QUARTERLY ACCOUNTS
(Un-Audited)

30 September 2006

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.

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Worldcall Telecom Limited

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) Syed Imtiaz Hyder 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 Commercial Bank Limited Atlas Bank Limited (Formerly Dawood Bank Ltd) Citi Bank Faysal Bank Limited First Woman Bank Limited Habib Bank AG Zurich Habib Bank Limited KASB Bank Limited MCB Bank Limited National Bank of Pakistan Limited PICIC Commercial Bank Limited Prime Commercial Bank Limited Saudi Pak Commercial Bank Limited Soneri Bank Limited Standard Chartered Bank The Bank Of Punjab Union Bank Limited United Bank Limited
Registrar and Shares Transfer Office	THK Associates (Pvt.) Limited Ground Floor State Life Building No.3, Dr. Zia-ud-Din Ahmed Road Karachi. ☎ (021) 111-000-322
Registered Office/Head Office	103-C/II, Gulberg-III Lahore, Pakistan ☎ (042) 5757591-4 Fax: (042) 5757590, 5877920

DIRECTOR'S REVIEW

It gives us pleasure to present the un-audited financial statements of Worldcall Telecom Limited ("WTL" or the "Company) for the quarter ended 30 September 2006.

Financial Overview

During the period under review the Company earned profit after tax of PKR 160.2 million as compared to PKR 55.6 million for the corresponding period last year. The revenues of the Company for the period under review remained almost the same as compared to the corresponding period last year owing to reduction in tariffs as a result of increasing competition; however, the gross margin increased from 28% to 29%. The operating cost for the period under review increased by 30% as compared to the corresponding period last year; due to the fact that last year WLL operations were at initial stage which are now operational at full scale. This is expected to reduce in the future as synergies associated with the merger are focused upon. Finance cost includes PKR 25.1 million arising due to re-measurement of long term liabilities at present value, which is in line with the corresponding gain of PKR 79.8 million for the period. Unrealized and realized gains on investments along with exchange gain on financial instruments further contributed towards the profitability of the Company. The earning per share for the period under review increased to PKR 0.24 as compared to PKR 0.20 for the corresponding period last year.

Operational overview

After the launch of operations of new cellular companies, there is intense competition in the telecom industry; however, despite the competitive scenario, WTL has managed to continuously increase its customer base. Minutes volume continues to grow after direct interconnect agreements with all significant mobile operators and PTCL. WLL services also continue to expand nationwide with services now available in 25 cities.

The Company has launched new IOC (Internet over Cable) packages with attractive prices after significant reduction in bandwidth cost. This will further enhance the customer base and profitability of the Company. The Company has also entered into various new contracts to provide point-to-point/multipoint metro fibre connectivity, DPLC (Domestic Private Leased Circuit) services and micro sites for cellular/financial sectors, which will further contribute to the profitability. For the first time in Pakistan, Worldcall has introduced prepaid cards for Cable TV and Internet services, thus providing an innovative and convenient alternative facility to the customers for payment of their monthly bills.

Future Outlook

The Company intends to continue its history of undertaking innovative ventures aimed at increasing shareholders' wealth while creating employment opportunities at the same time. A couple of upcoming new additions to the current portfolio of services being offered by the Company are Digital TV channels and Video on Demand services, which have been successfully tested. Their commercial launch (simultaneously in Lahore and Karachi) is expected in November 2006 and will help generate more revenues for the Company. Phase III deployment of WTL's Karachi HFC network is almost complete; this will further enhance house passes in the city resulting in increased revenues for the Company. Further expansion of the HFC network to reach new areas is also in the pipeline. The Company has substantially improved its dues collection mechanism in its Karachi operations and will very soon introduce attractive packages to re-connect the customers disconnected during this process.

Deployment of WLL infrastructure in Karachi and Hyderabad (Phase-IV of the overall deployment plan) has been started and is progressing at a satisfactory pace. The Company is due to launch the service in the 3rd quarter of the current financial year utilizing its existing fibre network in Karachi and thus saving on deployment costs. Calling card operations in UK are in soft launch stage and will soon be launched commercially.

After achieving substantial subscribers' base, the Company is now focusing to provide unmatched after-sales service and customer support in order to retain its valued customers and keep them satisfied.

Acknowledgement

The Board would like to take this opportunity to express its appreciation to all the customers for their patronage and the employees for their continued dedication and interest in the growth of the Company. The Board also wishes to thank Securities and Exchange Commission of Pakistan, Pakistan Electronic Media and Regulatory Authority, Pakistan Telecommunication Authority, financial institutions and shareholders for their trust and confidence in the Company.

For and on behalf of the Board of Directors

Lahore
31 October 2006

Salmaan Taseer
Chief Executive Officer

BALANCE SHEET (UN-AUDITED)
AS AT 30 SEPTEMBER 2006

	Note	30 September 2006	30 June 2006
		(Rupees in '000)	
NON CURRENT ASSETS			
Tangible fixed assets			
Property, plant and equipment	4	6,172,599	5,973,792
Capital work-in-progress		1,042,280	886,893
		7,214,879	6,860,685
Intangible assets		4,795,112	4,826,751
Investment properties		56,634	56,634
Long term investments - at cost		100,072	100,072
Long term deposits		197,518	199,704
Deferred costs		8,729	10,063
		12,372,944	12,053,909
CURRENT ASSETS			
Store and spares		31,572	34,637
Stock in trade		27,241	21,931
Trade debts		798,346	701,434
Loans and advances - considered good		418,477	134,095
Deposits and short term prepayments		194,161	191,024
Other receivables		569,950	549,548
Short term investments		884,675	784,542
Cash and bank balances		399,716	1,452,789
		3,324,138	3,870,000
CURRENT LIABILITIES			
Current maturities of non-current liabilities		846,455	793,762
Running finance under markup arrangements-Secured		288,221	273,207
Trade and other payables		647,556	845,569
Interest and mark-up accrued		35,379	34,131
Provision for taxation		101,202	101,202
		1,918,813	2,047,871
NET CURRENT ASSETS		1,405,325	1,822,129
NON CURRENT LIABILITIES			
Term finance certificates - Secured		-	49,909
Long term finances		958,756	1,085,017
Deferred taxation		510,247	477,545
Retirement benefits		74,203	69,823
Liabilities against assets subject to finance lease		135,685	175,624
Long term payables		6,261	6,261
Long term deposits		52,601	76,260
License fee payable	5	650,375	705,667
		2,388,128	2,646,106
Contingencies and commitments	6	-	-
		11,390,141	11,229,932
Represented By			
Share Capital and Reserves			
Authorized capital			
775,000,000 (2006: 775,000,000) ordinary shares of Rs.10 each.		7,750,000	7,750,000
Issued, subscribed and paid up capital		6,539,658	6,539,658
Share premium		1,391,836	1,391,836
Convertible loan reserve		1,400,430	1,400,430
Unappropriated profit		2,058,217	1,898,008
		11,390,141	11,229,932

The annexed notes from 1 to 10 form an integral part of these financial statements.

Lahore **Chief Executive** **Director**

PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE QUARTER ENDED 30 SEPTEMBER 2006

	Quarter ended 30 September 2006	Quarter ended 30 September 2005
	(Rupees in '000)	
Revenue -Net	1,095,496	1,124,930
Direct cost	(775,269)	(811,261)
Gross profit	320,227	313,669
Operating cost	(241,150)	(185,730)
Operating profit	79,077	127,939
Finance cost	(64,993)	(44,792)
	14,084	83,147
Gain / (Loss) on re-measurement of investments at fair value	46,658	(18,529)
Gain on re-measurement of long term liabilities at present value	79,817	-
Other operating income	52,353	17,183
Profit before taxation	192,912	81,801
Taxation	(32,703)	(26,166)
Profit after taxation	160,209	55,635
Earnings per share - basic (Rupees)	0.24	0.20
Earnings per share - diluted (Rupees)	0.21	0.20

Appropriations have been reflected in the statement of changes in equity.

The annexed notes from 1 to 10 form an integral part of these financial statements.

Lahore **Chief Executive** **Director**

CASH FLOW STATEMENT (UN-AUDITED)
FOR THE QUARTER ENDED 30 SEPTEMBER 2006

	Quarter ended 30 September 2006	Quarter ended 30 September 2005
	(Rupees in '000)	
Cash generated from operations		
Profit before taxation	**192,912**	81,801
Adjustment for non-cash charges and other items:		
Depreciation	**162,492**	104,112
Amortization	**33,119**	14,848
Provision for doubtful receivables	**-**	2,405
Profit on disposal of property, plant and equipment	**(5)**	(30)
Exchange loss	**-**	205
(Gain) / loss on re-measurement of investments at fair value	**(46,658)**	18,529
Gain on re-measurement of long term liabilities at present value	**(79,817)**	-
Retirement benefits	**8,768**	6,286
Finance cost	**64,993**	48,181
Profit before working capital changes	**335,804**	276,337
Effect on cash flow due to working capital changes:		
Stores and spares	**3,065**	2,290
Stock in trade	**(5,310)**	(617)
Trade debts	**(96,912)**	65,328
Loans and advances	**(284,031)**	(87,567)
Deposits and short term prepayments	**(3,137)**	(37,278)
Other receivables	**(82,931)**	(255,904)
Trade and other payables	**(128,013)**	(84,142)
	(597,269)	(397,890)
	(261,465)	(121,553)
Decrease / (Increase) in long term deposits receivable	**2,186**	(840)
(Decrease)/Increase in long term deposits payable	**(23,659)**	4,130
Retirement benefits paid	**(4,388)**	(2,060)
Finance cost paid	**(37,080)**	(62,979)
Taxes paid	**(7,827)**	(13,253)
Net cash used in operating activities	**(332,233)**	(196,555)
Cash flow from investing activities		
Fixed capital expenditure	**(516,686)**	(283,483)
Intangible assets acquired	**(146)**	(10)
Sale proceeds of property, plant and equipment	**8**	44
Short term investments-Net	**(53,475)**	(742,730)
Net cash used in investing activities	**(570,299)**	(1,026,179)
Cash flow from financing activities		
Receipt of long term finances	**10,101**	158,491
Repayment of long term finances	**(79,355)**	(60,855)
Repayment of term finance certificates	**(49,970)**	(49,563)
Repayment of finance lease liabilities	**(46,332)**	(37,491)
Shares issued	**-**	690,000
Net cash (used in) / generated from financing activities	**(165,556)**	700,582
Net decrease in cash and cash equivalents	**(1,068,088)**	(522,152)
Cash and cash equivalents at the beginning of the quarter	**1,179,583**	562,389
Cash and cash equivalents of merged entities	**-**	252,315
Cash and cash equivalents at the end of the quarter	**111,495**	292,552
Cash and Cash equivalents are comprised of the following:		
Cash and bank balances	**399,716**	461,763
Running finance under markup arrangements-Secured	**(288,221)**	(169,211)
	111,495	292,552

The annexed notes from 1 to 10 form an integral part of these financial statements.

Lahore **Chief Executive** **Director**

Worldcall Telecom Limited

STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE QUARTER ENDED 30 SEPTEMBER 2006

	Share capital	Capital reserves: Share Premium	Capital reserves: Convertible loan reserve	Share deposit money	Revenue reserve: Accumulated profit/(loss)	Total
	(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
Shares issued	690,000	-	-	(690,000)	-	-
Interim dividend	-	-	-	-	(42)	(42)
Net profit for the quarter	-	-	-	-	55,635	55,635
Balance as at 30 September 2005	**3,440,000**	**-**	**-**	**-**	**36,375**	**3,476,375**
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)
Equity component of convertible loan	-	-	1,400,430	-	-	1,400,430
Net profit for the period	-	-	-	-	891,975	891,975
Balance as at 30 June 2006	**6,539,658**	**1,391,836**	**1,400,430**	**-**	**1,898,008**	**11,229,932**
Net profit for the quarter	-	-	-	-	160,209	160,209
Balance as at 30 September 2006	**6,539,658**	**1,391,836**	**1,400,430**	**-**	**2,058,217**	**11,390,141**

The annexed notes from 1 to 10 form an integral part of these financial statements.

Lahore **Chief Executive** **Director**

NOTES TO THE FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE QUARTER ENDED 30 SEPTEMBER 2006

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. Basis of Presentation

These financial statements are being presented in condensed form in accordance with the requirements of International Accounting Standard-(IAS)-34 "Interim Financial Reporting". These financial statements are un-audited and are being submitted to shareholders, as required under section 245 of the Companies Ordinance,1984.

3. Accounting Policies

During the period the Company has adopted International Financial Reporting Standard "IFRS" 3 (Business Combinations), which is expected to be adopted by the Securities and Exchange Commission of Pakistan (SECP) during the current financial year. Consequently, no amortization of goodwill has been charged to the profit and los account. All other accounting policies and method of computation adopted for the preparation of these financial statements are the same as those applied in preparation of financial statements for the preceding year ended 30 June 2006.

		Note	30 September 2006	30 June 2006
			(Rupees in '000)	
4	**Property, plant and equipment**			
	Property, plant and equipment	4.1	**6,172,599**	5,973,792
4.1	Opening book value		**5,973,792**	799,909
	Acquisition through business combinations		**-**	2,596,316
	Additions / transfers during the period / year	4.1.1	**361,302**	3,098,519
			6,335,094	6,494,744
	Disposals for the period / year - WDV		**(3)**	(19,810)
	Depreciation for the period / year		**(162,492)**	(501,142)
			6,172,599	5,973,792
4.1.1	**Breakup of additions**			
	Leasehold improvements		**226**	31,294
	Plant and equipment		**357,386**	3,024,106
	Office equipment		**979**	6,422
	Computers		**1,348**	14,679
	Furniture and fixtures		**87**	1,410
	Vehicles		**40**	16,007
	Lab and other equipment		**1,236**	4,601
			361,302	3,098,519

Worldcall Telecom Limited

	30 September 2006	30 June 2006
	(Rupees in '000)	
Disposals		
Plant and equipment	**-**	(10,090)
Computers	**(3)**	(251)
Vehicles	**-**	(8,934)
Items with book value below Rs. 50,000	**-**	(535)
	(3)	(19,810)

5 License fee payable

The management is of the view that the license fee for spectrum payable to Pakistan Telecommunication Authority (PTA) will be further staggered in 10 equal annual installments after moratorium of 4 years. However, a Committee will be formed by PTA to grant the final decision on the matter. Consequently, the present value of long term portion has been modified.

6 Contingencies and commitments

6.1 **Billing disputes with PTCL**

a) The Company, has a billing dispute amounting to Rs. 13.7 million with PTCL, these are the PTCL charges being in excess of actual usage as per the internal records. The committee formed by PTCL in this respect agreed the Company's claim, however settlement is still pending.

b) There is a dispute of Rs. 36.8 million (June 2006: 36.8 million) due to difference in formulae used by PTCL and the Company for the calculation of Domestic Private Lease Circuits (DPLC) charges. PTCL has charged bandwidth on the basis of activation of DPLC link whereas the Company has calculated the bandwidth charges from the date of activation of Digital Interface Units (DIUs) for commercial operation and in proportion to activation of DIUs related to each DPLC. Further, PTCL has charged the Company Rs 3.8 million (June 2006: Rs 3.8 million) for the DPLC Link between Karachi to Islamabad which has not yet been activated. The Company has deposited the above amounts in Escrow Account under dispute. In addition to the above PTCL has charged the Company excess DPLC charges Rs 10 million (June 2006: Rs 6.8 million) on account of differences of distances, transmission capacity and routes which were either surrendered or not activated.

c) There is a dispute of Rs. 223 million with Pakistan Telecommunication Authority on account of Universal Service Fund paid prior to the formation of the Universal Service Fund by the Federal Government.

d) There is a dispute of Rs. 46 million with Pakistan Telecommunication Company Limited (PTCL) due to excess minutes billed and application of wrong formulae on account of interconnect and settlement charges.

6.2 The Income Tax proceedings of the Company have been finalized upto Tax Year 2005 with the exception of the following issues:

6.2.1 The Taxation Officer reassessed the Income for the tax year 2005 creating gross tax liability of Rs.36.80 million (net tax liability of Rs.27.05 million). WCL (now merged into WTL) filed appeal to the Commissioner of Income Tax (Appeals) (CIT (A)) against order under section 122 of the Income Tax ordinance 2001.The appeal mainly related to add backs of bad debts write off, deferred cost, allocation of expenses to capital gain, excess perquisites and capital gain on sale of property. The CIT (A) in his order has allowed partial relief reducing the gross tax demand to Rs.27.69 million (net tax liability of Rs.15.80 million). The Company has filed appeal against the above said order of CIT(A) in Income Tax Appellate Tribunal. The management is confident that the appeal will be decided in favour of the Company. The Company has already provided Rs.26.49 million in the audited accounts for the year ended 30 June 2005.

6.2.2 The Taxation Officer reassessed the Income for the tax year 2004 creating gross tax liability of Rs.63.66 million (net tax liability of Rs.54.98 million). The Company filed appeal to the Commissioner of Income Tax (Appeals) against order under section 122 of the Income Tax ordinance 2001.The appeal mainly related to add backs of Intangible assets written off, deferred cost, excess perquisites and lease rentals. The CIT (A) in his order has allowed partial relief reducing the gross tax demand to Rs.56.86 million (net tax liability of Rs.24.15 million). The Company has already provided Rs.60 million in the audited accounts for the year ended 30 June 2004.The Company has also filed rectification application with the Taxation Officer on the issue that while framing the assessment Taxation Officer did not give full credit of advance tax and tax deducted at source while passing the order under section 124 and 129 of the Income Tax Ordinance 2001. After giving the effect of rectification application and order of CIT(A) the net tax demand for the tax year 2004 of the company would be Rs.14.80 million (June 2006: 14.80 million). The Company has filed appeal against the above said order of CIT(A) in Income Tax Appellate Tribunal. The management is confident that the appeal will be decided in favour of the Company.

6.2.3 The applicability of withholding tax under section 236 of the Income Tax Ordinance 2001 on Payphone services was challenged by the Association of Payphones Operators Pakistan. At present the matter is pending before the Honorable Supreme Court of Pakistan. The Management is confident of favorable outcome in this regard, therefore liability amounting to Rs. 146.40 million (June 2006: 141.80 million) approximately has not been recognized in these accounts.

		30 September 2006	30 June 2006
		(Rupees in ‘000)	
6.3	Outstanding guarantees	**197,932**	196,161
6.4	Commitments in respect of capital expenditure	**323,660**	66,349
6.5	Outstanding letters of credit	**44,729**	324,277

7 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. Details of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

	30 September 2006	30 September 2005
	(Rupees in ‘000)	
Associated companies		
Purchase of goods and services	**1,787**	3,447
Interest on loan charged	**2,040**	3,103
Sale of goods and services	**4,898**	1,086
Interest on loan expensed	**-**	31

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

8 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 period 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.

Segment analysis for the quarter ended 30 September 2006

	Telecom	Broadband	Total
		(Rupees in ‘000)	
Total revenue - net	860,216	235,280	1,095,496
Profit before tax and unallocated expenses	120,570	72,342	192,912
Unallocated corporate expenses			
Taxation			(32,703)
			160,209
Segment assets and liabilities			
Segment assets	12,692,446	3,004,636	15,697,082
Unallocated assets	-	-	-
Consolidated total assets			15,697,082
Segment liabilities	3,387,139	887,099	4,274,238
Unallocated liabilities - Provision for taxation	-	-	32,703
Consolidated total liabilities			4,306,941
Segment capital expenditure	350,457	10,991	361,448
Unallocated capital expenditure	-	-	-
Consolidated total capital expenditure			361,448
Non-cash expenses other than depreciation and amortization	-	-	-
Depreciation and amortization	151,672	43,939	195,611

9 Bonus Issue

The Board of Directors of the Company in their meeting held on 09 October 2006 have proposed bonus shares for the year ended 30 June 2006 at the rate of 15 shares for each 100 shares held i.e. 15% as a final dividend.

10 General

10.1 Previous year's / period's figures have been rearranged, wherever necessary for the purpose of comparison.

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

Lahore **Chief Executive** **Director**

Worldcall Telecom Limited Group

CONSOLIDATED BALANCE SHEET (UN-AUDITED)
AS AT 30 SEPTEMBER 2006

	Note	30 September 2006	30 June 2006
		(Rupees in '000)	
NON CURRENT ASSETS			
Tangible fixed assets			
Property, plant and equipment	5	6,210,956	6,012,276
Capital work-in-progress		1,042,500	887,333
		7,253,456	6,899,609
Intangible assets		4,824,158	4,855,798
Investment properties		56,634	56,634
Long term investments - at cost		22,367	27,923
Long term deposits		197,518	199,704
Deferred costs		8,729	10,063
		12,362,862	12,049,731
CURRENT ASSETS			
Store and spares		31,572	34,637
Stock in trade		27,533	22,264
Trade debts		799,412	701,744
Loans and advances - considered good		422,123	134,095
Deposits and short term prepayments		194,161	191,428
Other receivables		569,950	553,214
Short term investments		884,675	784,542
Cash and bank balances		401,863	1,456,516
		3,331,289	3,878,440
CURRENT LIABILITIES			
Current maturities of non-current liabilities		846,455	793,762
Running finance under markup arrangements-Secured		288,221	273,207
Trade and other payables		659,736	857,621
Interest and mark-up accrued		35,379	34,131
Provision for taxation		101,202	101,202
		1,930,993	2,059,923
NET CURRENT ASSETS		1,400,296	1,818,517
NON CURRENT LIABILITIES			
Term finance certificates - Secured		-	49,909
Long term finances		958,756	1,085,017
Deferred taxation		510,247	477,545
Retirement benefits		74,471	70,103
Liabilities against assets subject to finance lease		135,685	175,624
Long term payables		6,261	6,261
Long term deposits		53,552	77,214
License fee payable	6	650,375	705,667
		2,389,347	2,647,340
Contingencies and commitments	7	-	-
		11,373,811	11,220,908
Represented By			
Share Capital and Reserves			
Authorized capital			
775,000,000 (June 2006: 775,000,000) ordinary shares of Rs. 10 each.		7,750,000	7,750,000
Issued, subscribed and paid up capital		6,539,658	6,539,658
Share premium		1,391,836	1,391,836
Convertible loan reserve		1,400,430	1,400,430
Exchange translation reserve		(817)	(845)
Unappropriated profit		2,033,212	1,879,824
Capital and reserves attributable to equity holders of the parent		11,364,319	11,210,903
Minority Interest		9,492	10,005
		11,373,811	11,220,908

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

Lahore **Chief Executive** **Director**

Worldcall Telecom Limited Group

CONSOLIDATED PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE QUARTER ENDED 30 SEPTEMBER 2006

	Quarter ended 30 September 2006	Quarter ended 30 September 2005
	(Rupees in '000)	
Revenue -Net	1,101,084	1,130,689
Direct cost	(779,482)	(815,829)
Gross profit	321,602	314,860
Operating cost	(244,315)	(188,623)
Operating profit	77,287	126,237
Finance cost	(64,993)	(44,792)
	12,294	81,445
Gain / (Loss) on re-measurement of investments at fair value	46,658	(18,529)
Gain on re-measurement of long term liabilities at present value	79,817	-
Other operating income	52,353	17,183
Share of loss of associate	(5,556)	(5,245)
Profit before taxation	185,566	74,854
Taxation	(32,703)	(26,166)
Profit after taxation	152,863	48,688
Attributable to:		
Equity holders of the parent	153,388	49,187
Minority Interest	(525)	(499)
Profit attributable to parent company	152,863	48,688
Earnings per share - basic (Rupees)	0.23	0.18
Earnings per share - diluted (Rupees)	0.20	0.18

Appropriations have been reflected in the statement of changes in equity.

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

Lahore **Chief Executive** **Director**

CONSOLIDATED CASH FLOW STATEMENT (UN-AUDITED) FOR THE QUARTER ENDED 30 SEPTEMBER 2006

	Quarter ended 30 September 2006	Quarter ended 30 September 2005
	(Rupees in '000)	
Cash generated from operations		
Profit before taxation	**185,566**	74,854
Adjustment for non-cash charges and other items:		
Depreciation	**163,402**	104,994
Amortization	**33,119**	14,848
Provision for doubtful receivables	**-**	2,405
Profit on disposal of property, plant and equipment	**(5)**	(30)
Share of loss from associated company	**5,556**	5,245
Exchange gain	**(40)**	(268)
(Gain) / Loss on re-measurement of investments at fair value	**(46,658)**	18,529
Gain on re-measurement of long term liabilities at present value	**(79,817)**	-
Retirement benefits	**8,768**	6,286
Finance cost	**64,993**	48,181
Profit before working capital changes	**334,884**	275,044
Effect on cash flow due to working capital changes:		
Stores and spares	**3,065**	2,290
Stock in trade	**(5,268)**	(540)
Trade debts	**(97,238)**	66,341
Loans and advances	**(284,031)**	(87,567)
Deposits and short term prepayments	**(3,137)**	(37,278)
Other receivables	**(82,932)**	(255,904)
Trade and other payables	**(127,914)**	(84,526)
	(597,455)	(397,184)
	(262,571)	(122,140)
Decrease / (Increase) in long term deposits receivable	**2,186**	(840)
(Decrease) / Increase in long term deposits payable	**(23,659)**	4,130
Retirement benefits paid	**(4,388)**	(2,060)
Finance cost paid	**(37,080)**	(62,979)
Taxes paid	**(7,827)**	(13,253)
Net cash used in operating activities	**(333,339)**	(197,142)
Cash flow from investing activities		
Fixed capital expenditure	**(517,159)**	(282,807)
Intangible assets acquired	**(146)**	(10)
Sale proceeds of property, plant and equipment	**8**	44
Short term investments-Net	**(53,475)**	(742,730)
Net cash used in investing activities	**(570,772)**	(1,025,503)
Cash flow from financing activities		
Receipt of long term finances	**10,101**	158,491
Repayment of long term finances	**(79,355)**	(60,855)
Repayment of term finance certificates	**(49,970)**	(49,563)
Repayment of finance lease liabilities	**(46,332)**	(37,491)
Shares issued	**-**	690,000
Net cash (used in) / generated from financing activities	**(165,556)**	700,582
Net decrease in cash and cash equivalents	**(1,069,667)**	(522,063)
Cash and cash equivalents at the beginning of the quarter	**1,183,309**	567,659
Cash and cash equivalents of merged entities	**-**	252,315
Cash and cash equivalents at the end of the quarter	**113,642**	297,911
Cash and Cash equivalents are comprised of the following:		
Cash and bank balances	**401,863**	467,122
Running finance under markup arrangements-Secured	**(288,221)**	(169,211)
	113,642	297,911

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

Lahore **Chief Executive** **Director**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE QUARTER ENDED 30 SEPTEMBER 2006

		Capital reserves				Revenue reserve		
	Share capital	Share premium	Currency translation reserve	Convertible loan reserve	Share deposit money	Accumulated profit/(loss)	Minority Interest	Total
	(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
Shares issued	690,000	-	-	-	(690,000)	-	-	-
Minority interest arising on business combination	-	-	-	-	-	-	11,425	11,425
Interim dividend	-	-	-	-	-	(42)	-	(42)
	3,440,000	**-**	**-**	**-**	**-**	**(19,260)**	**11,425**	**3,432,165**
Exchange translation difference	-	-	333	-	-	-	140	473
Net profit for the quarter	-	-	-	-	-	49,187	(499)	48,688
Total recognized income and expenses	-	-	333	-	-	49,187	(359)	49,161
Balance as at 30 September 2005	**3,440,000**	**-**	**333**	**-**	**-**	**29,927**	**11,066**	**3,481,326**
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)
Equity component of convertible loan	-	-	-	1,400,430	-	-	-	1,400,430
	6,539,658	**1,391,836**	**333**	**1,400,430**	**-**	**999,585**	**11,066**	**10,342,908**
Exchange translation difference	-	-	(1,178)	-	-	-	(487)	(1,665)
Net profit for the period	-	-	-	-	-	880,239	(574)	879,665
Total recognized income and expenses	-	-	(1,178)	-	-	880,239	(1,061)	878,000
Balance as at 30 June 2006	**6,539,658**	**1,391,836**	**(845)**	**1,400,430**	**-**	**1,879,824**	**10,005**	**11,220,908**
Exchange translation difference	-	-	28	-	-	-	12	40
Net profit for the quarter	-	-	-	-	-	153,388	(525)	152,863
Total recognized income and expenses	-	-	28	-	-	153,388	(513)	152,903
Balance as at 30 September 2006	**6,539,658**	**1,391,836**	**(817)**	**1,400,430**	**-**	**2,033,212**	**9,492**	**11,373,811**

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

Lahore **Chief Executive** **Director**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED) FOR THE QUARTER ENDED 30 SEPTEMBER 2006

1 Legal status and nature of business

1.1 The group consists of:

Worldcall Telecom Limited; and

Worldcall Telecommunications Lanka (Private) Limited

1.1 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, operation and maintenance of public payphones network, 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 Group is situated at 103 C-II, Gulberg III, Lahore.

2 Basis of presentation

These financial statements are being presented in condensed form in accordance with the requirements of International Accounting Standard (IAS) - 34 "Interim Financial Reporting". These financial statements are un-audited and are being submitted to shareholders, as required under section 245 of the Companies Ordinance, 1984.

3 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and 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 incurred legal or constructive obligation or made payments on behalf of the associate.

Transactions eliminated on consolidation

Intragroup balances and any other unrealized gains and losses or income and expenses arising from

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

Minority interest is that part of net results of operations and of net assets of subsidiary attributable to interest which are not owned by the Company. Minority interest is presented separately in the consolidated financial statements.

4 Accounting policies

During the period the Company has adopted International Financial Reporting Standard "IFRS" 3 (Business Combinations), which is expected to be adopted by the Securities and Exchange Commission of Pakistan (SECP) during the current financial year. Consequently, no amortization of goodwill has been charged to the profit and loss account. All other accounting policies and method of computation adopted for the preparation of these financial statements are the same as those applied in preparation of financial statements for the preceding year ended 30 June 2006.

		Note	30 September 2006	30 June 2006
			(Rupees in ‘000)	
5	**Property, plant and equipment**			
	Property, plant and equipment	5.1	**6,210,956**	6,012,276
5.1	Opening book value		**6,012,276**	837,135
	Acquisition through business combinations		**-**	2,596,316
	Additions / transfers during the period / year	5.1.1	**362,085**	3,103,537
			6,374,361	6,536,988
	Disposals for the period / year - WDV		**(3)**	(19,810)
	Depreciation for the period / year		**(163,402)**	(504,902)
			6,210,956	6,012,276
5.1.1	**Breakup of additions**			
	Leasehold improvements		**226**	31,294
	Plant and equipment		**358,149**	3,029,053
	Office equipment		**979**	6,455
	Computers		**1,368**	14,717
	Furniture and fixtures		**87**	1,410
	Vehicles		**40**	16,007
	Lab and other equipment		**1,236**	4,601
			362,085	**3,103,537**
	Disposals			
	Plant and equipment		**-**	(10,090)
	Computers		**(3)**	(251)
	Vehicles		**-**	(8,934)
	Items with book value below Rs. 50,000		**-**	(535)
			(3)	(19,810)

6 License fee payable

The management is of the view that the license fee for spectrum payable to Pakistan Telecommunication Authority (PTA) will be further staggered in 10 equal annual installments after moratorium of 4 years. However, a Committee will be formed by PTA to grant the final decision on the matter. Consequently, the present value of long term portion has been modified.

7 Contingencies and commitments

7.1 Billing disputes with PTCL

a) The Company, has a billing dispute amounting to Rs. 13.7 million with PTCL, these are the PTCL charges being in excess of actual usage as per the internal records. The committee formed by PTCL in this respect agreed the Parent Company's claim, however settlement is still pending.

b) There is a dispute of Rs. 36.8 million (June 2006: 36.8 million) due to difference in formulae used by PTCL and the Company for the calculation of Domestic Private Lease Circuits (DPLC) charges. PTCL has charged bandwidth on the basis of activation of DPLC link whereas the Company has calculated the bandwidth charges from the date of activation of Digital Interface Units (DIUs) for commercial operation and in proportion to activation of DIUs related to each DPLC. Further, PTCL has charged the Company Rs 3.8 million (June 2006: Rs 3.8 million) for the DPLC Link between Karachi to Islamabad which has not yet been activated. The Company has deposited the above amounts in Escrow Account under dispute. In addition to the above PTCL has charged the Company excess DPLC charges Rs 10 million (June 2006: Rs 6.8 million) on account of differences of distances, transmission capacity and routes which were either surrendered or not activated.

c) There is a dispute of Rs. 223 million with Pakistan Telecommunication Authority on account of Universal Service Fund paid prior to the formation of the Universal Service Fund by the Federal Government.

d) There is a dispute of Rs. 46 million with Pakistan Telecommunication Company Limited (PTCL) due to excess minutes billed and application of wrong formulae on account of interconnect and settlement charges.

7.2 The Income Tax proceedings of the Company have been finalized up to Tax Year 2005 with the exception of the following issues:

7.2.1 The Taxation Officer reassessed the Income for the tax year 2005 creating gross tax liability of Rs.36.80 million (net tax liability of Rs.27.05 million). WCL (now merged into WTL) filed appeal to the Commissioner of Income Tax (Appeals) (CIT (A)) against order under section 122 of the Income Tax Ordinance 2001.The appeal mainly related to add backs of bad debts write off, deferred cost, allocation of expenses to capital gain, excess perquisites and capital gain on sale of property. The CIT (A) in his order has allowed partial relief reducing the gross tax demand to Rs.27.69 million (net tax liability of Rs.15.80 million). The Company has filed appeal against the above said order of CIT(A) in Income Tax Appellate Tribunal. The management is confident that the appeal will be decided in favour of the Company. The Company has already provided Rs.26.49 million in the audited accounts for the year ended 30 June 2005.

7.2.2 The Taxation Officer reassessed the Income for the tax year 2004 creating gross tax liability of Rs.63.66 million (net tax liability of Rs.54.98 million). The Company filed appeal to the Commissioner of Income Tax (Appeals) against order under section 122 of the Income Tax Ordinance 2001.The appeal mainly related to add backs of Intangible assets written off, deferred cost, excess perquisites and lease rentals. The CIT (A) in his order has allowed partial relief reducing the gross tax demand to Rs.56.86 million (net tax liability of Rs.24.15 million). The Parent Company has already provided Rs.60 million in the audited accounts for the year ended 30 June 2004.The Company has also filed rectification application with the Taxation Officer on the issue that while framing the assessment Taxation Officer did not give full credit of advance tax and tax deducted at source while passing the order under section 124 and 129 of the Income Tax Ordinance 2001. After giving the effect of rectification application and order of CIT (A) the net tax demand for the tax year 2004 of the company would be Rs. 14.80 million (June 2006: 14.80 million). The Company has filed appeal against the above said order of CIT(A) in Income Tax Appellate Tribunal. The management is confident that the appeal will be decided in favour of the Company.

7.2.3 The applicability of withholding tax under section 236 of the Income Tax Ordinance 2001 on Payphone services was challenged by the Association of Payphones Operators Pakistan. At present

Worldcall Telecom Limited Group

the matter is pending before the Honorable Supreme Court of Pakistan. The Management is confident of favorable outcome in this regard, therefore liability amounting to Rs. 146.40 million (June 2006: 141.80 million) approximately has not been recognized in these accounts.

		30 September 2006	30 June 2006
		(Rupees in '000)	
7.3	Outstanding guarantees	**199,862**	198,352
7.4	Commitments in respect of capital expenditure	**323,660**	66,349
7.5	Outstanding letters of credit	**44,729**	324,277

8 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. Details of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

	30 September 2006	30 September 2005
	(Rupees in '000)	
Associated companies		
Purchase of goods and services	**1,787**	3,447
Interest on loan charged	**2,040**	3,103
Sale of goods and services	**4,898**	1,086
Interest on loan expensed	**-**	31

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

9 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 period 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 comprise of internet over cable and cable TV services.

Segment analysis for the quarter ended 30 September 2006

	Telecom	Broadband (Rupees in '000)	Total
Total revenue - net	865,804	235,280	1,101,084
Profit before tax and unallocated expenses	113,224	72,342	185,566
Unallocated corporate expenses			
Taxation			(32,703)
			152,863
Segment assets and liabilities			
Segment assets	12,689,515	3,004,636	15,694,151
Unallocated assets	-	-	-
Consolidated total assets			15,694,151
Segment liabilities	3,400,538	887,099	4,287,637
Unallocated liabilities - Provision for taxation	-	-	32,703
Consolidated total liabilities			4,320,340
Segment capital expenditure	351,240	10,991	362,231
Unallocated capital expenditure	-	-	-
Consolidated total capital expenditure			362,231
Non-cash expenses other than depreciation and amortization	-	-	-
Depreciation and amortization	152,582	43,939	196,521

10 Bonus Issue

The Board of Directors of the Parent Company in their meeting held on 09 October 2006 have proposed bonus shares for the year ended 30 June 2006 at the rate of 15 shares for each 100 shares held i.e. 15% as a final dividend.

11 General

11.1 Previous year's / period's figures have been rearranged, wherever necessary for the purpose of comparison.

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

Lahore **Chief Executive** **Director**

Worldcall Telecom Limited Group