

## *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.

**C O N T E N T S**

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FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED  
31 DECEMBER 2008



## COMPANY INFORMATION

<b>Chairman</b>	Dr. Mohammed Ali Mohammed Al-Wohaibi
<b>Chief Executive Officer</b>	Babar Ali Syed
<b>Board of Directors (In Alphanumeric order)</b>	Abdullah Zahran Abdullah Al-Hinai Asadullah Khawaja (Nominee Arif Habib Securities Ltd.) Dr. Mohammed Ali Mohammed Al-Wohaibi Saleem Jawad Jaffer Al-Khabori Salmaan Taseer Sameer Hamed Naseer Al-Siyabi Sheikh Sulieman Ahmed Said Al-Hoqani Sumbul Munir Talal Said Marhoon Al-Mamari
<b>Chief Financial Officer</b>	Ahmed Suhail Al Mur Al-Habsi
<b>Audit Committee</b>	Talal Said Marhoon Al-Mamari (Chairman) Sumbul Munir (Member) Asadullah Khawaja (Member)
<b>Company Secretary</b>	Mohammad Khamis Al-Sinaidy
<b>Auditors</b>	KPMG Taseer Hadi & Co. Chartered Accountants
<b>Legal Advisers</b>	Ebrahim Hosain & Associates Advocates
<b>Bankers</b>	Allied Bank Limited Askari Bank Limited Arif Habib 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 KASB Bank Limited MCB Bank Limited National Bank of Pakistan NIB Bank Limited Pak Oman Investment Co. Limited Soneri Bank Limited Standard Chartered Bank (Pakistan) Limited The Bank of Punjab The Royal Bank of Scotland Limited United Bank Limited IGI Investment Bank Limited
<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



## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 9<sup>th</sup> Annual General Meeting (“AGM”) of the Shareholders of Worldcall Telecom Limited (the “Company” or “WTL”) as Directed by the Securities & Exchange Commission of Pakistan under Section 170 of the Companies Ordinance, 1984 will be held on Monday, 06 July 2009 at 10:00 a.m. at The Institute of Chartered Accountants of Pakistan, 155-156, West Wood Colony, Thokar Niaz Beg, Lahore to transact the following business:

1. To confirm the minutes of the last Annual General Meeting held on 16 September 2008;
2. To receive, consider and to adopt the financial statements of the Company for the period ended 31 December 2008 together with the Directors' and Auditors' reports thereon; and
3. To appoint the Auditors of the Company for the year ending 31 December 2009 and to fix their remuneration.

**By order of the Board**



**Babar Ali Syed**  
Chief Executive Officer

Lahore  
13 June 2009

### Notes:

- 1) The Register of Members will remain closed from 29 June 2009 to 06 July 2009 (both days inclusive). Transfers received at THK Associates (Pvt.) Limited, Ground Floor, State Life Building No. 3, Dr. Ziauddin Ahmed Road, Karachi, the Registrar and Shares Transfer Office of the Company, by the close of business on 27 June 2009 will be treated in time.
- 2) A member eligible to attend and vote at the meeting may appoint another member as proxy to attend and vote in the meeting. In order to be effective, proxies must be received by the Company at the Registered Office, not later than 48 hours before the time for holding the meeting.
- 3) In order to be valid, an instrument of proxy and the power of attorney or any other authority under which it is signed, or a notarially certified copy of such power of attorney, must be deposited at the Registered Office of the Company, not less than 48 hours before the time of the meeting.
- 4) a) Individual beneficial owners of CDC entitled to attend and vote at the meeting must bring his/her participant ID and account/sub-account number along with original CNIC or passport to authenticate his/her identity. In case of Corporate entity, resolution of the Board of Directors/Power of attorney with specimen signatures of nominees shall be produced (unless provided earlier) at the time of the meeting. CDC Account holders may also refer to Circular 1 dated 26 January 2000 issued by Securities & Exchange Commission of Pakistan for further information.  
b) For appointing of proxies, the individual beneficial owners of CDC shall submit the proxy form as per above requirement along with participant ID and account/sub-account number together with an attested copy of their CNIC or Passport. The proxy form shall be witnessed by two witnesses with their names, addresses and CNIC numbers. The proxy shall produce his/her original CNIC or Passport at the time of meeting. In case of Corporate entity, resolution of the Board of Directors/Power of attorney along with specimen signatures shall be submitted (unless submitted earlier) along with the proxy form.
- 5) Members are requested to notify any change in their registered address immediately.

## MESSAGE FROM THE CHAIRMAN

Respected Shareholders;

It gives me immense pleasure to address you while we move into a new year with a much cherished vision of mutual trust, cooperation and ambitions for the future. The growth potential that I have witnessed here at Worldcall Telecom Limited (“Worldcall” or “the Company”) is all that we need to target a bright and prosperous future.

### **The Omantel and Worldcall The road ahead**

The six months under review was full of constructive activity. After completing the acquisition process in May 08, Omantel was keenly interested to lay a foundation for a viable, long lasting and transparent relationship between the management and shareholders. Omantel strongly believes in the highest standards of good governance, transparency and respect for individuals. At Omantel, our strength is reflected by our belief in and adherence to a set of glorious values. These values teach us that we should always look friendly, committed and nurturing. Our thinking must be progressive and inclusive and our speech must be transparent, respectful and confident. Our team and our employees are the most important assets from which our strength emanates. We know that no one can achieve any success alone and we believe that success of our employees and the success of the Company is inseparable. Achieving excellence in the business is a key focus. We strive to stay efficient and effective in terms of meeting the expectations of our valuable customers and delivering them the unmatched value, utility and experience. Our customer's satisfaction and ease is what drives us from one height to another. Maximization of shareholder's wealth is central to all our activities. We understand that it is their trust in us that is making all this possible. We stay committed to maintain long term and trust worthy relationship with them featured by adequate information disclosures and equitable and prudent sharing of rewards of growth. It is in this background and spirit that a sustained process of communication and exchange of information has been initiated between both the companies. The exchange of key personnel across different segments of the group and addition of new members on the Board of Directors can be foreseen as an attempt to seek and explore synergies that can help in achieving the desired goals. The prospects and potential that Omantel has evaluated, has reassured it about the prosperity, expansion and growth that can be pursued and shared.

### **The economic environment**

The scenario on the economic front is rapidly changing. The local market is also experiencing some signs of the global unrest that disturbed the international markets earlier. The telecom sector however was able to perform well owing to the foreign direct investment that it received and because of the market expansion. However towards the end of the year, we were hearing undertones arguing on the continuity of the boom that generally the telecommunication and particularly the mobile phone industry enjoyed in past years. Nevertheless, the fact that remains evident in the Pakistan market is the growing competition that is getting fierce every moment. With different market players re-alienating themselves, taking new positions against the changing market dynamics and launching innovative products, the future demands prudence in action and



maturity in vision. The growing challenges in the environment would make it hard to achieve the set goals and targets by conventional measures. The times ahead are surely going to test the strength of all the market players. The market will be demanding fresh ideas, new services and better products to stay in the business. Increasing awareness among customers and regulators is also going to exert pressure on the service providers to continuously enhance and ameliorate their service and products. The competitive environment would require cost optimization and prudent capacity utilization from the operators. The success will come to those who will be able to deliver the best in the most efficient way.

Worldcall, as I see has plenty of opportunities in the prevailing competitive environment. Being a multi service operator, it has the potential to pursue diverse operations, maintain and consolidate its presence in different market segments and outpace others in offering products with unique features. The imposition of high taxes and utilities on the mobile phone and its usage, along with the growing awareness in the consumers about the alternative communication solutions, can lead to a growth in wireless business. Further the market has plenty of un-served segments which if approached with the user friendly and cost effective solutions can lead to unprecedented growth in customer base and revenue. Another area that to date remains unattended is that of data services. As indicated in different industry analysis, contribution of data services to the total revenues of telecom companies is minuscule. The broad band services have been limited only to a small number of consumers whereas the market has got the high demand for modernized and innovative data/broad band products. With respect to LDI operations, demand of higher APC rate has been well taken by the regulatory authorities and Government. It is expected that termination rates will remain high in the next year and this would not only lead to greater foreign remittances but would also promote development and expansion in the whole industry.

### **The six months under review**

During the six months under review, different expansion plans that were started earlier last year moved closer to completion and delivery. New agreements were entered into and progress as scheduled was accomplished on different ongoing tasks. The Company is currently pursuing an aggressive roll out strategy whereby huge expansion and development work is being undertaken. Planned infrastructure improvements and replacements to accentuate service standards and enhance network coverage are underway. The Company's cable/fiber optic network was also extended to bring new areas in the service net. With the participation of Omantel, the Company is currently evaluating several new plans and strategies to move to new heights in future.

### **The future landscape**

Although the Company has come a long way since its inception, there still remains very much to be desired. Omantel will now be joining hands with the Company to move ahead for mutual benefit and growth. The experience of Omantel in value added and data services is expected to benefit the Company in outpacing the local competitors. The collaboration with Omantel would lead to new revenue streams and higher profits. The network enhancements and up grading of service delivery channels would make the Company's services more desirable in the eyes of customers. The innovative products would add new dimensions to the

customers experience while offering them greater choice and satisfaction. The extension of the customers' base would bring economies of scale and would help in creating what we can perceive as a big Worldcall family. Mutual trust, dependability on our products, confidence in our services and common vision and passion to grow will be the factors that will bind this family.

I would like to place on record here my thanks and gratitude to all our stake holders, customers and employees. Their continued support and trust in the Company is the motivating force that makes us progress from one height to another. I am also thankful to all the members of the Board's committees and the executive management for their loyalty, dedication and commitment with this Company. The role played by regulatory authorities namely, PTA and PEMRA in promoting the telecom sector and facilitating the operators has been quite fruitful and these organizations rightly deserve to be commended for their efforts.

For and on behalf of the Board

**Lahore:**  
13 June 2009

  
**BABAR ALI SYED**  
Chief Executive Officer

## DIRECTORS' REPORT

The Directors of Worldcall Telecom Limited ("Worldcall" or "the Company"), are pleased to present before you a review of your Company's performance for the six months ended 31 December 2008.

### Financial Overview

The six months under review witnessed turbulent economic outlook on national level along with abundance of news about imminent economic recessions worldwide. It was only towards the end of this period that some ease was felt in terms of macro-economic stability. The Company was able to show positive performance during the period under review. The Company's net revenue for the period stands at Rs 3.09 billion showing a 45% increase over the six months period of Jan to June 08. This growth in revenue has mainly come from increase in international termination rates, start of new operations and broadening of the customer base. With the introduction of EVDO, the Company became a pioneer in the launch of 3G technology in broad band internet. The increase in APC rates and traffic led to 46% higher direct cost in the period as compared to last six months. Operating cost increased by 74% due to recognition of heavy provisioning of Rs 497 million against trade and other receivables. Worsening stock market situation badly impacted the portfolio of equity investments of the Company and its investments in listed securities suffered sharp decline in values by Rs 231 million. The Company has changed its accounting policy with respect to investment in listed securities and reclassified it as "Available for Sale" as allowed in amendment to IAS 39 and IFRS-7. Due to this change of policy, the deficit of Rs 231 million has been charged to statement of changes in equity.

However the Company remains hopeful about the future prospects as several profitable projects are currently in pipeline and are expected to mature in next year.

To match year end with Omantel, the Company has also changed its year end from June to December. Hence the accompanying financial statements cover the period from 01 July 08 to 31 Dec 08. The Company has also restated its revenue of year ended June 30, 2008 by Rs 188.5 million as disclosed in note 41 of financial statements. Following is the summarized comparison of the results of the six months under review with the preceding half year.

	01 July 2008 to 31 December 2008	Restated 01 Jan 08 to 30 June 2008 (Avg. Half Year Basis)
	(Rupees in Million)	
<b>Revenue</b>	3,091	2,136
<b>Direct Cost</b>	(2,259)	(1,548)
<b>Gross Profit</b>	832	588
<b>Operating Cost</b>	(1,135)	(654)
<b>Finance Cost</b>	(163)	(227)
<b>Loss per share-Basic-(Rupees)</b>	(0.35)	(0.37)
<b>Loss on re-measurement of investments at fair value</b>	(231)	(100)

### The acquisition by Omantel and the way forward

Subsequent to completion of acquisition, Oman Telecommunications Company SAOG (Omantel) has now started making its presence felt by taking active part in the formulation of core strategies. The devising of a robust investment plan aimed at sustained infrastructure improvement and augmentation of the quality of services leading to growth in revenues and net worth will initially be the focus of Omantel. It has got a rich experience in the field of value added and data services and has got all the needed expertise to venture in the growing and demanding market of Pakistan. The state of the telecom market here holds abundance of opportunities which if explored with a sound vision, dynamism and operational proficiency could prove tremendously lucrative. The massive size of the market together with the growing appetite of the people for enhanced, value driven and affordable telecommunication services could provide plenty of opportunities for Omantel to expand and diversify its operations.

## Operational achievements during the period:

The management of the Worldcall is committed to provide state of the art quality services to its customers. The standard of the service, utility to the subscribers, and provision of new and innovated services have always been the prime focus of the company. Following is the summary of the operational achievements made during the period under review.

- **Fibre optic contract with Telenor**

The Rs. 500m contract with Telenor Pakistan to provide fibre optic connectivity services is near to completion. One pair of this cable will be used exclusively by Telenor and the remaining spare pairs will be used by the Company for offering data and voice services to other operators. Uptill now roll out in 17 cities has been completed and in remaining 3 cities, work is in progress. Once completed, WTL will be owning one of the longest metro fibre network of the country.

- **New fibre agreements with Multinet**

With plans of further expansion of network and focus on cost optimization the Company has signed a new agreement with Multinet for the use of 200 km long haul fibre. Simultaneously the Company has also sold to Multinet the right to use 200 km fibre from its own existing network. The arrangement is expected to lead to significant reduction in media cost currently being incurred by the Company.

- **Launch of EVDO**

With the commencement of EVDO services, the Company again proved to be a pioneer in bringing innovative and modern products to its subscribers. The service was initially launched in Karachi and subsequently in May 09 in Lahore and it drew an overwhelming response from the customers. The Company in the initial phase is focusing on the major cities so as to develop a sound customer base. The launch of the service in five other major cities namely Sialkot, Multan, Peshawar, Faisalabad and Gujranwala is planned to be executed by the end of August 09. The Company is also well aware of the challenges that are going to emerge shortly once its major competitors will be launching the similar products. Nevertheless, the Company has a vision to capture major share of the market by providing a high quality service at a cost which will be affordable to the masses. The CDMA technology which is being used by the Company for its EVDO operations is the preferred technology for the data services. Keeping in view the appetite of the market for fresh ideas and unique products and services, the Company is well placed and adequately equipped to serve it.

- **Cable TV services in new cities**

The expansion plans of the Company moved a step forward by the complete deployment of the cable TV services in 4 new cities namely Islamabad, Gujranwala, Faisalabad and Multan. Headends in all these cities have been successfully installed and are functional. With this WTL has become the first company in Pakistan offering Cable TV operations in 6 major cities. Healthy inflows from advertisement activities have already started while the Company is also planning local loop business and HFC network afterwards.

- **Duct sale agreements**

During the period the Company signed new contracts with Multinet and Wateen for the sale of duct that was deployed under CDA project. The agreement with Wateen is for 100 km duct sale while 131.6 km duct sale agreement has been finalized with Multinet.

- **Growth in LDI operations**

The LDI operations have been the strength of the Company since long. During the period under review the company further expanded and strengthened its operations by entering into contracts with new partners and negotiating significant traffic volumes at competitive rates. The increase in APC rates which was made in May 08, greatly benefited the Company. The surge in the international termination revenue that came with this increase is expected to continue as APC has further increased by PTA to USD 0.075 in Feb 09. Traffic from Omantel is also increasing gradually and it is expected to grow at an accelerating pace in the next year. To cater for the huge volumes of the traffic in near future, the installation of the new Huawei switch has been accomplished in October 08. With the new

switch fully functional the total international traffic handling capacity now stands at 3.5 million minutes a day.

## **The vision of future**

The business landscape of future is going to be very competitive and demanding. The commercial challenges facing the Company currently are expected to grow stronger in times to come. The management of the Company is well aware of the changing dynamics of the commercial world and is actively addressing the increasing competition and growing challenges besides thoughtfully re-evaluating and re-aligning different revenue streams.

With the changes in the international telecom scenario and emergence of new trends in the dealings of the reputable international operators there was a pressing need to revolutionize the LDI operations. This need has been timely addressed by the management by planning large scale modifications in the ways the business is being done, renewed focus on the operations and by chalking out various creative strategies to boost the traffic exchange with international operators. The Company is focusing on enhancement of customer base along with aggregation of higher traffic volumes. The Company has plans to extend its operational reach to major cities of Europe. The presence of the Company in these major cities would help in improving the competitive strength of the Company and would also unfold new opportunities of business with mainland European telecom operators. Besides getting high volumes of traffic for Pakistan termination, the Company is also looking forward to enhance its clearing operations. Entry into new markets and making new interconnect partners worldwide is expected to add new revenue streams to the current business. This would also lead to substantially ameliorate our ability to negotiate favourable rates with other operators. The enabling capacity, operational strength, commercial orientation along with the business avenues generated through these operations will continue to be the strategic assets of the Company in the long run.

On the WLL side the Company is going to make significant capacity enhancements and up gradation of BTS sites. The roll out plan which is currently in pipeline features establishment of 149 new BTS sites and swapping of 70 old sites with new equipment and infrastructure. These site build ups and capacity improvements are initially planned for densely populated major cities with a view to generate higher and sustainable revenues. The optimization of signal strength achieved through these enhancements is further expected to improve the service standards and customer satisfaction. The market penetrating ability of the Company and potential to attract and retain the customers is also expected to improve greatly, once these expansions are accomplished. The service delivery process is going to be in limelight in days to come. The Company has planned to shift emphasis on the service delivery standards so as to successfully target corporate and small business units. There has been the general shift in the industry from conventional duration based billing mechanisms to value packages offering greater utility and ease to different customer segments. The Company has plans to offer unique value packages to its customers to win their loyalty and long term relation. With respect to EVDO, the management has completed the planned roll outs and implementation of related initiatives as scheduled. The product offers several unique features and the management expects to witness sweeping growth of the customer base in this regard. Besides this the Company remains well aware of the un-served areas and market segments that could be captured effectively at the least incremental cost.

The current service portfolio of the Company is well diversified and has got all the needed features to serve the market at large. The broadband segment is another arena which offers prospects of tremendous growth and opportunities. The Company has already made a place for itself in this segment by offering several unique products like "Video on Demand", cable TV (digital and analog), Internet over cable and data services. The market has a great craving for such value added modernized services. The massive potential of the segment has been rightly recognized by different market players and PTA as an apex regulator and facilitator of the industry has also announced different measures aiming at unleashing the potential of this segment. Currently the Company has several ongoing projects like HFC cable, metro connect P2P, VSAT and DTV which are in the different phases of roll out, all aimed at provisioning of sophisticated data and video services.

Backed by the strength and skill of Omantel and enjoying a strategically favorable position in the local market, the Company is well placed to face the future challenges. The time ahead is offering numerous milestones that can be achieved with proper and efficient management of commercial operations and alignment of strategies with the market response.

## **Changes in the Board of Directors**

During the period Mr. Nasim Beg has resigned and Mr. Asadullah Khawaja has been appointed in his place.

## Board Meetings during the period

Three meetings of the Board of Directors were held during the period. Attendance by each director is as under:

<b>Directors</b>	<b>Meetings Attended</b>
Dr. Mohammed Ali Mohammed Al-Wohaibi (Chairman)	3
Talal Said Marhoon Al-Mamari	2
Saleem Jawad Jaffer Al-Khabori	3
Sameer Hamed Nasser Al-Siyabi	3
Abdullah Zahran Abdullah Al-Hinai	3
Sumbul Munir	2
Sulieman Ahmed Said Al-Hoqani	-
Nasim Beg (Resigned)	2
Asadullah Khawaja	-
Salman Taseer	-

The Directors who could not attend the meeting were duly granted leave of absence.

## Audit Committee

The Board of Directors in compliance with the Code of Corporate Governance has established an Audit Committee consisting of following Directors:

Talal Said Marhoon Al-Mamari	Chairman
Asadullah Khawaja	Member
Sumbul Munir	Member

During the period Mr. Nasim Beg resigned and Mr. Asadullah Khawaja was appointed in his place. During the period the Audit Committee met 4 times to discharge its obligations.

## Auditors

The present Auditors, Messrs KPMG Taseer Hadi & Co., Chartered Accountants shall retire on the conclusion of the forthcoming Annual General Meeting. The Board of Directors endorses the recommendation of the audit committee for the reappointment of Messrs KPMG Taseer Hadi & Co., Chartered Accountants as the auditors of the Company for the financial year ending 31 Dec 2009.

## Pattern of shareholding

The pattern of shareholding as required under Section 236 of the Companies Ordinance, 1984 and listing regulations is enclosed.

## Dividend/Payout

Keeping in view the status of different expansion plans and roll outs activities, it is evident that the Company will be needing funds to ensure the completion of different projects in time. Hence the Directors have not recommended any dividend/payout for the period.

## Trading by Directors

During the period, the trading in shares of the Company by the Directors', CEO, CFO, Company Secretary and their spouses and any minor children is given in annexure-I.

## Statement of compliance in accordance with the Code of Corporate Governance ("CCG")

1. The financial statements, prepared by the management of the Company, fairly present its state of affairs, the result of its operations, cash flows and change in the equity.

2. Proper books of accounts of the Company have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of the financial statements except as disclosed in note 2.2. Accounting estimates are based on reasonable and prudent judgment.
4. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon the Company's ability to continue as a going concern.
7. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
8. The key financial data of five years is summarized in the report.
9. Information regarding outstanding taxes and levies is given in notes to the accounts of the financial statements.
10. The Company has followed the best practices of corporate governance, as detailed in the Listing Regulations of Stock Exchanges.

## **Holding company information**

The Company is a subsidiary of Omantel Telecommunications Company SAOG, which has been incorporated in Sultanate of Oman and is also the largest communication service provider of Oman.

## **Earning per share**

Loss per share for the period ended 31 Dec 2008 is Rs. (0.35)

## **Acknowledgement**

It is indeed the trust of our customers, contractors and suppliers that we have been able to come along such a long way. On behalf of the Board of Directors, we would like to place on record here our profound gratitude for all of them. And it goes without saying that all this could have not been possible without the dedication, commitment and hard work of our honorable employees. Their loyalty, integrity and professionalism with respect to their duties are commendable. On behalf of the Board we extend our sincere appreciation and recognition to all the work force of Worldcall. All achievements of this Company owe a lot to the diligent and painstaking efforts of these people. Worldcall profoundly appreciates the hard work and determination of its employees that has helped it to become one of the leading telecom companies in Pakistan.

Apart from this, we would also like to express our deepest gratitude to the management of Omantel for their continued support and trust. We also want to place on record our admiration for the efficient and effective role of PTA in regulating the industry and facilitating the telecom operators.

For and on behalf of the Board of Directors

Lahore:  
13 June 2009

  
CHIEF EXECUTIVE

Annexure-1

**TRADING BY BOARD MEMBERS, COMPANY SECRETARY, CFO  
AND THEIR SPOUSE & MINOR CHILDREN**

	Opening balance as on 30-06-2008	Purchase	Bonus	Sale	Closing balance as on 31-12-2008
<b>Directors</b>					
Salmaan Taseer	35,281	-	-	-	35,281
Sulieaman Ahmed Said Al-Hoqani	74,826,437	-	-	40,736,095	34,090,342
Dr. Mohammed Ali Mohammed Al-Wohaibi	500	-	-	-	500
Talal Said Marhoon Al-Mamari	500	-	-	-	500
Saleem Jawad Jaffer Al-Khabori	500	-	-	-	500
Sameer Hamed Nasser Al-Siyabi	500	-	-	-	500
Abullah Zahran Abdullah Al-Hinai	500	-	-	-	500
Sumbul Munir	575	-	-	-	575
Asadullah Khawaja (Nominee : Arif Habib Securities Ltd.)	-	-	-	-	-
<b>Chief Financial Officer</b>					
Muhammad Naveed Tariq (Resigned)	1,832	-	-	-	1,832
<b>Company Secretary</b>					
Ahmad Bilal (Resigned)	1,990	-	-	-	1,990
<b>Spouses / Minor Children</b>					
Aamna Taseer	1,246	-	-	-	1,246



**FOUR YEARS FINANCIAL PERFORMANCE  
INCOME STATEMENT**

	01 July 2008 to 31 Dec 2008	Restated 2008	2007	2006	01 Dec 2004 to 30 June 2005
	(Rupees in '000')				
Revenue-Net	3,091,482	4,319,539	4,312,513	4,355,859	677,854
Direct Cost	(2,259,091)	(2,854,820)	(2,628,806)	(2,726,331)	(607,833)
<b>Gross Profit</b>	<b>832,391</b>	<b>1,464,719</b>	<b>1,683,707</b>	<b>1,629,528</b>	<b>70,021</b>
Operating Cost	(1,134,945)	(1,210,139)	(1,057,853)	(1,034,128)	(91,497)
<b>Operating Profit/(loss)</b>	<b>(302,554)</b>	<b>254,580</b>	<b>625,854</b>	<b>595,400</b>	<b>(21,476)</b>
Finance Cost	(163,182)	(460,569)	(312,939)	(179,092)	(24,746)
	(465,736)	(205,989)	312,915	416,308	(46,222)
(Loss)/Gain on re-measurement of Investments at fair value	-	3,844	279,183	138,363	-
Gain on re-measurement of Investments Property at fair Value		4,012	15,516	21,000	-
Gain on re-measurement of long term liabilities		-	-	453,107	-
Other Operating Income	98,568	93,355	138,086	158,077	14,300
Other Expenses	(23,113)	(29,941)	(39,259)	(4,635)	-
<b>Profit/(loss) before taxation</b>	<b>(390,281)</b>	<b>(134,719)</b>	<b>706,441</b>	<b>1,182,220</b>	<b>(31,922)</b>
Taxation	90,993	88,365	(82,905)	(234,610)	12,704
<b>Profit/(loss) after taxation</b>	<b>(299,288)</b>	<b>(46,354)</b>	<b>623,536</b>	<b>947,610</b>	<b>(19,218)</b>
<b>Bonus Shares</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15%</b>	<b>-</b>
<b>Earning/(Loss) per share-Basic</b>	<b>(0.35)</b>	<b>(0.06)</b>	<b>0.83</b>	<b>1.28</b>	<b>(0.14)</b>

**STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES ON  
TRANSFER PRICING FOR THE SIX MONTHS ENDED 31  
DECEMBER 2008**

The Company has fully complied with the best practices on Transfer Pricing as contained in the listing regulations of Stock Exchanges where the Company is listed.

For and on behalf of the Board

**Lahore:**  
13 June 2009

  
CHIEF EXECUTIVE

## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE SIX MONTHS ENDED 31 DECEMBER 2008

This statement is being presented to comply with the Code of Corporate Governance contained in listing regulations of Karachi Stock Exchange (Guarantee) Limited and Lahore Stock Exchange (Guarantee) Limited 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 in the following manner:

- 1) The board of directors comprise of nine directors. The Company encourages representation of independent non-executive directors on its board. At present the board includes at least 3 independent non-executive directors.
- 2) The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
- 3) All the resident directors of the Company are registered as taxpayers and none of them has convicted by a Court of competent jurisdiction as a defaulter in payment of any loan to a banking company, a DFI or an NBF. No one is a member of Stock Exchange.
- 4) All casual vacancies occurring in the Board were filled up by the directors within 30 days thereof.
- 5) The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the Company.
- 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 where required.
- 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 in 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 Board arranged orientation courses for its directors during the year to apprise them of their duties and responsibilities.
- 10) The Board has approved appointment of Company Secretary, Chief Financial Officer and Head of Internal Auditor including remuneration and terms and conditions of employment, as determined by the CEO.
- 11) The directors' report for this year has been prepared in compliance with the 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, CFO and Head of Audit Committee 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 the Code.

- 15) The Board has formed an audit committee. At present the committee includes three non-executive directors including the chairman of the committee.
- 16) The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
- 17) The Board has set-up an effective internal audit function having suitable qualified and experienced personal who are conversant with the policies and procedures of the Company.
- 18) 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 Institute of Chartered Accountants of Pakistan.
- 19) 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.
- 20) We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board

Lahore:  
13 June 2009

  
CHIEF EXECUTIVE

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


We have reviewed the statement of compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **Worldcall Telecom Limited** (“the Company”) to comply with the Listing Regulation No. 37 of Karachi Stock Exchange and Chapter XIII of Lahore Stock Exchange, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance 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 of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company 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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

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 of Corporate Governance.

**Lahore:**  
13 June 2009

  
**KPMG Taseer Hadi & Co.**  
Chartered Accountants

## AUDITORS' REPORT TO THE MEMBERS


We have audited the annexed balance sheet of **Worldcall Telecom Limited** (“the Company”) as at 31 December 2008 and the related profit and loss account, cash flow statement and statement of changes in equity, together with the notes forming part thereof, for the period from 1 July 2008 to 31 December 2008 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 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 except for change referred to in note 2.2 to the financial statements with which we concur;
  - ii) the expenditure incurred during the period from 1 July 2008 to 31 December 2008 was for the purpose of the Company's business; and
  - iii) the business conducted, investments made and the expenditure incurred during the period from 01 July 2008 to 31 December 2008 were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2008 and of the loss, its cash flows and changes in equity for the period from 1 July 2008 to 31 December 2008 then ended; and
- d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980, was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Lahore:  
13 June 2009

  
KPMG Taseer Hadi & Co.  
Chartered Accountants  
(Kamran Iqbal Yousafi)

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2008**

	Note	31 December 2008	Restated 30 June 2008
		(Rupees in '000')	
<b>NON CURRENT ASSETS</b>			
<b>Tangible fixed assets</b>			
Property, plant and equipment	4	9,901,500	8,903,741
Capital work-in-progress	5	3,229,688	1,976,225
		13,131,188	10,879,966
<b>Intangible assets</b>			
Investment properties	6	4,928,080	5,008,323
Long term investments - at cost less impairment	7	76,162	76,162
Long term deposits	8	41,995	51,461
	9	76,483	109,908
		18,253,908	16,125,820
<b>CURRENT ASSETS</b>			
Store and spares		56,190	57,340
Stock in trade		143,253	90,868
Trade debts	10	977,845	900,712
Loans and advances - considered good	11	115,678	216,089
Deposits and prepayments	12	231,650	234,004
Other receivables	13	184,441	318,821
Short term investments	14	344,072	574,785
Income tax recoverable-net		132,689	102,469
Cash and bank balances	15	564,188	849,040
		2,750,006	3,344,128
<b>CURRENT LIABILITIES</b>			
Current maturities of non-current liabilities	16	515,149	323,429
Running finance under mark-up arrangements - secured	17	427,240	66,894
Trade and other payables	18	1,863,676	1,293,697
Interest and mark-up accrued	19	175,371	74,841
		2,981,436	1,758,861
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		(231,430)	1,585,267
<b>NON CURRENT LIABILITIES</b>			
Term finance certificates - secured	20	4,018,133	3,237,470
Long term finances	21	-	258,787
Deferred taxation	22	553,400	644,589
Retirement benefits	23	156,957	133,200
Liabilities against assets subject to finance lease	24	63,444	110,916
Long term payables- secured		502,674	119,876
Long term deposits		46,111	53,060
License fee payable	25	972,125	913,554
		6,312,844	5,471,452
Contingencies and commitments	26	-	-
		11,709,634	12,239,635
<b>Represented by</b>			
<b>Share capital and reserves</b>			
Authorized capital		9,000,000	9,000,000
900,000,000 (30 June 2008: 900,000,000) ordinary shares of Rs. 10 each			
Issued, subscribed and paid up capital	27	8,605,716	8,605,716
Share premium	28	837,335	837,335
Fair value reserve		(230,713)	-
Accumulated profit		2,172,537	2,475,190
		11,384,875	11,918,241
Surplus on revaluation	29	324,759	321,394
		11,709,634	12,239,635

The annexed notes 1 to 46 form an integral part of these financial statements.

**Lahore:**  
13 June 2009

*Balandi*  
**CHIEF EXECUTIVE**

*Almas Raza*  
**DIRECTOR**

**PROFIT AND LOSS ACCOUNT  
FOR THE PERIOD ENDED 31 DECEMBER 2008**

	Note	01 July 2008 to 31 December 2008 (Rupees in '000')	Restated 01 July 2007 to 30 June 2008
Revenue -net	30	3,091,482	4,319,539
Direct cost	31	(2,259,091)	(2,854,820)
<b>Gross profit</b>		<b>832,391</b>	1,464,719
Operating cost	32	(1,134,945)	(1,210,139)
<b>Operating (loss)/profit</b>		<b>(302,554)</b>	254,580
Finance cost	33	(163,182)	(460,569)
		<b>(465,736)</b>	(205,989)
Gain on re-measurement of investments at fair value	14	-	3,844
Gain on re-measurement of investment property at fair value	7	-	4,012
Other operating income	34	98,568	93,355
Other expenses	35	(23,113)	(29,941)
<b>Loss before taxation</b>		<b>(390,281)</b>	(134,719)
Taxation	36	90,993	88,365
<b>Loss after taxation</b>		<b>(299,288)</b>	(46,354)
<b>Loss per share - basic and diluted</b> (Rupees)	37	<b>(0.35)</b>	(0.06)

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

The annexed notes 1 to 46 form an integral part of these financial statements.

Lahore:  
13 June 2009

*Salawati*  
CHIEF EXECUTIVE

*Humayun Raza*  
DIRECTOR

Annual Report 2008



**CASH FLOW STATEMENT  
FOR THE PERIOD ENDED 31 DECEMBER 2008**

	Note	01 July 2008 to 31 December 2008 (Rupees in '000')	Restated 01 July 2007 to 30 June 2008
<b>Cash flows from operating activities</b>			
Cash generated from operations	39	994,356	1,478,094
Decrease in long term deposits receivable		33,425	113,475
Decrease in long term deposits payable		(6,949)	(6,714)
Increase/(decrease) in long term payables		382,798	(14,251)
Decrease in license fee payable		-	(71,000)
Retirement benefits paid		(22,449)	(18,811)
Finance cost paid		(244,576)	(408,171)
Taxes paid		(30,416)	(44,465)
<b>Net cash generated from operating activities</b>		<b>1,106,189</b>	<b>1,028,157</b>
<b>Cash flow from investing activities</b>			
Fixed capital expenditure		(2,474,659)	(2,343,667)
Intangible assets acquired		-	(1,580)
Sale proceeds of property, plant and equipment		64,252	14,145
Short term investments-net		-	19,045
<b>Net cash used in investing activities</b>		<b>(2,410,407)</b>	<b>(2,312,057)</b>
<b>Cash flow from financing activities</b>			
Receipt of long term finances		-	1,947,750
Repayment of long term finances		(109,947)	(2,623,041)
Receipt of term finance certificates		837,688	3,000,000
Repayment of term finance certificates		(70)	(99,365)
Repayment of finance lease liabilities		(68,651)	(194,414)
<b>Net cash generated from financing activities</b>		<b>659,020</b>	<b>2,030,930</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(645,198)</b>	<b>747,030</b>
<b>Cash and cash equivalents at the beginning of the period/year</b>		<b>782,146</b>	<b>35,116</b>
<b>Cash and cash equivalents at the end of the period/year</b>	40	<b>136,948</b>	<b>782,146</b>

The annexed notes 1 to 46 form an integral part of these financial statements.

Lahore:  
13 June 2009

*Salauddin J*  
CHIEF EXECUTIVE

*Ali Nawaz Posa*  
DIRECTOR

**STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 31 DECEMBER 2008**

	Share capital	Capital reserves			Revenue reserve	Total
		Share premium	Fair value reserve	Convertible loan reserve	Accumulated profit/(loss)	
(Rupees in '000')						
<b>Balance as at 30 June 2007</b>	7,520,607	410,887	-	1,403,575	2,521,544	<b>11,856,613</b>
Liability component of convertible loan	-	-	-	107,982	-	<b>107,982</b>
Shares issued against convertible loan	1,085,109	426,448	-	(1,511,557)	-	-
Net loss for the year as restated	-	-	-	-	(46,354)	<b>(46,354)</b>
<b>Balance as at 30 June 2008- Restated</b>	<b>8,605,716</b>	<b>837,335</b>	<b>-</b>	<b>-</b>	<b>2,475,190</b>	<b>11,918,241</b>
Transfer to surplus on revaluation (note. 29)	-	-	-	-	(3,365)	<b>(3,365)</b>
Unrealized loss on revaluation of available for sale investments recognized directly in equity	-	-	(230,713)	-	-	<b>(230,713)</b>
Net loss for the period	-	-	-	-	(299,288)	<b>(299,288)</b>
<b>Balance as at 31 December 2008</b>	<b>8,605,716</b>	<b>837,335</b>	<b>(230,713)</b>	<b>-</b>	<b>2,172,537</b>	<b>11,384,875</b>

The annexed notes 1 to 46 form an integral part of these financial statements.

Lahore:  
13 June 2009

*Balawandity*  
CHIEF EXECUTIVE

*Ali Muneer Posa*  
DIRECTOR

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2008

### 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. During last year 56.80% shares (488,839,429 ordinary shares) had been acquired by Oman Telecommunications Company SAOG ("the Parent company").

### 2 2.1 Change in the financial reporting year

During the period, the Company has changed its financial reporting year from June to December in order to align with the financial reporting year of the Parent Company, Oman Telecommunications Company SAOG. As a result of which, these financial statements have been prepared for the six months period ended on 31 December 2008 and the comparative amounts for profit and loss account, statement of changes in equity, cash flow statement and related notes for 12 months period are not comparable.

### 2.2 Change in accounting policy

During the period the Company has changed its accounting policy with respect to investments at fair value through profit or loss. Previously these were recognized at fair value with charge of any surplus or deficit on revaluation to income. Now the Company has reclassified these investments as "Available for Sale" as allowed in amendment to International Accounting Standard 39 "Financial Instruments: Recognition and Measurement" and IFRS-7 related to reclassification of financial assets issued in October 2008. As per said amendment, investments at fair value through profit or loss can be reclassified as "Available for Sale" at cost being its fair value on the date of reclassification. Any surplus or deficit after reclassification on revaluation of investments shall be shown under equity. This amendment is effective from 01 July 2008 and the Company has applied the amendment from the same date.

Had there been no change in accounting policy, unappropriated profit would have been lower by Rs 230.7 million and fair value reserve would have been higher by same amount. Furthermore loss per share would have increased by Rs 0.27 per share.

### 3 Summary of significant accounting policies

The significant accounting policies adopted in preparation of these financial statements are set out below:

#### 3.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. Approved accounting standards comprise of such International Financial Reporting Standards as are notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of these standards, requirements of the Companies Ordinance, 1984 or requirements of the said directives take precedence.

## 3.2 Accounting convention and basis of preparation

These financial statements have been prepared under the historical cost convention, except for revaluation of investment properties, plant and equipment, intangible assets and certain financial assets at fair value, and recognition of certain employee benefits and financial liabilities at present value.

## 3.3 Significant accounting judgments and estimates

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions and judgments 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 judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgments were exercised in application of accounting policies are as follows:

- Useful life of depreciable assets and amortization of intangible assets- (note 3.4, 3.5, 4 & 6)
- Staff retirement benefits- (note 3.14 & 23)
- Taxation- (note 3.9 & 36)
- Provisions and contingencies- (note 3.19 & 26)
- Investment properties- (note 3.6 & 7)

## 3.4 Fixed capital expenditure and depreciation

### Property, plant and equipment

Property, plant and equipment (except freehold land and plant & equipment) are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at cost and plant & equipment are stated at revalued amount less accumulated depreciation and any identified impairment loss.

Cost in relation to self constructed assets includes direct cost of material, labour and other allocable expenses.

Depreciation is charged to income on the straight line method whereby cost of an asset is written off over its estimated useful life at the rates given in note 4.

Residual value and the useful life of assets are reviewed at least at each financial year end and adjusted if impact on depreciation is significant.

Incremental/decremental depreciation on revalued assets is transferred net of deferred tax from/to surplus on revaluation to/from retained earnings (unappropriated profit).

Depreciation on additions is charged on a pro-rata basis from the month in which the asset is put to use, while for disposals, depreciation is charged up to the month of disposal. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the assets' revised carrying amount over its estimated useful life.

Maintenance and repairs are charged to income as and when incurred. Renewals and improvements are capitalized when it is probable that respective future economic benefits will flow to the Company and the cost of the item can be measured reliably, and the assets so replaced, if any, are retired. Gains and losses on disposals of assets are included in income and the related surplus on revaluation of plant and equipment is transferred directly to retained earnings (unappropriated profit).

## **Finance leases**

Leases in terms of which the Company has substantially all the risks and rewards of ownership are classified as finance leases. Assets subject to finance lease are stated at the lower of its revalued amount less accumulated depreciation and any identified impairment loss and present value of minimum lease payments at the date of commencement of lease.

The related rental obligations, net of finance costs are classified as current and long term depending upon the timing of the payment.

Each lease payment is allocated between the liability and finance costs so as to achieve a constant rate on the balance outstanding.

Assets acquired under a finance lease are depreciated over the estimated useful life of the asset on a straight-line method at the rates given in note 4. Depreciation of leased assets is charged to income.

Residual value and the useful life of leased assets are reviewed at least at each financial year end and adjusted if impact on depreciation is significant.

Depreciation on additions to leased assets is charged from the month in which an asset is acquired while no depreciation is charged for the month in which the asset is disposed off.

## **Capital work-in-progress**

Capital work-in-progress is stated at cost less any identified impairment loss.

## **3.5 Intangible assets**

### **Goodwill**

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.

### **Other intangible assets**

Other intangible assets are stated at revalued amount less accumulated amortization except for patents and copy rights, which are stated at cost less accumulated amortization.

Other intangible assets are amortized using the straight line method at the rates given in note 6. Amortization on licenses is charged to the profit and loss account from the month in which the related operations are commenced. Amortization on additions to other intangible assets is charged on a pro-rata basis from the month in which asset is put to use, while for disposals amortization is charged up to the month of disposal.

Incremental amortization on revalued intangible assets is transferred net of deferred tax from surplus on revaluation to retained earnings (unappropriated profit).

Subsequent expenditure on intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are charged to income as and when incurred.

Gain or loss arising on disposal and retirement of intangible asset is determined as a difference between net disposal proceeds and carrying amount of the asset and is recognized as income or expense in the profit and loss account. Related surplus on revaluation of intangible asset is transferred directly to retained earnings (unappropriated profit).

### 3.6 Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are initially recognized at cost, being the fair value of the consideration given, subsequent to initial recognition these are stated at fair value. The fair value is determined annually by an independent approved valuer. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between knowledgeable and willing buyer and seller in an arms length transaction.

Any gain or loss arising from a change in fair value is recognized in the profit and loss account. Rental income from investment property is accounted for as described in note 3.17.

When an item of property, plant and equipment is transferred to investment property following a change in its use, any differences arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognized in surplus on revaluation of property, plant and equipment, if it is a gain. Upon disposal of the item the related surplus on revaluation of property, plant and equipment is transferred to retained earnings. Any loss arising in this manner is recognized immediately in the profit and loss account.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment and its fair value at the date of reclassification becomes its cost for accounting purposes of subsequent recording.

### 3.7 Investments

The Company classifies its investments in following categories.

#### **Investments in equity instruments of subsidiary and associate**

Investment in subsidiary and associate where the Company has significant influence are measured at cost less impairment in the Company's financial statements. Cost in relation to investments made in foreign currency is determined by translating the consideration paid in foreign currency into rupees at exchange rates prevailing on the date of transactions.

The Company is required to issue consolidated financial statements along with its separate financial statements, in accordance with the requirements of IAS 27 'Consolidated and Separate Financial Statements'.

#### **Investments at fair value through profit or loss**

Investments that are acquired principally for the purpose of generating profit from short term fluctuations in price or dealer's margin are classified as held for trading.

Investments at fair value through profit or loss are initially recognized at cost, being the fair value of the consideration given. Subsequent to initial recognition these are recognized at fair value unless fair value can not be reliably measured. The investments for which quoted market price is not available are measured at cost. Any surplus or deficit on revaluation of investments is charged to income currently.

## **Available for sale investments**

Available for sale investments are initially recognized at cost, being the fair value of the consideration given. Subsequent to initial recognition these are recognized at fair value unless fair value can not be reliably measured. The investments for which quoted market price is not available are measured at cost. Changes in carrying value are recognized in equity until investment is sold or determined to be impaired at which time the cumulative gain or loss previously recognized in equity is included in profit or loss account.

All “regular way” purchase and sale of listed shares are recognized on the trade date i.e. the date that the Company commits to purchase/sell the asset.

The fair value of investments classified as held for trading and available for sale is their quoted bid price at the balance sheet date.

## **3.8 Securities under repurchase/reverse repurchase agreements**

Transactions of repurchase/reverse repurchase investment securities are entered into at a contracted rate for specified period of time and are accounted for as follows:

### **Repurchase agreements**

Investments sold with a simultaneous commitment to repurchase at a specified future date (repo) continue to be recognized in the balance sheet and are measured in accordance with accounting policies for investment. The counter party liability for amounts received under these agreements is included in borrowing. The difference between sale and repurchase price is treated as mark-up on borrowing and accrued over the life of repo agreement.

### **Reverse repurchase agreements**

Investments purchased with a corresponding commitment to resale at a specified future date (reverse repo) are not recognized in the balance sheet. Amount paid under these agreements are recorded as funds placements. The difference between purchase and resale price is treated as return from fund placement with financial institutions or income from reverse repurchase transactions of listed shares, as the case may be, and accrued over the life of the reverse repo agreement.

## **3.9 Taxation**

Income tax on the profit or loss for the year comprises of current and deferred tax.

### **Current**

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted after taking into account tax credits, rebates and exemptions, if any. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

### **Deferred**

Deferred tax is provided using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

The carrying amount of deferred tax asset 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.

Deferred tax assets and liabilities are calculated at the rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except in the case of items credited or charged to equity in which case it is included in equity.

### **3.10 Inventories**

Inventories, except for stock in transit, are stated at lower of cost and net realizable value. Items in transit are valued at cost comprising invoice value plus other charges paid thereon. Cost is determined as follows:

#### **Store and spares**

Useable stores and spares are valued principally at weighted average cost, while items considered obsolete are carried at nil value.

#### **Stock in trade**

Cost is determined on weighted average basis.

Net realizable value is the estimated selling price in ordinary course of business, less estimated incidental selling cost.

### **3.11 Trade debts and other receivables**

Trade debts and other receivables are recognized initially at fair value and subsequently measured at amortized cost less any identified impairment loss. A provision for impairment of trade and other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables.

### **3.12 Financial liabilities**

Financial liabilities are classified according to substance and related accrued interest of the contractual arrangements entered into. Significant financial liabilities include long term payables, license fee payable, borrowings, trade and other payables.

#### **Interest bearing borrowings**

Interest bearing borrowings are recognized initially at fair value less attributable transaction cost. Subsequent to initial recognition, these are stated at amortized cost with any difference between cost and redemption value being recognized in the profit and loss over the period of the borrowings on an effective interest rate basis.

#### **Term finance certificates**

Term finance certificates are stated at amortized cost using effective interest rate.

#### **Other financial liabilities**

All other financial liabilities are initially recognized at fair value plus directly attributable cost, if any, and subsequently at amortized cost using effective interest rate method.



### **3.13 Trade and other payables**

Trade and other payables are initially recognized at fair value and subsequently at amortized cost using effective interest rate method.

### **3.14 Retirement and other benefits**

#### **Defined benefit plan**

The Company operates an unfunded defined benefit gratuity plan for all permanent employees, having a service period of more than one year. Provisions are made in the financial statements to cover obligations on the basis of actuarial valuations carried out annually under the projected unit credit method.

The Company recognizes actuarial gains/losses over the expected average remaining working lives of the current employees, to the extent that cumulative unrecognized actuarial gain/loss exceeds 10 per cent of present value of defined benefit obligation.

### **3.15 Impairment losses**

The carrying amount of the Company's assets except for, inventories, investment property and deferred tax asset, 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. For goodwill, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the profit and loss.

Impairment losses are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been charged. An impairment loss in respect of goodwill is not reversed.

### **3.16 Foreign currencies**

Transactions in foreign currencies are translated into rupees at exchange rates prevailing at the date of transaction. All monetary assets and liabilities in foreign currencies are translated into rupees at exchange rates prevailing at the balance sheet date.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into rupees at exchange rates prevailing at the date of transaction. Non-monetary assets and liabilities denominated in foreign currency that are stated at fair value are translated into rupees at exchange rates prevailing at the date when fair values are determined. Exchange gains and losses are included in the income currently.

### **3.17 Revenue recognition**

Revenue represents the fair value of the consideration received or receivable for services rendered, net of discounts and sales tax. Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue, and the associated cost incurred, or to be incurred, can be measured reliably.

Revenue from different sources is recognized as follows:

- Revenue from terminating minutes is recognized at the time the call is made over the network of the Company.
- Revenue from originating minutes is recognized on the occurrence of calls both for prepaid and postpaid subscribers.
- Subscription revenue from Cable TV, internet over cable and channels subscription fee is recognized on provision of services.
- Connection and membership fee is recognized at the time of activation of connection.
- Sale of goods is recognized on dispatch of goods to customer.
- Advertisement income is recognized on the basis of spots run when commercials are aired on the network.
- Interest income is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return.
- Rental income from investment property is recognized in the profit and loss account on accrual basis.
- Revenue from prepaid cards is recognized as credit is used.
- Dividend income is recognized when the right to receive payment is established.

### **3.18 Borrowing cost**

Mark up, interest and other charges on long term borrowings are capitalized upto the date of commissioning of the related qualifying assets, acquired out of the proceeds of such long term borrowings. All other markup, interest and other charges are recognized as an expense in the period in which they are incurred.

### **3.19 Provisions**

Provisions are recognized in the balance sheet when the Company has a legal or constructive obligation as a result of past events and it is probable that outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. However, provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

### **3.20 Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. Cash and cash equivalents comprise cash in hand and demand deposits. Running finances that are repayable on demand are included as component of cash and cash equivalents for the purpose of cash flow statement.

### **3.21 Financial instruments**

All financial assets and liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Financial assets are de-recognized when the Company loses control of the contractual right that comprises the financial assets. Financial liabilities are de-recognized when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognizing of the financial assets and financial liabilities is taken to profit and loss account currently. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

**Offsetting of 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.

**3.22 Related party transactions**

The Company enters into transactions with related parties on an arm's length basis. Prices for transactions with related parties are determined using admissible valuation methods, except in extremely rare circumstances where, subject to approval of the Board of Directors, it is in the interest of the Company to do so.

**3.23 Dividend**

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's financial statements in the period in which the dividends are approved.

**4 Property, plant and equipment**

4.1 The statement of property, plant and equipment is as follows:

	Cost as at 01 July 2008	Revaluation Surplus/(Deficit)	Additional/ (Disposable)	Transfers/ Adjustments	Cost as at 31 Dec 2008	Accumulated depreciation as at 01 July 2008	Depreciation charge for the period/ (Disposals)	Transfers	Accumulated depreciation as at 31 Dec 2008	Net book value as at 31 Dec 2008	Depreciation rate %
	(Rupees in '000')					(Rupees in '000')					
<b><u>Owned assets</u></b>											
Freehold Land	19,800	-	-	-	19,800	-	-	-	-	19,800	-
Leasehold improvements	87,229	-	17,443	528	105,200	35,041	6,189	-	41,230	63,970	20-33
Plant and equipment	10,224,609	-	1,427,842 (19,069)	131	11,633,513	1,874,886	434,094 (3,333)	-	2,305,647	9,327,866	5-33.33
Office equipment	55,168	-	23,326 (335)	1,699	79,858	8,061	4,425 (146)	-	12,340	67,518	10
Computers	79,501	-	5,630 (1,621)	(2,518)	80,992	48,347	11,469 (1,454)	-	58,362	22,630	33
Furniture and fixtures	18,287	-	2,009 (70)	(1,030)	19,196	6,125	1,269 (62)	-	7,332	11,864	10
Vehicles	81,896	-	20,914 (4,466)	575	100,152	63,987	3,867 (4,177)	740	64,417	35,735	20
Lab and other equipment	16,240	-	40	-	17,178	8,485	1,139	-	9,624	7,554	10-20
	<b>10,582,730</b>	-	<b>1,497,204 (25,561)</b>	<b>1,233 283</b>	<b>12,055,889</b>	<b>2,044,932</b>	<b>462,452 (9,172)</b>	<b>740</b>	<b>2,498,952</b>	<b>9,556,937</b>	
<b><u>Leased assets</u></b>											
Plant and equipment	334,314	-	-	(131)	334,183	40,878	12,059	-	52,937	281,246	5-33.33
Vehicles	91,658	-	4,288 (1,371)	(1,233) 16	93,358	22,835	11,747 (320)	(740)	33,522	59,836	20
Office equipment	4,055	-	-	-	4,055	371	203	-	574	3,481	10
	<b>430,027</b>	-	<b>4,288 (1,371)</b>	<b>(1,233) (115)</b>	<b>431,596</b>	<b>64,084</b>	<b>24,009 (320)</b>	<b>(740)</b>	<b>87,033</b>	<b>344,563</b>	
	<b>11,012,757</b>	-	<b>1,501,492 (26,932)</b>	- <b>168</b>	<b>12,487,485</b>	<b>2,109,016</b>	<b>486,461 (9,492)</b>	-	<b>2,585,985</b>	<b>9,901,500</b>	

4.2 The statement of property, plant and equipment is as follows:

	Cost as at 01 July 2007	Revaluation Surplus/(Deficit)	Additions/ (Disposals)	Transfers	Cost as at 30 June 2008	Accumulated depreciation as at 01 July 2007	Depreciation charge for the year/ (Disposals)	Transfers	Accumulated depreciation as at 30 June 2008	Net book value as at 30 June 2008	Depreciation rate %
	(Rupees in '000')					(Rupees in '000')					
<b>Owned assets</b>											
Freehold Land	19,800	-	-	-	19,800	-	-	-	-	19,800	-
Leasehold improvements	71,420	-	16,099 (290)	-	87,229	22,408	12,755 (122)	-	35,041	52,188	20-33
Plant and equipment	8,061,218	(229,963)	2,303,832 (9,409)	232,728 (133,797)	10,224,609	1,059,005	751,306 (2,258)	76,376 (9,543)	1,874,886	8,349,723	5-33.33
Office equipment	56,123	-	14,478 (15,433)	-	55,168	15,268	8,167 (15,374)	-	8,061	47,107	10
Computers	60,951	-	19,015 (465)	-	79,501	27,651	20,934 (238)	-	48,347	31,154	10-33
Furniture and fixtures	13,741	-	4,546	-	18,287	3,843	2,282	-	6,125	12,162	10
Vehicles	47,154	-	4,171 (7,402)	37,973	81,896	25,142	17,207 (6,674)	28,312	63,987	17,909	20
Lab and other equipment	15,785	-	455	-	16,240	5,268	3,217	-	8,485	7,755	10-20
	<b>8,346,192</b>	<b>(229,963)</b>	<b>2,362,596 (32,999)</b>	<b>270,701 (133,797)</b>	<b>10,582,730</b>	<b>1,158,585</b>	<b>815,868 (24,666)</b>	<b>104,688 (9,543)</b>	<b>2,044,932</b>	<b>8,537,798</b>	
<b>Leased assets</b>											
Plant and equipment	430,520	(10,275)	13,000	(232,728) 133,797	334,314	56,745	50,966	(76,376) 9,543	40,878	293,436	5-33.33
Vehicles	109,093	-	22,484 (1,946)	(37,973)	91,658	26,979	24,564 (396)	(28,312)	22,835	68,823	20
Office equipment	-	-	4,055	-	4,055	-	371	-	371	3,684	10
	<b>539,613</b>	<b>(10,275)</b>	<b>39,539 (1,946)</b>	<b>(270,701) 133,797</b>	<b>430,027</b>	<b>83,724</b>	<b>75,901 (396)</b>	<b>(104,688) 9,543</b>	<b>64,084</b>	<b>365,943</b>	
	<b>8,885,805</b>	<b>(240,238)</b>	<b>2,402,135 (34,945)</b>	<b>-</b>	<b>11,012,757</b>	<b>1,242,309</b>	<b>891,769 (25,062)</b>	<b>-</b>	<b>2,109,016</b>	<b>8,903,741</b>	

**4.3** Subsequent to revaluation on 31 March 2007, which had resulted in a net surplus of Rs. 304.30 million, Plant and equipment were again revalued on 30 June 2008, resulting in revaluation decrease of Rs. 240.2 million. The valuation was conducted by an independent valuer, M/s. Surval. Basis of valuation for plant and equipment was the open market value of the asset based on estimated gross replacement cost, depreciated to reflect the residual service potential of the asset having paid due regard to age, condition and obsolescence.

Had there been no revaluation, the net book value of plant and equipment as at 31 December 2008 would have amounted to Rs. 9,524 million (30 June 2008: Rs. 8,579 million)

**4.4** Carrying value of property, plant and equipment having charge against borrowings amount to Rs. 7,027 million (30 June 2008: Rs. 7,061 million)

**4.5** Finance cost amounting to Rs. 228.2 million (30 June 2008: Rs. 170.67 million) was capitalized during the period in property, plant and equipment.

	Note	01 July 2008 to 31 December 2008	01 July 2007 to 30 June 2008
(Rupees in '000')			
<b>4.6 Depreciation charge during the period/year has been allocated as follows:</b>			
Direct cost	31	446,153	802,272
Operating cost	32	40,308	89,497
		486,461	891,769

**4.7 Property, plant and equipment sold during the period are as follows:**

Description	Cost	Accumulated depreciation	Book Value	Sale proceeds	Mode of disposal	Sold to
( Rupees in '000')						
<b>Plant and equipment</b>						
Fiber optic plant	2,732	238	2,494	2,428	Insurance claim	-
Fiber optic cable	16,337	3,095	13,242	57,600	Negotiation	Multinet (Pvt) Ltd
<b>Computers</b>						
Laptop	107	43	64	62	Insurance claim	-
<b>Vehicles</b>						
Honda Civic VTEC	1,371	320	1,051	1,325	Insurance claim	-
Honda City	590	443	147	450	Insurance claim	-
Kia Classic	593	514	79	310	Negotiation	Mr. Manzoor
<b>Items with book value less than Rs. 50,000</b>						
	5,202	4,839	363	2,077		
<b>Total</b>	<b>26,932</b>	<b>9,492</b>	<b>17,440</b>	<b>64,252</b>		

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	31 December 2008	30 June 2008
<b>5 Capital work-in-progress</b>	<b>(Rupees in '000')</b>	
<b>Owned</b>		
Civil works	203,864	285,740
Plant and equipment	2,824,555	1,511,131
Store and spares held for capital expenditure	195,147	161,541
	<u>3,223,566</u>	<u>1,958,412</u>
<b>Leased</b>		
Plant and equipment subject to finance lease	6,122	17,813
	<u>3,229,688</u>	<u>1,976,225</u>

## 6 Intangible assets

	Cost as at 01 July 2008	Surplus on Revaluation	Additions/ (adjustments)	Cost as at 31 Dec 2008	Accumulated amortization as at 01 July 2008	Amortization for the period	Accumulated amortization as at 31 Dec 2008	Net book value as at 31 Dec 2008	Rate %
	(Rupees in '000')				(Rupees in '000')				
Licenses	2,893,290	-	-	2,893,290	446,250	78,942	525,192	2,368,098	5
Patents and copyrights	5,333	-	-	5,333	2,494	401	2,895	2,438	10
Software	16,284	-	-	16,284	11,334	900	12,234	4,050	20
Goodwill	2,690,403	-	-	2,690,403	136,909	-	136,909	2,553,494	-
	<u>5,605,310</u>	-	-	<u>5,605,310</u>	<u>596,987</u>	<u>80,243</u>	<u>677,230</u>	<u>4,928,080</u>	

	Cost as at 01 July 2007	Surplus on Revaluation/ (deficit)	Additions/ (adjustments)	Cost as at 30 June 2008	Accumulated amortization as at 01 July 2007	Amortization for the year	Accumulated amortization as at 30 June 2008	Net book value as at 30 June 2008	Rate %
	(Rupees in '000')				(Rupees in '000')				
Licenses	2,457,715	434,327	1,248	2,893,290	322,943	123,307	446,250	2,447,040	5
Patents and copyrights	5,333	-	-	5,333	1,602	892	2,494	2,839	10
Software	19,888	(3,936)	332	16,284	7,386	3,948	11,334	4,950	20
Goodwill	2,690,403	-	-	2,690,403	136,909	-	136,909	2,553,494	-
	<u>5,173,339</u>	<u>430,391</u>	<u>1,580</u>	<u>5,605,310</u>	<u>468,840</u>	<u>128,147</u>	<u>596,987</u>	<u>5,008,323</u>	

6.1 The Company had revalued its Intangible assets on 30 June 2008 resulting in a net surplus of Rs. 430.391 million. The valuation was conducted by an independent valuer, M/s. Surval. Valuation of intangible assets was based on the estimated gross replacement cost, earning potential amortized to reflect the current market value. Had there been no revaluation, the net book value of intangible assets as at 31 December 2008 would have amounted to Rs. 4,514 million (30 June 2008: 4,578 million).

6.2 Licenses of the Company are assigned to IGI Investment Bank Limited, trustee of TFC III.

6.3 Goodwill

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 engaged DETECON (Deutsche Telekom Group – T-Systems) company as Telecom Management Consultant (TMC) to carry out a detailed business simulation for the Company. The consultancy scope included strategy definition, business planning and resource management for the Company. Business simulation carried out by DETECON included a comprehensive analysis of the existing operational deployments of the company along with strategic direction of future investments and business growth. In light of the DETECON submission, no Goodwill impairment is projected. Discount rate of 22% p.a. was used for the calculation of discounted cash flows based on Business simulation carried out by DETECON. The cash flows beyond the five years period have been extrapolated using a steady 3% p.a. growth rate which is consistent with the long-term average growth rate for the industry.

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	Note	31 December 2008	30 June 2008
<b>(Rupees in '000')</b>			
<b>6.4 Amortization charge during the period/year has been allocated as follows:</b>			
Direct Cost	31	47,621	86,535
Operating cost	32	1,666	2,932
Capitalized during the period/year		30,956	38,680
		<b>80,243</b>	128,147

## 7 Investment property

Opening balance	76,162	72,150
Fair value adjustment	-	4,012
Closing balance	<b>76,162</b>	76,162

Investment property comprises commercial property part of which is rented to Media Times Limited, an associated company.

Fair value of investment property was last determined at 31 December 2008 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.

	31 December 2008	30 June 2008
<b>(Rupees in '000')</b>		

## 8 Long term investments - at cost less impairment

### Foreign subsidiary - Unquoted

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

7,221,740 (30 June 2008: 7,221,740) ordinary shares of Sri Lankan Rupees 10/-each

Equity held 70.65% (30 June 2008: 70.65%)

Share deposit money

44,406	44,406
13,671	13,671
58,077	58,077
(58,077)	(48,611)
-	9,466

Less: Provision for impairment

### Associated company - Quoted

#### Media Times Limited Incorporated in Pakistan

4,199,500 (30 June 2008: 4,199,500) ordinary shares of Rs. 10/-each

Equity held 4.19% (30 June 2008: 4.19%)

41,995	41,995
41,995	51,461



- 8.1** Media Times Limited is an associated company due to common management.
- 8.2** Media Times Limited has been provisionally listed on Karachi Stock Exchange during the period. Fair value as at 31 December 2008 was Rs. 46.111 million.
- 8.3** The summarised financial information of associated company as at 31 December 2008 is as follows:

	Assets	Liabilities	Revenues	Profit/(loss)	Percentage Shareholding
(Rupees in '000')					
Media Times Limited	2,044,371	912,802	251,075	13,268	4.19%

	Note	31 December 2008	30 June 2008
(Rupees in '000')			

## 9 Long term deposits

Security deposit with PTCL		19,757	18,825
Deposits with financial institutions		28,318	34,368
Others		39,227	58,686
		87,302	111,879
Less: Current maturity	12	(10,819)	(1,971)
		76,483	109,908

	Note	31 December 2008	Restated 30 June 2008
(Rupees in '000')			

## 10 Trade debts

Considered good - Unsecured	10.1	977,845	900,712
Considered doubtful - Unsecured		484,613	189,935
		1,462,458	1,090,647
Less: Provision for doubtful debts	10.2	(484,613)	(189,935)
		977,845	900,712

- 10.1** This includes due from associated companies as follows:

Pace Wood Land (Private) Limited		32,894	32,894
Pace Barka Properties Limited		47,781	47,781
Pace Gujrat (Private) Limited		12,138	12,138
Media Times Limited		-	10
		92,813	92,823

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	Note	31 December 2008	30 June 2008
(Rupees in '000')			
<b>10.2 Provision for doubtful debts</b>			
Opening balance		189,935	116,906
Addition during the period/year		294,678	73,029
Closing balance		484,613	189,935

## 11 Loans and advances - considered good

Loans and advances to employees	11.1	34,336	20,480
Advances to suppliers		52,456	166,723
Advance to associated company	11.2	28,886	28,886
		115,678	216,089

**11.1** These loans and advances are unsecured and interest free and include advances given to executives of Rs. 9.54 million (30 June 2008 : Rs. 5.20 million) and chief executive Rs. 0.35 million (30 June 2008: Nil)

**11.2** This represents unsecured advance given to Media Times Limited carrying markup at the rate of 18% per annum (30 June 2008: 14% per annum).

	Note	31 December 2008	30 June 2008
(Rupees in '000')			
<b>12 Deposits and prepayments</b>			
Margin deposits	12.1	145,961	162,885
Prepayments		65,528	59,431
Current maturity of long term deposits	9	10,819	1,971
Short term deposits		9,342	9,717
		231,650	234,004

**12.1** These include deposits placed with banks against various guarantees and letters of credit.

	Note	31 December 2008	Restated 30 June 2008
(Rupees in '000')			
<b>13 Other receivables</b>			
Receivable from PTCL - unsecured considered good		-	174,225
Receivable from PTCL - unsecured considered doubtful		196,919	22,694
	13.1	196,919	196,919
Less: Provision for doubtful receivables	13.2	(196,919)	(22,694)
		-	174,225
Other receivables - considered good		184,441	144,596
Other receivables - considered doubtful		42,053	15,139
		226,494	159,735
Less: Provision for doubtful receivables	13.3	(42,053)	(15,139)
		184,441	144,596
		184,441	318,821

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**13.1** This includes claims for Rs. 174 million (30 June 2008: 174 million) lodged by Worldcall Communications Limited (WCL), merged into Worldcall Telecom Limited, with Pakistan Telecommunication Company Limited (PTCL) for excess billing on short duration calls, border line calls and 0900 facility. These claims were initially acknowledged by PTCL's Corporate Clients Committee through its decision dated 15 December 2003. However, PTCL subsequently through its letter dated 09 September 2005 withdrew its decision. The Company had invoked the available arbitration clause in the agreement to realize the claimed amount but PTCL had refused the appointment of arbitrator. The Company has gone to civil court for the appointment of an arbitrator. Provision of Rs 174 million has already been made in the financial statements.

**Note**      **31 December**      30 June  
    **2008**     2008  
    (Rupees in '000')

**13.2 Provision for doubtful receivables-PTCL**

Opening balance	22,694	12,590
Adjustment during the period/year	-	6,180
Charged during the period/year	174,225	3,924
Closing balance	196,919	22,694

**13.3 Provision for doubtful other receivables**

Opening balance	15,139	21,319
Adjustment during the period/year	-	(6,180)
Charged during the period/year	26,914	-
Closing balance	42,053	15,139

**31 December**      30 June  
    **2008**     2008  
    **Available for**      **At fair value**  
    **sale**     **through profit**  
        **& loss a/c**  
    (Rupees in '000')

**14 Short term investments**

Carrying value	14.1	256,255	253,579
Fair value adjustment		(68,039)	2,676
		188,216	256,255

**Related parties**

Carrying value	14.2	318,530	317,362
Fair value adjustment		(162,674)	1,168
		155,856	318,530
Total carrying value		574,785	570,941
Total fair value adjustment		(230,713)	3,844
		344,072	574,785

# Worldcall Telecom Limited

## 14.1 Particulars of listed shares - At fair value

All shares have face value of Rs. 10 each.

Name	No. of shares		31 Dec 2008		30 June 2008	
	31 Dec 2008	30 June 2008	Carrying value	Market value	Carrying value	Market value
			(Rupees in '000')		(Rupees in '000')	
<b>Commercial Banks</b>						
The Bank of Punjab	10,528	10,528	328	139	892	328
<b>Mutual Fund</b>						
First Dawood Mutual Fund	580,750	580,750	4,147	1,254	5,226	4,147
Pak Oman Advantage Fund	1,000,000	1,000,000	9,500	8,420	10,450	9,500
<b>Electric Appliances</b>						
Pak Elektron Limited	93	93	5	2	5	5
<b>Leasing</b>						
Standard Chartered Leasing Limited	70,000	70,000	427	123	777	427
<b>Insurance</b>						
Shaheen Insurance Company Limited	2,744,844	2,744,844	241,848	178,278	236,229	241,848
			<b>256,255</b>	<b>188,216</b>	<b>253,579</b>	<b>256,255</b>

## 14.2 Particulars of listed shares of related parties - At fair value

All shares have face value of Rs. 10 each.

Name	No. of shares		31 Dec 2008		30 June 2008	
	31 Dec 2008	30 June 2008	Carrying value	Market value	Carrying value	Market value
			(Rupees in '000')		(Rupees in '000')	
First Capital Securities Corporation Limited	2,868,671	2,049,051	121,304	95,728	119,272	121,304
<b>Percentage of equity held</b>						
<b>1.26% (30 June 2008: 1.26%)</b>						
Pace (Pakistan) Limited	6,959,290	6,959,290	197,226	60,128	198,090	197,226
<b>Percentage of equity held</b>						
<b>3.16% (30 June 2008: 3.16%)</b>						
			<b>318,530</b>	<b>155,856</b>	<b>317,362</b>	<b>318,530</b>

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	Note	31 December 2008 (Rupees in '000')	30 June 2008
<b>15 Cash and bank balances</b>			
At banks in			
Current accounts		38,871	262,753
Saving accounts	15.1	340,229	380,400
Deposit accounts	15.2	150,000	168,000
		<b>529,100</b>	811,153
Cash in hand		<b>35,088</b>	37,887
		<b>564,188</b>	849,040

**15.1** The balances in saving accounts bear mark up at the rate of 1% to 16.22% per annum (30 June 2008: 0.5% to 9% per annum). The balance includes Rs. 40 million (30 June 2008: Rs. 40 million ) and interest accrued thereon deposited in Escrow account as stated in note 26.1.2.

**15.2** The balances in deposit accounts bear mark up at the rate of 17.5% per annum (30 June 2008: 10% per annum).

	Note	31 December 2008 (Rupees in '000')	30 June 2008
<b>16 Current maturities of non-current liabilities</b>			
Term finance certificates	20	118,174	59,557
Long term finances	21	296,592	146,597
Liabilities against assets subject to finance lease	24	100,383	117,275
		<b>515,149</b>	323,429

## 17 Running finance under markup arrangements-Secured

Short term running finances available from commercial banks under mark up arrangements amount to Rs. 431 million (30 June 2008: Rs. 531 million). Mark up is charged at rates ranging from 14.43% to 19% per annum (30 June 2008: 10.7% to 16.61% per annum). These are secured by hypothecation charge over all present and future current assets including stores and spares, stock in trade and receivables.

	31 December 2008 (Rupees in '000')	Restated 30 June 2008
<b>18 Trade and other payables</b>		
Trade creditors		
Related parties - associated companies	2,197	109
Others	1,552,100	1,044,997
	<b>1,554,297</b>	1,045,106
Accrued and other liabilities	123,042	116,132
Advance from customers	103,306	67,764
Commitment fee payable	-	549
Retention money	23,134	29,859
Sales tax payable	43,839	11,207
Tax deducted at source	14,251	8,659
Un claimed dividend	1,807	14,421
	<b>1,863,676</b>	1,293,697

	Note	31 December 2008 (Rupees in '000')	30 June 2008
<b>19 Interest and mark-up accrued</b>			
Long term financing		9,792	16,329
Short term borrowings		12,095	290
Share deposit money		972	972
Finance lease		601	561
Term finance certificates		<u>151,911</u>	<u>56,689</u>
		<u><u>175,371</u></u>	<u><u>74,841</u></u>
<b>20 Term finance certificates - Secured</b>			
Term Finance Certificates - II	20.1	349,720	349,790
Term Finance Certificates - III	20.2	<u>3,837,688</u>	<u>3,000,000</u>
		<u>4,187,408</u>	<u>3,349,790</u>
Less: Initial transaction cost		<u>(60,645)</u>	<u>(56,190)</u>
		<u>4,126,763</u>	<u>3,293,600</u>
Amortization of transaction cost		<u>9,544</u>	<u>3,427</u>
		<u>4,136,307</u>	<u>3,297,027</u>
Less: Current maturity	16	<u>(118,174)</u>	<u>(59,557)</u>
		<u><u>4,018,133</u></u>	<u><u>3,237,470</u></u>

Term Finance Certificates (TFC-II) and (TFC-III) have a face value of Rs. 5,000 per certificate.

#### 20.1 Term Finance Certificates - II

These represent listed Term Finance Certificates amounting to Rs. 350 million issued during the year ended 30 June 2007. These TFCs are redeemable in six equal semi annual installments commencing May 2009. Profit rate is charged at six months average KIBOR plus 2.75% per annum. These are secured by way of first pari passu hypothecation charge on the present and future fixed assets of the Company amounting to Rs. 467 million.

If the Company fails to redeem any TFC-II on the redemption date, the obligation shall become immediately due. Maturity date of TFC-II is 27 November 2011.

#### 20.2 Term Finance Certificates - III

These represent listed Term Finance Certificates amounting to Rs. 4,000 million out of this Rs. 3,000 million has been received on account of Pre-IPO and Rs. 1,000 million was offered to public for subscription. These TFCs are redeemable in seven equal semi annual installments commencing October 2010. Profit rate is charged at six months average KIBOR plus 1.60% per annum. These are secured by way of first pari passu charge on the present and future fixed assets of the Company amounting to Rs. 5,333.33 million and assignment of licenses.

First Dawood Investment Bank Limited and Noman Abid Investment Management Limited ("the Underwriters") have defaulted to comply with their underwriting commitments of Rs. 162.312 million arising out of short subscription of IPO of TFC. The Securities and Exchange Commission of Pakistan (SECP) through its No Objection Certificate dated 04 November 2008 issued for 60 days had allowed the Company partial allotment to the extent of Rs 3,837.688 million out of total issue of Rs. 4,000 million. This NOC was subject to a condition that the Company recovers the remaining amount of Rs. 162.312 million from the defaulting underwriters. The Company through its letter dated 30 December 2008 issued before expiry of 60 days has requested SECP to reduce the size of TFC issue to Rs. 3,837.688 million due to the default made by above underwriters. The Company has issued legal notices to underwriters and requested SECP through its letter dated 19 March 2009 for just and equitable resolution of the matter.

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If the Company fails to redeem any TFC-III on the redemption date, the obligation shall become immediately due. TFC-III will mature on 06 October 2013.

	Note	31 December 2008	30 June 2008
(Rupees in '000')			
<b>21 Long term finances</b>			
Long term finances utilized under mark up arrangements:			
<b>Banking companies and other financial institutions</b>			
Syndicated Loan I - secured	21.1	149,994	149,994
The Bank of Punjab Ltd- secured	21.2	146,598	256,545
		296,592	406,539
Initial transaction costs incurred		(38,795)	(38,795)
		257,797	367,744
Accumulated amortization of transaction costs		38,795	37,640
		296,592	405,384
Less: Current portion	16	(296,592)	(146,597)
		-	258,787

31 December 2008		30 June 2008	
Limit	Outstanding	Limit	Outstanding
(Rupees in '000')		(Rupees in '000')	

## 21.1 Syndicated Loan I-Secured

Habib Bank Limited	150,000	149,994	150,000	149,994
	150,000	149,994	150,000	149,994

The Company obtained a long term loan facility of Rs. 1,800 million from Habib Bank Limited, National Bank of Pakistan Limited, MCB Bank Limited and Askari Bank Limited for the purpose of acquiring 20 years license from Pakistan Telecommunication Authority (PTA) to operate WLL network and import of equipment under various letters of credit. The loan was repayable in 14 equal quarterly installments starting from November 2006 with a grace period of 18 months. The loan was repaid during the year ended 30 June 2008 except the above mentioned amount, which Habib Bank Limited desired to convert into equity. The Company applied to SECP for approval to issue shares against outstanding amount to the aforesaid bank. SECP has rejected the request of the Company, as a result Habib Bank Limited has requested the Company to repay the outstanding amount. The outstanding amount of debt is completely secured against first hypothecation charges on all present & future moveable and fixed assets of the Company (excluding LDI assets) upto Rs. 200 million and personal guarantees to the extent of Rs. 200 million. The loan carries markup at the rate of 6 month KIBOR plus 2.5% per annum (30 June 2008: 6 month KIBOR plus 2.5% per annum).

**21.2** Represents term loan from The Bank of Punjab Ltd. for a period of two years at mark up of 1.4% per annum above three months KIBOR and is repayable in eight quarterly installments starting February 2008. Loan will mature on 31 December 2009. The loan is secured by way of first exclusive hypothecation charge ranking pari passu of Rs. 413 million over all present and future movable fixed assets related to the cable TV and internet division of Broadband Karachi.

	Note	31 December 2008 (Rupees in '000')	Restated 30 June 2008
<b>22 Deferred taxation</b>			
This is composed of:			
Liability for deferred taxation comprising temporary differences related to:			
Accelerated tax depreciation		1,861,205	1,643,440
Surplus on revaluation of plant and equipment		173,058	173,058
Others		447,957	380,634
Asset for deferred taxation comprising temporary differences related to:			
Unused tax losses and tax credits		(1,620,631)	(1,426,204)
Provision for doubtful debts and retirement benefits		(308,189)	(126,339)
		553,400	644,589
		<b>31 December 2008</b>	<b>30 June 2008</b>
		<b>(Rupees in '000')</b>	

**23 Retirement benefits**

**Gratuity**

The amount recognized in the balance sheet is as follows:

Present value of defined benefit obligation		152,633	133,328
Unrecognized actuarial losses		(5,634)	(10,675)
Benefits due but not paid		9,958	10,547
		156,957	133,200
Liability at beginning of the period/year		133,200	98,856
Charge for the period/year	23.1	46,206	53,156
Paid during the period/year		(22,449)	(18,812)
		156,957	133,200

**23.1** Salaries, wages, amenities and other benefits include the following in respect of retirement and other benefits:

	Note	01 July 2008 to 31 December 2008 (Rupees in '000')	01 July 2007 to 30 June 2008
Interest cost for the period/year		8,000	10,713
Current service cost		22,649	42,406
Past service cost		15,522	-
Actuarial loss recognized during the period/year		35	37
	23.2	46,206	53,156

**23.2** Charge for the period/year has been allocated as follows:

Operating cost	44,298	47,901
Capitalized during the period/year	1,908	5,255
	46,206	53,156



**23.3** Recent actuarial valuation of plan was carried out on 31 December 2008 by Nauman Associates.

Significant actuarial assumptions used for valuation of these plans are as follows:

	<b>31 December 2008 per annum</b>	30 June 2008 per annum
Discount rate	<b>15%</b>	12%
Expected rate of salary increase	<b>14%</b>	11%
Average expected remaining working life time of employees	<b>12 years</b>	12 years

**23.4 Historical information for gratuity**

	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>30 June 2008</b>	<b>31 Dec. 2008</b>
Present value of defined benefit obligation	<u>5,774</u>	<u>73,978</u>	<u>107,126</u>	<u>133,328</u>	<u><b>152,633</b></u>
Experience adjustment arising on plan liabilities	<u>(14)</u>	<u>(4,251)</u>	<u>(4,461)</u>	<u>(2,096)</u>	<u><b>5,042</b></u>

<b>Note</b>	<b>31 December 2008</b>	30 June 2008
	<b>(Rupees in '000')</b>	

**24 Liabilities against assets subject to finance lease**

Present value of minimum lease payments		<b>163,827</b>	228,191
Less: Current portion shown under current liabilities	16	<b>(100,383)</b>	(117,275)
		<u><b>63,444</b></u>	<u>110,916</u>

Interest rate used as discounting factor is ranging from 8 % to 18.67% per annum (30 June 2008: 8% to 17.44% per annum). Taxes, repairs, replacements and insurance costs are to be borne by lessee. Under the terms of the agreements, the Company has an option to acquire the assets at the end of the respective lease terms by adjusting the deposit amount against the residual value of the assets. The Company intends to exercise the option. In case of default in payment of installments, the Company will be liable to pay additional lease rental on overdue payment at the rate of 0.1% per day.

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The amount of future payments of the lease and the period in which these payments will become due are as follows:

	31 December 2008			30 June 2008		
	Minimum lease payment	Finance cost	Principal	Minimum lease payment	Finance cost	Principal
	(Rupees in '000')			(Rupees in '000')		
<b>Not later than one year</b>	115,133	14,750	100,383	136,970	19,695	117,275
<b>Later than one year but not later than five years</b>	65,905	2,461	63,444	117,115	6,199	110,916
	<u>181,038</u>	<u>17,211</u>	<u>163,827</u>	<u>254,085</u>	<u>25,894</u>	<u>228,191</u>

31 December  
2008  
(Rupees in '000')

30 June  
2008

## 25 License fee payable

Carrying value of license fee payable to PTA	1,206,000	1,206,000
Less: present value adjustment	<u>(453,107)</u>	<u>(453,107)</u>
	752,893	752,893
Accumulated interest charged to profit and loss	290,232	231,661
Less: Payments	<u>(71,000)</u>	<u>(71,000)</u>
	<u>972,125</u>	<u>913,554</u>

This represents interest free license fee payable to PTA for WLL license. As per the agreement with PTA, the total of Rs. 1,135 million is payable by March 2010. The long term portion has been discounted using the effective interest rate of 12.5%.

## 26 Contingencies and commitments

### 26.1 Billing disputes with PTCL

**26.1.1** There is a dispute of Rs.69.675 million (30 June 2008: Rs 68.9 million) with PTCL of non revenue time of prepaid calling cards and Rs. 16.728 million (30 June 2008: Rs 9.07 million) for excess minutes billed on account of interconnect and settlement charges. The management is hopeful that the matter will be decided in favour of the Company.

**26.1.2** PTCL has charged the Company excess Domestic Private Lease Circuits (DPLC) and other media charges amounting to Rs. 78.24 million (30 June 2008: Rs. 73.9 million) on account of difference in rates, distances and date of activation. Further, the Company has also deposited Rs. 40 million (30 June 2008: 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 the matter will be decided in favour of the Company.

### 26.2 Billing disputes with Pakistan Telecommunication Authority (PTA)

**26.2.1** PTA has raised a demand on the Company of Rs. 4.3 million (30 June 2008: Rs. 4.3 million) on account of annual microwave and BTS registration charges. The Company is not paying this amount on the grounds that earlier exemptions were given to mobile operators. In addition to this, there is no legal requirement to register BTS with PTA, therefore PTA cannot charge a fee for BTS registration. The management is hopeful that matter will be decided in favour of the Company.

- 26.2.2** 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. The management is hopeful that the matter will be decided in favour of the Company and notice will be withdrawn.
- 26.2.3** There is a dispute of Rs. 11.3 million (30 June 2008: 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 formation of R&D Fund by the Federal Government. Based on legal advice, the management is hopeful that the matter will be decided in favour of the Company.
- 26.2.4** There is a dispute of Rs. 491 million (30 June 2008: Rs. 491 million) with PTA on Universal Service Fund (USF) representing contribution to USF for the period prior to the formation of USF by the Federal Government. Show cause notice was issued by the PTA which culminated into determination dated 4 April 2008 against the Company. The Company filed an appeal in Honourable Islamabad High Court Islamabad and the honourable Court was pleased to grant stay order in favour of the Company. The Appeal was finally fixed for hearing on 16 December 2008 on which date arguments were heard and the judgment reserved by the honourable Court. Thereafter, honourable Court vide its judgment dated 21 January 2009 has dismissed the appeal of the Company. A Civil Petition for Leave to Appeal (CPLA) has been filed before the Honourable Supreme Court of Pakistan against the judgment of Islamabad High Court. The CPLA was fixed for hearing before the Honourable Supreme Court on 29 April 2009. The Honourable Supreme Court after hearing the preliminary arguments has issued notices to Respondents. Next date of hearing was fixed on 28 May 2009. The Supreme court after further hearing has suspended the case till third week of July 2009. Based on legal advice, management of the Company is hopeful that the matter will be decided in favour of the Company.

## **26.3 Taxation issues**

- 26.3.1** 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.
- 26.3.2** 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 Lahore High Court against the decision of ITAT, Lahore on 08 September 2008 which is pending adjudication
- 26.3.3** 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). Based on legal advice, the management is hopeful that matter will be decided in favour of the Company.

**26.3.4** In 2006 Sales Tax Authorities served Show Cause Notices to various payphone companies, including the Company, on account of alleged wrong claim of refund of Rs. 167 million under section 66 of the Sales Tax Act 1990. The matter was adjudicated and the Additional Collector (Adjudication) Sales Tax, Lahore passed an Order dated 18 September 2007 against the Company and imposed a penalty equivalent to the amount of original alleged claim on the Company and Chief Executive. Later on, the Sales Tax Department has issued a notice under Section 48 of the Sales Tax Act, 1990 to the bankers of the Company and Customs Authorities for recovery of refund along with penalty. Moreover, a notice for stoppage of clearance of imported goods has also been issued by the Sales Tax Department to Custom Authorities.

Order of the Additional Collector to the extent of imposing penalty on the Chief Executive of the Company has been stayed by the Honourable High Court Lahore. An appeal has been filed before the Collector (Appeals) Customs, Federal Excise & Sales Tax, Lahore against the order of Additional Collector (Adjudication). The said Order of the Additional Collector was also assailed before the Honorable Federal Tax Ombudsman (“FTO”). The FTO has issued an order that no penalty can be imposed against the Company as there is no element of tax fraud involved in the matter and the issue pertains to a change of opinion of the Federal Board of Revenue. In a first appeal against the order of adjudicating authority, Collector (Appeals) Customs, Federal Excise & Sales Tax has confirmed the demand vide Order-in-Appeal no. 04-10/ST/2009 dated 06 January 2009, however the Collector has waived the 100% personal penalty on the Chief Executive. An appeal against the decision of the Collector (Appellate) Customs, Federal Excise & Sales Tax has been filed with Customs, Federal Excise and Sales Tax (Appellate) Tribunal Lahore, which is pending in adjudication. The honorable Tribunal vide its order dated 04 February 2009 has suspended the recovery proceedings subject to deposit of ten percent of principal amount. The Company has paid ten percent of principal amount as per order of the honorable Tribunal.

In the meanwhile upon application of the Company under section 47A of the Sales Tax Act, 1990 for constitution of Alternative Dispute Resolution Committee (ADRC) the FBR has constituted the Committee and referred the matter to be resolved at ADRC. The meeting of ADRC is yet to be convened. Based on the legal advice, the management is hopeful that the matter will be decided in favour of the Company.

	<b>31 December 2008</b>	<b>30 June 2008</b>
	<b>(Rupees in ‘000’)</b>	
<b>26.4</b> Outstanding guarantees	<b>400,403</b>	314,446
<b>26.5</b> Commitments in respect of capital expenditure	<b>717,104</b>	108,629
<b>26.6</b> Outstanding letters of credit	<b>637,174</b>	518,396

	<b>(Number of shares)</b>	<b>(Rupees in ‘000’)</b>	
<b>27 Issued, subscribed and paid up capital</b>			
Ordinary shares of Rs. 10 each as fully paid in cash	<b>344,000,000</b>	<b>3,440,000</b>	3,440,000
Ordinary shares of Rs. 10 each issued in accordance with the scheme of merger	<b>309,965,789</b>	<b>3,099,658</b>	3,099,658
Ordinary shares of Rs. 10 each issued as fully paid bonus shares	<b>98,094,868</b>	<b>980,949</b>	980,949
Ordinary shares of Rs. 10 each issued against convertible loan	<b>108,510,856</b>	<b>1,085,109</b>	1,085,109
	<b>860,571,513</b>	<b>8,605,716</b>	8,605,716

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	<b>31 December 2008</b>	<b>30 June 2008</b>
	<b>(Number of shares)</b>	
<b>27.1 Reconciliation of Issued, subscribed and paid up capital</b>		
Opening balance	<b>860,571,513</b>	752,060,657
Issued against convertible Loan	-	108,510,856
	<b>860,571,513</b>	<b>860,571,513</b>

**27.2** As at 31 December 2008, Oman Telecommunications Company SAOG the holding company, holds 488,839,429 ordinary shares (30 June 2008: 488,839,429) of the Company. In addition 74,861,749 ordinary shares (30 June 2008: 53,003,749 ordinary shares) are held by the following related parties as at 31 December 2008.

	<b>31 December 2008</b>	<b>30 June 2008</b>
	<b>(Number of shares)</b>	
<b>Related parties</b>		
First Capital Securities Corporation Limited	<b>8,717,707</b>	7,737,207
Pace (Pakistan) Limited	<b>912</b>	912
Arif Habib Securities Limited	<b>66,143,130</b>	45,265,630
	<b>74,861,749</b>	<b>53,003,749</b>

## 28 Share premium

This reserve can be utilized by the Company only for the purposes specified in section 83(2) of the Companies Ordinance, 1984.

	<b>31 December 2008</b>	<b>30 June 2008</b>
	<b>(Rupees in '000')</b>	

## 29 Surplus on revaluation

Revaluation surplus on:

Plant & equipment	<b>64,059</b>	64,059
Intangible assets	<b>430,393</b>	430,393
	<b>494,452</b>	494,452
Less: Related deferred tax liability	<b>(173,058)</b>	(173,058)
Less: Transfer to retained earning in respect of incremental amortization net of deferred tax	<b>(10,627)</b>	-
Add: Transfer from retained earning in respect of decremental depreciation net of deferred tax	<b>13,992</b>	-
	<b>3,365</b>	-
	<b>324,759</b>	<b>321,394</b>

**29.1** The surplus on revaluation shall not be utilized directly or indirectly by way of dividend or bonus shares as per Section 235 of the Companies Ordinance, 1984.

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	Note	01 July 2008 to 31 December 2008 (Rupees in '000')	Restated 01 July 2007 to 30 June 2008
<b>30 Revenue -net</b>			
Gross revenue		3,258,463	4,614,032
Less:			
Sales tax		89,456	146,647
Discount and commission		77,525	147,846
		166,981	294,493
		3,091,482	4,319,539
		<b>01 July 2008 to 31 December 2008</b>	<b>01 July 2007 to 30 June 2008</b>
		<b>(Rupees in '000')</b>	
<b>31 Direct cost</b>			
Interconnect, settlement and other charges		1,230,561	1,233,289
Bandwidth and other PTCL charges		142,470	267,905
Depreciation	4.6	446,153	802,272
Amortization of intangible assets	6.4	47,621	86,535
Power consumption and pole rent		111,420	189,180
Security services		18,852	35,368
PTA charges	31.1	28,463	26,537
Cable license fee		16,790	34,551
Salaries and other benefits		7,113	19,363
Inventory consumed		8,547	17,661
Stores and spares consumed		61,811	18,285
Annual spectrum fee		8,942	21,911
Content cost		21,262	30,517
Network maintenance & insurance		20,471	60,908
Others		88,615	10,538
		2,259,091	2,854,820

## 31.1 PTA Charges

LDI License	31.1.1	15,754	4,583
WLL License	31.1.2	10,408	15,471
Broadband License		2,056	5,641
Telephony License	31.1.3	220	389
Annual numbering charges		25	111
Testing and other charges		-	342
		28,463	26,537

**31.1.1** This represents charges payable to PTA in respect of contribution to the Research and Development Fund amounting to Rs. 5.25 million (30 June 2008: Nil), Universal Service Fund established by Federal Government amounting to Rs. 7.88 million (30 June 2008: Rs. 2.73 million) and annual regulatory fee amounting to Rs. 2.62 million (30 June 2008: Rs. 1.85 million) under the license agreement for LDI project.

**31.1.2** This represents charges payable to PTA in respect of contribution to the Research and Development Fund established by Federal Government amounting to Rs. 3.43 million (30 June 2008: Rs. 2.10 million), Universal Service Fund amounting to Rs. 5.15 million (30 June 2008: Rs.10.03 million), annual regulatory fee amounting to Rs. 1.72 million (30 June 2008: Rs 3.34 million) and Royalty Fee Rs. 0.115 million (30 June 2008: Nil) under the license agreement for WLL project.

**31.1.3** This represents charges payable to PTA in respect of contribution to the Research and Development Fund established by Federal Government amounting to Rs. 0.073 million (30 June 2008: Rs. 0.130 million), Universal Service Fund amounting to Rs. 0.110 million (30 June 2008: Rs. 0.195 million) and annual regulatory fee amounting to Rs. 0.037 million (30 June 2008: Rs. 0.065 million) for the current period under the license agreement for Telephony Project.

	Note	01 July 2008 to 31 December 2008	01 July 2007 to 30 June 2008
<b>(Rupees in '000')</b>			
<b>32 Operating cost</b>			
Salaries, wages and benefits		<b>289,199</b>	492,551
Marketing, advertisement and selling expenses		<b>79,432</b>	170,997
Rent, rates and taxes		<b>40,069</b>	63,733
Communications		<b>12,746</b>	31,847
Transportation		<b>43,804</b>	26,482
Legal and professional		<b>5,364</b>	25,451
Insurance		<b>20,760</b>	36,523
Utilities		<b>21,043</b>	25,297
Printing and stationery		<b>10,652</b>	20,487
Entertainment		<b>12,920</b>	19,932
Travel and conveyance		<b>36,840</b>	62,477
Repairs and maintenance		<b>9,193</b>	21,543
Provision for doubtful debts		<b>496,933</b>	76,953
Donations	32.1	<b>77</b>	313
Fees and subscriptions		<b>820</b>	6,778
Postage and courier		<b>2,137</b>	10,422
Newspapers and periodicals		<b>345</b>	532
Auditor's remuneration	32.2	<b>2,353</b>	4,306
Depreciation	4.6	<b>40,308</b>	89,497
Amortization of intangible assets	6.4	<b>1,666</b>	2,932
Amortization of deferred cost		<b>-</b>	4,727
Miscellaneous		<b>8,284</b>	16,359
		<b><u>1,134,945</u></b>	<b><u>1,210,139</u></b>

**32.1** None of the Directors of the Company or any of their spouses have any interest in or otherwise associated with any of the recipients of donations made by the Company during the period.

	Note	01 July 2008 to 31 December 2008	01 July 2007 to 30 June 2008
<b>(Rupees in '000')</b>			
<b>32.2 Auditor's remuneration</b>			
Statutory audit and international reporting		<b>2,330</b>	2,800
Half year review		<b>-</b>	770
Services in connection with review and reporting of accounts to parent company auditors		<b>-</b>	300
Other sundry certifications		<b>-</b>	51
Out of pocket expenses		<b>23</b>	385
		<b><u>2,353</u></b>	<b><u>4,306</u></b>

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	Note	01 July 2008 to 31 December 2008	01 July 2007 to 30 June 2008
<b>33 Finance cost</b>			
			(Rupees in '000')
Mark-up on long term loans	33.1	25,515	147,275
Mark-up on short term loans		15,483	120,889
Interest on PTA license fee		58,571	106,763
Financial charge on leased liabilities		13,154	34,702
Mark up on Term Finance Certificates	33.1	46,269	43,009
Bank charges and commission		4,190	7,931
		<u>163,182</u>	<u>460,569</u>

**33.1** These include amortization of initial transaction cost of Rs. 7.272 million (30 June 2008: Rs. 54.459 million).

	Note	01 July 2008 to 31 December 2008	01 July 2007 to 30 June 2008
<b>34 Other operating income</b>			
			(Rupees in '000')

#### Income from financial assets

Profit on sale of investments	-	19,045
Income on deposit and saving accounts	28,242	19,188
Dividend Income	1,016	581
Mark-up on advance to associated company	2,621	4,060
	<u>31,879</u>	<u>42,874</u>

#### Income from non-financial assets

Rental income from investment property	2,378	4,492
Scrap sales	248	413
Gain on sale of property, plant and equipment	46,814	4,262
Miscellaneous	17,249	41,314
	<u>66,689</u>	<u>50,481</u>
	<u>98,568</u>	<u>93,355</u>

#### 35 Other expenses

Provision for impairment of long term investment	8	9,466	7,298
Exchange loss		13,647	22,643
		<u>23,113</u>	<u>29,941</u>

	Note	01 July 2008 to 31 December 2008	Restated 01 July 2007 to 30 June 2008
<b>36 Taxation</b>			
for the period/year			
Current	36.1	196	225
Deferred		(91,189)	(88,590)
		<u>(90,993)</u>	<u>(88,365)</u>



**36.1** The Company has not made provision for current taxation, except for income covered under presumptive tax regime, as carried forward losses and accelerated tax depreciation are available to the Company under Income Tax Ordinance 2001. Section 113 of the Income Tax Ordinance, 2001, regarding minimum tax has been repealed by the Finance Act 2008.

**36.2 Tax charge reconciliation**

Numerical reconciliation between the average effective tax rate and the applicable tax rate.

	<b>31 December 2008 %</b>	<b>Restated 30 June 2008 %</b>
Applicable tax rate	<b>35.00</b>	35.00
Tax effect of amounts:		
Not deductible for tax purposes	<b>(18.63)</b>	(39.08)
Admissible for tax purposes	<b>6.75</b>	61.69
Exempt from tax	-	6.98
Covered under presumptive tax regime	<b>0.18</b>	1.00
Average effective tax rate (Tax expense divided by profit before tax)	<b>23.31</b>	65.59

**37 Earnings per share**

**37.1 Basic and diluted earning per share**

		<b>31 December 2008</b>	<b>Restated 30 June 2008</b>
Loss after taxation available for distribution to ordinary shareholders	Rupees in '000'	<b>(299,288)</b>	(46,354)
Weighted average number of ordinary shares	Number in '000'	<b>860,572</b>	770,146
Basic and diluted earnings per share	Rupees	<b>(0.35)</b>	(0.06)

**38 Related party transactions**

The related parties comprise foreign subsidiary, local associated companies, related group companies, directors of the Company, companies where directors also hold directorship and key management employees. Amounts due from and to related parties are shown under receivables and payables and remuneration of directors and key management employees is disclosed in note 42. Other significant transactions with related parties are as follows:

	<b>01 July 2008 to 31 December 2008</b>	<b>01 July 2007 to 30 June 2008</b>
	<b>(Rupees in '000')</b>	
<b>Associated companies</b>		
Purchase of goods and services	<b>8,214</b>	39,915
Sale of goods and services	<b>56,136</b>	128,849
Interest on advance	<b>2,621</b>	4,060

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

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	Note	01 July 2008 to 31 December 2008	Restated 01 July 2007 to 30 June 2008
<b>39 Cash generated from operations</b>			(Rupees in '000')
Loss before taxation		(390,281)	(134,719)
Adjustment for non-cash charges and other items:			
Depreciation		486,461	891,769
Amortization of intangible assets		49,287	89,467
Amortization of deferred cost		-	4,727
Amortization of transaction cost		7,272	54,459
Interest on PTA license fee		58,571	106,763
Provision for doubtful receivables		496,933	76,953
Gain on sale of short term investments		-	(19,045)
(Profit)/Loss on disposal of property, plant and equipment		(46,814)	(4,262)
Provision for impairment of long term investment		9,466	7,298
Gain on re-measurement of investments at fair value		-	(3,844)
Gain on re-measurement of investment property at fair value		-	(4,012)
Retirement benefits		44,298	47,901
Finance costs		97,339	299,347
<b>Profit before working capital changes</b>		<b>812,532</b>	<b>1,412,802</b>
Effect on cash flow due to working capital changes:			
<i>(Increase)/Decrease in the current assets</i>			
Stores and spares		1,150	10,111
Stock in trade		(52,385)	(55,681)
Trade debts		(371,811)	(74,689)
Loans and advances		99,296	(100,894)
Deposits and prepayments		2,354	(55,684)
Other receivables		(66,759)	87,500
<i>Increase/(Decrease) in the current liabilities</i>			
Trade and other payables		569,979	254,629
		181,824	65,292
		<b>994,356</b>	<b>1,478,094</b>
<b>40 Cash and cash equivalents</b>			
Cash and bank balances	15	564,188	849,040
Running finance under markup arrangements-Secured	17	(427,240)	(66,894)
		<b>136,948</b>	<b>782,146</b>

## 41 Correction of prior period errors

Based on information made available to the Company in and from November 2008 it has been determined that the Company's 30 June 2008 accounts need to be restated to reflect the following:

Reversal of revenue and corresponding receivable of Rs. 188.5 million and reversal of Rs. 85 million credited to other receivables. Related tax benefit has been accordingly taken into account.

The effect of the restatement on those financial statements is summarised below.

	<b>Effect on 30 June 2008 Rupees ('000')</b>
<b>Profit &amp; Loss Account line items affected</b>	
(Decrease) in revenue	(188,572)
Decrease in deferred tax	66,000
(Decrease) in profit	<u><u>(122,572)</u></u>
<b>Balance Sheet line items affected</b>	
(Increase) in trade and other payables	(273,572)
Increase in other receivables	85,000
Increase in trade debts	188,572
(Decrease) in trade debts	(188,572)
Decrease in deferred tax liability	66,000
(Decrease) in equity	<u><u>(122,572)</u></u>
<b>Decrease in EPS</b>	<u><u>(0.16)</u></u>

## 42 Remuneration of Chief Executive, directors and executives

The aggregate amount charged in the financial statements for the period for remuneration, including certain benefits, to the chief executive, directors and executives of the Company are as follows:

	<b>Chief Executive</b>		<b>Directors</b>		<b>Executives</b>	
	<b>31 Dec 2008</b>	30 June 2008	<b>31 Dec 2008</b>	30 June 2008	<b>31 Dec 2008</b>	30 June 2008
	<b>(Rupees in '000')</b>					
Managerial remuneration	<b>3,503</b>	1,398	-	1,334	<b>54,737</b>	77,823
Retirement benefits	<b>500</b>	200	-	200	<b>8,443</b>	9,214
Housing	<b>1,401</b>	559	-	533	<b>21,894</b>	31,130
Utilities	<b>350</b>	140	-	133	<b>5,474</b>	7,782
	<u><b>5,754</b></u>	<u>2,297</u>	<u>-</u>	<u>2,200</u>	<u><b>90,548</b></u>	<u>125,949</u>
<b>Number of persons</b>	<u><b>1</b></u>	<u>1</u>	<u>-</u>	<u>1</u>	<u><b>101</b></u>	<u>96</u>

The chief executive, directors and certain executives of the Company are provided with Company maintained vehicles and residential telephones.

No meeting fee was paid to directors during the period (30 June 2008: Rs. Nil).

## 43 Financial risk management

The Company finances its operations through equity, borrowings and management of working capital with a view to obtain a reasonable mix between the various sources of finance to minimize the risk. Taken as a whole, risk arising from the Company's financial instruments is limited as there is no significant exposure to market risk in respect of such instruments.

The Company has exposure to the following risks from its use of financial instruments

- Credit risk
- Liquidity risk
- Market risk

### 43.1 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. The Company's credit risk is primarily attributable to its trade debts and loans and advances. The Company has no significant concentration of credit risk as exposure is spread over a large number of counter parties in the case of trade debts. To manage exposure to credit risk, the Company applies credit limits to its customers and obtains advances from certain customers.

#### 43.1.1 Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the balance sheet date was:

	<b>31 December 2008</b>	30 June 2008
	(Rupees in '000')	
Long term deposits	87,302	111,879
Trade debts	1,462,458	1,090,647
Loans and advances - considered good	63,222	49,366
Short term deposits	155,303	172,602
Other receivables	423,413	356,654
Short term investments	344,072	574,785
Cash and bank balances	564,188	849,040
	<u><u>3,099,958</u></u>	<u><u>3,204,973</u></u>

#### 43.1.2 The age of trade receivables and related impairment loss at the balance sheet date was:

	<b>31 December 2008</b>	30 June 2008
	(Rupees in '000')	
<b>The age of trade receivables</b>		
Not past due	363,512	195,632
Past due 0 - 180 days	466,654	226,733
Past due 181 - 365 days	222,256	365,473
1 - 2 years	217,231	97,537
More than 2 years	192,805	205,272
	<u><u>1,462,458</u></u>	<u><u>1,090,647</u></u>

**31 December**      **30 June**  
**2008**                      **2008**  
**(Rupees in '000')**

**The age of impairment loss against trade receivables**

Not past due	-	-
Past due 0 - 180 days	<b>84,678</b>	-
Past due 181 - 365 days	<b>3,349</b>	2,414
1 - 2 years	<b>203,781</b>	6,847
More than 2 years	<b>192,805</b>	180,674
	<b><u>484,613</u></b>	<b><u>189,935</u></b>

The movement in provision for impairment of receivables is as follows:

Opening balance	<b>189,935</b>	116,906
Charge for the period	<b>294,678</b>	73,029
Closing balance	<b><u>484,613</u></b>	<b><u>189,935</u></b>

**43.2 Liquidity risk**

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. The Company follows an effective cash management and planning policy and maintains flexibility in funding by keeping committed credit lines available.

The following are the contractual maturities of financial liabilities as on 31 December 2008:

	<b>Carrying Amount</b>	<b>6 months or less</b>	<b>6-12 months</b>	<b>1-2 year</b>	<b>More than 2 years</b>
	<b>(Rupees in '000')</b>				
Term finance certificates - secured	4,136,307	59,087	59,087	665,271	3,352,862
Long term finances-secured	296,592	223,293	73,299	-	-
Liabilities against assets subject to finance lease	163,827	52,913	47,470	62,281	1,163
Long term payables	502,675	-	-	223,928	278,747
Long term deposits	46,111	-	-	-	46,111
License fee payable	972,125	-	-	972,125	-
Running finance under markup Arrangements-secured	427,240	427,240	-	-	-
Trade and other payables	1,702,280	1,435,639	266,641	-	-
Interest and mark up accrued	175,371	175,371	-	-	-
	<b><u>8,422,528</u></b>	<b><u>2,373,543</u></b>	<b><u>446,497</u></b>	<b><u>1,923,605</u></b>	<b><u>3,678,883</u></b>

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The following are the contractual maturities of financial liabilities as on 30 June 2008:

	Carrying Amount	6 months or less	6-12 months	1-2 year	More than 2 years
(Rupees in '000')					
Term finance certificates - secured	3,297,027	670	58,887	1,518,690	1,718,780
Long term finances-secured	405,384	73,298	73,299	258,787	-
Liabilities against assets subject to finance lease	228,191	71,087	46,188	102,072	8,844
Long term payables	119,876	-	-	119,876	-
Long term deposits	53,060	-	-	-	53,060
License fee payable	913,554	-	-	913,554	-
Running finance under markup arrangements-secured	66,894	66,894	-	-	-
Trade and other payables	1,206,067	1,004,065	202,002	-	-
Interest and mark up accrued	74,841	74,841	-	-	-
	<u>6,364,894</u>	<u>1,290,855</u>	<u>380,376</u>	<u>2,912,979</u>	<u>1,780,684</u>

## 43.3 Market risk

### 43.3.1 Currency risk

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into foreign currency. The Company is exposed to foreign currency's risk on sales and purchases that are entered in a currency other than Pak Rupees. The Company uses forward exchange contracts to hedge its foreign currency risk, when considered appropriate.

The Company exposure to foreign currency risk was as follows:

	31 December 2008 USD ('000')	30 June 2008 USD ('000')
Trade receivables	6,881	5,977
Trade payables	(590)	(367)
Suppliers	(9,759)	(6,534)
Net exposure	<u>(3,468)</u>	<u>(924)</u>

The Following significant exchange rates were applied during the period/year

Average Rate -Rupees per US Dollar	76.78	62.54
Reporting Date Rate -Rupees per US Dollar	78.80	68.10

A 5% strengthening of Pak Rupees against the above currency would have increased equity and Profit and loss account by Rs. 13.6 million (30 June 2008: 3.1 million). This analysis assumes that all other variables, in particular interest rates remain constant.

A 5% weakening of Pak Rupees would have equal but opposite effect.

### 43.3.2 Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Company has adopted appropriate policies to cover interest rate risk.

At the balance sheet date the interest rate profile of the Company's interest bearing financial instruments was:

	<b>31 December 2008</b>	30 June 2008
	<b>(Rupees in '000')</b>	
<b>Fixed rate instruments</b>		
<b>Financial Assets</b>		
Cash and bank balances- deposit accounts	<u>150,000</u>	<u>168,000</u>
<b>Floating rate instruments</b>		
<b>Financial Assets</b>		
Loans and advances - considered good	28,886	28,886
Cash and bank balances- saving accounts	340,229	380,400
<b>Financial Liabilities</b>		
Term finance certificates - secured	4,187,408	3,349,790
Long term finances-secured	296,592	406,539
Liabilities against assets subject to finance lease	163,827	228,191
Running finance under markup arrangements-secured	427,240	66,894
	<u>(4,705,952)</u>	<u>(3,642,128)</u>

#### Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the balance sheet date would not affect profit or loss.

#### Cash flow sensitivity analysis for variable rate instruments

An increase of 1% in interest rate at the reporting date would have increased markup by Rs. 27.225 million. Similarly a decrease of 1% in interest rate would have decreased markup by a similar amount. This analysis assumes that all other variables remain constant.

### 43.3.3 Other market price risk

Equity price risk arises from investments at fair value through profit or loss. The primary goal of the company investment strategy is to maximise investment returns on the surplus cash balance. In accordance with this strategy certain investments are designated at fair value through profit or loss because their performance is actively monitored and they are managed on a fair value basis.

Since the investment amount is less than 2% of company's total assets, the performance of the investments will not have any material impact on the groups performance.

### 43.4 Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

**43.5 Capital management**

The Board's policy is to maintain an efficient capital base so as to maintain investor, creditor and market confidence and to sustain the future development of Company's business. The Board of Directors monitors the return on capital employed, which the Company defines as operating income divided by total capital employed. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Company's objectives when managing capital are:

- a) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- b) to provide an adequate return to shareholders.

The Company manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may, for example, adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt. The Company monitors capital on the basis of the debt-to-equity ratio calculated as a ratio of total debt to equity and total debt.

The debt-to-equity ratios as at 31 December 2008 and at 30 June 2008 were as follows:

	<b>31 December 2008</b>	<b>30 June 2008</b>
	<b>(Rupees in '000')</b>	
Total debt	<b>5,023,966</b>	3,997,496
Total equity and debt	<b>16,408,841</b>	15,915,737
Debt-to-equity ratio	<b>31:69</b>	25:75

The increase in the debt-to-equity ratio at 31 December 2008 resulted primarily from acquiring new financing for further expansion.

There were no changes in the Company's approach to capital management during the period and the Company is not subject to externally imposed capital requirements.

**44 Date of authorization for issue**

These financial statements were authorized for issue on 13 June 2009 by the Board of Directors.

**45 Standards, interpretations and amendments to published approved accounting standards that are yet not effective**

A number of new standards and amendments to standards are not yet effective for the year ended 31 December 2008, and have not been applied in preparing these financial statements.

Revised IAS 1 - Presentation of financial statements (effective for annual periods beginning on or after 1 January 2009) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income. The application of this standard is not likely to have any effect on the Company's financial statements.



Revised IAS 23 Borrowing Costs removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised IAS 23 will become effective for the Company's accounting period beginning on 01 January 2009 and will constitute a change in accounting policy for the Company. In accordance with the transitional provisions, the Company will apply the revised IAS 23 to qualifying assets for which capitalisation of borrowing costs commences on or after the effective date.

IAS 29 – Financial Reporting in Hyperinflationary Economies (effective for annual periods beginning on or after 28 April 2008). The Company does not have any operations in Hyperinflationary Economies and therefore the application of the standard is not likely to have an effect on the Company's financial statements.

Amendments to IAS 32 Financial instruments: Presentation and IAS 1 Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009) – Puttable Financial Instruments and Obligations Arising on Liquidation requires puttable instruments, and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met. The amendments, which require retrospective application, are not expected to have any impact on the Company's financial statements.

Amendment to IFRS 2 Share-based Payment – Vesting Conditions and Cancellations (effective for annual periods beginning on or after 1 January 2009) clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The application of this standard is not likely to have any effect on the Company's financial statements.

Revised IFRS 3 Business Combinations (applicable for annual periods beginning on or after 1 July 2009) broadens among other things the definition of business resulting in more acquisitions being treated as business combinations, contingent consideration to be measured at fair value, transaction costs other than share and debt issue costs to be expensed, any pre-existing interest in an acquiree to be measured at fair value, with the related gain or loss recognised in profit or loss and any non-controlling (minority) interest to be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of an acquiree, on a transaction-by-transaction basis. The application of this standard is not likely to have an effect on the Company's financial statements.

Amended IAS 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009) requires accounting for changes in ownership interest by the group in a subsidiary, while maintaining control, to be recognized as an equity transaction. When the group loses control of subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognized in the profit or loss. The application of the standard is not likely to have an effect on the Company's financial statements.

IFRS 8 – Operating Segments (effective for annual periods beginning on or after 1 January 2009) introduces the “management approach” to segment reporting. IFRS 8 will require a change in the presentation and disclosure of segment information based on the internal reports that are regularly reviewed by the Company's “chief operating decision maker” in order to assess each segment's performance and to allocate resources to them. Currently the Company presents segment information in respect of its business and geographical segments. This standard will have no effect on the Company's reported total profit or loss or equity.

IFRIC 13 Customer Loyalty Programmes (effective for annual periods beginning on or after 01 July 2008) addresses the accounting by entities that operate or otherwise participate in customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. The application of IFRIC 13 is not likely to have an effect on the Company's financial statements.

IFRIC 15- Agreement for the Construction of Real Estate (effective for annual periods beginning on or after 1 October 2009) clarifies the recognition of revenue by real estate developers for sale of units, such as apartments or houses, 'off-plan', that is, before construction is complete. The amendment is not relevant to the Company's operations.

IFRIC 16- Hedge of Net Investment in a Foreign Operation. (effective for annual periods beginning on or after 1 October 2008) clarifies that net investment hedging can be applied only to foreign exchange differences arising between the functional currency of a foreign operation and the parent entity's functional currency and only in an amount equal to or less than the net assets of the foreign operation, the hedging instrument may be held by any entity within the group except the foreign operation that is being hedged and that on disposal of a hedged operation, the cumulative gain or loss on the hedging instrument that was determined to be effective is reclassified to profit or loss. The Interpretation allows an entity that uses the step-by-step method of consolidation an accounting policy choice to determine the cumulative currency translation adjustment that is reclassified to profit or loss on disposal of a net investment as if the direct method of consolidation had been used. The amendment is not relevant to the Company's operations.

The International Accounting Standards Board made certain amendments to existing standards as part of its first annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the Company's 2009 financial statements. These amendments are unlikely to have an impact on the company's accounts except for the following:

Amendments to IAS 39 *Financial Instruments: Recognition and Measurement* – Eligible hedged Items (effective for annual periods beginning on or after 1 July 2009 clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. The amendment is not likely to have an effect on the Company's financial statements.

IAS 27 'Consolidated and separate financial statements' (effective for annual periods beginning on or after 1 January 2009). The amendment removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The amendment is not likely to have an effect on Company's financial investments.

IFRIC – 17 Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009) states that when a company distributes non cash assets to its shareholders as dividend, the liability for the dividend is measured at fair value. If there are subsequent changes in the fair value before the liability is discharged, this is recognised in equity. When the non cash asset is distributed, the difference between the carrying amount and fair value is recognised in the income statement. As the Company does not distribute non-cash assets to its shareholders, this interpretation has no impact on the Company's financial statements.

IFRS 5 Amendment - Improvements to IFRSs - IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (effective for annual periods beginning on or after 1 July 2009) specify that: if an entity is committed to a sale plan involving the loss of control of a subsidiary, then it would classify all of that subsidiary's assets and liabilities as held for sale when the held for sale criteria in paragraphs 6 to 8 of IFRS 5 are met disclosures for discontinued operations would be required by the parent when a subsidiary meets the definition of a discontinued operation. The amendment is not likely to have an effect on Company's financial statements.

The above conclusion should be amended if any changes are foreseen. A summary of these changes is available in IFRS Briefing Sheet Issue 94 dated June 2008. These amendments relate to:

IFRS 5 (Amendment), 'Non-current assets held-for-sale and discontinued operations' (effective from 1 July 2009). The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control.

IAS 23 (Amendment), 'Borrowing costs'. The definition of borrowing costs has been amended so that interest expense is calculated using the effective interest method defined in IAS 39 'Financial instruments: Recognition and measurement'. This eliminates the inconsistency of terms between IAS 39 and IAS 23.

IAS 28 (Amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial Instruments: Presentation', and IFRS 7, 'Financial instruments: Disclosures'). An investment in associate is treated as a single asset for the purposes of impairment testing.

IAS 36 (Amendment), 'Impairment of assets'. Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made.

IAS 38 (Amendment), 'Intangible assets'. A prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services.

IAS 19 (Amendment), 'Employee benefits'. The amendment among other things clarifies treatments in case of plan amendments and modifies definition of return on plan assets.

IAS 39 (Amendment), 'Financial instruments: Recognition and measurement'. This amendment among other things clarifies that it is possible for there to be movements into and out of the fair value through profit or loss category where a derivative commences or ceases to qualify as a hedging instrument in cash flow or net investment hedge.

IAS 1 (Amendment), 'Presentation of financial statements'. The amendment clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with IAS 39, 'Financial instruments: Recognition and measurement' are examples of current assets and liabilities respectively.

There are a number of minor amendments to IFRS 7, 'Financial instruments: Disclosures', IAS 8, 'Accounting policies, changes in accounting estimates and errors', IAS 10, 'Events after the reporting period', IAS 18, 'Revenue' and IAS 34, 'Interim financial reporting'.

IAS 16 (Amendment), 'Property, plant and equipment' (and consequential amendment to IAS 7, 'Statement of cash flows'). Entities whose ordinary activities comprise renting and subsequently selling assets present proceeds from the sale of those assets as revenue and should transfer the carrying amount of the asset to inventories when the asset becomes held for sale. A consequential amendment to IAS 7 states that cash flows arising from purchase, rental and sale of those assets are classified as cash flows from operating activities.

IAS 27 (Amendment), 'Consolidated and separate financial statements'. Where an investment in a subsidiary that is accounted for under IAS 39, 'Financial instruments: recognition and measurement', is classified as held for sale under IFRS 5, 'Non-current assets held-for-sale and discontinued operations', IAS 39 would continue to be applied.

IAS 28 (Amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial Instruments: Presentation' and IFRS 7, 'Financial instruments: Disclosures'). Where an investment in associate is accounted for in accordance with IAS 39 'Financial instruments: recognition and measurement', only certain rather than all disclosure requirements in IAS 28 need to be made in addition to disclosures required by IAS 32, 'Financial Instruments: Presentation' and IFRS 7 'Financial Instruments: Disclosures'.

IAS 29 (Amendment), 'Financial reporting in hyperinflationary economies'. The guidance has been amended to reflect the fact that a number of assets and liabilities are measured at fair value rather than historical cost.

IAS 31 (Amendment), 'Interests in joint ventures' (and consequential amendments to IAS 32 and IFRS 7). Where an investment in joint venture is accounted for in accordance with IAS 39, only certain rather than all disclosure requirements in IAS 31 need to be made in addition to disclosures required by IAS 32, 'Financial instruments: Presentation', and IFRS 7 'Financial instruments: Disclosures'.

IAS 38 (Amendment), 'Intangible assets'. The amendment deletes the wording that states that there is 'rarely, if ever' support for use of a method that results in a lower rate of amortisation than the straight-line method.

IAS 40 (Amendment), 'Investment property' (and consequential amendments to IAS 16). Property that is under construction or development for future use as investment property is within the scope of IAS 40. Where the fair value model is applied, such property is, therefore, measured at fair value.

IAS 41 (Amendment), 'Agriculture' (effective from 1 January 2009). 2008. It requires the use of a market-based discount rate where fair value calculations are based on discounted cash flows and the removal of the prohibition on taking into account biological transformation when calculating fair value.

IAS 20 (Amendment), 'Accounting for government grants and disclosure of government assistance'. The benefit of a below market rate government loan is measured as the difference between the carrying amount in accordance with IAS 39, 'Financial instruments: Recognition and measurement', and the proceeds received with the benefit accounted for in accordance with IAS 20.

**46 General**

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

Lahore:  
13 June 2009

  
CHIEF EXECUTIVE

  
DIRECTOR

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED  
31 DECEMBER 2008

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of **Worldcall Telecom Limited** (“the Company”) and its subsidiary company (hereinafter referred as “the Group”) as at 31 December 2008 and the related consolidated profit and loss account, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the period from 1 July 2008 to 31 December 2008. The financial statements of the subsidiary company, Woldcall Telecommunications Lanka (Private) Limited (hereinafter referred as “the Subsidiary”) were audited by another firm of auditors, whose report has been furnished to us and our opinion in so far as it relates to the amounts included for such company, is based solely on the report of such other auditor.

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial 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.

In our opinion the consolidated financial statements present fairly the financial position of the Group as at 31 December 2008 and the results of its operations, its cash flows and changes in equity from 01 July 2008 to 31 December 2008 in accordance with the approved accounting standards as applicable in Pakistan.

Without qualifying our opinion we draw attention to note 1.2 to these accounts which indicates that the Subsidiary has accumulated losses of Rs. 101.544 million as at balance sheet date and its current liabilities exceed its current assets by Rs. 35.08 million. The net loss for the current year after tax is Rs. 15.88 million. This situation indicates the existence of an uncertainty, which may cast doubt on the Subsidiary's ability to continue as a going concern. Consequently, adjustments may be required to the recorded asset amounts and classification of liabilities. No adjustments have been made in these financial statements.

Lahore:  
13 June 2009



KPMG Taseer Hadi & Co.  
Chartered Accountants  
(Kamran Iqbal Yousafi)



# Worldcall Telecom Limited Group

## DIRECTORS' REPORT (Consolidated Accounts)

The Directors of Worldcall Telecom Limited (“WTL” or the “Parent Company”) are pleased to present the audited consolidated financial statements of the Group for the six months ended 31 December 2008.

Financial Overview	01 July to 31 Dec 2008	Restated
		01 Jan 08 to 30 June 2008 (Avg. Half Year Basis)
Rs. in million		
Revenue Net	3,096	2,141
Gross Profit	827	590
Loss after tax	(306)	(290)
Combined EPS Basic      Rupees	(0.36)	(0.38)

### Group Foreign Subsidiary

Worldcall Telecommunications Lanka (Pvt.) Limited (WCTL)

The company posted a gross loss of SLR 5.30 million during six months ended 31 December 2008 as compared to gross profit of SLR 4.35 million in the preceding half year. Net loss for the period was SLR 24.01 million as against the net loss of SLR 24.50 million during the preceding half year.

### Pattern of Shareholding

The pattern of shareholding is included in the Parent company's annual report.

For and on behalf of the Board of Directors

Lahore:  
13 June 2009

  
CHIEF EXECUTIVE



**CONSOLIDATED BALANCE SHEET  
AS AT 31 DECEMBER 2008**

	Note	31 December 2008	Restated 30 June 2008
(Rupees in '000')			
<b>NON CURRENT ASSETS</b>			
<b>Tangible fixed assets</b>			
Property, plant and equipment	5	9,923,940	8,930,588
Capital work-in-progress	6	3,229,957	1,976,470
		13,153,897	10,907,058
<b>Intangible assets</b>			
Investment property	7	4,928,080	5,008,323
Long term investments	8	76,162	76,162
Long term deposits	9	41,448	41,448
	10	76,483	109,908
		18,276,070	16,142,899
<b>CURRENT ASSETS</b>			
Store and spares		56,190	57,190
Stock in trade		143,476	91,095
Trade debts	11	978,451	901,050
Loans and advances - considered good	12	115,678	216,089
Deposits and prepayments	13	231,875	234,424
Other receivables	14	184,441	319,478
Short term investments	15	344,072	574,785
Income tax recoverable-net		132,683	102,462
Cash and bank balances	16	564,627	850,516
		2,751,493	3,347,089
<b>CURRENT LIABILITIES</b>			
Current maturities of non-current liabilities	17	515,149	323,429
Running finance under mark-up arrangements - secured	18	427,240	66,894
Trade and other payables	19	1,900,245	1,296,894
Interest and mark-up accrued	20	175,371	74,841
		3,018,005	1,762,058
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		(266,512)	1,585,031
<b>NON CURRENT LIABILITIES</b>			
Term finance certificates - secured	21	4,018,133	3,237,470
Long term finances	22	-	258,787
Deferred taxation	23	553,400	644,589
Retirement benefits	24	157,728	133,824
Liabilities against assets subject to finance lease	25	63,444	110,916
Long term payables- secured		502,674	142,935
Long term deposits		47,174	54,037
License fee payable	26	972,125	913,554
		6,314,678	5,496,112
Contingencies and commitments	27	-	-
		11,694,880	12,231,818
<b>REPRESENTED BY</b>			
<b>Share capital and reserves</b>			
Authorized capital		9,000,000	9,000,000
900,000,000 (30 June 2008: 900,000,000) ordinary shares of Rs. 10 each			
Issued, subscribed and paid up capital	28	8,605,716	8,605,716
Share premium	29	837,335	837,335
Fair value reserve		(230,713)	-
Exchange translation reserve		(1,308)	(944)
Accumulated profit		2,159,091	2,467,670
Capital and reserves attributable to equity holders of the Company		11,370,121	11,909,777
Minority interest		-	647
		11,370,121	11,910,424
Surplus on revaluation	30	324,759	321,394
		11,694,880	12,231,818

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

Lahore:  
13 June 2009

*Balawandity*  
CHIEF EXECUTIVE

*Ali Muneer Posa*  
DIRECTOR

**CONSOLIDATED PROFIT AND LOSS ACCOUNT  
FOR THE PERIOD ENDED 31 DECEMBER 2008**

	Note	01 July 2008 to 31 December 2008 (Rupees in '000')	Restated 01 July 2007 to 30 June 2008
Revenue -net	31	3,095,587	4,330,732
Direct cost	32	<u>(2,268,380)</u>	<u>(2,866,276)</u>
<b>Gross profit</b>		<b>827,207</b>	1,464,456
Operating cost	33	<u>(1,140,557)</u>	<u>(1,221,140)</u>
<b>Operating (loss)/profit</b>		<b>(313,350)</b>	243,316
Finance cost	34	<u>(163,477)</u>	<u>(461,173)</u>
		<b>(476,827)</b>	<b>(217,857)</b>
Gain on re-measurement of investments at fair value	15	-	3,844
Gain on re-measurement of investment property at fair value	8	-	4,012
Other operating income	35	98,614	93,441
Other expenses	36	<u>(18,490)</u>	<u>(32,014)</u>
<b>Loss before taxation and share from associate</b>		<b>(396,703)</b>	<b>(148,574)</b>
Share of profit from associate		-	3,448
<b>Loss before taxation</b>		<b>(396,703)</b>	<b>(145,126)</b>
Taxation	37	<u>90,993</u>	<u>88,365</u>
<b>Loss after taxation</b>		<b>(305,710)</b>	<b>(56,761)</b>
Attributable to:			
Equity holders of parent		<b>(301,047)</b>	(50,552)
Minority interest		<u>(4,663)</u>	<u>(6,209)</u>
		<b>(305,710)</b>	<b>(56,761)</b>
<b>Earnings per share - basic and diluted</b>	<b>(Rupees)</b>	<b>(0.36)</b>	<b>(0.07)</b>

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

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

Lahore:  
13 June 2009

*Balawandity*  
CHIEF EXECUTIVE

*Humayun Raza*  
DIRECTOR

**CONSOLIDATED CASH FLOW STATEMENT  
FOR THE PERIOD ENDED 31 DECEMBER 2008**

	Note	01 July 2008 to 31 December 2008 (Rupees in '000')	Restated 01 July 2007 to 30 June 2008
<b>Cash flows from operating activities</b>			
Cash generated from operations	40	1,018,762	1,469,632
Decrease in long term deposits receivable		33,425	113,475
Decrease in long term deposits payable		(6,863)	(6,731)
Increase/(decrease) in long term payables		359,739	(6,039)
Decrease in license fee payable		-	(71,000)
Retirement benefits paid		(22,449)	(18,862)
Finance cost paid		(244,871)	(408,775)
Taxes paid		(30,416)	(44,465)
<b>Net cash generated from operating activities</b>		<b>1,107,327</b>	<b>1,027,235</b>
<b>Cash flow from investing activities</b>			
Fixed capital expenditure		(2,476,975)	(2,343,679)
Intangible assets		-	(1,580)
Sale proceeds of property, plant and equipment		64,252	14,145
Short term investments - net		-	19,045
<b>Net cash used in investing activities</b>		<b>(2,412,723)</b>	<b>(2,312,069)</b>
<b>Cash flow from financing activities</b>			
Receipt of long term finances		-	1,947,750
Repayment of long term finances		(109,947)	(2,623,041)
Receipt of term finance certificates		837,688	3,000,000
Repayment of term finance certificates		(70)	(99,365)
Repayment of finance lease liabilities		(68,651)	(194,414)
<b>Net cash generated from financing activities</b>		<b>659,020</b>	<b>2,030,930</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(646,376)</b>	<b>746,096</b>
<b>Cash and cash equivalents at the beginning of the period/year</b>		<b>783,763</b>	<b>37,526</b>
<b>Effect of exchange rate changes</b>		<b>-</b>	<b>141</b>
<b>Cash and cash equivalents at the end of the period/year</b>	41	<b>137,387</b>	<b>783,763</b>

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

Lahore:  
13 June 2009

*Salauddin*  
CHIEF EXECUTIVE

*Ali Raza*  
DIRECTOR

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 31 DECEMBER 2008**

	Atributable to equity holders of the Company							Minority Interest	Total
	Capital reserves					Revenue Reserve	Sub Total		
	Share capital	Share premium	Fair value reserve	Currency translation reserve	Convertible loan reserve				
<b>Balance as at 30 June 2007</b>	7,520,607	410,887	-	(2,301)	1,403,575	2,509,902	11,842,670	6,292	11,848,962
Liability component of convertible loan	-	-	-	-	107,982	-	107,982	-	107,982
Shares issued against convertible loan	1,085,109	426,448	-	-	(1,511,557)	-	-	-	-
Exchange translation difference	-	-	-	1,357	-	-	1,357	564	1,921
Adjustment due to dilution in shareholding of associate	-	-	-	-	-	8,320	8,320	-	8,320
Net profit/(loss) for the year	-	-	-	-	-	(50,552)	(50,552)	(6,209)	(56,761)
<b>Balance as at 30 June 2008- Restated</b>	<b>8,605,716</b>	<b>837,335</b>	<b>-</b>	<b>(944)</b>	<b>-</b>	<b>2,467,670</b>	<b>11,909,777</b>	<b>647</b>	<b>11,910,424</b>
Exchange translation difference	-	-	-	(364)	-	-	(364)	(151)	(515)
Transfer from surplus on revaluation (note. 30)	-	-	-	-	-	(3,365)	(3,365)	-	(3,365)
Unrealized loss on revaluation of available for sale investments recognized directly in equity	-	-	(230,713)	-	-	-	(230,713)	-	(230,713)
Net loss for the period	-	-	-	-	-	(301,047)	(301,047)	(4,663)	(305,710)
Share of minority loss transferred to majority share holders	-	-	-	-	-	(4,167)	(4,167)	4,167	-
<b>Balance as at 31 December 2008</b>	<b>8,605,716</b>	<b>837,335</b>	<b>(230,713)</b>	<b>(1,308)</b>	<b>-</b>	<b>2,159,091</b>	<b>11,370,121</b>	<b>-</b>	<b>11,370,121</b>

(Rupees in '000')

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

Lahore:  
13 June 2009

*Balwinder Singh*  
CHIEF EXECUTIVE

*Ahmed Raza*  
DIRECTOR

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2008

### 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 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. During the last year 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. 101.544 million as at balance sheet date and its current liabilities exceed its current assets by Rs. 35.08 million. The net loss for the current year after tax is Rs. 15.88 million.

### 2 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its Subsidiary. The financial statements of the Subsidiary have been consolidated on a line by line basis.

#### Subsidiary

Subsidiary is an entity controlled by the Group. Control exists when the Group 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 statements of the Subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases.

#### Associates

Associates are those entities in which the Group has significant influences but not control over the financial and reporting policies. The consolidated financial statements include the Group's share of the total recognized gains and losses of associates on equity accounting basis, from the date that significant influence commences until the date total significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the group has incurred legal or constructive obligation or made payments on behalf of the associate.

## 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 statements. Unrealized gains arising from transactions with associates are eliminated to the extent of the Group's interest in the entity. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Minority 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. Minority interest is presented separately in the consolidated financial statements.

### 3 3.1 Change in the financial reporting year

During the period, the Company has changed its financial reporting year from June to December in order to align with the financial reporting year of Parent Company, Oman Telecommunications Company SAOG. As a result of which, these financial statements have been prepared for the six months period ended on 31 December 2008 and the comparative amounts for profit and loss account, statement of changes in equity, cash flow statement and related notes for 12 months period are not comparable.

### 3.2 Change in accounting policy

During the period the Company has changed its accounting policy with respect to investments at fair value through profit or loss. Previously these were recognized at fair value with charge of any surplus or deficit on revaluation to income. Now the Company has reclassified these investments as "Available for Sale" as allowed in amendment to International Accounting Standard 39 "Financial Instruments: Recognition and Measurement" and IFRS-7 related to reclassification of financial assets issued in October 2008. As per said amendment, investments at fair value through profit or loss can be reclassified as "Available for Sale" at cost being its fair value on the date of reclassification. Any surplus or deficit after reclassification on revaluation of investments shall be shown under equity. This amendment is effective from 01 July 2008 and the Company has applied the amendment from the same date.

Had there been no change in accounting policy, unappropriated profit would have been lower by Rs 230.7 million and fair value reserve would have been higher by same amount. Furthermore loss per share would have increased by Rs 0.27 per share.

## 4 Summary of significant accounting policies

The significant accounting policies adopted in preparation of these consolidated financial statements are set out below:

### 4.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. Approved accounting standards comprise of such International Financial Reporting Standards as are notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of these standards, requirements of the Companies Ordinance, 1984 or requirements of the said directives take precedence.

## 4.2 Accounting convention and basis of preparation

These consolidated financial statements have been prepared under the historical cost convention, except for revaluation of investment properties, plant and equipment, intangible assets and certain financial assets at fair value, and recognition of certain employee benefits and financial liabilities at present value.

## 4.3 Significant accounting judgments and estimates

The preparation of consolidated financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions and judgments 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 judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The areas where various assumptions and estimates are significant to the Group's financial statements or where judgments were exercised in application of accounting policies are as follows:

- Useful life of depreciable assets and amortization of intangible assets- (note 4.4, 4.5, 5 & 7)
- Staff retirement benefits- (note 4.14 & 24)
- Taxation- (note 4.9 & 37)
- Provisions and contingencies- (note 4.19, 11, 14 & 27)
- Investment properties- (note 4.6 & 8)

## 4.4 Fixed capital expenditure and depreciation

### Property, plant and equipment

Property, plant and equipment (except freehold land and plant & equipment) are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at cost and plant & equipment are stated at revalued amount less accumulated depreciation and any identified impairment loss.

Cost in relation to self constructed assets includes direct cost of material, labour and other allocable expenses.

Depreciation is charged to income on the straight line method whereby cost of an asset is written off over its estimated useful life at the rates given in note 5.

Residual value and the useful life of assets are reviewed at least at each financial year end and adjusted if impact on depreciation is significant.

Incremental/decremental depreciation on revalued assets is transferred net of deferred tax from/to surplus on revaluation to/from retained earnings (unappropriated profit).

Depreciation on additions is charged on a pro-rata basis from the month in which the asset is put to use, while for disposals, depreciation is charged up to the month of disposal. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the assets' revised carrying amount over its estimated useful life.

Maintenance and repairs are charged to income as and when incurred. Renewals and improvements are capitalized when it is probable that respective future economic benefits will flow to the Group and the cost of the item can be measured reliably, and the assets so replaced, if any, are retired. Gains and losses on disposals of assets are included in income and the related surplus on revaluation of plant and equipment is transferred directly to retained earnings (unappropriated profit).

## **Finance leases**

Leases in terms of which the Group has substantially all the risks and rewards of ownership are classified as finance leases. Assets subject to finance lease are stated at the lower of its revalued amount less accumulated depreciation and any identified impairment loss and present value of minimum lease payments at the date of commencement of lease.

The related rental obligations, net of finance costs are classified as current and long term depending upon the timing of the payment.

Each lease payment is allocated between the liability and finance costs so as to achieve a constant rate on the balance outstanding.

Assets acquired under a finance lease are depreciated over the estimated useful life of the asset on a straight-line method at the rates given in note 5. Depreciation of leased assets is charged to income.

Residual value and the useful life of leased assets are reviewed at least at each financial year end and adjusted if impact on depreciation is significant.

Depreciation on additions to leased assets is charged from the month in which an asset is acquired while no depreciation is charged for the month in which the asset is disposed off.

## **Capital work-in-progress**

Capital work-in-progress is stated at cost less any identified impairment loss.

## **4.5 Intangible assets**

### **Goodwill**

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.

### **Other intangible assets**

Other intangible assets are stated at revalued amount less accumulated amortization except for patents and copy rights, which are stated at cost less accumulated amortization.



Other intangible assets are amortized using the straight line method at the rates given in note 7. Amortization on licenses is charged to the profit and loss account from the month in which the related operations are commenced. Amortization on additions to other intangible assets is charged on a pro-rata basis from the month in which asset is put to use, while for disposals amortization is charged up to the month of disposal.

Incremental amortization on revalued intangible assets is transferred net of deferred tax from surplus on revaluation to retained earnings (unappropriated profit).

Subsequent expenditure on intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are charged to income as and when incurred.

Gain or loss arising on disposal and retirement of intangible asset is determined as a difference between net disposal proceeds and carrying amount of the asset and is recognized as income or expense in the profit and loss account. Related surplus on revaluation of intangible asset is transferred directly to retained earnings (unappropriated profit).

#### **4.6 Investment properties**

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are initially recognized at cost, being the fair value of the consideration given, subsequent to initial recognition these are stated at fair value. The fair value is determined annually by an independent approved valuer. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between knowledgeable and willing buyer and seller in an arms length transaction.

Any gain or loss arising from a change in fair value is recognized in the profit and loss account. Rental income from investment property is accounted for as described in note 4.17.

When an item of property, plant and equipment is transferred to investment property following a change in its use, any differences arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognized in surplus on revaluation of property, plant and equipment, if it is a gain. Upon disposal of the item the related surplus on revaluation of property, plant and equipment is transferred to retained earnings. Any loss arising in this manner is recognized immediately in the profit and loss account.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment and its fair value at the date of reclassification becomes its cost for accounting purposes of subsequent recording.

#### **4.7 Investments**

The Group classifies its investments in following categories.

##### **Investments in equity instruments of associated company**

Long term investments in associated companies, are stated at Group's share of their underlying net assets using the equity method till 31 March 2008 and subsequently at cost.

## **Investments at fair value through profit or loss**

Investments that are acquired principally for the purpose of generating profit from short term fluctuations in price or dealer's margin are classified as held for trading.

Investments at fair value through profit or loss are initially recognized at cost, being the fair value of the consideration given. Subsequent to initial recognition these are recognized at fair value unless fair value can not be reliably measured. The investments for which quoted market price is not available are measured at cost. Any surplus or deficit on revaluation of investments is charged to income currently.

## **Available for sale investments**

Available for sale investments are initially recognized at cost, being the fair value of the consideration given. Subsequent to initial recognition these are recognized at fair value unless fair value can not be reliably measured. The investments for which quoted market price is not available are measured at cost. Changes in carrying value are recognized in equity until investment is sold or determined to be impaired at which time the cumulative gain or loss previously recognized in equity is included in profit or loss account.

All "regular way" purchase and sale of listed shares are recognized on the trade date i.e. the date that the Group commits to purchase/sell the asset.

The fair value of investments classified as held for trading and available for sale is their quoted bid price at the balance sheet date.

## **4.8 Securities under repurchase/reverse repurchase agreements**

Transactions of repurchase/reverse repurchase investment securities are entered into at a contracted rate for specified period of time and are accounted for as follows:

### **Repurchase agreements**

Investments sold with a simultaneous commitment to repurchase at a specified future date (repo) continue to be recognized in the balance sheet and are measured in accordance with accounting policies for investment. The counter party liability for amounts received under these agreements is included in borrowing. The difference between sale and repurchase price is treated as mark-up on borrowing and accrued over the life of repo agreement.

### **Reverse repurchase agreements**

Investments purchased with a corresponding commitment to resale at a specified future date (reverse repo) are not recognized in the balance sheet. Amount paid under these agreements are recorded as funds placements. The difference between purchase and resale price is treated as return from fund placement with financial institutions or income from reverse repurchase transactions of listed shares, as the case may be, and accrued over the life of the reverse repo agreement.

## **4.9 Taxation**

Income tax on the profit or loss for the year comprises of current and deferred tax.

## **Current**

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted after taking into account tax credits, rebates and exemptions, if any. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

## **Deferred**

Deferred tax is provided using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

The carrying amount of deferred tax asset 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.

Deferred tax assets and liabilities are calculated at the rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except in the case of items credited or charged to equity in which case it is included in equity.

### **4.10 Inventories**

Inventories, except for stock in transit, are stated at lower of cost and net realizable value. Items in transit are valued at cost comprising invoice value plus other charges paid thereon. Cost is determined as follows:

#### **Store and spares**

Useable stores and spares are valued principally at weighted average cost, while items considered obsolete are carried at nil value.

#### **Stock in trade**

Cost is determined on weighted average basis.

Net realizable value is the estimated selling price in ordinary course of business, less estimated incidental selling cost.

### **4.11 Trade debts and other receivables**

Trade debts and other receivables are recognized initially at fair value and subsequently measured at amortized cost less any identified impairment loss. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

## 4.12 Financial liabilities

Financial liabilities are classified according to substance and related accrued interest of the contractual arrangements entered into. Significant financial liabilities include long term payables, license fee payable, borrowings, trade and other payables.

### Interest bearing borrowings

Interest bearing borrowings are recognized initially at fair value less attributable transaction cost. Subsequent to initial recognition, these are stated at amortized cost with any difference between cost and redemption value being recognized in the profit and loss over the period of the borrowings on an effective interest rate basis.

### Term finance certificates

Term finance certificates are stated at amortized cost using effective interest rate.

### Other financial liabilities

All other financial liabilities are initially recognized at fair value plus directly attributable cost, if any, and subsequently at amortized cost using effective interest rate method.

## 4.13 Trade and other payables

Trade and other payables are initially recognized at fair value and subsequently at amortized cost using effective interest rate method.

## 4.14 Retirement and other benefits

### Defined benefit plan

The Group operates an unfunded defined benefit gratuity plan for all permanent employees, having a service period of more than one year. Provisions are made in the financial statements to cover obligations on the basis of actuarial valuations carried out annually under the projected unit credit method.

The Group recognizes actuarial gains/losses over the expected average remaining working lives of the current employees, to the extent that cumulative unrecognized actuarial gain/loss exceeds 10 per cent of present value of defined benefit obligation.

## 4.15 Impairment losses

The carrying amount of the Group's assets except for, inventories, investment property and deferred tax asset, 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. For goodwill, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the profit and loss.

Impairment losses are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been charged. An impairment loss in respect of goodwill is not reversed.

#### **4.16 Foreign currencies**

Transactions in foreign currencies are translated into rupees at exchange rates prevailing at the date of transaction. All monetary assets and liabilities in foreign currencies are translated into rupees at exchange rates prevailing at the balance sheet date.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into rupees at exchange rates prevailing at the date of transaction. Non-monetary assets and liabilities denominated in foreign currency that are stated at fair value are translated into rupees at exchange rates prevailing at the date when fair values are determined. Exchange gains and losses are included in the income currently.

#### **4.17 Revenue recognition**

Revenue represents the fair value of the consideration received or receivable for services rendered, net of discounts and sales tax. Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of revenue, and the associated cost incurred, or to be incurred, can be measured reliably.

Revenue from different sources is recognized as follows:

- Revenue from terminating minutes is recognized at the time the call is made over the network of the Group.
- Revenue from originating minutes is recognized on the occurrence of calls both for prepaid and postpaid subscribers.
- Subscription revenue from Cable TV, internet over cable and channels subscription fee is recognized on provision of services.
- Connection and membership fee is recognized at the time of activation of connection.
- Sale of goods is recognized on dispatch of goods to customer.
- Advertisement income is recognized on the basis of spots run when commercials are aired on the network.
- Interest income is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return.
- Rental income from investment property is recognized in the profit and loss account on accrual basis.
- Revenue from prepaid cards is recognized as credit is used.
- Dividend income is recognized when the right to receive payment is established.

#### **4.18 Borrowing cost**

Mark up, interest and other charges on long term borrowings are capitalized upto the date of commissioning of the related qualifying assets, acquired out of the proceeds of such long term borrowings. All other markup, interest and other charges are recognized as an expense in the period in which they are incurred.

## 4.19 Provisions

Provisions are recognized in the balance sheet when the Group has a legal or constructive obligation as a result of past events and it is probable that outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. However, provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

## 4.20 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. Cash and cash equivalents comprise cash in hand and demand deposits. Running finances that are repayable on demand are included as component of cash and cash equivalents for the purpose of cash flow statement.

## 4.21 Financial instruments

All financial assets and liabilities are recognized at the time when the Group becomes a party to the contractual provisions of the instrument. Financial assets are de-recognized when the Group loses control of the contractual right that comprises the financial assets. Financial liabilities are de-recognized when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognizing of the financial assets and financial liabilities is taken to profit and loss account currently. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

### Offsetting of 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.

## 4.22 Related party transactions

The Group enters into transactions with related parties on an arm's length basis. Prices for transactions with related parties are determined using admissible valuation methods, except in extremely rare circumstances where, subject to approval of the Board of Directors, it is in the interest of the Group to do so.

## 4.23 Dividend

Dividend distribution to the Group's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved.

5 Property, plant and equipment

5.1 The statement of property, plant and equipment is as follows:

	2008			2008			2008			2008			Net book value as at 31 Dec 2008	Depreciation rate %
	Cost as at 01 July	Exchange Adjustments	Revaluation Surplus/ (deficit)/ (impairment)	Cost as at 31 Dec	Transfers/ (Disposals) Adjustments	Accumulated depreciation as at 01 July	Depreciation charge for the period/ (Disposals) Adjustments	Revaluation Surplus/ (deficit)/ (impairment) Adjustments	Exchange Adjustments	Accumulated depreciation as at 31 Dec	Transfers/ Adjustments	Net book value as at 31 Dec		
	(Rupees in '000')			(Rupees in '000')			(Rupees in '000')			(Rupees in '000')				
<b>Owned assets</b>														
Freehold Land	19,800	-	-	19,800	-	-	-	-	-	-	-	19,800	-	-
Leasehold improvements	87,229	-	-	105,200	17,443	-	6,189	-	-	35,041	-	63,970	20.33	-
Plant and equipment	10,259,665	3,716	(8,520)	11,663,765	1,427,842	(19,069)	435,563	1,815	(3,677)	1,885,372	1,815	9,348,025	5-33.33	-
Office equipment	55,699	80	-	80,469	23,326	(335)	4,469	58	-	8,357	4,469	67,731	10	-
Computers	80,143	232	-	81,866	5,630	(1,621)	11,487	225	-	48,902	11,487	22,706	33	-
Furniture and fixtures	18,943	96	-	19,948	2,009	(70)	1,322	69	-	6,480	1,322	12,139	10	-
Vehicles	81,931	7	-	100,194	20,914	(4,466)	3,867	7	-	64,022	3,867	35,735	20	-
Lab and other equipment	18,474	249	-	19,661	40	-	1,230	95	-	9,065	1,230	9,271	10-20	-
	10,621,884	4,380	(8,520)	12,090,903	1,497,204	(25,561)	464,127	2,269	(3,677)	2,057,239	2,269	9,579,377		-
							(9,172)				740	2,511,526		
<b>Leased assets</b>														
Plant and equipment	334,314	-	-	334,183	-	(131)	12,059	-	-	40,878	12,059	281,246	5-33.33	-
Vehicles	91,658	-	-	93,358	4,288	(1,233)	11,747	-	-	22,835	11,747	59,836	20	-
Office equipment	4,055	-	-	4,055	(1,371)	16	203	-	-	371	(320)	3,481	10	-
	430,027	-	-	431,596	4,288	(1,233)	24,009	-	-	64,084	24,009	344,563		-
							(320)				(740)	87,033		
	11,051,911	4,380	(8,520)	12,522,499	1,501,492	(26,932)	488,136	2,269	(3,677)	2,121,323	488,136	9,923,940		-
							(9,492)					2,598,559		

5.2 The statement of property, plant and equipment is as follows:

	Cost as at		Revaluation		Transfers		Cost as at		Accumulated depreciation		Depreciation charge for		Exchange Adjustments		Transfers		Accumulated depreciation		Net book value as at		Depreciation rate %
	01 July 2007	30 June 2008	Surplus/ (deficit)/ (impairment)	Additions/ (Disposals)	Transfers	30 June 2008	01 July 2007	30 June 2008	this year/ (Disposals)	2007	2008	(Disposals)	2007	2008	2008	2008	30 June 2008	30 June 2008	30 June 2008	30 June 2008	
	(Rupees in '000')		(Rupees in '000')		(Rupees in '000')		(Rupees in '000')		(Rupees in '000')		(Rupees in '000')		(Rupees in '000')		(Rupees in '000')		(Rupees in '000')		(Rupees in '000')		
<b>Owned assets</b>																					
Freehold Land	19,800	19,800	-	-	-	19,800	-	-	-	-	-	-	-	-	-	-	-	19,800	-	19,800	-
Leasehold improvements	71,420	87,229	-	16,099	-	87,229	22,408	12,755	-	-	-	12,755	-	-	-	-	35,041	52,188	20-33	52,188	20-33
Plant and equipment	8,098,578	10,259,665	(229,963)	2,304,145	232,728	10,259,665	1,064,683	753,682	2,432	76,376	1,885,372	(2,258)	2,432	76,376	(9,543)	1,885,372	8,374,293	6.67-20	8,374,293	6.67-20	
Office equipment	56,536	55,699	-	14,479	(133,797)	55,699	15,409	8,244	78	-	8,357	(15,374)	78	-	-	8,357	47,342	10	47,342	10	
Computers	61,242	80,143	-	19,024	-	80,143	27,846	20,966	328	-	48,902	(238)	328	-	-	48,902	31,241	10-33	31,241	10-33	
Furniture and fixtures	14,257	18,943	-	4,544	-	18,943	4,014	2,374	92	-	6,480	-	92	-	-	6,480	12,463	10	12,463	10	
Vehicles	47,179	81,931	-	4,171	37,973	81,931	25,167	17,207	10	28,312	17,909	(6,674)	10	28,312	-	64,022	17,909	20	17,909	20	
Lab and other equipment	17,651	18,474	-	455	-	18,474	5,565	3,378	122	-	9,065	-	122	-	-	9,065	9,409	10-20	9,409	10-20	
	8,386,663	10,621,884	(229,963)	2,362,917	270,701	10,621,884	1,165,092	818,606	3,062	104,688	2,057,239	(24,666)	3,062	104,688	(9,543)	2,057,239	8,564,645		8,564,645		
<b>Leased assets</b>																					
Plant and equipment	430,520	334,314	(10,275)	13,000	(232,728)	334,314	56,745	50,966	-	(76,376)	293,436	-	-	(76,376)	-	40,878	293,436	6.67-20	293,436	6.67-20	
Vehicles	109,093	91,658	-	22,484	(37,973)	91,658	26,979	24,564	-	(28,312)	68,823	-	-	(28,312)	-	22,835	68,823	20	68,823	20	
Office equipment	539,613	430,027	(10,275)	39,539	(270,701)	430,027	83,724	75,901	-	(104,688)	365,943	-	-	(104,688)	-	64,084	365,943	10	365,943	10	
	8,926,276	11,051,911	(240,238)	2,402,456	-	11,051,911	1,248,816	894,507	3,062	-	2,121,323	(25,062)	3,062	-	-	2,121,323	8,930,588		8,930,588		
			(9,371)	(34,945)	-																



5.3 Subsequent to revaluation on 31 March 2007, which had resulted in a net surplus of Rs. 304.30 million, Plant and equipment of the Company were again revalued on 30 June 2008, resulting in revaluation decrease of Rs. 240.2 million. The valuation was conducted by an independent valuer, M/s. Surval. Basis of valuation for plant and equipment was the open market value of the asset based on estimated gross replacement cost, depreciated to reflect the residual service potential of the asset having paid due regard to age, condition and obsolescence.

Had there been no revaluation, the net book value of plant and equipment as at 31 December 2008 would have amounted to Rs. 9,544 million (30 June 2008: Rs. 8,604 million)

5.4 Carrying value of property, plant and equipment having charge against borrowings amount to Rs. 7,027 million (30 June 2008: Rs. 7,061 million)

5.5 Finance cost amounting to Rs. 228.2 million (30 June 2008: Rs. 170.67 million) was capitalized during the period in property, plant and equipment.

	Note	01 July 2008 to 31 December 2008	01 July 2007 to 30 June 2008
(Rupees in '000')			
5.6 Depreciation charge during the period/year has been allocated as follows:			
Direct cost	32	447,827	804,648
Operating cost	33	40,309	89,859
		488,136	894,507

5.7 Property, plant and equipment sold during the period are as follows:

Description	Cost	Accumulated depreciation	Book Value	Sale proceeds	Mode of disposal	Sold to
( Rupees in '000')						
<b>Plant and equipment</b>						
Fiber optic plant	2,732	238	2,494	2,428	Insurance claim	-
Fiber optic cable	16,337	3,095	13,242	57,600	Negotiation	Multinet (Pvt) Ltd
<b>Computers</b>						
Laptop	107	43	64	62	Insurance claim	-
<b>Vehicles</b>						
Honda Civic VTEC	1,371	320	1,051	1,325	Insurance claim	-
Honda City	590	443	147	450	Insurance claim	-
Kia Classic	593	514	79	310	Negotiation	Mr. Manzoor
<b>Items with book value less than Rs. 50,000</b>						
	5,202	4,839	363	2,077		
<b>Total</b>	<b>26,932</b>	<b>9,492</b>	<b>17,440</b>	<b>64,252</b>		

# Worldcall Telecom Limited Group

	31 December 2008	30 June 2008
<b>6 Capital work-in-progress</b>	<b>(Rupees in '000')</b>	
<b>Owned</b>		
Civil works	203,864	285,740
Plant and equipment	2,824,824	1,511,376
Store and spares held for capital expenditure	195,147	161,541
	<u>3,223,835</u>	<u>1,958,657</u>
<b>Leased</b>		
Plant and equipment subject to finance lease	6,122	17,813
	<u>3,229,957</u>	<u>1,976,470</u>

## 7 Intangible assets

	Revaluation		Revaluation		Accumulated	Amortization	Accumulated	Net book	
	Cost as at	Surplus/ (deficit)	Additions/ (adjustments)	Cost as at	amortization	for the period	amortization	value as at	Rate
	01 July 2008	(deficit)	(adjustments)	31 Dec 2008	as at 01 July 2008	for the period	as at 31 Dec 2008	31 Dec 2008	%
	(Rupees in '000')			(Rupees in '000')					
Licenses	2,893,290	-	-	2,893,290	446,250	78,942	525,192	2,368,098	5
Patents and copyrights	5,333	-	-	5,333	2,494	401	2,895	2,438	10
Software	16,284	-	-	16,284	11,334	900	12,234	4,050	20
Goodwill	2,690,403	-	-	2,690,403	136,909	-	136,909	2,553,494	-
	<u>5,605,310</u>	-	-	<u>5,605,310</u>	<u>596,987</u>	<u>80,243</u>	<u>677,230</u>	<u>4,928,080</u>	

	Revaluation		Revaluation		Accumulated	Amortization	Accumulated	Net book	
	Cost as at	Surplus/ (deficit)	Additions/ (adjustments)	Cost as at	amortization	for the year	amortization	value as at	Rate
	01 July 2007	(deficit)	(adjustments)	30 June 2008	as at 01 July 2007	for the year	as at 30 June 2008	30 June 2008	%
	(Rupees in '000')			(Rupees in '000')					
Licenses	2,457,715	434,327	1,248	2,893,290	322,943	123,307	446,250	2,447,040	5
Patents and copyrights	5,333	-	-	5,333	1,602	892	2,494	2,839	10
Software	19,888	(3,936)	332	16,284	7,386	3,948	11,334	4,950	20
Goodwill	2,690,403	-	-	2,690,403	136,909	-	136,909	2,553,494	-
	<u>5,173,339</u>	<u>430,391</u>	<u>1,580</u>	<u>5,605,310</u>	<u>468,840</u>	<u>128,147</u>	<u>596,987</u>	<u>5,008,323</u>	

7.1 The Company had revalued its Intangible assets on 30 June 2008 resulting in a net surplus of Rs. 430.391 million. The valuation was conducted by an independent valuer, M/s. Surval. Valuation of intangible assets was based on the estimated gross replacement cost, earning potential amortized to reflect the current market value. Had there been no revaluation, the net book value of intangible assets as at 31 December 2008 would have amounted to Rs. 4,514 million (30 June 2008: 4,578 million).

7.2 Licenses of the Company are assigned to IGI Investment Bank Limited, trustee of TFC III.

### 7.3 Goodwill

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 engaged DETECON (Deutsche Telekom Group – T-Systems) company as Telecom Management Consultant (TMC) to carry out a detailed business simulation for the Company. The consultancy scope included strategy definition, business planning and resource management for the Company. Business simulation carried out by DETECON included a comprehensive analysis of the existing operational deployments of the company along with strategic direction of future investments and business growth. In light of the DETECON submission, no Goodwill impairment is projected. Discount rate of 22% p.a. was used for the calculation of discounted cash flows based on Business simulation carried out by DETECON. The cash flows beyond the five years period have been extrapolated using a steady 3% p.a. growth rate which is consistent with the long-term average growth rate for the industry.

# Worldcall Telecom Limited Group

	Note	31 December 2008	30 June 2008
<b>7.4 Amortization charge for the period/year has been allocated as follows:</b>		<b>(Rupees in '000')</b>	
Direct Cost	32	47,621	86,535
Operating cost	33	1,666	2,932
Capitalized during the year		<u>30,956</u>	<u>38,680</u>
		<u><u>80,243</u></u>	<u><u>128,147</u></u>

## 8 Investment property

Opening balance		76,162	72,150
Fair value adjustment		<u>-</u>	<u>4,012</u>
Closing balance		<u><u>76,162</u></u>	<u><u>76,162</u></u>

Investment property comprises commercial property part of which is rented to Media Times Limited, an associated company.

Fair value of the property was last determined at 31 December 2008 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.

	Note	31 December 2008	30 June 2008
<b>9 Long term investments</b>		<b>(Rupees in '000')</b>	

### Associated company - Quoted

#### Media Times Limited

#### Incorporated in Pakistan

4,199,500 ( 30 June 2008: 4,199,500) ordinary shares of Rs. 10/-each

Equity held 4.19% ( 30 June 2008: 4.19%)

Adjustment due to dilution in share holding

Share of post acquisition losses of associate

	41,448	41,995
	-	8,320
	-	(8,867)
	<u>41,448</u>	<u>41,448</u>

**9.1** Media Times Limited is an associated company due to common management.

**9.2** Media Times Limited has been provisionally listed on Karachi Stock Exchange during the period. Fair value as at 31 December 2008 was Rs. 46.111 million.

**9.3** The summarised financial information of associated company as at 31 December 2008 is as follows:

	Assets	Liabilities	Revenues	Profit/(loss)	Percentage Shareholding
	<b>(Rupees in '000')</b>				
Media Times Limited	2,044,371	912,802	251,075	13,268	4.19%

# Worldcall Telecom Limited Group

	Note	31 December 2008 (Rupees in '000')	30 June 2008
<b>10 Long term deposits</b>			
Security deposits with PTCL		19,757	18,825
Deposits with financial institutions		28,318	34,368
Others		39,227	58,686
		87,302	111,879
Less: Current maturity	13	(10,819)	(1,971)
		76,483	109,908

	Note	31 December 2008 (Rupees in '000')	Restated 30 June 2008
<b>11 Trade debts</b>			
Considered good - Unsecured	11.1	978,451	901,050
Considered doubtful - Unsecured		486,555	191,707
		1,465,006	1,092,757
Less: Provision for doubtful debts	11.2	(486,555)	(191,707)
		978,451	901,050

**11.1** This includes due from associated companies as follows:

Pace Wood Land (Private) Limited	32,894	32,894
Pace Barka Properties Limited	47,781	47,781
Pace Gujrat (Private) Limited	12,138	12,138
Media Times Limited	-	10
	92,813	92,823
	92,813	92,823

**11.2 Provision for doubtful debts**

Opening balance	191,707	118,427
Addition during the period/year	294,678	73,029
Exchange rate adjustments	170	251
Closing balance	486,555	191,707
	486,555	191,707

	Note	31 December 2008 (Rupees in '000')	30 June 2008
<b>12 Loans and advances - considered good</b>			
Loans and advances to employees	12.1	34,336	20,480
Advances to suppliers		52,456	166,723
Advances to associated company	12.2	28,886	28,886
		115,678	216,089

# Worldcall Telecom Limited Group

**12.1** These loans and advances are unsecured and interest free and include advances given to executives of Rs. 9.54 million (30 June 2008 : Rs. 5.20 million) and chief executive Rs. 0.35 million (30 June 2008: Nil)

**12.2** This represents unsecured advance given to Media Times Limited carrying markup at the rate of 18% per annum (30 June 2008: 14% per annum).

Note	31 December 2008	30 June 2008
------	---------------------	-----------------

(Rupees in '000')

## 13 Deposits and prepayments

Margin deposits	13.1	145,961	162,885
Prepayments		65,753	59,701
Current maturity of long term deposits	10	10,819	1,971
Short term deposits		9,489	9,867
Less: provision for doubtful short term deposits	13.2	(147)	-
		231,875	234,424

**13.1** These include deposits placed with banks against various guarantees and letters of credit.

Note	31 December 2008	30 June 2008
------	---------------------	-----------------

(Rupees in '000')

## 13.2 Provision for doubtful short term deposits

Charged during the period/year		141	-
Exchange rate adjustments		6	-
Closing balance		147	-

31 December 2008	Restated 30 June 2008
---------------------	-----------------------------

(Rupees in '000')

## 14 Other receivables

Receivable from PTCL - Unsecured considered good		-	174,225
Receivable from PTCL - Unsecured considered doubtful		196,919	22,694
	14.1	196,919	196,919
Less: Provision for doubtful receivables	14.2	(196,919)	(22,694)
		-	174,225
Other receivables - considered good		184,441	145,253
Other receivables - considered doubtful		44,303	16,534
		228,744	161,787
Less: Provision for doubtful receivables	14.3	(44,303)	(16,534)
		184,441	145,253
		184,441	319,478

**14.1** This includes claims for Rs. 174 million (30 June 2008: 174 million) lodged by Worldcall Communications Limited (WCL), merged into Worldcall Telecom Limited, with Pakistan Telecommunication Company Limited (PTCL) for excess billing on short duration calls, border line calls and 0900 facility. These claims were initially acknowledged by PTCL's Corporate Clients Committee through its decision dated 15 December 2003. However, PTCL subsequently through its letter dated 09 September 2005 withdrew its decision. The Company had invoked the available arbitration clause in the agreement to realize the claimed amount but PTCL had refused the appointment of arbitrator. The Company has gone to civil court for the appointment of an arbitrator. Provision of Rs 174 million has already been made in the financial statements.

	<b>31 December 2008</b>	30 June 2008
	(Rupees in '000')	
<b>14.2 Provision for doubtful receivables-PTCL</b>		
Opening balance	22,694	12,590
Adjustment during the period/year	-	6,180
Charged during the period/year	174,225	3,924
Closing balance	<u>196,919</u>	<u>22,694</u>

**14.3 Provision for doubtful other receivables**

Opening balance	16,534	21,319
Addition/(Adjustment) during the period/year	-	(6,180)
Charged during the period/year	27,635	1,296
Exchange rate adjustments	134	99
Closing balance	<u>44,303</u>	<u>16,534</u>

	<b>Note</b>	<b>31 December 2008</b>	30 June 2008
		<b>Available for sale</b>	At fair value through profit & loss a/c
		(Rupees in '000')	
<b>15 Short term investments</b>			

Carrying value	15.1	256,255	253,579
Fair value adjustment		(68,039)	2,676
		<b>188,216</b>	256,255

**Related parties**

Carrying value	15.2	318,530	317,362
Fair value adjustment		(162,674)	1,168
		<b>155,856</b>	318,530

Total carrying value		<u>574,785</u>	570,941
Total fair value adjustment		<u>(230,713)</u>	3,844
		<b>344,072</b>	574,785

# Worldcall Telecom Limited Group

## 15.1 Particulars of listed shares - At fair value

All shares have face value of Rs. 10 each.

Name	No. of shares		31 Dec 2008		30 June 2008	
	31 Dec 2008	30 June 2008	Carrying value (Rupees in '000')	Market value	Carrying value (Rupees in '000')	Market value
<b>Commercial Banks</b>						
The Bank of Punjab	10,528	10,528	328	139	892	328
<b>Mutual Fund</b>						
First Dawood Mutual Fund	580,750	580,750	4,147	1,254	5,226	4,147
Pak Oman Advantage Fund	1,000,000	1,000,000	9,500	8,420	10,450	9,500
<b>Electric Appliances</b>						
Pak Elektron Limited	93	93	5	2	5	5
<b>Leasing</b>						
Standard Chartered Leasing Limited	70,000	70,000	427	123	777	427
<b>Insurance</b>						
Shaheen Insurance Company Limited	2,744,844	2,744,844	241,848	178,278	236,229	241,848
			<b>256,255</b>	<b>188,216</b>	<b>253,579</b>	<b>256,255</b>

## 15.2 Particulars of listed shares of related parties - At fair value

All shares have face value of Rs. 10 each.

Name	No. of shares		31 Dec 2008		30 June 2008	
	31 Dec 2008	30 June 2008	Carrying value (Rupees in '000')	Market value	Carrying value (Rupees in '000')	Market value
First Capital Securities Corporation Limited	2,868,671	2,049,051	121,304	95,728	119,272	121,304
<b>Percentage of equity held</b>						
<b>1.26% (30 June 2008: 1.26%)</b>						
Pace (Pakistan) Limited	6,959,290	6,959,290	197,226	60,128	198,090	197,226
<b>Percentage of equity held</b>						
<b>3.16% (30 June 2008: 3.16%)</b>						
			<b>318,530</b>	<b>155,856</b>	<b>317,362</b>	<b>318,530</b>

# Worldcall Telecom Limited Group

	Note	31 December 2008	30 June 2008
(Rupees in '000')			
<b>16 Cash and bank balances</b>			
At banks in			
Current accounts		39,311	263,376
Saving accounts	16.1	340,229	380,400
Deposit accounts	16.2	150,000	168,852
		<b>529,540</b>	812,628
Cash in hand		<b>35,087</b>	37,888
		<b>564,627</b>	850,516

**16.1** The balances in saving accounts bear mark up at the rate of 1% to 16.22% per annum (30 June 2008: 0.5% to 9% per annum). The balance includes Rs. 40 million (30 June 2008: Rs. 40 million) and interest accrued thereon deposited in Escrow account as stated in note 27.1.2.

**16.2** The balances in deposit accounts bear mark up at the rate of 17.5% per annum (30 June 2008: 10% per annum).

	Note	31 December 2008	30 June 2008
(Rupees in '000')			
<b>17 Current maturities of non-current liabilities</b>			
Term finance certificates	21	118,174	59,557
Long term finances	22	296,592	146,597
Liabilities against assets subject to finance lease	25	100,383	117,275
		<b>515,149</b>	323,429

## 18 Running finance under markup arrangements-secured

Short term running finances available from commercial banks under mark up arrangements amount to Rs. 431 million (30 June 2008: Rs. 531 million). Mark up is charged at rates ranging from 14.43% to 19% per annum (30 June 2008: 10.7% to 16.61% per annum). These are secured by hypothecation charge over all present and future current assets of the Company including stores and spares, stock in trade and receivables.

	31 December 2008	Restated 30 June 2008
(Rupees in '000')		
<b>19 Trade and other payables</b>		
Trade creditors		
Related parties - associated companies	2,197	109
Others	1,590,537	1,049,597
	<b>1,592,734</b>	1,049,706
Accrued and other liabilities	123,534	116,734
Advances from customers	103,549	67,985
Commitment fee payable	-	549
Retention money	23,134	29,859
Sales tax payable	41,236	8,981
Tax deducted at source	14,251	8,659
Un-claimed dividend	1,807	14,421
	<b>1,900,245</b>	1,296,894



	Note	31 December 2008 (Rupees in '000')	30 June 2008
<b>20 Interest and mark-up accrued</b>			
Long term financing		9,792	16,329
Short term borrowings		12,095	290
Share deposit money		972	972
Finance lease		601	561
Term finance certificates		<u>151,911</u>	<u>56,689</u>
		<u><u>175,371</u></u>	<u><u>74,841</u></u>
<b>21 Term finance certificates - secured</b>			
Term Finance Certificates - II	21.1	349,720	349,790
Term Finance Certificates - III	21.2	<u>3,837,688</u>	<u>3,000,000</u>
		<u>4,187,408</u>	<u>3,349,790</u>
Less: Initial transaction cost		<u>(60,645)</u>	<u>(56,190)</u>
		<u>4,126,763</u>	<u>3,293,600</u>
Amortization of transaction cost		<u>9,544</u>	<u>3,427</u>
		<u>4,136,307</u>	<u>3,297,027</u>
Less: Current maturity	17	<u>(118,174)</u>	<u>(59,557)</u>
		<u><u>4,018,133</u></u>	<u><u>3,237,470</u></u>

Term Finance Certificates (TFC-II) and (TFC-III) have a face value of Rs. 5,000 per certificate.

## 21.1 Term Finance Certificates - II

These represent listed Term Finance Certificates amounting to Rs. 350 million issued during the year ended 30 June 2007. These TFCs are redeemable in six equal semi annual installments commencing May 2009. Profit rate is charged at six months average KIBOR plus 2.75% per annum. These are secured by way of first pari passu hypothecation charge on the present and future fixed assets of the Company amounting to Rs. 467 million.

If the Company fails to redeem any TFC-II on the redemption date, the obligation shall become immediately due. Maturity date of TFC-II is 27 November 2011.

## 21.2 Term Finance Certificates - III

These represent listed Term Finance Certificates amounting to Rs. 4,000 million out of this Rs. 3,000 million has been received on account of Pre-IPO and Rs. 1,000 million was offered to public. These TFCs are redeemable in seven equal semi annual installments commencing October 2010. Profit rate is charged at six months average KIBOR plus 1.60% per annum. These are secured by way of first pari passu charge on the present and future fixed assets of the Company amounting to Rs. 5,333.33 million and assignment of licenses.

First Dawood Investment Bank Limited and Noman Abid Investment Management Limited ("the Underwriters") have defaulted to comply with their underwriting commitments of Rs. 162.312 million arising out of short subscription of IPO of TFC. The Securities and Exchange Commission of Pakistan (SECP) through its No Objection Certificate dated 04 November 2008 issued for 60 days had allowed the Company partial allotment to the extent of Rs 3,837.688 million out of total issue of Rs. 4,000 million. This NOC was subject to a condition that the Company recovers the remaining amount of Rs. 162.312 million from the defaulting underwriters. The Company through its letter dated 30 December 2008 issued before expiry of 60 days has requested SECP to reduce the size of TFC issue to Rs. 3,837.688 million due to the default made by above underwriters. The Company has issued legal notices to underwriters and requested SECP through its letter dated 19 March 2009 for just and equitable resolution of the matter.

If the Company fails to redeem any TFC-III on the redemption date, the obligation shall become immediately due. TFC-III will mature on 06 October 2013.

	Note	31 December 2008	30 June 2008
(Rupees in '000')			
<b>22 Long term finance</b>			
Long term finances utilized under mark up arrangements:			
<b>Banking companies and other financial institutions</b>			
Syndicated Loan I - secured	22.1	<b>149,994</b>	149,994
The Bank of Punjab Ltd - secured	22.2	<b>146,598</b>	256,545
		<u><b>296,592</b></u>	<u>406,539</u>
Initial transaction costs incurred		<b>(38,795)</b>	(38,795)
		<u><b>257,797</b></u>	<u>367,744</u>
Accumulated amortization of transaction costs		<b>38,795</b>	37,640
		<u><b>296,592</b></u>	<u>405,384</u>
Less: Current portion	17	<b>(296,592)</b>	(146,597)
		<u><b>-</b></u>	<u>258,787</u>

	31 December 2008		30 June 2008	
	Limit	Outstanding	Limit	Outstanding
	(Rupees in '000')		(Rupees in '000')	
<b>22.1 Syndicated Loan I - Secured</b>				
Habib Bank Limited	<b>150,000</b>	<b>149,994</b>	150,000	149,994
	<u><b>150,000</b></u>	<u><b>149,994</b></u>	<u>150,000</u>	<u>149,994</u>

The Company obtained a long term loan facility of Rs. 1,800 million from Habib Bank Limited, National Bank of Pakistan Limited, MCB Bank Limited and Askari Bank Limited for the purpose of acquiring 20 years license from Pakistan Telecommunication Authority (PTA) to operate WLL network and import of equipment under various letters of credit. The loan was repayable in 14 equal quarterly installments starting from November 2006 with a grace period of 18 months. The loan was repaid during the year ended 30 June 2008 except the above mentioned amount, which Habib Bank Limited desired to convert into equity. The Company applied to SECP for approval to issue shares against outstanding amount to the aforesaid bank. SECP has rejected the request of the Company, as a result Habib Bank Limited has requested the Company to repay the outstanding amount. The outstanding amount of debt is completely secured against first hypothecation charges on all present & future moveable and fixed assets of the Company (excluding LDI assets) upto Rs. 200 million and personal guarantees to the extent of Rs. 200 million. The loan carries markup at the rate of 6 month KIBOR plus 2.5% per annum (30 June 2008: 6 month KIBOR plus 2.5% per annum).

**22.2** Represents term loan from The Bank of Punjab Ltd for a period of two years at mark up of 1.4% per annum above three months KIBOR and is repayable in eight quarterly installments starting February 2008. Loan will mature on 31 December 2009. The loan is secured by way of first exclusive hypothecation charge ranking pari passu of Rs. 413 million over all present and future movable fixed assets related to the cable TV and internet division of Broadband Karachi.

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		31 December 2008	Restated 30 June 2008 (Rupees in '000')
<b>23 Deferred taxation</b>	<b>Note</b>		
This is composed of:			
Liability for deferred taxation comprising temporary differences related to:			
Accelerated tax depreciation		1,861,205	1,643,440
Surplus on revaluation of plant and equipment		173,058	173,058
Others		447,957	380,634
Asset for deferred taxation comprising temporary differences related to:			
Unused tax losses and tax credits		(1,620,631)	(1,426,204)
Provision for doubtful debts and retirement benefits		(308,189)	(126,339)
		553,400	644,589
		<b>31 December 2008</b>	<b>30 June 2008</b>
		<b>(Rupees in '000')</b>	
<b>24 Retirement benefits</b>			
Company gratuity obligation	24.1 to 24.4	156,957	133,200
Subsidiary gratuity obligation		771	624
		157,728	133,824
<b>24.1 Gratuity</b>			
The amount recognized in the balance sheet is as follows:			
Present value of defined benefit obligation		152,633	133,328
Unrecognized actuarial losses		(5,634)	(10,675)
Benefits due but not paid		9,958	10,547
		156,957	133,200
Liability at beginning of the period/year		133,200	98,856
Charge for the period/year	24.2	46,206	53,156
Paid during the period/year		(22,449)	(18,812)
		156,957	133,200
<b>24.2 Salaries, wages, amenities and other benefits include the following in respect of retirement and other benefits:</b>			
	<b>Note</b>	<b>01 July 2008 to 31 December 2008</b>	<b>01 July 2007 to 30 June 2008</b>
		<b>(Rupees in '000')</b>	
Interest cost for the period/year		8,000	10,713
Current service cost		22,649	42,406
Past service cost		15,522	-
Actuarial loss recognized during the period/year	24.3	35	37
		46,206	53,156

# Worldcall Telecom Limited Group

Note    **01 July 2008 to  
31 December  
2008**    01 July 2007 to  
30 June  
2008  
**(Rupees in '000')**

24.3 Charge during the period/year has been allocated as follows:

Operating cost	44,298	47,901
Capitalized during the period/year	1,908	5,255
	46,206	53,156

24.4 Recent actuarial valuation of plan was carried out on 31 December 2008 by Nauman Associates.

Significant actuarial assumptions used for valuation of these plans are as follows:

	<b>31 December 2008</b>	30 June 2008
	<b>per annum</b>	per annum
Discount rate	15%	12%
Expected rate of salary increase	14%	11%
Average expected remaining working life time of employees	12 years	12 years

## 24.5 Historical information for gratuity

	2005	2006	2007	2008	2008
Present value of defined benefit obligation	5,774	73,978	107,126	133,328	152,633
Experience adjustment arising on plan liabilities	(14)	(4,251)	(4,461)	(2,096)	5,042

Note    **31 December  
2008**    30 June  
2008  
**(Rupees in '000')**

## 25 Liabilities against assets subject to finance lease

Present value of minimum lease payments		163,827	228,191
Less: Current portion shown under current liabilities	17	(100,383)	(117,275)
		63,444	110,916

Interest rate used as discounting factor is ranging from 8 % to 18.67% per annum (30 June 2008: 8% to 17.44% per annum). Taxes, repairs, replacements and insurance costs are to be borne by lessee. Under the terms of the agreements, the Company has an option to acquire the assets at the end of the respective lease terms by adjusting the deposit amount against the residual value of the assets. The Company intends to exercise the option. In case of default in payment of installments, the Company will be liable to pay additional lease rental on overdue payment at the rate of 0.1% per day.

The amount of future payments of the lease and the period in which these payments will become due are as follows:

	31 December 2008			30 June 2008		
	Minimum lease payment	Finance cost	Principal	Minimum lease payment	Finance cost	Principal
	(Rupees in '000')			(Rupees in '000')		
Not later than one year	115,133	14,750	100,383	136,970	19,695	117,275
Later than one year but not later than five years	65,905	2,461	63,444	117,115	6,199	110,916
	181,038	17,211	163,827	254,085	25,894	228,191

# Worldcall Telecom Limited Group

	<b>31 December 2008</b>	30 June 2008
	<b>(Rupees in '000')</b>	
<b>26 License fee payable</b>		
Carrying value of license fee payable to PTA	<b>1,206,000</b>	1,206,000
Less: Present value adjustment	<b>(453,107)</b>	(453,107)
	<b>752,893</b>	752,893
Accumulated interest charged to profit and loss	<b>290,232</b>	231,661
Less: Payments	<b>(71,000)</b>	(71,000)
	<b>972,125</b>	913,554

This represents interest free license fee payable to PTA for WLL license. As per the agreement with PTA, the total of Rs. 1,135 million is payable by March 2010. The long term portion has been discounted using the effective interest rate of 12.5%.

## 27 Contingencies and commitments

### *The Company*

#### **27.1 Billing disputes with PTCL**

**27.1.1** There is a dispute of Rs.69.675 million (30 June 2008: Rs 68.9 million) with PTCL of non revenue time of prepaid calling cards and Rs. 16.728 million (30 June 2008: Rs 9.07 million) for excess minutes billed on account of interconnect and settlement charges. The management is hopeful that the matter will be decided in favour of the Company.

**27.1.2** PTCL has charged the Company excess Domestic Private Lease Circuits (DPLC) and other media charges amounting to Rs. 78.24 million (30 June 2008: Rs. 73.9 million) on account of difference in rates, distances and date of activation. Further, the Company has also deposited Rs. 40 million (30 June 2008: 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 the matter will be decided in favour of the Company.

#### **27.2 Billing disputes with Pakistan Telecommunication Authority (PTA)**

**27.2.1** PTA has raised a demand on the Company of Rs. 4.3 million (30 June 2008: Rs. 4.3 million) on account of annual microwave and BTS registration charges. The Company is not paying this amount on the grounds that earlier exemptions were given to mobile operators. In addition to this, there is no legal requirement to register BTS with PTA, therefore PTA cannot charge a fee for BTS registration. The management is hopeful that matter will be decided in favour of the Company.

**27.2.2** 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. The management is hopeful that the matter will be decided in favour of the Company and notice will be withdrawn.

**27.2.3** There is a dispute of Rs. 11.3 million (30 June 2008: 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 formation of R&D Fund by the Federal Government. Based on legal advice, the management is hopeful that the matter will be decided in favour of the Company.

**27.2.4** There is a dispute of Rs. 491 million (30 June 2008: Rs. 491 million) with PTA on Universal Service Fund (USF) representing contribution to USF for the period prior to the formation of USF by the Federal Government. Show cause notice was issued by the PTA which culminated into determination dated 4

April 2008 against the Company. The Company filed an appeal in Honourable Islamabad High Court Islamabad and the honourable Court was pleased to grant stay order in favour of the Company. The Appeal was finally fixed for hearing on 16 December 2008 on which date arguments were heard and the judgment reserved by the honourable Court. Thereafter, honourable Court vide its judgment dated 21 January 2009 has dismissed the appeal of the Company. A Civil Petition for Leave to Appeal (CPLA) has been filed before the Honourable Supreme Court of Pakistan against the judgment of Islamabad High Court. The CPLA was fixed for hearing before the Honourable Supreme Court on 29 April 2009. The Honourable Supreme Court after hearing the preliminary arguments has issued notices to Respondents. Next date of hearing was fixed on 28 May 2009. The Supreme court after further hearing has suspended the case till third week of July 2009. Based on legal advice, management of the Company is hopeful that the matter will be decided in favour of the Company.

## 27.3 Taxation issues

**27.3.1** 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.

**27.3.2** 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 Lahore High Court against the decision of ITAT, Lahore on 08 September 2008 which is pending adjudication.

**27.3.3** 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 Phone cards 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). Based on legal advice, the management is hopeful that the matter will be decided in favour of the Company.

**27.3.4** In 2006 Sales Tax Authorities served Show Cause Notices to various payphone companies, including the Company, on account of alleged wrong claim of refund of Rs. 167 million under section 66 of the Sales Tax Act 1990. The matter was adjudicated and the Additional Collector (Adjudication) Sales Tax, Lahore passed an Order dated 18 September 2007 against the Company and imposed a penalty equivalent to the amount of original alleged claim on the Company and Chief Executive. Later on, the Sales Tax Department has issued a notice under Section 48 of the Sales Tax Act, 1990 to the bankers of the Company and Customs Authorities for recovery of refund along with penalty. Moreover, a notice for stoppage of clearance of imported goods has also been issued by the Sales Tax Department to Custom Authorities.

Order of the Additional Collector to the extent of imposing penalty on the Chief Executive of the Company has been stayed by the Honourable High Court Lahore. An appeal has been filed before the Collector (Appeals) Customs, Federal Excise & Sales Tax, Lahore against the order of Additional Collector (Adjudication). The said Order of the Additional Collector was also assailed before the Honorable Federal Tax Ombudsman (“FTO”). The FTO has issued an order that no penalty can be imposed against the Company as there is no element of tax fraud involved in the matter and the issue pertains to a change of opinion of the Federal Board of Revenue. In a first appeal against the order of adjudicating authority, Collector (Appeals) Customs, Federal Excise & Sales Tax has confirmed the demand vide Order-in-Appeal no. 04-10/ST/2009 dated 06 January 2009, however the Collector has waived the 100% personal penalty on the Chief Executive. An appeal against the decision of the Collector (Appellate) Customs, Federal Excise & Sales Tax has been filed with Federal Excise & Sales Tax (Appellate) Tribunal Lahore, which is pending in adjudication. The honorable Tribunal vide its order dated 4 February 2009 has suspended the recovery proceedings subject to deposit of ten percent of principal amount. The Company has paid ten percent of principal amount as per order of the honorable Tribunal.

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In the meanwhile upon application of the Company under section 47A of the Sales Tax Act, 1990 for constitution of Alternative Dispute Resolution Committee (ADRC) the FBR has constituted the Committee and referred the matter to be resolved at ADRC. The meeting of ADRC is yet to be convened. Based on the legal advice, the management is hopeful that the matter will be decided in favour of the Company.

	<b>31 December 2008</b>	<b>30 June 2008</b>
	<b>(Rupees in '000')</b>	
<b>27.4</b> Outstanding guarantees	<b>401,337</b>	314,446
<b>27.5</b> Commitments in respect of capital expenditure	<b>717,104</b>	108,629
<b>27.6</b> Outstanding letters of credit	<b>637,174</b>	518,396

	<b>Number of shares</b>	<b>(Rupees in '000')</b>	
<b>28 Issued, subscribed and paid up capital</b>			
Ordinary shares of Rs. 10 each as fully paid in cash	344,000,000	<b>3,440,000</b>	3,440,000
Ordinary shares of Rs. 10 each issued in accordance with the scheme of merger	309,965,789	<b>3,099,658</b>	3,099,658
Ordinary shares of Rs. 10 each issued as fully paid bonus shares	98,094,868	<b>980,949</b>	980,949
Ordinary shares of Rs. 10 each issued against convertible loan	108,510,856	<b>1,085,109</b>	1,085,109
	<b>860,571,513</b>	<b>8,605,716</b>	<b>8,605,716</b>

	<b>31 December 2008</b>	<b>30 June 2008</b>
	<b>(Number of shares)</b>	
<b>28.1 Reconciliation of Issued, subscribed and paid up capital</b>		
Opening balance	<b>860,571,513</b>	752,060,657
Issued against convertible loan	-	108,510,856
	<b>860,571,513</b>	<b>860,571,513</b>

**28.2** As at 31 December 2008, Oman Telecommunications Company SAOG the holding company, holds 488,839,429 ordinary shares (30 June 2008: 488,839,429) of the Company. In addition 74,861,749 ordinary shares (30 June 2008: 53,003,749 ordinary shares) are held by the following related parties as at 31 December 2008:

	<b>31 December 2008</b>	<b>30 June 2008</b>
	<b>(Number of shares)</b>	
<b>Related parties</b>		
First Capital Securities Corporation Limited	<b>8,717,707</b>	7,737,207
Pace (Pakistan) Limited	<b>912</b>	912
Arif Habib Securities Limited	<b>66,143,130</b>	45,265,630
	<b>74,861,749</b>	<b>53,003,749</b>

## 29 Share premium

This reserve can be utilized by the Group only for the purposes specified in section 83(2) of the Companies Ordinance, 1984.

30 Surplus on revaluation	31 December 2008	30 June 2008
	(Rupees in '000')	
Revaluation surplus on:		
Plant & equipment	64,059	64,059
Intangible assets	430,393	430,393
	494,452	494,452
Less: Related deferred tax liability	(173,058)	(173,058)
Less: Transfer to retained earning in respect of incremental amortization net of deferred tax	(10,627)	-
Add: Transfer from retained earning in respect of decremental depreciation net of deferred tax	13,992	-
	3,365	-
	324,759	321,394

**30.1** The surplus on revaluation shall not be utilized directly or indirectly by way of dividend or bonus shares as per Section 235 of the Companies Ordinance, 1984.

31 Revenue -net	Note	01 July 2008 to 31 December 2008	Restated 01 July 2007 to 30 June 2008
		(Rupees in '000')	
Gross revenue		3,262,711	4,625,452
Less:			
Sales tax		89,456	146,647
Discount and commission		77,668	148,073
		167,124	294,720
		3,095,587	4,330,732
32 Direct cost		01 July 2008 to 31 December 2008	01 July 2007 to 30 June 2008
		(Rupees in '000')	
Interconnect, settlement and other charges		1,238,176	1,242,007
Bandwidth and other PTCL charges		142,470	267,905
Depreciation	5.6	447,827	804,648
Amortization of intangible assets	7.4	47,621	86,535
Power consumption and pole rent		111,420	189,180
Security services		18,852	35,368
PTA charges	32.1	28,463	26,537
Cable license fee		16,790	34,551
Salaries and other benefits		7,113	19,363
Inventory consumed		8,547	17,661
Stores and spares consumed		61,811	18,285
Annual spectrum fee		8,942	21,911
Content cost		21,262	30,517
Network maintenance & insurance		20,471	60,908
Others		88,615	10,900
		2,268,380	2,866,276



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	Note	01 July 2008 to 31 December 2008	01 July 2007 to 30 June 2008
<b>32.1 PTA Charges</b>			
LDI license	32.1.1	15,754	4,583
WLL license	32.1.2	10,408	15,471
Broadband license		2,056	5,641
Telephony license	32.1.3	220	389
Annual numbering charges		25	111
Testing and other charges		-	342
		<b>28,463</b>	<b>26,537</b>

**32.1.1** This represents charges payable to PTA in respect of contribution to the Research and Development Fund amounting to Rs. 5.25 million (30 June 2008: Nil), Universal Service Fund established by Federal Government amounting to Rs. 7.88 million (30 June 2008: Rs. 2.73 million) and annual regulatory fee amounting to Rs. 2.62 million (30 June 2008: Rs. 1.85 million) under the license agreement for LDI project.

**32.1.2** This represents charges payable to PTA in respect of contribution to the Research and Development Fund established by Federal Government amounting to Rs. 3.43 million (30 June 2008: Rs. 2.10 million), Universal Service Fund amounting to Rs. 5.15 million (30 June 2008: Rs.10.03 million), annual regulatory fee amounting to Rs. 1.72 million (30 June 2008: Rs 3.34 million) and Royalty Fee Rs. 0.115 million (30 June 2008: Nil) under the license agreement for WLL project.

**32.1.3** This represents charges payable to PTA in respect of contribution to the Research and Development Fund established by Federal Government amounting to Rs. 0.073 million (30 June 2008: Rs. 0.130 million), Universal Service Fund amounting to Rs. 0.110 million (30 June 2008: Rs. 0.195 million) and annual regulatory fee amounting to Rs. 0.037 million (30 June 2008: Rs. 0.065 million) for the current period under the license agreement for Telephony Project.

	Note	01 July 2008 to 31 December 2008	01 July 2007 to 30 June 2008
<b>33 Operating cost</b>			
Salaries, wages and benefits		291,969	498,568
Marketing, advertisement and selling expenses		79,418	170,795
Rent, rates and taxes		40,759	65,270
Communications		12,959	32,236
Transportation		43,949	26,749
Legal and professional		5,467	25,758
Insurance		20,761	36,525
Utilities		21,292	25,702
Printing and stationery		10,675	20,559
Entertainment		12,922	19,948
Travel and conveyance		37,015	62,761
Repairs and maintenance		9,311	21,676
Provision for doubtful debts & other receivables		497,763	78,249
Donations	33.1	77	313
Fees and subscriptions		900	6,778
Postage and courier		2,149	10,456
Newspapers and periodicals		348	537
Consultancy		-	22
Auditor's remuneration	33.2	2,353	4,306
Depreciation	5.6	40,309	89,859
Amortization of intangible assets	7.4	1,666	2,932
Amortization of deferred cost		-	4,727
Miscellaneous		8,495	16,414
		<b>1,140,557</b>	<b>1,221,140</b>

**33.1** None of the Directors of the Group or any of their spouses have any interest in or otherwise associated with any of the recipients of donations made by the Group during the period.

Note	01 July 2008 to 31 December 2008	01 July 2007 to 30 June 2008
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(Rupees in '000')

**33.2 Auditor's remuneration**

Statutory audit	2,330	2,800
Half year review	-	770
Services in connection with review and reporting of accounts to parent company auditors	-	300
Other sundry certifications	-	51
Out of pocket expenses	23	385
	<b>2,353</b>	<b>4,306</b>

**34 Finance cost**

Mark-up on long term loans	34.1	32,786	147,275
Mark-up on short term loans		15,483	120,888
Interest on PTA license fee		58,571	106,763
Financial charge on leased liabilities		13,432	35,277
Mark up on Term Finance Certificates	34.1	38,998	43,009
Bank charges and commission		4,207	7,961
		<b>163,477</b>	<b>461,173</b>

**34.1** These include amortization of initial transaction cost of Rs. 7.272 million (30 June 2008: Rs. 54.459 million).

Note	01 July 2008 to 31 December 2008	01 July 2007 to 30 June 2008
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(Rupees in '000')

**35 Other operating income**

**Income from financial assets**

Profit on sale of investments	-	19,045
Income on deposit and saving accounts	28,242	19,188
Dividend income	1,016	581
Mark-up on advance to associated company	2,621	4,060
	<b>31,879</b>	<b>42,874</b>

**Income from non-financial assets**

Rental income from investment property	2,378	4,492
Scrap sales	248	413
Gain on sale of property plant and equipment	46,814	4,261
Miscellaneous	17,295	41,401
	<b>66,735</b>	<b>50,567</b>
	<b>98,614</b>	<b>93,441</b>

**36 Other expenses**

Provision for impairment of fixed assets of the subsidiary	4,843	9,371
Exchange loss	13,647	22,643
	<b>18,490</b>	<b>32,014</b>

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	Note	01 July 2008 to 31 December 2008 (Rupees in '000')	Restated 01 July 2007 to 30 June 2008
<b>37 Taxation</b>			
for the period/year			
Current	37.1	196	225
Deferred		(91,189)	(88,590)
		<u>(90,993)</u>	<u>(88,365)</u>

**37.1** The Group has not made provision for current taxation, except for income covered under presumptive tax regime, as carried forward losses and accelerated tax depreciation are available to the Group under Income Tax Ordinance 2001. Section 113 of the Income Tax Ordinance, 2001, regarding minimum tax has been repealed by the Finance Act 2008.

## 37.2 Tax charge reconciliation

Numerical reconciliation between the average effective tax rate and the applicable tax rate

	31 December 2008 %	Restated 30 June 2008 %
Applicable tax rate	35.00	35.00
Tax effect of amounts:		
Not deductible for tax purposes	(17.50)	(33.69)
Admissible for tax purposes	6.65	55.91
Exempt from tax	-	6.32
Covered under presumptive tax regime	0.18	0.91
Loss of subsidiary	(1.40)	(4.98)
Average effective tax rate (tax expense divided by profit before tax)	<u>22.93</u>	<u>59.47</u>

## 38 Earnings per share

### 38.1 Basic and diluted earnings per share

		31 December 2008	Restated 30 June 2008
Loss after taxation available for distribution to ordinary shareholders	Rupees in '000'	<u>(305,710)</u>	<u>(56,761)</u>
Weighted average number of ordinary shares	Number in '000'	<u>860,572</u>	<u>770,146</u>
Basic and diluted earnings per share	Rupees	<u>(0.36)</u>	<u>(0.07)</u>

**39 Related party transactions**

The related parties comprise local associated companies, related group companies, directors of the Group, companies where directors also hold directorship and key management employees. Amounts due from and to related parties are shown under receivables and payables and remuneration of directors and key management employees is disclosed in note 42. Other significant transactions with related parties are as follows:

	01 July 2008 to 31 December 2008	01 July 2007 to 30 June 2008
	(Rupees in '000')	
<b>Associated companies</b>		
Purchase of goods and services	8,214	39,915
Sale of goods and services	56,136	128,849
Interest on advance	2,621	4,060

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

**40 Cash generated from operations**

	01 July 2008 to 31 December 2008	Restated 01 July 2007 to 30 June 2008
	(Rupees in '000')	
Loss before taxation	(396,703)	(145,126)
Adjustment for non-cash charges and other items:		
Depreciation	488,136	894,507
Amortization of intangible assets	49,287	89,467
Amortization of deferred cost	-	4,727
Amortization of transaction cost	7,272	54,459
Interest on PTA license fee	58,571	106,763
Provision for doubtful receivables	497,763	78,249
Gain on sale of short term investments	-	(19,045)
Share of profit from associated companies - net	-	(3,448)
Exchange translation difference	(364)	-
Profit on disposal of property, plant and equipment	(46,814)	(4,261)
Impairment of assets	4,843	9,371
Gain on re-measurement of investments at fair value	-	(3,844)
Gain on re-measurement of investment property at fair value	-	(4,012)
Retirement benefits	44,381	48,039
Finance costs	97,634	299,951
<b>Profit before working capital changes</b>	<b>804,006</b>	<b>1,405,797</b>

Effect on cash flow due to working capital changes:

(Increase)/decrease in the current assets

Stores and spares	1,000	10,111
Stock in trade	(52,381)	(54,726)
Trade debts	(372,249)	(74,356)
Loans and advances	99,296	(100,894)
Deposits and prepayments	2,696	(55,549)
Other receivables	(66,957)	87,611
Increase/(decrease) in the current liabilities		
Trade and other payables	603,351	251,638
	214,756	63,835
	<b>1,018,762</b>	<b>1,469,632</b>

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		31 December 2008	30 June 2008
		(Rupees in '000')	
<b>41</b>	<b>Cash and cash equivalents</b>		
	Cash and bank balances	16	564,627
	Running finance under markup arrangements-secured	18	(427,240)
	Cash and cash equivalent as previously reported	<u>137,387</u>	<u>783,622</u>
	Effect of exchange rate changes	-	141
		<u><u>137,387</u></u>	<u><u>783,763</u></u>
<b>42</b>	<b>Correction of prior period errors</b>		

Based on information made available to the Company in and from November 2008 it has been determined that the Company's 30 June 2008 accounts need to be restated to reflect the following:

Reversal of revenue and corresponding receivable of Rs. 188.5 million and reversal of Rs. 85 million credited to other receivables. Related tax benefit has been accordingly taken into account

The effect of the restatement on those financial statements is summarised below.

	Effect on 30 June 2008 Rupees ('000')
<b>Profit &amp; Loss Account line items affected</b>	
(Decrease) in revenue	(188,572)
Decrease in deferred Tax	66,000
(Decrease) in profit	<u><u>(122,572)</u></u>
<b>Balance Sheet line items affected</b>	
(Increase) in trade and other payables	(273,572)
Increase in other receivables	85,000
Increase in trade debts	188,572
(Decrease) in trade debts	(188,572)
Decrease in deferred tax liability	66,000
(Decrease) in equity	<u><u>(122,572)</u></u>
<b>Decrease in EPS</b>	<u><u>(0.16)</u></u>

## 43 Remuneration of chief executive, directors and executives of the Company

The aggregate amount charged in the financial statements for the period for remuneration, including certain benefits, to the chief executive, directors and executives of the Company are as follows:

	Chief Executive		Directors		Executives	
	31 Dec 2008	30 June 2008	31 Dec 2008	30 June 2008	31 Dec 2008	30 June 2008
	(Rupees in '000')					
Managerial remuneration	3,503	1,398	-	1,334	54,737	77,823
Retirement benefits	500	200	-	200	8,443	9,214
Housing	1,401	559	-	533	21,894	31,130
Utilities	350	140	-	133	5,474	7,782
	<u>5,754</u>	<u>2,297</u>	<u>-</u>	<u>2,200</u>	<u>90,548</u>	<u>125,949</u>
<b>Number of persons</b>	<u><u>1</u></u>	<u><u>1</u></u>	<u><u>-</u></u>	<u><u>1</u></u>	<u><u>101</u></u>	<u><u>96</u></u>

The chief executive, directors and certain executives of the Group are provided with Group maintained vehicles and residential telephones.

No meeting fee was paid to directors during the year (30 June 2008: Rs. Nil).

## 44 Financial risk management

The Company finances its operations through equity, borrowings and management of working capital with a view to obtain a reasonable mix between the various sources of finance to minimize the risk. Taken as a whole, risk arising from the Company's financial instruments is limited as there is no significant exposure to market risk in respect of such instruments.

The Company has exposure to the following risks from its use of financial instruments

- Credit risk
- Liquidity risk
- Market risk

### 44.1 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. The Company's credit risk is primarily attributable to its trade debts and loans and advances. The Company has no significant concentration of credit risk as exposure is spread over a large number of counter parties in the case of trade debts. To manage exposure to credit risk, the Company applies credit limits to its customers and obtains advances from certain customers.

#### 44.1.1 Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the balance sheet date was:

	31 December 2008	30 June 2008
	(Rupees in '000')	
Long term deposits	87,302	111,879
Trade debts	1,465,006	1,092,757
Loans and advances - considered good	63,222	49,366
Short term deposits	155,450	172,752
Other receivables	425,663	358,706
Short term investments	344,072	574,785
Cash and bank balances	564,627	850,516
	<b>3,105,342</b>	<b>3,210,761</b>

#### 44.1.2 The age of trade receivables and related impairment loss at the balance sheet date was:

##### The age of trade receivables

Not past due	363,512	195,632
Past due 0 - 180 days	467,260	227,072
Past due 181 - 365 days	222,256	365,473
1 - 2 years	217,231	97,537
More than 2 years	194,747	207,043
	<b>1,465,006</b>	<b>1,092,757</b>

# Worldcall Telecom Limited Group

31 December  
2008  
(Rupees in '000')

30 June  
2008

## The age of impairment loss against trade receivables

Not past due	-	-
Past due 0 - 180 days	84,678	-
Past due 181 - 365 days	3,349	2,414
1 - 2 years	203,781	6,847
More than 2 years	194,747	182,446
	<u>486,555</u>	<u>191,707</u>

The movement in provision for impairment of receivables is as follows :

Opening balance	191,707	118,427
Charge for the period	294,678	73,029
Exchange adjustment	170	251
Closing balance	<u>486,555</u>	<u>191,707</u>

## 44.2 Liquidity risk

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. The Group follows an effective cash management and planning policy and maintains flexibility in funding by keeping committed credit lines available.

The following are the contractual maturities of financial liabilities as on 31 December 2008:

	Carrying Amount	6 months or less	6-12 months	1-2 year	More than 2 years
(Rupees in '000')					
Term finance certificates - secured	4,136,307	59,087	59,087	665,271	3,352,862
Long term finances-secured	296,592	223,293	73,299	-	-
Liabilities against assets subject to finance lease	163,827	52,913	47,470	62,281	1,163
Long term payables	502,674	-	-	223,928	278,746
Long term deposits	47,174	-	-	1,063	46,111
License fee payable	972,125	-	-	972,125	-
Running finance under markup Arrangements-secured	427,240	427,240	-	-	-
Trade and other payables	1,741,209	1,444,945	296,264	-	-
Interest and mark up accrued	175,371	175,371	-	-	-
	<u>8,462,519</u>	<u>2,382,849</u>	<u>476,120</u>	<u>1,924,668</u>	<u>3,678,882</u>

# Worldcall Telecom Limited Group

The following are the contractual maturities of financial liabilities as on 30 June 2008:

	Carrying Amount	6 months or less	6-12 months	1-2 year	More than 2 years
(Rupees in '000')					
Term finance certificates - secured	3,297,027	670	58,887	1,518,690	1,718,780
Long term finances-secured	405,384	73,298	73,299	258,787	-
Liabilities against assets subject to finance lease	228,191	71,087	46,188	102,072	8,844
Long term payables	142,935	-	-	142,935	-
Long term deposits	54,037	-	-	-	54,037
License fee payable	913,554	-	-	913,554	-
Running finance under markup					
Arrangements-secured	66,894	66,894	-	-	-
Trade and other payables	1,211,269	1,009,267	202,002	-	-
Interest and mark up accrued	74,841	74,841	-	-	-
	<u>6,394,132</u>	<u>1,296,057</u>	<u>380,376</u>	<u>2,936,038</u>	<u>1,781,661</u>

## 44.3 Market risk

### 44.3.1 Currency risk

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into foreign currency. The Group is exposed to foreign currency risk on sales and purchases that are entered in a currency other than functional currency. The Group uses forward exchange contracts to hedge its foreign currency risk, when considered appropriate.

The Group exposure to foreign currency risk was as follows:

	31 December 2008 USD ('000')	30 June 2008 USD ('000')
Trade receivables	6,881	5,977
Trade payables	(590)	(367)
Suppliers	(9,759)	(6,534)
Net exposure	<u>(3,468)</u>	<u>(924)</u>

The Following significant exchange rates were applied during the period/year

Average Rate -Rupees per US Dollar	76.78	62.54
Reporting Date Rate -Rupees per US Dollar	78.80	68.10

A 5% strengthening of Pak Rupees against the above currency would have increased equity and Profit and loss account by Rs. 13.6 million (30 June 2008: 3.1 million). This analysis assumes that all other variables, in particular interest rates remain constant.

A 5% weakening of Pak Rupees would have equal but opposite effect.



## 44.3.2 Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Company has adopted appropriate policies to cover interest rate risk.

At the balance sheet date the interest rate profile of the Company's interest bearing financial instruments was:

	31 December 2008	30 June 2008
	(Rupees in '000')	
<b>Fixed rate instruments</b>		
<b>Financial Assets</b>		
Cash and bank balances- deposit accounts	150,000	168,852
<b>Floating rate instruments</b>		
<b>Financial Assets</b>		
Loans and advances - considered good	28,886	28,886
Cash and bank balances- saving accounts	340,229	380,400
<b>Financial Liabilities</b>		
Term finance certificates - secured	4,187,408	3,349,790
Long term finances-secured	296,592	406,539
Liabilities against assets subject to finance lease	163,827	228,191
Running finance under markup arrangements-secured	427,240	66,894
	(4,705,952)	(3,642,128)

### Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the balance sheet date would not affect profit or loss.

### Cash flow sensitivity analysis for variable rate instruments

An increase of 1% in interest rate at the reporting date would have increased markup by Rs. 27.225 million. Similarly a decrease of 1% in interest rate would have decreased markup by a similar amount. This analysis assumes that all other variables remain constant.

## 44.3.3 Other market price risk

Equity price risk arises from investments at fair value through profit or loss. The primary goal of the company investment strategy is to maximise investments return on the surplus cash balance. In accordance with this strategy certain investments are designated at fair value through profit or loss because their performance is actively monitored and they are managed on a fair value basis.

Since the investment amount is less than 2% of company's total assets, the performance of the investments will not have any material impact on the groups performance.

## 44.4 Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in consolidated financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

## 44.5 Capital management

The Board's policy is to maintain an efficient capital base so as to maintain investor, creditor and market confidence and to sustain the future development of Group's business. The Board of Directors monitors the return on capital employed, which the Company defines as operating income divided by total capital employed. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Group's objectives when managing capital are:

- a) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- b) to provide an adequate return to shareholders.

The Group manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may, for example, adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt. The Group monitors capital on the basis of the debt-to-equity ratio calculated as a ratio of total debt to equity and total debt.

	31 December 2008	30 June 2008
	(Rupees in '000')	
Total debt	5,023,966	3,997,497
Total equity and debt	16,394,087	15,907,274
Debt-to-equity ratio	31:69	25:75

The increase in the debt-to-equity ratio at 31 December 2008 resulted primarily from acquiring new financing for further expansion.

There were no changes in the Group's approach to capital management during the period and the group is not subject to externally imposed capital requirements.

## 45 Date of authorization for issue

These financial statements were authorized for issue on 13 June 2009 by the Board of Directors.

## 46 Standards, interpretations and amendments to published approved accounting standards that are yet not effective

A number of new standards and amendments to standards are not yet effective for the year ended 31 December 2008, and have not been applied in preparing these financial statements.

Revised IAS 1 - Presentation of financial statements (effective for annual periods beginning on or after 1 January 2009) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income. The application of this standard is not likely to have any effect on the Company's financial statements.

Revised IAS 23 Borrowing Costs removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised IAS 23 will become effective for the Company's accounting period beginning on 01 January 2009 and will constitute a change in accounting policy for the Company. In accordance with the transitional provisions, the Company will apply the revised IAS 23 to qualifying assets for which capitalisation of borrowing costs commences on or after the effective date.

IAS 29 – Financial Reporting in Hyperinflationary Economies (effective for annual periods beginning on or after 28 April 2008). The Company does not have any operations in Hyperinflationary Economies and therefore the application of the standard is not likely to have an effect on the Company's financial statements.

Amendments to IAS 32 Financial instruments: Presentation and IAS 1 Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009) – Puttable Financial Instruments and Obligations Arising on Liquidation requires puttable instruments, and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met. The amendments, which require retrospective application, are not expected to have any impact on the Company's financial statements.

Amendment to IFRS 2 Share-based Payment – Vesting Conditions and Cancellations (effective for annual periods beginning on or after 1 January 2009) clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The application of this standard is not likely to have any effect on the Company's financial statements.

Revised IFRS 3 Business Combinations (applicable for annual periods beginning on or after 1 July 2009) broadens among other things the definition of business resulting in more acquisitions being treated as business combinations, contingent consideration to be measured at fair value, transaction costs other than share and debt issue costs to be expensed, any pre-existing interest in an acquiree to be measured at fair value, with the related gain or loss recognised in profit or loss and any non-controlling (minority) interest to be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of an acquiree, on a transaction-by-transaction basis. The application of this standard is not likely to have an effect on the Company's financial statements.

Amended IAS 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009) requires accounting for changes in ownership interest by the group in a subsidiary, while maintaining control, to be recognized as an equity transaction. When the group loses control of subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognized in the profit or loss. The application of the standard is not likely to have an effect on the Company's financial statements.

IFRS 8 – Operating Segments (effective for annual periods beginning on or after 1 January 2009) introduces the “management approach” to segment reporting. IFRS 8 will require a change in the presentation and disclosure of segment information based on the internal reports that are regularly reviewed by the Company's “chief operating decision maker” in order to assess each segment's performance and to allocate resources to them. Currently the Company presents segment information in respect of its business and geographical segments. This standard will have no effect on the Company's reported total profit or loss or equity.

IFRIC 13 Customer Loyalty Programmes (effective for annual periods beginning on or after 01 July 2008) addresses the accounting by entities that operate or otherwise participate in customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. The application of IFRIC 13 is not likely to have an effect on the Company's financial statements.

IFRIC 15- Agreement for the Construction of Real Estate (effective for annual periods beginning on or after 1 October 2009) clarifies the recognition of revenue by real estate developers for sale of units, such as apartments or houses, 'off-plan', that is, before construction is complete. The amendment is not relevant to the Company's operations.

IFRIC 16- Hedge of Net Investment in a Foreign Operation. (effective for annual periods beginning on or after 1 October 2008) clarifies that net investment hedging can be applied only to foreign exchange differences arising between the functional currency of a foreign operation and the parent entity's functional currency and only in an amount equal to or less than the net assets of the foreign operation, the hedging instrument may be held by any entity within the group except the foreign operation that is being hedged and that on disposal of a hedged operation, the cumulative gain or loss on the hedging instrument that was determined to be effective is reclassified to profit or loss. The Interpretation allows an entity that uses the step-by-step method of consolidation an accounting policy choice to determine the cumulative currency translation adjustment that is reclassified to profit or loss on disposal of a net investment as if the direct method of consolidation had been used. The amendment is not relevant to the Company's operations.

The International Accounting Standards Board made certain amendments to existing standards as part of its first annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the Company's 2009 financial statements. These amendments are unlikely to have an impact on the company's accounts except for the following:

Amendments to IAS 39 *Financial Instruments: Recognition and Measurement* – Eligible hedged Items (effective for annual periods beginning on or after 1 July 2009 clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. The amendment is not likely to have an effect on the Company's financial statements.

IAS 27 'Consolidated and separate financial statements' (effective for annual periods beginning on or after 1 January 2009). The amendment removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The amendment is not likely to have an effect on Company's financial investments

IFRIC – 17 Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009) states that when a company distributes non cash assets to its shareholders as dividend, the liability for the dividend is measured at fair value. If there are subsequent changes in the fair value before the liability is discharged, this is recognised in equity. When the non cash asset is distributed, the difference between the carrying amount and fair value is recognised in the income statement. As the Company does not distribute non-cash assets to its shareholders, this interpretation has no impact on the Company's financial statements.

IFRS 5 Amendment - Improvements to IFRSs - IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (effective for annual periods beginning on or after 1 July 2009) specify that: if an entity is committed to a sale plan involving the loss of control of a subsidiary, then it would classify all of that subsidiary's assets and liabilities as held for sale when the held for sale criteria in paragraphs 6 to 8 of IFRS 5 are met disclosures for discontinued operations would be required by the parent when a subsidiary meets the definition of a discontinued operation. The amendment is not likely to have an effect on Company's financial statements.

The above conclusion should be amended if any changes are foreseen. A summary of these changes is available in IFRS Briefing Sheet Issue 94 dated June 2008. These amendments relate to:

IFRS 5 (Amendment), 'Non-current assets held-for-sale and discontinued operations' (effective from 1 July 2009). The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control.

IAS 23 (Amendment), 'Borrowing costs'. The definition of borrowing costs has been amended so that interest expense is calculated using the effective interest method defined in IAS 39 'Financial instruments: Recognition and measurement'. This eliminates the inconsistency of terms between IAS 39 and IAS 23.

IAS 28 (Amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial Instruments: Presentation', and IFRS 7, 'Financial instruments: Disclosures'). An investment in associate is treated as a single asset for the purposes of impairment testing.

IAS 36 (Amendment), 'Impairment of assets'. Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made.

IAS 38 (Amendment), 'Intangible assets'. A prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services.

IAS 19 (Amendment), 'Employee benefits'. The amendment among other things clarifies treatments in case of plan amendments and modifies definition of return on plan assets.

IAS 39 (Amendment), 'Financial instruments: Recognition and measurement'. This amendment among other things clarifies that it is possible for there to be movements into and out of the fair value through profit or loss category where a derivative commences or ceases to qualify as a hedging instrument in cash flow or net investment hedge.

IAS 1 (Amendment), 'Presentation of financial statements'. The amendment clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with IAS 39, 'Financial instruments: Recognition and measurement' are examples of current assets and liabilities respectively.

There are a number of minor amendments to IFRS 7, 'Financial instruments: Disclosures', IAS 8, 'Accounting policies, changes in accounting estimates and errors', IAS 10, 'Events after the reporting period', IAS 18, 'Revenue' and IAS 34, 'Interim financial reporting'.

IAS 16 (Amendment), 'Property, plant and equipment' (and consequential amendment to IAS 7, 'Statement of cash flows'). Entities whose ordinary activities comprise renting and subsequently selling assets present proceeds from the sale of those assets as revenue and should transfer the carrying amount of the asset to inventories when the asset becomes held for sale. A consequential amendment to IAS 7 states that cash flows arising from purchase, rental and sale of those assets are classified as cash flows from operating activities.

IAS 27 (Amendment), 'Consolidated and separate financial statements'. Where an investment in a subsidiary that is accounted for under IAS 39, 'Financial instruments: recognition and measurement', is classified as held for sale under IFRS 5, 'Non-current assets held-for-sale and discontinued operations', IAS 39 would continue to be applied.

IAS 28 (Amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial Instruments: Presentation' and IFRS 7, 'Financial instruments: Disclosures'). Where an investment in associate is accounted for in accordance with IAS 39 'Financial instruments: recognition and measurement', only certain rather than all disclosure requirements in IAS 28 need to be made in addition to disclosures required by IAS 32, 'Financial Instruments: Presentation' and IFRS 7 'Financial Instruments: Disclosures'.

IAS 29 (Amendment), 'Financial reporting in hyperinflationary economies'. The guidance has been amended to reflect the fact that a number of assets and liabilities are measured at fair value rather than historical cost.

IAS 31 (Amendment), 'Interests in joint ventures' (and consequential amendments to IAS 32 and IFRS 7). Where an investment in joint venture is accounted for in accordance with IAS 39, only certain rather than all disclosure requirements in IAS 31 need to be made in addition to disclosures required by IAS 32, 'Financial instruments: Presentation', and IFRS 7 'Financial instruments: Disclosures'.

IAS 38 (Amendment), 'Intangible assets'. The amendment deletes the wording that states that there is 'rarely, if ever' support for use of a method that results in a lower rate of amortisation than the straight-line method.

IAS 40 (Amendment), 'Investment property' (and consequential amendments to IAS 16). Property that is under construction or development for future use as investment property is within the scope of IAS 40. Where the fair value model is applied, such property is, therefore, measured at fair value.

IAS 41 (Amendment), 'Agriculture' (effective from 1 January 2009). 2008. It requires the use of a market-based discount rate where fair value calculations are based on discounted cash flows and the removal of the prohibition on taking into account biological transformation when calculating fair value.

IAS 20 (Amendment), 'Accounting for government grants and disclosure of government assistance'. The benefit of a below market rate government loan is measured as the difference between the carrying amount in accordance with IAS 39, 'Financial instruments: Recognition and measurement', and the proceeds received with the benefit accounted for in accordance with IAS 20.

#### 47 General

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

Lahore:  
13 June 2009

  
CHIEF EXECUTIVE

  
DIRECTOR

# Worldcall Telecom Limited

## PATTERN OF SHAREHOLDING AS AT 31 DECEMBER 2008

INCORPORATION NUMBER: 0042200 of 15-03-2001

No. of Shareholders	Shareholdings			Shares Held
	From		To	
589	1	-	100	28,423
1565	101	-	500	475,262
3475	501	-	1000	2,367,880
1943	1001	-	5000	4,797,810
393	5001	-	10000	3,033,939
115	10001	-	15000	1,448,464
114	15001	-	20000	2,090,000
75	20001	-	25000	1,701,585
39	25001	-	30000	1,067,027
25	30001	-	35000	801,074
20	35001	-	40000	767,342
9	40001	-	45000	390,150
22	45001	-	50000	1,079,578
12	50001	-	55000	617,716
7	55001	-	60000	409,493
6	60001	-	65000	381,502
2	65001	-	70000	136,753
4	70001	-	75000	293,053
1	80001	-	85000	80,584
5	85001	-	90000	437,664
1	90001	-	95000	93,167
10	95001	-	100000	991,538
2	100001	-	105000	201,732
4	105001	-	110000	430,558
2	110001	-	115000	223,022
1	115001	-	120000	117,500
2	120001	-	125000	245,506
2	125001	-	130000	255,908
2	130001	-	135000	268,028
2	135001	-	140000	276,431
1	140001	-	145000	141,012
1	145001	-	150000	148,168
1	150001	-	155000	150,514
1	165001	-	170000	168,500
4	170001	-	175000	694,534
2	175001	-	180000	357,760

# Worldcall Telecom Limited

No. of Shareholders	Shareholdings			Shares Held
	From		To	
1	185001	-	190000	185,303
1	190001	-	195000	194,000
2	195001	-	200000	395,616
2	200001	-	205000	400,615
2	205001	-	210000	419,000
2	210001	-	215000	425,016
1	225001	-	230000	226,759
1	230001	-	235000	231,500
3	235001	-	240000	715,458
1	245001	-	250000	250,000
1	250001	-	255000	255,000
4	255001	-	260000	1,027,508
1	260001	-	265000	263,303
1	270001	-	275000	273,640
1	275001	-	280000	276,762
1	285001	-	290000	285,500
3	295001	-	300000	900,000
3	310001	-	315000	935,990
3	315001	-	320000	951,204
1	320001	-	325000	322,513
3	370001	-	375000	1,117,239
1	425001	-	430000	428,228
1	430001	-	435000	430,100
1	445001	-	450000	450,000
1	455001	-	460000	457,119
2	460001	-	465000	927,000
1	465001	-	470000	467,987
2	495001	-	500000	1,000,000
1	500001	-	505000	503,500
1	550001	-	555000	553,117
1	575001	-	580000	578,686
1	605001	-	610000	605,943
1	610001	-	615000	613,151
1	880001	-	885000	884,200
1	1155001	-	1160000	1,155,175
1	1235001	-	1240000	1,238,671
1	1600001	-	1605000	1,601,337
2	1735001	-	1740000	3,476,019
1	2095001	-	2100000	2,095,299
1	2740001	-	2745000	2,744,429
1	2760001	-	2765000	2,763,268



# Worldcall Telecom Limited

No. of Shareholders	Shareholdings			Shares Held
	From		To	
1	2890001	-	2895000	2,893,161
1	3180001	-	3185000	3,184,759
1	3635001	-	3640000	3,639,009
1	4165001	-	4170000	4,166,268
1	4220001	-	4225000	4,220,677
1	4495001	-	4500000	4,497,030
1	4825001	-	4830000	4,825,971
1	5680001	-	5685000	5,682,821
1	7330001	-	7335000	7,334,000
1	8435001	-	8440000	8,436,000
1	13795001	-	13800000	13,800,000
1	17425001	-	17430000	17,428,500
1	18755001	-	18760000	18,758,014
1	19645001	-	19650000	19,650,000
1	25930001	-	25935000	25,931,926
1	63375001	-	63380000	63,379,862
1	103700001	-	103720000	103,709,754
1	488835001	-	488840000	488,839,429
<b>8538</b>				<b>860,571,513</b>

PATTERN OF SHAREHOLDING  
AS AT 31 DECEMBER 2008

Categories of Shareholders	Shares held	Percentage
Directors, Chief Executive Officer, their spouses and minor children	34,129,944	3.97%
Associated Companies, undertakings and related parties	563,701,178	65.50%
NIT and ICP	2,047,999	0.24%
Banks, Development Financial Institutions, Non-Banking Finance Companies	35,263,242	4.10%
Insurance Companies	1,557,421	0.18%
Modarabas and Mutual Funds	2,936,789	0.34%
Shareholders holding 10% or more	592,549,183	68.86%
<u>General Public</u>		
a. Local	114,680,485	13.33%
b. Foreign	57,016,892	6.63%
Others		
- Joint Stock Companies	48,513,979	5.64%
- Foreign Companies	723,584	0.08%

**Note:-** Some of the shareholders are reflected in more than one category.

**PATTERN OF SHAREHOLDING AS PER LISTING REGULATIONS  
AS AT 31 DECEMBER 2008**

<u>Shareholders' Category</u>	<u>Number of Shares held</u>	<u>% of shareholding</u>
<b>Associated Companies, undertaking and related parties</b>		
Arif Habib Securites Limited	66,143,130	7.69%
First Capital Securities Corp. Ltd.	8,717,707	1.01%
Oman Telecommunications Company (S.A.O.G.)	488,839,429	56.80%
Pace (Pakistan) Ltd.	912	0.00%
<b><u>NIT and ICP</u></b>		
National Bank Of Pakistan,Trustee Deptt.	310,591	0.04%
National Investment Trust Limited	1,737,408	0.20%
<b><u>Directors and their Spouse &amp; Minor Children</u></b>		
Dr. Mohammad Ali Mohammad Al-Wohaibi	500	0.00%
Salman Taseer	35,281	0.00%
Talal Said Marhoon Al-Mamari	500	0.00%
Saleem Jawad Jaffer Al-Khabouri	500	0.00%
Sameer Hamed Nasser Al-Siyabi	500	0.00%
Abdullah Zahran Abdullah Al-Hinai	500	0.00%
Sumbul Munir	575	0.00%
Sheikh Sulieman Ahmed Said Al-Hoqani	34,090,342	3.96%
Asadullah Khawaja (Nominee Arif Habib Securities Limited)	-	0.00%
<b><u>Spouses &amp; Minor Children</u></b>		
Aamna Taseer	1,246	0.00%
<b><u>Executives</u></b>		
	-	0.00%
<b>Public Sector Companies and Corporations</b>	48,513,979	5.64%
<b>Banks Development Financial Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas and Mutual Funds etc.</b>	40,481,036	4.70%
<b>General Public</b>	171,697,377	19.95%
<b>Shareholders holding 10% or more voting interest in the Company</b>		
Oman Telecommunications Company (S.A.O.G.)	488,839,429	56.80%
Jamal Said Rajab Al-Ojaili	103,709,754	12.05%



# Worldcall Telecom Limited

## FORM OF PROXY

The Company Secretary  
Worldcall Telecom Limited  
67-A, C-III, Gulberg-III  
Lahore

Folio No./CDC A/c No. _____
Shares Held: _____

I / We \_\_\_\_\_ of \_\_\_\_\_  
(Name) (Address)

being the member (s) of Worldcall Telecom Limited hereby appoint Mr. / Mrs./

Miss \_\_\_\_\_ of \_\_\_\_\_  
(Name) (Address)

or failing him / her / Mr. / Mrs. / Miss. \_\_\_\_\_ of \_\_\_\_\_  
(Name) (Address)

{who is also member of the Company vide Registered Folio No. \_\_\_\_\_ (being the member of the Company)} as my / our proxy to attend at and vote for me / us and on my/our behalf at the Annual General Meeting of the Company to be held at The Institute of Chartered Accountants of Pakistan, 155-156, West Wood Colony, Thokar Niaz Beg, Lahore on 06 July 2009 at 10:00 a.m. and at any adjournment thereof.

Signature this \_\_\_\_\_ Day of \_\_\_\_\_ 2009.

(Witnesses)

1. \_\_\_\_\_

2. \_\_\_\_\_

Affix Revenue Stamp of Rupees Five
---------------------------------------

Signature \_\_\_\_\_  
(Signature appended should agree with the specimen signature registered with the Company.)

Notes:

1. This Proxy Form, duly completed and signed, must be received at the Registered Office of the Company not later than 48 hours before the time of holding the meeting.
2. No person shall act as proxy unless he himself is a member of the Company, except that a corporation may appoint a person who is not a member.
3. CDC account holders will further have to follow the guidelines as laid down in Circular No. 1 dated 26 January 2000 issued by the Securities and Exchange Commission of Pakistan.

