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 over-whelming 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.

CONTENTS

FINANCIAL STATEMENTS

FOR THE YEAR ENDED
30 JUNE 2007

COMPANY INFORMATION

Board of Directors	Sulieman Ahmed Said Al-Hoqani (Chairman) Salmaan Taseer (Chief Executive Officer) Aamna Taseer Shaan Taseer Jamal Said Al-Ojaili Babar Ali Syed Air Vice Marshal (R) Arshad Rashid Sethi Abid Raza Arshed Ahmed Khan
Chief Financial Officer	Muhammad Naveed Tariq
Audit Committee	Babar Ali Syed (Chairman) Aamna Taseer Arshed Ahmed Khan
Company Secretary	Ahmad Bilal
Auditors	KPMG Taseer Hadi & Co., Chartered Accountants
Legal Advisers	Hosain & Rahim Advocates
Bankers	Allied Bank Limited Askari Bank Limited Bank Al-Falah Limited Barclays Bank Plc Citi Bank N.A Pakistan Deutsche Bank AG Faysal Bank Ltd First Women Bank Limited Habib Bank AG Zurich Habib Bank Limited Habib Metropolitan Bank Limited KASB Bank Limited MCB Bank Limited National Bank of Pakistan PICIC Commercial Bank Limited Prime Commercial Bank Limited Saudi Pak Commercial Bank Limited Soneri Bank Limited Standard Chartered Bank (Pakistan) Limited The Bank of Punjab United Bank Limited
Registrar and Shares Transfer Office	THK Associates (Pvt.) Limited Ground Floor State Life Building No.3, Dr. Ziauddin Ahmed Road Karachi ☎ (021) 111-000-322, 5689021
Registered Office/Head Office	103-C/II, Gulberg-III Lahore, Pakistan ☎ (042) 5757591-4 Fax: (042) 5757590, 5877920

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 7th Annual General Meeting of the shareholders of Worldcall Telecom Limited (the "Company" or "WTL") will be held on 31 October 2007 at 12:30 p.m. at the Registered Office of the Company, 103-C/II, Gulberg-III, Lahore, to transact the following business:

1. To confirm the minutes of last Annual General Meeting held on 31 October 2006;
2. To receive, consider and to adopt the financial statements of the Company for the year ended 30 June 2007 together with the Directors' and Auditors' reports thereon; and
3. To appoint the Auditors of the Company for the year ending 30 June 2008 and to fix their remuneration.

By order of the Board

Lahore
10 October 2007

Ahmad Bilal
Company Secretary

Notes:

1) The Register of Members will remain closed from 24 October 2007 to 31 October 2007 (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 23 October 2007 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 the original NIC 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 the 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 and 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 requirements along with participant ID and account/sub-account number together with an attested copy of their NIC or Passport. The proxy form shall be witnessed by two witnesses with their names, addresses and NIC numbers. The proxy shall produce his/her original NIC or Passport at the time of the 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.

DIRECTORS' REPORT

The Directors of Worldcall Telecom Limited ("WTL" or "the Company") are pleased to present before you a review of your Company's performance for the year ended 30 June 2007.

Financial Overview

The Company posted net revenue of PKR 4.3 billion while making a net profit after tax of PKR 623.5 million during the year. The Company maintained same level of revenue as that of last year while GP margin showed a slight improvement of 2%. This shows that the Company has performed well despite the cut throat competition in the market and has successfully consolidated its position in the telecom market. The current year's operating costs also remained consistent in comparison with last year due to the fact the Company maintained tight controls over its expenses. The Company generated healthy cash flows from operating activities. Detailed results of the Company for the year are disclosed in the financial statements accompanying this report; however salient features of the results for the year are as follows:

Profit and Loss Account	**(Rs. in Millions)**
Revenue	**4,313**
Gross Profit	**1,684**
Profit after Taxation	**624**
EPS-Basic-(Rupees)	**0.83**

Balance Sheet

Non Current Assets	**14,488**
Net Current Assets	**547**
Non Current Liabilities	**2,981**
Share Capital and Reserves	**12,054**
Break up Value per Share (Excluding surplus on revaluation)- Rupees	**13.90**
Break up Value per Share (Including surplus on revaluation) - Rupees	**14.16**

Operational Achievements are highlighted below

WTL has shown sustained growth in its telecom operations in the last financial year with highlights as follows:

- WLL service has expanded to 42 new cities with the most significant addition of Karachi in its operational footprint. Service coverage has been enhanced by nearly 100% over the last one year.
- WTL has achieved the distinction of being a Gigabit operator for its broadband operations in the retail segment. Considering last year's connectivity closed at around 300 Mbps, this represents a 300% growth in this segment. WTL holds market leadership position for broadband operations in Pakistan.
- Long Distance and International (LDI) operations have shown significant strength and have performed exceptionally well in international termination and provisioning of local interconnect facilities for WTL's own local loop operations.
- WTL achieved the distinction of being the most significant cable television operator in Pakistan vis-à-vis advertisement business in the country.
- WTL successfully bid for Joint Venture (JV) operations establishment with Capital Development Authority. The JV shall deliver a landmark fiber optic infrastructure in Islamabad Capital Territories. It gives WTL joint ownership of the infrastructure to be deployed under this joint venture for a 30 years period.
- Significant contract for Metro fiber connectivity has been signed with Telenor for coverage extension in 9 additional

cities. O&M for the life of the contract is also included in the scope of services and offers a win-win situation to both the parties.
- Digital cable and video on demand (VoD) services received an encouraging response from customers. These give WTL a distinct edge over competition in premium cable television services segment.

Future Outlook

It has been an interesting year for the telecom industry in Pakistan. Given the positive market indicators, clearly recognized by regional operators, a number of acquisitions have been executed. Established local players have also demonstrated an increased appetite to enhance their service potential in various segments.

Primary focus has been seen in the mobile, broadband and long distance segment where market potential has been duly recognized by significant new investment initiatives. Access ownership for local loop operators has started to mature while significant play in this segment is being seen.

WTL has been operating aggressively in various segments and in some cases has exceeded market performance e.g. broadband and metro fiber services.

Oman Telecommunications Company (Omantel) has been reviewing the option of buying majority stakes in the Company form the sponsors group and have conducted financial and legal due diligence for this purpose. As of date of this report, the Company was expecting a final decision from the board of directors of Omantel. However no such decision has been conveyed to the sponsors Group till the date of this report.

WTL is targeting a major escalation in its network coverage for all its contributing segments over the next two years.

- WTL is finalizing roll-out plans for extending its hybrid fiber coaxial cable operations to eight additional metropolitan centers in Pakistan with a coverage footprint of over a million homes passed. Connectivity for Internet over Cable (IoC) and cable television (analogue and digital) are envisaged as high priority services. A major escalation in advertisement revenues, by making a play on enhanced connectivity, is also planned in this regard.
- For WLL service offering, major focus shall be coverage and capacity enhancement in existing deployment along with addition of service areas in major population concentrations. Wireless broadband through EVDO is going to become universally available through WTL across all major metropolitan cities serviced by the Company's WLL operations.
- WiMax network will be rolled out for internet broadband, point to point and multipoint connectivity, principally in highly attractive markets in central Punjab.
- Metro fiber operations will be further enhanced with deep fiber architecture across existing operational base.
- LDI will be restructured for more significant international deployments while retaining domestic market shares in Pakistan.
- In continuation of various initiatives over the last one year, customer operations and services support structure will be further augmented.

Changes in the Board of Directors

Since the last report there has been no change in the Board of Directors of the Company and subsequent to the year, Air Vice Marshal (Retd) Syed Imtiaz Hyder resigned from the Board of directors of the Company and Air Vice Marshal (Retd) Arshad Rashid Sethi has been appointed as director in his place. Currently the Company has nine directors on its Board.

Board Meetings during the year

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

Directors	Meetings Attended
Sulieman Ahmed Said Al-Hoqani (Chairman)	3
Salmaan Taseer (Chief Executive Officer)	4
Aamna Taseer	4
Shaan Taseer	1
Babar Ali Syed	4
Abid Raza	2
Jamal Said Al-Ojaili	-
Air Vice Marshal (R) Arshad Rashid Sethi	-
Arshed Ahmed Khan	4
Air Vice Marshal (R) Syed Imtiaz Hyder (Resigned)	2

The Directors who could not attend the meeting were duly granted leave by the Board.

Audit Committee

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

Babar Ali Syed	Chairman
Aamna Taseer	Member
Arshed Ahmed Khan	Member

Auditors

The present Auditors, Messrs KPMG Taseer Hadi & Co., Chartered Accountants shall retire but are eligible to offer themselves for re-appointment. The Board of Directors endorses the recommendation of the audit committee for the re-appointment of Messrs KPMG Taseer Hadi & Co., Chartered Accountants as the auditors of the Company for the financial year ending 30 June 2008.

Pattern of Shareholding

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

Keeping in view of the future expansion plans, the directors have recommended no dividend be paid for the year under review.

Trading of Directors

During the financial year, 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 and 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 three 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.

Earning per Share

Earning per share for the financial year ended 30 June 2007 is Rs. 0.83.

Human Resources

Worldcall appreciates the hard work and determination of its employees that has helped it to become one of the leading telecom companies in Pakistan. Worldcall continues to rely on its employees for its future expansion and believes in the mutual sharing of rewards that are a result of the endeavors of its employees.

For and on behalf of the Board of Directors

Lahore:	**Aamna Taseer**	**Babar Ali Syed**
06 October 2007	Director	Director

Annexure-1

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

	Opening balance as on 01-07-2006	Purchase	Bonus	Sale	Closing balance as on 30-06-2007
Directors					
Salmaan Taseer **(CEO)**	6,833,050	-	943,731	541,500	7,235,281
Aamna Taseer	1,519	-	227	-	1,746
Shaan Taseer	157,066	-	23,559	179,125	1,500
Sulieman Ahmed Said Al-Hoqani	256,117,716	50,667,043	41,111,583	-	347,896,342
Jamal Said Al-Ojaili	816	-	122	-	938
Abid Raza	1,951	-	292	-	2,243
Babar Ali Syed	500	-	75	-	575
Air Vice Marshal(R) Syed Imtiaz Hyder (Resigned)	500	-	75	-	575
Arshad Ahmed Khan (Nominee of SAPICO)	-	-	-	-	-
Air Vice Marshal(R) Arshad Rashid Sethi	-	-	-	-	-
Spouses	-	-	-	-	-
Minor Children	-	-	-	-	-
Chief Financial Officer					
Muhammad Naveed Tariq	51,527	1,041	96	50,882	1,782
Company Secretary					
Ahmad Bilal	1,731	-	260	-	1,991

THREE YEARS FINANCIAL PERFORMANCE
INCOME STATEMENT

	2007	2006	01 December 2004 to 30 June 2005
		(Rupees in '000)	
Revenue-Net	4,312,513	4,355,859	677,854
Direct Cost	(2,628,806)	(2,726,331)	(607,833)
Gross Profit	**1,683,707**	**1,629,528**	**70,021**
Operating Cost	(1,057,853)	(1,034,128)	(91,497)
Operating Profit/(loss)	**625,854**	**595,400**	**(21,476)**
Finance Cost	(312,939)	(179,092)	(24,746)
	312,915	**416,308**	**(46,222)**
Gain on re-measurement of investments at fair value	279,183	138,363	-
Gain on re-measurement of investment property at fair value	15,516	21,000	-
Gain on re-measurement of long term liabilities	-	453,107	-
Other Operating Income	138,086	158,077	14,300
Other Expenses	(39,259)	(4,635)	-
Profit/(loss) before taxation	**706,441**	**1,182,220**	**(31,922)**
Taxation	(82,905)	(234,610)	12,704
Profit/(loss) after taxation	**623,536**	**947,610**	**(19,218)**
Bonus Shares	**-**	**15%**	**-**
Earning per share - Basic	**0.83**	**1.28**	**(0.14)**

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES ON TRANSFER PRICING FOR THE YEAR ENDED 30 JUNE 2007

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 of Directors

Lahore:	**Aamna Taseer**	**Babar Ali Syed**
06 October 2007	Director	Director

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2007

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 NBFI. 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.

8) The meetings of the board were presided over by the Chairman who is a non-executive director 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 and CFO before approval of the Board.

13) The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14) The Company has complied with all the corporate and financial reporting requirements of 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 of Directors

Lahore:	**Aamna Taseer**	**Babar Ali Syed**
06 October 2007	Director	Director

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.

KPMG Taseer Hadi & Co

Lahore:
06 October 2007

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 30 June 2007 and the related profit and loss account, cash flow statement and statement of changes in equity, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

We conducted our audit in accordance with 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 changes referred to in note 2.4 and 2.5 to the financial statements with which we concur;

   ii) the expenditure incurred during the year was for the purpose of the Company's business; and

   iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2007 and of the profit, its cash flows and changes in equity for the year 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.

KPMG Taseer Hadi & Co.

Lahore:
06 October 2007

KPMG Taseer Hadi & Co.
Chartered Accountants

BALANCE SHEET
AS AT 30 JUNE 2007

	Note	2007	2006
		(Rupees in '000)	
NON CURRENT ASSETS			
Tangible fixed assets			
Property, plant and equipment	3	**7,643,496**	5,973,792
Capital work-in-progress	4	**1,780,544**	886,893
		9,424,040	6,860,685
Intangible assets	5	**4,704,499**	4,826,751
Investment properties	6	**72,150**	56,634
Long term investments - at cost	7	**58,758**	100,072
Long term deposits	8	**223,383**	199,704
Deferred costs	9	**4,727**	10,063
		14,487,557	12,053,909
CURRENT ASSETS			
Store and spares		**67,451**	34,637
Stock in trade		**35,187**	21,931
Trade debts	10	**899,052**	701,434
Loans and advances - considered good	11	**115,195**	134,095
Deposits and prepayments	12	**178,320**	191,024
Other receivables	13	**410,245**	421,387
Short term investments	14	**570,941**	784,542
Income tax recoverable-net		**58,229**	26,959
Cash and bank balances	15	**560,575**	1,452,789
		2,895,195	3,768,798
CURRENT LIABILITIES			
Current maturities of non-current liabilities	16	**751,320**	793,762
Running finance under mark-up arrangements - secured	17	**525,459**	273,207
Trade and other payables	18	**1,039,068**	845,569
Interest and mark-up accrued	19	**31,981**	34,131
		2,347,828	1,946,669
NET CURRENT ASSETS		**547,367**	1,822,129
NON CURRENT LIABILITIES			
Term finance certificates - secured	20	**342,855**	49,909
Long term finances	21	**677,464**	1,085,017
Deferred taxation	22	**666,625**	477,545
Retirement benefits	23	**98,856**	69,823
Liabilities against assets subject to finance lease	24	**194,026**	175,624
Long term payables- secured		**134,127**	6,261
Long term deposits		**59,774**	76,260
License fee payable	25	**806,791**	705,667
		2,980,518	2,646,106
Contingencies and commitments	26		
		12,054,406	11,229,932
Represented By			
Share capital and reserves			
Authorized capital			
900,000,000 (2006: 775,000,000) ordinary shares of Rs. 10 each		**9,000,000**	7,750,000
Issued, subscribed and paid up capital	27	**7,520,607**	6,539,658
Share premium	28	**410,887**	1,391,836
Convertible loan reserve	21.2	**1,403,575**	1,400,430
Accumulated profit		**2,521,544**	1,898,008
		11,856,613	11,229,932
Surplus on Revaluation	29	**197,793**	-
		12,054,406	11,229,932

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

The Chief Executive is out of Pakistan and in his absence these financial statements have been signed by two directors as required under section 241(2) of the Companies Ordinance, 1984.

DIRECTOR **DIRECTOR**

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2007

		Note	2007	2006
			(Rupees in '000)	
Revenue -Net		30	**4,312,513**	4,355,859
Direct cost		31	**(2,628,806)**	(2,726,331)
Gross profit			**1,683,707**	1,629,528
Operating cost		32	**(1,057,853)**	(1,034,128)
Operating profit			**625,854**	595,400
Finance cost		33	**(312,939)**	(179,092)
			312,915	416,308
Gain on re-measurement of investments at fair value		14	**279,183**	138,363
Gain on re-measurement of investment property at fair value		6	**15,516**	21,000
Gain on re-measurement of long term liabilities		25	**-**	453,107
Other operating income		34	**138,086**	158,077
Other expenses		35	**(39,259)**	(4,635)
Profit before taxation			**706,441**	1,182,220
Taxation		36	**(82,905)**	(234,610)
Profit after taxation			**623,536**	947,610
Earnings per share - basic	**(Rupees)**	37	**0.83**	1.28
Earnings per share - diluted	**(Rupees)**	37	**0.73**	1.21

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

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

The Chief Executive is out of Pakistan and in his absence these financial statements have been signed by two directors as required under section 241(2) of the Companies Ordinance, 1984.

DIRECTOR **DIRECTOR**

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2007

	Note	2007	2006
		(Rupees in '000)	
Cash flows from operating activities			
Cash generated from operations	39	**1,502,215**	853,394
(Increase) in long term deposits receivable		**(23,679)**	(7,483)
(Decrease) in long term deposits payable		**(16,486)**	(56,755)
Increase/(Decrease) in long term payables		**127,866**	(100,614)
(Decrease) in license fee payable		**-**	(2,610)
Retirement benefits paid		**(14,503)**	(11,410)
Finance cost paid		**(297,684)**	(318,075)
Taxes paid		**(31,599)**	(21,226)
Net cash generated from operating activities		**1,246,130**	335,221
Cash flow from investing activities			
Fixed capital expenditure		**(2,751,841)**	(1,713,693)
Intangible assets		**(5,139)**	-
Sale proceeds of property, plant and equipment		**27,174**	11,599
Proceeds from sale of long term investments		**-**	162,161
Short term investments-Net		**578,058**	(284,826)
Net cash used in investing activities		**(2,151,748)**	(1,824,759)
Cash flow from financing activities			
Receipt of long term finances		**44,800**	1,728,479
Repayment of long term finances		**(450,171)**	(255,555)
Receipt of term finance certificates		**350,000**	-
Repayment of term finance certificates		**(106,944)**	(99,127)
Repayment of finance lease liabilities		**(76,533)**	(209,339)
Shares issued		**-**	690,000
Dividend paid		**-**	(42)
Net cash (used)/generated from financing activities		**(238,848)**	1,854,416
Net (decrease)/Increase in cash and cash equivalents		**(1,144,466)**	364,878
Cash and cash equivalents at the beginning of the year		**1,179,582**	562,389
Cash and cash equivalents of merged entities		**-**	252,315
Cash and cash equivalents at the end of the year	40	**35,116**	1,179,582

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

The Chief Executive is out of Pakistan and in his absence these financial statements have been signed by two directors as required under section 241(2) of the Companies Ordinance, 1984.

DIRECTOR **DIRECTOR**

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2007

	Share capital	Capital reserves			Revenue reserve	Total
		Share premium	Convertible loan reserve	Share deposit money	Accumulated profit/(loss)	
	(Rupees in '000)					
Balance as at 30 June 2005	2,750,000	-	-	-	(19,218)	**2,730,782**
Share deposit money received against issue of shares	-	-	-	690,000	-	**690,000**
Equity component of convertible loan	-	-	1,400,430	-	-	**1,400,430**
Shares issued	690,000	-	-	(690,000)	-	-
Shares issued to shareholders of WBL, WCL and WML under scheme of merger	3,099,658	1,373,148	-	-	-	**4,472,806**
Reserves of merged entities transferred as per scheme of merger	-	18,688	-	-	1,189,888	**1,208,576**
Bonus shares issued by WCL prior to court order	-	-	-	-	(220,230)	**(220,230)**
Interim dividend paid	-	-	-	-	(42)	**(42)**
Net profit for the year	-	-	-	-	947,610	**947,610**
Balance as at 30 June 2006	6,539,658	1,391,836	1,400,430	-	1,898,008	**11,229,932**
Reimbursement of transaction cost related to equity component of convertible loan	-	-	3,145	-	-	**3,145**
Bonus shares issued	980,949	(980,949)	-	-	-	-
Net profit for the year	-	-	-	-	623,536	**623,536**
Balance as at 30 June 2007	**7,520,607**	**410,887**	**1,403,575**	-	**2,521,544**	**11,856,613**

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

The Chief Executive is out of Pakistan and in his absence these financial statements have been signed by two directors as required under section 241(2) of the Companies Ordinance, 1984.

DIRECTOR **DIRECTOR**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

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 103 C-II, Gulberg III, Lahore.

2 Summary of significant accounting policies

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

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984. Approved accounting standards comprise of such International Financial Reporting Standards as 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 Companies Ordinance, 1984 or requirements of the said directives take precedence.

2.2 Accounting convention and basis of preparation

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

2.3 Signinficant accounting judgements 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- (note 2.4 & 3)
- Staff retirement benefits- (note 2.15 & 23)
- Taxation- (note 2.9 & 36)
- Provisions and contingencies- (note 2.20 & 26)
- Investment properties- (note 2.6 & 6)

2.4 Fixed capital expenditure and depreciation

Property, plant and equipment

Property, plant and equipment except plant and equipment, are stated at cost less accumulated depreciation and any identified impairment loss.

During the year, the Company has changed its accounting policy for subsequent measurement of plant and equipment from cost model to revaluation model. These are stated at revalued amount less accumulated depreciation and any identified impairment loss, earlier these were stated at cost 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 3.

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 depreciation on revalued assets is transferred net of deferred tax from surplus on revaluation to 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 upto 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 fair value and present value of minimum lease payments at the date of commencement of lease, less accumulated depreciation and any identified impairment loss. During the year, the Company has revalued its plant and equipment subject to finance lease and stated them at revalued amount less accumulated depreciation.

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 3. 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.

2.5 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.

During the year the Company has adopted International Financial Reporting Standard "IFRS" 3 (Business Combinations), which has been adopted by Securities and Exchange Commission of Pakistan (SECP) vide SRO 1228(I)/2006 dated 06 December 2006. Prior to adoption of IFRS 3, the Company was stating Goodwill at cost less accumulated amortization and any identified impairment losses, whereas IFRS 3 requires that Goodwill should be stated at cost less any identified impairment losses. Consequently, no amortization of goodwill has been charged to the profit and loss account during the year in conformity with the requirements of IFRS 3. Had there been no change, the profit for the year and goodwill would have been lower by Rs. 136.9 million.

Other intangible assets

Other intangible assets are stated at cost less accumulated amortization and any identified impairment loss.

Other intangible assets are amortized using the straight line method at the rates given in note 5. 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.

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.

2.6 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 2.18.

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.

2.7 Investments

The Company classifies its investments in following categories.

Investments in equity instruments of subsidiaries

Investments in subsidiaries are initially measured at cost. Cost in relation to investments made in a foreign subsidiary is determined by translating the consideration paid in a foreign currency into rupees at exchange rates prevailing on the date of transactions. Subsequent to initial measurement, these investments are stated at cost less any identified impairment loss.

Investments in associated companies

Investments in associated companies, other than long term investments which are stated at cost less any identified impairment losses, are classified as investments at fair value through profit or loss and are valued accordingly except for investment in non listed equity instruments of associated companies, which are stated at cost less provision for any identified impairment.

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 sales 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.

2.8 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.

2.9 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 income statement, except in the case of items credited or charged to equity in which case it is included in equity.

2.10 Deferred costs

These include share issue expenses incurred on increasing the authorized capital of the Company and expenses incurred in connection with the public offering/placements for the year 2004. In order to comply with the substituted Fourth Schedule to the Companies Ordinance, 1984, the Company has adopted the treatment allowed by Circular No. 1 of 2005 issued by Securities and Exchange Commission of Pakistan whereby deferred costs incurred prior to 01 July 2004 are being amortized over a period of five years whereas deferred cost incurred subsequent to this date are charged to income currently.

2.11 Inventories

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

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.

2.12 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.

2.13 Financial liabilities

Financial liabilities are classified according to substance 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 basis.

Term finance certificates

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

Convertible loans

Convertible loans that can be converted to share capital at the option of the lender, where the number of shares issued does not vary with the changes in their fair value, are accounted for as compound financial instruments. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity component in proportion to the allocation of proceeds. The equity component of the convertible loan is calculated as the excess of the issue proceeds over the present value of future cash out flows, discounted at the market rate of interest applicable to similar liabilities that do not have a conversion option. The interest expense recognized in the income statements is calculated using the effective interest rate method.

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.

2.14 Trade and other payables

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

2.15 Retirement and other benefits

Defined benefit plan

The Company operates 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.

2.16 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.

2.17 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.

2.18 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 income statement 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.

2.19 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.

2.20 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.

2.21 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.

2.22 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 comprise 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 derecognition 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.

2.23 Segment reporting

A segment is a distinguishable component of the Company that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risk and rewards that are different from other segments.

2.24 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.

2.25 Business combination involving entities under common control

A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and the control is not transitory.

In the absence of more specific guidance, the Company consistently applied the fair value (Purchase method) measurement method to all common control transactions.

2.26 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.

3 Property, plant and equipment

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

	Cost as at 01 July	Revaluation Surplus	Additions/ (Disposals)	Transfers	Cost as at 30 June	Accumulated depreciation as at 01 July	Depreciation charge for the year/ (Disposals)	Transfers	Accumulated depreciation as at 30 June	Net book value as at 30 June	Depreciation rate %
	(Rupees in '000)					(Rupees in '000)				(Rupees in '000)	
Owned assets											
Freehold Land	-	-	19,800	-	19,800	-	-	-	-	19,800	
Leasehold improvements	57,781	-	13,639 -	- -	71,420	11,389	11,019 -	- -	22,408	49,012	20-33
Plant and equipment	5,808,040	300,080	1,929,553 (4,009)	74,858 (47,304)	8,061,218	433,203	622,646 (462)	14,979 (11,361)	1,059,005	7,002,213	6.67-20
Office equipment	49,924	-	6,460 (261)	- -	56,123	7,798	7,560 (90)	- -	15,268	40,855	10
Computers	37,354	-	24,286 (1,042)	353 -	60,951	13,878	14,422 (1,002)	353 -	27,651	33,300	10-33
Furniture and fixtures	11,802	-	2,089 (150)	- -	13,741	2,024	1,849 (30)	- -	3,843	9,898	10
Vehicles	52,646	-	20,261 (27,381)	1,628 -	47,154	20,509	9,737 (5,861)	757 -	25,142	22,012	20
Lab and other equipment	9,771	- -	6,014	-	15,785	2,297	2,971	- -	5,268	10,517	10-20
	6,027,318	**300,080**	**2,022,102 (32,843)**	**76,839 (47,304)**	**8,346,192**	**491,098**	**670,204 (7,445)**	**16,089 (11,361)**	**1,158,585**	**7,187,607**	
Leased assets											
Plant and equipment	426,208	4,217	27,649	(74,858) 47,304	430,520	20,173	40,190	(14,979) 11,361	56,745	373,775	6.67-20
Vehicles	43,327	-	67,394	(1,628)	109,093	11,790	15,946	(757)	26,979	82,114	20
Computers	353	-	-	(353)	-	353	-	(353)	-	-	33
	469,888	**4,217**	**95,043**	**(76,839) 47,304**	**539,613**	**32,316**	**56,136**	**(16,089) 11,361**	**83,724**	**455,889**	
2007	**6,497,206 -**	**304,297 -**	**2,117,145 (32,843)**	**- -**	**8,885,805**	**523,414**	**726,340 (7,445)**	**-**	**1,242,309**	**7,643,496**	
2006	**840,780 -**	**- -**	**5,694,835 (38,409)**	**- -**	**6,497,206**	**40,871**	**501,142 (18,599)**	**-**	**523,414**	**5,973,792**	

3.2 Additions for the year ended 30 June 2006 include Rs. 2,596 million representing acquisition through business combination.

3.3 The Company has revalued its plant and equipment on 31 March 2007, resulting in a net surplus of Rs. 304.30 million. The valuation was conducted by an independent valuer, M/s. Surval. 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 30 June 2007 would have amounted to Rs. 7,062.133 million.

	Note	2007	2006
		(Rupees in '000)	
3.4 Depreciation charge for the year has been allocated as follows:			
Direct cost	31	**662,837**	454,401
Operating cost	32	**63,503**	46,741
		726,340	501,142

3.5 Property, plant and equipment sold during the year

Description	Cost	Accumulated depreciation	Book Value	Sale proceeds	Mode of disposal	Sold to
	(Rupees in '000)					
Plant and equipment						
Intergy Rectifier (Cable Plant)	268	62	206	170	Insurance claim	-
Cable plant & equipment	3,741	400	3,341	3,382	Insurance claim	-
Office Equipment						
Photo Copier	250	83	167	202	Insurance claim	-
Mobile Phone	11	7	4	11	Negotiation	Mustafa Pirzada -Ex-Employee
Computers						
Compaq Proliant Server	567	567	-	295	Insurance claim	-
IBM Server	360	360	-	198	Insurance claim	-
Laptop	97	64	33	33	Settlement	Asad Ullah- Ex-Employee
Desktop	18	11	7	8	Insurance claim	-
Furniture & Fixture	150	30	120	60	Negotiation	Kashif
Vehicles						
Honda City	825	825	-	575	Insurance claim	-
Suzuki Pick Up	339	339	-	300	Insurance claim	-
Suzuki Pick Up	339	339	-	300	Insurance claim	-
Vehicle -Shehzor	602	602	-	290	Negotiation	Farooq Hamed
Honda Civic	1,485	965	520	850	Settlement	Shuaib Yousaf- Ex-Employee
KIA	575	125	450	450	Negotiation	M.Sadiq
Honda City	973	146	827	650	Negotiation	Tanvir Ahmed- Ex-Employee
Suzuki Bolan	239	52	187	160	Negotiation	Muhammad Sadiq
Suzuki cultus	592	592	-	240	Negotiation	Amjad Afzal -Ex-Employee
Mercedes Benz	10,225	852	9,373	9,600	Negotiation	Muhammad Imran
Toyota Land Cruiser	5,468	547	4,921	4,400	Negotiation	Awais Saeed
Toyota Land Cruiser	5,719	477	5,242	5,000	Negotiation	Usman Zia
Total	**32,843**	**7,445**	**25,398**	**27,174**		

4 **Capital work-in-progress**	**2007**	2006
	(Rupees in '000)	
Owned		
Civil works	**130,520**	36,287
Plant and equipment	**1,464,130**	637,845
Store and spares held for capital expenditure	**162,313**	183,407
	1,756,963	857,539
Leased		
Plant and equipments subject to finance lease	**23,581**	29,354
	1,780,544	886,893

5 Intangible assets

	Cost as at 01 July	Additions/ (adjustments)	Cost as at 30 June	Accumulated amortization as at 01 July	Amortization/ (adjustments) for the year	Accumulated amortization as at 30 June	Net book value as at 30 June	Rate %
	(Rupees in '000)			(Rupees in '000)				
Licenses	2,454,340	3,375	2,457,715	199,978	122,965	322,943	2,134,772	5
Patents and copyrights	5,333	-	5,333	801	801	1,602	3,731	10
Software	18,124	1,764	19,888	3,761	3,625	7,386	12,502	20
Goodwill	2,690,403	-	2,690,403	136,909	-	136,909	2,553,494	
2007	**5,168,200**	**5,139**	**5,173,339**	**341,449**	**127,391**	**468,840**	**4,704,499**	
2006	2,491,891	2,699,393	5,168,200	78,871	263,991	341,449	4,826,751	
		(23,084)			(1,413)			

5.1 Additions for the year ended 30 June 2006 include Rs. 2,695.736 million representing acquisition through business combination.

	Note	**2007**	2006
		(Rupees in '000)	
5.2 Amortization charge for the year has been allocated as follows:			
Direct Cost	31	**58,273**	42,943
Operating cost	32	**2,500**	155,618
Capitalized during the year		**66,618**	65,430
		127,391	263,991

	Note	2007	2006
		(Rupees in '000)	
6 Investment properties			
Opening balance		**56,634**	-
Acquisition through business combination		**-**	35,634
Fair value adjustment		**15,516**	21,000
Closing balance		**72,150**	56,634

Investment property comprises commercial property that is rented to Total Media Limited, an associated company.

The carrying value of investment property is the fair value of the property as determined by approved independent valuer M/s PEE DEE & Associates as at 30 June 2007. 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.

	Note	2007	2006
		(Rupees in '000)	
7 Long term investments - at cost			
Foreign subsidiary - Unquoted			
Worldcall Telecommunication Lanka (Pvt) Limited			
Incorporated in Srilanka			
7,221,740 (2006: 7,221,740) ordinary shares of Sri Lankan Rupees 10/-each		**44,406**	44,406
Equity held 70.65% (2006: 70.65%)			
Share deposit money		**13,671**	13,671
		58,077	58,077
Less: Provision for impairment	35	**(41,314)**	-
		16,763	58,077
Associated company - Unquoted			
Total Media Limited			
Incorporated in Pakistan			
2,599,500 (2006: 2,599,500) ordinary shares of Rs. 10/-each		**25,995**	25,995
Equity held 30.12% (2006: 30.12%)			
Share deposit money		**16,000**	16,000
		41,995	41,995
		58,758	100,072

		Note	2007	2006
			(Rupees in '000)	
8	**Long term deposits**			
	Security deposit with PTCL		**20,998**	28,539
	Deposits with financial institutions	8.1	**167,668**	153,545
	Others		**56,088**	25,838
			244,754	207,922
	Less: Current maturity	12	**(21,371)**	(8,218)
			223,383	199,704

8.1 These include amount deposited in debt service reserve account with Habib Bank Limited amounting to Rs. 96.1 million (2006: Rs. 95 million) on which syndicate banks have created a lien as mentioned in note 21.3. This carries markup at the rate of 2.25 % per annum (2006: 2.25% per annum).

		Note	2007	2006
			(Rupees in '000)	
9	**Deferred costs**			
	Opening balance		**10,063**	-
	Acquired through business combination		**-**	25,996
	Less: Amortization during the year		**(5,336)**	(15,933)
	Closing balance		**4,727**	10,063
10	**Trade debts**			
	Considered good - Unsecured	10.1	**899,052**	701,434
	Considered doubtful - Unsecured		**116,906**	55,881
			1,015,958	757,315
	Less: Provision for doubtful debts	10.2	**(116,906)**	(55,881)
			899,052	701,434

10.1 This includes due from associated companies as follows:

	2007	2006
Pace (Pakistan) Limited	**462**	437
Total Media Limited	**35**	534
First Capital Securities Corporation Limited	**115**	10
Media Times Limited	**405**	158
	1,017	1,139

10.2 Provision for doubtful debts

	2007	2006
Opening balance	**55,881**	-
Addition during the year	**61,030**	65,917
Less: write off during the year	**(5)**	(10,036)
Closing balance	**116,906**	55,881

	Note	2007	2006
		(Rupees in '000)	
11 Loans and advances - considered good			
Loans and advances to employees	11.1	**32,638**	23,456
Advances to suppliers	11.2	**53,671**	61,378
Advance to associated company	11.3	**28,886**	49,261
		115,195	134,095

11.1 These loans and advances are unsecured and interest free and include advances given to executives of Rs. 2.46 million (2006 : Rs. 0.365 million).

11.2 This include unsecured advance given to World Press (Private) Limited of Rs. 12.121 million (2006: Rs. 2.5 million).

11.3 This represents unsecured advance given to Media Times Limited carrying markup at the rate of 14% to 16% per annum (2006: 14% to 16% per annum).

11.4 Chief Executive and directors have not taken any loan/advance from the Company (2006: Rs. Nil)

	Note	2007	2006
		(Rupees in '000)	
12 Deposits and prepayments			
Margin deposits	12.1	**81,585**	125,201
Prepayments		**69,357**	42,820
Current maturity of long term deposits	8	**21,371**	8,218
Short term deposits		**5,921**	14,699
Deposit with regulatory authorities		**86**	86
		178,320	191,024

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

	Note	2007	2006
		(Rupees in '000)	
13 Other receivables			
Sales tax refundable		**-**	12,259
Receivable from PTCL - Unsecured considered good	13.1	**204,149**	214,527
Receivable from PTCL - Unsecured considered doubtful		**12,590**	-
		216,739	214,527
Less: provision for doubtful receivables		**(12,590)**	-
		204,149	214,527

	Note	2007	2006
		(Rupees in '000)	
Receivable from Pakistan Telecommunication Authority		**173,006**	58,151
Other receivables - considered good		**33,090**	136,450
Other receivables - considered doubtful		**21,319**	21,319
		54,409	157,769
Less: provision for doubtful receivables		**(21,319)**	(21,319)
		33,090	136,450
		410,245	421,387

13.1 This includes Rs. 174 million (2006: Rs. 174 million) representing claims lodged by Worldcall Communications Limited (WCL), merged last year into the Company, 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 has invoked the available arbitration clause in the agreement to realize the claimed amount. The management is hopeful for a favorable outcome in this respect.

	Note	2007	2006
		(Rupees in '000)	
14 Short term investments			
At fair value through profit and loss - Carrying value	14.1	**6,050**	99,242
Fair value adjustment		**850**	(3,112)
		6,900	96,130
Related parties			
At fair value through profit and loss - Carrying value	14.2	**275,708**	134,233
Fair value adjustment		**277,883**	141,475
		553,591	275,708
Placements under reverse repurchase agreements - Secured			
Quoted shares	14.3	**-**	412,704
Investment with non-financial institution			
At fair value through profit and loss - Carrying value	14.4	**10,000**	-
Fair value adjustment		**450**	-
		10,450	-
Total carrying value of short term investments		**291,758**	646,179
Total fair value adjustment		**279,183**	138,363
		570,941	784,542

14.1 **Particulars of listed shares - At fair value through profit and loss**

All shares have face value of Rs. 10 each.

Name	No. of shares 2007	No. of shares 2006	2007 Carrying value (Rupees in '000)	2007 Market value (Rupees in '000)	2006 Carrying value (Rupees in '000)	2006 Market value (Rupees in '000)
Commercial Banks						
The Bank of Punjab	**7,658**	75,709	**472**	**892**	6,002	6,212
United Bank Limited	-	20,000	-	-	2,802	2,755
National Bank of Pakistan	-	37,500	-	-	8,767	8,081
Mutual Fund						
First Dawood Mutual Fund	**580,750**	505,000	**4,697**	**5,226**	4,359	4,697
Cement						
DG Khan Cement Limited	-	75,000	-	-	6,842	6,529
Lucky Cement Limited	-	100,000	-	-	10,424	10,355
Chemicals & Pharmaceuticals						
Engro Chemical (Pakistan) Limited	-	35,000	-	-	6,362	5,929
Fauji Fertilizers (Bin Qasim) Limited	-	110,000	-	-	3,773	3,218
Textile						
Nishat Mills Limited	-	50,000	-	-	5,308	5,240
Samin Textile Limited	-	40,500	-	-	537	618
Fuel & Energy						
Oil & Gas Development Company Limited	-	70,000	-	-	9,658	9,573
Pak Oilfields Limited	-	30,000	-	-	11,133	10,044
Pak Petroleum Limited	-	25,000	-	-	5,583	5,296
Pakistan State Oil Limited	-	10,000	-	-	3,044	3,090
Electric Appliances						
Pak Elektron Limited	**75**	27,000	**8**	**5**	2,635	2,861
Engineering & Allied Industry						
Pak Suzuki Motors Limited	-	13,800	-	-	4,257	4,319
Leasing						
Union Leasing Limited	**70,000**	-	**873**	**777**	-	-
Telecommunication						
Pakistan Telecommunication Company Limited	-	180,000	-	-	7,756	7,313
			6,050	**6,900**	99,242	96,130

14.2 **Particulars of listed shares of related parties - At fair value through profit and loss**

All shares have face value of Rs. 10 each.

Name	**No. of shares**					
	2007	**2006**	**2007**		2006	
			Carrying value	**Market value**	Carrying value	Market value
			(Rupees in '000)		(Rupees in '000)	
First Capital Securities Corporation Limited	**1,707,543**	1,264,847	**44,459**	**119,272**	22,767	44,459
Percentage of equity held 1.26% (2006: 1.26%)						
Shaheen Insurance Company Ltd.	**2,744,844**	1,569,625	**148,330**	**236,229**	45,785	148,330
Percentage of equity held 15.68% (2006: 15.68%)						
Pace (Pakistan) Limited	**6,959,290**	5,922,800	**82,919**	**198,090**	65,681	82,919
Percentage of equity held 3.70% (2006: 5.69%)						
			275,708	**553,591**	134,233	275,708

14.3 This represents placements for a period upto 35 days, secured against quoted shares having market value of Rs.425.9 million at year ended 30 June 2006 and carrying mark-up at the rate ranging from 13% to 18% per annum.

14.4 This represents investment in Pak Oman Advantage Fund, a closed end mutual fund listed on Karachi Stock Exchange. The Company has bought one million certificates of Rs. 10 each. The market value of each certificate as at 30 June 2007 is Rs. 10.45.

	Note	**2007**	2006
		(Rupees in '000)	
15 Cash and bank balances			
At banks in			
Current accounts		**35,140**	197,034
Saving accounts	15.1	**478,572**	274,331
Deposit accounts	15.2	**-**	933,213
		513,712	1,404,578
Cash in hand		**46,863**	48,211
		560,575	1,452,789

15.1 The balances in saving accounts bear mark up at the rate of 0.13% to 11% per annum (2006: 1.5% to 5% per annum). The balance includes Rs. 40 million (2006: Rs. 40 million) 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 9% to 10.5% per annum (2006: 3% to 10.7 % per annum).

		Note	2007	2006
			(Rupees in '000)	
16	**Current maturities of non-current liabilities**			
	Term finance certificates	20	**50,110**	100,000
	Long term finances	21	**441,170**	433,830
	Liabilities against assets subject to finance lease	24	**189,040**	188,932
	License fee payable	25	**71,000**	71,000
			751,320	793,762

17 Running finance under markup arrangements-Secured

Short term running finances available from commercial banks under mark up arrangements amount to Rs. 870 million (2006: Rs. 2,075 million). Mark up is charged at rates ranging from 10.7% to 14.1% per annum (2006: 7.7% to 13% per annum). These are secured by hypothecation charge over fixed assets, stores, stock in trade and receivables.

		Note	2007	2006
			(Rupees in '000)	
18	**Trade and other payables**			
	Trade creditors			
	Related parties - associated companies		**2,536**	4,348
	Others		**757,074**	650,281
			759,610	654,629
	Accrued and other liabilities		**130,489**	77,374
	Advance from customers		**81,674**	67,252
	Commitment fee payable		**646**	1,925
	Retention money		**29,214**	23,017
	Sales tax payable		**10,688**	-
	Tax deducted at source		**12,326**	6,951
	Un claimed dividend		**14,421**	14,421
			1,039,068	845,569
19	**Interest and mark-up accrued**			
	Long term financing		**15,748**	23,116
	Short term borrowings		**9,900**	5,085
	Share deposit money		**972**	972
	Finance lease		**13**	367
	Term finance certificates		**5,348**	4,591
			31,981	34,131
20	**Term finance certificates - Secured**			
	Term Finance Certificates	20.1	**392,965**	149,909
	Less: Current maturity	16	**(50,110)**	(100,000)
			342,855	49,909

20.1 These represent listed Term Finance Certificates (TFC-1) and (TFC-2) with face value of Rs. 5,000 per certificate.

TFC-1

These TFCs are redeemable in seven equal semi annual installments commencing September 2004. Profit rate is charged at State Bank of Pakistan discount rate plus 1.75% per annum with a floor of 12.25% per annum and cap of

16.25% 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. 437.5 million.

If the Company fails to redeem any TFC-1 on the respective redemption date thereof and such default is not rectified within seven business days of such redemption date, then the entire obligation shall become immediately due and payable and the security created pursuant to the security documents shall become immediately enforceable.

TFC-2

These represent listed Term Finance Certificates amounting to Rs. 350 million issued during the year. 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-2 on the redemption date, the obligation shall become immediately due.

	Note	**2007**	2006
		(Rupees in '000)	
21 Long term finances			
Long term finances utilized under mark up arrangements:			
Banking companies and other financial institutions			
Convertible loan from Amatis Limited - Un secured	21.2	**60,048**	66,371
Syndicated Loan I - Secured	21.3	**689,188**	826,212
Syndicated Loan II - Secured	21.4	**305,558**	427,778
Syndicated Loan III - Secured	21.5	**-**	74,563
Faysal Bank Limited - Secured	21.6	**16,667**	33,333
Habib Metropolitan Bank Limited - Secured	21.7	**20,417**	32,083
Orix Investment Bank Limited - Secured	21.8	**8,333**	15,000
Pak Kuwait Investment Company Limited - Secured	21.9	**41,667**	75,000
		1,141,878	1,550,340
Initial transaction costs incurred		**(43,920)**	(43,866)
		1,097,958	1,506,474
Accumulated amortization of transaction costs		**20,676**	12,373
		1,118,634	1,518,847
Less: Current portion	16	**(441,170)**	(433,830)
		677,464	1,085,017

21.1 **Finance costs**

Finance cost amounting to Rs. 92.037 million (2006: Rs. 120.665 million) was capitalized during the year in property, plant and equipment. This includes Rs. 77.519 million (2006: Rs. 101.575 million) on financing specifically obtained for the expansion of WLL project and Rs. 14.518 million (2006: Rs. 19.08 million) on financing obtained for the expansion of Broad Band operations.

21.2 **Convertible loan from Amatis Limited**

The Company has arranged a long term loan from Amatis Limited ("the lender") of Rs. 1.497 billion. The purpose of the loan is project expansion of WLL operations. The loan bears an interest rate of 1% per annum payable annually in arrears within 25 days of each anniversary. The term of the loan is 7 years. The loan is convertible into ordinary shares at par value of Rs. 10 each and the conversion option can be exercised by the lender at any time. The loan is to be used exclusively for the agreed purpose.

21.2.1 The convertible loan recognized in the balance sheet is calculated as follows:

	Note	**2007**	2006
		(Rupees in '000)	
Face value of convertible loan		**1,497,105**	1,497,105
Less transaction cost		**(29,091)**	(32,380)
		1,468,014	1,464,725
Equity component		**(1,403,575)**	(1,400,430)
Liability component		**64,439**	64,295
Less: Paid during the year		**(14,971)**	-
		49,468	64,295
Interest expense	21.2.1.1	**10,580**	2,076
		60,048	66,371

21.2.1.1 **Interest Expense**

	2007	2006
Opening balance	**2,076**	-
Add: Recognized during the year	**8,504**	2,076
Closing balance	**10,580**	2,076

The fair value of the liability component of the convertible loan as at 30 June 2006 is calculated by discounting cash flows at a rate of 12.5% which represents the effective borrowing rate of the Company. The residual amount, representing the value of the equity conversion component, is included in shareholders equity as convertible loan reserve.

21.2.2 Interest expense on the loan is calculated using the effective interest method by applying the effective interest rate of 12.5% to the liability component.

21.3 **Syndicated Loan I - Secured**	**2007**		2006	
	Limit	**Outstanding**	Limit	Outstanding
	(Rupees in '000)		(Rupees in '000)	
Habib Bank Limited	**750,000**	**287,160**	750,000	344,255
National Bank of Pakistan	**750,000**	**287,158**	750,000	344,255
MCB Bank Limited	**150,000**	**57,435**	150,000	68,851
Askari Commercial Bank Limited	**150,000**	**57,435**	150,000	68,851
	1,800,000	**689,188**	1,800,000	826,212

The Company obtained a long term loan facility of Rs. 1,800 million from above mentioned syndicate 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 amount initially agreed to be disbursed for financing the payment of license fee is now available to the Company for roll out of phase-III of WLL network due to moratorium granted by PTA for license fee. The loan is payable in 14 equal quarterly installments starting from November 2006 with a grace period of 18 months. Markup is charged at a rate of six months ASK KIBOR prevailing two working days prior to the beginning of each installment period plus 4% with no floor or cap. The markup is payable on quarterly basis.

The facility is secured against First Exclusive Mortgage over the present and future fixed assets, First Exclusive Hypothecation charge over equipment and related other moveable assets of the WLL project, mortgage on personal properties of Directors, assignment of all benefits and rights of the Company under various equipment supply contracts with suppliers, lien over collection account, debt service reserve account and debt payment account and pledge of 51% shares of sponsors of the Company.

In case of default in payment of any installment, the Company will be liable to pay additional 1.5% liquidated damages on outstanding amount from date of default till the final settlement of outstanding installment. As per terms of agreement, the syndicate has option to convert the lower of 20% of total principal amount or entire outstanding principal loan amount into ordinary shares of the Company after two years from first draw down. The conversion price would be determined as the lower of (a) average daily market value for a period of three months commencing from the date falling four months prior to the option exercise date and ending one month prior to the option exercise date less discount at 30% and (b) present/current market value on the date of option exercise less discount at 30%. The option can be availed upon giving the Company a thirty days notice in writing.

As per terms of the agreement, the Company shall pay by way of commitment fee to the Syndicate, a sum calculated at the rate of 0.25% per annum of such part of loan which remains undrawn by the Company commencing from the date mentioned in the disbursement schedule till the final draw down date.

21.4 **Syndicated Loan II - Secured**	**2007**		2006	
	Limit	**Outstanding**	Limit	Outstanding
	(Rupees in '000)		(Rupees in '000)	
The Bank of Punjab	**100,000**	**55,556**	100,000	77,778
KASB Bank Limited	**100,000**	**55,556**	100,000	77,778
Habib Metropolitan Bank Limited	**35,000**	**19,444**	35,000	27,222
The Bank of Khyber	**50,000**	**27,778**	50,000	38,889
PICIC	**50,000**	**27,778**	50,000	38,889
PICIC Commercial Bank Limited	**100,000**	**55,556**	100,000	77,778
Orix Investment Bank Pakistan Limited	**30,000**	**16,667**	30,000	23,333
Crescent Commercial Bank Limited	**25,000**	**13,889**	25,000	19,444
Soneri Bank Limited	**25,000**	**13,889**	25,000	19,444
Saudi Pak Commercial Bank Limited	**25,000**	**13,889**	25,000	19,444
First Dawood Investment Bank Limited	**5,000**	**2,778**	5,000	3,890
Crescent Leasing Corporation Limited	**5,000**	**2,778**	5,000	3,889
	550,000	**305,558**	550,000	427,778

The loan was obtained in September 2004 for a period of five years from above mentioned syndicate of banking companies at mark up of 4.25% per annum above six months KIBOR with a floor of 6.5% per annum and a cap of 10.5% per annum and is repayable in nine bi-annual installments starting from September 2005. The loan is secured by way of First Exclusive Hypothecation charge ranking pari passu of Rs. 764 million on Broadband Karachi Division's fixed assets excluding land and building.

21.5 Syndicated loan III has been fully repaid during the year.

21.6 The loan was obtained in June 2005 from Faysal Bank Limited for a period of three years under term morabaha facility at mark up of six months KIBOR plus 3.5% with floor at 9% and no cap reset on quarterly basis. The loan is repayable in 36 equal monthly installments and is secured by way of charge on all fixed assets of Broadband Lahore Division upto Rs. 75 million.

21.7 The loan was obtained in March 2006 from Habib Metropolitan Bank Limited (formerly Habib Bank AG Zurich) for a period of three years at a mark up of three months KIBOR plus 2.75% with no floor or cap. The loan is repayable in 12 equal quarterly installments and is secured by way of charge on current assets of Broadband Lahore Division upto Rs. 47 million with 25% margin.

21.8 The loan was obtained in August 2005 from Orix Investment Bank Limited for a period of three years at a mark up of six months KIBOR plus 4% with no floor or cap reset on quarterly basis. The loan is repayable in 12 equal quarterly installments starting from November 2005 and is secured by way of charge on fixed assets of Broadband Lahore Division upto Rs. 26.667 million, inclusive of a 25% margin and demand promissory note amounting to Rs. 25.950 million.

21.9 The loan was obtained in September 2004 from Pak Kuwait Investment Company Limited for a period of four years at a mark up of 4.75% above six months KIBOR with a floor of 7% and a cap of 10% per annum and is repayable in thirty six monthly installments starting after one year from the date of disbursement. The loan is secured by way of first exclusive hypothecation charge ranking pari passu for Rs. 133 million on Broadband Karachi Division's fixed assets excluding land and building.

	Note	**2007**	2006
		(Rupees in '000)	
22 Deferred taxation			
This is composed of:			
Liability for deferred taxation comprising temporary differences related to:			
Accelerated tax depreciation		**1,414,455**	1,114,390
Surplus on revaluation of plant and equipment		**106,504**	-
Others		**155,529**	77,801
Asset for deferred taxation comprising temporary differences related to:			
Unused tax losses and tax credits		**(1,009,863)**	(714,646)
		666,625	477,545

23 Retirement benefits

Gratuity

	Note	**2007**	2006
The amount recognized in the balance sheet is as follows:			
Present value of defined benefit obligation		**107,126**	73,978
Unrecognized actuarial losses		**(8,616)**	(4,155)
Benefits due but not paid		**346**	-
		98,856	69,823
Liability at beginning of the year		**69,823**	5,760
Acquisition through business combination		**-**	42,563
Charge for the year	23.1	**43,516**	32,910
Additional liability due to transferred employees		**20**	-
Paid during the year		**(14,503)**	(11,410)
		98,856	69,823

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

	Note	**2007**	2006
		(Rupees in '000)	
Interest cost for the year		**9,469**	4,608
Current service cost		**34,047**	28,192
Actuarial loss recognized during the year		**-**	110
	23.2	**43,516**	32,910

		2007	2006
		(Rupees in '000)	

23.2 Charge for the year has been allocated as follows:

	2007	2006
Operating cost	**38,260**	28,396
Capitalized during the year	**5,256**	4,514
	43,516	32,910

23.3 Recent actuarial valuation of plan was carried out on 30 June 2007 by Nauman Associates.

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

	Note	2007 per annum	2006 per annum
Discount rate		**10%**	9%
Expected rate of salary increase		**9%**	8%

	Note	2007	2006
		(Rupees in '000)	

24 Liabilities against assets subject to finance lease

	Note	2007	2006
Present value of minimum lease payments		**383,066**	364,556
Less: Current portion shown under current liabilities	16	**(189,040)**	(188,932)
		194,026	175,624

Interest rate used as discounting factor is ranging from 7.5 % to 16% per annum (2006: 6% to 17% 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:

	2007			2006		
	Minimum Lease Payment	Finance cost	Principal	Minimum Lease Payment	Finance cost	Principal
	(Rupees in '000)			(Rupees in '000)		
Not later than one year	**212,069**	**23,029**	**189,040**	216,340	27,408	188,932
Later than one year but not later than five years	**217,674**	**23,648**	**194,026**	185,850	10,226	175,624
	429,743	**46,677**	**383,066**	402,190	37,634	364,556

	Note	2007	2006
		(Rupees in '000)	
25 License fee payable			
Carrying value of license fee payable to PTA		**1,206,000**	1,206,000
Less: present value adjustment		**(453,107)**	(453,107)
		752,893	752,893
Accumulated Interest charged to profit and loss		**124,898**	23,774
Less: current portion shown under current liabilities	16	**(71,000)**	(71,000)
		806,791	705,667

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 after three years 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. 75.2 million (2006: Rs. 13.7 million) with PTCL for billing of non revenue time of prepaid calling cards and excess minutes billed on account of interconnect and settlement charges.

26.1.2 PTCL has charged the Company excess Domestic Private Lease Circuits (DPLC) and International Private Lease Circuits (IPLC) charges amounting to Rs. 20.2 million (2006: Rs. Nil) on account of difference in rates. Further the Company has also deposited Rs. 40 million (2006 : Rs. 40 million) in Escrow account on account of dispute of charging of bandwidth charges from the date of activation of Digital Interface Units (DIU) 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.

26.2 Billing disputes with Pakistan Telecommunication Authority (PTA)

There is a dispute of Rs. 491 million with PTA on account of Universal Service Fund (USF) representing contribution to USF for period prior to the formation of the USF by the Federal Government. Out of this amount, Rs. 223 million relating to prior periods has been deposited with PTA. Based on the legal advice, the management is confident that the matter will be decided in favour of the Company.

26.3 The Income Tax proceedings have been finalized upto Tax Year 2006 with the exception of the following issues:

26.3.1 The Taxation Officer reassessed the Income for the tax year 2006 by making additions on account of brought forward losses, gratuity and goodwill of Rs. 773 million. The reassessment has only reduced the loss declared by the Company for the year and it has not made any impact on the tax liability. The Company has filed an appeal before CIT(A) against the order of Taxation Officer.

26.3.2 During the year the Taxation Officer passed an order 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 tax demand of Rs. 173 million by treating the Company as assessee in default for non-deduction of tax under section 236 of the Income Tax Ordinance 2001. The Company has filed an appeal before CIT(A) against the order of the Taxation Officer. The management of the Company is confident that the appeal will be decided in their favour as they have not made any default on account of tax deduction.

26.3.3 During the year, the 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. Subsequent to the balance sheet date, Additional Collector (Adjudication) Sales Tax Lahore has given a decision against the Company and imposed a penalty on the Company and Chief Executive, equivalent to the amount of orginal alleged claim. The Company is in the process of filling appeal to the Collector Sales Tax (Appeals) and Federal Tax Ombudsman. The management believes based upon the factual and legal grounds that the matter will be decided in favour of the Company at a higher judicial forum.

		2007	2006
		(Rupees in '000)	
26.4	Outstanding guarantees	**195,569**	196,161
26.5	Commitments in respect of capital expenditure	**179,261**	66,349
26.6	Outstanding letters of credit	**31,084**	324,277

27 Issued, subscribed and paid up capital

	2007	2006
Ordinary shares of Rs. 10 each as fully paid in cash	**3,440,000**	3,440,000
Ordinary shares of Rs. 10 each issued in accordance with the scheme of merger	**3,099,658**	3,099,658
Ordinary shares of Rs. 10 each issued as fully paid Bonus shares	**980,949**	-
	7,520,607	6,539,658

	2007	2006
	(Number of shares)	

27.1 Reconciliation of Issued, subscribed and paid up capital

	2007	2006
Opening balance	**653,965,789**	275,000,000
Issued as fully paid in cash	**-**	69,000,000
Issued in accordance with the scheme of merger	**-**	309,965,789
Issued as fully paid bonus shares	**98,094,868**	-
	752,060,657	653,965,789

27.2 The detail of the Company's shares held by associated companies as at 30 June 2007 is as follows:

	2007	2006
	(Number of shares)	
Name of associated undertaking		
First Capital Securities Corporation Limited	**84,159,661**	78,538,838
Pace (Pakistan) Limited	**1,800,912**	1,566,011
	85,960,573	80,104,849

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.

		2007	2006
		(Rupees in '000)	
29	**Surplus on Revaluation**		
	Revaluation surplus on plant & equipment	**304,297**	-
	Less: Related deferred tax liability	**(106,504)**	-
		197,793	-

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.

		Note	2007	2006
			(Rupees in '000)	
30	**Revenue -Net**			
	Telecom services		**3,382,246**	4,126,882
	Broadband services		**1,280,157**	906,881
			4,662,403	5,033,763
	Less:			
	Sales tax		**203,962**	250,699
	Discount and commission		**145,928**	427,205
			349,890	677,904
			4,312,513	4,355,859
31	**Direct cost**			
	Interconnect, settlement and other charges		**1,356,321**	1,748,203
	Bandwidth and other PTCL charges		**263,043**	259,420
	Depreciation	3.4	**662,837**	454,401
	Amortization of intangible assets	5.2	**58,273**	42,943
	Power consumption and pole rent		**123,017**	89,267
	PTA charges	31.1	**28,534**	33,031
	Cable License fee		**32,768**	10,085
	Salaries and other benefits		**13,241**	8,331
	Inventory consumed		**30,983**	23,380
	Stores and spares consumed		**9,647**	8,856
	Annual Spectrum Fee		**13,243**	16,378
	Content cost		**24,814**	21,414
	Network maintenance & insurance		**9,833**	2,887
	Cable modem and accessories		**-**	5,617
	Others		**2,252**	2,118
			2,628,806	2,726,331
31.1	**PTA Charges**			
	LDI License	31.1.1	**10,321**	12,522
	WLL License	31.1.2	**12,345**	7,621
	Payphones License		**555**	8,311
	Broadband License		**4,465**	3,023
	Telephony License	31.1.3	**175**	333
	Annual numbering charges		**198**	1,221
	Testing and other charges		**475**	-
			28,534	33,031

31.1.1 This provision represents charges payable to PTA in respect of contribution to the Research and Development Fund established by Federal Government (Rs. 6.132 million), Universal Service Fund (Rs.1.123 million) and annual regulatory fee (Rs. 3.066 million) under the license agreement for LDI project.

31.1.2 This provision represents charges payable to PTA in respect of contribution to the Research and Development Fund established by Federal Government (Rs. 6.157 million), Universal Service Fund (Rs. 3.109 million) and annual regulatory fee (Rs. 3.079 million) under the license agreement for WLL project.

The gross revenue on which this provision has been calculated, represents revenue from licensed services only i.e. connection charges, post paid billing to customers, air time of prepaid cards utilized by customers, line rent of both prepaid and post paid connections and local and international inbound revenue. It does not include one time initial fee received from customers on activation of connection i.e. membership fee and license fee.

31.1.3 This provision represents charges payable to PTA in respect of contribution to the Research and Development Fund established by Federal Government (Rs. 0.113 million) and annual regulatory fee (Rs. 0.062 million) for the current year under the license agreement for Telephony project.

	Note	**2007**	2006
		(Rupees in '000)	
32 Operating cost			
Salaries, wages and benefits		**471,274**	380,521
Marketing, advertisement and selling expenses		**149,441**	99,643
Rent, rates and taxes		**52,453**	42,728
Communications		**30,311**	33,171
Transportation		**18,408**	19,822
Legal and professional	32.1	**11,387**	14,852
Insurance		**23,062**	24,662
Utilities		**24,730**	21,151
Printing and stationery		**17,987**	17,439
Entertainment		**19,048**	16,613
Travel and conveyance		**41,237**	13,909
Repairs and maintenance		**18,727**	12,324
Provision for doubtful debts		**73,619**	77,200
Bad debts written off		-	10,036
Donations	32.2	**571**	5,129
Fees and subscriptions		**9,587**	4,122
Postage and courier		**8,273**	3,774
Newspapers and periodicals		**643**	2,441
Consultancy		-	2,182
Auditor's remuneration	32.3	**3,940**	3,570
Depreciation	3.4	**63,503**	46,741
Amortization of intangible assets	5.2	**2,500**	155,618
Amortization of deferred cost		**5,336**	15,933
Miscellaneous		**11,816**	10,547
		1,057,853	1,034,128

32.1 These include operating expenses amounting to Rs. 0.091 million (2006: Rs. 0.091 million) with respect to investment properties.

32.2 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 year.

	Note	2007	2006
		(Rupees in '000)	
32.3 Auditor's remuneration			
Statutory audit		**2,500**	2,300
Half year review		**700**	650
Other sundry certifications		**400**	310
Out of pocket expenses		**340**	310
		3,940	3,570

	Note	2007	2006
33 Finance cost			
Mark-up on long term loan	33.1	**101,683**	70,767
Interest on PTA license fee		**101,125**	23,774
Financial charge on leased liabilities		**32,278**	32,576
Mark-up on Term Finance Certificates		**40,389**	24,527
Mark-up on running finance		**30,001**	16,934
Bank charges and commission		**7,463**	10,425
Mark-up on advances from associated companies		-	89
		312,939	**179,092**

33.1 This includes Rs. 7.985 million (2006: Rs. 9.178 million) in respect of amortization of initial transaction cost.

	Note	2007	2006
		(Rupees in '000)	
34 Other operating income			
Income from financial assets			
Profit on sale of investments		**85,274**	104,868
Income on deposit and saving accounts		**25,580**	15,622
Dividend Income		**2,490**	-
Mark-up on advance to associated company		**6,483**	9,458
		119,827	129,948
Income from non-financial assets			
Rental income from investment property		**4,084**	3,712
Scrap sales		**469**	-
Gain /(loss) on sale of Property plant and Equipment		**1,776**	(3,695)
Miscellaneous		**11,930**	28,112
		18,259	28,129
		138,086	158,077

	Note	2007	2006
35 Other expenses			
Provision for impairment of long term investment	7	**41,314**	-
Exchange (gain)/ loss		**(2,055)**	4,635
		39,259	4,635

	Note	2007	2006
36 Taxation			
for the year			
Current	36.1	**329**	-
Deferred		**82,576**	234,610
		82,905	234,610

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. As per section 113 of the Income Tax Ordinance, 2001, minimum tax paid by the Company is adjustable against tax payable by the Company in respect of future taxable profits.

	2007	2006
36.2 Tax charge reconciliation		
Numerical reconciliation between the average effective tax rate and the applicable tax rate.	**%**	%
Applicable tax rate	**35**	35
Tax effect of amounts:		
Not deductible for tax purposes	**8.24**	12.80
Admissible for tax purposes	**(12.39)**	(6.80)
Exempt from tax	**(18.83)**	(21.20)
Covered under presumptive tax regime	**(0.28)**	-
Average effective tax rate (tax expense divided by profit before tax)	**11.74**	19.80

37 Earnings per share

37.1 Basic earnings per share

		2007	2006
Profit after taxation available for distribution to ordinary shareholders	Rupees in '000	**623,536**	947,610
Weighted average number of ordinary shares	Number in '000	**752,061**	738,836
Basic earnings per share	Rupees	**0.83**	1.28

	2007	2006
	(Rupees in '000)	
37.2 Diluted earnings per share		
Profit after taxation available for distribution to ordinary shareholders	**623,536**	947,610
After tax effect of interest on convertible loan from Amatis Limited	**8,504**	2,076
After tax effect of interest on Syndicated loan-I	**1,377**	-
Profit after taxation available for distribution to ordinary shareholders (diluted)	**633,417**	949,686

		2007	2006
		(Number in '000')	
Weighted average number of ordinary shares		**752,061**	738,836
Effect of conversion of convertible loan from Amatis Limited		**107,164**	44,736
Effect of conversion of syndicated loan-I		**3,903**	-
Weighted average number of ordinary shares (diluted)		**863,128**	783,572
Diluted earnings per share	Rupees	**0.73**	1.21

The basic and diluted earning per share for the last year is adjusted to give effect of bonus issue during the current year.

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 41. Other significant transactions with related parties are as follows:

	2007	2006
	(Rupees in '000)	
Associated companies		
Purchase of goods and services	**52,348**	41,083
Sale of goods and services	**10,013**	4,453

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

39 Cash generated from operations

	2007	2006
Profit before taxation	**706,441**	1,182,220
Adjustment for non-cash charges and other items:		
Depreciation	**726,340**	501,142
Amortization of intangible assets	**60,773**	198,561
Amortization of deferred cost	**5,336**	15,933
Amortization of transaction cost	**7,985**	9,178
Interest on PTA license fee	**101,125**	23,774
Provision for doubtful receivables	**73,619**	77,200
Bad debts written off	**-**	10,036
Gain on sale of short term investments	**(85,274)**	(104,868)
Property, plant and equipment written off	**-**	4,516
(Profit)/Loss on disposal of property, plant and equipment	**(1,776)**	3,695
Provision for impairment of long term investment	**41,314**	-
Gain on re-measurement of investments at fair value	**(279,183)**	(138,363)
Gain on re-measurement of investment property at fair value	**(15,516)**	(21,000)
Gain on re-measurement of long term liabilities at present value	**-**	(453,107)
Retirement benefits	**38,260**	28,396
Finance costs	**203,829**	155,318
Profit before working capital changes	**1,583,273**	1,492,631

	Note	2007	2006
		(Rupees in '000)	
Effect on cash flow due to working capital changes:			
(Increase)/Decrease in the current assets			
Stores and spares		**(32,814)**	(2,657)
Stock in trade		**(13,256)**	(4,181)
Trade debts		**(258,643)**	(132,498)
Loans and advances		**18,900**	168,767
Deposits and prepayments		**12,704**	26,685
Other receivables		**(1,448)**	(126,853)
Increase/(Decrease) in the current liabilities			
Trade and other payables		**193,499**	(568,500)
		(81,058)	(639,237)
		1,502,215	853,394

40 Cash and cash equivalents

	Note	2007	2006
Cash and bank balances	15	**560,575**	1,452,789
Running finance under markup arrangements-Secured	17	**(525,459)**	(273,207)
		35,116	1,179,582

41 Remuneration of Chief Executive, directors and executives

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

	Chief Executive		Directors		Executives	
	2007	2006	**2007**	2006	**2007**	2006
	(Rupees in '000)		(Rupees in '000)		(Rupees in '000)	
Managerial remuneration	**1,584**	1,584	**1,637**	2,120	**68,857**	37,902
Retirement benefits	**200**	200	**200**	100	**9,187**	2,506
Housing	**648**	648	**655**	848	**27,543**	15,225
Utilities	**168**	168	**164**	212	**6,886**	3,833
	2,600	2,600	**2,656**	3,280	**112,473**	59,466
Number of persons	**1**	1	**1**	2	**100**	56

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 year (2006: Rs. Nil).

42 Financial assets and liabilities

	Interest / mark up bearing				Non interest/mark up bearing				Total	
	Maturity upto one year	Maturity after one year upto two years	Maturity after two years upto five years	Sub total	Maturity upto one year	Maturity after one year upto two years	Maturity after two years upto five years	Sub total	2007	2006
	(Rupees in '000)				(Rupees in '000)				(Rupees in '000)	
Financial assets										
Long term deposits	-	-	-	-	21,371	-	223,383	**244,754**	**244,754**	207,922
Trade debts	-	-	-	-	899,052	-	-	**899,052**	**899,052**	701,434
Loans and advances - considered good	28,886	-	-	**28,886**	-	-	-	-	**28,886**	134,095
Deposits and short term prepayments	-	-	-	-	87,506	-	-	**87,506**	**87,506**	139,986
Other receivables	-	-	-	-	410,245	-	-	**410,245**	**410,245**	409,128
Short term investments	-	-	-	-	570,941	-	-	**570,941**	**570,941**	784,542
Cash and bank balances	478,572	-	-	**478,572**	82,003	-	-	**82,003**	**560,575**	1,452,789
	507,458	-	-	**507,458**	2,071,118	-	223,383	**2,294,501**	**2,801,959**	3,829,896
Financial liabilities										
Term finance certificates - Secured	50,110	58,357	284,498	**392,965**	-	-	-	-	**392,965**	149,909
Long term finances-secured	441,170	489,503	187,961	**1,118,634**	-	-	-	-	**1,118,634**	1,518,847
Liabilities against assets subject to finance lease	189,040	143,817	50,209	**383,066**	-	-	-	-	**383,066**	364,556
Long term payables	-	-	-	-	-	105,060	29,067	**134,127**	**134,127**	6,261
Long term deposits	-	-	-	-	-	-	59,774	**59,774**	**59,774**	76,260
License fee payable	-	-	-	-	-	-	806,791	**806,791**	**806,791**	705,667
Running finance under markup arrangements-Secured	525,459	-	-	**525,459**	-	-	-	-	**525,459**	273,207
Trade and other payables	-	-	-	-	946,706	-	-	**946,706**	**946,706**	771,366
Interest and mark up accrued	-	-	-	-	31,981	-	-	**31,981**	**31,981**	34,131
	1,205,779	**691,677**	**522,668**	**2,420,124**	**978,687**	**105,060**	**895,632**	**1,979,379**	**4,399,503**	**3,900,204**
Off balance sheet financial instruments										
Contingencies and commitments									**1,272,661**	267,309
Guarantees									**195,569**	196,161
Letters of credit									**31,084**	324,277
									1,499,314	787,747

The effective interest/ mark-up rates for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.

42.1 Financial risk management objectives

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.

42.2 Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into foreign currency. The Company is exposed to foreign currency risk on sales, purchases and borrowings 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.

42.3 **Concentration of 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. Total financial assets of Rs. 2,802 million (2006: Rs. 3,830 million) include financial assets Rs. 1,683 million (2006: Rs. 1,590 million), which are subject to credit risk. To manage exposure to credit risk, the Company applies credit limits to its customers and obtains advances from them.

42.4 **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.

42.5 **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.

42.6 **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.

43 Segment reporting

Segment information is presented in respect of the Company's business. The primary format, business segment, is based on the Company's management reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year.

The Company's operations comprise of the following main business segments:

-Telecom segment which comprises of WLL, LDI and Operation and Maintenance of payphone network.

-Broadband segment which comprise of internet over cable and cable TV services.

All inter-segment sales are on arms length basis.

Segment analysis for the year ended 30 June 2007

	Telecom	Broadband	Eliminations	Total
		(Rupees in '000)		
Sales				
External sales	**3,382,246**	**1,280,157**	**-**	**4,662,403**
Inter-segment sales	**8,350**	**25,830**	**(34,180)**	**-**
Sales tax	**(161,923)**	**(42,039)**	**-**	**(203,962)**
Discount and commission	**(136,392)**	**(9,536)**	**-**	**(145,928)**
Total revenue	**3,092,281**	**1,254,412**	**(34,180)**	**4,312,513**
Profit before tax and unallocated expenses	**252,060**	**454,381**	**-**	**706,441**
Unallocated corporate expenses				
Taxation				**(82,905)**
Profit after taxation				**623,536**

	Telecom	Broadband	Total
		(Rupees in '000)	
Segment assets and liabilities			
Segment assets	**12,938,245**	**4,444,507**	**17,382,752**
Consolidated total assets			**17,382,752**
Segment liabilities	**3,671,906**	**989,815**	**4,661,721**
Unallocated segment liabilities			**666,625**
Consolidated total liabilities			**5,328,346**
Segment capital expenditure	**1,673,127**	**449,157**	**2,122,284**
			2,122,284
Non-cash expenses other than depreciation and amortization	**187,280**	**40,044**	**227,324**
Depreciation and amortization	**656,291**	**197,440**	**853,731**

	Telecom	Broadband	Eliminations	Total
		(Rupees in '000)		
Segment analysis for the year ended 30 June 2006				
Sales				
External sales	4,126,882	906,881		5,033,763
Inter-segment sales	19,104	12,073	(31,177)	-
Sales tax	(227,242)	(23,457)		(250,699)
Discount and commission	(413,020)	(14,185)		(427,205)
Total revenue - net	3,505,724	881,312	(31,177)	4,355,859
Profit before tax and unallocated expenses	940,616	241,604	-	1,182,220
Unallocated corporate expenses				
Taxation				(234,610)
Profit after taxation				947,610

	Telecom	Broadband (Rupees in '000)	Total
Segment assets and liabilities			
Segment assets	12,832,456	3,091,453	15,923,909
Consolidated total assets			15,923,909
Segment liabilities	3,796,647	897,330	4,693,977
Consolidated total liabilities			4,693,977
Segment capital expenditure	2,481,047	621,129	3,102,176
			3,102,176
Non-cash expenses other than depreciation and amortization	44,850	67,497	112,347
Depreciation and amortization	533,107	166,596	699,703

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

Certain amendments to IAS 1 'Presentation of financial statements' - Capital Disclosure have been published that are applicable to the Company's financial statements covering annual periods, beginning on or after 01 July 2007. Adoption of amendments to IAS 1 will impact only the nature and extent of disclosures made in the future financial statements of the Company. In addition IAS 23 "Borrowing Costs" has been revised and is effective for the Company's accounting period beginning after 01 July 2009. Adoption of this standard will have no impact on the Company's financial statements.

During the previous year International Financial Reporting Interpretation Committee (IFRIC) of the International Accounting Standards Board issued IFRIC Interpretation 4 (IFRIC-4) "Determining whether an Arrangement contains a Lease". The interpretation was initially effective for financial periods ending 30 June 2007, however, SECP vide its circular no. 7 of 2007 has deferred the implementation of said interpretation till 30 June 2009. The Company has in place certain arrangements which under IFRIC - 4 require re-assessment for potential classification as a lease. The financial impact, if any, as a result of this re-assessment is under review.

Other Standards, interpretations and amendments to published approved accounting standards are not relevant to the Company.

45 Post balance sheet date event

Oman Telecommunications Company (Omantel) has shown an interest in buying majority stakes in the Company and have conducted financial and legal due diligence for this purpose. As of date of this report, the Company is expecting a final decision from the board of directors of Omantel.

46 Date of authorization for issue

These financial statements were authorized for issue on 06 October 2007 by the Board of Directors.

47 General

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

47.2 Previous year's figures have been rearranged, wherever necessary for the purpose of comparison. Material rearrangements are summarized below;

- Amortization of license fee amounting to Rs. 42.943 million previously grouped in amortization in operating costs, has been shown as line item in direct cost.

- Provision for taxation amounting to Rs. 101.202 million previously shown as separate line item on the face of balance sheet has been shown on net basis with the income tax recoverable on the face of balance sheet. Income tax recoverable amounting to Rs. 128.161 million was previously shown as line item in other receivables.

- Cable license fee amounting to Rs. 10.085 million previously grouped in legal and professional charges in operating cost, has been shown as line item in direct cost.

The Chief Executive is out of Pakistan and in his absence these financial statements have been signed by two directors as required under section 241(2) of the Companies Ordinance, 1984.

DIRECTOR **DIRECTOR**

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED
30 JUNE 2007

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 (hereinafter referred as the “Group”) as at 30 June 2007 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 year then ended. The financial statements of the subsidiary company Worldcall Telecommunications Lanka (Private) Limited 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 auditors.

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 30 June 2007 and the results of its operations, its cash flows and changes in equity for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

KPMG Taseer Hadi & Co.

Lahore:
06 October 2007

KPMG Taseer Hadi & Co.
Chartered Accountants

DIRECTORS' REPORT (Consolidated Accounts)

The Directors of Worldcall Telecom Limited ("WTL" or the "Parent Company") are pleased to present the annual audited consolidated financial statements of the Group for the year ended June 30, 2007.

Financial Overview		***Rupees in million***	
		2007	2006
Revenue Net		**4,329**	4,380
Gross Profit		**1,682**	1,634
Profit after tax		**627**	928
Combined EPS Basic	Rupees	**0.83**	1.26

Group Foreign Subsidiary

Worldcall Telecommunications Lanka (Pvt) Limited (WCTL)

The Company posted a gross profit of SLR 3.60 million as compared to SLR 13.86 million last year. Operational loss is SLR 18.79 million this year as compared to SLR 6.15 million last year. Management is evaluating other avenues to improve the profitability

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:	**Aamna Taseer**	**Babar Ali Syed**
06 October 2007	Director	Director

CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2007

	Note	2007	2006
		(Rupees in '000)	
NON CURRENT ASSETS			
Tangible fixed assets			
Property, plant and equipment	4	**7,677,460**	6,012,276
Capital work-in-progress	5	**1,780,893**	887,333
		9,458,353	6,899,609
Intangible assets	6	**4,704,499**	4,855,798
Investment properties	7	**72,150**	56,634
Long term investments - at cost	8	**29,680**	27,923
Long term deposits	9	**223,383**	199,704
Deferred costs	10	**4,727**	10,063
		14,492,792	12,049,731
CURRENT ASSETS			
Store and spares		**67,451**	34,637
Stock in trade		**36,201**	22,264
Trade debts	11	**899,714**	701,744
Loans and advances - considered good	12	**115,195**	134,095
Deposits and prepayments	13	**178,787**	191,428
Other receivables	14	**412,103**	425,053
Short term investments	15	**570,941**	784,542
Income tax recoverable-net		**58,224**	26,959
Cash and bank balances	16	**562,985**	1,456,516
		2,901,601	3,777,238
CURRENT LIABILITIES			
Current maturities of non-current liabilities	17	**751,320**	793,762
Running finance under mark-up arrangements - secured	18	**525,459**	273,207
Trade and other payables	19	**1,044,306**	851,188
Interest and mark-up accrued	20	**31,981**	34,131
		2,353,066	1,952,288
NET CURRENT ASSETS		**548,535**	1,824,950
NON CURRENT LIABILITIES			
Term finance certificates - secured	21	**342,855**	49,909
Long term finances	22	**677,464**	1,085,017
Deferred taxation	23	**666,625**	477,545
Retirement benefits	24	**99,311**	70,103
Liabilities against assets subject to finance lease	25	**194,026**	175,624
Long term payables- secured	39.1	**146,873**	12,694
Long term deposits		**60,627**	77,214
License fee payable	26	**806,791**	705,667
		2,994,572	2,653,773
Contingencies and commitments	27		
		12,046,755	11,220,908
Represented By			
Share capital and reserves			
Authorized capital			
900,000,000 (2006: 775,000,000) ordinary shares of Rs. 10 each		**9,000,000**	7,750,000
Issued, subscribed and paid up capital	28	**7,520,607**	6,539,658
Share premium	29	**410,887**	1,391,836
Convertible loan reserve	22.2	**1,403,575**	1,400,430
Exchange translation reserve		**(2,301)**	(845)
Accumulated profit		**2,509,902**	1,879,824
Capital and reserves attributable to equity holders of the Company		**11,842,670**	11,210,903
Minority interest		**6,292**	10,005
		11,848,962	11,220,908
Surplus on Revaluation	30	**197,793**	-
		12,046,755	11,220,908

The annexed notes 1 to 48 form an integral part of these consolidated financial statements.

The Chief Executive is out of Pakistan and in his absence these consolidated financial statements have been signed by two directors as required under section 241(2) of the Companies Ordinance, 1984.

DIRECTOR **DIRECTOR**

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2007

		Note	2007	2006
			(Rupees in '000)	
Revenue -Net		31	**4,328,751**	4,379,895
Direct cost		32	**(2,646,540)**	(2,745,549)
Gross profit			**1,682,211**	1,634,346
Operating cost		33	**(1,066,466)**	(1,043,741)
Operating profit			**615,745**	590,605
Finance cost		34	**(313,466)**	(179,575)
			302,279	411,030
Gain on re-measurement of investments at fair value		15	**279,183**	138,363
Gain on re-measurement of investment property at fair value		7	**15,516**	21,000
Gain on re-measurement of long term liabilities		26	**-**	453,107
Other operating income		35	**138,138**	158,170
Other expenses		36	**(26,992)**	(4,635)
Profit before taxation and share from Associate			**708,124**	1,177,035
Share of profit/ (loss) from associate			**2,871**	(18,894)
Profit before taxation			**710,995**	1,158,141
Taxation		37	**(84,025)**	(229,788)
Profit after taxation			**626,970**	928,353
Attributable to:				
Equity holders of the Company			**630,078**	929,426
Minority Interest			**(3,108)**	(1,073)
			626,970	928,353
Earnings per share - basic	**(Rupees)**	38	**0.83**	1.26
Earnings per share - diluted	**(Rupees)**	38	**0.74**	1.19

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

The annexed notes 1 to 48 form an integral part of these consolidated financial statements.

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DIRECTOR **DIRECTOR**

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2007

	Note	2007	2006
		(Rupees in '000)	
Cash flows from operating activities			
Cash generated from operations	40	**1,497,062**	861,463
(Increase) in long term deposits receivable		**(23,679)**	(7,483)
(Decrease) in long term deposits payable		**(16,519)**	(56,833)
Increase/(Decrease) in long term payables		**133,918**	(100,614)
(Decrease) in license fee payable		**-**	(2,610)
Retirement benefits paid		**(14,464)**	(11,410)
Finance cost paid		**(297,684)**	(318,558)
Taxes paid		**(31,599)**	(21,226)
Net cash generated from operating activities		**1,247,035**	342,729
Cash flow from investing activities			
Fixed capital expenditure		**(2,753,794)**	(1,722,588)
Intangible assets		**(5,139)**	-
Sale proceeds of property, plant and equipment		**27,174**	11,599
Proceeds from sale of long term investments		**-**	162,161
Short term investments-Net		**578,058**	(284,826)
Net cash used in investing activities		**(2,153,701)**	(1,833,654)
Cash flow from financing activities			
Receipt of long term finances		**44,800**	1,728,479
Repayment of long term finances		**(450,171)**	(255,555)
Receipt of term finance certificates		**350,000**	-
Repayment of term finance certificates		**(106,944)**	(99,127)
Repayment of finance lease liabilities		**(76,533)**	(209,339)
Shares issued		**-**	690,000
Dividend paid		**-**	(42)
Net cash (used)/generated from financing activities		**(238,848)**	1,854,416
Net (decrease)/Increase in cash and cash equivalents		**(1,145,514)**	363,491
Cash and cash equivalents at the beginning of the year		**1,183,040**	562,389
Effect of exchange rate changes		**-**	(269)
Cash and cash equivalents of merged entities		**-**	257,429
Cash and cash equivalents at the end of the year	41	**37,526**	1,183,040

The annexed notes 1 to 48 form an integral part of these consolidated financial statements.

The Chief Executive is out of Pakistan and in his absence these consolidated financial statements have been signed by two directors as required under section 241(2) of the Companies Ordinance, 1984.

DIRECTOR **DIRECTOR**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2007

	Atributable to equity holders of the Company							Minority Interest	Total
		Capital reserves				Revenue reserve	Sub Total		
	Share capital	Share premium	Currency translation reserve	Convertible loan reserve	Share deposit money	Accumulated profit/ (loss)			
	(Rupees in '000)								
Balance as at 30 June 2005	2,750,000	-	-	-	-	(19,218)	**2,730,782**	-	**2,730,782**
Share deposit money received against issue of shares	-	-	-	-	690,000	-	**690,000**	-	**690,000**
Equity component of convertible loan	-	-	-	1,400,430	-	-	**1,400,430**	-	**1,400,430**
Shares issued	690,000	-	-	-	(690,000)	-	-	-	-
Shares issued to shareholders of WBL, WCL and WML under scheme of merger	3,099,658	1,373,148	-	-	-	-	**4,472,806**	-	**4,472,806**
Reserves of merged entities transferred as per scheme of merger	-	18,688	-	-	-	1,189,888	**1,208,576**	-	**1,208,576**
Minority interest arising on Business combination	-	-	-	-	-	-	-	11,425	**11,425**
Bonus shares issued by WCL prior to court order	-	-	-	-	-	(220,230)	**(220,230)**	-	**(220,230)**
Interim dividend paid	-	-	-	-	-	(42)	**(42)**	-	**(42)**
	6,539,658	1,391,836	-	1,400,430	-	950,398	10,282,322	11,425	10,293,747
Exchange translation difference	-	-	(845)	-	-	-	**(845)**	(347)	**(1,192)**
Net profit for the year	-	-	-	-	-	929,426	**929,426**	(1,073)	**928,353**
Total reorganized income and expnese	-	-	(845)	-	-	929,426	**928,581**	(1,420)	**927,161**
Balance as at 30 June 2006	6,539,658	1,391,836	(845)	1,400,430	-	1,879,824	**11,210,903**	10,005	**11,220,908**
Reimbursement of transaction cost related to equity component of convertible loan	-	-	-	3,145	-	-	**3,145**	-	**3,145**
Bonus shares issued	980,949	(980,949)	-	-	-	-	-	-	-
Exchange translation difference	-	-	(1,456)	-	-	-	**(1,456)**	(605)	**(2,061)**
Net profit for the year	-	-	-	-	-	630,078	**630,078**	(3,108)	**626,970**
Total reorganized income and expnese	-	-	(1,456)	-	-	630,078	628,622	(3,713)	624,909
Balance as at 30 June 2007	**7,520,607**	**410,887**	**(2,301)**	**1,403,575**	-	**2,509,902**	**11,842,670**	**6,292**	**11,848,962**

The annexed notes 1 to 48 form an integral part of these consolidated financial statements.

The Chief Executive is out of Pakistan and in his absence these consolidated financial statements have been signed by two directors as required under section 241(2) of the Companies Ordinance, 1984.

DIRECTOR

DIRECTOR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

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") 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.

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 networks. Payphones are installed at various shops/ commercial outlets. The Company holds 70.65% of voting securities in the Subsidiary.

The registered office of the Company is situated at 103 C-II, Gulberg III, Lahore.

2 Basis of consolidation

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

Subsidiary

Subsidiary is an entity controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of the entity so as to benefit from its activities. The financial 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 incuurred 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 Company. Minority interest is presented separately in the consolidated financial statements.

3 Summary of significant accounting policies

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

3.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984. Approved accounting standards comprise of such International Financial Reporting Standards as 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 Companies Ordinance, 1984 or requirements of the said directives take precedence.

3.2 Accounting convention an basis of preparation

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

3.3 Significant accounting judgements 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- (note 3.4 & 4)
- Staff retirement benefits- (note 3.15 & 24)
- Taxation- (note 3.9 & 37)
- Provisions and contingencies- (note 3.20 & 27)
- Investment properties- (note 3.6 & 7)

3.4 Fixed capital expenditure and depreciation

Property, plant and equipment

Property, plant and equipment except plant and equipment, are stated at cost less accumulated depreciation and any identified impairment loss.

During the year, the Company has changed its accounting policy for subsequent measurement of plant and equipment from cost model to revaluation model. These are stated at revalued amount less accumulated depreciation and any identified impairment loss, earlier these were stated at cost 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 depreciation on revalued assets is transferred net of deferred tax from surplus on revaluation to 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 upto 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 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 fair value and present value of minimum lease payments at the date of commencement of lease, less accumulated depreciation and any identified impariment loss. During the year, the Company has revalued its plant and equipment subject to finance lease and stated them at revalued amount less accumulated depreciation.

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.

During the year the Company has adopted International Financial Reporting Standard "IFRS" 3 (Business Combinations), which has been adopted by Securities and Exchange Commission of Pakistan (SECP) vide SRO 1228(I)/2006 dated 06 December 2006. Prior to adoption of IFRS 3, the Company was stating Goodwill at cost less accumulated amortization and any identified impairment losses, whereas IFRS 3 requires that Goodwill should be stated at cost less any identified impairment losses. Consequently, no amortization of goodwill has been charged to the profit and loss account during the year in conformity with the requirements of IFRS 3. Had there been no change, the profit for the year and goodwill would have been lower by Rs. 136.9 million.

Other intangible assets

Other intangible assets are stated at cost less accumulated amortization and any identified impairment loss.

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.

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.

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 3.18.

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 Group classifies its investments in following categories.

Investments in associated companies

Long term Investments in associated companies, are stated at Group's share of their underlying net assets using the equity method.

Investments in associated companies, other than long term investments which are stated at cost less any identified impairment losses, are classified as investments at fair value through profit or loss and are valued accordingly except for investment in non listed equity instruments of associated companies, which are stated at cost less provision for any identified impairment.

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 sales 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.

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 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 income statement, except in the case of items credited or charged to equity in which case it is included in equity.

3.10 Deferred costs

These include share issue expenses incurred on increasing the authorized capital of the Group and expenses incurred in connection with the public offering/placements for the year 2004. In order to comply with the substituted Fourth Schedule to the Companies Ordinance, 1984, the Company has adopted the treatment allowed by Circular No. 1 of 2005 issued by Securities and Exchange Commission of Pakistan whereby deferred costs incurred prior to 01 July 2004 are being amortized over a period of five years whereas deferred cost incurred subsequent to this date are charged to income currently.

3.11 Inventories

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

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.

3.12 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.

3.13 Financial liabilities

Financial liabilities are classified according to substance 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 basis.

Term finance certificates

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

Convertible loans

Convertible loans that can be converted to share capital at the option of the lender, where the number of shares issued does not vary with the changes in their fair value, are accounted for as compound financial instruments. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity component in proportion to the allocation of proceeds. The equity component of the convertible loan is calculated as the excess of the issue proceeds over the present value of future cash out flows, discounted at the market rate of interest applicable to similar liabilities that do not have a conversion option. The interest expense recognized in the income statements is calculated using the effective interest rate method.

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.

3.14 Trade and other payables

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

3.15 Retirement and other benefits

Defined benefit plan

The Group operates unfunded defined benefit gratuity plan for all permanent employees, having a service period of more than one year. The Company 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.

The Company provides for gratuity annually on the basis of terminal values.

The Subsidiary operates an un-funded gratuity scheme for those employees who have completed specific period of service with the subsidiary and provision is made annually to cover the obligations under the scheme. These benefits are calculated with reference to last drawn salary and prescribed qualifying periods of services of the employees.

Defined contribution plan

The Subsidiary operates Provident Fund Trust. Contributions to the fund are recognized as an expense in the profit and loss as incurred.

3.16 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.

3.17 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.

The results and financial position of Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of balance sheet;

(ii) Income and expenses for each income statement are translated at average exchange rates.

(iii) All resulting exchange differences are recognized as a separate component of equity.

When a foreign operation is sold, exchange differences that were recorded in equity are recognized in the income statement as part of gain or loss on sale.

3.18 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 income statement 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.

3.19 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.

3.20 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.

3.21 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.

3.22 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 comprise 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 derecognition 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.

3.23 Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risk and rewards that are different from other segments.

3.24 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.

3.25 Business combination involving entities under common control

A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and the control is not transitory.

In the absence of more specific guidance, the Group consistently applied the fair value (Purchase method) measurement method to all common control transactions.

3.26 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.

4 Property, plant and equipment

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

	Cost as at 01 July	Exchange Adjustments	Revaluation Surplus	Additions/ (Disposals)	Transfers	Cost as at 30 June	Accumulated depreciation as at 01 July	Depreciation charge for the year/ (Disposals)	Exchange Adjustments	Transfers	Accumulated depreciation as at 30 June	Net book value as at 30 June	Depreciation rate %
	(Rupees in '000)						(Rupees in '000)					(Rupees in '000)	
Owned assets													
Freehold Land	-	-	-	19,800	-	19,800	-	-	-	-	-	19,800	
Leasehold improvements	57,781	-	-	13,639	-	71,420	11,389	11,019	-	-	22,408	49,012	20-33
Plant and equipment	5,846,340	(2,558)	300,080	1,931,171	74,858	8,098,578	435,841	625,727	(41)	14,979	1,064,683	7,033,895	6.67-20
				(4,009)	(47,304)			(462)		(11,361)			
Office equipment	50,339	(21)	-	6,479	-	56,536	7,862	7,634	3	-	15,409	41,127	10
				(261)	-			(90)		-			
Computers	37,531	44	-	24,356	353	61,242	13,907	14,535	53	353	27,846	33,396	10-33
				(1,042)	-			(1,002)		-			
Furniture and fixtures	12,346	(28)	-	2,089	-	14,257	2,104	1,938	2	-	4,014	10,243	10
				(150)	-			(30)	-	-			
Vehicles	52,672	(1)	-	20,261	1,628	47,179	20,521	9,750	-	757	25,167	22,012	20
				(27,381)	-			(5,861)		-			
Lab and other equipment	11,763	(132)	-	6,020	-	17,651	2,444	3,125	(4)	-	5,565	12,086	10-20
	6,068,772	**(2,696)**	**300,080**	**2,023,815**	**76,839**	**8,386,663**	**494,068**	**673,728**	**13**	**16,089**	**1,165,092**	**7,221,571**	
				(32,843)	**(47,304)**			**(7,445)**		**(11,361)**			
Leased assets													
Plant and equipment	426,208	-	4,217	27,649	(74,858)	430,520	20,173	40,190	-	(14,979)	56,745	373,775	6.67-20
					47,304					11,361			
Vehicles	43,327	-	-	67,394	(1,628)	109,093	11,790	15,946	-	(757)	26,979	82,114	20
Computers	353	-	-	-	(353)	-	353	-	-	(353)	-	-	33
	469,888	**-**	**4,217**	**95,043**	**(76,839)**	**539,613**	**32,316**	**56,136**	**-**	**(16,089)**	**83,724**	**455,889**	
					47,304					**11,361**			
2007	**6,538,660**	**(2,696)**	**304,297**	**2,118,858**	**-**	**8,926,276**	**526,384**	**729,864**	**13**	**-**	**1,248,816**	**7,677,460**	
	-		**-**	**(32,843)**	**-**			**(7,445)**					
2006	**840,780**	**(1,591)**	**-**	**5,737,880**	**-**	**6,538,660**	**40,871**	**504,554**	**(442)**	**-**	**526,384**	**6,012,276**	
	-		**-**	**(38,409)**	**-**			**(18,599)**					

4.2 Additions for the year ended 30 June 2006 include Rs. 2,634 million representing acquisition through business combination.

4.3 The Company has revalued its plant and equipment on 31 March 2007, resulting in a net surplus of Rs. 304.30 million. The valuation was conducted by an independent valuer, M/s. Surval. 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 30 June 2007 would have amounted to Rs. 7,093.815 million.

4.4 Depreciation charge for the year has been allocated as follows:

	Note	2007	2006
		(Rupees in '000)	
Direct cost	32	**666,361**	457,813
Operating cost	33	**63,503**	46,741
		729,864	504,554

4.5 Property, plant and equipment sold during the year

Description	Cost	Accumulated depreciation	Book Value	Sale proceeds	Mode of disposal	Sold to
	(Rupees in '000)					
Plant and equipment						
Intergy Rectifier (Cable Plant)	268	62	206	170	Insurance claim	-
Cable plant & equipment	3,741	400	3,341	3,382	Insurance claim	-
Office Equipment						
Photo Copier	250	83	167	202	Insurance claim	-
Mobile Phone	11	7	4	11	Negotiation	Mustafa Pirzada -Ex-Employee
Computers						
Compaq Proliant Server	567	567	-	295	Insurance claim	-
IBM Server	360	360	-	198	Insurance claim	-
Laptop	97	64	33	33	Settlement	Asad Ullah- Ex-Employee
Desktop	18	11	7	8	Insurance claim	-
Furniture & Fixture	150	30	120	60	Negotiation	Kashif
Vehicles						
Honda City	825	825	-	575	Insurance claim	-
Suzuki Pick Up	339	339	-	300	Insurance claim	-
Suzuki Pick Up	339	339	-	300	Insurance claim	-
Vehicle -Shehzor	602	602	-	290	Negotiation	Farooq Hamed
Honda Civic	1,485	965	520	850	Settlement	Shuaib Yousaf- Ex-Employee
KIA	575	125	450	450	Negotiation	M.Sadiq
Honda City	973	146	827	650	Negotiation	Tanvir Ahmed- Ex-Employee
Suzuki Bolan	239	52	187	160	Negotiation	Muhammad Sadiq
Suzuki cultus	592	592	-	240	Negotiation	Amjad Afzal -Ex-Employee
Mercedes Benz	10,225	852	9,373	9,600	Negotiation	Muhammad Imran
Toyota Land Cruiser	5,468	547	4,921	4,400	Negotiation	Awais Saeed
Toyota Land Cruiser	5,719	477	5,242	5,000	Negotiation	Usman Zia
Total	**32,843**	**7,445**	**25,398**	**27,174**		

5 Capital work-in-progress	2007	2006
	(Rupees in '000)	
Owned		
Civil works	**130,520**	36,287
Plant and equipment	**1,464,479**	638,285
Store and spares held for capital expenditure	**162,313**	183,407
	1,757,312	857,979
Leased		
Plant and equipments subject to finance lease	**23,581**	29,354
	1,780,893	887,333

6 Intangible assets

	Cost as at 01 July	Additions/ (adjustments)	Cost as at 30 June	Accumulated amortization as at 01 July	Amortization/ (adjustments) for the year	Accumulated amortization as at 30 June	Net book value as at 30 June	Rate %
	(Rupees in '000)			(Rupees in '000)				
Licenses	2,454,340	3,375	2,457,715	199,978	122,965	322,943	2,134,772	5
Patents and copyrights	5,333	-	5,333	801	801	1,602	3,731	10
Software	18,124	1,764	19,888	3,761	3,625	7,386	12,502	20
Goodwill	2,720,979	-	2,690,403	138,438	-	136,909	2,553,494	
		(30,576)			(1,529)			
2007	**5,198,776**	**5,139**	**5,173,339**	**342,978**	**127,391**	**468,840**	**4,704,499**	
		(30,576)			(1,529)			
2006	2,491,891	2,729,969	5,198,776	78,871	265,520	342,978	4,855,798	
		(23,084)			(1,413)			

6.1 Additions for the year ended 30 June 2006 include Rs. 2,726.312 million representing acquisition through business combination.

	Note	2007	2006
		(Rupees in '000)	
6.2 Amortization charge for the year has been allocated as follows:			
Direct Cost	32	**58,273**	42,943
Operating cost	33	**2,500**	157,147
Capitalized during the year		**66,618**	65,430
		127,391	265,520

6.3 The adjustment to the carrying value of Goodwill reprsents impairment loss recognised during the year, relating to Goodwill arisen on the acquisition of Subsidiary. The accumulated impairment loss at the beginning of the year was nil.

	Note	2007	2006
		(Rupees in '000)	

7 Investment properties

	Note	2007	2006
Opening balance		**56,634**	-
Acquisition through business combination		**-**	35,634
Fair value adjustment		**15,516**	21,000
Closing balance		**72,150**	56,634

Investment property comprises commercial property that is rented to Total Media Limited, an associated company.

The carrying value of investment property is the fair value of the property as determined by approved independent valuer M/s PEE DEE & Associates as at 30 June 2007. 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.

	Note	2007	2006
		(Rupees in '000)	

8 Long term investments - at cost

Associated company - Unquoted

Total Media Limited
Incorporated in Pakistan

	Note	2007	2006
2,599,500 (2006: 2,599,500) ordinary shares of Rs. 10/-each		**25,995**	25,995
Equity held 30.12% (2006: 30.12%)			
Share deposit money		**16,000**	16,000
Share of post acquisition losses of associate		**(12,315)**	(14,072)
		29,680	27,923

8.1 Summarized information of Total Media Limited is as follows:

	2007	2006
Total assets as at 30 June	**323,780**	180,897
Total liabilities as at 30 June	**155,518**	154,075
Revenue for the year ended 30 June	**110,812**	30,217
Profit/(loss) after taxation for the year ended 30 June	**5,833**	(47,102)

	Note	2007	2006
		(Rupees in '000)	
9 Long term deposits			
Security deposit with PTCL		**20,998**	28,539
Deposits with financial institutions	9.1	**167,668**	153,545
Others		**56,088**	25,838
		244,754	207,922
Less: Current maturity	13	**(21,371)**	(8,218)
		223,383	199,704

9.1 These include amount deposited in debt service reserve account with Habib Bank Limited amounting to Rs. 96.1 million (2006: Rs. 95 million) on which syndicate banks have created a lien as mentioned in note 22.3. This carries markup at the rate of 2.25 % per annum (2006: 2.25% per annum).

	Note	2007	2006
		(Rupees in '000)	
10 Deferred costs			
Opening balance		**10,063**	-
Acquired through business combination		**-**	25,996
Less: Amortization during the year		**(5,336)**	(15,933)
Closing balance		**4,727**	10,063
11 Trade debts			
Considered good - Unsecured	11.1	**899,714**	701,744
Considered doubtful - Unsecured		**118,427**	57,520
		1,018,141	759,264
Less: Provision for doubtful debts	11.2	**(118,427)**	(57,520)
		899,714	701,744

11.1 This includes due from associated companies as follows:

	2007	2006
Pace (Pakistan) Limited	**462**	437
Total Media Limited	**35**	534
First Capital Securities Corporation Limited	**115**	10
Media Times Limited	**405**	158
	1,017	1,139

11.2 Provision for doubtful debts

	2007	2006
Opening balance	**57,520**	-
Addition during the year	**61,030**	65,917
Acquisition through busines combination	**-**	1,639
Less: write off during the year	**(5)**	(10,036)
Exchange rate adjustments	**(118)**	-
Closing balance	**118,427**	57,520

	Note	2007	2006
		(Rupees in '000)	
12 Loans and advances - considered good			
Loans and advances to employees	12.1	**32,638**	23,456
Advances to suppliers	12.2	**53,671**	61,378
Advance to associated company	12.3	**28,886**	49,261
		115,195	134,095

12.1 These loans and advances are unsecured and interest free and include advances given to executives of Rs. 2.46 million (2006 : Rs. 0.365 million).

12.2 This include unsecured advance given to World Press (Private) Limited of Rs. 12.121 million (2006: Rs. 2.5 million).

12.3 This represents unsecured advance given to Media Times Limited carrying markup at the rate of 14% to 16% per annum (2006: 14% to 16% per annum).

12.4 Chief Executive and directors have not taken any loan/advance from the Company (2006: Rs. Nil)

	Note	2007	2006
		(Rupees in '000)	
13 Deposits and prepayments			
Margin deposits	13.1	**81,585**	125,201
Prepayments		**69,709**	43,100
Current maturity of long term deposits	9	**21,371**	8,218
Short term deposits		**6,036**	14,823
Deposit with regulatory authorities		**86**	86
		178,787	191,428

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

	Note	2007	2006
		(Rupees in '000)	
14 Other receivables			
Sales tax refundable		**-**	13,960
Receivable from PTCL - Unsecured considered good	14.1	**204,149**	214,527
Receivable from PTCL - Unsecured considered doubtful		**12,590**	-
		216,739	214,527
Less: provision for doubtful receivables		**(12,590)**	-
		204,149	214,527

	Note	2007	2006
		(Rupees in '000)	
Receivable from Pakistan Telecommunication Authority		**173,006**	58,151
Rural subisdy project		**716**	772
Other receivables - considered good		**34,232**	137,643
Other receivables - considered doubtful		**21,319**	21,319
		55,551	158,962
Less: provision for doubtful receivables		**(21,319)**	(21,319)
		34,232	137,643
		412,103	425,053

14.1 This includes Rs. 174 million (2006: Rs. 174 million) representing claims lodged by Worldcall Communications Limited (WCL), merged last year into the Company, 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 has invoked the available arbitration clause in the agreement to realize the claimed amount. The management is hopeful for a favorable outcome in this respect.

	Note	2007	2006
		(Rupees in '000)	
15 Short term investments			
At fair value through profit and loss - Carrying value	15.1	**6,050**	99,242
Fair value adjustment		**850**	(3,112)
		6,900	96,130
Related parties			
At fair value through profit and loss - Carrying value	15.2	**275,708**	134,233
Fair value adjustment		**277,883**	141,475
		553,591	275,708
Placements under reverse repurchase agreements - Secured			
Quoted shares	15.3	**-**	412,704
Investment with non-financial institution			
At fair value through profit and loss - Carrying value	15.4	**10,000**	-
Fair value adjustment		**450**	-
		10,450	-
Total carrying value of short term investments		**291,758**	646,179
Total fair value adjustment		**279,183**	138,363
		570,941	784,542

15.1 Particulars of listed shares - At fair value through profit and loss

All shares have face value of Rs. 10 each.

Name	No. of shares 2007	No. of shares 2006	2007 Carrying value (Rupees in '000)	2007 Market value (Rupees in '000)	2006 Carrying value (Rupees in '000)	2006 Market value (Rupees in '000)
Commercial Banks						
The Bank of Punjab	**7,658**	75,709	**472**	**892**	6,002	6,212
United Bank Limited	-	20,000	-	-	2,802	2,755
National Bank of Pakistan	-	37,500	-	-	8,767	8,081
Mutual Fund						
First Dawood Mutual Fund	**580,750**	505,000	**4,697**	**5,226**	4,359	4,697
Cement						
DG Khan Cement Limited	-	75,000	-	-	6,842	6,529
Lucky Cement Limited	-	100,000	-	-	10,424	10,355
Chemicals & Pharmaceuticals						
Engro Chemical (Pakistan) Limited	-	35,000	-	-	6,362	5,929
Fauji Fertilizers (Bin Qasim) Limited	-	110,000	-	-	3,773	3,218
Textile						
Nishat Mills Limited	-	50,000	-	-	5,308	5,240
Samin Textile Limited	-	40,500	-	-	537	618
Fuel & Energy						
Oil & Gas Development Company Limited	-	70,000	-	-	9,658	9,573
Pak Oilfields Limited	-	30,000	-	-	11,133	10,044
Pak Petroleum Limited	-	25,000	-	-	5,583	5,296
Pakistan State Oil Limited	-	10,000	-	-	3,044	3,090
Electric Appliances						
Pak Elektron Limited	**75**	27,000	**8**	**5**	2,635	2,861
Engineering & Allied Industry						
Pak Suzuki Motors Limited	-	13,800	-	-	4,257	4,319
Leasing						
Union Leasing Limited	**70,000**	-	**873**	**777**	-	-
Telecommunication						
Pakistan Telecommunication Company Limited	-	180,000	-	-	7,756	7,313
			6,050	**6,900**	99,242	96,130

15.2 **Particulars of listed shares of related parties - At fair value through profit and loss**

All shares have face value of Rs. 10 each.

Name	No. of shares					
	2007	**2006**	**2007**		2006	
			Carrying value	**Market value**	Carrying value	Market value
			(Rupees in '000)		(Rupees in '000)	
First Capital Securities Corporation Limited	**1,707,543**	1,264,847	**44,459**	**119,272**	22,767	44,459
Percentage of equity held 1.26% (2006: 1.26%)						
Shaheen Insurance Company Limited	**2,744,844**	1,569,625	**148,330**	**236,229**	45,785	148,330
Percentage of equity held 15.68% (2006: 15.68%)						
Pace (Pakistan) Limited	**6,959,290**	5,922,800	**82,919**	**198,090**	65,681	82,919
Percentage of equity held 3.70% (2006: 5.69%)						
			275,708	**553,591**	134,233	275,708

15.3 This represents placements for a period upto 35 days, secured against quoted shares having market value of Rs.425.9 million at year ended 30 June 2006 and carrying mark-up at the rate ranging from 13% to 18% per annum.

15.4 This represents investment in Pak Oman Advantage Fund, a closed end mutual fund listed on Karachi Stock Exchange. The Company has bought one million certificates of Rs. 10 each. The market value of each certificate as at 30 June 2007 is Rs. 10.45.

	Note	2007	2006
		(Rupees in '000)	
16 Cash and bank balances			
At banks in			
Current accounts		**36,112**	198,702
Saving accounts	16.1	**478,572**	276,259
Deposit accounts	16.2	**1,437**	933,213
		516,121	1,408,174
Cash in hand		**46,864**	48,342
		562,985	1,456,516

16.1 The balances in saving accounts bear mark up at the rate of 0.13% to 11% per annum (2006: 1.5% to 5% per annum). The balance includes Rs. 40 million (2006: Rs. 40 million) 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 9% to 10.5% per annum (2006: 3% to 10.7 % per annum).

	Note	2007	2006
		(Rupees in '000)	
17 Current maturities of non-current liabilities			
Term finance certificates	21	**50,110**	100,000
Long term finances	22	**441,170**	433,830
Liabilities against assets subject to finance lease	25	**189,040**	188,932
License fee payable	26	**71,000**	71,000
		751,320	793,762

18 Running finance under markup arrangements-Secured

Short term running finances available from commercial banks under mark up arrangements amount to Rs. 870 million (2006: Rs. 2,075 million). Mark up is charged at rates ranging from 10.7% to 14.1% per annum (2006: 7.7% to 13% per annum). These are secured by hypothecation charge over fixed assets, stores, stock in trade and receivables.

	Note	2007	2006
		(Rupees in '000)	
19 Trade and other payables			
Trade creditors			
Related parties - associated companies		**2,536**	4,348
Others		**763,493**	655,381
		766,029	659,729
Accrued and other liabilities		**130,950**	77,679
Advance from customers		**81,866**	67,466
Commitment fee payable		**646**	1,925
Retention money		**29,214**	23,017
Sales tax payable		**8,854**	-
Tax deducted at source		**12,326**	6,951
Un claimed dividend		**14,421**	14,421
		1,044,306	851,188
20 Interest and mark-up accrued			
Long term financing		**15,748**	23,116
Short term borrowings		**9,900**	5,085
Share deposit money		**972**	972
Finance lease		**13**	367
Term finance certificates		**5,348**	4,591
		31,981	34,131
21 Term finance certificates - Secured			
Term Finance Certificates	21.1	**392,965**	149,909
Less: Current maturity	17	**(50,110)**	(100,000)
		342,855	49,909

21.1 These represent listed Term Finance Certificates (TFC-1) and (TFC-2) with face value of Rs. 5,000 per certificate.

TFC-1

These TFCs are redeemable in seven equal semi annual installments commencing September 2004. Profit rate is charged at State Bank of Pakistan discount rate plus 1.75% per annum with a floor of 12.25% per annum and cap of

16.25% 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. 437.5 million.

If the Company fails to redeem any TFC-1 on the respective redemption date thereof and such default is not rectified within seven business days of such redemption date, then the entire obligation shall become immediately due and payable and the security created pursuant to the security documents shall become immediately enforceable.

TFC-2

These represent listed Term Finance Certificates amounting to Rs. 350 million issued during the year. 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-2 on the redemption date, the obligation shall become immediately due.

22 Long term finances

Long term finances utilized under mark up arrangements:

Banking companies and other financial institutions

	Note	2007 (Rupees in '000)	2006 (Rupees in '000)
Convertible loan from Amatis Limited - Un secured	22.2	**60,048**	66,371
Syndicated Loan I - Secured	22.3	**689,188**	826,212
Syndicated Loan II - Secured	22.4	**305,558**	427,778
Syndicated Loan III - Secured	22.5	**-**	74,563
Faysal Bank Limited - Secured	22.6	**16,667**	33,333
Habib Metropolitan Bank Limited - Secured	22.7	**20,417**	32,083
Orix Investment Bank Limited - Secured	22.8	**8,333**	15,000
Pak Kuwait Investment Company Limited - Secured	22.9	**41,667**	75,000
		1,141,878	1,550,340
Initial transaction costs incurred		**(43,920)**	(43,866)
		1,097,958	1,506,474
Accumulated amortization of transaction costs		**20,676**	12,373
		1,118,634	1,518,847
Less: Current portion	17	**(441,170)**	(433,830)
		677,464	1,085,017

22.1 Finance costs

Finance cost amounting to Rs. 92.037 million (2006: Rs. 120.665 million) was capitalized during the year in property, plant and equipment. This includes Rs. 77.519 million (2006: Rs. 101.575 million) on financing specifically obtained for the expansion of WLL project and Rs. 14.518 million (2006: Rs. 19.08 million) on financing obtained for the expansion of Broad Band operations.

22.2 Convertible loan from Amatis Limited

The Company has arranged a long term loan from Amatis Limited ("the lender") of Rs. 1.497 billion. The purpose of the loan is project expansion of WLL operations. The loan bears an interest rate of 1% per annum payable annually in arrears within 25 days of each anniversary. The term of the loan is 7 years. The loan is convertible into ordinary shares at par value of Rs. 10 each and the conversion option can be exercised by the lender at any time. The loan is to be used exclusively for the agreed purpose.

22.2.1 The convertible loan recognized in the balance sheet is calculated as follows:

	Note	2007	2006
		(Rupees in '000)	
Face value of convertible loan		**1,497,105**	1,497,105
Less transaction cost		**(29,091)**	(32,380)
		1,468,014	1,464,725
Equity component		**(1,403,575)**	(1,400,430)
Liability component		**64,439**	64,295
Less: Paid during the year		**(14,971)**	-
		49,468	64,295
Interest expense	22.2.1.1	**10,580**	2,076
		60,048	66,371

22.2.1.1 **Interest Expense**

	2007	2006
Opening balance	**2,076**	-
Add: Recognized during the year	**8,504**	2,076
Closing balance	**10,580**	2,076

The fair value of the liability component of the convertible loan as at 30 June 2006 is calculated by discounting cash flows at a rate of 12.5% which represents the effective borrowing rate of the Company. The residual amount, representing the value of the equity conversion component, is included in shareholders equity as convertible loan reserve.

22.2.2 Interest expense on the loan is calculated using the effective interest method by applying the effective interest rate of 12.5% to the liability component.

22.3 **Syndicated Loan I - Secured**	**2007**		2006	
	Limit	**Outstanding**	Limit	Outstanding
	(Rupees in '000)		(Rupees in '000)	
Habib Bank Limited	**750,000**	**287,160**	750,000	344,255
National Bank of Pakistan	**750,000**	**287,158**	750,000	344,255
MCB Bank Limited	**150,000**	**57,435**	150,000	68,851
Askari Commercial Bank Limited	**150,000**	**57,435**	150,000	68,851
	1,800,000	**689,188**	1,800,000	826,212

The Company obtained a long term loan facility of Rs. 1,800 million from above mentioned syndicate 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 amount initially agreed to be disbursed for financing the payment of license fee is now available to the Company for roll out of phase-III of WLL network due to moratorium granted by PTA for license fee. The loan is payable in 14 equal quarterly installments starting from November 2006 with a grace period of 18 months. Markup is charged at a rate of six months ASK KIBOR prevailing two working days prior to the beginning of each installment period plus 4% with no floor or cap. The markup is payable on quarterly basis.

The facility is secured against First Exclusive Mortgage over the present and future fixed assets, First Exclusive Hypothecation charge over equipment and related other moveable assets of the WLL project, mortgage on personal properties of Directors, assignment of all benefits and rights of the Company under various equipment supply contracts with suppliers, lien over collection account, debt service reserve account and debt payment account and pledge of 51% shares of sponsors of the Company.

In case of default in payment of any installment, the Company will be liable to pay additional 1.5% liquidated damages on outstanding amount from date of default till the final settlement of outstanding installment. As per terms of agreement, the syndicate has option to convert the lower of 20% of total principal amount or entire outstanding principal loan amount into ordinary shares of the Company after two years from first draw down. The conversion price would be determined as the lower of (a) average daily market value for a period of three months commencing from the date falling four months prior to the option exercise date and ending one month prior to the option exercise date less discount at 30% and (b) present/current market value on the date of option exercise less discount at 30%. The option can be availed upon giving the Company a thirty days notice in writing.

As per terms of the agreement, the Company shall pay by way of commitment fee to the Syndicate, a sum calculated at the rate of 0.25% per annum of such part of loan which remains undrawn by the Company commencing from the date mentioned in the disbursement schedule till the final draw down date.

22.4 **Syndicated Loan II - Secured**	**2007**		2006	
	Limit	**Outstanding**	Limit	Outstanding
	(Rupees in '000)		(Rupees in '000)	
The Bank of Punjab	**100,000**	**55,556**	100,000	77,778
KASB Bank Limited	**100,000**	**55,556**	100,000	77,778
Habib Metropolitan Bank Limited	**35,000**	**19,444**	35,000	27,222
The Bank of Khyber	**50,000**	**27,778**	50,000	38,889
PICIC	**50,000**	**27,778**	50,000	38,889
PICIC Commercial Bank Limited	**100,000**	**55,556**	100,000	77,778
Orix Investment Bank Pakistan Limited	**30,000**	**16,667**	30,000	23,333
Crescent Commercial Bank Limited	**25,000**	**13,889**	25,000	19,444
Soneri Bank Limited	**25,000**	**13,889**	25,000	19,444
Saudi Pak Commercial Bank Limited	**25,000**	**13,889**	25,000	19,444
First Dawood Investment Bank Limited	**5,000**	**2,778**	5,000	3,890
Crescent Leasing Corporation Limited	**5,000**	**2,778**	5,000	3,889
	550,000	**305,558**	550,000	427,778

The loan was obtained in September 2004 for a period of five years from above mentioned syndicate of banking companies at mark up of 4.25% per annum above six months KIBOR with a floor of 6.5% per annum and a cap of 10.5% per annum and is repayable in nine bi-annual installments starting from September 2005. The loan is secured by way of First Exclusive Hypothecation charge ranking pari passu of Rs. 764 million on Broadband Karachi Division's fixed assets excluding land and building.

22.5 Syndicated loan III has been fully repaid during the year.

22.6 The loan was obtained in June 2005 from Faysal Bank Limited for a period of three years under term morabaha facility at mark up of six months KIBOR plus 3.5% with floor at 9% and no cap reset on quarterly basis. The loan is repayable in 36 equal monthly installments and is secured by way of charge on all fixed assets of Broadband Lahore Division upto Rs. 75 million.

22.7 The loan was obtained in March 2006 from Habib Metropolitan Bank Limited (formerly Habib Bank AG Zurich) for a period of three years at a mark up of three months KIBOR plus 2.75% with no floor or cap. The loan is repayable in 12 equal quarterly installments and is secured by way of charge on current assets of Broadband Lahore Division upto Rs. 47 million with 25% margin.

22.8 The loan was obtained in August 2005 from Orix Investment Bank Limited for a period of three years at a mark up of six months KIBOR plus 4% with no floor or cap reset on quarterly basis. The loan is repayable in 12 equal quarterly installments starting from November 2005 and is secured by way of charge on fixed assets of Broadband Lahore Division upto Rs. 26.667 million, inclusive of a 25% margin and demand promissory note amounting to Rs. 25.950 million.

21.9 The loan was obtained in September 2004 from Pak Kuwait Investment Company Limited for a period of four years at a mark up of 4.75% above six months KIBOR with a floor of 7% and a cap of 10% per annum and is repayable in thirty six monthly installments starting after one year from the date of disbursement. The loan is secured by way of first exclusive hypothecation charge ranking pari passu for Rs. 133 million on Broadband Karachi Division's fixed assets excluding land and building.

23 Deferred taxation

	Note	2007	2006
		(Rupees in '000)	
This is composed of:			
Liability for deferred taxation comprising temporary differences related to:			
Accelerated tax depreciation		**1,414,455**	1,114,390
Surplus on revaluation of plant and equipment		**106,504**	-
Others		**155,529**	77,801
Asset for deferred taxation comprising temporary differences related to:			
Unused tax losses and tax credits		**(1,009,863)**	(714,646)
		666,625	477,545

24 Retirement benefits

Gratuity

	Note	2007	2006
The amount recognized in the balance sheet is as follows:			
Present value of defined benefit obligation		**107,126**	73,978
Unrecognized actuarial losses		**(8,616)**	(4,155)
Benefits due but not paid		**346**	-
		98,856	69,823
Subsidiary's gratuity obligation		**455**	280
		99,311	70,103
Liability at beginning of the year		**70,103**	5,760
Acquisition through business combination		**-**	42,743
Charge for the year	24.1	**43,756**	33,010
Additional liability due to transferred employees		**20**	-
Paid during the year		**(14,542)**	(11,410)
Exchange rate adjustment on Subsidiary's gratuity obligation		**(26)**	-
		99,311	70,103

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

	Note	2007	2006
		(Rupees in '000)	
Interest cost for the year		**9,469**	4,608
Current service cost		**34,287**	28,292
Actuarial loss recognized during the year		**-**	110
	24.2	**43,756**	33,010

	2007	2006
	(Rupees in '000)	

24.2 Charge for the year has been allocated as follows:

	2007	2006
Operating cost	**38,500**	28,496
Capitalized during the year	**5,256**	4,514
	43,756	33,010

24.3 Recent actuarial valuation of plan was carried out on 30 June 2007 by Nauman Associates.

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

	Note	2007 per annum	2006 per annum
Discount rate		**10%**	9%
Expected rate of salary increase		**9%**	8%

	2007	2006
	(Rupees in '000)	

25 Liabilities against assets subject to finance lease

	Note	2007	2006
Present value of minimum lease payments		**383,066**	364,556
Less: Current portion shown under current liabilities	17	**(189,040)**	(188,932)
		194,026	175,624

Interest rate used as discounting factor is ranging from 7.5 % to 16% per annum (2006: 6% to 17% 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:

	2007			2006		
	Minimum Lease Payment	**Finance cost**	**Principal**	Minimum Lease Payment	Finance cost	Principal
	(Rupees in '000)			(Rupees in '000)		
Not later than one year	**212,069**	**23,029**	**189,040**	216,340	27,408	188,932
Later than one year but not later than five years	**217,674**	**23,648**	**194,026**	185,850	10,226	175,624
	429,743	**46,677**	**383,066**	402,190	37,634	364,556

26 License fee payable

	Note	2007	2006
		(Rupees in '000)	
Carrying value of license fee payable to PTA		**1,206,000**	1,206,000
Less: present value adjustment		**(453,107)**	(453,107)
		752,893	752,893
Accumulated Interest charged to profit and loss		**124,898**	23,774
Less: current portion shown under current liabilities	17	**(71,000)**	(71,000)
		806,791	705,667

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 after three years by March 2010. The long term portion has been discounted using the effective interest rate of 12.5%.

27 Contingencies and commitments

27.1 **Billing disputes with PTCL**

27.1.1 There is a dispute of Rs. 75.2 million (2006: Rs. 13.7 million) with PTCL for billing of non revenue time of prepaid calling cards and excess minutes billed on account of interconnect and settlement charges.

27.1.2 PTCL has charged the Company excess Domestic Private Lease Circuits (DPLC) and International Private Lease Circuits (IPLC) charges amounting to Rs. 20.2 million (2006: Rs. Nil) on account of difference in rates. Further the Company has also deposited Rs. 40 million (2006 : Rs. 40 million) in Escrow account on account of dispute of charging of bandwidth charges from the date of activation of Digital Interface Units (DIU) 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.

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

There is a dispute of Rs. 491 million with PTA on account of Universal Service Fund (USF) representing contribution to USF for period prior to the formation of the USF by the Federal Government. Out of this amount, Rs. 223 million relating to prior periods has been deposited with PTA. Based on the legal advice, the management is confident that the matter will be decided in favour of the Company.

27.3 The Income Tax proceedings have been finalized upto Tax Year 2006 with the exception of the following issues:

27.3.1 The Taxation Officer reassessed the Income for the tax year 2006 by making additions on account of brought forward losses, gratuity and goodwill of Rs. 773 million. The reassessment has only reduced the loss declared by the Company for the year and it has not made any impact on the tax liability. The Company has filed an appeal before CIT(A) against the order of Taxation Officer.

27.3.2 During the year the Taxation Officer passed an order 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 tax demand of Rs. 173 million by treating the Company as assessee in default for non-deduction of tax under section 236 of the Income Tax Ordinance 2001. The Company has filed an appeal before CIT(A) against the order of the Taxation Officer. The management of the Company is confident that the appeal will be decided in their favour as they have not made any default on account of tax deduction.

27.3.3 During the year, the 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. Subsequent to the balance sheet date, Additional Collector (Adjudication) Sales Tax Lahore has given a decision against the Company and imposed a penalty on the Company and Chief Executive, equivalent to the amount of orginal alleged claim. The Company is in the process of filling appeal to the Collector Sales Tax (Appeals) and Federal Tax Ombudsman. The management believes based upon the factual and legal grounds that the matter will be decided in favour of the Company at a higher judicial forum.

		Note	2007	2006
			(Rupees in '000)	
27.4	Outstanding guarantees		**197,006**	196,161
27.5	Commitments in respect of capital expenditure		**179,261**	66,349
27.6	Outstanding letters of credit		**31,084**	324,277

28 Issued, subscribed and paid up capital

	2007	2006
Ordinary shares of Rs. 10 each as fully paid in cash	**3,440,000**	3,440,000
Ordinary shares of Rs. 10 each issued in accordance with the scheme of merger	**3,099,658**	3,099,658
Ordinary shares of Rs. 10 each issued as fully paid Bonus shares	**980,949**	-
	7,520,607	6,539,658

	2007	2006
	(Number of shares)	

28.1 **Reconciliation of Issued, subscribed and paid up capital**

	2007	2006
Opening balance	**653,965,789**	275,000,000
Issued as fully paid in cash	**-**	69,000,000
Issued in accordance with the scheme of merger	**-**	309,965,789
Issued as fully paid bonus shares	**98,094,868**	-
	752,060,657	653,965,789

28.2 The detail of the Company's shares held by associated companies as at 30 June 2007 is as follows:

	2007	2006
	(Number of shares)	
Name of associated undertaking		
First Capital Securities Corporation Limited	**84,159,661**	78,538,838
Pace (Pakistan) Limited	**1,800,912**	1,566,011
	85,960,573	80,104,849

29 Share premium

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

		2007	2006
		(Rupees in '000)	
30	**Surplus on Revaluation**		
	Revaluation surplus on plant & equipment	**304,297**	-
	Less: Related deferred tax liability	**(106,504)**	-
		197,793	-

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.

		Note	2007	2006
			(Rupees in '000)	
31	**Revenue -Net**			
	Telecom services		**3,398,756**	4,153,102
	Broadband services		**1,280,157**	906,881
			4,678,913	5,059,983
	Less:			
	Sales tax		**203,962**	252,563
	Discount and commission		**146,200**	427,525
			350,162	680,088
			4,328,751	4,379,895
32	**Direct cost**			
	Interconnect, settlement and other charges		**1,370,531**	1,764,009
	Bandwidth and other PTCL charges		**263,043**	259,420
	Depreciation	4.4	**666,361**	457,813
	Amortization of intangible assets	6.2	**58,273**	42,943
	Power consumption and pole rent		**123,017**	89,267
	PTA charges	32.1	**28,534**	33,031
	Cable License fee		**32,768**	10,085
	Salaries and other benefits		**13,241**	8,331
	Inventory consumed		**30,983**	23,380
	Stores and spares consumed		**9,647**	8,856
	Annual Spectrum Fee		**13,243**	16,378
	Content cost		**24,814**	21,414
	Network maintenance & insurance		**9,833**	2,887
	Cable modem and accessories		**-**	5,617
	Others		**2,252**	2,118
			2,646,540	2,745,549
32.1	**PTA Charges**			
	LDI License	32.1.1	**10,321**	12,522
	WLL License	32.1.2	**12,345**	7,621
	Payphones License		**555**	8,311
	Broadband License		**4,465**	3,023
	Telephony License	32.1.3	**175**	333
	Annual numbering charges		**198**	1,221
	Testing and other charges		**475**	-
			28,534	33,031

32.1.1 This provision represents charges payable to Pakistan Telecommunication Authority (PTA) in respect of contribution to the Research and Development Fund established by Federal Government (Rs. 6.132 million), Universal Service Fund (Rs. 1.123 million) and annual regulatory fee (Rs. 3.066 million) under the license agreement for LDI project.

32.1.2 This provision represents charges payable to Pakistan Telecommunication Authority (PTA) in respect of contribution to the Research and Development Fund established by Federal Government (Rs. 6.157 million), Universal Service Fund (Rs. 3.109 million) and annual regulatory fee (Rs. 3.079 million) under the license agreement for WLL project.

The gross revenue on which this provision has been calculated, represents revenue from licensed services only i.e. connection charges, post paid billing to customers, air time of prepaid cards utilized by customers, line rent of both prepaid and post paid connections and local and international inbound revenue. It does not include one time initial fee received from customers on activation of connection i.e. membership fee and license fee.

32.1.3 This provision represents charges payable to Pakistan Telecommunication Authority (PTA) in respect of contribution to the Research and Development Fund established by Federal Government (Rs. 0.113 million) and annual regulatory fee (Rs. 0.062 million) for the current year under the license agreement for Telephony project.

	Note	**2007**	2006
		(Rupees in '000)	
33 Operating cost			
Salaries, wages and benefits		**476,164**	385,036
Marketing, advertisement and selling expenses		**149,475**	99,659
Rent, rates and taxes		**53,861**	44,056
Communications		**30,739**	33,736
Transportation		**18,615**	20,006
Legal and professional	33.1	**11,492**	14,973
Insurance		**23,065**	24,665
Utilities		**25,129**	21,483
Printing and stationery		**18,061**	17,517
Entertainment		**19,063**	16,650
Travel and conveyance		**41,524**	14,194
Repairs and maintenance		**18,884**	12,413
Provision for doubtful debts		**73,619**	77,200
Bad debts written off		**-**	10,036
Donations	33.2	**571**	5,129
Fees and subscriptions		**9,587**	4,122
Postage and courier		**8,288**	3,783
Newspapers and periodicals		**647**	2,445
Consultancy		**-**	2,182
Auditor's remuneration	33.3	**4,064**	3,686
Depreciation	4.4	**63,503**	46,741
Amortization of intangible assets	6.2	**2,500**	157,147
Amortization of deferred cost		**5,336**	15,933
Miscellaneous		**12,279**	10,949
		1,066,466	1,043,741

33.1 These include operating expenses amounting to Rs. 0.091 million (2006: Rs. 0.091 million) with respect to investment properties.

33.2 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 year.

		Note	2007	2006
			(Rupees in '000)	
33.3	**Auditor's remuneration**			
	Statutory audit	33.3.1	**2,624**	2,416
	Half year review		**700**	650
	Other sundry certifications		**400**	310
	Out of pocket expenses		**340**	310
			4,064	3,686

33.3.1 This includes Rs. 0.124 million (2006: Rs. 0.116 million) relating to KPMG Ford, Rhodes, Thorton & Company, the statutory auditors of the Subsidiary.

		Note	2007	2006
34	**Finance cost**			
	Mark-up on long term loan	34.1	**101,683**	70,767
	Interest on PTA license fee		**101,125**	23,774
	Financial charge on leased liabilities		**32,772**	33,011
	Mark-up on Term Finance Certificates		**40,389**	24,527
	Mark-up on running finance		**30,001**	16,934
	Bank charges and commission		**7,496**	10,473
	Mark-up on advances from associated companies		**-**	89
			313,466	**179,575**

34.1 This includes Rs. 7.985 million (2006: Rs. 9.178 million) in respect of amortization of initial transaction cost.

		Note	2007	2006
			(Rupees in '000)	
35	**Other operating income**			
	Income from financial assets			
	Profit on sale of investments		**85,274**	104,868
	Income on deposit and saving accounts		**25,628**	15,622
	Dividend Income		**2,490**	-
	Mark-up on advance to associated company		**6,483**	9,458
			119,875	129,948
	Income from non-financial assets			
	Rental income from investment property		**4,084**	3,712
	Scrap sales		**469**	-
	Gain/(loss) on sale of Property plant and equipment		**1,776**	(3,695)
	Miscellaneous		**11,934**	28,205
			18,263	28,222
			138,138	158,170
36	**Other expenses**			
	Impairment of Goodwill	6	**29,047**	-
	Exchange (gain)/loss		**(2,055)**	4,635
			26,992	4,635
37	**Taxation**			
	for the year			
	Current	37.1	**334**	-
	Deferred		**82,576**	234,610
			82,910	234,610
	Share of taxation from Associate		**1,115**	(4,822)
			84,025	229,788

37.1 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. As per section 113 of the Income Tax Ordinance, 2001, minimum tax paid by the Company is adjustable against tax payable by the Company in respect of future taxable profits.

	2007	2006
37.2 Tax charge reconciliation		
Numerical reconciliation between the average effective tax rate and the applicable tax rate.		
	%	%
Applicable tax rate	**35**	35
Tax effect of amounts:		
Not deductible for tax purposes	**7.58**	13.10
Admissible for tax purposes	**(12.31)**	(6.89)
Exempt from tax	**(18.71)**	(21.68)
Covered under presumptive tax regime	**(0.28)**	-
Of Subsidary	**0.52**	0.16
Of Associate	**0.02**	0.15
Average effective tax rate (tax expense divided by profit before tax)	**11.82**	19.84

38 Earnings per share

		2007	2006
38.1 Basic earnings per share			
Profit after taxation available for distribution to ordinary shareholders	Rupees in '000	**626,970**	928,353
Weighted average number of ordinary shares	Number in '000	**752,061**	738,836
Basic earnings per share	Rupees	**0.83**	1.26

	Note	**2007**	2006
		(Rupees in '000)	
38.2 Diluted earnings per share			
Profit after taxation available for distribution to ordinary shareholders		**626,970**	928,353
After tax effect of interest on convertible loan from Amatis Limited		**8,504**	2,076
After tax effect of interest on Syndicated loan-I		**1,377**	-
Profit after taxation available for distribution to ordinary shareholders (diluted)		**636,851**	930,429

		2007	2006
		(Number in '000')	
Weighted average number of ordinary shares		**752,061**	738,836
Effect of conversion of convertible loan from Amatis Limited		**107,164**	44,736
Effect of conversion of syndicated loan-I		**3,903**	-
Weighted average number of ordinary shares (diluted)		**863,128**	783,572
Diluted earnings per share	Rupees	**0.74**	1.19

The basic and diluted earning per share for the last year is adjusted to give effect of bonus issue during the current year.

39 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:

	2007	2006
	(Rupees in '000)	
Associated companies		
Purchase of goods and services	**52,348**	41,083
Sale of goods and services	**10,013**	4,453

39.1 Long term payables include Rs. 12.746 million (2006: Rs. 6.433 million) payable to related party of the Subsidiary.

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

40 Cash generated from operations

	2007	2006
Profit before taxation	**710,995**	1,158,141
Adjustment for non-cash charges and other items:		
Depreciation	**729,864**	504,554
Amortization of intangible assets	**60,773**	200,090
Amortization of deferred cost	**5,336**	15,933
Amortization of transaction cost	**7,985**	9,178
Interest on PTA license fee	**101,125**	23,774
Provision for doubtful receivables	**73,619**	77,200
Bad debts written off	**-**	10,036
Gain on sale of short term investments	**(85,274)**	(104,868)
Property, plant and equipment written off	**-**	4,516
(Profit)/Loss on disposal of property, plant and equipment	**(1,776)**	3,695
Impairment of Goodwill	**29,047**	-
Share of (gain)/loss from associate	**(2,871)**	18,894
Gain on re-measurement of investments at fair value	**(279,183)**	(138,363)
Gain on re-measurement of investment property at fair value	**(15,516)**	(21,000)
Gain on re-measurement of long term liabilities at present value	**-**	(453,107)
Retirement benefits	**38,500**	33,010
Finance costs	**203,829**	155,801
Profit before working capital changes	**1,576,453**	1,497,484

	Note	2006	2005
		(Rupees in '000)	
Effect on cash flow due to working capital changes:			
(Increase)/Decrease in the current assets			
Stores and spares		**(32,814)**	(2,657)
Stock in trade		**(13,988)**	(4,310)
Trade debts		**(259,032)**	(132,472)
Loans and advances		**18,900**	168,767
Deposits and prepayments		**12,608**	26,696
Other receivables		**(1,484)**	(124,488)
Increase/(Decrease) in the current liabilities			
Trade and other payables		**196,419**	(567,557)
		(79,391)	(636,021)
		1,497,062	861,463

41 Cash and cash equivalents

	Note	2006	2005
Cash and bank balances	16	**562,985**	1,456,516
Running finance under markup arrangements-Secured	18	**(525,459)**	(273,207)
Cash and cash equivalents as previously reported		**37,526**	1,183,309
Effect of exchange rate changes		-	(269)
Cash and cash equivalents as restaed		**37,526**	1,183,040

42 Remuneration of Chief Executive, directors and executives

The aggregate amount charged in the financial statements for the year for remuneration, including certain benefits, to the Chief Executive, directors and executives of the Group are as follows:

	Chief Executive		Directors		Executives	
	2007	2006	**2007**	2006	**2007**	2006
	(Rupees in '000)		(Rupees in '000)		(Rupees in '000)	
Managerial remuneration	**1,584**	1,584	**2,540**	2,528	**68,857**	37,902
Retirement benefits	**200**	200	**200**	100	**9,187**	2,506
Housing	**648**	648	**655**	848	**27,543**	15,225
Utilities	**168**	168	**164**	212	**6,886**	3,833
	2,600	2,600	**3,559**	3,688	**112,473**	59,466
Number of persons	**1**	1	**2**	3	**100**	56

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 year (2006: Rs. Nil).

43 Financial assets and liabilities

	Interest / mark up bearing				Non interest/mark up bearing				Total	
	Maturity upto one year	Maturity after one year upto two years	Maturity after two years upto five years	Sub total	Maturity upto one year	Maturity after one year upto two years	Maturity after two years upto five years	Sub total	2007	2006
	(Rupees in '000)				(Rupees in '000)				(Rupees in '000)	
Financial assets										
Long term deposits	-	-	-	-	21,371	-	223,383	**244,754**	**244,754**	207,922
Trade debts	-	-	-	-	899,714	-	-	**899,714**	**899,714**	701,434
Loans and advances - considered good	28,886	-	-	**28,886**	-	-	-	-	**28,886**	134,095
Deposits and short term prepayments	-	-	-	-	87,621	-	-	**87,621**	**87,621**	140,110
Other receivables	-	-	-	-	411,387	-	-	**411,387**	**411,387**	411,093
Short term investments	-	-	-	-	570,941	-	-	**570,941**	**570,941**	784,542
Cash and bank balances	480,009	-	-	**480,009**	82,976	-	-	**82,976**	**562,985**	1,456,516
	508,895	-	-	**508,895**	2,074,010	-	223,383	**2,297,393**	**2,806,288**	3,835,712
Financial liabilities										
Term finance certificates - Secured	50,110	58,357	284,498	**392,965**	-	-	-	-	**392,965**	149,909
Long term finances-secured	441,170	489,503	187,961	**1,118,634**	-	-	-	-	**1,118,634**	1,518,847
Liabilities against assets subject to finance lease	189,040	143,817	50,209	**383,066**	-	-	-	-	**383,066**	364,556
Long term payables	-	-	-	-	-	105,060	41,813	**146,873**	**146,873**	6,261
Long term deposits	-	-	-	-	-	-	60,627	**60,627**	**60,627**	77,214
License fee payable	-	-	-	-	-	-	806,791	**806,791**	**806,791**	705,667
Running finance under markup arrangements-Secured	525,459	-	-	**525,459**	-	-	-	-	**525,459**	273,207
Trade and other payables	-	-	-	-	953,586	-	-	**953,586**	**953,586**	783,204
Interest and mark up accrued	-	-	-	-	31,981	-	-	**31,981**	**31,981**	34,131
	1,205,779	**691,677**	**522,668**	**2,420,124**	**985,567**	**105,060**	**909,231**	**1,999,858**	**4,419,982**	**3,912,996**
Off balance sheet financial instruments										
Contingencies and commitments									**1,272,661**	267,309
Guarantees									**197,006**	196,161
Letters of credit									**31,084**	324,277
									1,500,751	787,747

The effective interest/ mark-up rates for the monetary financial assets and liabilities are mentioned in respective notes to the consolidated financial statements.

43.1 Financial risk management objectives

The Group 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 Group's financial instruments is limited as there is no significant exposure to market risk in respect of such instruments.

43.2 Foreign exchange risk management

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, purchases and borrowings that are entered in a currency other than Pak Rupees. The Group uses forward exchange contracts to hedge its foreign currency risk, when considered appropriate.

43.3 Concentration of 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 Group's credit risk is primarily attributable to its trade debts and loans and advances. The Group has no significant concentration of credit risk as exposure is spread over a large number of counter parties in the case of trade debts. Total financial assets of Rs. 2,806 million (2006: Rs. 3,836 million) include financial assets Rs. 1,672 million (2006: Rs. 1,595 million), which are subject to credit risk. To manage exposure to credit risk, the Group applies credit limits to its customers and obtains advances from them.

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 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.

43.6 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 Group has adopted appropriate policies to cover interest rate risk.

44 Segment reporting

Segment information is presented in respect of the Group’s business. The primary format, business segment, is based on the Group's management reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year.

The Group’s operations comprise of the following main business segments:

-Telecom segment which comprises of WLL, LDI and Operation and Maintenance of payphone network.

-Broadband segment which comprises of internet over cable and cable TV services.

All inter-segment sales are on arms length basis.

Segment analysis for the year ended 30 June 2007

	Telecom	Broadband	Eliminations	Total
		(Rupees in '000)		
Sales				
External sales	**3,398,756**	**1,280,157**	**-**	**4,678,913**
Inter-segment sales	**8,350**	**25,830**	**(34,180)**	**-**
Sales tax	**(161,923)**	**(42,039)**	**-**	**(203,962)**
Discount and commission	**(136,664)**	**(9,536)**	**-**	**(146,200)**
Total revenue	**3,108,519**	**1,254,412**	**(34,180)**	**4,328,751**
Profit before tax and unallocated expenses	**256,614**	**454,381**	**-**	**710,995**
Unallocated corporate expenses				
Taxation				**(84,025)**
Profit after taxation				**626,970**

	Telecom	Broadband	Total
		(Rupees in '000)	
Segment assets and liabilities			
Segment assets	**12,949,886**	**4,444,507**	**17,394,393**
Consolidated total assets			**17,394,393**
Segment liabilities	**3,691,198**	**989,815**	**4,681,013**
Unallocated segment liabilities			**666,625**
Consolidated total liabilities			**5,347,638**
Segment capital expenditure	**1,674,840**	**449,157**	**2,123,997**
			2,123,997
Non-cash expenses other than depreciation and amortization	**175,253**	**40,044**	**215,297**
Depreciation and amortization	**659,815**	**197,440**	**857,255**

Segment analysis for the year ended 30 June 2006

	Telecom	Broadband	Eliminations	Total
		(Rupees in '000)		
Sales				
External sales	4,153,102	906,881	-	5,059,983
Inter-segment sales	19,104	12,073	(31,177)	-
Sales tax	(229,106)	(23,457)	-	(252,563)
Discount and commission	(413,340)	(14,185)	-	(427,525)
Total revenue - net	3,529,760	881,312	(31,177)	4,379,895
Profit before tax and unallocated expenses	921,359	241,604	-	1,162,963
Unallocated corporate expenses				
Taxation				(234,610)
Profit after taxation				928,353

	Telecom	Broadband (Rupees in '000)	Total
Segment assets and liabilities			
Segment assets	12,836,718	3,091,453	15,928,171
Consolidated total assets			15,928,171
Segment liabilities	3,809,933	897,330	4,707,263
Consolidated total liabilities			4,707,263
Segment capital expenditure	2,475,330	632,440	3,107,770
			3,107,770
Non-cash expenses other than depreciation and amortization	44,850	67,497	112,347
Depreciation and amortization	538,048	166,596	704,644

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

Certain amendments to IAS 1 'Presentation of financial statements' - Capital Disclosure have been published that are applicable to the Company's financial statements covering annual periods, beginning on or after 01 July 2007. Adoption of amendments to IAS 1 will impact only the nature and extent of disclosures made in the future financial statements of the Company. In addition IAS 23 "Borrowing Costs" has been revised and is effective for the Company's accounting period beginning after 01 July 2009. Adoption of this standard will have no impact on the Company's financial statements.

During the previous year International Financial Reporting Interpretation Committee (IFRIC) of the International Accounting Standards Board issued IFRIC Interpretation 4 (IFRIC-4) "Determining whether an Arrangement contains a Lease". The interpretation was initially effective for financial periods ending 30 June 2007, however, SECP vide its circular no. 7 of 2007 has deferred the implementation of said interpretation till 30 June 2009. The Company has in place certain arrangements which under IFRIC - 4 require re-assessment for potential classification as a lease. The financial impact, if any, as a result of this re-assessment is under review.

Other Standards, interpretations and amendments to published approved accounting standards are not relevant to the Company.

46 Post balance sheet date event

Oman Telecommunications Company (Omantel) has shown interest in buying majority stakes in the Company and have conducted financial and legal due diligence for this purpose. As of date of this report, the Company is expecting a final decision from the board of directors of Omantel.

47 Date of authorization for issue

These financial statements were authorized for issue on 06 October 2007 by the Board of Directors.

48 General

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

48.2 Previous year's figures have been rearranged, wherever necessary for the purpose of comparison. Material rearrangements are summarized below;

- Amortization of license fee amounting to Rs. 42.943 million previously grouped in amortization in operating costs, has been shown as line item in direct cost.

- Provision for taxation amounting to Rs. 101.202 million previously shown as separate line item on the face of balance sheet has been shown on net basis with the income tax recoverable on the face of balance sheet. Income tax recoverable amounting to Rs. 128.161 million was previously shown as line item in other receivables.

- Cable license fee amounting to Rs. 10.085 million previously grouped in legal and professional charges in operating cost, has been shown as line item in direct cost.

The Chief Executive is out of Pakistan and in his absence these consolidated financial statements have been signed by two directors as required under section 241(2) of the Companies Ordinance, 1984.

DIRECTOR **DIRECTOR**

PATTERN OF SHAREHOLDING
AS AT 30 JUNE 2007

INCORPORATION NUMBER: 004200 of 15-03-2001

No. of Shareholders	Shareholdings			Shares Held
	From		To	
569	1	-	100	27,441
1503	101	-	500	430,891
3800	501	-	1000	2,530,663
1961	1001	-	5000	4,684,583
351	5001	-	10000	2,690,868
132	10001	-	15000	1,612,126
102	15001	-	20000	1,841,873
40	20001	-	25000	947,037
24	25001	-	30000	663,586
19	30001	-	35000	610,079
23	35001	-	40000	869,584
8	40001	-	45000	334,251
33	45001	-	50000	1,624,331
6	50001	-	55000	305,735
15	55001	-	60000	868,862
5	60001	-	65000	315,340
4	65001	-	70000	270,927
9	70001	-	75000	651,917
4	75001	-	80000	310,414
3	80001	-	85000	246,958
3	85001	-	90000	264,823
1	90001	-	95000	90,960
25	95001	-	100000	2,488,373
2	100001	-	105000	204,875
2	105001	-	110000	217,801
3	110001	-	115000	339,702
3	115001	-	120000	354,980
1	130001	-	135000	131,000
1	135001	-	140000	136,931
3	145001	-	150000	446,712
2	150001	-	155000	302,076
1	175001	-	180000	176,065
1	185001	-	190000	186,266
2	190001	-	195000	386,539
6	195001	-	200000	1,190,266
1	200001	-	205000	205,000

No. of Shareholders	Shareholdings From		Shareholdings To	Shares Held
1	210001	-	215000	211,500
2	220001	-	225000	445,365
1	225001	-	230000	228,545
2	245001	-	250000	500,000
1	250001	-	255000	250,500
1	255001	-	260000	259,500
1	275001	-	280000	276,762
1	280001	-	285000	285,000
1	340001	-	345000	342,500
1	345001	-	350000	350,000
1	350001	-	355000	350,700
2	360001	-	365000	726,851
1	375001	-	380000	378,460
1	390001	-	395000	395,000
1	395001	-	400000	400,000
1	410001	-	415000	410,800
1	455001	-	460000	460,000
1	460001	-	465000	462,530
1	475001	-	480000	476,445
3	495001	-	500000	1,500,000
1	510001	-	515000	511,000
1	540001	-	545000	542,500
1	575001	-	580000	575,943
1	615001	-	620000	616,000
2	700001	-	705000	1,401,600
1	715001	-	720000	718,500
1	750001	-	755000	752,840
1	770001	-	775000	775,000
1	780001	-	785000	783,500
1	795001	-	800000	800,000
1	850001	-	855000	854,500
1	865001	-	870000	868,000
1	995001	-	1000000	1,000,000
1	1020001	-	1025000	1,025,000
1	1050001	-	1055000	1,054,000
1	1180001	-	1185000	1,182,000
1	1215001	-	1220000	1,220,000
1	1225001	-	1230000	1,227,500
1	1245001	-	1250000	1,250,000
2	1345001	-	1350000	2,700,000
1	1425001	-	1430000	1,430,000

No. of Shareholders	Shareholdings From		Shareholdings To	Shares Held
1	1565001	-	1570000	1,568,500
1	1795001	-	1800000	1,796,500
1	1800001	-	1805000	1,800,912
1	1970001	-	1975000	1,974,000
1	2225001	-	2230000	2,228,500
1	2615001	-	2620000	2,619,260
1	2745001	-	2750000	2,750,000
1	3220001	-	3225000	3,223,675
1	4505001	-	4510000	4,505,454
1	4795001	-	4800000	4,800,000
1	5475001	-	5480000	5,478,000
1	5580001	-	5585000	5,581,844
1	5880001	-	5885000	5,885,000
1	5995001	-	6000000	6,000,000
1	6205001	-	6210000	6,207,574
1	6575001	-	6580000	6,576,029
1	6995001	-	7000000	6,995,500
1	7230001	-	7235000	7,234,732
1	7520001	-	7525000	7,521,000
1	8185001	-	8190000	8,190,000
1	8240001	-	8245000	8,241,627
1	8400001	-	8405000	8,405,000
1	8695001	-	8700000	8,695,653
1	8875001	-	8880000	8,876,000
1	8995001	-	9000000	9,000,000
1	9045001	-	9050000	9,050,000
1	9615001	-	9620000	9,618,527
1	10845001	-	10850000	10,846,700
1	11395001	-	11400000	11,400,000
1	12470001	-	12475000	12,470,532
1	12500001	-	12505000	12,504,500
1	13720001	-	13725000	13,724,561
1	14170001	-	14175000	14,170,480
1	15895001	-	15900000	15,896,979
1	18175001	-	18180000	18,177,751
1	20300001	-	20305000	20,304,939
1	22805001	-	22810000	22,810,000
1	24145001	-	24150000	24,150,000
1	25775001	-	25780000	25,779,438
1	32035001	-	32040000	32,039,380
1	34495001		34500000	34,500,000
1	39775001		39780000	39,776,387
1	53380001		53385000	53,380,643
1	65370001		65375000	65,371,904
1	110970001		110975000	110,975,000
8761				**752,060,657**

PATTERN OF SHAREHOLDING
AS AT 30 JUNE 2007

Categories of Shareholders	Shares held	Percentage
Directors, Chief Executive Officer, and their spouse and minor children	355,123,625	47.220
Associated Companies, undertakings and related parties.	85,960,573	11.430
NIT and ICP	938,975	0.125
Banks, Development Financial Institutions, Non Banking Finance Companies	35,697,313	4.747
Modarabas and Mutual Funds	34,162,062	4.542
Insurance Companies	339,985	0.045
Share holders holding 10% or more	432,041,003	57.448
General Public		
a) Local	66,872,541	8.892
b) Foreign	658,185	0.101
Others		
- Public Sector Com. & Corp.	17,605,928	2.341
- Joint Stock Companies	120,834,850	16.067
- Foreign Companies	33,866,620	4.503

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

PATTERN OF SHAREHOLDING AS PER LISTING REGULATIONS AS AT 30 JUNE 2007

Shareholders' Category	Number of Shares held
Associated Companies, undertaking and related parties	
First Capital Securities Corporation Limited	84,159,661
Pace (Pakistan) Limited	1,800,912
NIT and ICP	938,975
Directors, CEO & their Spouse and Minor Children	
Sulieman Ahmed Said Al-Hoqani	347,896,342
Salmaan Taseer	7,235,281
Aamna Taseer	1,746
Shaan Taseer	1,500
Abid Raza	2,243
Air Vice Marshal (Retd) Syed Imtiaz Hyder (Resigned)*	575
Jamal Said Al-Ojaili	938
Babar Ali Syed	575

* Air Vice Marshal (R)Arshad Rashid Sethi appointed as a Director in place of Air Vice Marshal (R)Syed Imtiaz Hyder subsequent to the year-end.

Executives	-
Public Sector Companies and Corporations	17,605,928
Banks Development Financial Institutions, Non-Banking Finance Companies, Insurance Companies, Modarabas and Mutual Funds etc.	70,199,360
Shareholders holding 10% or more voting interest in the Company	
Sulieman Ahmad Said Al-Hoqani	347,896,342
First Capital Securities Corporation Limited	84,159,661

FORM OF PROXY

The Company Secretary
Worldcall Telecom Limited
103-C/II, 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 Registered Office of the Company, 103-C/II, Gulberg-III, Lahore, on 31 October 2007 at 12:30 p.m. and at any adjournment thereof.

Signature this _________________ Day of _______________ 2007.

Affix Revenue Stamp
of Rupees Five

(Witnesses)

1. __________________

2. __________________

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.