

**CONDENSED INTERIM  
FINANCIAL INFORMATION  
(UN-AUDITED)  
FOR THE PERIOD ENDED**

**30 SEPTEMBER 2010**

## VISION

We at Worldcall are committed to achieving dynamic growth and service excellence by being at the cutting edge of technological innovation. We strive to consistently meet and surpass customers', employees' and stake-holders' expectations by offering state-of-the-art telecom solutions with national & international footprints. We feel pride in making efforts to position Worldcall and Pakistan in the forefront of international arena.

## MISSION STATEMENT

In the telecom market of Pakistan, Worldcall to have an overwhelming impact on the basis of following benchmarks:

Create new standards of product offering in basic and value added telephony by being more cost effective, easily accessible and dependable. Thus ensuring real value for money to all segments of market.

Be a leader within indigenous operators in terms of market share, gross revenues and ARPU within five years and maintain the same positioning thereafter.

Achieve utmost customer satisfaction by setting up high standards of technical quality and service delivery.

Ensuring the most profitable and sustainable patterns of ROI (Return on Investment) for the stake-holders.

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Condensed consolidated interim financial information

**COMPANY INFORMATION**

<b>Chairman</b>	Mehdi Mohammed Al Abudwani
<b>Chief Executive Officer</b>	Babar Ali Syed
<b>Board of Directors (In Alphabetical order)</b>	Aimen bin Ahmed Al Hosni Asadullah Khawaja (Nominee Arif Habib Securities Ltd.) Bernhard Heinichen Mehdi Mohammed Al Abudwani Saud bin Ahmed Al-Nahari Salmaan Taseer Samy Ahmed Abdulqadir Al Ghassany Talal Said Marhoon Al-Mamari Zafar Iqbal
<b>Chief Financial Officer</b>	Mohammad Noaman Adil
<b>Executive Committee</b>	Mehdi Mohammed Al Abudwani (Chairman) Tala Said Marhoon Al-Mamari (Member) Asadullah Khawaja (Member) Babar Ali Syed (Member) Aimen bin Ahmed Al-Hosni (Member) Saud Mansoor Al-Mazroui (Secretary)
<b>Audit Committee</b>	Talal Said Marhoon Al-Mamari (Chairman) Zafar Iqbal (Member) Asadullah Khawaja (Member) Rizwan Abdul Hayi (Secretary)
<b>Chief Internal Auditor</b>	Mirghani Hamza Al-Madani
<b>Company Secretary</b>	Saud Mansoor Al-Mazroui
<b>Auditors</b>	KPMG Taseer Hadi & Co. Chartered Accountants
<b>Legal Advisers</b>	M/s Ebrahim Hosain & Associates Advocates
<b>Bankers</b>	Allied Bank Limited Arif Habib Bank Limited Askari Bank Limited Barclays Bank Plc Pakistan Deutsche Bank AG Emirates Global Islamic Bank Limited Faysal Bank Limited First Dawood Investment Bank Limited Habib Bank Limited Habib Metropolitan Bank Limited HSBC Bank Middle East Limited IGI Investment Bank Limited KASB Bank Limited MCB Bank Limited National Bank of Pakistan NIB Bank Limited Oman International Bank S.A.O.G. Pak Oman Investment Co. Limited Soneri Bank Limited Standard Chartered Bank (Pakistan) Limited The Bank of Punjab
<b>Registrar and Shares Transfer Office</b>	THK Associates (Pvt.) Limited Ground Floor State Life Building No.3, Dr. Zia-ud-Din Ahmed Road Karachi ☎ (021) 111-000-322
<b>Registered Office/Head Office</b>	67-A, C/III, Gulberg-III Lahore, Pakistan ☎ (042) 5872633-38 Fax: (042) 5755231

## Worldcall Telecom Limited

### DIRECTORS' REVIEW

The Directors of Worldcall Telecom Limited ("WTL" or the "Company") are pleased to present the financial information for the third quarter and nine months ended 30 September 2010.

#### Financial Overview

The business activity generally remained slow during the past quarter. Heavy floods effected vast area and normal business activity in many important cities came to halt due to heavy rains. Compared with the same period last year, the Company was able to maintain the revenue levels and close the period by posting revenue of Rs 5,976 million. Direct cost of Rs. 5,126 million witnessed an increase of 2% over the comparative period mainly on account of depreciation and network maintenance charges. This however affected the gross profit margin which stands at 14% as against 17% of the same period last year. High finance cost of Rs. 559 million on TFCs and other borrowings continued to be the major impediment to better financial performance. After accounting for tax, impairment and other expenses the period was closed with a net loss of Rs 744 million.

#### Future Outlook

Activities on different USF projects are in progress. The commercial launch of MTR got delayed due to floods in the region however work has now been resumed expeditiously.

Competition and escalating cost of doing business are making it hard to translate the growth in revenues and subscribers into bottom line profits. The Company is assessing different synergy initiatives with Omantel which are aimed at entering new revenue streams so as to create value for the shareholders. Subsequent to the period end the Company successfully paid off a hefty redemption of TFCs of Rs 817 million entirely through its current resources. This not only indicates the potential but also offers reflection of the fact that the Company's financial position is expected to improve remarkably once its high cost debt burden is alleviated.

#### Company's staff and customers

We would like to thank all our customers and subscribers for their encouragement and for the trust they placed in us. We also put on record here our appreciation and gratitude for all our staff members and valuable employees. Their efforts and loyalty to the organization is highly commendable.

For and on behalf of the Board of Directors

Lahore  
28 October 2010

  
Babar Ali Syed  
Chief Executive Officer

## Worldcall Telecom Limited

### CONDENSED INTERIM BALANCE SHEET (Un-Audited) AS AT 30 SEPTEMBER 2010

Note	30 September 2010	31 December 2009
----- (Rupees in '000) -----		
<b>NON CURRENT ASSETS</b>		
<b>Tangible fixed assets</b>		
Property, plant and equipment	12,851,737	12,110,704
Capital work-in-progress	947,367	1,650,854
	<u>13,799,104</u>	<u>13,761,558</u>
<b>Intangible assets</b>		
Investment properties	4,646,654	4,767,265
Long term investment - classified as held for sale	88,522	76,162
Long term trade receivable	-	-
Long term deposits	46,805	-
	<u>63,392</u>	<u>68,801</u>
	<u>18,644,477</u>	<u>18,673,786</u>
<b>CURRENT ASSETS</b>		
Stores and spares	205,485	317,614
Stock in trade	195,987	182,105
Trade debts	2,495,182	2,116,744
Loans and advances - considered good	406,459	469,790
Deposits and prepayments	180,918	181,918
Other receivables	26,127	15,890
Short term investments-available for sale	328,825	378,439
Income tax recoverable-net	154,224	143,111
Cash and bank balances	474,012	336,480
	<u>4,467,219</u>	<u>4,142,091</u>
<b>CURRENT LIABILITIES</b>		
Current maturities of non-current liabilities	2,248,912	1,858,591
Running finance under mark-up arrangements - secured	677,475	1,045,660
Short term borrowings	141,000	-
Trade and other payables	4,606,520	2,239,121
Interest and mark-up accrued	308,555	166,605
	<u>7,982,462</u>	<u>5,309,977</u>
	<u>(3,515,243)</u>	<u>(1,167,886)</u>
<b>NET CURRENT LIABILITIES</b>		
<b>NON CURRENT LIABILITIES</b>		
Term finance certificates - secured	2,767,922	3,364,861
Deferred taxation	162,978	398,122
Retirement benefits	216,430	175,942
Liabilities against assets subject to finance lease	18,802	18,542
Long term payables	1,268,643	2,125,220
Long term deposits	43,356	44,160
	<u>4,478,131</u>	<u>6,126,847</u>
Contingencies and commitments	-	-
	<u>10,651,103</u>	<u>11,379,053</u>
<b>REPRESENTED BY</b>		
<b>Share capital and reserves</b>		
Authorized capital 900,000,000 (31 December 2009: 900,000,000) ordinary shares of Rs. 10 each	9,000,000	9,000,000
Issued, subscribed and paid up capital	8,605,716	8,605,716
Share premium	837,335	837,335
Fair value reserve-available for sale financial assets	(54,195)	(70,475)
Accumulated profit	925,583	1,674,903
	<u>10,314,439</u>	<u>11,047,479</u>
Surplus on revaluation	336,664	331,574
	<u>10,651,103</u>	<u>11,379,053</u>

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.

Lahore

  
Chief Executive Officer

  
Director

## Worldcall Telecom Limited

### CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED) FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010

	Nine months ended 30 September 2010	Nine months ended 30 September 2009	Quarter ended 30 September 2010	Quarter ended 30 September 2009
----- (Rupees in '000) -----				
Revenue -net	5,975,512	6,044,698	1,553,632	2,054,788
Direct cost	<u>(5,125,842)</u>	<u>(5,045,828)</u>	<u>(1,458,291)</u>	<u>(1,701,371)</u>
<b>Gross profit</b>	<b>849,670</b>	<b>998,870</b>	<b>95,341</b>	<b>353,417</b>
Operating cost	<u>(1,212,857)</u>	<u>(930,658)</u>	<u>(376,718)</u>	<u>(337,349)</u>
<b>Operating (loss)/profit</b>	<b>(363,187)</b>	<b>68,212</b>	<b>(281,377)</b>	<b>16,068</b>
Finance cost	<u>(558,959)</u>	<u>(328,698)</u>	<u>(181,606)</u>	<u>(159,676)</u>
	<u>(922,146)</u>	<u>(260,486)</u>	<u>(462,983)</u>	<u>(143,608)</u>
Impairment loss on available for sale financial assets	<b>(65,894)</b>	<b>(167,865)</b>	<b>(9,457)</b>	-
Other operating income	<b>45,797</b>	<b>36,404</b>	<b>21,674</b>	<b>3,179</b>
Other income / (expenses)	<b>515</b>	<b>(30,335)</b>	<b>17,623</b>	<b>(23,275)</b>
<b>Loss before taxation</b>	<b>(941,728)</b>	<b>(422,282)</b>	<b>(433,143)</b>	<b>(163,704)</b>
Taxation	<b>197,498</b>	<b>76,009</b>	<b>99,499</b>	<b>44,407</b>
<b>Loss after taxation</b>	<b><u>(744,230)</u></b>	<b><u>(346,273)</u></b>	<b><u>(333,644)</u></b>	<b><u>(119,297)</u></b>
<b>Loss per share - basic &amp; diluted</b>	<b>(Rupees) <u>(0.86)</u></b>	<b><u>(0.40)</u></b>	<b><u>(0.39)</u></b>	<b><u>(0.14)</u></b>

The appropriations have been shown in the statement of changes in equity.

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.

Lahore

*Balawandi*  
Chief Executive Officer

*Gill*  
Director

## Worldcall Telecom Limited

### CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED) FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010

	Nine months ended 30 September 2010	Nine months ended 30 September 2009	Quarter ended 30 September 2010	Quarter ended 30 September 2009
----- (Rupees in '000) -----				
Loss for the period	<b>(744,230)</b>	<b>(346,273)</b>	<b>(333,644)</b>	<b>(119,297)</b>
<b>Other comprehensive income/ (loss)-net of tax:</b>				
Net change in fair value of available for sale financial assets	<b>(49,614)</b>	<b>39,528</b>	<b>(26,231)</b>	<b>230,648</b>
Impairment loss transferred to profit and loss account	<b>65,894</b>	<b>167,865</b>	<b>9,457</b>	-
	<b>16,280</b>	<b>207,393</b>	<b>(16,774)</b>	<b>230,648</b>
<b>Total comprehensive (loss)/ income for the period</b>	<b><u>(727,950)</u></b>	<b><u>(138,880)</u></b>	<b><u>(350,418)</u></b>	<b><u>111,351</u></b>

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.

Lahore

*Balawandi*  
Chief Executive Officer

*Gill*  
Director

## Worldcall Telecom Limited

### CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010

	Note	Nine months ended 30 September 2010	Nine months ended 30 September 2009
----- (Rupees in '000) -----			
<b>Cash flow from operating activities</b>			
Cash generated from operations	13	2,380,612	1,215,713
Decrease in long term deposits receivable		5,409	1,993
Increase in long term trade receivable		(46,805)	-
Decrease in long term deposits payable		(804)	(1,167)
(Decrease)/increase in long term payables		(239,879)	675,635
Retirement benefits paid		(29,617)	(45,396)
Finance cost paid		(413,787)	(449,906)
Taxes paid		(48,759)	(24,792)
<b>Net cash generated from operating activities</b>		<b>1,606,370</b>	<b>1,372,080</b>
<b>Cash flow from investing activities</b>			
Fixed capital expenditure		(999,772)	(1,624,243)
Sale proceeds of property, plant and equipment		21,201	15,183
License fee paid		(113,500)	-
<b>Net cash used in investing activities</b>		<b>(1,092,071)</b>	<b>(1,609,060)</b>
<b>Cash flow from financing activities</b>			
Repayment of long term finances		(37,494)	(148,299)
Running finance- net		(368,185)	253,469
Receipts from short term borrowings		141,000	-
Repayment of term finance certificates		(59,054)	(59,055)
Repayment of finance lease liabilities		(53,034)	(89,814)
<b>Net cash used in financing activities</b>		<b>(376,767)</b>	<b>(43,699)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>137,532</b>	<b>(280,679)</b>
<b>Cash and bank balances at the beginning of the period</b>		<b>336,480</b>	<b>564,188</b>
<b>Cash and bank balances at the end of the period</b>		<b>474,012</b>	<b>283,509</b>

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.

Lahore

*Balaram*  
Chief Executive Officer

*GRIMZ*  
Director

## Worldcall Telecom Limited

### CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010

	Share capital	Share premium	Fair value reserve- available for sale assets	Accumulated profit/ (loss)	Revaluation reserve	Total
----- (Rupees in '000) -----						
<b>Balance as at 31 December 2008</b>	8,605,716	837,335	(230,713)	2,172,537	324,759	11,709,634
Total comprehensive income/(loss) for the period	-	-	207,393	(346,273)	-	(138,880)
Transfer to surplus on revaluation	-	-	-	(5,118)	5,118	-
<b>Balance as at 30 September 2009</b>	<b>8,605,716</b>	<b>837,335</b>	<b>(23,320)</b>	<b>1,821,146</b>	<b>329,877</b>	<b>11,570,754</b>
Total comprehensive loss for the period	-	-	(47,155)	(144,546)	-	(191,701)
Transfer to surplus on revaluation	-	-	-	(1,697)	1,697	-
<b>Balance as at 31 December 2009</b>	<b>8,605,716</b>	<b>837,335</b>	<b>(70,475)</b>	<b>1,674,903</b>	<b>331,574</b>	<b>11,379,053</b>
Total comprehensive income/(loss) for the period	-	-	16,280	(744,230)	-	(727,950)
Transfer to surplus on revaluation	-	-	-	(5,090)	5,090	-
<b>Balance as at 30 September 2010</b>	<b>8,605,716</b>	<b>837,335</b>	<b>(54,195)</b>	<b>925,583</b>	<b>336,664</b>	<b>10,651,103</b>

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.

Lahore

*Balaram*  
Chief Executive Officer

*GRIMZ*  
Director

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION  
(UN-AUDITED)  
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010**

**1 Legal status and nature of business**

Worldcall Telecom Limited ("the Company") is a public limited company incorporated in Pakistan on 15 March 2001 under the Companies Ordinance, 1984 and its shares are quoted on the Karachi and Lahore Stock Exchanges. The Company commenced its operations on 01 December 2004 and is engaged in providing Wireless Local Loop ("WLL") and Long Distance & International ("LDI") services in Pakistan, operation and maintenance of public payphones network and re-broadcasting international/national satellite/terrestrial wireless and cable television and radio signals as well as interactive communication and to establish, maintain and operate the licensed telephony services. The Company has been licensed by Pakistan Telecommunication Authority ("PTA") and Pakistan Electronic Media Regulatory Authority ("PEMRA") for these purposes. The registered office of the Company is situated at 67 A, C-III, Gulberg III, Lahore. In the year ended 30 June 2008, 56.80% shares (488,839,429 ordinary shares) had been acquired by Oman Telecommunications Company SAOG ("the Parent company").

**2 Accounting convention and basis of preparation**

This condensed interim financial information has been presented in condensed form in accordance with the requirements of the "International Accounting Standard 34 - Interim Financial Reporting" as applicable in Pakistan and is unaudited. This condensed interim financial information does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the financial statements of the Company for the year ended 31 December 2009. Further, this condensed interim financial information is being circulated to the shareholders in accordance with the requirements of Section 245 of the Companies Ordinance, 1984.

**3 Statement of Compliance**

This condensed interim financial information of the company for the nine months ended 30 September 2010 has been prepared in accordance with the requirement of the "International Accounting Standard 34 - Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of and directives issued under the Companies Ordinance, 1984 have been followed.

**4 Significant accounting judgements and estimates**

The preparation of condensed interim financial information is in conformity with approved accounting standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions and judgements are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. In preparing this condensed interim financial information, the significant judgements made by management in applying accounting policies and the key sources of estimation were the same as those that were applied to the financial statements for the year ended 31 December 2009.

**5 Accounting policies**

Accounting policies and methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the financial statements of the Company for the year ended 31 December 2009 and stated therein, except for the following:

5.1 A discontinued operation is a component of the Company's business that represents a separate major line of business or geographical area of operations that has been disposed off or is held for sale or a subsidiary acquired exclusively with a view to resell. Classification as a discontinued operation occurs upon disposal or when the operations meet the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statement is re-presented as if the operation has been discontinued from the start of the comparative period.

Note	30 September 2010	31 December 2009
------(Rupees in '000)-----		
<b>6 Property, Plant and Equipment</b>		
<b>Owned and leased assets:</b>		
Opening net book value	<b>12,110,704</b>	9,901,500
Additions during the period/year	6.1 <b>1,835,579</b>	3,408,726
	<b>13,946,283</b>	13,310,226
Disposals during the period/year - NBV	6.2 <b>(29,698)</b>	(13,687)
Transferred to investment properties	<b>(5,760)</b>	-
Adjustment during the period/year	<b>(17,706)</b>	-
Depreciation for the period/year	<b>(1,041,382)</b>	(1,185,835)
<b>Closing net book value</b>	<b>12,851,737</b>	12,110,704
<b>6.1 Break-up of additions</b>		
Freehold land	<b>5,760</b>	-
Leasehold improvements	<b>928</b>	11,570
Plant and equipment	<b>1,802,937</b>	3,369,710
Office equipment	<b>6,258</b>	6,617
Computers	<b>6,694</b>	10,455
Furniture and fixtures	<b>520</b>	6,202
Vehicles	<b>9,317</b>	3,910
Lab and other equipment	<b>3,165</b>	262
	<b>1,835,579</b>	3,408,726
<b>6.2 Break-up of disposals</b>		
Leasehold improvements	<b>(41)</b>	(1,062)
Plant and equipment	<b>(27,477)</b>	(7,895)
Office equipment	<b>(1,025)</b>	(348)
Computers	<b>-</b>	(179)
Furniture and fixtures	<b>(217)</b>	(26)
Vehicles	<b>(938)</b>	(4,177)
	<b>(29,698)</b>	(13,687)
<b>7 Intangible assets- NBV</b>		
Licenses	<b>2,091,134</b>	2,209,794
Patents and copyrights	<b>1,126</b>	1,727
Software	<b>900</b>	2,250
Goodwill	7.1 <b>2,553,494</b>	2,553,494
	<b>4,646,654</b>	4,767,265
<b>7.1</b>		

7.1 Goodwill represents the difference between the cost of the acquisition (fair value of consideration paid) and the fair value of the net identifiable assets acquired at the time of merger of Worldcall Telecom Limited with Worldcall Communications Limited, Worldcall Multimedia Limited and Worldcall Broadband Limited.



## Worldcall Telecom Limited

The Company assessed the recoverable amount at 30 September 2010 and determined that no impairment of Goodwill was found. The recoverable amount was calculated on the basis of five year financial business plan which includes debt financing. The debt financing assumption is substantially covered through commitment for the arrangement of financing available with the Company.

The business plan includes a comprehensive analysis of the existing operational deployments of the company along with strategic direction of future investments and business growth. Discount rate of 16% was used for the calculation of net present value of future cash flows. The cash flows beyond the five years period have been extrapolated using a steady 5% growth rate which is consistent with the long-term average growth rate for the industry, whereas for impairment calculation no growth is considered in cash flows beyond five years as per International Accounting Standard.

### 8 Investment properties

	30 September 2010	31 December 2009
	----- (Rupees in '000) -----	
Opening balance	76,162	76,162
Addition during the period	6,600	-
Transferred from owned assets	5,760	-
Closing balance	<u>88,522</u>	<u>76,162</u>

Investment property comprises of land and commercial property situated in Karachi, Pakistan.

The carrying value of commercial property was the fair value of the property as determined by approved independent valuer M/s PEE DEE & Associates. Fair value was determined giving due regard to recent market transactions for similar properties in the same location and condition as the Company's investment property as at 31 December 2009.

During the period the Company acquired land under the arrangement of barter transaction with Legend World Advertising against the advertisement services. The carrying value was the fair value of investment property at date of acquisition and there is no significant change in fair value as at 30 September 2010.

### 9 Long term investment - classified as held for sale

#### Foreign subsidiary - Unquoted

#### Worldcall Telecommunications Lanka (Pvt) Limited Incorporated in Sri Lanka

7,221,740 (31 December 2009: 7,221,740) ordinary shares  
of Sri Lankan Rupees 10/-each. Equity held 70.65%  
(31 December 2009: 70.65%)

	30 September 2010	31 December 2009
	----- (Rupees in '000) -----	
	44,406	44,406
Share deposit money	13,671	13,671
	58,077	58,077
Less: Provision for impairment	(58,077)	(58,077)
	<u>-</u>	<u>-</u>

## Worldcall Telecom Limited

9.1 The Company's foreign subsidiary namely Worldcall Telecommunications Lanka (Private) Limited has been suffering losses since many years as the demand for payphones in Sri Lanka has greatly diminished. Keeping in view the Sri Lankan market conditions and negative equity of the subsidiary, the management has decided and approved the winding up of the subsidiary. Long term investment in subsidiary has now been classified as discontinued operations.

### 10 Long term trade receivable

This represents receivable from the sale of Optical Fiber Cable stated at amortized cost by using the discount rate of 16%. This amount is receivable over a period of three years.

### 11 Short term borrowings

This represents a bridge finance facility of Rs. 200 million obtained from Habib Bank Limited to retire the Letter of Credit. This carries mark up at 3 months KIBOR plus 3% per annum. The bridge finance facility will be settled on or before 28th February 2011. This facility is secured by registered charge on current and fixed assets.

### 12 Contingencies and commitments

#### Contingencies

#### 12.1 Billing disputes with PTCL

12.1.1 There is a dispute of Rs. 71.79 million (31 Dec 2009: Rs 70.23 million) with PTCL of non revenue time of prepaid calling cards and Rs. 24.93 million (31 Dec 2009: Rs 29.3 million) for excess minutes billed on account of interconnect and settlement charges. The management is hopeful that matter will be decided in favour of the company.

12.1.2 PTCL has charged the Company excess Domestic Private Lease Circuits (DPLC) and other media charges amounting to Rs. 175.57 million (31 Dec 2009: Rs.153.54 million) on account of difference in rates, distances and date of activation. Further, the Company has also deposited Rs. 40 million (31 Dec 2009: Rs. 40 million) in Escrow Account on account of dispute of charging of bandwidth charges from the date of activation of Digital Interface Units (DIUs) for commercial operation and in proportion to activation of DIUs related to each DPLC link and excess charging in respect of Karachi-Rawalpindi link which was never activated. The management is hopeful that matter will be decided in favour of the Company.

#### 12.2 Disputes with Pakistan Telecommunication Authority (PTA)

12.2.1 PTA has raised a demand on the Company of Rs. 10.6 million (31 Dec 2009: Rs. 10.6 million) on account of annual microwave and BTS registration charges. The Company disputed this amount on the grounds that the same are illegal and discriminatory. PTA issued a Show Cause Notice dated 26 June 2009 which culminated into a determination dated 22 February 2010 against the Company. The Company has filed an appeal bearing F.A.O.147/2010 against the said determination before the Honourable Lahore High Court Lahore; the same is pending adjudication. Based on legal advice, the Company has a very good case and there is every likelihood of success.

12.2.2 PTA has issued a notice to the Company for the cancellation of the 479 MHz and 3.5 GHz frequency bands licenses, as the Company has failed to undertake the rollout of its wireless local loop ("WLL") network in the aforesaid frequencies within the time limit prescribed by PTA. The Authority has right to withdraw unused frequency spectrum and cancel the license for not meeting the said roll out requirement. The Company's stance in this respect is that the rollout in 479 MHz, a non standard frequency band, could not be carried out due to non availability of infrastructure and user terminals. Its deployment and commercial operation is not possible in the limited revised time frame. In 3.5 GHz band, the roll out is delayed due to limited

## Worldcall Telecom Limited

customers' market and high cost of the Customer Premises Equipment. Non-firm standards, technology evolution and optimization of spectrum by PTA are also the main reasons for its delayed rollout. However, the Company has started its roll out plan and is successful in getting commencement certificate in GTR and KTR regions for 3.5 GHz frequency and 479 MHz frequency respectively.

In addition to above commencement inspection has been done for 3.5 GHz frequency for the following regions: RTR, CTR, MTR, STR-I, and STR-V while for 479 MHz frequency commencement inspection has been conducted for the following regions: RTR, GTR, FTR, MTR, STR-I and STR-V. The management is hopeful that the matter will be decided in favour of the Company and notice will be withdrawn.

- 12.2.3** There is a dispute of Rs. 11.3 million (31 Dec 2009: Rs. 11.3 million) with PTA on account of contribution to the Research and Development Fund ("R&D Fund") for the period prior to the valid formation of R&D Fund by the Federal Government. PTA issued a Show Cause Notice dated 26 June 2009 which culminated into a determination dated 22 February 2010 against the Company. The Company has filed an appeal bearing F.A.O.147/2010 against the said determination before the Honourable Lahore High Court; the same is pending adjudication.

Validity of this fund is under question before the Honorable Supreme Court of Pakistan in a petition filed by another operator. The Honorable Supreme Court is yet to decide the fate of this fund. Any payment towards this fund shall be refundable in case of favorable decision of the Honorable Supreme Court. Based on legal advice, the Company is hopeful that there will be a favorable decision by the Honourable Supreme Court.

- 12.2.4** There is a dispute of Rs. 491 million (31 Dec 2009: Rs. 491 million) with PTA on Access Promotion Contribution (APC) for Universal Service Fund (USF) representing contribution for the period prior to the valid formation of USF fund by the Federal Government. A Show cause notice was issued by the PTA which culminated into determination dated 04 April 2008 against the Company. The Company filed an appeal in Honourable Islamabad High Court Islamabad and the Honourable Court was pleased to dismiss the appeal vide judgment dated 21st January 2009. The Company then filed a Civil Petition for Leave to Appeal (CPLA) before the Honourable Supreme Court of Pakistan against the judgment of the Honourable Islamabad High Court. The Honourable Supreme Court has heard the preliminary arguments in presence of the Respondents in various hearings. Lastly, this case was fixed on 8 February 2010 however the same got adjourned on the written request of the Respondents. The office of Honourable Supreme Court is yet to fix the next date of hearing. Based on legal advice, the Company is hopeful that the matter will be decided in favour of the Company.

### 12.3 Taxation issues

- 12.3.1** Income Tax Return for the tax year ended 30 June 2006 was filed under the self assessment scheme. Subsequently, the case was reopened by invoking the provisions of section 122 (5A). Additions were made on account of brought forward losses, gratuity and goodwill of Rs. 773 million. The Company filed an appeal before the Commissioner of Income Tax (Appeals). The Commissioner of Income Tax (Appeals) dismissed the appeal of the Company and now the Company has filed appeal in Income Tax Appellate Tribunal Lahore against the order of Commissioner of Income Tax (Appeals). The management is hopeful that the matter will be decided in favour of the Company.

- 12.3.2** Taxation Officer passed an order in 2007 under section 161/205 of the Income Tax Ordinance, 2001 for the tax year 2004 and 2005 on account of sales of Payphone services and calling cards creating a tax demand of Rs. 173 million by treating the Company as an assessee in default for non-deduction of tax under section 236 of the Income Tax Ordinance, 2001. A penalty of Rs. 8.67 million was also imposed for non payment of the demand mentioned above. The Company filed an appeal against this order before Commissioner of Income Tax (Appeals). The Commissioner of Income Tax (Appeals) dismissed the appeal of the Company and subsequently the Company filed an appeal in Income Tax Appellate Tribunal ("ITAT"),

## Worldcall Telecom Limited

Lahore against the order of Commissioner of Income Tax (Appeals). ITAT, Lahore decided the case in favour of the Company and resultantly the demand of Rs 181.67 million was reversed. The department has now filed reference in the Honourable Lahore High Court against the decision of ITAT, Lahore on 08 September 2008 which is pending adjudication.

- 12.3.3** Income Tax Returns for the tax year ended 30 June 2003 were filed under the self assessment scheme of Worldcall Communications Limited, Worldcall Multimedia Limited, Worldcall Broadband Limited and Worldcall Phonecards Limited, now merged into the Company. The Company has received orders under section 122(5A) against the said returns filed under self assessment on 02 January 2009. As per Orders, the Income Tax Department intends to amend the returns on certain issues such as depreciation, turnover tax adjustment, gratuity provision, share premium, allocation of expenses to capital gain, mark up from associates and share deposit money. An appeal has been filed by the Company against the orders before the Commissioner of Income Tax (Appeals). Commissioner of Income Tax (Appeals) has restored the original assessment order U/S 177 dated 17 May 2005 for Worldcall Broadband Limited. Remaining appeals were also decided and a partial relief was given by CIT (Appeals), while being aggrieved, the Company has filed appeals in Income Tax Appellate Tribunal Lahore. Based on legal advice, the management is hopeful that matter will be decided in favour of the Company.

- 12.3.4** In year 2006, Sales Tax refunds were applied for and granted to the Company under Section 66 of the Sales Tax Act 1990 on the basis of a letter issued by the Federal Board of Revenue (FBR) bearing No.1(17)CEB/96 dated 24 December 2004. Subsequently, in 2006, the FBR sent out another letter stating that the earlier clarification was prospective and did not apply to those instances of excise duty which had already been levied and collected since those were past and closed transactions.

Following this change in stance by the FBR, a Show Cause Notice was sent to the Company, including various other payphone companies and proceedings were initiated, culminating in the decision of the Customs, Federal Excise and Sales Tax Appellate Tribunal (CESTAT) dated 15 October 2009 in which it was held that though no tax fraud was apparent and neither penalties were appropriate, however, the disputed refund should be recovered from the Company (that is Rs.167 million). A reference has now been filed by the Company against the CESTAT decision before the Honourable Lahore High Court bearing Reference Application No.74 of 2009. An injunction currently holds the field which precludes recovery of the disputed refund. Most recently, the Appellate Tribunal Inland Revenue vide its judgment dated 09 April 2010 has allowed the appeals of other pay phone companies in result whereof entire demand of refund as well as additional tax and penalty has been set aside.

The Company has paid 20% of principal amount to date to the department against the said dispute. Based on legal advice and recent decision of the Tribunal in other similar cases, the management is hopeful that matter will be decided in favour of the Company.

	30 September 2010	31 December 2009
	----- (Rupees in '000) -----	

### Commitments

<b>12.4</b> Outstanding guarantees	<u>1,020,268</u>	<u>799,755</u>
<b>12.5</b> Commitments in respect of capital expenditure	<u>549,439</u>	<u>647,197</u>
<b>12.6</b> Outstanding letters of credit	<u>-</u>	<u>12,870</u>

## Worldcall Telecom Limited

	Nine months ended 30 September 2010	Nine months ended 30 September 2009
	------(Rupees in '000)-----	
<b>13 Cash generated from operations</b>		
Loss before taxation	(941,728)	(422,282)
<b>Adjustments for:</b>		
Depreciation	1,041,382	852,453
Amortization of intangible assets	75,247	75,247
Interest on PTA license fee	34,219	94,977
Amortization of transaction cost	8,455	7,579
Amortization cost of receivables	18,437	-
Provision for doubtful receivables	110,749	45,922
Provision for stores and spares	14,700	-
Impairment loss on available for sale financial assets	65,894	167,865
Gain on disposal of property, plant and equipment	(13,851)	(6,841)
Retirement benefits	70,105	48,520
Finance cost	516,285	226,142
<b>Profit before working capital changes</b>	<b>999,894</b>	<b>1,089,582</b>

### Effect on cash flow due to working capital changes

*(Increase)/Decrease in the current assets*

Stores and spares	97,429	19,502
Stock in trade	(13,882)	(30,657)
Trade debts	(507,624)	(943,122)
Loans and advances	63,331	(53,943)
Deposits and prepayments	1,000	(34,311)
Other receivables	(10,237)	172,296
<i>Increase/(Decrease) in current liabilities</i>		
Trade and other payables	1,750,701	996,366
	<b>1,380,718</b>	<b>126,131</b>
	<b>2,380,612</b>	<b>1,215,713</b>

### 14 Related party transactions

The related parties comprise of shareholders, parent company, foreign subsidiary, associated companies, related group companies, directors of the Company, companies where directors also hold directorship and key management personnel. Significant transactions with related parties are summarised as follows:

			Nine months ended 30 September 2010	Nine months ended 30 September 2009
	Relationship with the Company	Nature of transactions	------(Rupees in '000)-----	
1	Parent Company	Purchase of goods and services	412,524	469,422
		Sale of goods and services	304,928	233,451
2	Other related parties	Purchase of goods and services	21,901	25,131
		Sale of goods and services	252	8,405
		Interest on loan	1,698	3,889
		Provision for doubtful debts	54,648	-
3	Key management personnel	Salaries and other employee benefits	209,203	183,262

All transactions with related parties have been carried out on commercial terms and conditions.

## Worldcall Telecom Limited

	30 September 2010	31 December 2009
	------(Rupees in '000)-----	
<b>Period end balances</b>		
Receivable from related parties	304,990	378,012
Payable to related parties	1,050,917	618,145

These are in normal course of business and are interest free.

### 15 Date of authorization for issue

This condensed interim financial information was authorized for issue on 28 October 2010 by the Board of Directors of the Company.

### 16 General

**16.1** Figures have been rounded off to the nearest thousand of rupee.

**16.2** Corresponding figures have been re-arranged wherever necessary for the purpose of comparison. Material rearrangement is summarized below:

- Advances to suppliers amounting to Rs. 120 million previously grouped in loans and advances have now been grouped in capital work in progress.

Lahore

*Balandi*  
Chief Executive Officer

*Gulim*  
Director

**WORLDCALL TELECOM LIMITED  
AND ITS SUBSIDIARY**

**CONDENSED CONSOLIDATED INTERIM  
FINANCIAL INFORMATION  
(UN-AUDITED)  
FOR THE PERIOD ENDED**

**30 SEPTEMBER 2010**

**DIRECTORS' REVIEW**

The Directors of Worldcall Telecom Limited ("WTL or the "Parent Company") are pleased to present the un-audited condensed consolidated financial information of the Group for the third quarter and nine months ended 30 September 2010.


**Group Foreign Subsidiary**

**Worldcall Telecommunications Lanka (Pvt.) Limited (WTCL)**

Winding up of the subsidiary is in process as approved in the last AGM of the Parent Company. In annexed condensed consolidated financial information, the subsidiary has been accounted for under IFRS 5 as discontinued operations.

For and on behalf of the Board of Directors

Lahore  
28 October 2010

  
**Babar Ali Syed**  
Chief Executive Officer

## Worldcall Telecom Limited Group

### CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (Un-Audited) AS AT 30 SEPTEMBER 2010

	Note	30 September 2010	31 December 2009
----- (Rupees in '000) -----			
<b>NON CURRENT ASSETS</b>			
<b>Tangible fixed assets</b>			
Property, plant and equipment	7	12,851,737	12,110,704
Capital work-in-progress		947,367	1,650,854
		<u>13,799,104</u>	<u>13,761,558</u>
<b>Intangible assets</b>			
Investment properties	8	4,646,654	4,767,265
Long term trade receivable	9	88,522	76,162
Long term deposits	10	46,805	-
		63,392	68,801
		<u>18,644,477</u>	<u>18,673,786</u>
<b>CURRENT ASSETS</b>			
Stores and spares		205,485	317,614
Stock in trade		195,987	182,105
Trade debts		2,495,182	2,116,744
Loans and advances - considered good		406,459	469,790
Deposits and prepayments		180,918	181,918
Other receivables		26,127	15,890
Short term investments-available for sale		328,825	378,439
Income tax recoverable-net		154,224	143,104
Cash and bank balances		474,012	335,579
		4,467,219	4,141,183
Non current assets classified as held for sale	11	276	-
		<u>4,467,495</u>	<u>4,141,183</u>
<b>CURRENT LIABILITIES</b>			
Current maturities of non-current liabilities		2,248,912	1,858,591
Running finance under mark-up arrangements - secured		677,475	1,045,660
Short term borrowings	12	141,000	-
Trade and other payables		4,598,403	2,238,208
Interest and mark-up accrued		308,555	166,605
		7,974,345	5,309,064
Non current assets classified as held for sale	11	17,951	-
		<u>7,992,296</u>	<u>5,309,064</u>
		<u>(3,524,801)</u>	<u>(1,167,881)</u>
<b>NET CURRENT LIABILITIES</b>			
<b>NON CURRENT LIABILITIES</b>			
Term finance certificates - secured		2,767,922	3,364,861
Deferred taxation		162,978	398,122
Retirement benefits		216,430	175,942
Liabilities against assets subject to finance lease		18,802	18,542
Long term payables		1,268,643	2,125,220
Long term deposits		43,356	44,160
		4,478,131	6,126,847
Contingencies and commitments	13	-	-
		<u>10,641,545</u>	<u>11,379,058</u>
<b>REPRESENTED BY</b>			
<b>Share capital and reserves</b>			
Authorized capital 900,000,000 (31 December 2009: 900,000,000) ordinary shares of Rs. 10 each		9,000,000	9,000,000
Issued, subscribed and paid up capital		8,605,716	8,605,716
Share premium		837,335	837,335
Fair value reserve-available for sale financial assets		(54,195)	(70,475)
Exchange translation reserve		(4,771)	(2,940)
Accumulated profit		923,603	1,677,848
Capital and reserves attributable to equity holders of the Company		10,307,688	11,047,484
Non controlling interest		(2,807)	-
		<u>10,304,881</u>	<u>11,047,484</u>
Surplus on revaluation		336,664	331,574
		<u>10,641,545</u>	<u>11,379,058</u>

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

Lahore

*Balawandhi*  
Chief Executive Officer

*[Signature]*  
Director

## Worldcall Telecom Limited Group

### CONDENSED CONSOLIDATED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED) FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010

	Note	Nine months ended 30 September 2010	Nine months ended 30 September 2009	Quarter ended 30 September 2010	Quarter ended 30 September 2009
----- (Rupees in '000) -----					
<b>Continuing Operations</b>					
Revenue -net		5,975,512	6,044,698	1,553,632	2,054,788
Direct cost		(5,125,842)	(5,045,828)	(1,458,291)	(1,701,371)
<b>Gross profit</b>		<u>849,670</u>	<u>998,870</u>	<u>95,341</u>	<u>353,417</u>
Operating cost		(1,212,857)	(930,658)	(376,718)	(337,349)
<b>Operating (loss)/profit</b>		<u>(363,187)</u>	<u>68,212</u>	<u>(281,377)</u>	<u>16,068</u>
Finance cost		(558,959)	(328,698)	(181,606)	(159,676)
		<u>(922,146)</u>	<u>(260,486)</u>	<u>(462,983)</u>	<u>(143,608)</u>
Impairment loss on available for sale financial assets		(65,894)	(167,865)	(9,457)	-
Other operating income		45,797	36,404	21,674	3,179
Other income / (expenses)		515	(30,335)	17,623	(23,275)
<b>Loss before taxation</b>		<u>(941,728)</u>	<u>(422,282)</u>	<u>(433,143)</u>	<u>(163,704)</u>
Taxation		197,498	76,009	99,499	44,407
<b>Loss after taxation from continuing operations</b>		<u>(744,230)</u>	<u>(346,273)</u>	<u>(333,644)</u>	<u>(119,297)</u>
<b>Discontinued operations</b>					
Loss for the period from discontinued operations	11	(6,971)	(6,191)	(1,102)	(1,864)
		<u>(751,201)</u>	<u>(352,464)</u>	<u>(334,746)</u>	<u>(121,161)</u>
Attributable to:					
Equity holders of parent		(749,155)	(350,647)	(334,423)	(120,614)
Non controlling interest		(2,046)	(1,817)	(323)	(547)
		<u>(751,201)</u>	<u>(352,464)</u>	<u>(334,746)</u>	<u>(121,161)</u>
<b>Loss per share (Rupees)</b>		<u>(0.86)</u>	<u>(0.40)</u>	<u>(0.39)</u>	<u>(0.14)</u>
<b>Loss per share - continuing operations (Rupees)</b>		<u>(0.86)</u>	<u>(0.40)</u>	<u>(0.39)</u>	<u>(0.14)</u>

The appropriations have been shown in the statement of changes in equity.

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

Lahore

*Balawandhi*  
Chief Executive Officer

*[Signature]*  
Director

## Worldcall Telecom Limited Group

### CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED) FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010

	Nine months ended 30 September 2010	Nine months ended 30 September 2009	Quarter ended 30 September 2010	Quarter ended 30 September 2009
----- (Rupees in '000) -----				
Loss for the period	(751,201)	(352,464)	(334,746)	(121,161)
<b>Other comprehensive income/ (loss)-net of tax:</b>				
Exchange differences on translating foreign operations	(2,592)	(812)	(1,352)	(465)
Net change in fair value of available for sale financial assets	(49,614)	40,075	(26,231)	230,648
Impairment loss transferred to profit and loss account	65,894	167,865	9,457	-
	13,688	207,128	(18,126)	230,183
Total comprehensive (loss)/income for the period	<u>(737,513)</u>	<u>(145,336)</u>	<u>(352,872)</u>	<u>109,022</u>
Attributable to:				
Equity holders of the parent	(734,706)	(143,281)	(352,152)	109,705
Non controlling interest	(2,807)	(2,055)	(720)	(683)
	<u>(737,513)</u>	<u>(145,336)</u>	<u>(352,872)</u>	<u>109,022</u>

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

Lahore

  
Chief Executive Officer

  
Director

## Worldcall Telecom Limited Group

### CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010

	Nine months ended 30 September 2010	Nine months ended 30 September 2009
----- (Rupees in '000) -----		
<b>Cash flow from operating activities</b>		
Cash generated from operations	14 2,382,923	1,216,724
Decrease in long term deposits receivable	5,409	1,993
Increase in long term trade receivable	(46,805)	-
Decrease in long term deposits payable	(804)	(1,128)
(Decrease)/increase in long term payables	(239,879)	675,635
Retirement benefits paid	(29,617)	(45,381)
Finance cost paid	(416,259)	(450,119)
Taxes paid	(48,759)	(24,791)
<b>Net cash generated from operating activities</b>	<u>1,606,209</u>	<u>1,372,933</u>
<b>Cash flow from investing activities</b>		
Fixed capital expenditure	(999,772)	(1,625,405)
Sale proceeds of property, plant and equipment	21,201	15,183
License fee paid	(113,500)	-
<b>Net cash used in investing activities</b>	<u>(1,092,071)</u>	<u>(1,610,222)</u>
<b>Cash flow from financing activities</b>		
Repayment of long term finances	(37,494)	(148,299)
Running finance- net	(368,185)	253,469
Receipts from short term borrowings	141,000	-
Repayment of term finance certificates	(59,054)	(59,055)
Repayment of finance lease liabilities	(53,034)	(89,814)
<b>Net cash used in financing activities</b>	<u>(376,767)</u>	<u>(43,699)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	137,371	(280,988)
<b>Cash and bank balances at the beginning of the period</b>	335,579	564,627
<b>Cash and bank balances at the end of the period</b>	15 <u>472,950</u>	<u>283,639</u>

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

Lahore

  
Chief Executive Officer

  
Director



**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)  
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010**

**Worldcall Telecom Limited Group**

	Attributable to equity holders of the Company							Total	
	Share capital	Share premium	Fair value reserve- available for sale assets	Currency translation reserve	Accumulated profit/ (loss)	Revaluation reserve	Sub Total		Non-controlling Interest
<b>Balance as at 31 December 2008</b>	8,605,716	837,335	(230,713)	(1,308)	2,159,091	324,759	11,694,880	-	11,694,880
Total comprehensive income/(loss) for the period	-	-	207,940	(574)	(350,647)	-	(143,281)	(2,055)	(145,336)
Transfer from fair value reserve	-	-	(547)	-	547	-	-	-	-
Transfer to surplus on revaluation	-	-	-	-	(5,118)	5,118	-	-	-
Non controlling interest transferred to majority share holders	-	-	-	-	(2,055)	-	(2,055)	2,055	-
<b>Balance as at 30 September 2009</b>	8,605,716	837,335	(23,320)	(1,882)	1,801,818	329,877	11,549,544	-	11,549,544
Transfer to surplus on revaluation	-	-	-	-	(1,697)	1,697	-	-	-
Total comprehensive loss for the period	-	-	(47,155)	(1,058)	(113,244)	-	(161,457)	(9,029)	(170,486)
Non controlling interest transferred to majority share holders	-	-	-	-	(9,029)	-	(9,029)	9,029	-
<b>Balance as at 31 December 2009</b>	8,605,716	837,335	(70,475)	(2,940)	1,677,848	331,574	11,379,058	-	11,379,058
Total comprehensive income/(loss) for the period	-	-	16,280	(1,831)	(749,155)	-	(734,706)	(2,807)	(737,513)
Transfer to surplus on revaluation	-	-	-	-	(5,090)	5,090	-	-	-
<b>Balance as at 30 September 2010</b>	8,605,716	837,335	(54,195)	(4,771)	923,693	336,664	10,841,352	(2,807)	10,841,545

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

Lahore

*Balanda*  
Chief Executive Officer

*Director*

**Worldcall Telecom Limited Group**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM  
FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010**

**1 Legal status and nature of business**

**1.1 The Group consists of:**

Worldcall Telecom Limited; and  
Worldcall Telecommunications Lanka (Private) Limited

**1.2**

Worldcall Telecom Limited ("the Company") is a public limited company incorporated in Pakistan on 15 March 2001 under the Companies Ordinance, 1984 and its shares are quoted on Karachi and Lahore Stock Exchanges. The Company commenced its operations on 01 December 2004 and is engaged in providing Wireless Local Loop ("WLL") and Long Distance & International ("LDI") services in Pakistan, operation and maintenance of public payphones network and re-broadcasting international/national satellite/terrestrial wireless and cable television and radio signals as well as interactive communication and to establish, maintain and operate the licensed telephony services. The Company has been licensed by Pakistan Telecommunication Authority ("PTA") and Pakistan Electronic Media Regulatory Authority ("PEMRA") for these purposes. The registered office of the Company is situated at 67A, C-III, Gulberg III, Lahore. In the year ended 30 June 2008, 56.80% shares (488,839,429 ordinary shares) had been acquired by Oman Telecommunications Company SAOG ("the Parent Company").

Worldcall Telecommunications Lanka (Private) Limited ("the Subsidiary") was incorporated in Sri Lanka and is a joint venture with Hayleys Group to operate payphones. The principal activity of the Subsidiary is the operation and maintenance of a public payphones network. Payphones are installed at various shops/commercial outlets. The Company holds 70.65% of voting securities in the Subsidiary. The Subsidiary has accumulated losses of Rs. 158.9 million as at balance sheet date and its current liabilities exceed its current assets by Rs. 61.5 million. The net loss for the current period after tax is Rs. 6.9 million. In the current period, the assets, liabilities and operations of the subsidiary have been classified as those representing discontinued operations. The comparative profit and loss account has also been re-presented to reflect the change in the classification.

**2 Basis of consolidation**

The consolidated interim financial information includes the financial information of the Company and its Subsidiary. The financial information of the Subsidiary has been consolidated on a line by line basis.

**Subsidiary**

Subsidiary is an entity controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of the entity so as to benefit from its activities. The financial information of the Subsidiary is included in the consolidated financial information from the date that control commences until the date that control ceases.

**Transactions eliminated on consolidation**

Intragroup balances and any other unrealized gains and losses or income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial information. Unrealized losses are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

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## Worldcall Telecom Limited Group

Non controlling interest is that part of net results of operations and of net assets of Subsidiary attributable to interest which are not owned by the Group. Non controlling interest is presented separately in the consolidated financial information.

### 3 Accounting convention and basis of preparation

This condensed consolidated interim financial information has been presented in condensed form in accordance with the requirements of the "International Accounting Standard 34 - Interim Financial Reporting" as applicable in Pakistan. This condensed consolidated interim financial information does not include all the information and disclosure required in the annual consolidated financial statements, and should be read in conjunction with the financial statements of the Group for the year ended 31 December 2009. Further, this condensed consolidated interim financial information is being circulated to the shareholders in accordance with the requirements of Section 245 of the Companies Ordinance, 1984.

### 4 Statement of Compliance

This condensed interim financial information of the company for the nine months ended 30 September 2010 has been prepared in accordance with the requirement of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

### 5 Significant accounting judgements and estimates

The preparation of condensed consolidated interim financial information in conformity with approved accounting standards and requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions and judgements are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying accounting policies and the key sources of estimation were the same as those that were applied to the financial statements for the year ended 31 December 2009.

### 6 Accounting policies

Accounting policies and methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the financial statements of the Company for the year 31 December 2009 and stated therein, except for the following:

- 6.1 A discontinued operation is a component of the Company's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale or a subsidiary acquired exclusively with a view to resell. Classification as a discontinued operation occurs upon disposal or when the operations meet the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statement is re-presented as if the operation has been discontinued from the start of the comparative period.

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		30 September 2010	31 December 2009
		------(Rupees in '000)-----	
<b>7</b>	<b>Property, Plant and Equipment</b>		
	<b>Owned and leased assets:</b>		
	Opening net book value	12,110,704	9,923,940
	Exchange adjustment	-	1,108
	Impairment	-	(20,028)
	Additions during the period/year	7.1 <u>1,835,579</u>	<u>3,408,726</u>
		<u>13,946,283</u>	<u>13,313,746</u>
	Disposals during the period/year - NBV	7.2 <u>(29,698)</u>	<u>(13,687)</u>
	Transferred to investment properties	<u>(5,760)</u>	-
	Adjustment during the period/year	<u>(17,706)</u>	-
	Depreciation for the period/year	<u>(1,041,382)</u>	<u>(1,188,792)</u>
	Exchange adjustment on depreciation	<u>-</u>	<u>(563)</u>
	<b>Closing net book value</b>	<u><u>12,851,737</u></u>	<u><u>12,110,704</u></u>
	<b>7.1 Break-up of additions</b>		
	Freehold land	5,760	-
	Leasehold improvements	928	11,570
	Plant and equipment	1,802,937	3,369,710
	Office equipment	6,258	6,617
	Computers	6,694	10,455
	Furniture and fixtures	520	6,202
	Vehicles	9,317	3,910
	Lab and other equipment	3,165	262
		<u>1,835,579</u>	<u>3,408,726</u>
	<b>7.2 Break-up of disposals</b>		
	Leasehold improvements	(41)	(1,062)
	Plant and equipment	(27,477)	(7,895)
	Office equipment	(1,025)	(348)
	Computers	-	(179)
	Furniture and fixtures	(217)	(26)
	Vehicles	(938)	(4,177)
		<u>(29,698)</u>	<u>(13,687)</u>
<b>8</b>	<b>Intangible assets- NBV</b>		
	Licenses	2,091,134	2,209,794
	Patents and copyrights	1,126	1,727
	Software	900	2,250
	Goodwill	8.1 <u>2,553,494</u>	<u>2,553,494</u>
		<u>4,646,654</u>	<u>4,767,265</u>
	<b>8.1</b>		

- 8.1 Goodwill represents the difference between the cost of the acquisition (fair value of consideration paid) and the fair value of the net identifiable assets acquired at the time of merger of Worldcall Telecom Limited with Worldcall Communications Limited, Worldcall Multimedia Limited and Worldcall Broadband Limited.

The Company assessed the recoverable amount at 30 September 2010 and determined that no impairment of Goodwill was found. The recoverable amount was calculated on the basis of five year financial business plan which includes debt financing. The debt financing assumption is substantially covered through commitment for the arrangement of financing available with the Company.



## Worldcall Telecom Limited Group

The business plan includes a comprehensive analysis of the existing operational deployments of the company along with strategic direction of future investments and business growth. Discount rate of 16% was used for the calculation of net present value of future cash flows. The cash flows beyond the five years period have been extrapolated using a steady 5% growth rate which is consistent with the long-term average growth rate for the industry, whereas for impairment calculation no growth is considered in cash flows beyond five years as per International Accounting Standard.

	30 September 2010	31 December 2009
	----- (Rupees in '000) -----	

### 9 Investment properties

Opening balance	76,162	76,162
Addition during the period	6,600	-
Transferred from owned assets	5,760	-
Closing balance	<u>88,522</u>	<u>76,162</u>

Investment property comprises of land and commercial property situated in Karachi, Pakistan.

The carrying value of commercial property was the fair value of the property as determined by approved independent valuer M/s PEE DEE & Associates. Fair value was determined giving due regard to recent market transactions for similar properties in the same location and condition as the Group's investment property as at 31 December 2009.

During the period the Company acquired land under the arrangement of barter transaction with Legend World Advertising against the advertisement services. The carrying value was the fair value of investment property at date of acquisition and there is no significant change in fair value as at 30 September 2010.

### 10 Long term trade receivable

This represents receivable from the sale of Optical Fiber Cable stated at amortized cost by using the discount rate of 16%. This amount is receivable over a period of three years.

### 11 Non current assets and liabilities classified as held for sale

The Group's foreign subsidiary namely Worldcall Telecommunications Lanka (Private) Limited has been suffering losses since many years as the demand for payphones in Sri Lanka has greatly diminished. Keeping in view the Sri Lankan market conditions and negative equity of the subsidiary, the management has decided and approved the winding up of the subsidiary. Long term investment in subsidiary has now been classified as discontinued operations.

The following are the results for the period ending 30 September 2010 and the comparative period of discontinued operations.

	30 September 2010	30 September 2009
	----- (Rupees in '000) -----	

#### Results of discontinued operations

Revenue	2,802	4,356
Expenses	(7,350)	(10,418)
Results from operating activities	<u>(4,548)</u>	<u>(6,062)</u>
Finance cost	(2,472)	(213)
Other income	49	84
Loss for the period	<u>(6,971)</u>	<u>(6,191)</u>

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30 September 2010	30 September 2009
----- (Rupees in '000) -----	

### Cash flow used in discontinued operations

Net cash used in operating activities	(161)	(309)
Net cash generated from investing activities	-	-
Net cash generated from financing activities	-	-
Net cash used in discontinued operations	<u>(161)</u>	<u>(309)</u>

### Non current assets and liabilities classified as held for sale

<b>Assets</b>	
Trade debts	<u>276</u>
<b>Liabilities</b>	
Trade and other payables	16,882
Income tax payable	7
Cash and bank balance	<u>1,062</u>
	<u>17,951</u>

### 12 Short term borrowings

This represents a bridge finance facility of Rs. 200 million obtained from Habib Bank Limited to retire the Letter of Credit. This carries mark up at 3 months KIBOR plus 3% per annum. The bridge finance facility will be settled on or before 28th February 2011. This facility is secured by registered charge on current and fixed assets.

### 13 Contingencies and commitments - The Company

#### Contingencies

#### 13.1 Billing disputes with PTCL

13.1.1 There is a dispute of Rs. 71.79 million (31 Dec 2009: Rs 70.23 million) with PTCL of non revenue time of prepaid calling cards and Rs. 24.93 million (31 Dec 2009: Rs 29.3 million) for excess minutes billed on account of interconnect and settlement charges. The management is hopeful that matter will be decided in favour of the company.

13.1.2 PTCL has charged the Company excess Domestic Private Lease Circuits (DPLC) and other media charges amounting to Rs. 175.57 million (31 Dec 2009: Rs. 153.54 million) on account of difference in rates, distances and date of activation. Further, the Company has also deposited Rs. 40 million (31 Dec 2009: Rs. 40 million) in Escrow Account on account of dispute of charging of bandwidth charges from the date of activation of Digital Interface Units (DIUs) for commercial operation and in proportion to activation of DIUs related to each DPLC link and excess charging in respect of Karachi-Rawalpindi link which was never activated. The management is hopeful that matter will be decided in favour of the Company.

#### 13.2 Disputes with Pakistan Telecommunication Authority (PTA)

13.2.1 PTA has raised a demand on the Company of Rs. 10.6 million (31 Dec 2009: Rs. 10.6 million) on account of annual microwave and BTS registration charges. The Company disputed this amount on the grounds that the same are illegal and discriminatory. PTA issued a Show Cause Notice dated 26 June 2009 which culminated into a determination dated 22 February 2010 against the Company. The Company has filed an appeal bearing F.A.O.147/2010 against the said determination before the Honourable Lahore High Court Lahore; the same is

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pending adjudication. Based on legal advice, the Company has a very good case and there is every likelihood of success.

**13.2.2** PTA has issued a notice to the Company for the cancellation of the 479 MHz and 3.5 GHz frequency bands licenses, as the Company has failed to undertake the rollout of its wireless local loop ("WLL") network in the aforesaid frequencies within the time limit prescribed by PTA. The Authority has right to withdraw unused frequency spectrum and cancel the license for not meeting the said roll out requirement. The Company's stance in this respect is that the rollout in 479 MHz, a non standard frequency band, could not be carried out due to non availability of infrastructure and user terminals. Its deployment and commercial operation is not possible in the limited revised time frame. In 3.5 GHz band, the roll out is delayed due to limited customers' market and high cost of the Customer Premises Equipment. Non-firm standards, technology evolution and optimization of spectrum by PTA are also the main reasons for its delayed rollout. However, the Company has started its roll out plan and is successful in getting commencement certificate in GTR and KTR regions for 3.5 GHz frequency and 479 MHz frequency respectively.

In addition to above commencement inspection has been done for 3.5 GHz frequency for the following regions: RTR, CTR, MTR, STR-I, and STR-V while for 479 MHz frequency commencement inspection has been conducted for the following regions: RTR, GTR, FTR, MTR, STR-I and STR-V. The management is hopeful that the matter will be decided in favour of the Company and notice will be withdrawn.

**13.2.3** There is a dispute of Rs. 11.3 million (31 Dec 2009: Rs. 11.3 million) with PTA on account of contribution to the Research and Development Fund ("R&D Fund") for the period prior to the valid formation of R&D Fund by the Federal Government. PTA issued a Show Cause Notice dated 26 June 2009 which culminated into a determination dated 22 February 2010 against the Company. The Company has filed an appeal bearing F.A.O.147/2010 against the said determination before the Honourable Lahore High Court; the same is pending adjudication.

Validity of this fund is under question before the Honorable Supreme Court of Pakistan in a petition filed by another operator. The Honorable Supreme Court is yet to decide the fate of this fund. Any payment towards this fund shall be refundable in case of favorable decision of the Honorable Supreme Court. Based on legal advice, the Company is hopeful that there will be a favorable decision by the Honourable Supreme Court.

**13.2.4** There is a dispute of Rs. 491 million (31 Dec 2009: Rs. 491 million) with PTA on Access Promotion Contribution (APC) for Universal Service Fund (USF) representing contribution for the period prior to the valid formation of USF fund by the Federal Government. A Show cause notice was issued by the PTA which culminated into determination dated 04 April 2008 against the Company. The Company filed an appeal in Honourable Islamabad High Court Islamabad and the Honourable Court was pleased to dismiss the appeal vide judgment dated 21 January 2009. The Company then filed a Civil Petition for Leave to Appeal (CPLA) before the Honourable Supreme Court of Pakistan against the judgment of the Honourable Islamabad High Court. The Honourable Supreme Court has heard the preliminary arguments in presence of the Respondents in various hearings. Lastly, this case was fixed on 8 February 2010 however the same got adjourned on the written request of the Respondents. The office of Honourable Supreme Court is yet to fix the next date of hearing. Based on legal advice, the Company is hopeful that the matter will be decided in favour of the Company.

### 13.3 Taxation issues

**13.3.1** Income Tax Return for the tax year ended 30 June 2006 was filed under the self assessment scheme. Subsequently, the case was reopened by invoking the provisions of section 122 (5A). Additions were made on account of brought forward losses, gratuity and goodwill of Rs. 773 million. The Company filed an appeal before the Commissioner of Income Tax (Appeals). The Commissioner of Income Tax (Appeals) dismissed the appeal of the Company and now the Company has filed appeal in Income Tax Appellate Tribunal Lahore against the order of

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Commissioner of Income Tax (Appeals). The management is hopeful that the matter will be decided in favour of the Company.

**13.3.2** Taxation Officer passed an order in 2007 under section 161/205 of the Income Tax Ordinance, 2001 for the tax year 2004 and 2005 on account of sales of Payphone services and calling cards creating a tax demand of Rs. 173 million by treating the Company as an assessee in default for non-deduction of tax under section 236 of the Income Tax Ordinance, 2001. A penalty of Rs. 8.67 million was also imposed for non payment of the demand mentioned above. The Company filed an appeal against this order before Commissioner of Income Tax (Appeals). The Commissioner of Income Tax (Appeals) dismissed the appeal of the Company and subsequently the Company filed an appeal in Income Tax Appellate Tribunal ("ITAT"), Lahore against the order of Commissioner of Income Tax (Appeals). ITAT, Lahore decided the case in favour of the Company and resultantly the demand of Rs 181.67 million was reversed. The department has now filed reference in the Honourable Lahore High Court against the decision of ITAT, Lahore on 08 September 2008 which is pending adjudication.

**13.3.3** Income Tax Returns for the tax year ended 30 June 2003 were filed under the self assessment scheme of Worldcall Communications Limited, Worldcall Multimedia Limited, Worldcall Broadband Limited and Worldcall Phonocards Limited, now merged into the Company. The Company has received orders under section 122(5A) against the said returns filed under self assessment on 02 January 2009. As per Orders, the Income Tax Department intends to amend the returns on certain issues such as depreciation, turnover tax adjustment, gratuity provision, share premium, allocation of expenses to capital gain, mark up from associates and share deposit money. An appeal has been filed by the Company against the orders before the Commissioner of Income Tax (Appeals). Commissioner of Income Tax (Appeals) has restored the original assessment order U/S 177 dated 17 May 2005 for Worldcall Broadband Limited. Remaining appeals were also decided and a partial relief was given by CIT (Appeals), while being aggrieved, the Company has filed appeals in Income Tax Appellate Tribunal Lahore. Based on legal advice, the management is hopeful that matter will be decided in favour of the Company.

**13.3.4** In year 2006, Sales Tax refunds were applied for and granted to the Company under Section 66 of the Sales Tax Act 1990 on the basis of a letter issued by the Federal Board of Revenue (FBR) bearing No.1(17)CEB/96 dated 24 December 2004. Subsequently, in 2006, the FBR sent out another letter stating that the earlier clarification was prospective and did not apply to those instances of excise duty which had already been levied and collected since those were past and closed transactions.

Following this change in stance by the FBR, a Show Cause Notice was sent to the Company, including various other payphone companies and proceedings were initiated, culminating in the decision of the Customs, Federal Excise and Sales Tax Appellate Tribunal (CESTAT) dated 15 October 2009 in which it was held that though no tax fraud was apparent and neither penalties were appropriate, however, the disputed refund should be recovered from the Company (that is Rs.167 million). A reference has now been filed by the Company against the CESTAT decision before the Honourable Lahore High Court bearing Reference Application No.74 of 2009. An injunction currently holds the field which precludes recovery of the disputed refund. Most recently, the Appellate Tribunal Inland Revenue vide its judgment dated 09 April 2010 has allowed the appeals of other pay phone companies in result whereof entire demand of refund as well as additional tax and penalty has been set aside.

The Company has paid 20% of principal amount to date to the department against the said dispute. Based on legal advice and recent decision of the Tribunal in other similar cases, the management is hopeful that matter will be decided in favour of the Company.

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30 September 2010      31 December 2009  
-----*(Rupees in '000)*-----

### Commitments

13.4 Outstanding guarantees	1,020,268	799,755
13.5 Commitments in respect of capital expenditure	549,439	647,197
13.6 Outstanding letters of credit	-	12,870

Nine months ended 30 September 2010      Nine months ended 30 September 2009  
-----*(Rupees in '000)*-----

### 14 Cash generated from operations

Loss before taxation	(948,699)	(428,473)
<b>Adjustments for:</b>		
Depreciation	1,041,382	854,671
Amortization of intangible assets	75,247	75,247
Interest on PTA license fee	34,219	94,977
Amortization of transaction cost	8,455	7,579
Amortization cost of receivables	18,437	-
Provision for doubtful receivables	110,749	45,922
Provision for stores and spares	14,700	-
Impairment loss on available for sale financial assets	65,894	167,865
Gain on disposal of property, plant and equipment	(13,851)	(6,841)
Exchange translation difference	(1,831)	(574)
Retirement benefits	70,105	48,661
Finance cost	518,757	226,355
<b>Profit before working capital changes</b>	<b>993,564</b>	<b>1,085,389</b>

### Effect on cash flow due to working capital changes

*(Increase)/Decrease in the current assets*

Stores and spares	97,416	19,502
Stock in trade	(13,893)	(30,661)
Trade debts	(508,051)	(943,096)
Loans and advances	63,331	(53,943)
Deposits and prepayments	989	(34,208)
Other receivables	(10,494)	172,295
<i>Increase/(Decrease) in current liabilities</i>		
Trade and other payables	1,760,061	1,001,446
	1,389,359	131,335
	<b>2,382,923</b>	<b>1,216,724</b>

### 15 Cash and bank balance

Cash and bank balance- parent	474,012	283,509
Cash and bank balance-subsiary	(1,062)	130
	<b>472,950</b>	<b>283,639</b>

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### 16 Related party transactions

The related parties comprise associated companies, related group companies, directors of the Company, companies where directors also hold directorship and key management employees. Significant transactions with related parties are summarised as follows:

		Nine months ended 30 September 2010	Nine months ended 30 September 2009
		----- <i>(Rupees in '000)</i> -----	
1	Relationship with the Company	Nature of transactions	
	Parent Company	Purchase of goods and services	412,524
		Sale of goods and services	304,928
	Other related parties	Purchase of goods and services	21,901
		Sale of goods and services	252
		Interest on loan	1,698
		Provision for doubtful debts	54,648
	Key management personnel	Salaries and other employee benefits	209,203

All transactions with related parties have been carried out on commercial terms and conditions.

	30 September 2010	31 December 2009
----- <i>(Rupees in '000)</i> -----		
Period end balances		
Receivable from related parties	304,990	378,012
Payable to related parties	1,050,917	618,145

These are in normal course of business and are interest free.

### 17 Date of authorization for issue

This condensed consolidated interim financial information was authorized for issue on 28 October 2010 by the Board of Directors.

### 18 General

18.1 Figures have been rounded off to the nearest thousand of rupee.

18.2 Corresponding figures have been re-arranged wherever necessary for the purpose of comparison. Material rearrangement is summarized below:

- Advances to suppliers amounting to Rs. 120 million previously grouped in loans and advances have now been grouped in capital work in progress.

Lahore

*Babandip*  
Chief Executive Officer

*Gulim*  
Director