclassified for the purpose of better presentation, however, there were no material reclassification except as under:

Reclassified from	Reclassified to	Rupees in '000
Revenue	Monitoring expenses	9.769

46. DATE OF AUTHORISATION FOR ISSUE

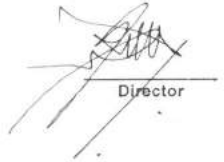
These financial statements were authorised for issue on **October 02, 2014** by the board of directors Company.

47. GENERAL

Figures in these financial statements have been rounded off to the nearest thousand rupees, unless otherwise



Chief Executive



Director

ANNUAL REPORT 2014

TELECARD



Annual Report 2014



CONSOLIDATED FINANCIAL STATEMENTS

Telecard Limited

Telecard Limited



Parker Randall-A.J.S.

CHARTERED ACCOUNTANTS

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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated Balance Sheet of Telecard Limited (the Holding Company) and its Subsidiary Companies (together referred to as Group) as at 30 June 2014 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of the Holding Company and its Subsidiary Companies. The financial statements of Telecard Asia (UK) Limited, Nexus Communications (Pvt) Ltd, Glitz Communications (Pvt) Limited & Globetech Communications (Pvt) Limited were un-audited and the financial statements of Supernet Limited, Telecard E-Solutions (Private) Limited and Telegateway Limited were audited by us for which we have expressed separate opinions.

These consolidated financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 30 June 2014 and the results of its operations for the year then ended, in accordance with approved accounting standards as applicable in Pakistan.

We draw attention to the contents of:

- i) notes 17.2(a) to the accompanying consolidated financial statements in respect of the lawsuit filed by the Holding Company during the year ended 30 June 2000 in the High Court of Sindh with regard to the recovery of Karachi Relief Rebate from Pakistan Telecommunication Company Limited, pending a final decision no provision has been made in the accompanying consolidated financial statements for any amount that may not be recoverable;
- ii) note 17.2(b) to the accompanying consolidated financial statements with regard to a lawsuit filed by the PTCL against the Holding Company during the year ended 30 June 2002. Pending a decision, the Group has not made any provision in the accompanying consolidated financial statements for the amount claimed by the PTCL;
- iii) note 17.6 to the accompanying consolidated financial statements in respect of the Pakistan Telecommunication Authority's claim for Access Promotion Contribution for Universal Service Fund. Pending a final decision by the Supreme Court of Pakistan, no provision has been made for the remaining sum of Rs.2,436.821 million in the accompanying consolidated financial statements;



Parker Randall-A.J.S.

CHARTERED ACCOUNTANTS

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Officers also of Pakistan Chartered Accountants (FCA) in UK

- iv) notes 32.1 to 32.17 to the accompanying consolidated financial statements in respect of contingencies the ultimate outcome of which cannot presently be determined and, hence, pending the resolution thereof, no provision has been made in the accompanying consolidated financial statements for any liability that may arise there from;

Our opinion is not qualified in respect of the above matters.

Chartered Accountants

Audit Engagement Partner: Muhammad Shabbir Kasbati

Date: 02 October 2014

Place: Karachi

CONSOLIDATED BALANCE SHEET AS AT JUNE 30, 2014

AS AT JUNE 30, 2014

Note

June 30,
2014

June 30,
2013

----- (Rupees in '000') -----

ASSETS

NON-CURRENT ASSETS

Fixed assets

Property, plant and equipment

Intangible assets

Long-term loans and advances

Long-term deposits

Long-term investments

Deferred taxation

6

7

8

9

10

11

1,151,204

1,886,080

3,037,284

-

62,985

-

419,285

3,519,554

1,451,323

2,067,645

3,518,968

5,820

68,781

-

422,108

4,015,677

CURRENT ASSETS

Communication stores

Stock-in-trade

Trade debts

Loans and advances

Deposits and prepayment

Accrued mark-up

Other receivables

Taxation – net

Bank balances

12

13

14

15

16

17

18

19

119,825

302

580,448

41,500

154,575

31,014

2,778,287

208,210

442,913

4,357,074

125,513

628

728,802

66,329

115,791

70,012

3,476,793

174,451

101,879

4,860,198

TOTAL ASSETS

7,876,628

8,875,875

EQUITY AND LIABILITIES

SHARE CAPITAL AND RESERVES

Authorised capital

400,000,000 (2013: 400,000,000) Ordinary shares of Rs.10 each

Issued, subscribed and paid-up Capital

Unappropriated loss

20

4,000,000

3,000,000

(144,332)

2,855,668

4,000,000

3,000,000

(301,738)

2,698,262

NON-CURRENT LIABILITIES

Long-term loans

Redeemable capital

Advance from Contractor

Long-term deposits

Deferred liabilities

Accrued markup

21

22

23

24

25

26

61,875

-

424,915

58,611

1,594,501

-

2,139,902

154,104

520,380

835,687

137,872

1,597,347

45,881

3,291,271

CURRENT LIABILITIES

Trade and other payables

Accrued interest / mark-up

Short-term running finances

Short term borrowing

Current maturities of long-term liabilities

27

28

29

30

31

1,280,374

284,872

298,420

93,757

923,635

2,881,058

1,803,647

213,891

342,932

98,500

427,372

2,886,342

CONTINGENCIES AND COMMITMENTS

32

-

-

TOTAL EQUITY AND LIABILITIES

7,876,628

8,875,875

The annexed notes from 1 to 50 form an integral part of these financial statements.


Chief Executive


Director

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2014**

	Note	June 30, 2014 ----- (Rupees in '000') -----	June 30, 2013 (Restated)
Revenue – net	33	2,862,271	2,941,117
Direct costs	34	2,046,172	2,190,515
Gross profit		816,099	750,602
Distribution costs and administrative expenses	35	666,410	549,988
Other operating expenses	36	12,308	22,934
Provisions for impairment in the value of investment & for other receivable	37	516,942	680,630
		1,195,660	1,253,552
Other income	38	(796,896)	(38,508)
		398,764	1,215,044
Operationg profit/(Loss)		417,335	(464,422)
Finance costs	39	216,615	238,587
Profit/(loss) before taxation		200,720	(703,029)
Taxation	40	43,314	(249,589)
Net profit/(loss) for the year		157,406	(453,440)
Earnings/(loss) per share - Basic and diluted (Rupees)	41	0.52	(1.51)

The annexed notes from 1 to 50 form an integral part of these financial statements.


Chief Executive


Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2014

	Note	June 30, 2014	June 30, 2013
		----- (Rupees in '000') -----	
Net profit/(loss) for the year		157,406	(453,440)
Other comprehensive income		-	-
Total comprehensive income/(loss) for the year		<u>157,406</u>	<u>(453,440)</u>

The annexed notes from 1 to 50 form an integral part of these financial statements.



Chief Executive



Director

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2014

Note June 30, June 30,
2014 2013
----- (Rupees in '000') -----

CASH FLOWS FROM OPERATING ACTIVITIES

Cash generated from operations	42	940,930	341,892
Income tax paid		(74,250)	(28,175)
Finance costs paid		(186,411)	(167,043)
Retirement benefits paid		(4,393)	(4,259)
Long-term loans and advances		5,820	-
Due to employees		-	(334)
Liability for long-term deposits		(46,085)	35,730
Long-term deposits		5,796	2,945
Net cash generated from operating activities		641,407	180,756

CASH FLOWS FROM INVESTING ACTIVITIES

Capital expenditure	(80,280)	(52,677)
Proceeds from disposal of property, plant and equipment	4,683	1,400
Net cash used in investing activities	(75,597)	(51,277)

CASH FLOWS FROM FINANCING ACTIVITIES

Advance from a Contractor - net	(25,999)	(60,495)
Repayment of redeemable capital	(88,425)	(425)
Repayment of long-term finances - net	(61,097)	(98,500)
(Repayment)/ proceeds from short-term borrowings - net	(4,743)	98,500
Repayment of short-term running finances - net	(44,512)	(9,178)
Repayment of obligations under finance lease	-	(13,158)
Net cash used in financing activities	(224,776)	(83,256)

Net increase in cash and cash equivalents	341,034	46,223
--	----------------	---------------

Cash and cash equivalents at the beginning of the year	101,879	55,656
--	---------	--------

Cash and cash equivalents at the end of the year	442,913	101,879
---	----------------	----------------

The annexed notes from 1 to 50 form an integral part of these financial statements.


Chief Executive


Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2014

	Issued, subscribed and paid-up capital	Un- appropriated loss	Total
	(Rupees in '000')		
Balance as at June 30, 2012	3,000,000	151,702	3,151,702
Net loss for the year	-	(453,440)	(453,440)
Other comprehensive income	-	-	-
Total comprehensive loss	-	(453,440)	(453,440)
Balance as at June 30, 2013	<u>3,000,000</u>	<u>(301,738)</u>	<u>2,698,262</u>
Net profit for the year	-	157,406	157,406
Other comprehensive income	-	-	-
Total comprehensive income	-	157,406	157,406
Balance as at June 30, 2014	<u>3,000,000</u>	<u>(144,332)</u>	<u>2,855,668</u>

The annexed notes from 1 to 50 form an integral part of these financial statements.



Chief Executive



Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JUNE 30, 2014

1. THE GROUP AND ITS OPERATIONS

The Group comprises of:

- > Telecard Limited - Holding Company
- > Supernet Limited - Subsidiary Company
- > Telecard Asia (UK) Limited - Subsidiary Company
- > Telecard E-Solutions (Private) Limited - Subsidiary Company
- > Telegateway Limited - Subsidiary Company
- > Nexus Communication (Private) Limited - Subsidiary Company
- > Glitz Communication (Private) Limited - Subsidiary Company
- > Globetech Communication (Private) Limited - Subsidiary Company

Telecard Limited was incorporated in Pakistan on October 29, 1992 as a public limited company. The shares of the Holding Company are listed on the Karachi and Islamabad Stock Exchanges. The Holding Company is licensed to provide fully integrated telecommunication services, including basic wireless telephony, long distance and international services and payphones. The registered office of the Holding 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.

Supernet Limited is engaged in providing satellite and microwave communication services e.g. internet, radio links, Single Channel Per Carrier (SCPC), Time Division Multiple Access (TDMA), etc. and sale and installation of related equipment and accessories. Telecard Limited holds 100% equity of Supernet Limited.

Telecard Asia (UK) Limited is engaged in providing international telecommunication service. Telecard Limited holds 100% equity of Telecard Asia (UK) Limited.

Telecard E-Solutions (Private) Limited is engaged in providing telecommunication solutions and other IT related Services. Telecard Limited holds 100% equity of Telecard E-Solutions (Private) Limited.

Telegateway Limited is engaged in the business of providing means of communicating audio, video or audio/video messages transmitted by radio cable, impulses and beams or by any combination thereof or by any other means through space, air, land, water, underground or underwater and permissible under the law. Telecard Limited holds 100% equity of Telegateway Limited.

Nexus Communications (Private) Limited has been incorporated to provide telecommunication and other related services. Telecard Limited holds 100% equity of Nexus Communications (Private) Limited.

Glitz Communications (Private) Limited has been incorporated to provide telecommunication and other related services. Telecard Limited holds 100% equity of Glitz Communications (Private) Limited.

Globetech Communications (Private) Limited has been incorporated to provide telecommunication and other related services. Telecard Limited holds 100% equity of Globetech Communications (Private) Limited.

The registered office of the Group is located at World Trade Centre, 75, East Blue Area, Fazal-ul-Haq Road, Islamabad.

2. STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

3. BASIS OF PREPARATION

These consolidated financial statements have been prepared under the historical cost convention except for certain employees' benefits and liabilities which have been carried at present value (note 25)

4. BASIS OF CONSOLIDATION

These consolidated financial statements comprise the financial statements of the Holding Company and its Subsidiary Companies and prepared using uniform accounting policies. The assets, liabilities, income and expenses of the Subsidiary Companies have been consolidated on a line by line basis. Inter-group transactions and balances have been eliminated for the purpose of consolidation.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**5.1 Standards, interpretations and amendments to published approved accounting standards that are not yet effective and have not been early adopted by the Group.**

The following revised standards and interpretations with respect to approved accounting standards would be effective from the dates mentioned below against the respective standards or interpretations:

Standard or Interpretation	Effective Date (accounting periods beginning on or after)
IFRS 10 Consolidated Financial Statements	January 01, 2015
IFRS 11 Joint Arrangements	January 01, 2015
IFRS 12 Disclosures of interests in Other Entities	January 01, 2015
IFRS 13 Fair Value Measurements	January 01, 2015
IAS 16 & 38 Clarification of Acceptable Method of Depreciation and Amortization	January 01, 2016
IAS 19 Employee Contributions	January 01, 2014
IAS 32 Offsetting Financial Assets and Financial Liabilities (Amendment)	January 01, 2014
IAS 36 Recoverable Amount for Non-Financial Assets (Amendment)	January 01, 2014
IAS 39 Novation of Derivatives and Continuation of Hedge Accounting (Amendment)	January 01, 2014

The Group expects that, the adoption of the above standards and interpretations will not have any material impact on the Group's Consolidated financial statements in the period of initial application.

In addition to the above, the following new standards have been issued by IASB which are yet to be notified by the Securities and Exchange Commission of Pakistan for the purpose of applicability in Pakistan:

	IASB Effective date (accounting periods beginning standards on or after)
IFRS 1 First-time Adoption of International Financial Reporting Standards	January 01, 2009
IFRS 9 Financial Instruments: Classification and Measurement	January 01, 2018
IFRS 14 Regulatory Deferral Accounts	January 01, 2016
IFRS 15 Revenue from Contracts with Customers	January 01, 2017
IFRIC 21 Levies	January 01, 2014

The following interpretations issued by the IASB have been waived of the SECP, effective January 16, 2012

IFRIC 4	Determining Whether an Arrangement Contains a Lease
IFRIC 12	Service Concession Arrangements

5.2 Standard amendments and interpretations adopted during the year

The Company has adopted the following revised standard amendments and interpretation of IFRSs which become effective during the year.

IAS 19 Employee Benefits (Revised)

IFRS 7 Financial Instruments: Disclosures (Amendments)

Amendments Enhancing Disclosures About Offsetting of Financial Assets and Financial Liabilities

Improvements to accounting standard issued by the IASB

IAS 1 Presentation of Financial Statements - Clarification of the Requirements for Comparative Information.

IAS 16 Property, Plant and Equipment - Classification of Servicing Equipment

IAS 32 Financial Instruments: Presentation - Tax Effects of Distribution to Holders of Equity Instruments

IAS 34 Interim Financial Reporting - Interim Financial Reporting and Segment Information for Total Assets and Liabilities

The adoption of the above amendments, revisions, improvements to accounting standards and interpretations did not have any material effect on the financial statements of the Company.

5.3 Significant accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgments in the process of applying the Group's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions in accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In the process of applying the Group's accounting policies, management has made the following estimates and judgments which are significant to the consolidated financial statements:

	Note
Determining the residual values and useful lives of fixed assets	5.4, 6 & 7
Impairment of;	
> Fixed assets	5.4, 6 & 7
> Trade debts and other receivables	5.8, 13 & 17
Recognition of tax and deferred tax	5.16, 11, 18 & 40
Accounting for staff retirement benefits	5.15 & 25.1
Advance from contractor	23.2

5.4 Fixed assets

5.4.1 Property, plant and equipment

Owned

These are stated at cost less accumulated depreciation and impairment, if any, except for freehold land, which is stated at cost.

Depreciation is charged to income applying the straight-line method whereby the cost of an asset is written off over its estimated useful life. The rates used are stated in note 5.1 to the consolidated financial statements.

In respect of additions and deletions of assets during the year, depreciation is charged for the month of acquisition and upto the month preceding the deletion, respectively.

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are charged to statement of comprehensive income.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is recognized, except for gain on sale and leaseback transactions, which is deferred and amortised over the lease term of the asset.

The assets' residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each financial year end.

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

Leased

Assets held under finance leases are initially recorded at the lower of the present value of minimum lease payments under the lease agreements and the fair value of the leased assets. The related obligations under the leases less financial charges allocated to future periods are shown as a liability.

The financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of interest on the outstanding liability.

Depreciation is charged at the same rates as charged on the Group's owned assets.

Capital work-in-progress

Capital work-in-progress is stated at cost less impairment in value, if any. It consists of expenditure incurred and advances made in respect of fixed assets in the course of their erection, installation and acquisition.

5.4.2 Intangible assets

The costs of license to provide telecommunication services are classified as intangible assets. These are stated at cost less accumulated amortisation and impairment, if any. These are amortised over the period of license commencing from the date when the license is available for intended use i.e. the date when it is in the condition necessary for it to be capable of operating in the manner intended by the management.

Goodwill

Goodwill represents the excess of the cost of the acquisition over the fair value of identifiable net assets of a Subsidiary Company at the date of acquisition. Impairment testing is performed annually in respect of the same.

5.4.3 Impairment

The carrying values of the Group's assets are reviewed for impairment at each reporting date when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

5.5 Investments

Available for sale

These are initially measured at fair value plus directly attributable transaction costs and are subsequently for-sale reserve until (i) the investment is derecognized, at which time the cumulative gain or loss is recognized in the profit and loss account, or (ii) determined to be impaired, at which time the cumulative loss is recognized in the profit and loss account.

For investments traded in active market, fair value is determined by reference to quoted market price and the investments for which quoted market is not available, or the fair value cannot be reasonably calculated, are measured at cost, subject to impairment review at each balance sheet date.

5.6 Communication stores

These are valued at the lower of cost determined on the first-in first-out method and net realisable value. Items in-transit are stated at cost comprising invoice value plus other charges paid thereon up to the balance sheet date.

Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred to make the sale.

5.7 Stock in trade

Stock in trade comprise of voice communication cards. 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 up to the balance sheet date.

Net realizable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale.

5.8 Trade debts and other receivables

These are recognized and carried at original invoice amount less an allowance for any uncollectible amounts, if any. An estimate for doubtful debts is made when collection of the amount is no longer probable. Bad debts are written-off when identified.

5.9 Loans, advances and deposits

These are recognized at cost, which is the fair value of the consideration given. However, an assessment is made at each balance sheet date to determine whether there is an indication that a financial asset or group of assets may be impaired. If such indication exists, the estimated recoverable amount of that asset is determined and any impairment loss is recognized for the difference between the recoverable amount and the carrying value.

5.10 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash and cheques in hand, balances with banks and short-term investments, if any.

5.11 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Group.

5.12 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

5.13 Financial instruments

All the financial assets and financial liabilities are recognized at the time when the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognized at the time when the Group loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognized at the time when they are extinguished i.e., when the obligation specified in the contract is discharged, cancelled, or expired. Any gains or losses on derecognition of financial assets and financial liabilities are taken to profit and loss account currently.

5.14 Offsetting financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet, if the Group has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

5.15 Employees' benefits

Gratuity fund

The Group operates an unfunded gratuity scheme for its employees under "Workmen Category". Provision is made annually, to cover obligations under the plan, by way of a charge to profit and loss account, calculated in accordance with the actuarial valuation using "Projected Unit Credit Method". Actuarial gains or losses are recognized over the expected average remaining working lives of the employees participating in the plan.

Provident fund

The Group operates a recognized provident fund scheme for its employees. Equal monthly contributions are made, both by the Group and the employees, to the fund at the rate of 8.33% of basic salary.

Compensated absences

The Group accounts for these benefits in the period in which the absences are earned. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

5.16 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and tax rebates available, if any, in accordance with the Income Tax Ordinance, 2001. The tax charge as calculated above is compared with turnover tax under Section 113 of the Income Tax Ordinance, 2001, and whichever is higher is provided in the consolidated financial statements.

Deferred

Deferred tax is recognized, using the liability method, on all major temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the assets can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

5.17 Foreign currency translation

The Consolidated financial statements are presented in Pak Rupee, which is the Group's functional and presentation currency. Foreign currency transactions during the year are recorded at the exchange rates approximating those ruling on the date of the transaction.

Monetary assets and liabilities in foreign currencies are translated at the spot rates of exchange prevailing on the balance sheet date. Non-monetary assets and liabilities are measured using exchange rates that existed when the values were determined. All differences are taken to the profit and loss account.

5.18 Borrowing costs

Finance costs incurred to finance the acquisition of various licenses from Pakistan Telecommunication Authority (PTA) and the construction and installation of network assets are capitalized up to the time such assets get ready for intended use. All other borrowing costs are recognized as expense in the period in which they are incurred.

5.19 Revenue

Revenue from post paid packages is recognised on accrual basis.

Revenue from connection fee is recognized on sale of connections.

Revenue from Long Distance International (LDI) license is recognized at the time the call is terminated over the Group's network in case of international incoming calls and when the calls are handed over to international operators in case of outgoing calls.

In case of sharing arrangements with local operators, proportionate share is recognized at the time of termination of calls on designated operator's network.

Revenue from broadband services is recognised upon the rendering of such services.

Return on bank balances is accrued using effective interest method.

Revenue from sale of equipment is recognised when equipment is dispatched to customers

5.20 Interconnect charges and liability

Interconnect charges on all units / credits consumed in respect of wireless payphones are booked as liability on the basis of corresponding bills from interconnect partners except for the cases where management believes, based on its information system and records, that interconnect charges are over billed by the interconnect partners, in which case the liability is recorded on the basis of the Group's information system and records.

5.21 Dividend and other appropriation of reserves

Dividends and appropriation to general reserves are recognized in the Consolidated financial statements in the period in which these are approved.

Operating fixed assets
Capital work-in-progress

6.1 Operating fixed assets

Owned

The statement of Property, Plant and Equipment for the last year is as follows:

Note	Cost			Accumulated depreciation			W.D.V.
	As at July 01, 2012	Additions/ Transfers*	(Disposal)	As at June 30, 2013	As at July 01, 2012	For the year	As at June 30, 2013
	(Rs. in '000')						
Owned							
Freehold land	3,020	-	-	3,020	-	-	3,020
Leasehold improvements	3,653	554	-	4,207	3,653	49	3,702
Building on freehold land	625	-	-	625	344	31	375
Apparatus, plant and equipment	6,346,203	40,998	-	6,518,643	5,089,153	371,526	936,388
		131,442*				121,576*	
Sign boards	30,875	-	-	30,875	30,875	-	30,875
Furniture, fixtures and office equipment	64,971	2,660	-	67,631	43,395	4,616	48,011
Computers and related accessories	83,526	6,020	-	89,546	75,182	6,059	81,241
Vehicles	26,630	1,904	(1,640)	28,207	21,715	1,578	22,966
June 30, 2013	6,559,503	52,136	(1,640)	6,742,754	5,264,317	383,859	973,329
		132,755				122,889*	
Leased							
Apparatus, plant and equipment	6.1.1	131,442	-	-	110,610	10,966	-
		(131,442)*				(121,576)*	
Vehicles		1,313	-	-	1,313	-	-
		(1,313)*				(1,313)*	
June 30, 2013		132,755	(132,755)	-	111,923	10,966	-
		6,692,258	52,136	(1,640)	6,742,754	5,376,240	973,329
						394,825	
						5,769,425	
					</		

6.1.1 These include:

6.1.1.1 Equipment, costing Rs.2,451.99 (2013: Rs.2,427.592) million, having a net book value of Rs.111.28 (2013: Rs.121.537) million, which are in the possession of the customers of the Group in the ordinary course of business.

6.1.1.2 The cost of fully depreciated asset as at June 30, 2014 was Rs. 4,364.42 (2013: Rs. 5,642.20) million.

6.1.1.3 The following assets were disposed off during the year.

Description	Cost	Accumulated depreciation	Written down value (Rs. in '000')	Sale proceeds	Gain on disposal	Mode of sale	Particulars of buyers
Vehicles							
Honda Civic	1,360	1,360	-	1,100	1,100	Negotiation	Mohammad Shakeel, Karachi.
Honda Civic	1,288	1,288	-	1,085	1,085	Negotiation	Kamran Zaki, Karachi.
Honda Citi	126	126	-	500	500	Negotiation	Arfeen International (Pvt) Ltd, Karachi.
Honda Civic	991	991	-	900	900	Negotiation	Arfeen International (Pvt) Ltd, Karachi.
Suzuki Mehran	373	373	-	260	260	Negotiation	Ahmed Quyyam, Karachi.
Suzuki Alto	472	472	-	425	425	Negotiation	Waseem Mirza, Karachi.
Suzuki Bolan	396	396	-	413	413	Negotiation	Mohammad Shakeel, Karachi.
June 30, 2014	5,006	5,006	-	4,683	4,683		

Note June 30, 2014 June 30, 2013
----- (Rupees in '000') -----

6.1.2 Depreciation for the year has been allocated as follows:

Direct costs	34	366,767	382,409
Distribution costs and administrative expenses	35	13,631	12,417
		380,398	394,826

6.2 Capital work-in-progress

	Owned Equipment	Advances to suppliers	Total
	----- (Rupees in '000') -----		
As at July 01, 2013	477,994	-	477,994
Addition during the year	-	3,839	3,839
Transfer to apparatus plant and equipment	(477,994)	-	(477,994)
June 30, 2014	-	3,839	3,839
June 30, 2013	477,994	-	477,994

Note June 30, 2014 June 30, 2013
----- (Rupees in '000') -----

7. INTANGIBLE ASSETS

Intangible assets	7.1	1,885,540	2,067,105
Capital work in progress-software development		540	540
		1,886,080	2,067,645

7.1 The statement of intangibles assets is as follows:

Note	Cost			Accumulated depreciation				W.D.V.	
	As at July 01, 2013	Addition during the year	As at June 30, 2014	As at July 01, 2013	For the year	(On disposals)	As at June 30, 2014	As at June 30, 2014	Period years
(Rs. in '000')									
7.1.1	3,345,096	-	3,345,096	1,365,448	179,969	-	1,545,417	1,799,679	16-20
7.1.2	29,029	-	29,029	11,868	1,548	-	13,416	15,613	18-20
Computer software	38,836	-	38,836	38,788	48	-	38,836	-	5
	116,864	-	116,864	46,616	-	-	46,616	70,248	
June 30, 2014	3,529,825	-	3,529,825	1,462,720	181,565	-	1,644,285	1,885,540	

Note	Cost			Accumulated depreciation			W.D.V.	
	As at July 01, 2012	Addition during the year	As at June 30, 2013	As at July 01, 2013	For the year	(On disposals)	As at June 30, 2013	As at June 30, 2013
	(Rs. in '000')							
7.1.1	3,345,096	-	3,345,096	1,185,479	179,969	-	1,365,448	1,979,648
7.1.2	29,029	-	29,029	10,320	1,548	-	11,868	17,161
	38,836	-	38,836	38,724	64	-	38,788	48
	116,864	-	116,864	46,616	-	-	46,616	70,248
June 30, 2013	3,529,825	-	3,529,825	1,281,139	181,581	-	1,462,720	2,067,105

7.1.1 These represent cost of non-exclusive licenses granted by the 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 licenses are effective for a period of 16-20 years, commencing August 04, 2004.

This also include frequency NTR-II in respect of which the Group has given an option to a telecom operator to consider acquiring the same. The amortized cost of the frequency is Rs. 18.121 million.

7.1.2 This represents cost of non-exclusive license granted by the PTA to the Group for providing the LDI telecommunication services in the country for a effective period 18-20 years, commencing July 27, 2004.

	Note	June 30, 2014	June 30, 2013
		----- (Rupees in '000') -----	

7.3 Amortization for the year has been allocated as follows:

Direct costs	34	181,517	181,517
Distribution costs and administrative expenses	35	48	64
		<u>181,565</u>	<u>181,581</u>

8. LONG-TERM LOANS AND ADVANCES

Advances - unsecured (considered good)

Pakistan Telecommunication Company Limited	8.1	-	5,820
Considered doubtful		1,929	1,929
Provision written-off during the year		(1,929)	-
Provision against doubtful long-term advances		-	(1,929)
		-	-
		-	5,820
		<u>-</u>	<u>5,820</u>

9. LONG-TERM DEPOSITS

Security deposits

Line deposits – PTCL	9.1	45,778	51,036
Rented premises		3,274	5,678
China Orient Telecom Satellite Group	9.2	6,473	6,473
Intelsat Corporation	9.3	2,804	3,134
New Skies Satellite B.V.		-	2,376
SpaceCom International LLC.	9.4	14,903	-
Others		7,460	2,460
		80,692	71,157
Current portion shown under current assets	15	(17,707)	(2,376)
		<u>62,985</u>	<u>68,781</u>
Considered doubtful	9.5	-	1,729
Provision against long-term deposits considered doubtful		-	(1,729)
		-	-
		<u>62,985</u>	<u>68,781</u>

- 9.1 These includes deposits given to Pakistan Telecommunication Company Limited (PTCL) at the time of obtaining DPLC links and circuits for different projects of the Group and are adjusted after the same are closed.
- 9.2 This represents amount given to China Orient Telecom Satellite Company Limited, a foreign satellite bandwidth provider, as a security deposit for the use of satellite bandwidth.
- 9.3 This represents security deposit given to Intelsat Corporation, a foreign Satellite Bandwidth Provider, representing one month's charge for the use of 10 MHz bandwidth, availed from IS904 Space Satellite.
- 9.4 This includes security deposit given to Spacecom International a foreign Satellite Bandwidth provider, representing one month's monthly recurring charges for the use of 54MHz C-Band Satellite Services. This deposit is adjustable against recurring charge for the period May 16, 2014 to June 15, 2015.

Note	June 30, 2014	June 30, 2013
	----- (Rupees in '000') -----	

9.5 Provision against long-term deposits considered doubtful

Balance at the beginning of the year	1,729	1,729
Written-off during the year	(1,729)	-
	<u>-</u>	<u>1,729</u>

10. LONG-TERM INVESTMENTS

Unquoted - at cost

Augere Holding (Netherland) B.V.	10.1	480,630	480,630
Less: Provision for impairment		(480,630)	(480,630)
		<u>-</u>	<u>-</u>

- 10.1 Pursuant to an "Amended and Restated Network Agreement" dated April 26, 2010, the Group, during the year ended June 30, 2012, received class A Preference Ordinary shares of Augere Holdings (Netherlands) B.V. amounting to US\$5.305 (equivalent to Rs.480.630) million, against issuance of a Credit Note which requires the Company to provide services to Augere Pakistan (Private) Limited, a subsidiary of the investee company.

However, the fair value of such investment cannot be determined for the purpose of initial recognition as required under IAS - 39 "Financial Instruments: Recognition and Measurement". In the absence of any information about the financial health of the company, the management does not expect any earnings and cash flow in foreseeable future from the investment therefore as a matter of prudence, during the last year management had made full provision for impairment against the above investment.

11. DEFERRED TAXATION

Deferred tax credits arising on:

Accelerated tax depreciation	(39,663)	(53,587)
Amortisation of intangible assets	(423,762)	(375,987)
	<u>(463,425)</u>	<u>(429,574)</u>

Deferred tax debits arising from:

Retirement benefits	3,909	4,059
Short-term provisions	544,401	376,855
Tax losses brought forward	334,400	470,768
	<u>882,710</u>	<u>851,682</u>
	<u>419,285</u>	<u>422,108</u>

	Note	June 30, 2014	June 30, 2013
----- (Rupees in '000') -----			
12. COMMUNICATION STORES			
Stores		128,967	133,753
Provision for slow moving stores	12.1	(10,742)	(10,742)
		<u>118,225</u>	<u>123,011</u>
Consumables		1,600	2,502
		<u>119,825</u>	<u>125,513</u>
12.1 Provision against slow moving stores:			
Balance at the end of the year		<u>10,742</u>	<u>10,742</u>
13. TRADE DEBTS			
Unsecured - considered good			
Related parties	13.1	4,768	22,429
Others		575,680	706,373
Considered doubtful		258,419	275,903
Provision for debts considered doubtful	13.2	(258,419)	(275,903)
		<u>580,448</u>	<u>728,802</u>
13.1 Related parties			
Arfeen International (Private) Limited		2,301	1,456
World Trade Center (Private) Limited		450	637
Grand Leisure Corporation (Private) Limited		1,256	1,031
Envicrete Limited		716	879
Pakcom Limited		-	18,414
Port Grand Limited		45	12
		<u>4,768</u>	<u>22,429</u>
13.2 Provision for debts considered doubtful:			
Opening balance		275,903	275,903
Charge for the year	35	69,112	-
Provision written off against trade debts		(86,596)	-
		<u>258,419</u>	<u>275,903</u>

13.3 As at June 30, 2014, the ageing analysis of unimpaired trade debts is as follows:

	Total	Neither past due nor impaired	Past due but not impaired	
			> Three months up to one year (Rupees in '000)	Above one year
Others	575,680	198,313	166,894	210,473
Related parties	4,768	23	1,831	2,914
June 30, 2014	<u>580,448</u>	<u>198,336</u>	<u>168,725</u>	<u>213,387</u>
Others	706,373	325,368	225,706	155,299
Related parties	22,429	434	1,430	20,565
June 30, 2013	<u>728,802</u>	<u>325,802</u>	<u>227,136</u>	<u>175,864</u>

Note June 30, June 30,
 2014 2013
 ----- (Rupees in '000') -----

14. LOANS AND ADVANCES

Advances – unsecured Considered good

Executives	14.1	3,030	3,282
Employees		17,214	28,111
Suppliers		21,256	34,936
		<u>41,500</u>	<u>66,329</u>

Considered doubtful

Executives		276	626
Employees		942	967
Suppliers		3,282	19,443
Provision for advances considered doubtful	14.2	<u>(4,500)</u>	<u>(21,036)</u>
		<u>41,500</u>	<u>66,329</u>

14.1 The maximum aggregate amount due from the executives at the end of any month during the year was Rs.3.795 (2013: Rs.4.553) million.

14.2 Provision for advances considered doubtful

Opening balance		21,036	21,036
Reversal for the year	38	(7,147)	-
Written-off during the year		<u>(9,389)</u>	<u>-</u>
		<u>4,500</u>	<u>21,036</u>

	Note	June 30, 2014	June 30, 2013
----- (Rupees in '000') -----			
15. DEPOSITS AND PREPAYMENTS			
Deposits			
Current portion of other long term deposits	9	17,707	2,376
Earnest money		9,057	9,038
Margin against guarantee		2,900	2,900
Others		1,719	1,525
		<u>31,383</u>	<u>15,839</u>
Considered doubtful:			
Earnest money		2,441	1,770
Provision against deposits considered doubtful		(2,441)	(1,770)
		<u>-</u>	<u>-</u>
Prepayments			
Rent		24,832	12,555
International Traffic Monitoring System		97,054	86,674
Others		1,306	723
		<u>123,192</u>	<u>99,952</u>
		<u>154,575</u>	<u>115,791</u>
16. ACCRUED MARK-UP			
Due from a bank	16.1	58,133	48,587
Mark-up on current accounts with related parties	16.2 & 17.1.1	21,413	20,876
Others		55	549
		<u>79,601</u>	<u>70,012</u>
Provisions against accrued markup	16.1 & 35	(48,587)	-
		<u>31,014</u>	<u>70,012</u>
16.1 This includes amount due from a commercial bank in respect of funds raised through Term Finance Certificates held by the said bank since April 20, 2005 whereas mark-up paid to the Group, commenced August 01, 2005. A claim in respect of the above was lodged by the Group with the bank during the year ended June 30, 2005, which is pending settlement therewith. During the year management has made full provision against the same.			
16.2 Related parties			
Instaphone (Private) Limited		1,680	1,222
Instaphone Infrastructure (Private) Limited		1,503	6,205
Arfeen International (Private) Limited		18,230	13,449
		<u>21,413</u>	<u>20,876</u>

17. OTHER RECEIVABLES

	Note	June 30, 2014	June 30, 2013
		----- (Rupees in '000') -----	
Considered good			
Related parties	17.1	6,801	7,479
Others:			
Pakistan Telecommunication Company Limited			
Karachi Relief Rebate	17.2	651,541	651,541
Interconnect discount	17.3	-	28,701
WPS - under protest payments	28.1	-	289,725
Leased lines and upfront connection charges	17.4	-	131,517
Wire line	17.2(a)	-	48,712
Multi-metering	17.2(a)	-	18,287
		651,541	1,168,483
Amount withheld by PTCL against PTA-Escrow		84,597	171,446
Pakistan Telecommunication Authority	17.6	2,022,560	2,115,921
Claim against a bank	17.7	998	998
Insurance claims	17.9	2,350	4,000
Due from a contractor		5,167	2,571
Deposit with FBR under Tax Amnesty scheme	17.10	2,991	2,991
Others		1,282	2,904
		2,771,486	3,469,314
Considered doubtful			
Due from PTCL	17.8	10,361	10,361
Due from Zonal employees		15,874	15,874
Insurance claim	17.9	8,628	8,628
Due from PTCL - under protest	17.5	200,000	200,000
Interconnect discount	17.3	28,701	-
WPS - under protest payments	28.1	289,725	-
Leased lines and upfront connections charges	17.4	131,517	-
Wire line	17.2(a)	48,712	-
Multi-metering	17.2(a)	18,287	-
Others		4,369	4,369
		756,174	239,232
Provision for other receivables considered doubtful	17.11	(756,174)	(239,232)
		-	-
		2,778,287	3,476,793
17.1 Related parties			
Instaphone (Private) Limited		2,587	3,049
Grand Leisure Corporation (Private) Limited		747	747
Pakcom Limited		1,605	1,605
Paktel Limited		1,228	1,228
World Trade Center		105	-
Envicrete Limited		529	850
		6,801	7,479

17.1.1 The above amounts due from related parties represents current account balances which are recoverable on demand. These carry mark-up at the rate of 6 months KIBOR plus 3.5% (2013: 6 months KIBOR plus 3.5%) per annum (note 16.2).

- 17.2(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 the 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 Group from July 1995 to January 1997. The Group served a notice to the GoP for compensation and as a quid pro quo and in consideration of the Group having agreed to withdraw its claim, the 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 the GoP, the PTCL started paying the Karachi 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, 2000, the Group 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 Group, passed an interim order in favor of the Group 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 Group contends that the relief rebate allowed to it through the PTA's letter, dated January 20, 1997, is of a continuing nature as no cessation date is mentioned in that letter. The Group further contends that the relief package was approved by the GoP after negotiations between the GoP and the Group.

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

The total amount due to be recovered on account of relief rebate amounted to Rs. 698.690 million up to June 30, 2006. On a prudent basis, the Group 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 Group, the Group has a strong case and the likelihood of the Group losing the case is remote. Hence, the management is confident about the realisation of the said amount and consider the recovery of this sum to be virtually certain. Accordingly, it has not made any provision against the above referred sum, pending a final decision by the Court in this matter.

However during the year management has decided to made full provision against the amount receivable from the PTCL in respect of wireline and multi-metering of Rs. 48.717 (2013: Rs. 48.717) million and Rs. 18.287 (2013: Rs. 18.287) million as a matter of prudence.

- 17.2(b)** During the year ended June 30, 2002, the PTCL filed a law suit against the Group for the recovery of Rs.334.313 million, alleging and disputing the relief rebate claimed / adjusted by the Group. In the opinion of the legal advisor of the Group, if it is decided by the Court that the Group is not entitled to the Karachi Relief Rebate and the decision in this case is against the Group, then the Group 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 Group to the PTCL but in fact the Group would be entitled to recover certain amounts as claimed in the 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 Group has not made any provision for the aforesaid claim in these financial statements.

The Court, in its order dated June 25, 2003, ordered the Group 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.

- 17.3** This represents the amount of interconnect discount which is subject to the determination of the final sum, as stated in note 14.2 (a) above. However, pending the said determination management has during the year decided to make full provision against the said amount (2013: Rs. Nil) as a matter of prudence.

- 17.4 These represent payments made by the Group to the PTCL against leased lines and upfront connection charges erroneously billed by the PTCL under WPS. The Group claimed the said amounts through an application filed in the Court during the year ended June 30, 2008, for the recovery thereof from the PTCL. The proceedings in this lawsuit were subsequently stayed and the dispute referred for arbitration in the Islamabad High Court, which is currently in progress. However, pending the Court decision management has during the year decided to made full provision against the said amount (2013: Nil) as a matter of prudence.
- 17.5 During the year ended June 30, 2007, the Group paid a sum of Rs.200 million to the PTCL on its demand in order to restore the services blocked by the PTCL. Thereafter, as a result of a settlement agreement between PTCL and the Group, PTCL agreed that after reconciliation of the disputed amounts under LL and LDI, any dues payable to the Group by the PTCL will be paid immediately. However, pending the said reconciliation the management has decided to made full provision against the said amount (2013: Rs. 200) million as a matter of prudence.
- 17.6 In March 2007, the PTA issued show cause notices to eight telecom companies, including the Group, 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 Group, the amount demanded was Rs.29.473 million. The Group 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 Group through the Islamabad High Court and repatriation was filed against the PTA and others. During the year ended June 30, 2009, the Islamabad High Court decided the case in favour of the PTA. The Group, along with other LDI licensees, 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 demanded on behalf of the USF a sum of Rs.4,429.269 million up to June 30, 2014 (June 30, 2013: Rs.4,429.269 million) in respect of APC for USF on the basis of international termination traffic by the Group up to Sep 30, 2012, in addition to Rs.29.473 million, aggregating to Rs.4,458.742 million (June 30, 2013: Rs.4,458.742 million), against which the Group paid a sum of Rs.2,022.560 million under protest (June 30, 2013: Rs.2,115.921) million (including forced payments in respect of research and development, annual regulatory fees and RBS), comprising (a) Rs.729.479 million paid by the Group during the year ended June 30, 2010 and (b) a sum of Rs.1,200.000 million paid by the Contractor to the PTA on behalf of the Group, during the year ended June 30, 2010 and (c) Rs.93.081 million paid up to June 30, 2014. Pending a final decision in this matter, the Group 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. 2,436.182 million (June 30, 2013: Rs. 2,342.821) million in these financial statements as management, based on the legal opinion received from its legal advisor in this regard, is confident that it will succeed in recovering the above referred sum.

In addition to, and without prejudice to its claims given above, the Group instituted further proceedings before the Sindh High Court at Karachi against the PTA and others on the basis that it has not correctly adjusted payments received from the Group, and that it is not following the provisions of Access Promotion Rules, 2004 and Access Promotion Regulations, 2005, while determining the said charge and as a consequence demanding illegal and inflated dues from the Group. The Group has obtained interim injunctions from the Court preventing any adverse actions from PTA.

Further, during the year June 2012, in compliance with the directive of Ministry of Information Technology (MoIT) dated August 13, 2012 and the instructions issued there under by the PTA, vide letter No. 04/01/12/(AP/CA) PTA, dated August 23, 2012, for the establishment of International Clearing House Exchange (ICH) between the LDI Operators and PTCL, which shall come into effect from October 1, 2012, all LDI Operators have authorised PTCL to terminate all incoming traffic on their behalf and not via their own networks. As per the terms of the ICH agreement, PTCL will retain 100% APC from the settlement rate which will be directly disbursed on account of APCL, APC for USF and MTR/MTR-I as per the existing rules and regulations on behalf of the Group. However, the pre-ICH claims of PTA on account of APC for USF against such LDI Operators, where these are still pending, will remain the individual LDI Operators' responsibility, and will be settled through legal process. Furthermore, LDI operators will open a PTA-LDI Escrow account with PTA on individual basis and PTCL shall deposit 15% of respective net LDI share collected under this agreement in the said accounts, and the same can be utilized to settle the alleged outstanding claims of PTA on account of APC for USF if the decision of the Court is against the Group.

During the year Group has instituted a Constitutional Petition before the High Court of Sindh for setting aside order dated April 30, 2013 passed by Competition Commission (CCP) of Pakistan whereby Policy Directive issued by the Ministry of Information Technology to form International Clearing House (ICH) has been declared as illegal. As per Sindh High Court Order dated September 05, 2013 the impugned order is suspended and the matter is pending for Katcha Peshi. The CCP has imposed penalty @ 7.5% of annual turnover of each LDI for FY 2012, also a fine of Rs. 1M is imposed on all LDI operators. The Group contend that CCP does not have any jurisdiction in matters concerning regulation of competition in the telecommunication sector as the same falls under the exclusive jurisdiction of PTA.

In addition to the Constitutional Petition the Group and other LDI Operators have also filed an appeal before the Competition Appellate Tribunal under the provision of Competition Act 2010 challenging the said CCP's Order dated April 30, 2013. The Appellate Tribunal has not yet been constituted by the Federal Government and as soon as the Appellate Tribunal is constituted the appeal will be fixed for hearing.

Further during the current year, the Group along with other LDI Operators before the High Court of Sindh seeking declaration and permanent injunction for setting aside the Policy Directive dated 17 June 2014 issued by Ministry of Information Technology, whereby it has on the recommendation of PTA withdrawn the earlier Policy Directive dated 13 August 2012, by way of which International Clearing House was mandated to be established. The Court has suspended the operations of the said directive and further restrained MoIT from taking any coercive action. The matter is pending for hearing. In view of our legal counsel the Group has a good arguable case on merits and the suit is likely to be decreed in favour of the Group.

- 17.7 This represents amount due from a bank in respect of the PTCL bills paid by the Group to the bank but not passed over to the PTCL by the bank. The Group has filed a lawsuit in the Court for the recovery of Rs.0.998 million (2013: Rs.0.998 million) and damages, aggregating to Rs.8.245 (2013: Rs.8.245) million, against the bank. Accordingly, pending a final decision by the Court in this regard, no provision has been made for the above referred sum in these financial statements.
- 17.8 This represents amount over billed by the PTCL and paid by the Group 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.

Note	June 30, 2014	June 30, 2013
	----- (Rupees in '000)' -----	

17.9 Insurance claim

Insurance claim receivable	10,978	12,628
Provision for the insurance claim		
Opening balance	(8,628)	(8,628)
Provision for the current year	-	-
	(8,628)	(8,628)
	<u>2,350</u>	<u>4,000</u>

17.10 During the year ended June 30, 2012, the Assistant Commissioner Income Tax adjudged the Group as assessee in default for non deduction of withholding tax u/s 153 of the Income Tax Ordinance, 2001, for the tax year 2004 and demanded Rs.2.797 million in respect of tax not deducted and Rs. 2.414 million in respect of default surcharge of the same. The Group filed an appeal before the Commissioner (Appeals) which was rejected. The Group filed second appeal before the Tribunal, which is pending adjudication and made a payment of Rs. 2.605 million, being 50% of above stated tax demand.

Later on the Group opted to avail benefit of tax Amnesty scheme vide Notification SRO 547/(I)/2012 dated May 22, 2012 in respect of waiver of default surcharge and made further payment of Rs.191,576 and informed the Taxation Officer that since the Group has paid the original tax demand, the default surcharge stood waived. The Taxation officer rejected the Group's plea and demanded the payment of default surcharge. Group filed a appeal before the Commissioner (Appeals) which was rejected. The Group had filed second appeal before the Tribunal. The Tribunal after hearing remanded back the case to learned Commissioner Inland Revenue (Appeals) for careful consideration of the evidence of payment of tax by the Group. As per the legal advisor, on the conclusion of pending proceedings the tax paid by the Group would become refundable.

17.11 Provision for other receivables considered doubtful

Opening balance		239,232	39,232
Provision for other receivables	37	<u>516,942</u>	<u>200,000</u>
		<u>756,174</u>	<u>239,232</u>

18. TAXATION – net

Advance income tax		248,701	192,488
Provision for taxation - current	40.1	<u>(40,491)</u>	<u>(18,037)</u>
		<u>208,210</u>	<u>174,451</u>

19. BANK BALANCES**Cash at banks:**

In current accounts			
Local currency		314,051	60,944
Foreign currency		<u>9,256</u>	<u>9,215</u>
		323,307	70,159
In saving accounts			
Local currency	19.1	115,677	29,890
Cash and cheques in hand		<u>3,929</u>	<u>1,830</u>
		<u>442,913</u>	<u>101,879</u>

19.1 These carry mark-up at rates, ranging between 6% and 7.25% (2013: 6% and 8%) per annum.

Note	June 30, 2014	June 30, 2013
	----- (Rupees in '000') -----	

20. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

June 30, 2014	June 30, 2013		
Number of shares			
300,000,000	300,000,000	Ordinary shares of Rs.10 each fully paid in cash	3,000,000 3,000,000

20.1 As at the end of the current year, 83,906,257 (2013: 91,357,157) Ordinary shares of Rs.10 each, amounting to Rs.839,062,570 (2013: Rs.913,571,570), were held by the related parties of the Holding Company.

21. LONG-TERM LOANS**Secured****From banks and financial institutions**

Local currency loan – I	21.1	-	9,680
Local currency loan – II	21.2	154,250	205,667
		<u>154,250</u>	<u>215,347</u>
Current maturity of local currency loans shown under current liabilities	31	(92,375)	(61,243)
		<u>61,875</u>	<u>154,104</u>

21.1 During the year ended June 30, 2008, the Group arranged a running finance facility from a commercial bank amounting to Rs.100 million under an agreement dated March 31, 2008. During the year ended June 30, 2010, the said running financing facility was restructured as a medium term finance facility. It was repayable in eighteen monthly installments, commencing July 1, 2010. The loan carried mark-up at the rate of one month KIBOR plus 2.00% (2013: one month KIBOR plus 2.00%) per annum. It is secured against pari passu charge over the present and future fixed assets of the Group to the extent of Rs.116.670 (2013: Rs.116.670) million. During the year, this loan has been repaid in full by the Group.

21.2 The Group in prior years had obtained a local currency loan from a commercial bank for a period of five years, inclusive of eighteen months grace period repayable in eight semi-annual installments commencing July 24, 2008. The loan was restructured during the year ended June 30, 2010 repayable in eight semi-annual installments, commencing January 23, 2010. During the year ended June 30, 2012, the facility was restructured again by merging the running finance facility obtained from the same bank into this demand finance and repayable in five semi-annual installments starting from July 23, 2013. The loan carries mark-up at the rate of six months KIBOR plus 3.5% (2013: six months KIBOR plus 3.5%) per annum and it is secured against pari passu charge over the present and future fixed assets of the Group to the extent of Rs. 467.000 (2013: Rs. 467.000) million.

22. REDEEMABLE CAPITAL

Secured

	Note	June 30, 2014	June 30, 2013
		----- (Rupees in '000') -----	
Term Finance Certificates	22.1	792,170	880,595
Current maturity of redeemable capital shown under current liabilities			
Amount overdue	22.2	(271,790)	(174,995)
Amount payable in next 12 months	31	(520,380)	(185,220)
		<u>(792,170)</u>	<u>(360,215)</u>
		-	(520,380)

- 22.1 This represents listed Term Finance Certificates (TFC's) issued by the Group for the purposes of acquiring radio spectrum frequencies from the PTA and expanding/upgrading new WLL network redeemable in ten unequal semi-annual installments, commencing November 2005 with a semi-annual payment of mark-up at a rate of six months KIBOR plus 3.75% per annum with the last payment on November 27, 2010. However, the issue was restructured on two instances with the consent of TFC holders without penalties. Under the revised terms balance amount is repayable in 13 quarterly installments carrying mark-up at the rate of three months KIBOR plus 5.04 % with the last such payment on May 27, 2015.

These are secured against a first specific charge over the fixed assets of the Group, aggregating to Rs. 800.000 (2013: Rs. 800.000) million and specific charge over the intangible assets (frequency spectrum) procured from the PTA.

- 22.2 As on June 30, 2014 five full and one partial installments amounting to Rs. 271.790 million were overdue. The overdue principal amount is included in current maturity. Subsequently to the year end and till the authorization of these financial statements, Group has made partial payment of Rs. 22.626 million of the above over due amount.

23. ADVANCE FROM A CONTRACTOR

Unsecured

Advance from a Contractor		835,687	896,182
Exchange (gain)/loss on translation		(265)	24,403
Trade debts applied there against		(25,734)	(84,898)
Written-back during the year	23.2	(384,773)	-
		<u>424,915</u>	<u>835,687</u>

- 23.1 On April 30, 2010, the Group sold licenses for the 3.5 GHz frequencies to a Subsidiary Company of the Contractor, for a consideration of Rs.1,580.084 million, after obtaining necessary approval from the PTA. This sale was made in accordance with the terms of an 'Amended and Restated Network Agreement' (the Agreement) signed on April 26, 2010 between the Group, Contractor and its Subsidiary Company, covering (a) the sale of licenses and (b) provision of services to the Contractor for future periods pursuant to a Credit Note for Rs.1,051.250 million, equivalent to US\$12.5 million, to be issued by the Group.

Against the provision of infrastructure services of Rs. 1,051.250 million to the Contractor for future services, as referred to in (b) above, the Contractor paid a sum of Rs.605.810 million directly to the PTA on behalf of the Group against the amounts due thereto by the Group in respect of various charges to fulfill a precondition for the execution and transfer of the title of the licenses in the name of the Subsidiary of the Contractor which has been recorded by the Group as payment made under protest in note 17.6 under Other Receivables. As the Contractor was committed to issue shares to the Group, shares in question, valuing Rs. 480.630 million (equivalent to US\$5.307 million) were issued on April 04, 2012. The above referred consideration of Rs. 1,051.250 million in respect of provision of services had been adjusted by the Group against a sum of Rs.80.293 million during the year ended June 30, 2010, representing amounts due from the Contractor in respect of services rendered thereto, pursuant to the Amended and Restated Network Agreement, discussed above.

- 23.2 Although the Amended and Restated Network Agreement does not specify the period in which such infrastructure services are to be provided by the Group to the Contractor, the Group estimates that based on the current usage level, the entire value of the Credit Note will not be exhausted during the balance life of its WLL licenses. Since advance from the Contractor is not refundable and can be utilized against infrastructure services only, the Group has recognized to the income during the current year such amount that can reasonably be estimated as in excess of the amount that can be utilized over the remaining life of its WLL License. Since the Credit Note in question has not been finalized to date, it is not possible at present to calculate the amount to be taken into income during the next twelve months and accordingly, no amount have been transferred to the current liabilities at the end of the current year.

Note June 30, June 30,
2014 2013
----- (Rupees in '000') -----

24. LONG-TERM DEPOSITS

Security deposits

Telenor LDI Communication (Private) Limited	24.1	35,978	71,304
Pakistan Mobile Communication (Private) Limited	24.2	9,338	8,871
Current portion shown under current liabilities	31	(39,090)	(5,914)
		6,226	74,261
Distributors		6,114	6,977
Indoor Call Point holders		17,210	30,710
Others		29,061	25,924
		<u>58,611</u>	<u>137,872</u>

- 24.1 During the year, the Group entered into an agreement with Telenor LDI Communication (Private) Limited (Telenor). Under the provisions of the said agreement, Telenor deposited a sum of Rs. 71.304 million with the Group, representing two months' monthly recurring charges for use of 54 MHz and 52 MHz bandwidths, Rs. 34.365 million and Rs. 36.939 million respectively obtained by the Group from foreign Satellite Bandwidth Providers as discussed in note 8.4. Fifty percent of these deposits are adjusted during the year while the balance amount of Rs. 17.182 million and Rs. 18.469 million are adjustable against monthly recurring charges for the months of April and May, 2015 respectively.
- 24.2 During the year ended June 30, 2012, the Group entered into an agreement with Pakistan Mobile Communication (Private) Limited (Mobilink). Under the provisions of the said agreement, Mobilink deposited a sum of Rs. 8.872 million with the Group, representing three month's monthly recurring charges, in respect of the use of C-band Satellite Bandwidth. This deposit is adjustable against monthly recurring charges till August 2014.

25. DEFERRED LIABILITIES

Staff gratuity	25.1	9,001	11,847
Spectrum fee payable	25.2	<u>1,585,500</u>	<u>1,585,500</u>
		<u>1,594,501</u>	<u>1,597,347</u>

25.1 Staff gratuity

Reconciliation of obligations as at year end

Present value of defined benefit obligation	25.1.1	<u>9,001</u>	<u>11,847</u>
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25.1.1 Movement in liability

Net liability at beginning of the year	11,847	9,015
Charge for the year	1,547	7,091
Benefits paid during the year	(4,293)	(4,259)
	<u>9,001</u>	<u>11,847</u>

25.1.2 Principal actuarial assumptions

The latest valuation was carried out as at June 30, 2013, using Projected Unit Credit Method. Following assumptions had been used for valuation of the scheme:

	Note	June 30, 2014	June 30, 2013
		----- (Rupees in '000') -----	
Expected rate of increase in salaries, per annum		9.50%	9.50%
Expected discount rate, per annum		10.50%	10.50%

25.1.3 Comparison for the five years

	2014	2013	2012	2011	2010
	----- (Rupees in '000) -----				
Present value of defined benefit obligation	<u>9,001</u>	<u>11,847</u>	<u>9,015</u>	<u>12,243</u>	<u>27,280</u>
	Note	June 30, 2014	June 30, 2013		
		----- (Rupees in '000') -----			
		<u>1,585,500</u>	<u>1,585,500</u>		

25.2 INITIAL SPECTRUM FEE

This represents the balance of Initial Spectrum Fees (balance fees) in respect of the license and related frequencies acquired by the group, as referred to in note 6. In 2005, the WLL Operators requested the Government, through the Ministry of Information Technology, to grant a moratorium for payment of the balance fees followed by a staggered payment schedule over 10 years. The PTA, pursuant to the approval of the Economic Coordination Committee (ECC), confirmed granting of the moratorium of 4 years, expiring during March 2010, to the WLL industry, including the group, for the payment of balance of the spectrum fees, while other payment modalities were to be finalized. Since then, WLL Operators have been requesting the authorities for a confirmation of staggering of the balance fees over 10 years. On March 10, 2010, the group received a letter from the PTA approving the staggering of balance of initial spectrum fees in ten equal instalments, commencing the year 2009. However, few days later, the PTA withdrew the said letter regarding it as being issued inadvertently, and instead, issued a show cause notice to the group on June 02, 2010, seeking explanation for the non-payment of the balance of initial spectrum fee, with an immediate demand for the payment of the said amount. The group thereafter submitted a detailed response against the show cause notice to the PTA, raising several legal and factual grounds but the PTA, without appreciating those facts, issued a final determination order dated, May 11, 2011 demanding the payment of this fee along with late payment charges.

The group instituted an appeal against the above said Order in the Islamabad High Court seeking to set it aside on the basis that the same was issued in undue haste and without affording the group an opportunity of hearing. The Court granted an injunction against PTA through its order, dated June 13, 2011. Further, a Civil Suit has also been filed jointly by the group, DVCOM Data (Private) Limited and Great Bear International Services (Private) Limited in the High Court of Islamabad seeking a declaration as to the continuation of the moratorium on the payment of this balance of Initial Spectrum Fees (ISF), which is currently pending adjudication.

During the last years, the Ministry of Information Technology and Telecommunication (MoIT), vide its letter dated August 30, 2011, has accepted the long outstanding request of the WLL industry and has instructed the PTA to collect the balance fees in installments.

However, the above mentioned appeal was disposed-off by the said Court during the current year due to misrepresentation of PTA in the Court contending that the said directive of MoIT was issued for some other Spectrum not relevant for the WLL Operators.

A Constitutional Petition for grant of Leave to Appeal (CPLA) was filed by the group, in the Supreme Court, challenging the dismissal of the appeal by the Islamabad High Court mainly on the grounds of MoIT afore referred letter through which this balance fees was required to be collected in installments. In parallel, a fresh Writ was also instituted by the group in the Islamabad High Court highlighting incorrect statement from PTA and also the MoIT directive in this regard which is pending adjudication. The Supreme Court has disposed of the CPLA with the directions to the MoIT, being at the top of the hierarchy, to enforce its directive on the PTA and also to resolve the controversy whether the directive does or does not relate to the licensees.

In view of the aforementioned order of the Honorable Supreme Court, the legal advisor of the group has requested the MoIT to enforce its directions on PTA and initiate collection of the balance spectrum fee in 10 equal annual installments, with the first of such annual installments becoming due in January 2013, to ensure all installments are paid prior to the expiry of the current term of licenses. The response from MOIT is still awaited.

During the year the matter has been settled in the favour of the Group. The IHC allowed installments of balance initial spectrum fee as prayed by the Group in line with the directive of MoIT dated August 30, 2011. Since the installment plan is yet to be communicated to Group by MoIT, pending which, the liability has not been discounted to its present value.

Note	June 30, 2014	June 30, 2013
	----- (Rupees in '000') -----	

26. ACCRUED MARK-UP

Accrued on redeemable capital – secured	26.1	-	45,881
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26.1 This represents unpaid mark-up in respect of redeemable capital as a result of restructuring as discussed in detail in note 22.1.

27. TRADE AND OTHER PAYABLES

Trade

Pakistan Telecommunication Company Limited			
Wireless Payphone Service (WPS)	27.1	609,708	609,708
LL & LDI charges		43,060	42,929
Others		803	800
		653,571	653,437
Interconnect operators		13,136	28,512
Others		254,062	277,011
		920,769	958,960

Other payables

Current accounts with related parties	27.2	74,849	119,977
Pakistan Telecommunication Authority		43,189	78,990
Advances from customers		251	4,119
Unearned income		77,212	2,058
Accrued liabilities	27.3	145,394	552,979
Unclaimed dividend		7,892	7,892
Workers' Welfare Fund		4,416	8,182
Others		6,402	70,490
		359,605	844,687
		1,280,374	1,803,647

27.1 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 (June 30, 2013: Rs.968.000) million on account of air time charges, line rent and access charges and Rs.276.000 (June 30, 2013: Rs.276.000) million in respect of leased line charges from the Group. Further, the PTCL raised a bill for Rs.102.080 million and Rs.50.912 million for years ended June 30, 2009 and June 30, 2010. Hence, total amount claimed by the PTCL as at December 31, 2010 amounted to Rs.1,396.992 (June 30, 2013: Rs. 1,396.992) million.

However, the management, while acknowledging the liability to the extent of Rs.609.708 (June 30, 2013: Rs.609.708) million does not accept the liability for the remaining sum of Rs.787.284 (June 30, 2013: Rs.787.284) million and has not recorded the same in these financial statements. In this respect, however, the Group, 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 Group, stating that unless the above referred sum was paid, the PTCL would suspend the WPS service to the Group. The Group 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 PTCL not to suspend the WPS service provided the Group to continued 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, which is currently under progress. Based on said Order, the Group paid a sum of Rs.170.000 million to PTCL for the period commencing May 2008 to February 2009. Thereafter, the Group stopped paying the said amount to the PTCL, as services under the WPS Agreement were no longer required.

Note	June 30, 2014	June 30, 2013
	----- (Rupees in '000') -----	

27.2 Related parties

World Trade Center (Private) Limited	1,761	79,530
Envicon (Private) Limited	52	52
Arfeen International (Private) Limited	7,759	1,284
Total Telecom Limited	421	421
Instaphone Infrastructure (Private) Limited	58,853	33,138
Chaman Investment (Private) Limited	4,703	4,702
Pakcom Limited	239	-
Envicrete Limited	211	-
Societe Generale (Private) Limited	850	850
	<u>74,849</u>	<u>119,977</u>

27.2.1 The above amounts due from related parties are payable on demand. These carry mark-up at the rate of six months KIBOR plus 3.5% per annum.

27.3 The Group had grossed up and withheld tax from payments made to foreign satellite bandwidth providers from May 2010. The Group had filed an application to the Commissioner of Inland Revenue, seeking exemption from the requirements of withholding tax from payment to these on the ground that they do not have any permanent establishment in Pakistan and further, their countries of origin, United States of America, Netherlands, United Kingdom and China, have double tax treaties with Pakistan. Hence, the payments are outside the scope of taxation.

However, the said application was turned down by the Commissioner of Inland Revenue on the grounds that the payments are nature of royalty rather than business/commercial profits. The Group further appealed against the above decision with Commissioner Appeals who refused to consider the appeal on the grounds that the same is out of his jurisdiction. The Group took the grievances to the Appellate Tribunal of Inland Revenue (ATIR) level, Islamabad.

ATIR has, through its order number ITA No. 783, 784 & 107/IB/2011 dated October 21, 2013, ruled that the payments to satellite bandwidth vendors are not subject to withholding of tax in Pakistan and also directed the Group that amount debited in the books at 17.64% of the Group are liable to be recouped under the relevant provisions of the law. Therefore, in order to comply with the said Order, the Group has ceased grossing up the withholding tax on the invoices of satellite bandwidth providers and recouped the withholding tax liability to income in accordance with the said decision. This amount is including in other income during the year accordingly (note 38).

	Note	June 30, 2014	June 30, 2013
		----- (Rupees in '000') -----	
28. ACCRUED / INTEREST MARK-UP			
On secured:			
Long-term loans	21	11,198	19,615
Redeemable capital	22	250,112	162,712
Short-term running finances	29	9,476	14,749
		<u>270,786</u>	<u>197,076</u>
On unsecured:			
Short term borrowings		157	10,308
Current accounts with related parties		13,929	6,507
		<u>284,872</u>	<u>213,891</u>
29 SHORT-TERM RUNNING FINANCES			
From banks – secured		<u>298,420</u>	<u>342,932</u>

30.1 The Group has arranged short-term running finance facilities, aggregating to Rs.375.000 (2013 Rs.375.000) million, from various commercial banks. These carry mark-up, ranging between three months KIBOR plus 2.75% to six months KIBOR plus 3.5% (2013: three months KIBOR plus 2.75% to six months KIBOR plus 3.5%) per annum, payable quarterly. These facilities are secured against first pari passu hypothecation charge over current assets of the Group.

30. SHORT-TERM BORROWING

Unsecured - loan from a related party
World Trade Center

<u>93,757</u>	<u>98,500</u>
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30.1 The loan from the above referred related party carried markup at the rate of 15% (2013: 15%) per annum. This loan is repayable on demand.

Note	June 30, 2014	June 30, 2013
	----- (Rupees in '000') -----	

31. CURRENT MATURITIES OF LONG-TERM LIABILITIES

Long-term loans	21	92,375	61,243
Redeemable capital (TFCs)	22	792,170	360,215
Long-term deposits	24	39,090	5,914
		<u>923,635</u>	<u>427,372</u>

32. CONTINGENCIES AND COMMITMENTS

Contingencies

32.1 During the current year, the Group along with other LDI Operators before the High Court of Sindh seeking declaration and permanent injunction for setting aside the Policy Directive dated 17 June 2014 issued by Ministry of Information Technology, whereby it has on the recommendation of PTA withdrawn the earlier Policy Directive dated 13 August 2012, by way of which International Clearing House was mandated to be established. The Court has suspended the operations of the said directive and further restrained MoIT from taking any coercive action. The matter is pending for hearing. In view of our legal counsel the Group has a good arguable case on merits and the suit is likely to be decreed in favour of the Group.

32.2 During the year ended June 30, 2009, the PTA issued a show cause notice to the group, alleging that the group has violated the Access Promotion Rules, 2004 and Access Promotion Regulations, 2005 in respect of reporting requirements and certain discrepancies in the data provided to the PTA under the said rules/regulations. The group has taken strong exceptions to the allegations being unfounded and made in undue haste without affording the group an opportunity to explain its position which could have avoided the need for issuance of a show cause notice to start with. In particular, the group has stated that complete data was provided to the PTA and the PTA had no occasion to allege violation of the requirements of the rules/regulations. This was stated without prejudice to the group's stance before the Supreme Court of Pakistan regarding the vary vires of the AP Rules, 2004 and AP Regulations, 2005 under which the aforementioned show cause notice has been issued to the Group.

Thereafter, during the year ended June 30, 2011, the PTA issued a Determination dated October 31, 2010 in respect of the above matter, and demanded a sum of Rs.56.47 million from the group on account of short payment of APC for USF. The group has filed a Writ Petition which is currently pending before the Islamabad High Court inter alia praying that the opportunity of being heard be afforded to the group and the amount determined in the said Determination be corrected in view of the group's application.

In view of the group's legal advisor, at this juncture, amount of penalties, if any, imposed by the PTA on above referred irregularities cannot be ascertained, hence, no provision has been made by the group for any liability that may arise as a result of this matter in these financial statements.

- 32.3 The group filed a law suit against the Karachi Building Control Authority (KBCA) before the High Court of Sindh (the Court), for preventing their antennas from dismantling against notice issued by KBCA, dated February 26, 2006. The KBCA has instructed all cellular phone companies to regularise their antenna which involves obtaining an NOC from the KBCA, and a Stability Certificate within 15 days from the date of that notice, failing which the defendant has threatened to dismantle the antennas and / or take legal action.

The Court has granted interim injunction and matter is pending for hearing of application. In view of the group's legal advisor, it is not possible at this juncture to assess and estimate the financial impact of the case in question, however, the group has a good arguable case and is likely to succeed and as such is not likely to suffer any loss on account of this litigation. Hence, no provision for any liability that may arise as a result of this matter has been recorded by the group in these financial statements.

- 32.4 During the year, the PTA issued a show cause notice to the group alleging that the amount in the sum of Rs.23 million on account of Annual Radio Spectrum Fees (ARFSF) for the year ended June 30, 2011 has not been paid. The group in its reply to the said notice requested the PTA to receive this amount in 12 equal monthly installments while submitting the cheque for the first installment mainly on the grounds of business losses and consequent cash flow constraints. The PTA has turned down this request and issued a determination demanding the amount including late payment fees in lump sum. The said determination was challenged in the Islamabad High Court and the Court was pleased to suspend the operations of the order. The case is pending adjudication.

- 32.5 During the previous year, the PTA issued a show cause notice to the group, demanding the payment of Annual Regulatory Dues in the sum of Rs. 21 million. However, the group worked out these dues to be Rs. Nil as it contended that these dues should be calculated by using accrual basis of accounting, to arrive at the net revenue on which these charges should be calculated under the LDI and WLL license condition. The PTA, on the other hand, only allows expenses that are paid during the year to be deducted from the revenue.

This contention was not accepted by the PTA and a determination was issued by the authority demanding the fee so calculated. The group instituted an appeal in the Islamabad High Court, challenging the alleged amount demanded by the PTA and the Court suspended the said determination of PTA. The matter is pending adjudication and in view of the group's legal advisor, the group has a good arguable case and no liability has been recorded in these financial statements.

- 32.6 PTA, in the year 2012, issued a show cause notice, alleging that the group is not following the Approved Settlement Rate (ASR) while selling the international minutes as determined by the PTA. The group in response has rejected the allegations by stating that the very issue of determining ASR in light of the relevant Rules and Regulations of the Authority stands sub-judice in the Honorable High Court of Sindh, which is currently pending and any further deliberations/implications/decisions relating to the ASR issue can only be made once a binding principle is established by the said Court in this matter. Further, the group has also instituted a petition in the Honorable High Court of Sindh, challenging the show cause notice and the Court granted a stay to the effect that PTA will not revoke or cancel the group's license in the matter. As per the legal advisor of the group, the case is in its preliminary stage and the group has a good arguable case on its merits and is likely to succeed in obtaining the relief sought against the respondent.

- 32.7 During the year ended June 30, 2010, the PTA issued a determination relating to the Annual Regulatory Dues for 2008 and demanded a payment of Rs.54.548 million. The group has challenged the determination in the High Court of Sindh, mainly on the ground that the PTA can only claim Annual Regulatory Dues on the licensed services and not on the non-licensed revenue streams. In view of the group's legal advisor, the group has a good arguable case on merits and is likely to succeed. Accordingly, as the case is pending adjudication, no provision has been made for the same in these financial statements pending a final decision.

- 32.8 During the year Group has instituted a Constitutional Petition before the High Court of Sindh for setting aside order dated April 30, 2013 passed by Competition Commission of Pakistan whereby Policy Directive issued by the Ministry of Information Technology to form the International Clearing House (ICH) has been declared as illegal. As per Sindh High Court Order dated September 05, 2013 the impugned order is suspended and the matter is pending for katcha peshi. The CCP has also imposed a fine of Rs. 189 M on Group based on Annual Turnover for FY 2012, also a fine of Rs. 1M is imposed on all LDI operators. The Group contend that CCP does not have any jurisdiction in matters concerning regulation of competition in the telecommunication sector as the same falls under the exclusive jurisdiction of Pakistan Telecommunication Authority, in addition to the Constitutional Petition aforesaid the Group and other LDI Operators have also filed an appeal before the Competition Appellate Tribunal under the provision of Competition Act 2010 challenging the said CCP's Order dated April 30, 2013. The Appellate Tribunal has not yet been constituted by the Federal Government and as soon as the Appellate Tribunal is constituted the appeal will be fixed for hearing.
- 32.9 During the current year Group has filed a Constitutional Petition in the High Court of Sindh against Sindh Revenue Board for setting aside and declaring the notification dated November 16, 2012 of no legal effect issued by SRB to amend the Sindh Sales Tax on Services Rules 2011 to the effect that sales tax was to be paid by LDI operators on charges received by them, on international incoming calls on a monthly basis, however, the Group's contention is that Sales Tax is only payable on services that are listed in the First and Second Schedule of Sales Tax Act. International incoming calls or anything synonymous to the same is not mentioned in the First and Second Schedule of the Sales Tax Act, hence no tax is payable on any amount received by the Group from foreign telecommunication operators in this regard. The Court has restrained the respondents from taking any coercive action against the Group.
- The matter is pending katcha peshi and hearing, in view of our legal advisor the Group has a good arguable case on merit and is likely to succeed in obtaining the relief claimed against the respondents.
- 32.10 During the year ended June 30, 2013, The Group filed a Constitutional Petition before the High Court of Sindh, impugning notice dated 03 September 2012 under the Sindh Land revenue Act 1967 issued by Assistant Commissioner & Assistant Collector Grade 1 to deposit certain alleged dues of PTA on account of Initial Spectrum Fee. The Court has restrained the officers from taking any coercive action. The matter is pending for katcha peshi, and in view of our legal counsel the Group has a good arguable case on merits and is likely to succeed in obtaining the relief claimed against the respondents.
- 32.11 During the year ended June 30, 2013 Group filed an appeal before the High Court of Sindh for setting aside Order dated June 30, 2012 passed by Pakistan Telecommunication Authority whereby PTA alleges that the Group is liable to pay APC for USF for the months of July 2010 to November 2011. The Court has granted stay and no coercive action be taken by PTA and the matter is pending for katcha peshi, in view of our legal advisor the Group has a good arguable case on merits and is likely to succeed in obtaining relief claimed against the respondents.
- 32.12 During the year ended June 30, 2013 the Group filed suit before the High Court of Sindh seeking permanent injunction and damages impugning notice dated 27 May 2011 issued by NAB authorities for the recovery of alleged dues of Rs.1.2 Billion on account of APC for USF Contribution and quashment of inquiry being conducted against the Company by NAB authorities for recovery of this amount. The Court was pleased to restrain NAB from proceeding further. The matter is pending for hearing of application, in view of our legal counsel the Group has a good arguable case on merits and the Suit is likely to be decreed in favour of the Group.
- 32.13 The Group has filed a Constitutional Petition before the High Court of Sindh, seeking certain declarations and restraining orders against PTA and National Accountability Bureau challenging Notice dated May 29, 2012, issued by PTA to the Group under section 5(r) of the NAB Ordinance, whereby PTA has required the Group to make payment of alleged dues of Rs. 2.4 billion on account of APC for USF Contribution within 30 days from the date of the Notice. The Court has suspended the operations of the said order in addition to restraining the PTA from taking any coercive action.

In view of the legal advisor, the Group has a good arguable case on merit and is likely to succeed in obtaining relief claimed against the Respondents. Accordingly, no provision has been made for any liability in these financial statements for the above.

32.14 During the year ended June 30, 2005, a suit was filed by Shinawatra Satellite Public Company Limited, Thailand, in the High Court of Sindh against the Group for the recovery of transponder service fee inclusive of withholding tax and interest thereon, amounting to US\$324,625 equivalent to Rs.32.284 (2013: Rs.32.073) million. Out of this amount, a sum of Rs.12.738 (2013: Rs.12.738) million had been withheld from the payments made by the Group to the above-referred entity.

The balance amount of Rs. 19.545 (2013: Rs.15.196)-million has not been provided for in these financial statements as the Group lawyer has opined that the suit is subject to evidence produced in this matter and is likely to be decided in Group favour, and, hence, pending a final decision by the High Court of Sindh in this matter, no provision has been made any liability that may arise as a result of the said lawsuit in these financial statements.

32.15 A suit was filed by Huawei Technologies Company Limited, China in the High Court of Sindh against the Group for the return of certain equipment or payment of US\$300,000 equivalent to Rs.29.835 (2013: Rs.29.640) million and a compensation of US\$270,000 [approximately Rs. 26.852 (2013: Rs. 26.676) million] for the use of equipment. During the year ended June 30, 2005, the subject equipment was returned by the Group in the presence of a representative of the Court. However, the decision regarding the payment of compensation is still pending before the Court. The Group lawyer has opined that the suit is subject to evidence produced in this matter and is likely to be decided in Group favour, and, hence, pending a final decision by the High Court of Sindh in this matter, no provision has been made for any liability that may arise as a result of the said lawsuit in these financial statements.

32.16 In respect of the assessment years 1999 - 2000 to 2002 - 2003, the group was assessed partly under the presumptive tax regime (now final tax regime) and partly under the normal tax regime. Further, for assessment years 2001 - 2002 and 2002 - 2003, apart from taxation on historic basis, the tax authorities disallowed tax credit as well as the reinvestment allowance claimed by the group on purchase of fixed assets. Tax demand in respect of these cases amounts to Rs.59.812 million. The group has filed appeals against these cases with High Court of Sindh (the Court), which are currently pending.

The income tax return filed by the group for the tax year 2003 was subjected to tax audit. An Order has been passed by the Taxation Officer under section 122(1) of the Income Tax Ordinance, 2001, whereby income has been assessed at Rs.56.923 million against the reported tax loss of Rs.5.945 million. The group has filed an appeal against the same before the Income Tax Appellate Tribunal (ITAT) which has decided the case against the group, after admitting an adjustment of tax refundable, amounting to Rs.4.529 million, against tax demand of Rs.19.358 million, thus creating a final tax demand of Rs.14.789 million. The group has filed an appeal in the Court, which has not been heard to-date.

The income tax assessments of the Supernet Limited, a subsidiary Company have been finalized up to and including the tax year 2011. While finalizing the subsidiary Company's income tax assessments for the assessment years 1997-98 to 2002-03, the taxation officer had not allowed credit of taxes paid by the Subsidiary Company, aggregating Rs. 17.078 million, on account of non-verifiability of payment challans. The Subsidiary Company through its Tax Consultants has applied for a rectification for Rs.15.605 million and separate rectification application of Rs.1.473 million will be made in near the future. The management is confident that the eventual outcome of the matter will be decided in favour of the Subsidiary Company. Accordingly, no adjustment has been made to the above, shown under advance income tax in note 18, pending a final decision in this matter. additional provision has been considered necessary in these financial statements.

During the year ended June 30, 2013 Subsidiary Company tax year 2008 was audited u/s 177 and tax demand of Rs. 15.398 million was raised, the Subsidiary Company so far furnished evidence of Rs. 13.272 million. Subsidiary Company is pursuing for remaining tax deductions evidences of Rs. 2.126 million and submitted the details to the department. The management is confident that the eventual outcome of the matter will be decided in favour of the Subsidiary Company. Accordingly, no adjustment has made to the above pending a final decision in this matter.

The aggregate financial impact of the above matters on the tax provision made by the group in the financial statements works out to be Rs.91.679 (2013: Rs.91.679) million. However, the management, based on the opinion of its tax advisors, is confident about the favorable outcome of the above matters and, hence, no additional provision has been considered necessary in these financial statements.

32.17 PTCL's claim amounting to Rs.1,627.552 (2013: Rs.1,618.185) million in respect of monthly billing has not been acknowledged as debt by the Group. The Group maintains that the said amount is overbilled by the PTCL. Hence, no provision has been made against the same in these financial statements.

32.18 Contingencies in respect of matters relating to the PTCL have been disclosed in notes 17.2 and 27.1 to the financial statements. Pending resolutions of these matters no provision has been made against the amounts disclosed in these notes.

32.19 Contingency in respect of the PTA claim for APC for USF is disclosed in note 17.6 to the financial statements against which no provision has been made in these financial statements in accordance with the advice of the legal advisor.

32.20 Counter guarantees given to banks amounting to Rs.189.73 (2013: Rs.230) million.

	Note	June 30, 2014	June 30, 2013
		----- (Rupees in '000') -----	(Restated)
33. REVENUE – Net			
Turnover		3,332,240	3,375,472
APC for USF		(586,759)	(566,602)
Trade discounts		(1,649)	(3,054)
		<u>2,743,832</u>	<u>2,805,816</u>
Services rendered to the Contractor under the Network Agreement		25,731	84,867
Sale of equipment		92,708	50,434
		<u>2,862,271</u>	<u>2,941,117</u>

33.1 This amount represents the APC for USF collected by PTCL on behalf of the Group for onward payment to USF as per the agreement dated August 30, 2012.

34. DIRECT COSTS

Salaries and other benefits	34.1	119,721	116,999
Interconnect charges – net		83,479	381,974
Network media charges		56,066	69,139
Network sites rent		98,009	118,059
Network sites utilities and maintenance		119,975	108,233
Satellite communication charges		785,898	725,243
Cost of cards sold	34.2	74	128
Communication stores consumed	34.3	56,950	29,282
Support Service Cost		22,908	12,778
Repair and maintenance		6,115	974
Royalty	34.4	1,709	1,637
Consultancy charges		1,526	1,488
Printing and stationery		132	3
Conveyance and travelling		10,634	7,931
Communication		1,355	1,616
Insurance		17,195	12,314
Annual license fee		103,012	24,852
Depreciation	6.1.2	366,767	382,409
Amortisation	7.3	181,517	181,517
Monitoring Charges		10,117	9,769
Others		3,013	4,170
		<u>2,046,172</u>	<u>2,190,515</u>

34.1 This includes a sum of Rs.1.722 (2013: Rs.1.134) million in respect of the Group's contribution to the Provident Fund.

	Note	June 30, 2014	June 30, 2013
		----- (Rupees in '000') -----	
34.2 Cost of cards sold			
Opening stock		628	581
Purchases		298	175
Stock written off		(550)	-
		<u>376</u>	<u>756</u>
Closing stock		(302)	(628)
		<u>74</u>	<u>128</u>

34.3 Communication stores consumed

Opening stock	133,754	101,774
Purchases	52,163	61,262
	<u>185,917</u>	<u>163,036</u>
Closing stock	(128,967)	(133,754)
	<u>56,950</u>	<u>29,282</u>

34.4 This represents royalty, after incorporating adjustment of inter-operator payments, paid to PTA for the establishing, maintaining and operating of data Class Value Added Services (CVAS) in Pakistan under license granted on October 23, 2009 for the period of 15 years.

	Note	June 30, 2014	June 30, 2013
		----- (Rupees in '000') -----	

35. DISTRIBUTION COSTS AND ADMINISTRATIVE EXPENSES

Salaries and other benefits	35.1	258,098	249,672
Postage, telephone and telex		4,013	2,523
Vehicles running and maintenance		25,754	25,785
Travelling and entertainment		23,860	20,954
Office security and maintenance		15,051	9,603
Stationery and Photocopies		7,287	5,166
Rent and utilities		96,313	111,010
Insurance		5,984	6,150
Legal and professional charges		11,876	19,489
Auditors' remuneration	35.2	4,538	5,130
Sales promotion and marketing		12,680	8,821
Fee and subscription		1,893	1,666
Depreciation	6.1.2	13,631	12,417
Amortisation	7.3	48	64
Repair and maintenance		8,526	2,470
Communication		2,384	1,555
Advance written-off		-	64,175
Provision for trade debts considered doubtful	13.2	69,112	-
Provision for deposits considered doubtful		671	-
Stock written-off	34.2	550	-
Provision for accrued markup	16.1	48,587	-
Late payment surcharge - PTA		40,513	-
Others		15,041	3,338
		<u>666,410</u>	<u>549,988</u>

35.1 This includes Rs. 1.547 million in respect of gratuity expense for the year (2013: Rs.7.144 million) and Rs.6.576 (2013: Rs.5.310) million in respect of the Group's contribution towards provident fund.

	Note	June 30, 2014	June 30, 2013
		----- (Rupees in '000') -----	
35.2 Auditors' remuneration			
Fee for the audit of annual financial statements		2,624	2,555
Fee for the audit of consolidated financial statements		350	350
Fee for the review of half yearly financial statements and other certifications		1,298	1,120
Out-of-pocket expenses		266	445
		<u>4,538</u>	<u>4,470</u>
36. OTHER OPERATING EXPENSES			
Exchange loss – net		8,164	22,522
Workers' Welfare Fund		4,144	412
		<u>12,308</u>	<u>22,934</u>
37. PROVISION FOR IMPAIRMENT IN THE VALUE OF INVESTMENT & FOR OTHER RECEIVABLE			
Provision for other receivable considered doubtful	17.11	516,942	200,000
Provision for impairment for long term investment		-	480,630
		<u>516,942</u>	<u>680,630</u>
38. OTHER INCOME			
Income from financial assets			
Return on bank deposits and term deposit receipt		19,952	4,026
Liabilities no longer payable written back		697,092	-
Income from sale of option	38.1	20,880	-
Miscellaneous income		18,758	-
		<u>756,682</u>	<u>4,026</u>
Mark-up on current accounts with related parties		6,161	5,792
Income from non-financial assets			
Gain on sale of fixed assets		4,683	1,400
Professional service to a related party		18,000	18,000
Provision written back	14.2	7,147	-
Others		4,223	9,290
		<u>34,053</u>	<u>28,690</u>
		<u>796,896</u>	<u>38,508</u>

38.1 This represents income from option granted to telecom operator to consider acquiring one of the company's telecom license.

Note	June 30, 2014	June 30, 2013
	----- (Rupees in '000') -----	

39. FINANCE COSTS**Mark-up on secured:**

Long-term loans	19,360	35,615
Redeemable capital	127,795	133,184
Short-term borrowings	17,249	11,158
Short-term running finances	35,137	46,185
Markup on accounts with related party	11,971	7,877
Bank charges	5,103	4,568
	<u>216,615</u>	<u>238,587</u>

40. TAXATION

Current	40.1	40,743	18,094
Prior		(252)	224
Deferred		2,823	(267,907)
		<u>43,314</u>	<u>(249,589)</u>

40.1 The relationship between income tax expense and accounting profit has not been presented in these financial statements as the provision for taxation for the current year is based on minimum tax on turnover under section 113 of the Income Tax Ordinance, 2001.

41. EARNINGS/(LOSS) PER SHARE – BASIC AND DILUTED

Profit/(loss) after tax for the year	<u>157,406</u>	<u>(453,440)</u>
Weighted average number of shares	<u>300,000,000</u>	<u>300,000,000</u>
Basic earnings/(loss) per share (Rupees)	<u>0.52</u>	<u>(1.51)</u>

There is no dilutive effect on the basic earnings of the Group.

42. CASH GENERATED FROM OPERATIONS

	Note	June 30, 2014	June 30, 2013
----- (Rupees in '000') -----			
Profit/(loss) before taxation		200,720	(703,029)
Adjustments for non-cash charges and other items:			
Depreciation	6.1.2	380,398	394,826
Amortisation	7	181,565	181,581
Provision for gratuity		1,547	7,091
Finance costs		211,512	234,019
Provision for debts considered doubtful	35	69,112	-
Provision for deposits considered doubtful		671	-
Provision against accrued mark up	16.1	48,587	-
Provision for impairment in investment		-	480,630
Liability written back	23.2	(384,773)	-
Provision written back		(7,147)	-
Provision for other receivables		516,942	-
Advances written-off	35	-	64,175
Gain on sale of fixed assets		(4,683)	(1,400)
		1,013,731	1,360,922
Profit before working capital changes		1,214,451	657,893
(Increase) / Decrease in current assets			
Communication stores		5,688	(31,353)
Stock-in-trade		326	(47)
Trade debts		79,242	(244,901)
Loans and advances		31,976	(13,366)
Deposits and prepayments		(39,455)	(46,191)
Other receivables		181,564	(46,055)
Short-term investment and accrued mark-up		(9,589)	(4,706)
		249,752	(294,509)
Decrease in trade and other payables		(523,273)	(21,492)
Cash generated from operations		940,930	341,892

43. REMUNERATION OF THE CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2014			2013		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	(Rs. in '000')					
Managerial remuneration	22,639	4,662	87,825	16,406	3,290	77,820
Other perquisites and benefits:						
House rent	2,613	2,098	16,859	2,613	1,481	14,246
Medical	141	60	1,122	58	25	996
Retirement benefits	484	400	2,455	484	274	1,662
Perquisites and benefits	6,007	-	41,130	2,814	-	41,398
Leave passage	567	-	2,174	533	-	3,600
Utilities	1,518	466	3,746	581	329	3,166
	11,330	3,024	67,486	7,083	2,109	65,068
	<u>33,969</u>	<u>7,686</u>	<u>155,311</u>	<u>23,489</u>	<u>5,399</u>	<u>142,888</u>
Number of persons	<u>4</u>	<u>2</u>	<u>60</u>	<u>3</u>	<u>2</u>	<u>53</u>

43.1 Directors of the Group are also provided with the free use of the Group maintained car and other benefits in accordance with their terms of service.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks i.e. market risk, credit risk and liquidity risk. The risk is managed through monitoring and controlling activities which are primarily set up to be performed based on limits established by the management. The Board of Directors supervises the overall risk management approach within the Group.

44.1 Market risk

Market risk is the risk that fair value of future cash flows will fluctuate because of changes in market variables such as interest rates, foreign exchange rates and equity prices.

44.1.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate because of changes in the market interest rates. As of June 30, 2014, the Group is exposed to such risk mainly in respect of long-term and short-term borrowings and short-term investments and loan.

Management of the Group estimates that 1% increase in the market interest rate, with all other factors remaining constant, would decrease the Group's profit by Rs.9.251 million and a 1% decrease would result in an increase in the Group's profit by the same amount. However, in practice, the actual results may differ from the sensitively analysis.

44.1.2 Foreign currency risk

Foreign currency risk is the risk that the value of financial assets or a financial liability will fluctuate due to a change in a foreign exchange rates. It arises mainly where receivables and payables exist due to transactions in foreign currency. The Group's exposure to foreign currency risk is as follows:

	June 30, 2014	June 30, 2013
	-----US\$-----	
Trade debts	851,778	42,429
Bank balances	94,616	4,077
Trade and other payables	(1,091,713)	(602,870)
	<u>(145,319)</u>	<u>(556,364)</u>

The following significant exchange rates have been applied at the reporting dates:

Exchange rate (Rupees)	<u>98.75</u>	<u>98.80</u>
------------------------	--------------	--------------

The foreign currency exposure is partly covered as majority of the Group's billing is determined in dollars which is converted into rupees at the exchange rate prevailing at the transaction date. The Group has assessed that hedging its foreign currency borrowings will be more expensive than assuming the risk itself.

Sensitivity analysis:

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Group's profit before tax and the Group's equity.

	Change in US dollar rate (%)	Effect on profit / (loss) ----- (Rupees in '000') -----	Effect on equity
June 30, 2014	+10	<u>(1,435)</u>	<u>(1,435)</u>
	-10	<u>1,435</u>	<u>1,435</u>
June 30, 2013	+10	<u>(5,499)</u>	<u>(5,499)</u>
	-10	<u>5,499</u>	<u>5,499</u>

44.1.3 Equity risk

Equity price risk is the risk of volatility in share prices resulting from their dependence on market sentiments, speculative activities, supply and demand for shares and liquidity in the market. As of June 30, 2014 the Group is not exposed to equity price risk.

44.2 Credit risk

Credit risk is the risk that counterparty will cause a financial loss for the Group by failing to discharge its obligations. The table below analyses the Group's maximum exposure to credit risk.

	June 30, 2014	June 30, 2013
	----- (Rupees in '000') -----	
Trade debts	580,448	728,802
Long-term loans and advances	-	5,820
Long-term deposits	62,985	68,781
Loans and advances	41,500	66,329
Other receivables	2,778,287	3,476,793
Accrued mark-up	31,014	70,012
Bank balances	438,984	100,049
	<u>3,933,218</u>	<u>4,516,586</u>

Concentration of credit risk exists when changes in economic or industry factors affect the group of counterparties whose aggregate credit exposure is significant in relation to the Group's total credit exposure. The Group's portfolio of financial assets is broadly diversified and transactions are entered into with diverse credit worthy counterparties thereby mitigating any significant concentration of credit risk.

The credit quality of financial assets that are neither past nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates as follows:

Trade debts

Customers with no defaults in the past one year	<u>580,448</u>	<u>728,802</u>
---	----------------	----------------

Bank balances

A1+	388,922	6,662
A1	1,807	75,592
A-2	12,136	17,717
A-1	759	73
A3	35,360	5
	<u>438,984</u>	<u>100,049</u>

44.3 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group follows effective cash management and planning policy to ensure the availability of funds through committed credit facilities. The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

	Less than 3 months	3 to 12 months	1 to 5 Years	Greater than 5 years	Total
	----- (Rupees in '000') -----				
Long-term loans	40,812	51,563	61,875	-	154,250
Redeemable capital	396,152	396,018	-	-	792,170
Long-term deposits	-	39,090	58,611	-	97,701
Spectrum fee payable	-	-	1,585,500	-	1,585,500
Trade and other payables	-	1,280,374	-	-	1,280,374
Accrued mark-up	284,872	-	-	-	284,872
Short-term borrowings/ running finances	93,757	298,420	-	-	392,177
June 30, 2014	<u>815,593</u>	<u>2,065,465</u>	<u>1,705,986</u>	<u>-</u>	<u>4,587,044</u>

	Less than 3 months	3 to 12 months	1 to 5 Years	Greater than 5 years	Total
(Rupees in '000')					
Long-term loans	-	61,243	154,104	-	215,347
Redeemable capital	-	360,215	520,380	-	880,595
Long-term deposits	-	5,914	137,872	-	143,786
Spectrum fee payable	-	-	1,585,500	-	1,585,500
Trade and other payables	-	1,803,647	-	-	1,803,647
Accrued mark-up	196,783	17,108	45,881	-	259,772
Short-term borrowings/running finances	98,500	342,932	-	-	441,432
June 30, 2013	295,283	2,591,059	2,443,737	-	5,330,079

Effective interest / mark-up rates for the financial liabilities are mentioned in the respective notes to the financial statements.

44.4 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction.

The carrying values of all financial assets and liabilities reflected in the consolidated financial statements approximate their fair values, except for available-for-sale investment.

44.5 Capital management

The Group's objective when managing capital is to safeguard the Group's ability to remain as a going concern and continue to provide returns for shareholders.

The Group monitors capital using a gearing ratio, which is debt divided by total capital plus debt as follows:

	June 30, 2014	June 30, 2013
(Rupees in '000')		
Long-term loans	154,250	215,347
Redeemable capital	792,170	880,595
Due to PTA	1,585,500	1,585,500
Debt	2,531,920	2,681,442
Issued, subscribed and paid-up capital	3,000,000	3,000,000
Unappropriated profit / (Accumulated loss)	(144,332)	(301,738)
Total capital	2,855,668	2,698,262
Capital and debt	5,387,588	5,379,704
Gearing ratio	47.0%	49.8%

45. TRANSACTIONS WITH RELATED PARTIES

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

	June 30, 2014	June 30, 2013
	----- (Rupees in '000') -----	
Entities having directors in common with the Group		
Arfeen International (Private) Limited		
Payments made on behalf of the Group	2,150	1,516
Service rendered	676	238
Markup charged by the Group	4,781	5,016
Rent charged during the year	5,520	5,520
Sale of fixed asset	1,400	-
Service received	1,043	903
World Trade Center (Private) Limited		
Services received	60,349	88,586
Service rendered	468	-
Markup charged to the group	23,771	17,715
Payment against short term borrowing	4,743	-
Short term borrowing	-	98,500
Envicrete Limited		
Services rendered	249	152
Portgrand Limited		
Services rendered	71	450
Services received	148	-
Provident Fund		
Contribution during the year	6,576	5,310
Instaphone Infrastructure (Private) Limited		
Services rendered	35,940	18,000
Services received	45,627	57,140
Mark-up charged to the Group	4,702	-
Payment made on behalf of the Group	3,919	3,802
Payment made by the group	-	3,435
Instaphone (Private) Limited		
Mark-up charged	457	457

45.1 Balances outstanding with related parties have been disclosed in the respective notes to the financial statements.

June 30, 2014 (Un-audited)	June 30, 2013 (Audited)
----- (Rupees in '000') -----	

46. PROVIDENT FUND RELATED DISCLOSURES

The following information is based on latest un-audited financial statements of the fund:

Size of the Fund - total assets	44,168	36,368
Cost of the investment made	37,250	25,241
Percentage of investments made	92%	75%
Fair value of investments	40,707	27,340

46.1 The break-up of fair value of investments is:

		%		%
Bank balances/deposits	21,525	53	12,771	47
Mutual funds	12,886	32	8,951	33
National Saving Schemes	6,296	15	5,618	20
	40,707		27,340	

47. NUMBER OF EMPLOYEES

The number of employees at the year ended were 451 (2013: 571) and average number of employees during the year were 478 (2013: 583).

48. CORRESPONDING FIGURES

Certain corresponding figures have been reclassified for the purpose of better presentation, however, there were no material reclassification except as under:

Reclassified from	Reclassified to	Rupees in '000
Revenue	Monitoring expenses	9.769
Administrative Expenses	Direct cost	
Fee and subscription	Network Site utilities & Maintenance	6.012
Rent and utilities	Network Site rents	0.976

49. DATE OF AUTHORISATION ISSUE

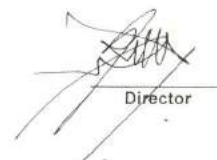
The financial statement were authorized for issue on 2 October, 2014 by the board of directors of the Group.

50. GENERAL

Figures in these financial statements have been rounded off to the nearest thousand rupees, unless otherwise stated.



Chief Executive



Director

Pattern of Shareholding

As at June 30, 2014

Number of share Holders	Share Holding From	To	Total Share Held
177	1	100	6,656
557	101	500	260,833
865	501	1000	857,964
1,723	1001	5000	5,424,851
680	5001	10000	5,802,237
257	10001	15000	3,439,743
210	15001	20000	3,998,051
125	20001	25000	3,002,694
74	25001	30000	2,129,200
46	30001	35000	1,540,954
49	35001	40000	1,920,500
23	40001	45000	986,283
94	45001	50000	4,634,353
16	50001	55000	858,048
17	55001	60000	993,950
11	60001	65000	701,585
11	65001	70000	770,000
17	70001	75000	1,258,000
11	75001	80000	864,000
5	80001	85000	420,500
10	85001	90000	886,000
9	90001	95000	840,000
52	95001	100000	5,191,752
7	100001	105000	718,100
5	105001	110000	541,500
6	110001	115000	680,900
1	115001	120000	120,000
5	120001	125000	620,000
5	125001	130000	642,000
2	130001	135000	268,500
3	135001	140000	415,500
7	140001	145000	1,011,500
8	145001	150000	1,199,000
4	150001	155000	610,000
2	155001	160000	317,500
2	160001	165000	330,000
2	165001	170000	340,000
2	170001	175000	350,000
1	175001	180000	180,000
4	180001	185000	731,000
2	185001	190000	376,000
2	190001	195000	388,000
16	195001	200000	3,200,000
2	200001	205000	404,000
3	220001	225000	670,440
3	225001	230000	681,501
2	235001	240000	476,000
6	245001	250000	1,500,000
1	255001	260000	260,000
1	260001	265000	263,000
1	265001	270000	266,000
2	270001	275000	545,435
1	275001	280000	277,470
1	280001	285000	283,500
1	285001	290000	288,000
5	295001	300000	1,500,000

Number of share Holders	Share Holding From	To	Total Share Held
1	300001	305000	301,000
1	305001	310000	306,000
1	315001	320000	320,000
1	325001	330000	327,302
1	330001	335000	335,000
1	340001	345000	345,000
1	345001	350000	350,000
2	350001	355000	708,000
1	365001	370000	368,500
2	375001	380000	759,500
1	380001	385000	383,000
1	390001	395000	395,000
1	395001	400000	400,000
2	400001	405000	802,100
2	420001	425000	845,800
1	445001	450000	450,000
1	455001	460000	458,000
1	480001	485000	480,500
5	495001	500000	2,498,000
1	520001	525000	525,000
1	530001	535000	531,000
1	545001	550000	547,500
1	565001	570000	568,500
3	595001	600000	1,799,000
1	630001	635000	634,375
1	675001	680000	680,000
1	725001	730000	727,255
1	745001	750000	750,000
2	820001	825000	1,649,500
1	910001	915000	912,500
1	915001	920000	917,500
1	945001	950000	946,000
1	995001	1000000	995,118
1	1030001	1035000	1,033,638
1	1070001	1075000	1,073,642
1	1245001	1250000	1,250,000
1	1385001	1390000	1,385,500
1	1420001	1425000	1,424,362
1	1495001	1500000	1,500,000
2	1995001	2000000	4,000,000
1	2150001	2155000	2,155,000
1	2245001	2250000	2,250,000
1	2265001	2270000	2,268,500
1	2270001	2275000	2,275,000
1	2395001	2400000	2,400,000
1	2450001	2455000	2,450,900
1	2495001	2500000	2,500,000
1	2570001	2575000	2,571,500
1	2650001	2655000	2,651,000
1	2995001	3000000	2,996,749
1	3890001	3895000	3,894,858
1	7000001	7005000	7,005,000
1	7090001	7095000	7,092,500
1	7315001	7320000	7,320,000
1	12090001	12095000	12,095,000
1	22370001	22375000	22,371,376
1	22725001	22730000	22,727,180
1	34870001	34875000	34,870,345
1	56175001	56180000	56,179,000
5,225			300,000,000

Categories of Shareholders

As at June 30, 2014

Name	NO OF SHARES	NOS	%
INDIVIDUALS	124,964,256	5,125	42
ASSOCIATED COMPANIES			
CHAMAN INVESTMENT (PVT) LTD	34,500	1	0.01
ARFEEN INTERNATIONAL (PVT) LTD	3,086,749	2	1.03
WORLD TRADE CENTRE (PVT) LTD	35,092,285	2	11.70
INTERNATIONAL COMMUNICATION GROUP	7,320,000	1	2.44
ENVICRETE LIMITED	2,400,000	1	0.80
GATES LIMITED	634,375	1	0.21
GATES INTERNATIONAL LIMITED	3,894,858	1	1.30
ICG USA	2,500,000	1	0.83
	54,962,767	10	18.32
JOINT STOCK COMPANIES	66,124,655	62	22.04
BANKS, DFI'S, INSURANCE COMPANIES	22,855,128	8	7.62
MODARBAS AND MUTUAL FUNDS & OTHERS	5,038,160	9	1.68
	94,017,943	79	31.34
FOREIGN INVESTORS			
BARING SECURITIES NOMINEES LTD	400	1	0.00
BOSTON SAFE DEPOSIT & TRUST	1,500	1	0.00
LEHMAN BROTHERS SECURITIES	3,400	1	0.00
STATE STREET BANK & TRUST CO U.S.A.	7,600	1	0.00
	12,900	4	0.00
DIRECTORS, CHIEF EXECUTIVE AND THEIR SPOUSES			
SULTAN UL ARFEEN	1,424,362	1	0.47
SHAHID FIROZ	1,073,642	1	0.36
SAMINA SHAHID	450,000	1	0.15
NIGHAT SULTANA	301,000	1	0.10
CHAMAN ARA BEGUM	10,000	1	0.00
SHAMS UL ARFEEN	22,783,130	2	7.59
	26,042,134	7	8.68
Total	300,000,000	5,225	100

Form of Proxy

I/We _____ s/o _____
 of _____ being a member of **Telecard Limited** and holding _____
 ordinary shares as per Folio No. _____ and/or CDC participant I.D.
 No. _____ and Sub-Account No. _____ hereby appoint
 _____ of _____ or failing him
 _____ of _____ as my / our
 proxy to vote for me/us and on my behalf at the Annual General Meeting of the Company to be held on Thursday
 October 30, 2014 at 11:00 a.m. 75 East, Blue Area, Fazal ul Haq Road, Islamabad, and at any adjournment
 thereof.
 Signed this _____ day of _____, 2014.

WITNESS:

1. Signature: _____
 Name: _____
 Address: _____

CNIC No.

					-														
--	--	--	--	--	---	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Or Passport No. _____

2. Signature: _____
 Name: _____
 Address: _____

CNIC No.

					-														
--	--	--	--	--	---	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Or Passport No. _____

Rupees Five
 Revenue
 Stamp

Signature of the shareholder

1. For physical shareholders: The signature should agree with the specimen registered with the company.

2. For CDC shareholders: The signature should agree with the specimen on CNIC attached).

CNIC No.

					-														
--	--	--	--	--	---	--	--	--	--	--	--	--	--	--	--	--	--	--	--

NOTES:

1. A member of the Company entitled to attend and vote may appoint a proxy to attend and vote instead of him / her. Proxies in-order must be received, during business hours, at the Registered Office of the Company not less than 48 hours before the time of holding Extra Ordinary General Meeting.
2. Shareholders whose shares are deposited with Central Depository Company (CDC) are requested to bring their Computerized National Identity Card (CNIC) along with their CDC Account Number for verification. In case of corporate entity, the Board of Directors' resolution/ power of attorney with specimen signatures of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.
3. For attending the meeting and appointing proxies, CDC account holders will further have to follow the guidelines as laid down in Circular 01 dated 26 January, 2000 issued by the SECP.