



## DIRECTORS' REPORT

The Directors are pleased to present the un-audited financial statements for the quarter ended 30<sup>th</sup> September 2007, the first quarter of the Financial Year 2007-08.

During the period under review, your company earned a total revenue of Rs.14.4 billion compared with Rs.16.9 billion for the same period last year, a decline of 15%. Operating expenses were Rs.10.7 billion against Rs.10.1 billion of previous year, showing an increase of 6%. However, new initiatives are being taken to improve operational efficiency.

Non operating income of Rs.1,127 million was 14% higher than the last year's figure of Rs.992 million. Profit before tax was Rs.4.6 billion as compared to Rs.7.7 billion for the same period last year and the net profit after tax for the quarter remained lower by 39% at Rs.3.0 billion than Rs.5.2 billion of the previous year mainly due to a decline in revenue.

The management is adopting new strategies to improve revenues. The decision to extend ISD facility to all the customers had a salutary impact on international traffic. Both the incoming and outgoing traffic showed healthy growth of 27% and 148%, respectively, as compared to the same period last year. Similarly, with the biggest national backbone infrastructure PTCL continues to be the main provider of network capacity and your Company has achieved 10% growth in domestic leased lines revenue in this quarter as compared to the same period last year. As the country is developing fast as an information society, efforts are being made to improve your Company's focus on data/Internet segment to overcome the impact of voice competition under a futuristic strategy.

PTCL Broadband has been made operational in major cities of the country whereas net-on-phone service (24 hours on-line Internet dialup access) was also introduced for all PTCL customers during this quarter. Your Company is going all out to make its due contribution for achieving faster broadband penetration in Pakistan. With the deployment of large capacity of DSL connectivity in several exchanges, broadband service has already been launched in 12 cities and more than 20,000 customers are using the service in the twin cities of Islamabad/Rawalpindi, Peshawar, Lahore, Gujranwala, Sialkot, Sheikhpura, Faisalabad, Multan, Karachi, Hyderabad, Quetta and Hub.

The Company is geared up to march forward along these lines by introducing modern IPTV technologies. Further new bundled services such as triple play shall be launched soon to leverage your Company's landline infrastructure, to boost revenues and minimize churn. Several new projects have been planned for implementation during the current financial year 2007-08 including expansion/upgradation of access network, deployment of Next Generation Network (NGN), Evolution Data Optimized (EVDO) for broadband on WLL, expansion of national and international backbone. Moreover, significant investment is being made on IT for better management of the existing and new services, i.e., operations support systems for improved call centres, customer care, billing, payment facilities, revenue assurance and infrastructure monitoring to reduce fault incidences etc. These projects would

improve your company's network capacity, service capability and profitability during the ensuing periods.

Your company has also taken number of initiatives to meet its corporate social responsibility such as contributing for relief activities, establishing free help line, distributing free PTCL calling cards in disaster struck areas and helping to promote higher education by facilitating Universities' network in the country.

We are pleased to inform that VSS scheme, prepared to optimize productivity, is now in the final stages of launch. Meanwhile, PTCL management is in the process of revamping the organization for improving business processes, operational efficiency and competitiveness. Modern tools of management, codes of procedure, automation and control are being implemented under an enterprise resource planning system based on international best practices.

Looking forward, the management foresees some stabilization despite continuation of intense competition in the telecom market with further pressure on fixed-line sector, particularly in the voice segment. However, the steps taken for organizational transformation, introduction of new services and repositioning PTCL for competitive outlook will improve its efficiency, profitability and shareholder value.

On behalf of the Board

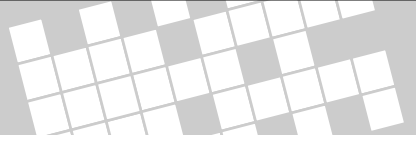


**Hifz-ur-Rehman**  
Chairman PTCL Board

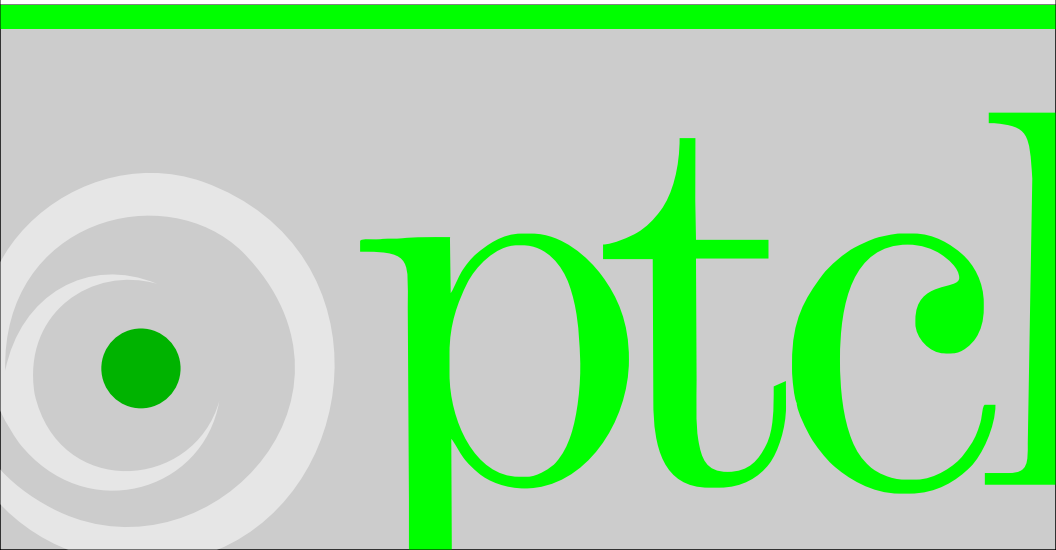


**Walid Irshaid**  
President & Chief Executive Officer

Islamabad:  
October 30, 2007

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**COMPANY  
FINANCIAL  
STATEMENTS**



# PAKISTAN TELECOMMUNI

## BALANCE SHEET AS AT

Note	September 30, 2007	June 30, 2007
<b>(Rupees In Thousand)</b>		
<b>EQUITY AND LIABILITIES</b>		
<b>SHARE CAPITAL AND RESERVES</b>		
Authorized Share Capital		
11,100,000,000 "A" Class Ordinary Shares of Rs 10 each	111,000,000	111,000,000
3,900,000,000 "B" Class Ordinary Shares of Rs. 10 each	39,000,000	39,000,000
	<u>150,000,000</u>	<u>150,000,000</u>
Issued, subscribed and paid-up capital	51,000,000	51,000,000
Insurance reserve	1,749,047	1,749,047
General reserves	30,500,000	30,500,000
Unappropriated profit	30,676,510	27,664,217
	113,925,557	110,913,264
<b>NON CURRENT LIABILITIES</b>		
Payable to PTA against WLL license fee	1,641,574	1,601,222
Deferred taxation	2,373,223	2,373,223
Employees' retirement benefits	12,472,563	12,289,626
Long term security deposits from customers - non interest bearing	1,217,434	1,195,784
	17,704,794	17,459,855
<b>CURRENT LIABILITIES</b>		
Trade and other payable	18,752,503	19,258,578
Interest and mark-up accrued	584	1,380
Short term borrowings	1,767,622	2,145,948
Current portion of Suppliers' credit	17,319	171,581
Taxation	2,996,636	2,870,254
	23,534,664	24,447,741
<b>CONTINGENCIES AND COMMITMENTS</b>	5	
	<u>155,165,015</u>	<u>152,820,860</u>

The annexed notes from 1 to 11 form an integral part of these financial statements.



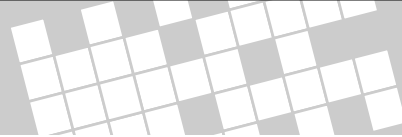
Chairman

**CATION COMPANY LIMITED**  
**SEPTEMBER 30, 2007 (UN-AUDITED)**

	Note	September 30, 2007	June 30, 2007
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	4	73,337,408	76,191,881
Capital Work-in-Progress		11,910,032	10,609,483
Intangible assets		3,185,169	3,230,742
Long term investment		7,292,137	7,411,776
Long term loans		1,098,503	1,174,140
		96,823,249	98,618,022
<b>CURRENT ASSETS</b>			
Stores and spares		3,985,758	3,879,206
Trade debts		12,317,747	11,411,412
Current portion of loan to subsidiaries		400,000	400,000
Loans advances, deposits, prepayments and other receivables		5,988,019	5,228,560
Cash and bank balances		35,650,242	33,283,660
		58,341,766	54,202,838
		<b>155,165,015</b>	<b>152,820,860</b>



President & CEO



**PAKISTAN TELECOMMUNICATION COMPANY LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
 FOR THE QUARTER ENDED SEPTEMBER 30, 2007 (UN-AUDITED)

Note	July 1, 2007 to September 30, 2007	July 1, 2006 to September 30, 2006
	(Rupees In Thousand)	
Revenue	14,353,246	16,858,236
Operating cost	(10,707,082)	(10,065,856)
Operating profit	3,646,164	6,792,380
Non-operating income	1,127,378	991,992
Finance cost	(139,317)	(105,356)
Profit before taxation	4,634,225	7,679,016
Taxation	(1,621,932)	(2,527,932)
Profit after taxation	3,012,293	5,151,084
Earning per share - basic and diluted (Rupee)	0.59	1.01

The annexed notes from 1 to 11 form an integral part of these financial statements.



Chairman



President & CEO

**PAKISTAN TELECOMMUNICATION COMPANY LIMITED**  
**CASH FLOW STATEMENT**  
 FOR THE QUARTER ENDED SEPTEMBER 30, 2007 (UN-AUDITED)

	Note	September 30, 2007	September 30, 2006
<b>Cash flows from operating activities</b>			
(Rupees in Thousand)			
Cash generated from operations	6	4,951,891	13,442,184
Long term security deposits		21,650	139,261
Employee retirement benefits		(26,893)	(62,189)
Finance cost paid		(99,761)	(108,577)
Income tax paid		(1,495,551)	(1,272,773)
<b>Net cash inflow from operating activities</b>		<b>3,351,336</b>	<b>12,137,906</b>
<b>Cash flows from investing activities</b>			
Fixed capital expenditure		(1,494,859)	(786,559)
Long term loans		104,419	75,096
Return on deposits		932,527	729,300
Sale proceeds from disposal of property, plant and equipment		7,402	15,397
<b>Net cash inflow/(outflow) from investing activities</b>		<b>(450,511)</b>	<b>33,234</b>
<b>Cash flows from financing activities</b>			
Repayment of suppliers' credit		(154,262)	(177,206)
Dividend paid		(1,655)	(3,994,395)
<b>Net cash used in financing activities</b>		<b>(155,917)</b>	<b>(4,171,601)</b>
<b>Net increase in cash and cash equivalents</b>		<b>2,744,908</b>	<b>7,999,539</b>
<b>Cash and cash equivalents at beginning of the period</b>	7	<b>31,137,712</b>	<b>18,835,482</b>
<b>Cash and cash equivalents at end of the period</b>		<b><u>33,882,620</u></b>	<b><u>26,835,021</u></b>

The annexed notes from 1 to 11 form an integral part of these financial statements.

  
Chairman

  
President & CEO

# PAKISTAN TELECOMMUNICATION COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE QUARTER ENDED SEPTEMBER 30, 2007 (UN-AUDITED)

(Rupees In Thousand)

	Share capital		Revenue		Total
	Class "A"	Class "B"	General reserve	Insurance reserve	
Balance as at July 01, 2006	37,740,000	13,260,000	30,500,000	1,492,414	22,483,050
Net profit for the period					5,151,084
Balance as at Sep 30, 2006	37,740,000	13,260,000	30,500,000	1,492,414	27,634,134
Net profit for the period	-	-	-	-	10,487,669
Transfer to insurance reserve	-	-	-	(257,586)	(257,586)
Final dividend on ordinary shares for the year ended June 30, 2006 @ Rs.2 per share	-	-	-	-	(10,200,000)
Reserve utilized during the year	-	-	-	(953)	(953)
Balance as at June 30, 2007	37,740,000	13,260,000	30,500,000	1,749,047	27,664,217
Net profit for the period					3,012,293
Balance as at September 30, 2007	37,740,000	13,260,000	30,500,000	1,749,047	30,676,510
					10,487,669
					(10,200,000)
					110,913,264
					3,012,293
					113,925,557

The annexed notes from 1 to 11 form an integral part of these financial statements.



Chairman



President & CEO

**PAKISTAN TELECOMMUNICATION COMPANY LIMITED**  
**SELECTED NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE QUARTER ENDED SEPTEMBER 30, 2007 (UN-AUDITED)

1. These financial statements are unaudited and are being submitted to the shareholders as required by section 245 of the Companies Ordinance 1984.
2. The accounting policies adopted for the preparation of these financial statements are the same as those applied in the preparation of preceding annual published financial statements of the company for the year ended June 30, 2007.
3. These financial statements have been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 "Interim Financial Reporting".

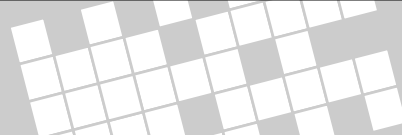
	<b>September 30, 2007</b>	<b>June 30, 2007</b>
	<b>(Rupees In Thousand)</b>	
<b>4. Property, plant and equipment</b>		
Opening book value	76,191,881	75,937,780
Add: Additions during the period	196,685	12,603,837
	<u>76,388,566</u>	<u>88,541,617</u>
Less: Disposal during the period (at book value)	13,787	725,593
Depreciation/amortization charged during the period	3,037,371	11,624,143
	<u>3,051,158</u>	<u>12,349,736</u>
	<u><b>73,337,408</b></u>	<u><b>76,191,881</b></u>

**5. Contingencies and Commitments**

- a) There has been no material change in contingencies since last audited annual financial statements.
- b) Commitments in respect of contracts for capital expenditure amount to Rs 16,657,609 thousand (June 2007: Rs 17,604,276 thousand).

**6. Cash flow from operating activities**

	<b>Note</b>	<b>September 30, 2007</b>	<b>September 30, 2006</b>
		<b>(Rupees In Thousand)</b>	
<b>Cash generated from operations</b>			
Profit before taxation		4,634,225	7,679,016
Add/(less) adjustments for non cash charges and other items			
Depreciation		3,048,783	2,981,141
Amortization of investment		119,639	83,191
Amortization of intangible assets		85,926	53,483
Provision for doubtful debts		715,361	492,810
Employee retirement benefits		209,833	265,452
Profit on sale of fixed assets		(7,402)	(15,397)
Return on deposits/investments		(816,692)	(581,044)
Interest and mark-up expenses		137,154	105,356
Working capital changes	6.1	<u>(3,174,936)</u>	<u>2,378,175</u>
		<u><b>4,951,891</b></u>	<u><b>13,442,184</b></u>



**6.1 Working capital changes**

	September 30, 2007	September 30, 2006
	(Rupees In Thousand)	
(Increase)/decrease in current assets		
Stores and spares	(106,552)	(155,704)
Trade debts	(1,659,885)	(1,089,327)
Loans, advances, deposits, prepayments and other receivables	(904,076)	148,471
Increase/(decrease) in current liabilities		
Trade and other payables (net)	<u>(504,423)</u>	<u>3,474,735</u>
	<u>(3,174,936)</u>	<u>2,378,175</u>

**7. Cash and cash equivalents**

Cash and bank balances	35,650,242	28,154,027
Short term borrowings	<u>(1,767,622)</u>	<u>(1,319,003)</u>
	<u>33,882,620</u>	<u>26,835,024</u>

**8. Taxation**

Provision for taxation has been made on an estimated basis.

9. In order to comply with the requirements of International Accounting Standard 34 'Interim Financial Reporting', balance sheet has been compared with the balances of annual financial statements, whereas profit and loss account and cash flow statement have been compared with the balances of comparable period of immediately preceding financial year.

10. These financial statements were authorised for issue by the Board of Directors on October 30, 2007

**11. Corresponding figures**

Corresponding figures have been rearranged, wherever necessary, for the purposes of comparison. However, no significant reclassification have been made.



Chairman



President & CEO