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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FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 DECEMBER 2009

COMPANY INFORMATION

Chairman	Mehdi Mohammed Al Abduwani
Chief Executive Officer	Babar Ali Syed
Board of Directors (*In Alphabetic order*)	Asadullah Khawaja (Nominee Arif Habib Securities Ltd.) Bernhard Heinichen Mehdi Mohammed Al Abduwani Mohamad Ahmad Ghamlouch Salmaan Taseer Samy Ahmed Abdulqadir Al Ghassany Sumbul Munir Talal Said Marhoon Al-Mamari Zafar Iqbal
Chief Financial Officer	Mohammad Noaman Adil
Executive Committee	Mehdi Mohammed Al Abduwani (Chairman) Talal Said Marhoon Al-Mamari (Member) Asadullah Khawaja (Member) Babar Ali Syed (Member) Saud Mansoor Al Mazroui (Secretary)
Audit Committee	Talal Said Marhoon Al-Mamari (Chairman) Sumbul Munir (Member) Asadullah Khawaja (Member) Rizwan Abdul Hayi (Secretary)
Chief Internal Auditor	Mirghani Hamza Al-Madani
Company Secretary	Saud Mansoor Al Mazroui
Auditors	KPMG Taseer Hadi & Co. Chartered Accountants
Legal Advisers	M/s Ebrahim Hosain & Associates Advocates
Bankers *(In Alphabetic Order)*	Allied Bank Limited Arif Habib Bank Limited Askari Bank Limited Barclays Bank Plc Pakistan Deutsche Bank AG Emirates Global Islamic Bank Limited Faysal Bank Limited First Dawood Investment Bank Limited Habib Bank Limited Habib Metropolitan Bank Limited HSBC Bank Middle East Limited IGI Investment Bank Limited KASB Bank Limited MCB Bank Limited National Bank of Pakistan NIB Bank Limited Oman International Bank S.A.O.G. Pak Oman Investment Co. Limited Royal Bank of Scotland 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. Zia-ud-Din Ahmed Road, Karachi. Tel: (021) 111-000-322
Registered Office/Head Office	67-A, C/III, Gulberg-III, Lahore, Pakistan Tel: (042) 3587 2633-38 Fax: (042) 3575 5231

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 10th Annual General Meeting ("AGM") of the Shareholders of Worldcall Telecom Limited (the "Company" or "WTL") will be held on Thursday, 25 February 2010 at 11:00 a.m. at The Institute of Chartered Accountants of Pakistan, 155-156, West Wood Colony, Thokar Niaz Beg, Lahore to transact the following business:

Ordinary Business

1. To confirm the minutes of the last Annual General Meeting held on 06 July 2009;

2. To receive, consider and to adopt the financial statements of the Company for the year ended 31 December 2009 together with the Directors' and Auditors' reports thereon; and

3. To appoint the Auditors of the Company for the year ending 31 December 2010 and to fix their remuneration.

Special Business

4. To approve closure of operations and Winding Up/Dissolution of Worldcall Telecommunications Lanka (Private) Limited under section 196 (3) of the Companies Ordinance, 1984 and in this connection to consider and approve the following resolution with or without modifications:

   RESOLVED THAT approval is hereby granted for closure of operations and winding up of Worldcall Telecommunications Lanka (Private) Limited.

   RESOLVED FURTHER THAT the Chief Executive or Chief Operating Officer or Chief Financial Officer , are hereby authorized singly to exercise all powers on behalf of this company and to adopt any winding up mode as deemed fit in accordance with the laws of Sri Lanka, to initiate as well as to conclude closure of operations, winding up and dissolution of Worldcall Telecommunications Lanka (Private) Limited;

5. To consider and if thought fit, approve, the injection/expenditure of funds in Worldcall Telecommunications Lanka (Private) Limited and in this connection to consider and approve the following resolution with or without modifications:

   RESOLVED THAT permission is hereby granted to inject/spend as the case may be, a net amount not exceeding PAK Rs. 52 million of this company so as to settle and satisfy all outstanding liabilities, including those of creditors, as may arise on the closure of operations, winding up and dissolution of Worldcall Telecommunications Lanka (Private) Limited.

   RESOLVED FURTHER THAT the Chief Executive or Chief Operating Officer or Chief Financial Officer, are hereby authorized singly to exercise all powers on behalf of this company to invest/inject/spend as the case may be, the aforementioned amount.

   RESOLVED FURTHER THAT Chief Executive or Chief Operating Officer or Chief Financial Officer of the Company be and is hereby authorized singly to delegate any or all of his powers granted to him as per the resolutions herein above to any individual as may be deemed appropriate by him.

By order of the Board

Lahore
30 January 2010

Babar Ali Syed
Chief Executive Officer

Notes:

1) The Register of Members will remain closed from 18 February 2010 to 25 February 2010 (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 17 February 2010 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 notaryised/ certified copy of such power of attorney, must be deposited at the Registered Office of the Company, not less than 48 hours before the time of the meeting.

4) a) Individual beneficial owners of CDC entitled to attend and vote at the meeting must bring his/her participant ID and account/sub-account number along with original CNIC or passport to authenticate his/her identity. In case of Corporate entity, resolution of the Board of Directors/Power of attorney with specimen signatures of nominees shall be produced (unless provided earlier) at the time of the meeting. CDC Account holders may also refer to Circular 1 dated 26 January 2000 issued by Securities & Exchange Commission of Pakistan for further information.

   b) For appointing of proxies, the individual beneficial owners of CDC shall submit the proxy form as per above requirement along with participant ID and account/sub-account number together with an attested copy of their CNIC or Passport. The proxy form shall be witnessed by two witnesses with their names, addresses and CNIC numbers. The proxy shall produce his/her original CNIC or Passport at the time of meeting. In case of Corporate entity, resolution of the Board of Directors/Power of attorney along with specimen signatures shall be submitted (unless submitted earlier) along with the proxy form.

5) Members are requested to notify any change in their registered address immediately.

STATEMENT UNDER SECTION 160(1) (B) OF THE COMPANIES ORDINANCE, 1984 READ WITH SRO 865(1)/2000 DATED 06 DECEMBER 2000 AS APPLICABLE

This statement sets out the material facts pertaining to the special business to be transacted at the Annual General Meeting of the Company to be held on 25 February 2010.

Background

CLOSURE OF OPERATION, WINDING UP AND DISSOLUTION OF WORLDCALL TELECOMMUNICATIONS LANKA (PRIVATE) LIMITED

Worldcall Telecommunications Lanka (Private) Limited (the Subsidiary) was incorporated in Sri Lanka on 14 October 1999 as a joint venture with Hayleys Group to establish and operate payphone services in Sri Lanka. The principal activity of the Subsidiary is the operation and maintenance of public payphones network. Payphones are installed at various shops/commercial outlets. The Company holds 70.65% of voting shares in the Subsidiary and had invested Rs.58.077 million therein.

The Subsidiary has however suffered losses and presently has accumulated losses of Pak Rs.144.94 million as of December 31, 2009; its current liabilities exceed its current assets by Pak Rs.51.98 million. The net loss for the current year ended December 31, 2009 after tax is Pak Rs.35.49 million. These factors has convinced the Board of Directors that the subsidiary cannot continue as a going concern; the same view is shared by the local partners.

Due to continued losses and adverse change in market dynamics, Worldcall Telecommunications Lanka (Private) Limited is not viable as a going concern and the same was highlighted by the auditors opinion on the financial statements of 31 December 2009.

The Board has already explored all possible options to retrieve the situation confronting Lankan operation and has obtained legal advice from Sri Lanka and from Pakistan; it has finally concluded that the Company has to close operations, book loss and upon settlement/satisfaction of outstanding liabilities in Sri Lanka, apply for winding up under the laws of Sri Lanka.

As per the legal advice, Worldcall Telecom Limited is required to settle the liabilities of its subsidiary a net amount not exceeding Rs. 52 million.

INSPECTION OF DOCUMENTS

Recent annual/quarterly accounts along with all published or otherwise required accounts of all prior periods of the Company and its subsidiaries/Joint Ventures as may be applicable in each case along with financial projections of the Company's subsidiaries/Joint ventures, Memorandum and Articles of Association of the Company, latest available shareholding pattern of the Company and its subsidiaries/joint Ventures, and any other related information of the Company and its subsidiaries/joint ventures may be inspected/procured during the business hours on any working day at the Registered Office of the Company from the date of publication of this notice till the conclusion of the General Meeting. The recent financial statements of the Company can also be reviewed/downloaded from the website: www.worldcall.com.pk under the heading “Financials”.

INTEREST OF THE DIRECTORS AND THEIR RELATIVES

The Directors of the Company including the Chief Executive and their relatives (if any) have no direct or indirect interest in the Special Business.

MESSAGE FROM THE CHAIRMAN

Respected Shareholders;

It is indeed a matter of pleasure to address you and welcome you to the 10th Annual General Meeting of Worldcall Telecom Limited. The Company faced a number of challenges during the year under review. With the grace of Allah, we were able to address the same for the betterment of the Company and the decisions taken would have long lasting impacts on future growth and prosperity.

Telecom sector of the country turned out to be a growing sector despite waves of economic recessions and global economy slowdowns. The important indicators namely tele density, revenues and subscribers all showed positive movement during the year. The increase in the market size was shared by all the market participants and your Company also put up a healthy growth in revenue figures. Sector-wide growth in revenues confirms that market at large and the customers in particular have strong appetite for the modern and innovative telecom products. A bit closer analysis of this growth would reveal that most of the growth has been contributed mainly by data segment and international operations. However the performance of fixed line and wireless segment continue to be far behind the expectation and desired levels. The outlook of the market in the background of the rapid mobile penetration and ongoing price tariff competition among the cellular mobile operators is in acute contrast to what the fixed line and wireless telephony strategists expected earlier.

Your Company being a true multi service operator is adequately equipped to take benefits of the opportunities available. The data segment of the Company is showing good signs of performance as the Company adds Peshawar in its EVDO service net after making successful launch of the product in 6 other major cities during the year. The Company is cognizant of its massive investment in wireless infrastructure and is pursuing a strategy of gradually increasing its subscriber base with more focus on wireless broadband offering along with managing the churn out effect by enhancing the delivery and service standards. The aim has been to increase the capacity utilization by offering the service to untouched segments of the society. The ability of the Company in provisioning of wireless broadband connectivity through its CDMA Wireless Local Loop, provided a distinct edge over the competition. Multiple service offering and increasing number of subscribers shall further fuel growth over the coming period for better operational results in this segment of operation.

Owing to the nature of its services and dependence on technology, it remains paramount for a telecom operator to remain equipped with emerging technologies. This not only gives the ability to compete effectively across the market but is also vital in continuously providing cost effective, customized and diversified products. All this requires that a Company remain well equipped with the latest technologies and expertise. It was in this background that the Company took difficult decisions of heavy investments in upgrading and enhancement of its infrastructure. The finance cost of these heavy capital outlays has significantly affected the Company's profitability but it is expected that the strategic ability, market strength and business potential that these investments are expected to generate in the long run will contribute significant business gains and profitability for the Company.

At the start of new year, your Company reinforces its aim to grow as a true customer oriented Company, promising its subscribers the delivery of high quality, diversified and customized products and services through reliable and improved delivery channels at the attractive and affordable price. The Company also expresses its renewed commitment to meet the expectations of its customers and others stakeholders and ensuring their satisfaction to the fullest.

I take this opportunity to express my gratitude for the continued trust of our customers, suppliers and contractors. On behalf of the Company I am thankful to all the stake holders for the assistance and support they extended throughout the year. The ease and satisfaction of our customers and continued trust of our stakeholders has been the source of our motivation and growth. I also acknowledge that the Company owes a great deal to the dedicated and committed services of its employees. I am thankful for the devotion and untiring efforts our workforce which have enabled this Company to come such a long way.

I am also thankful to all the members of the Board's committees and the executive management for their efforts and commitment with the Company. The role played by regulatory authorities namely, PTA and PEMRA in promoting the telecom and media sectors of Pakistan and in facilitating the operators has been quite fruitful and these organizations rightly deserve to be commended for their efforts.

Lahore:
30 January 2010

Mehdi Mohammed Al-Abduwani
Chairman, Board of Directors of
Worldcall Telecom Limited

DIRECTORS' REPORT

The Directors of Worldcall Telecom Limited ("Worldcall" or "the Company"), are pleased to present audited financial statements of the Company and a review of its performance for the year ended 31 December 2009.

Financial Overview

The year under review was full of activity and transformations. The changing scenarios and emerging challenges forced the market players to readdress their strategies with renewed focus of the anticipated market landscape. The Company posted net loss after tax of Rs 491 million for the year as compared to loss after tax of Rs 299 million for the six months period ended Dec 2008. As at Dec 2008 the Company prepared the financial statements for six months in order to match its year end with Omantel, the corresponding figures appearing as comparatives in the accompanying profit and loss account covers the period 1st July 2008 to 31st Dec 2008.

Despite competition and growing mobile substitution in the market, the Company has been able to record a growth of 62% in its revenue which stands at Rs 8.408 billion at the year end. This rise was mostly contributed by the LDI segment where the Company was successfully able to strengthen its operations and attract healthy volumes of traffic. The higher APC rates that prevailed during the current year as compared to previous year significantly increased the direct cost. The direct cost also soared on account of depreciation charges of Rs 1.110 billion which increased due to significant enhancement in infrastructure and equipment. The gross profit for the year stands at Rs. 1.372 billion. The Company was able to restrict its operating cost to a modest total of Rs. 1.356 billion despite higher inflation, soaring energy prices and unprecedented power outages. Successful operations, improvements in network infrastructure, enhancement in service standards together with stringent control on administrative and non productive expenditures helped the Company in generating healthy operating cash flows of Rs. 1.536 billion. However the Company was badly affected by heavy depreciation charge of Rs 1.186 billion which together with debt servicing cost of Rs. 523 million eroded the operating profit and led to the net loss for the current period. Further the severe decline in the market prices of the securities in which the Company has invested resulted in recognition of an impairment loss amounting to Rs. 167.87 million.

Following is the summarized comparison of the results of the current year with the last year.

	January 2009 to December 2009	January 2008 to December 2008
	(Rupees in Million)	
Revenues	**8,408**	**5,196**
Direct Cost	**(7,037)**	**(3,807)**
Gross Profit	**1,372**	**1,390**
Operating Cost	**(1,356)**	**(1,758)**
Finance Cost	**(523)**	**(391)**
Impairment loss	**(168)**	**-**
Loss on re-measurement of investment at fair value	**-**	**(100)**
Net Loss after tax	**(491)**	**(583)**
Loss per share	**0.57**	**0.67**

*****Figures calculated by adding results of Jan to June 2008 and July to Dec 2008.

Operational achievements during the year:

The Company strongly realizes the need to further improve its internal operations as well as enhancing its market potential to move ahead. As such the Company during the current year besides making adjustments to changing market scenarios also reviewed the strength and vitality of its internal operations and took decisions keeping in view the long term goals and targets. The current year also witnessed accomplishment of some key projects which are expected to augment the business potential and market strength of the Company.

The Company is gradually strengthening its foundation and transforming its operations so as to harvest benefits of the presence of Omantel as its main sponsor. The vision has been to engage in the vibrant partnership based on mutual cooperation, broad based fundamentals and sharing of a common version of success and achievements. The aim for long term prosperity and strategic growth demands unified focus and converged efforts in order to achieve the lofty targets. In this regard, it was highly remarkable that the Company's future action plan for coming 5 years was approved by the Board of Directors. This not only sets the vision about future accomplishments but also speaks loudly about the Company's potential and its abilities. The fusion of the strength of Omantel with the dynamic operations of the Company coupled with the available opportunities in the environment is expected to turn this incessant partnership in a lucrative and successful venture.

The Company successfully completed Rs. 500 million contract with Telenor Pakistan to provide fibre optic connectivity services. With the conclusion of roll out in 20 cities, the Company now owns one of the most extensive metro fiber networks of the country. The spare capacity available will be used by the Company for offering data and voice services to other operators.

The EVDO services launched by the Company late last year has proved to be a very successful venture. The market response has been promising in welcoming the product that features ease of use, advanced technology, great deal of mobility and affordable pricing. The innovative dimensions have made it a good match for the customer's appetite for such modern and advanced products. The Company has quickly managed to attract a healthy customer base in six major cities. Keeping in view the growing usage and market penetration, the Company has also simultaneously upgraded the back end infrastructure so as to address the issues of service quality and to ensure provisioning of quality service round the clock.

Another success came to the Company as it won roll out projects of data services in bidding held under Universal Service Fund. The Company was awarded a Rs. 785 million USF project for MTR and was also successful in bidding for GTR. Roll out activities are in progress in MTR whereas work in GTR is expected to commence soon.

The Future Landscape

The anticipated business field is going to be highly competitive. Keeping in view the recent developments in the business arena, one can assess that there has been the general shift of emphasis to broadband segment across the industry. Further with increase in competition, growing awareness among customers and erosion of margins in the traditional fixed and voice segments, the industry strategists are keenly looking forward to introduce modernized products to attract customers. The management of the Company is well aware of the opportunities and challenges looming in the environment and is geared to make its mark in the sector by providing commercially viable, customer oriented and advanced products.

The Company is focusing on increasing the share of data services in its product portfolio. The EVDO services have been launched in 7 major cities and the Company is now addressing the areas of service quality and creating awareness about the product along with building the effective service delivery channels. The Company has put up a challenging target of increasing the active subscribers of this product by 300% by the end of 2010. Dedicated sales teams, proficient in marketing and selling such products have been mobilized with the aim of creating a sustainable and loyal customer base. The imminent competition from other market players launching similar projects has also started to arise and the Company has plans to compete the new entrants by providing quality service.

The cable and advertisement business segment has been in limelight since last couple of years. The Company has plans to add nearly 30% new house passes to its network in the coming year. The aim is to increase the subscriber's base and to reverse the declining trend recently experienced by the advertisement business stream. By increasing the outreach of HFC network, the Company would be able to reach directly at doorstep of number of subscribers. By providing differentiated and customized products through a single channel at a market penetrating price the Company aims to lock a healthy set of subscribers in the most populated cities across the country. This would ensure long lasting competitive advantage based on a loyal and sustainable customer base being served with diversified products portfolio.

The intense competition in the voice market along with profits attrition due to price wars has negatively affected the roll out strategies in this segment. Mobile substitution factor has put down ward pressures on revenues and margins. Different steps have been taken to win the customers loyalty and to ensure steady streams of revenue from existing customers. Besides this the Company has also announced different value based packages with the aim of delivering enhanced value on the same channel to attract new customers.

Changes in the Board of Directors

During the period Dr Mohammed Ali Mohammed Al-Wohaibi resigned and Mr Mehdi Al-Abduwani was appointed in his place.

A casual vacancy was created due to cessation of office of Mr Sulieman Ahmed Said al-Hoqani under section 180 (1) b of the Companies Ordinance 1984 and the same was duly filled by the appointment of Mr Zafar Iqbal.

Mr Saleem Jawad Al-Khabouri, Mr Sameer Hammad Al-Siyabi and Mr Abdullah Zahran Al-Hinai vacated the office and Mr. Mohammad Ahmad Ghamlouch, Mr. Samy Ahmed Abdulqadir Al Ghassany and Mr. Bernhard Heinichen were appointed respectively in their place.

Board Meetings during the period

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

Name of Board Member	Meeting Attended
Mr. Mehdi Mohammed Al Abduwani	3
Mr. Talal Said Marhoon Al -Mamari	7
Mr. Mohamad Ahmed Gamlouch	1
Mr. Bernhard Heinichen	1
Mr. Samy Ahmed Abdulqadir Al Ghassany	1
Mr. Salmaan Taseer	1
Ms. Sumbul Munir	5
Mr. Asadullah Khawaja (Nominee: Arif Habib Securities Ltd.)	7
Mr. Zafar Iqbal	2
Mr. Babar Ali Syed (CEO)	7
Mr. Sulieman Ahmed Said Al -Hoqani (Ceasing of Office)	-
Mr. Saleem Jawad Jaffer Al -Khabori (Vacation of Office)	6
Mr. Sameer Hamed Naseer Al -Siyabi (Vacation of Office)	6
Mr. Abdullah Zahran Abdullah Al -Hinai (Vacation of Office)	5
Dr. Mohammed Ali Mohammed Al -Wohaibi (Resigned)	2

The directors who could not attend the meeting were duly granted leave of absence except in the case of Mr Suliemen Ahmed Said Al-Hoqani where leave of absence was not received.

Audit Committee

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

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

Mirghani Hamza Al-Madani	Chief Internal Auditor
Rizwan Abdul Hayi	Secretary

During the year 6 meetings of the Audit Committee were held.

Executive Committee

This Committee conducts its business under the chairmanship of Mr Mehdi Mohammed Al-Abduwani and has the following structure:

Mehdi Mohammed Al-Abdulwani	Chairman
Asadullah Khawaja	Member
Talal Said Marhoon Al-Mamari	Member
Babar Ali Syed	Member
Saud Al-Mazroui	Secretary

The Committee is entrusted with the tasks to recommend for approval both short term and long term finance options, administrative and control policies adopted by the Board and monitoring compliance thereof. The Committee is also responsible for dealing on the Board's behalf with matters of an urgent nature when the Board of Directors is not in session, in addition to other duties delegated by the Board.

During the year 4 meetings of the Executive Committee were held.

Closing of subsidiary

The group foreign subsidiary namely Worldcall Telecommunications Lanka (Private) Limited (WCTL) has been suffering losses since last many years. The demand for the payphones in Sri Lankan market has greatly diminished. Keeping in view the Sri Lankan market conditions and heavy accumulated losses of the subsidiary, the Company has decided to wind up this subsidiary and has consequently recognized a provision of Rs. 51.981 million in this regard.

Auditors

The present auditors M/s KPMG Taseer Hadi & Co., Chartered Accountants retire and offer themselves for re-appointment. As suggested by the Audit Committee, the Board of Directors has recommended their re-appointment as Auditors of the company for the year ending December 31, 2010, at a fee to be mutually agreed.

Compliance with the Code of Corporate Governance

The requirements of the Code of Corporate Governance set out by the Karachi and Lahore Stock Exchanges in their Listing Regulations, relevant for the year ended December 31, 2009 have been adopted by the company and have been duly complied with. A Statement to this effect is annexed to the Report.

Material Changes

There have been no material changes since December 31, 2009 and the company has not entered into any commitment, which would affect its financial position at the date except for those mentioned in the audited financial statements of the company for the year ended December 31, 2009.

Statutory Compliance

During the year the company has complied with all applicable provisions, filed all returns / forms and furnished all the relevant particulars as required under the Companies Ordinance, 1984 and allied rules, the Securities and Exchange Commission of Pakistan (SECP) Regulations and the listing requirements.

Web Presence

Updated information regarding the company can be accessed at Company website, www.worldcall.com.pk. The website contains the latest financial results of the company together with company's profile.

Dividend / Payout

Considering the current year loss, negative cash flow and future expansion plans, the Directors have not recommended any dividend / payout for the year.

Pattern of Shareholding

A statement of the Pattern of Shareholding of different classes of shareholders as at December 31, 2009, whose disclosure is required under the reporting framework, is included in the annexed Shareholders' Information.
The Directors, CEO, CFO, Company Secretary and their spouses or minor children did not carry out any trade in the shares of the company during the year, except as 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 five years is summarized in the report.
9. Information regarding outstanding taxes and levies is given in notes to the accounts of the financial statements.
10. The Company has followed the best practices of corporate governance, as detailed in the Listing Regulations of Stock Exchanges.

Holding Company information

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

Acknowledgment

The Board of Directors wishes to place on record here, appreciation and gratitude for the continued support and trust of our valuable customers, suppliers, contractors and stakeholders. We appreciate their cooperation and assistance which helped us in meeting the challenges and improving our performance.

It goes without saying that all the achievements of the Company have been possible only due to the ceaseless and untiring efforts of its dedicated employees. Their professionalism, commitment to work and ability to perform remarkably well even in certain adverse conditions helped the Company to sustain during the worst economic recession. The Company remains thankful to all of its employees for their persistent efforts and valuable contributions. The Board also appreciates the helpful role played by members of audit and executive committee in assisting the management on various governance matters. We would also like to appreciate the positive and highly constructive role played by PTA in the success and development of the telecom sector.

Apart from this we are also thankful for the continued support and assistance extended to us by our Parent Company throughout the year. This support has been highly pivotal in encouraging the management and employees and in meeting the formidable challenges.

For and on behalf of the Board of Directors

Lahore:
30 January 2010

BABAR ALI SYED
CHIEF EXECUTIVE OFFICER

Annexure-1

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

	Opening balance as on 31-12-2008	Purchase	Bonus	Sale	Closing balance as on 31-12-2009
Directors					
Mr. Mehdi Mohammed Al Abduwani	-	-	-	-	500
Mr. Talal Said Marhoon Al-Mamari	500	-	-	-	500
Mr. Mohamad Ahmed Ghamlouch	-	-	-	-	500
Mr. Bernhard Heinichen	-	-	-	-	500
Mr. Samy Ahmed Abdulqadir Al Ghassany	-	-	-	-	500
Mr. Salmaan Taseer	35,281	-	-	-	35,281
Ms. Sumbul Munir	575	-	-	-	575
Mr. Asadullah Khawaja (Nominee: Arif Habib Securities Ltd.)	-	100,000	-	-	100,000
Mr. Zafar Iqbal	-	500	-	-	500
Mr. Sulieman Ahmed Said Al Hoqani (Ceasing of office)	34,090,342	-	-	26,507,979	7,582,363
Mr. Saleem Jawad Jaffer Al-Khabori (Vacation of office)	500	-	-	-	-
Mr. Sameer Hamed Nasser Al-Siyabi (Vacation of office)	500	-	-	-	-
Mr. Abdullah Zahran Abdullah Al-Hinai (Vacation of office)	500	-	-	-	-
Mr. Babar Ali Syed (CEO)	75	-	-	-	75
Chief Financial Officer					
Mr. Mohammad Noaman Adil	-	-	-	-	-
Company Secretary					
Mr. Saud Mansoor Al Mazroui	-	-	-	-	-
Spouses / Minor Children					
Mrs. Aamna Taseer	1,246	-	-	-	1,246

FIVE YEARS FINANCIAL PERFORMANCE
INCOME STATEMENTS

	Year ended 31 Dec 2009	Period ended 31 Dec 2008	Restated Year ended 30 June 2008 (Rupees in '000)	Year ended 30 June 2007	Year ended 30 June 2006
Revenue -net	8,408,275	3,091,482	4,319,539	4,312,513	4,355,859
Direct cost	(7,036,603)	(2,260,757)	(2,854,820)	(2,628,806)	(2,726,331)
Gross profit	**1,371,672**	**830,725**	**1,464,719**	**1,683,707**	**1,629,528**
Operating cost	(1,356,317)	(1,133,279)	(1,210,139)	(1,057,853)	(1,034,128)
Operating profit/(loss)	**15,355**	**(302,554)**	**254,580**	**625,854**	**595,400**
Finance cost	(523,025)	(163,182)	(460,569)	(312,939)	(179,092)
	(507,670)	**(465,736)**	**(205,989)**	**312,915**	**416,308**
Gain on re-measurement of investment at fair value	-	-	3,844	279,183	138,363
Gain on re-measurement of investment property at fair value	-	-	4,012	15,516	21,000
Gain on re-measurement of long term liabilities	-	-	-	-	453,107
Impairment loss on available for sale financial assets	(167,865)	-	-	-	-
Other operating income	133,473	98,568	93,355	138,086	158,077
Other expenses	(81,461)	(23,113)	(29,941)	(39,259)	(4,635)
(Loss)/Profit before taxation	**(623,523)**	**(390,281)**	**(134,719)**	**706,441**	**1,182,220**
Taxation	132,704	90,993	88,365	(82,905)	(234,610)
(Loss)/Profit after taxation	**(490,819)**	**(299,288)**	**(46,354)**	**623,536**	**947,610**
Bonus Shares	**-**	**-**	**-**	**-**	**15%**
Earning/(Loss) per share - basic and diluted	**(0.57)**	**(0.35)**	**(0.06)**	**0.83**	**1.28**

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES ON TRANSFER PRICING FOR THE YEAR ENDED 31 DECEMBER 2009

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

BABAR ALI SYED
CHIEF EXECUTIVE OFFICER

Lahore:
30 January 2010

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2009

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 Company encourages representation of independent non-executive directors and directors representing minority interest on its Board of Directors. At present the Board constitutes all non-executive Directors except CEO, out of which 1 director is an independent non-executive director and 2 directors represent minority shareholders.

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 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 Chief 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

BABAR ALI SYED
CHIEF EXECUTIVE OFFICER

Lahore:
30 January 2010

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 Regulations of Karachi and Lahore Stock Exchanges.

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.

Further, Sub- Regulation (xiii a) of Listing Regulation No. 35 (previously Regulation No. 37) notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 2009 requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee.

We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were under taken at arm's length price.

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:
30 January 2010

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

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Worldcall Telecom Limited** ("the Company") as at 31 December 2009 and the related profit and loss account, cash flow statement, statement of other comprehensive income 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 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 the 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;

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, statement of other comprehensive income and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2009 and of the loss, its cash flows, other comprehensive income and changes in equity for the year then ended; and

d) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

KPMG Taseer Hadi & Co.

Lahore:
30 January 2010

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

BALANCE SHEET
AS AT 31 DECEMBER 2009

	Note	31 December 2009	31 December 2008
		(Rupees in '000)	
NON CURRENT ASSETS			
Tangible fixed assets			
Property, plant and equipment	3	**12,110,704**	9,901,500
Capital work-in-progress	4	**1,530,854**	2,541,796
		13,641,558	12,443,296
Intangible assets	5	**4,767,265**	4,928,080
Investment properties	6	**76,162**	76,162
Long term investments - at cost less impairment	7	**-**	41,995
Long term deposits	8	**68,801**	76,483
		18,553,786	17,566,016
CURRENT ASSETS			
Stores and spares		**317,614**	418,575
Stock in trade		**182,105**	143,253
Trade debts	9	**2,116,744**	975,888
Loans and advances - considered good	10	**589,790**	441,185
Deposits and prepayments	11	**181,918**	231,650
Other receivables	12	**15,890**	186,398
Short term investments-available for sale	13	**378,439**	344,072
Income tax recoverable-net		**143,111**	132,689
Cash and bank balances	14	**336,480**	564,188
		4,262,091	3,437,898
CURRENT LIABILITIES			
Current maturities of non-current liabilities	15	**1,858,591**	515,149
Running finance under mark-up arrangements - secured	16	**1,045,660**	427,240
Trade and other payables	17	**2,239,121**	1,862,419
Interest and mark-up accrued	18	**166,605**	175,371
		5,309,977	2,980,179
NET CURRENT (LIABILITIES)/ASSETS		**(1,047,886)**	457,719
NON CURRENT LIABILITIES			
Term finance certificates - secured	19	**3,364,861**	4,018,133
Deferred taxation	20	**398,122**	553,400
Retirement benefits	21	**175,942**	158,214
Liabilities against assets subject to finance lease	22	**18,542**	63,444
Long term payables	23	**2,125,220**	502,674
Long term deposits		**44,160**	46,111
License fee payable	24	**-**	972,125
		6,126,847	6,314,101
Contingencies and commitments	25		
		11,379,053	11,709,634
Represented by			
Share capital and reserves			
Authorized capital			
900,000,000 (31 December 2008: 900,000,000) ordinary shares of Rs. 10 each		**9,000,000**	9,000,000
Issued, subscribed and paid up capital	26	**8,605,716**	8,605,716
Share premium	27	**837,335**	837,335
Fair value reserve		**(70,475)**	(230,713)
Accumulated profit		**1,674,903**	2,172,537
		11,047,479	11,384,875
Surplus on revaluation	28	**331,574**	324,759
		11,379,053	11,709,634

The annexed notes 1 to 44 form an integral part of these financial statements.

Lahore:
30 January 2010

CHIEF EXECUTIVE

DIRECTOR

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	**Year ended 31 December 2009**	Period ended 31 December 2008
		(Rupees in '000)	
Revenue -net	29	**8,408,275**	3,091,482
Direct cost	30	**(7,036,603)**	(2,260,757)
Gross profit		**1,371,672**	830,725
Operating cost	31	**(1,356,317)**	(1,133,279)
Operating profit/(loss)		**15,355**	(302,554)
Finance cost	32	**(523,025)**	(163,182)
		(507,670)	(465,736)
Impairment loss on available for sale financial assets	13	**(167,865)**	-
Other operating income	33	**133,473**	98,568
Other expenses	34	**(81,461)**	(23,113)
Loss before taxation		**(623,523)**	(390,281)
Taxation	35	**132,704**	90,993
Loss after taxation		**(490,819)**	(299,288)
Loss per share - basic and diluted **(Rupees)**	36	**(0.57)**	(0.35)

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

The annexed notes 1 to 44 form an integral part of these financial statements.

Lahore:
30 January 2010

CHIEF EXECUTIVE **DIRECTOR**

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2009

	Year ended 31 December 2009	Period ended 31 December 2008
	(Rupees in '000)	
Loss for the year/period	**(490,819)**	(299,288)
Other comprehensive income/(loss)-net of tax:		
Net change in fair value of available for sale financial assets	**(7,627)**	(230,713)
Impairment loss transferred to profit and loss account	**167,865**	-
Incremental amortization-surplus on revaluation of intangible assets	**32,567**	16,349
Decremental depreciation-surplus on revaluation of plant & equipment	**(43,051)**	(21,526)
	149,754	(235,890)
Tax on other comprehensive income	**3,669**	1,812
	153,423	(234,078)
Total comprehensive loss for the year/period	**(337,396)**	(533,366)

The annexed notes 1 to 44 form an integral part of these financial statements.

Lahore:
30 January 2010

CHIEF EXECUTIVE **DIRECTOR**

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	Year ended 31 December 2009	Period ended 31 December 2008
		(Rupees in '000)	
Cash flows from operating activities			
Cash generated from operations	38	**817,354**	994,356
Decrease in long term deposits receivable		**7,682**	33,425
Decrease in long term deposits payable		**(1,951)**	(6,949)
Increase in long term payables		**1,622,546**	382,798
Retirement benefits paid		**(82,729)**	(22,449)
Finance cost paid		**(794,089)**	(244,576)
Taxes paid		**(32,995)**	(30,416)
Net cash generated from operating activities		**1,535,818**	1,106,189
Cash flow from investing activities			
Fixed capital expenditure		**(1,909,534)**	(2,474,659)
Sale proceeds of property, plant and equipment		**19,911**	64,252
Net cash used in investing activities		**(1,889,623)**	(2,410,407)
Cash flow from financing activities			
Repayment of long term finances		**(259,098)**	(109,947)
Receipt of term finance certificates		**-**	837,688
Repayment of term finance certificates		**(118,109)**	(70)
Repayment of finance lease liabilities		**(115,116)**	(68,651)
Net cash (used in)/generated from financing activities		**(492,323)**	659,020
Net decrease in cash and cash equivalents		**(846,128)**	(645,198)
Cash and cash equivalents at the beginning of the year/period		**136,948**	782,146
Cash and cash equivalents at the end of the year/period	39	**(709,180)**	136,948

The annexed notes 1 to 44 form an integral part of these financial statements.

Lahore:
30 January 2010

CHIEF EXECUTIVE

DIRECTOR

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2009

		Revenue reserve	Capital reserve		
	Share Capital	Accumulated profit/ (loss)	Share premium	Fair value reserve - available for sale assets	Total
	-----------------	----------------	(Rupees in '000)	----------------	-----------------
Balance as at 30 June 2008-restated	8,605,716	2,475,190	837,335	-	**11,918,241**
Transfer to surplus on revaluation	-	(3,365)	-	-	**(3,365)**
Total comprehensive loss for the period	-	(299,288)	-	(230,713)	**(530,001)**
	-	(302,653)	-	(230,713)	**(533,366)**
Balance as at 31 December 2008	**8,605,716**	**2,172,537**	**837,335**	**(230,713)**	**11,384,875**
Transfer to surplus on revaluation	-	(6,815)	-	-	**(6,815)**
Total comprehensive loss for the year	-	(490,819)	-	160,238	**(330,581)**
	-	(497,634)	-	160,238	**(337,396)**
Balance as at 31 December 2009	**8,605,716**	**1,674,903**	**837,335**	**(70,475)**	**11,047,479**

The annexed notes 1 to 44 form an integral part of these financial statements.

Lahore:
30 January 2010

CHIEF EXECUTIVE

DIRECTOR

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

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 67A-CIII, Gulberg III, Lahore. In the year ended 30 June 2008, 56.80% shares (488,839,429 ordinary shares) had been acquired by Oman Telecommunications Company SAOG ("the Parent company").

2 Summary of significant accounting policies

The significant accounting policies adopted in preparation of these 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 the Companies Ordinance, 1984. Approved accounting standards comprise of such International Financial Reporting Standards as are notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of these standards, requirements of the Companies Ordinance, 1984 or requirements of the said directives take precedence.

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, plant and equipment, intangible assets and certain financial assets at fair value, and recognition of certain employee benefits and financial liabilities at present value.

2.3 Significant accounting judgments and estimates

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

- Useful life of depreciable assets and amortization of intangible assets- (note 2.4, 2.5, 3 & 5)

- Staff retirement benefits- (note 2.13 & 21)

- Taxation- (note 2.8 & 35)

- Provisions and contingencies- (note 2.18 & 25)

- Investment properties- (note 2.6 & 6)

2.4 Fixed capital expenditure and depreciation

Property, plant and equipment

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

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

Depreciation is charged to income on the straight line method whereby cost of an asset is written off over its estimated useful life at the rates given in note 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/decremental depreciation on revalued assets is transferred net of deferred tax from/to surplus on revaluation to/from retained earnings (unappropriated profit).

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

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

Finance leases

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

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

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

Assets acquired under a finance lease are depreciated over the estimated useful life of the asset on a straight-line method at the rates given in note 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.

Other intangible assets

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

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

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

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

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

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 2.16.

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 subsidiary

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

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

Investments at fair value through profit or loss

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

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

Available for sale investments

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

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

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

2.8 Taxation

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

Current

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

Deferred

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

The carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

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

2.9 Inventories

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

Stores and spares

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

Stock in trade

Cost is determined on weighted average basis.

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

2.10 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.

2.11 Financial liabilities

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

Interest bearing borrowings

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

Term finance certificates

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

Other financial liabilities

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

2.12 Trade and other payables

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

2.13 Retirement and other benefits

Defined benefit plan

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

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

Accumulating compensated absences

Employees are entitled to take earned leave 20 days every year.

The unutilized earned leave can be accumulated upto a maximum of 40 days and can be utilized at any time subject to the approval. Earned leaves in excess of 40 days shall lapse. An employee will be entitled to encash the accumulated earned leaves at the time of leaving Company service. The earned leave encashment is made on last drawn gross salary.

Provisions are made annually to cover the obligation for accumulating compensated absences and are charged to profit.

2.14 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.

2.15 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.

2.16 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, EVDO, internet over cable and channels subscription fee is recognized on provision of services.

- Connection and membership fee is recognized at the time of activation of connection.

- Sale of goods is recognized on dispatch of goods to customer.

- Advertisement income is recognized on the basis of spots run when commercials are aired on the network.

- Interest income is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return.

- Rental income from investment property is recognized in the profit and loss account on accrual basis.

- Revenue from prepaid cards is recognized as credit is used.

- Dividend income is recognized when the right to receive payment is established.

2.17 Borrowing cost

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

2.18 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.

2.19 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.

2.20 Financial instruments

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

Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

2.21 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.

2.22 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/revalued Amount as at 01 Jan 2009	Additions/ (Disposals)	Transfers/ Adjustments	Cost/revalued amount as at 31 December 2009	Accumulated depreciation as at 01 Jan 2009	Depreciation charge for the year/ (Disposals)	Transfers/ Adjustments	Accumulated depreciation as at 31 December 2009	Net book value as at 31 December 2009	Depreciation rate %
	(Rupees in '000)									
Owned assets										
Freehold Land	19,800	-	-	19,800	-	-	-	-	19,800	-
Leasehold improvements	105,200	11,570	-	115,385	41,230	13,061	-	53,968	61,417	20-33
		(1,385)	-			(323)	-			
Plant and equipment	11,633,513	3,345,476	79,244	15,043,417	2,305,647	1,087,423	16,657	3,402,806	11,640,611	5-33.33
		(14,816)	-			(6,921)	-			
Office equipment	79,858	6,617	-	85,623	12,340	8,740	-	20,576	65,047	10
		(852)	-			(504)	-			
Computers	80,992	10,455	-	91,024	58,362	12,608	-	70,726	20,298	33
		(423)	-			(244)	-			
Furniture and fixtures	19,196	6,202	-	24,967	7,332	2,154	-	9,081	15,886	10
		(431)	-			(405)	-			
Vehicles	100,152	3,249	8,453	111,122	64,417	13,727	4,518	82,053	29,069	20
		(732)	-			(609)	-			
Lab and other equipment	17,178	262	-	17,440	9,624	2,200	-	11,824	5,616	10-20
	12,055,889	**3,383,831**	**87,697**	**15,508,778**	**2,498,952**	**1,139,913**	**21,175**	**3,651,034**	**11,857,744**	
		(18,639)	**-**			**(9,006)**	**-**			
Leased assets										
Plant and equipment	334,183	24,234	(79,244)	279,173	52,937	22,651	(16,657)	58,931	220,242	5-33.33
			-				-			
Vehicles	93,358	661	(8,453)	64,896	33,522	22,291	(4,518)	34,679	30,217	20
		(20,670)	-			(16,616)	-			
Office equipment	4,055	-	-	4,055	574	980	-	1,554	2,501	10
	431,596	**24,895**	**(87,697)**	**348,124**	**87,033**	**45,922**	**(21,175)**	**95,164**	**252,960**	
		(20,670)	**-**			**(16,616)**	**-**			
	12,487,485	**3,408,726**	**-**	**15,856,902**	**2,585,985**	**1,185,835**	**-**	**3,746,198**	**12,110,704**	
		(39,309)	**-**			**(25,622)**				

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

	Cost/revalued Amount as at 01 July 2008	Additions/ (Disposals)	Transfers/ Adjustment	Cost/revalued amount as at 31 December 2008	Accumulated depreciation as at 01 July 2008	Depreciation charge for the period/ (Disposals)	Transfers/ Adjustment	Accumulated depreciation as at 31 December 2008	Net book value as at 31 December 2008	Depreciation rate %
	(Rupees in '000)									
Owned assets										
Freehold Land	19,800	-	-	19,800	-	-	-	-	19,800	-
Leasehold improvements	87,229	17,443	-	105,200	35,041	6,189	-	41,230	63,970	20-33
		-	528			-	-			
Plant and equipment	10,224,609	1,427,842	-	11,633,513	1,874,886	434,094	-	2,305,647	9,327,866	5-33.33
		(19,069)	131			(3,333)	-			
Office equipment	55,168	23,326	-	79,858	8,061	4,425	-	12,340	67,518	10
		(335)	1,699			(146)	-			
Computers	79,501	5,630	-	80,992	48,347	11,469	-	58,362	22,630	33
		(1,621)	(2,518)			(1,454)	-			
Furniture and fixtures	18,287	2,009	-	19,196	6,125	1,269	-	7,332	11,864	10
		(70)	(1,030)			(62)	-			
Vehicles	81,896	20,914	1,233	100,152	63,987	3,867	740	64,417	35,735	20
		(4,466)	575			(4,177)	-			
Lab and other equipment	16,240	40	-	17,178	8,485	1,139	-	9,624	7,554	10-20
		-	898			-	-			
	10,582,730	**1,497,204**	**1,233**	**12,055,889**	**2,044,932**	**462,452**	**740**	**2,498,952**	**9,556,937**	
		(25,561)	**283**			**(9,172)**	**-**			
Leased assets										
Plant and equipment	334,314	-	-	334,183	40,878	12,059	-	52,937	281,246	5-33.33
			(131)				-			
Vehicles	91,658	4,288	(1,233)	93,358	22,835	11,747	(740)	33,522	59,836	20
		(1,371)	16			(320)				
Office equipment	4,055	-	-	4,055	371	203	-	574	3,481	10
	430,027	**4,288**	**(1,233)**	**431,596**	**64,084**	**24,009**	**(740)**	**87,033**	**344,563**	
		(1,371)	**(115)**			**(320)**	**-**			
	11,012,757	**1,501,492**	**-**	**12,487,485**	**2,109,016**	**486,461**	**-**	**2,585,985**	**9,901,500**	
		(26,932)	**168**			**(9,492)**				

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

Had there been no revaluation, the net book value of plant and equipment as at 31 December 2009 would have amounted to Rs. 11,723 million (31 December 2008: Rs. 9,524million).

3.4 Carrying value of property, plant and equipment and current assets having a charge against borrowings amount to Rs. 12,008 million (31 December 2008: Rs. 7,027 million).

3.5 Finance cost amounting to Rs. 402.870 million (31 December 2008: Rs. 228.2 million) was capitalized during the year in property, plant and equipment.

	Note	**Year ended 31 December 2009**	Period ended 31 December 2008
		(Rupees in '000)	
3.6 Depreciation charge during the year/period has been allocated as follows:			
Direct cost	30	**1,110,074**	446,153
Operating cost	31	**75,761**	40,308
		1,185,835	486,461

3.7 Property, plant and equipment sold during the year are as follows:

Description	**Cost**	**Accumulated depreciation**	**Book Value**	**Sale proceeds**	**Mode of disposal**	**Sold to**
	------------- Rupees in '000	**-------------**				
Leasehold Improvements	1,385	323	1,062	452	Negotiation	Irfan Mughal-Ex employee
Plant and equipment						
Fiber optic plant	1,319	609	710	701	Negotiation	Kamran Electronics
LDI Equipment	11,893	6,154	5,739	11,948	Insurance claim	-
Generator	860	67	793	706	Insurance claim	-
Computers						
Laptop	100	39	61	50	Negotiation	Ahmed Bilal-Ex employee
Office Equipment						
Phone Sets	105	5	100	98	Insurance claim	-
Generator	105	6	99	98	Insurance claim	-
Vehicles	18,235	14,173	4,062	4,394	Insurance claim & settlement	Ex employees
Items with book value less than Rs. 50,000	5,307	4,246	1,061	1,464		
Total	**39,309**	**25,622**	**13,687**	**19,911**		

	31 December 2009	31 December 2008
	(Rupees in '000)	
4 Capital work-in-progress		
Owned		
Civil works	**143,837**	203,864
Plant and equipment	**1,387,017**	2,337,932
	1,530,854	2,541,796

5 Intangible assets

	Cost/revalued amount as at 01 Jan 2009	Additions/ (adjustments)	Cost/revalued amount as at 31 Dec 2009	Accumulated amortization as at 01 Jan 2009	Amortization for the year	Accumulated amortization as at 31 Dec 2009	Net book value as at 31 Dec 2009	Rate %
	---Rupees in '000---							
Licenses	2,893,290	-	2,893,290	525,192	158,304	683,496	2,209,794	5
Patents and copyrights	5,333	-	5,333	2,895	711	3,606	1,727	10
Software	16,284	-	16,284	12,234	1,800	14,034	2,250	20
Goodwill	2,690,403	-	2,690,403	136,909	-	136,909	2,553,494	-
	5,605,310	**-**	**5,605,310**	**677,230**	**160,815**	**838,045**	**4,767,265**	

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

5.1 The Company had revalued its licenses and software on 30 June 2008 resulting in a net surplus of Rs. 430.391 million. The valuation was conducted by an independent valuer, M/s. Surval. Valuation of licenses and software was based on the estimated gross replacement cost, earning potential amortized to reflect the current market value. Had there been no revaluation, the net book value of licenses and software as at 31 December 2009 would have amounted to Rs. 4,369 million (31 December 2008: 4,514 million).

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

5.3 Goodwill

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

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

	Note	31 December 2009	31 December 2008
		(Rupees in '000)	
5.4 Amortization charge during the year/period has been allocated as follows:			
Direct cost	30	**100,329**	49,287
Capitalized during the year/period		**60,486**	30,956
		160,815	80,243

6 Investment properties

Opening balance	**76,162**	76,162
Fair value adjustment	**-**	-
Closing balance	**76,162**	76,162

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

Fair value of investment property was determined at 31 December 2009 by approved independent valuer M/s PEE DEE & Associates. There is no significant change in the fair value from last year. Fair value was determined giving due regard to recent market transactions for similar properties in the same location and condition as the Company's investment property.

	31 December 2008	31 December 2008
	(Rupees in '000)	
7 Long term investments - at cost less impairment		
Foreign subsidiary - Unquoted		
Worldcall Telecommunications Lanka (Pvt) Limited		
Incorporated in Srilanka		
7,221,740 (31 December 2008: 7,221,740) ordinary shares of Sri Lankan Rupees 10/-each	**44,406**	44,406
Equity held 70.65% (31 December 2008: 70.65%)		
Share deposit money	**13,671**	13,671
	58,077	58,077
Less: Provision for impairment	**(58,077)**	(58,077)
	-	-
Investment in associated company- available for sale		
Media Times Limited Incorporated in Pakistan		
Opening balance	**41,995**	41,995
Reclassified as short term investment	**(41,995)**	-
Equity held 3.13% (31 December 2008: 4.19%)	**-**	41,995
	-	41,995

7.1 Media Times Limited is an associated company due to common directorship.

	Note	31 December 2009	31 December 2008
		(Rupees in '000)	
8 Long term deposits			
Security deposit with PTCL		**23,556**	19,757
Deposits with financial institutions		**18,414**	28,318
Others		**41,699**	39,227
		83,669	87,302
Less: Current maturity	11	**(14,868)**	(10,819)
		68,801	76,483
9 Trade debts			
Considered good - unsecured		**2,116,744**	975,888
Considered doubtful - unsecured		**579,805**	486,570
	9.1	**2,696,549**	1,462,458
Less: Provision for doubtful debts	9.2	**(579,805)**	(486,570)
		2,116,744	975,888

9.1 This includes due from associated companies as follows:

Pace Wood Land (Private) Limited	**32,894**	32,894
Pace Barka Properties Limited	**47,781**	47,781
Pace Gujrat (Private) Limited	**12,138**	12,138
Oman Telecommunication Company S.A.O.G.	**200,199**	52,580
	293,012	145,393

9.2 Provision for doubtful debts

Opening balance	**486,570**	189,935
Addition during the year/period	**93,235**	296,635
Closing balance	**579,805**	486,570

9.2.1 It includes provision of Rs. 37.13 million against receivable from Pace group companies, associated companies.

	Note	31 December 2009	31 December 2008
		(Rupees in '000)	
10 Loans and advances - considered good			
Loans and advances to employees	10.1	**39,144**	34,336
Advances to suppliers	10.2	**521,760**	377,963
Advance to associated company	10.3	**28,886**	28,886
		589,790	441,185

10.1 These loans and advances are unsecured and interest free and include advances given to executives of Rs. 13.337 million (31 December 2008 : Rs. 9.54 million).

10.2 It includes Rs. 85 million given to Pace (Pakistan) Limited, an associated company, against purchase of property.

10.3 This represents unsecured advance given to Media Times Limited, carrying markup at the rate of 16.5-18% per annum (31 December 2008: 18% per annum).

	Note	31 December 2009	31 December 2008
		(Rupees in '000)	
11 Deposits and prepayments			
Margin deposits	11.1	**75,487**	145,961
Prepayments		**73,726**	65,528
Current maturity of long term deposits	8	**14,868**	10,819
Short term deposits		**17,837**	9,342
		181,918	231,650

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

	Note	31 December 2009	31 December 2008
		(Rupees in '000)	
12 Other receivables			
Receivable from PTCL - unsecured considered doubtful	12.1	**196,919**	196,919
Less: Provision for doubtful receivables	12.2	**(196,919)**	(196,919)
		-	-
Other receivables - considered good		**15,890**	186,398
Other receivables - considered doubtful		**40,096**	40,096
		55,986	226,494
Less: Provision for doubtful receivables	12.3	**(40,096)**	(40,096)
		15,890	186,398
		15,890	186,398

12.1 This includes Rs. 174 million (31 December 2008: Rs. 174 million) representing claims lodged by Worldcall Communications Limited (WCL), merged into the Worldcall Telecom Limited, with Pakistan Telecommunication Company Limited (PTCL) for excess billing on short duration calls, border line calls and 0900 facility. These claims were initially acknowledged by PTCL's Corporate Clients Committee through its decision dated 15 December 2003. However, PTCL subsequently through its letter dated 09 September 2005 withdrew its decision. The Company had invoked the available arbitration clause in the agreement to realize the claimed amount but PTCL had refused the appointment of arbitrator. The Company has gone to civil court for the appointment of arbitrator. Provision of Rs 174 million has already been made in the financial statements for the period ended 31 December 2008.

	Note	31 December 2009	31 December 2008
		(Rupees in '000)	
12.2 Provision for doubtful receivables-PTCL			
Opening balance		**196,919**	22,694
Charged during the year/period		**-**	174,225
Closing balance		**196,919**	196,919
12.3 Provision for doubtful other receivables			
Opening balance		**40,096**	15,139
Charged during the year/period		**-**	24,957
Closing balance		**40,096**	40,096

13 Short term investments-available for sale

	Note	31 December 2009	31 December 2008
Carrying value	13.1	**188,216**	256,255
Fair value adjustment		**(102,755)**	(68,039)
		85,461	188,216
Related parties			
Carrying value	13.2	**155,856**	318,530
Reclassified from long term investment		**41,995**	-
		197,851	318,530
Fair value adjustment		**95,127**	(162,674)
		292,978	155,856
Total carrying value		**386,067**	574,785
Total fair value adjustment		**(7,628)**	(230,713)
		378,439	344,072

13.1 Particulars of listed shares - At fair value

All shares have face value of Rs. 10 each.

Name	No. of shares 31 Dec 2009	No. of shares 31 Dec 2008	31 Dec 2009 Carrying value	31 Dec 2009 Market value	31 Dec 2008 Carrying value	31 Dec 2008 Market value
			(Rupees in '000)		(Rupees in '000)	
Commercial Banks						
The Bank of Punjab	**10,528**	10,528	**139**	**205**	328	139
Mutual Fund						
First Dawood Mutual Fund	**580,750**	580,750	**1,254**	**981**	4,147	1,254
Pak Oman Advantage Fund	**1,000,000**	1,000,000	**8,420**	**10,500**	9,500	8,420
Electric Appliances						
Pak Elektron Limited	**102**	93	**2**	**2**	5	2
Leasing						
Standard Chartered Leasing Limited	**70,000**	70,000	**123**	**180**	427	123
Insurance						
Shaheen Insurance Company Limited	**3,136,963**	2,744,844	**178,278**	**73,593**	241,848	178,278
			188,216	**85,461**	256,255	188,216

13.2 Particulars of listed shares of related parties - At fair value

All shares have face value of Rs. 10 each

Name	No. of shares 31 Dec 2009	No. of shares 31 Dec 2008	31 Dec 2009 Carrying value	31 Dec 2009 Market value	31 Dec 2008 Carrying value	31 Dec 2008 Market value
			(Rupees in '000)		(Rupees in '000)	
First Capital Securities Corporation Limited **Percentage of equity held 1.27% (31 December 2008: 1.27%)**	**3,628,867**	2,868,671	**95,728**	**34,438**	121,304	95,728
Pace (Pakistan) Limited **Percentage of equity held 2.5% (31 December 2008: 3.16%)**	**6,959,290**	6,959,290	**60,128**	**40,712**	197,226	60,128
Media Times Limited **Percentage of equity held 3.13% (31 December 2008: 4.19%)**	**4,199,500**	-	**41,995**	**217,828**	-	-
			197,851	**292,978**	318,530	155,856

13.2.1 Shareholding in Media Times Limited has been diluted to issuance of shares through initial public offer (IPO) to general public during the year.

13.2.2 Shareholding in Pace (Pakistan) Limited has been diluted due to conversion of foreign currency convertible bonds into ordinary shares during the year.

	Note	31 December 2009	31 December 2008
		(Rupees in '000)	
14 Cash and bank balances			
At banks in			
Current accounts		**27,737**	38,871
Saving accounts	14.1	**284,962**	340,229
Deposit accounts		**-**	150,000
		312,699	529,100
Cash in hand		**23,781**	35,088
		336,480	564,188

14.1 The balances in saving accounts bear mark up at the rate of 1.5% to 16% per annum (31 December 2008: 1% to 16.22% per annum). The balance includes Rs. 40 million (31 December 2008: Rs. 40 million) and interest accrued thereon deposited in Escrow account as stated in note 25.1.2.

	Note	31 December 2009	31 December 2008
		(Rupees in '000)	
15 Current maturities of non-current liabilities			
Term finance certificates	19	**665,253**	118,174
Long term finances- The Bank of Punjab		-	146,598
Long term finances- Habib Bank Limited	15.1	**37,494**	149,994
License fee payable	24	**1,100,781**	-
Liabilities against assets subject to finance lease	22	**55,063**	100,383
		1,858,591	515,149

15.1 Habib Bank Limited

31 Dec 2009		31 Dec 2008	
Limit	**Outstanding**	Limit	Outstanding
(Rupees in '000)		(Rupees in '000)	
150,000	**37,494**	150,000	149,994
150,000	**37,494**	150,000	149,994

The Company obtained a long term loan facility of Rs. 1,800 million from Habib Bank Limited, National Bank of Pakistan Limited, MCB Bank Limited and Askari Bank Limited for the purpose of acquiring 20 years license from Pakistan Telecommunication Authority (PTA) to operate WLL network and import of equipment under various letters of credit. The loan was repayable in 14 equal quarterly installments starting from November 2006 with a grace period of 18 months. The loan was repaid except Rs. 150 million, which Habib Bank Limited desired to convert into equity. The Company applied to SECP for approval to issue shares against Rs. 150 million to the aforesaid bank. SECP has rejected the request of the Company, as a result Habib Bank Limited has requested the company to repay the outstanding amount in four equal quarterly installments starting from June 2009. The loan is completely secured against joint pari passu hypothecation agreement of Rs. 6,208 million.

16 Running finance under markup arrangements-Secured

Short term running finances available from commercial banks under mark up arrangements amount to Rs. 1,131 million (31 December 2008: Rs. 431 million). Mark up is charged at rates ranging from 13.14% to 19.02% per annum (31 December 2008: 14.43% to 19% per annum). These are completely secured under joint pari passu hypothecation agreement of Rs. 6,208 million.

	Note	31 December 2009	31 December 2008
		(Rupees in '000)	
17 Trade and other payables			
Trade creditors			
Related parties - associated companies		**1,447**	6,305
Others		**1,870,382**	1,547,992
		1,871,829	1,554,297
Accrued and other liabilities	17.1	**223,474**	121,785
Advance from customers		**75,444**	103,306
Retention money		**49,806**	23,134
Sales tax payable		**279**	43,839
Tax deducted at source		**16,482**	14,251
Un claimed dividend		**1,807**	1,807
		2,239,121	1,862,419

17.1 It includes provision for winding up cost of subsidiary amounting to Rs. 51.981 million.

	Note	31 December 2009	31 December 2008
		(Rupees in '000)	
18 Interest and mark-up accrued			
Long term financing		**1,670**	9,792
Short term borrowings		**26,362**	12,095
Share deposit money		**351**	972
Finance lease		**248**	601
Term finance certificates		**137,974**	151,911
		166,605	175,371
19 Term finance certificates - Secured			
Term Finance Certificates - II	19.1	**233,146**	349,720
Term Finance Certificates - III	19.2	**3,836,153**	3,837,688
		4,069,299	4,187,408
Less: Initial transaction cost		**(60,928)**	(60,645)
		4,008,371	4,126,763
Amortization of transaction cost		**21,743**	9,544
		4,030,114	4,136,307
Less: Current maturity	15	**(665,253)**	(118,174)
		3,364,861	4,018,133

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

19.1 Term Finance Certificates - II

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

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

19.2 Term Finance Certificates - III

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

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

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

	Note	**31 December 2009**	31 December 2008
		(Rupees in '000)	
20 Deferred taxation			
This is composed of:			
Liability for deferred taxation comprising temporary differences related to:			
Accelerated tax depreciation		**2,359,522**	1,861,205
Surplus on revaluation of plant and equipment		**173,058**	173,058
Others		**572,608**	447,957
Asset for deferred taxation comprising temporary differences related to:			
Unused tax losses and tax credits		**(2,359,599)**	(1,620,631)
Provision for doubtful debts and retirement benefits		**(347,467)**	(308,189)
		398,122	553,400
21 Retirement benefits			
Gratuity	21.1	**169,336**	156,957
Accumulated compensated absences	21.2	**6,606**	1,257
		175,942	158,214
21.1 Gratuity			
The amount recognized in the balance sheet is as follows:			
Present value of defined benefit obligation		**173,153**	152,633
Unrecognized actuarial losses		**(14,518)**	(5,634)
Benefits due but not paid		**10,701**	9,958
		169,336	156,957

	Note	31 December 2009	31 December 2008
		(Rupees in '000)	
Liability at beginning of the year/period		**156,956**	133,200
Charge for the year/period	21.1.1	**82,938**	46,206
Paid during the year/period		**(70,558)**	(22,449)
		169,336	156,957

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

	Note	Year ended 31 December 2009	Period ended 31 December 2008
		(Rupees in '000)	
Interest cost for the year/period		**22,894**	8,000
Current service cost		**53,874**	22,649
Past service cost		**6,170**	15,522
Actuarial loss recognized during the year/period		**-**	35
	21.1.2	**82,938**	46,206

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

Operating cost	**82,938**	44,298
Capitalized during the year/period	**-**	1,908
	82,938	46,206

21.1.3 Recent actuarial valuation of plan was carried out on 31 December 2009 by Nauman Associates.

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

	31 December 2009	31 December 2008
Discount rate (per annum)	12%	15%
Expected rate of salary increase (per annum)	11%	14%
Average expected remaining working life time of employees	12 years	12 years

21.1.4 Historical information for gratuity

	June 2006	June 2007	June 2008	31 Dec 2008	31 Dec 2009
Present value of defined benefit obligation	73,978	107,126	133,328	152,633	**173,153**
Experience adjustment arising on plan liabilities	(4,251)	(4,461)	(2,096)	5,042	**(8,883)**

	Note	31 December 2009	31 December 2008
		(Rupees in '000)	

21.2 Accumulated compensated absences

The amount recognized in the balance sheet is as follows:

	Note	31 December 2009	31 December 2008
Present value of defined benefit obligation		**23,633**	1,257
Unrecognized actuarial losses		**(18,468)**	-
Benefits due but not paid		**1,441**	-
		6,606	1,257
Liability at beginning of the year/period		**1,257**	208
Charge for the year/period	21.2.1	**17,519**	3,702
Paid during the year/period		**(12,170)**	(2,653)
		6,606	1,257

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

	Year Ended 31 December 2009	Period Ended 31 December 2008
	(Rupees in '000)	
Interest cost for the year/period	**3,475**	-
Current service cost	**4,243**	3,702
Past service cost	**9,234**	-
Actuarial loss recognized during the year/period	**567**	-
	17,519	3,702

21.2.2 "IAS 19 employee benefits" has been adopted during the year for compensated leave absences. Transitional provision is being charged to profit and loss account over the period of three years. Actuarial valuation of plan was carried out on 31 December 2009 by Nauman Associates.

Significant actuarial assumptions used for valuation of this plan are as follows:

	31 December 2009	31 December 2008
Discount rate (per annum)	12%	-
Expected rate of salary increase (per annum)	11%	-
Average number of leaves accumulated per annum by the employees	10 days	-
Average number of leaves utilized per annum by the employees	10 days	-

	Note	31 December 2009	31 December 2008
		(Rupees in '000)	

22 Liabilities against assets subject to finance lease

	Note	31 December 2009	31 December 2008
Present value of minimum lease payments		**73,605**	163,827
Less: Current portion shown under current liabilities	15	**(55,063)**	(100,383)
		18,542	63,444

Interest rate used as discounting factor is ranging from 8 % to 17.76% per annum (31 December 2008: 8% to 18.67% per annum). Taxes, repairs, replacements and insurance costs are to be borne by lessee. Under the terms of the agreements, the Company has an option to acquire the assets at the end of the respective lease terms by adjusting the deposit amount against the residual value of the assets. The Company intends to exercise the option. In case of default in payment of installments, the Company will be liable to pay additional lease rental on overdue payment at the rate of 0.1% per day.

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

	31 December 2009			31 December 2008		
	Minimum lease payment	**Finance cost**	**Principal**	Minimum lease payment	Finance cost	Principal
	(Rupees in '000)			(Rupees in '000)		
Not later than one year	**59,769**	**4,705**	**55,063**	115,133	14,750	100,383
Later than one year but not later than five years	**20,694**	**2,151**	**18,542**	65,905	2,461	63,444
	80,463	**6,856**	**73,605**	181,038	17,211	163,827

	Note	31 December 2009	31 December 2008
		(Rupees in '000)	
23 Long term payables			
Universal Service Fund	23.1	**157,144**	-
Oman Telecommunications Company SAOG-Parent Company		**616,698**	-
Suppliers		**1,258,068**	502,674
Others		**93,310**	-
		2,125,220	502,674

23.1 It represents the amount received in August 09 against a contract valuing Rs 786 million for the deployment of network in MTR-I awarded by Universal Service Fund(USF), a Company established for the purpose of increasing teledensity in Pakistan.

	Note	31 December 2009	31 December 2008
		(Rupees in '000)	
24 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		**418,888**	290,232
Less: Payments		**(71,000)**	(71,000)
		1,100,781	972,125
Less: current maturity	15	**(1,100,781)**	-
		-	972,125

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

25 Contingencies and commitments

25.1 Billing disputes with PTCL

25.1.1 There is a dispute of Rs.70.23 million (31 Dec 2008: Rs 69.675 million) with PTCL of non revenue time of prepaid calling cards and Rs. 29.3 million (31 Dec 2008: Rs 16.728 million) for excess minutes billed on account of interconnect and settlement charges. The management is hopeful that matter will be decided in favour of the Company.

25.1.2 PTCL has charged the Company excess Domestic Private Lease Circuits (DPLC) and other media charges amounting to Rs. 153.54 million (31 Dec 2008: Rs.78.24 million) on account of difference in rates, distances and date of activation. Further, the Company has also deposited Rs. 40 million (31 Dec 2008: Rs. 40 million) in Escrow Account on account of dispute of charging of bandwidth charges from the date of activation of Digital Interface Units (DIUs) for commercial operation and in proportion to activation of DIUs related to each DPLC link and excess charging in respect of Karachi-Rawalpindi link which was never activated. The management is hopeful that matter will be decided in favour of the Company.

25.2 Disputes with Pakistan Telecommunication Authority (PTA)

25.2.1 PTA has raised a demand on the Company of Rs.10.6 million (31 Dec 2008: Rs. 4.3 million) on account of annual microwave and BTS registration charges. The Company is not paying this amount on the grounds that earlier exemptions were given to mobile operators. In addition to this, there is no legal requirement to register BTS with PTA, therefore PTA cannot charge a fee for BTS registration. The management is hopeful that matter will be decided in favour of the Company.

25.2.2 PTA has issued a notice to the Company for the cancellation of the 479 MHz and 3.5 GHz frequency bands licenses, as the Company has failed to undertake the rollout of its wireless local loop (“WLL”) network in the aforesaid frequencies within the time limit prescribed by PTA. The Authority has right to withdraw unused frequency spectrum and cancel the license for not meeting the said roll out requirement. The Company's stance in this respect is that the rollout in 479 MHz, a non standard frequency band, could not be carried out due to non availability of infrastructure and user terminals. Its deployment and commercial operation is not possible in the limited revised time frame. In 3.5 GHz band, the roll out is delayed due to limited customers' market and high cost of the Customer Premises Equipment. Non-firm standards, technology evolution and optimization of spectrum by PTA are also the main reasons for its delayed rollout. However, the Company has started its roll out plan and is successful in getting commencement certificate in GTR and KTR regions for 3.5 GHz frequency and 479 MHz frequency respectively. In addition to above commencement inspection has been done for 3.5 GHz frequency for the following regions: RTR, CTR, MTR, STR-I, and STR-V while for 479 MHz frequency commencement inspection has been conducted for the following regions: RTR, GTR, FTR, MTR, STR-I, and STR-V. The management is hopeful that the matter will be decided in favour of the Company and notice will be withdrawn.

25.2.3 There is a dispute of Rs. 11.3 million (31 Dec 2008: Rs. 11.3 million) with PTA on account of contribution to the Research and Development Fund (“R&D Fund”) for the period prior to the formation of R&D Fund by the Federal Government. Based on legal advice, the management is hopeful that the matter will be decided in favour of the Company.

25.2.4 There is a dispute of Rs. 491 million (31 Dec 2008: Rs. 491 million) with PTA on Universal Service Fund (USF) representing contribution to USF for the period prior to the formation of USF by the Federal Government. Show cause notice was issued by the PTA which culminated into determination dated 04 April 2008 against the Company. The Company filed an appeal in Honourable Islamabad High Court Islamabad and the Honourable Court was pleased to grant stay order in favour of the Company. The Appeal was finally fixed for hearing on 16 December 2008 on which date arguments were heard and the judgment reserved by the Honourable Court. Thereafter, Honourable Court vide its judgment dated 21 January 2009 has dismissed the appeal of the Company. A Civil Petition for Leave to Appeal (CPLA) has been filed before the Honourable Supreme Court of Pakistan against the judgment of the Honourable Islamabad High Court. The CPLA was fixed for hearing before the Honourable Supreme Court on 29 April 2009. The Honourable Supreme Court after hearing the preliminary arguments has issued notices to Respondents. Next date of hearing was fixed on 28 May 2009. The Honourable Supreme court after further hearing has suspended the case till third week of July 2009 which could not be heard. The office of Honourable Supreme Court is yet to fix the matter for hearing. Based on legal advice, management of the Company is hopeful that the matter will be decided in favour of the Company.

25.3 Taxation issues

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

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

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

25.3.4 In year 2006 Sales Tax Authorities served Show Cause Notices to various payphone companies including the Company on account of alleged wrong claim of sales tax refund of Rs. 167 million under section 66 of the Sales Tax Act 1990. The matter was adjudicated and the Additional Collector (Adjudication) Sales Tax, Lahore passed an Order dated 18 September 2007 against the Company and imposed a penalty equivalent to the amount of original alleged claim on the Company and Chief Executive. In a first appeal, against the order of Adjudicating Authority, Collector (Appeals) Customs, Federal Excise & Sales Tax, Lahore has confirmed the demand vide Order-in-Appeal dated 06 January 2009 however the Collector (Appeals) modified the order to the extent that 100% personal penalty on the Chief Executive stood waived. An appeal, against the decision of the Collector, to the Customs, Federal Excise & Sales Tax (Appellate) Tribunal which is the first Forum outside departmental hierarchy has been filed. The Appeal is pending adjudication before the Honorable Tribunal.The Order of the Additional Collector was also assailed before the Honorable Federal Tax Ombudsman ("FTO").The Honorable FTO has ruled no penalty could be imposed against the Company as there is no element of tax fraud involved in the matter and the issue pertains to a change of opinion of the Federal Board of Revenue. A representation has been filed by the Collectorate against the said Order of the FTO before the Honorable President of Pakistan on which decision is yet awaited. However, in case of another payphone company having similar case, the Honourable President has set aside the decision of FTO and has restored the potential 100% penalty on the principal amount.During the aforestated litigation, upon application of the Company under section 47A of the Sales Tax Act, 1990 for constitution of Alternative Dispute Resolution Committee (ADRC) the FBR constituted the Committee and referred the matter to be resolved at ADRC. However, the meeting of

ADRC counsel not be convened. However, after the lapse of so much time it appears that ADRC front is now closed. The FBR vide its Order dated 30-10-09 has withdrawn the ADRC and as such this forum now stand closed.

The last date of hearing was fixed on 29th September 2009. The respondent department again sought adjournment and case was fixed for hearing on 13th October 2009. On 13th October 2009 arguments have been heard and Honorable Tribunal has been pleased to reserve the judgment. The Honorable Tribunal vide its judgment dated 15 October 2009 has been pleased to modify the order of the Collector (Appeals) to the extent that it has set aside the element of penalty and additional tax. The Tribunal, however, maintained that principal amount is recoverable in as much as the incidence of duty has been passed on. A Reference Application under section 47 of the Sales Tax Act 1990 to the honorable High Court has been filed against the judgment of the Tribunal. The Honorable High Court has directed to present record in order to examine the questions of law framed in the Reference Application. The next date of hearing was on 20 January 2010 which has been adjourned till 02 February, 2010. The Company has paid 20% of principal amount to date to the department against the said dispute. Based on legal advice, the management is hopeful that matter will be decided in favour of the Company.

		31 December 2009	31 December 2008
		(Rupees in '000)	
25.4	Outstanding guarantees	**799,755**	400,403
25.5	Commitments in respect of capital expenditure	**647,197**	717,104
25.6	Outstanding letters of credit	**12,870**	637,174

	31 Dec. 2009	31 Dec. 2008	**31 Dec. 2009**	31 Dec. 2008
	(No of shares)		(Rupees in '000)	
26 Issued, subscribed and paid up capital				
Ordinary shares of Rs. 10 each as fully paid in cash	**344,000,000**	344,000,000	**3,440,000**	3,440,000
Ordinary shares of Rs. 10 each issued in accordance with the scheme of merger	**309,965,789**	309,965,789	**3,099,658**	3,099,658
Ordinary shares of Rs. 10 each issued as fully paid bonus shares	**98,094,868**	98,094,868	**980,949**	980,949
Ordinary shares of Rs. 10 each issued against convertible loan	**108,510,856**	108,510,856	**1,085,109**	1,085,109
	860,571,513	860,571,513	**8,605,716**	8,605,716

26.1 As at 31 December 2009, Oman Telecommunications Company SAOG the holding company, holds 488,839,429 ordinary shares (31 December 2008: 488,839,429) of the Company. In addition 77,136,650 ordinary shares (31 December 2008: 74,861,749 ordinary shares) are held by the following related parties as at 31 December 2009:

	31 December 2009	31 December 2008
	(Rupees in '000)	
Related parties		
First Capital Securities Corporation Limited	**4,221,207**	8,717,707
Pace (Pakistan) Limited	**912**	912
Arif Habib Securities Limited	**72,914,531**	66,143,130
	77,136,650	74,861,749

27 Share premium

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

28 Surplus on revaluation

	31 December 2009	31 December 2008
	(Rupees in '000)	
Revaluation surplus on:		
Plant & equipment	**64,059**	64,059
Intangible assets	**430,393**	430,393
	494,452	494,452
Less: Related deferred tax liability	**(173,058)**	(173,058)
Less: Transfer to retained earning in respect of incremental amortization net of deferred tax	**(31,796)**	(10,627)
Add: Transfer from retained earning in respect of decremental depreciation net of deferred tax	**41,976**	13,992
	10,180	3,365
	331,574	324,759

28.1 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.

29 Revenue -Net

	Note	Year ended 31 December 2009	Period ended 31 December 2008
		(Rupees in '000)	
Gross revenue		**8,822,933**	3,258,463
Less:			
Sales tax		**212,780**	89,456
Discount and commission		**201,878**	77,525
		414,658	166,981
		8,408,275	3,091,482

30 Direct cost

	Note	Year ended 31 December 2009	Period ended 31 December 2008
Interconnect, settlement and other charges		**4,825,698**	1,230,561
Bandwidth and other PTCL charges		**364,520**	142,470
Depreciation	3.6	**1,110,074**	446,153
Amortization of intangible assets	5.4	**100,329**	49,287
Power consumption and pole rent		**305,545**	111,420
Security services		**30,745**	18,852
PTA charges	30.1	**65,131**	28,463
Cable license fee		**32,607**	16,790
Salaries and other benefits		**21,669**	7,113
Inventory consumed		**11,501**	8,547
Stores and spares consumed		**57,752**	61,811
Annual spectrum fee		**23,883**	8,942
Content cost		**62,152**	21,262
Network maintenance & insurance		**18,614**	20,471
Others		**6,383**	88,615
		7,036,603	2,260,757

		Note	Year ended 31 December 2009	Period ended 31 December 2008
			(Rupees in '000)	
30.1	**PTA Charges**			
	LDI License	30.1.1	**41,411**	15,754
	WLL License	30.1.2	**18,795**	10,408
	Broadband License		**4,213**	2,056
	Telephony License	30.1.3	**407**	220
	Annual numbering charges		**12**	25
	Testing and other charges		**293**	-
			65,131	28,463

30.1.1 This represents charges payable to PTA in respect of contribution to the Research and Development Fund amounting to Rs. 13.41 million (31 December 2008: 5.25 million), Universal Service Fund established by Federal Government amounting to Rs. 21 million (31 December 2008: Rs. 7.88 million) and annual regulatory fee amounting to Rs. 7 million (31 December 2008: Rs. 2.62 million) under the license agreement for LDI project.

30.1.2 This represents charges payable to PTA in respect of contribution to the Research and Development Fund established by Federal Government amounting to Rs. 5.64 million (31 December 2008: Rs. 3.43 million), Universal Service Fund amounting to Rs. 8.69 million (31 December 2008: Rs. 5.15 million), annual regulatory fee amounting to Rs. 2.9 million (31 December 2008: Rs 1.72 million) and Royalty Fee Rs. 1.56 million (31 December 2008: 0.115 million) under the license agreement for WLL project.

30.1.3 This represents charges payable to PTA in respect of contribution to the Research and Development Fund established by Federal Government amounting to Rs. 0.136 million (31 December 2008: Rs. 0.073 million), Universal Service Fund amounting to Rs. 0.203 million (31 December 2008: Rs. 0.110 million) and annual regulatory fee amounting to Rs. 0.068 million (31 December 2008: Rs. 0.037 million) for the current period under the license agreement for Telephony Project.

		Note	Year ended 31 December 2009	Period ended 31 December 2008
			(Rupees in '000)	
31	**Operating cost**			
	Salaries, wages and benefits		**626,012**	289,199
	Marketing, advertisement and selling expenses		**109,314**	79,432
	Rent, rates and taxes		**92,374**	40,069
	Communications		**17,459**	12,746
	Transportation		**62,108**	43,804
	Legal and professional		**50,075**	5,364
	Insurance		**45,114**	20,760
	Utilities		**45,575**	21,043
	Printing and stationery		**10,681**	10,652
	Entertainment		**18,350**	12,920
	Travel and conveyance		**76,656**	36,840
	Repairs and maintenance		**23,651**	9,193
	Provision for doubtful debts		**56,537**	496,933
	Donations	31.1	**37**	77
	Fees and subscriptions		**3,343**	820
	Directors meeting fee		**5,624**	-
	Postage and courier		**2,639**	2,137
	Newspapers and periodicals		**428**	345
	Auditor's remuneration	31.2	**6,675**	2,353
	Depreciation	3.6	**75,761**	40,308
	Miscellaneous		**27,904**	8,284
			1,356,317	1,133,279

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

	Note	Year ended 31 December 2009	Period ended 31 December 2008
		(Rupees in '000)	
31.2 Auditor's remuneration			
Statutory audit		**3,750**	2,330
Half year review		**1,000**	-
International reportings		**1,750**	-
Out of pocket expenses		**175**	23
		6,675	2,353

32 Finance cost

	Note	Year ended 31 December 2009	Period ended 31 December 2008
Mark-up on long term loans	32.1	**30,346**	25,515
Mark-up on short term loans		**99,119**	15,483
Interest on PTA license fee		**128,656**	58,571
Financial charge on leased liabilities		**15,892**	13,154
Mark up on Term Finance Certificates	32.1	**242,377**	46,269
Bank charges and commission		**6,635**	4,190
		523,025	163,182

32.1 These include amortization of initial transaction cost of Rs. 9.916 million (31 December 2008: Rs. 7.272 million).

	Year ended 31 December 2009	Period ended 31 December 2008
	(Rupees in '000)	
33 Other operating income		
Income from financial assets		
Income on deposit and saving accounts	**35,556**	28,242
Dividend income	**961**	1,016
Mark-up on advance to associated company	**5,090**	2,621
	41,607	31,879
Income from non-financial assets		
Rental income from investment property	**5,158**	2,378
Scrap sales	**577**	248
Gain on sale of property, plant and equipment	**6,224**	46,814
Miscellaneous	**79,907**	17,249
	91,866	66,689
	133,473	98,568
34 Other expenses		
Provision for impairment of long term investment	**-**	9,466
Provision for winding up cost of subsidiary	**51,981**	-
Exchange loss	**29,480**	13,647
	81,461	23,113

		Note	Year ended 31 December 2009	Period ended 31 December 2008
			(Rupees in '000)	
35	**Taxation**			
	for the year/period			
	Current	35.1	**22,573**	196
	Deferred		**(155,277)**	(91,189)
			(132,704)	(90,993)

35.1 It includes tax on income covered under presumptive tax regime under Section 113 of the Income Tax Ordinance, 2001 and minimum turnover tax.

35.2 Tax charge reconciliation

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

	Year ended 31 December 2009 %	Period ended 31 December 2008 %
Applicable tax rate	**35.00**	35.00
Tax effect of amounts:		
Not deductible for tax purposes	**(23.93)**	(18.63)
Admissible for tax purposes	**6.45**	6.75
Chargeable to tax at different rates	**3.54**	-
Covered under presumptive tax regime	**0.21**	0.18
Average effective tax rate (tax expense divided by profit before tax)	**21.28**	23.31

36 Earnings per share

36.1 Basic and diluted earnings per share

		2009	2008
Loss after taxation available for distribution to ordinary shareholders	Rupees in '000	**(490,819)**	(299,288)
Weighted average number of ordinary shares	Number in '000	**860,572**	860,572
Basic and diluted earnings per share	Rupees	**(0.57)**	(0.35)

37 Related party transactions

The related parties comprise of shareholders, 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 40. Other significant transactions with related parties are as follows:

	Year ended 31 December 2009 (Rupees in '000)	Period ended 31 December 2008
Purchase of goods and services	**635,775**	8,214
Sale of goods and services	**350,295**	56,136
Interest on advance	**5,090**	2,621
Provision for doubtful debts	**37,125**	-

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

		Year ended 31 December 2009 (Rupees in '000)	Period ended 31 December 2008
38 Cash generated from operations			
Loss before taxation		**(623,523)**	(390,281)
Adjustment for non-cash charges and other items:			
Depreciation		**1,185,835**	486,461
Amortization of intangible assets		**100,329**	49,287
Amortization of transaction cost		**9,916**	7,272
Interest on PTA license fee		**128,656**	58,571
Provision for doubtful receivables		**93,235**	496,933
Provision for stock in trade and stores & spares		**17,200**	-
Profit on disposal of property, plant and equipment		**(6,224)**	(46,814)
Provision for impairment of long term investment		**-**	9,466
Impairment loss on available for sale financial assets		**167,865**	-
Retirement benefits		**100,458**	44,298
Finance costs		**384,453**	97,339
Profit before working capital changes		**1,558,200**	812,532
Effect on cash flow due to working capital changes:			
(Increase)/Decrease in the current assets			
Stores and spares		**90,762**	1,150
Stock in trade		**(45,854)**	(52,385)
Trade debts		**(1,234,091)**	(371,811)
Loans and advances		**(148,605)**	99,296
Deposits and prepayments		**49,732**	2,354
Other receivables		**170,508**	(66,759)
Increase/(Decrease) in the current liabilities			
Trade and other payables		**376,702**	569,979
		(740,846)	181,824
		817,354	994,356
39 Cash and cash equivalents			
Cash and bank balances	14	**336,480**	564,188
Running finance under markup arrangements-secured	16	**(1,045,660)**	(427,240)
		(709,180)	136,948

40 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	
	31 Dec. 2009	31 Dec. 2008	**31 Dec. 2009**	31 Dec. 2008	**31 Dec. 2009**	31 Dec. 2008
	(Rupees in '000)					
Managerial remuneration	**9,398**	3,503	**-**	-	**153,303**	54,737
Retirement benefits	**2,000**	500	**-**	-	**17,106**	8,443
Housing	**3,759**	1,401	**-**	-	**61,321**	21,894
Utilities	**940**	350	**-**	-	**15,330**	5,474
	16,097	5,754	**-**	-	**247,060**	90,548
Number of persons	**1**	1	-	-	**150**	101

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

Meeting fee Rs. 5.624 million (31 December 2008: Rs. Nil) was paid to directors during the year .

41 Financial risk management

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

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

- Credit risk
- Liquidity risk
- Market risk

41.1 Credit risk

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

41.1.1 Exposure to credit risk

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

	31 December 2009	31 December 2008
	(Rupees in '000)	
Long term deposits	**83,669**	87,302
Trade debts	**2,696,549**	1,462,458
Loans and advances - considered good	**68,030**	63,222
Short term deposits	**93,324**	155,303
Other receivables	**252,905**	423,413
Short term investments	**378,439**	344,072
Cash and bank balances	**336,480**	564,188
	3,909,396	3,099,958

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

	31 December 2009	31 December 2008
	(Rupees in '000)	
The age of trade receivables		
Not past due	**848,045**	363,512
Past due 0 - 180 days	**1,109,701**	466,654
Past due 181 - 365 days	**117,867**	222,256
1 - 2 years	**218,335**	217,231
More than 2 years	**402,601**	192,805
	2,696,549	1,462,458
The age of impairment loss against trade receivables		
Not past due	**-**	-
Past due 0 - 180 days	**11,081**	86,635
Past due 181 - 365 days	**21,569**	3,349
1 - 2 years	**144,554**	203,781
More than 2 years	**402,601**	192,805
	579,805	486,570

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

Opening balance	**486,570**	189,935
Charge for the year/period	**93,235**	296,635
Closing balance	**579,805**	486,570

41.2 Liquidity risk

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

The following are the contractual maturities of financial liabilities as on 31 December 2009:

	Carrying Amount	6 months or less	6-12 months	1-2 year	More than 2 years
	----------(Rupees in '000)----------				
Term finance certificates - secured	**4,030,114**	**59,054**	**606,199**	**1,209,739**	**2,155,122**
Long term finances-secured	**37,494**	**37,494**	**-**	**-**	**-**
Liabilities against assets subject to finance lease	**73,605**	**42,046**	**13,017**	**9,769**	**8,773**
Long term payables	**2,125,220**	**-**	**-**	**2,125,220**	**-**
Long term deposits	**44,160**	**-**	**-**	**-**	**44,160**
License fee payable	**1,100,781**	**1,100,781**	**-**	**-**	**-**
Running finance under markup Arrangements-secured	**1,045,660**	**1,045,660**	**-**	**-**	**-**
Trade and other payables	**2,146,916**	**1,867,201**	**279,715**	**-**	**-**
Interest and mark up accrued	**166,605**	**166,605**	**-**	**-**	**-**
	10,770,555	**4,318,841**	**898,931**	**3,344,728**	**2,208,055**

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

	Carrying Amount	6 months or less	6-12 months	1-2 year	More than 2 years
	----------(Rupees in '000)----------				
Term finance certificates - secured	4,136,307	59,087	59,087	665,271	3,352,862
Long term finances-secured	296,592	223,293	73,299	-	-
Liabilities against assets subject to finance lease	163,827	52,913	47,470	62,281	1,163
Long term payables	502,675	-	-	223,928	278,747
Long term deposits	46,111	-	-	-	46,111
License fee payable	972,125	-	-	972,125	-
Running finance under markup Arrangements-secured	427,240	427,240	-	-	-
Trade and other payables	1,701,022	1,434,381	266,641	-	-
Interest and mark up accrued	175,371	175,371	-	-	-
	8,421,270	2,372,285	446,497	1,923,605	3,678,883

41.3 Market risk

41.3.1 Currency risk

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into foreign currency. The Company is exposed to foreign currency's risk on sales and purchases that are entered in a currency other than Pak Rupees. The Company's foreign currency payables are substantialy hedged against foreign currency receivables.

The Company exposure to foreign currency risk was as follows:

	31 December 2009 USD	31 December 2008 USD
Trade receivables	**16,843**	6,881
Trade payables	**(7,686)**	(590)
Suppliers	**(14,957)**	(9,759)
Net exposure	**(5,800)**	(3,468)

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

	31 December 2009	31 December 2008
Average Rate -Rupees per US Dollar	**81.58**	76.78
Reporting Date Rate -Rupees per US Dollar	**84.20**	78.80

A 5% strengthening of Pak Rupees against the above currency would have increased equity and Profit and loss account by Rs. 24.418 million (31 December 2008: 13.6 million). This analysis assumes that all other variables, in particular interest rates remain constant.

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

41.3.2 Interest rate risk

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

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

	31 December 2009	31 December 2008
	(Rupees in '000)	
Fixed rate instruments		
Financial assets		
Cash and bank balances- deposit accounts	**-**	150,000
Floating rate instruments		
Financial assets		
Loans and advances - considered good	**28,886**	28,886
Cash and bank balances- saving accounts	**284,962**	340,229
Financial liabilities		
Term finance certificates - secured	**4,069,299**	4,187,408
Long term finances-secured	**37,494**	296,592
Liabilities against assets subject to finance lease	**73,605**	163,827
Running finance under markup arrangements-secured	**1,045,660**	427,240
	(4,912,210)	(4,705,952)

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

An increase of 1% in interest rate at the reporting date would have increased markup by Rs. 49.12 million. Similarly a decrease of 1% in interest rate would have decreased markup by similar amount. This analysis assumes that all other variables remain constant.

41.3.3 Other market price risk

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

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

41.4 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.

41.5 Capital management

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

The Company's objectives when managing capital are:

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

b) to provide an adequate return to shareholders.

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

The debt-to-equity ratios as at 31 December 2009 and at 31 December 2008 were as follows:

	31 December 2009	31 December 2008
	(Rupees in '000)	
Total debt	**5,186,873**	5,023,966
Total equity and debt	**16,234,352**	16,408,841
Debt-to-equity ratio	**32 : 68**	31 : 69

There is no major change in debt-to-equity ratio at 31 December 2009 as compared to last period.

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

42 Date of authorization for issue

These financial statements were authorized for issue on 30 January 2010 by the Board of Directors.

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

A number of new standards and amendments to standards not yet effective for the year ended 31 December 2009 have not been applied in preparing this financial statements.

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

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

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

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

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

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

- IFRIC 18 Transfers of Assets from Customers (to be applied prospectively to transfers of assets from customers received on or after 01 July 2009). This interpretation clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant, and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). The interpretation is not relevant to the Company's operations

- The International Accounting Standards Board made certain amendments to existing standards as part of its Second annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the Company's 2010 financial statements. These amendments are unlikely to have an impact on the Company's financial statements.

- Amendment to IFRS 2 – Share-based Payment – Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2010). Currently effective IFRSs requires attribution of group share-based payment transactions only if they are equity-settled. The amendments resolve diversity in practice regarding attribution of cash-settled share-based payment transactions and require an entity receiving goods or services in either an equity-settled or a cash-settled payment transaction to account for the transaction in its separate or individual financial statements.

44 General

44.1 Pursuant to the change in financial year from June to December, comparative figures of the profit and loss account, statement of comprehensive income, cash flow statement, statement of changes in equity and related notes of the financial statements were of six months ending on 31 December 2008, hence are not comparable.

Lahore:
30 January 2010

CHIEF EXECUTIVE **DIRECTOR**

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 DECEMBER 2009

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of **Worldcall Telecom Limited ("the Company")** and its subsidiary company (hereinafter referred as **"the Group")** as at 31 December 2009 and the related consolidated profit and loss account, consolidated cash flow statement, consolidated statement of comprehensive income and consolidated statement of changes in equity together with the notes forming part thereof, for the period then ended 31 December 2009. The financial statements of the subsidiary company, Woldcall Telecommunications Lanka (Private) Limited (hereinafter referred as **"the Subsidiary")** were audited by another firm of auditors, whose report has been furnished to us and our opinion in so far as it relates to the amounts included for such company, is based solely on the report of such other auditor.

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

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the consolidated financial statements present fairly the financial position of the Group as at 31 December 2009 and the results of its operations, its cash flows and changes in equity for the period then ended 31 December 2009 in accordance with the approved accounting standards as applicable in Pakistan.

KPMG Taseer Hadi & Co.

Lahore:
30 January 2010

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

DIRECTORS' REPORT (Consolidated Accounts)

The Directors of Worldcall Telecom Limited ("WTL" or the "Parent Company"), are pleased to present audited consolidated financial statements of the Group for the year ended 31 December 2009.

Financial Overview

	Jan 2009 to Dec 2009	Jan 2008 to Dec 2008
	Rs. in million	
Revenues	**8,414**	**5,206**
Direct Cost	**(7,045)**	**(3,821)**
Gross Profit	**1,369**	**1,384**
Operating Cost	**(1,369)**	**(1,769)**
Finance Cost	**(523)**	**(391)**
Impairment loss	**(168)**	**-**
Loss on re-measurement of investment at fair value	**-**	**(100)**
Net Loss after tax	**(457)**	**(596)**

*Figures calculated by adding results of Jan to June 2008 and July to Dec 2008

Group Foreign Subsidiary

Worldcall Telecommunications Lanka (Pvt) Limited (WCTL)

The company has been suffering losses since last many years. The market for the payphones has greatly diminished in Sri Lanka and escalating administrative expenses have badly affected the operations. The directors of WTL are of the view that considering the market conditions and current status of accumulated losses it is suitable to wind up this subsidiary.

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:
30 January 2010

BABAR ALI SYED
CHIEF EXECUTIVE OFFICER

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2009

	Note	31 December 2009	31 December 2008
		(Rupees in '000)	
NON CURRENT ASSETS			
Tangible fixed assets			
Property, plant and equipment	4	**12,110,704**	9,923,940
Capital work-in-progress	5	**1,530,854**	2,542,065
		13,641,558	12,466,005
Intangible assets	6	**4,767,265**	4,928,080
Investment property	7	**76,162**	76,162
Long term investments - at cost less impairment	8	**-**	41,448
Long term deposits	9	**68,801**	76,483
		18,553,786	17,588,178
CURRENT ASSETS			
Store and spares		**317,614**	418,575
Stock in trade		**182,105**	143,476
Trade debts	10	**2,116,744**	978,451
Loans and advances - considered good	11	**589,790**	441,185
Deposits and prepayments	12	**181,918**	231,875
Other receivables	13	**15,890**	184,441
Short term investments	14	**378,439**	344,072
Income tax recoverable-net		**143,104**	132,683
Cash and bank balances	15	**335,579**	564,627
		4,261,183	3,439,385
CURRENT LIABILITIES			
Current maturities of non-current liabilities	16	**1,858,591**	515,149
Running finance under mark-up arrangements - secured	17	**1,045,660**	427,240
Trade and other payables	18	**2,238,208**	1,898,988
Interest and mark-up accrued	19	**166,605**	175,371
		5,309,064	3,016,748
NET CURRENT (LIABILITIES)/ASSETS		**(1,047,881)**	422,637
NON CURRENT LIABILITIES			
Term finance certificates - secured	20	**3,364,861**	4,018,133
Deferred taxation	21	**398,122**	553,400
Retirement benefits	22	**175,942**	158,985
Liabilities against assets subject to finance lease	23	**18,542**	63,444
Long term payables	24	**2,125,220**	502,674
Long term deposits		**44,160**	47,174
License fee payable	25	**-**	972,125
		6,126,847	6,315,935
Contingencies and commitments	26		
		11,379,058	11,694,880
REPRESENTED BY			
Share capital and reserves			
Authorized capital			
900,000,000 (31 December 2008: 900,000,000) ordinary shares of Rs. 10 each		**9,000,000**	9,000,000
Issued, subscribed and paid up capital	27	**8,605,716**	8,605,716
Share premium	28	**837,335**	837,335
Fair value reserve		**(70,476)**	(230,713)
Exchange translation reserve		**(2,940)**	(1,308)
Accumulated profit		**1,677,849**	2,159,091
Capital and reserves attributable to equity holders of the Company		**11,047,484**	11,370,121
Surplus on revaluation	29	**331,574**	324,759
		11,379,058	11,694,880

The annexed notes 1 to 45 form an integral part of these consolidated financial statements.

Lahore:
30 January 2010

CHIEF EXECUTIVE **DIRECTOR**

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	Year ended 31 December 2009	Period ended 31 December 2008
		(Rupees in '000)	
Revenue -net	30	**8,413,695**	3,095,587
Direct cost	31	**(7,045,012)**	(2,270,046)
Gross profit		**1,368,683**	825,541
Operating cost	32	**(1,368,529)**	(1,138,891)
Operating profit/(loss)		**154**	(313,350)
Finance cost	33	**(523,077)**	(163,477)
		(522,923)	(476,827)
Impairment loss on available for sale financial assets	14	**(167,865)**	-
Other operating income	34	**133,571**	98,614
Other expenses	35	**(49,784)**	(18,490)
Loss before taxation		**(607,001)**	(396,703)
Taxation	36	**132,704**	90,993
Loss after taxation		**(474,297)**	(305,710)
Attributable to:			
Equity holders of parent		**(463,890)**	(301,047)
Minority interest		**(10,407)**	(4,663)
		(474,297)	(305,710)
Loss per share - basic and diluted **(Rupees)**	37	**(0.54)**	(0.35)

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

The annexed notes 1 to 45 form an integral part of these consolidated financial statements.

Lahore:
30 January 2010

CHIEF EXECUTIVE

DIRECTOR

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	Year ended 31 December 2009	Period ended 31 December 2008
		(Rupees in '000)	
Loss for the year/period		**(474,297)**	(305,710)
Other comprehensive income/(loss)-net of tax:			
Exchange differences on translating foreign operations		**(2,309)**	(515)
Net change in fair value of available for sale financial assets		**(7,081)**	(230,713)
Impairment loss transferred to profit and loss account		**167,865**	-
Incremental amortization-surplus on revaluation of intangible assets		**32,567**	16,349
Decremental depreciation-surplus on revaluation of plant & equipment		**(43,051)**	(21,526)
		147,991	(236,405)
Tax on other comprehensive income/(loss)		**3,669**	1,812
		151,660	(234,593)
Total comprehensive loss for the year/period		**(322,637)**	(540,303)
Attributable to:			
Equity holders of the Parent		**(311,553)**	(535,489)
Minority interest		**(11,084)**	(4,814)
		(322,637)	(540,303)

The annexed notes 1 to 45 form an integral part of these consolidated financial statements.

Lahore:
30 January 2010

CHIEF EXECUTIVE **DIRECTOR**

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	31 December 2009	31 December 2008
		(Rupees in '000)	
Cash flows from operating activities			
Cash generated from operations	39	**818,739**	1,018,762
Decrease in long term deposits receivable		**7,682**	33,425
Decrease in long term deposits payable		**(3,014)**	(6,863)
Increase in long term payables		**1,622,546**	359,739
Retirement benefits paid		**(82,729)**	(22,449)
Finance cost paid		**(794,141)**	(244,871)
Taxes paid		**(32,995)**	(30,416)
Net cash generated from operating activities		**1,536,088**	1,107,327
Cash flow from investing activities			
Fixed capital expenditure		**(1,911,144)**	(2,476,975)
Sale proceeds of property, plant and equipment		**19,911**	64,252
Net cash used in investing activities		**(1,891,233)**	(2,412,723)
Cash flow from financing activities			
Repayment of long term finances		**(259,098)**	(109,947)
Receipt of term finance certificates		**-**	837,688
Repayment of term finance certificates		**(118,109)**	(70)
Repayment of finance lease liabilities		**(115,116)**	(68,651)
Net cash (used in)/generated from financing activities		**(492,323)**	659,020
Net decrease in cash and cash equivalents		**(847,468)**	(646,376)
Cash and cash equivalents at the beginning of the year/period		**137,387**	783,763
Cash and cash equivalents at the end of the year/period	40	**(710,081)**	137,387

The annexed notes 1 to 45 form an integral part of these consolidated financial statements.

Lahore:
30 January 2010

CHIEF EXECUTIVE **DIRECTOR**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2009

	Attributable to equity holders of the Company							
		Revenue Reserve	Capital Reserve					
	Share Capital	Accumulated profit/ (loss)	Share premium	Fair value reserve-available for sale assets	Currency translation reserve	Sub Total	Minority interest	Total
	(Rupees in '000)							
Balance as at 30 June 2008- Restated	8,605,716	2,467,670	837,335	-	(944)	**11,909,777**	647	**11,910,424**
Exchange translation difference	-	-	-	-	(364)	**(364)**	(151)	**(515)**
Transfer to surplus on revaluation	-	(3,365)	-	-	-	**(3,365)**	-	**(3,365)**
Total comprehensive loss	-	(301,047)	-	(230,713)	-	**(531,760)**	(4,663)	**(536,423)**
Share of minority loss transferred to majority share holders	-	(4,167)	-	-	-	**(4,167)**	4,167	**-**
	-	(308,579)	-	(230,713)	(364)	**(539,656)**	(647)	**(540,303)**
Balance as at 31 December 2008	**8,605,716**	**2,159,091**	**837,335**	**(230,713)**	**(1,308)**	**11,370,121**	**-**	**11,370,121**
Exchange translation difference	-	-	-	-	(1,632)	**(1,632)**	(677)	**(2,309)**
Transfer to surplus on revaluation	-	(6,815)	-	-	-	(6,815)	-	**(6,815)**
Total comprehensive loss for the period	-	(463,890)	-	160,784	-	**(303,106)**	(10,407)	**(313,513)**
Transfer from fair value reserve	-	547	-	(547)	-	**-**	-	**-**
Share of minority loss transferred to majority share holders	-	(11,084)	-	-	-	**(11,084)**	11,084	**-**
	-	(481,242)	-	160,237	(1,632)	**(322,637)**	-	**(322,637)**
Balance as at 31 December 2009	**8,605,716**	**1,677,849**	**837,335**	**(70,476)**	**(2,940)**	**11,047,484**	**-**	**11,047,484**

The annexed notes 1 to 45 form an integral part of these consolidated financial statements.

Lahore:
30 January 2010

CHIEF EXECUTIVE

DIRECTOR

NOTES TO THE COSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

1 Legal status and nature of business

1.1 The Group consists of:

Worldcall Telecom Limited; and

Worldcall Telecommunications Lanka (Private) Limited

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

Worldcall Telecommunications Lanka (Private) Limited ("the Subsidiary") was incorporated in Sri Lanka and is a joint venture with Hayleys Group to operate payphones. The principal activity of the Subsidiary is the operation and maintenance of a public payphones network. Payphones are installed at various shops/ commercial outlets. The Company holds 70.65% of voting securities in the Subsidiary. The Subsidiary has accumulated losses of Rs. 144.94 million as at balance sheet date and its current liabilities exceed its current assets by Rs. 51.98 million. The net loss for the current year after tax is Rs. 35.46 million. These factors raised substantial doubt that subsidiary will be able continue as a going concern, hence the financial statements of the subsidiary are not prepared on going concern basis.

2 Basis of consolidation

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

Subsidiary

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

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 losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Minority interest is that part of net results of operations and of net assets of Subsidiary attributable to interest which are not owned by the Group. Minority interest is presented separately in the consolidated financial statements. In view of negative equity of the subsidiary, the complete amount of losses are being borne by the Company.

3 Summary of significant accounting policies

The significant accounting policies adopted in preparation of these consolidated 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 the Companies Ordinance, 1984. Approved accounting standards comprise of such International Financial Reporting Standards as are notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of these standards, requirements of the Companies Ordinance, 1984 or requirements of the said directives take precedence.

3.2 Accounting convention and basis of preparation

These consolidated financial statements have been prepared under the historical cost convention, except for revaluation of investment properties, plant and equipment, intangible assets and certain financial assets at fair value, and recognition of certain employee benefits and financial liabilities at present value. As stated in note 1, subsidiary is not considered as a going concern, therefore financial statements of subsidiary have been prepared on the basis other than going concern, all assets are stated at realizable value and all liabilities at amount payable.

3.3 Significant accounting judgments and estimates

The preparation of consolidated financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Useful life of depreciable assets and amortization of intangible assets- (note 3.4, 3.5, 4 & 6)

Staff retirement benefits- (note 3.13 & 22)
Taxation- (note 3.8 & 36)

Provisions and contingencies- (note 3.18 & 26)

Investment properties- (note 3.6 & 7)

3.4 Fixed capital expenditure and depreciation

Property, plant and equipment

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

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

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

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

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

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

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

Finance leases

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

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

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

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

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

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

Capital work-in-progress

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

3.5 Intangible assets

Goodwill

Goodwill represents the difference between the cost of the acquisition (fair value of consideration paid) and the fair value of the net identifiable assets acquired.

Other intangible assets

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

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

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

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

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

3.6 Investment properties

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

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

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

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

3.7 Investments

The Group classifies its investments in following categories.

Investments at fair value through profit or loss

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

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

Available for sale investments

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

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

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

3.8 Taxation

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

Current

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

Deferred

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

The carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

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

3.9 Inventories

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

Stores and spares

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

Stock in trade

Cost is determined on weighted average basis.

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

3.10 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.

3.11 Financial liabilities

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

Interest bearing borrowings

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

Term finance certificates

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

Other financial liabilities

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

3.12 Trade and other payables

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

3.13 Retirement and other benefits

Defined benefit plan

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

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

Accumulating compensated absences

Employees of the Group are entitled to take earned leave 20 days every year.

The unutilized earned leaves can be accumulated upto a maximum of 40 days and can be utilized at any time subject to the approval. Earned leaves in excess of 40 days shall lapse. An employee will be entitled to encash the accumulated earned leaves at the time of leaving Company service. The earned leave encashment is made on last drawn gross salary.

Provisions are made annually by the Company to cover the obligation for accumulating compensated absences and are charged to profit.

3.14 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.

3.15 Foreign currencies

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

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

3.16 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, EVDO, internet over cable and channels subscription fee is recognized on provision of services.

- Connection and membership fee is recognized at the time of activation of connection.

- Sale of goods is recognized on dispatch of goods to customer.

- Advertisement income is recognized on the basis of spots run when commercials are aired on the network.

- Interest income is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return.

- Rental income from investment property is recognized in the profit and loss account on accrual basis.

- Revenue from prepaid cards is recognized as credit is used.

- Dividend income is recognized when the right to receive payment is established.

3.17 Borrowing cost

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

3.18 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.

3.19 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.

3.20 Financial instruments

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

Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Group has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3.21 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.

3.22 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/ revalued amount as at 01 Jan 2009	Exchange Adjustments	Revaluation Surplus/ (deficit)/ (impairment)	Additions/ (Disposals)	Transfers/ Adjustments	Cost/ revalued amount as at 31 Dec 2009	Accumulated depreciation as at 01 Jan 2009	Depreciation charge for the year/ (Disposals)	Exchange Adjustments	Revaluation Surplus/ (deficit)/ (impairment)	Transfers/ Adjustments	Accumulated depreciation as at 31 Dec 2009	Net book value as at 31 Dec 2009	Depreciation rate %
						(Rupees in '000)								
Owned assets														
Freehold Land	19,800	-	-	-	-	19,800	-	-	-	-	-	-	19,800	-
Leasehold improvements	105,200	-	-	11,570	-	115,385	41,230	13,061	-	-	-	53,968	61,417	20-33
				(1,385)	-			(323)						
Plant and equipment	11,663,765	923	(30,994)	3,345,476	79,244	15,043,598	2,315,740	1,089,943	431	(12,863)	16,657	3,402,987	11,640,611	5-33.33
			-	(14,816)	-			(6,921)			-			
Office equipment	80,469	22	(633)	6,617	-	85,623	12,738	8,833	17	(508)	-	20,576	65,047	10
				(852)	-			(504)			-			
Computers	81,866	65	(931)	10,455	-	91,032	59,160	12,646	63	(891)	-	70,734	20,298	33
				(423)	-			(244)			-			
Furniture and fixtures	19,948	27	(780)	6,202	-	24,966	7,809	2,266	22	(612)	-	9,080	15,886	10
				(431)	-			(405)			-			
Vehicles	100,194	2	324	3,249	8,453	111,490	64,459	13,727	2	324	4,518	82,421	29,069	20
				(732)	-			(609)			-			
Lab and other equipment	19,661	69	(2,918)	262	-	17,074	10,390	2,394	28	(1,354)	-	11,458	5,616	10-20
				-	-			-			-			
	12,090,903	**1,108**	**(35,932)**	**3,383,831**	**87,697**	**15,508,968**	**2,511,526**	**1,142,870**	**563**	**(15,904)**	**21,175**	**3,651,224**	**11,857,744**	
			-	**(18,639)**	**-**			**(9,006)**			**-**			
Leased assets														
Plant and equipment	334,183	-	-	24,234	(79,244)	279,173	52,937	22,651	-	-	(16,657)	58,931	220,242	5-33.33
					-						-			
Vehicles	93,358	-	-	661	(8,453)	64,896	33,522	22,291	-	-	(4,518)	34,679	30,217	20
				(20,670)	-			(16,616)						
Office equipment	4,055	-	-	-	-	4,055	574	980	-	-	-	1,554	2,501	10
	431,596	**-**	**-**	**24,895**	**(87,697)**	**348,124**	**87,033**	**45,922**	**-**	**-**	**(21,175)**	**95,164**	**252,960**	
				(20,670)	**-**			**(16,616)**			**-**			
	12,522,499	**1,108**	**(35,932)**	**3,408,726**	**-**	**15,857,092**	**2,598,559**	**1,188,792**	**563**	**(15,904)**	**-**	**3,746,388**	**12,110,704**	
			-	**(39,309)**	**-**			**(25,622)**						

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

	Cost/ revalued amount as at 01 July 2008	Exchange Adjustments	Revaluation Surplus/ (deficit)/ (impairment)	Additions/ (Disposals)	Transfers/ Adjustments	Cost/ revalued amount as at 31 Dec 2008	Accumulated depreciation as at 01 July 2008	Depreciation charge for the period/ (Disposals)	Exchange Adjustments	Revaluation Surplus/(deficit) /(impairment)	Transfers/ Adjustments	Accumulated depreciation as at 31 Dec 2008	Net book value as at 31 Dec 2008	Depreciation rate %
	(Rupees in '000)													
Owned assets														
Freehold Land	19,800	-	-	-	-	19,800	-	-	-	-	-	-	19,800	-
Leasehold improvements	87,229	-	-	17,443	-	105,200	35,041	6,189	-	-	-	41,230	63,970	20-33
				-	528			-						
Plant and equipment	10,259,665	3,716	(8,520)	1,427,842	-	11,663,765	1,885,372	435,563	1,815	(3,677)	-	2,315,740	9,348,025	5-33.33
			-	(19,069)	131			(3,333)			-			
Office equipment	55,699	80	-	23,326	-	80,469	8,357	4,469	58	-	-	12,738	67,731	10
				(335)	1,699			(146)			-			
Computers	80,143	232	-	5,630	-	81,866	48,902	11,487	225	-	-	59,160	22,706	33
				(1,621)	(2,518)			(1,454)			-			
Furniture and fixtures	18,943	96	-	2,009	-	19,948	6,480	1,322	69	-	-	7,809	12,139	10
				(70)	(1,030)			(62)			-			
Vehicles	81,931	7	-	20,914	1,233	100,194	64,022	3,867	7	-	740	64,459	35,735	20
				(4,466)	575			(4,177)			-			
Lab and other equipment	18,474	249	-	40	-	19,661	9,065	1,230	95	-	-	10,390	9,271	10-20
				-	898			-			-			
	10,621,884	**4,380**	**(8,520)**	**1,497,204**	**1,232**	**12,090,903**	**2,057,239**	**464,127**	**2,269**	**(3,677)**	**740**	**2,511,526**	**9,579,377**	
			-	**(25,561)**	**283**			**(9,172)**		**-**	**-**			
Leased assets														
Plant and equipment	334,314	-	-	-	-	334,183	40,878	12,059	-	-	-	52,937	281,246	5-33.33
					(131)						-			
Vehicles	91,658	-	-	4,288	(1,233)	93,358	22,835	11,747	-	-	(740)	33,522	59,836	20
				(1,371)	16			(320)						
Office equipment	4,055	-	-	-	-	4,055	371	203	-	-	-	574	3,481	10
	430,027	**-**	**-**	**4,288**	**(1,232)**	**431,596**	**64,084**	**24,009**	**-**	**-**	**(740)**	**87,033**	**344,563**	
				(1,371)	**(115)**			**(320)**			**-**			
	11,051,911	**4,380**	**(8,520)**	**1,501,492**	**-**	**12,522,499**	**2,121,323**	**488,136**	**2,269**	**(3,677)**	**-**	**2,598,559**	**9,923,940**	
			-	**(26,932)**	**168**			**(9,492)**	**-**	**-**				

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

Had there been no revaluation, the net book value of plant and equipment as at 31 December 2009 would have amounted to Rs. 11,732 million (31December 2008: Rs. 9,544million).

4.4 Carrying value of property, plant and equipment and current assets having charge against borrowings amount to Rs. 12,008 million (31 December 2008: Rs. 7,027 million).

4.5 Finance cost amounting to Rs. 402.870 million (31 December 2008: Rs. 228.2 million) was capitalized during the year in property, plant and equipment.

	Note	**Year ended 31 December 2009**	Period ended 31 December 2008
		(Rupees in '000)	
4.6 Depreciation charge during the year/period has been allocated as follows:			
Direct cost	31	**1,113,030**	447,827
Operating cost	32	**75,762**	40,309
		1,188,792	488,136

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

Description	**Cost**	**Accumulated depreciation**	**Book Value**	**Sale proceeds**	**Mode of disposal**	**Sold to**
	--------------(Rupees in '000) -------------					
Leasehold Improvements	1,385	323	1,062	452	Negotiation	Irfan Mughal-Ex employee
Plant and equipment						
Fiber optic plant	1,319	609	710	701	Negotiation	Kamran Electronics
LDI Equipment	11,893	6,154	5,739	11,948	Insurance claim	-
Generator	860	67	793	706	Insurance claim	-
Computers						
Laptop	100	39	61	50	Negotiation	Ahmed Bilal-Ex employee
Office Equipment						
Phone Sets	105	5	100	98	Insurance claim	-
Generator	105	6	99	98	Insurance claim	-
Vehicles	18,235	14,173	4,062	4,394	Insurance claim & settlement	Ex employees
Items with book value less than Rs. 50,000	5,307	4,246	1,061	1,464		
	39,309	**25,622**	**13,687**	**19,911**		

		31 December 2009	31 December 2008
5	**Capital work-in-progress**	**(Rupees in '000)**	
	Owned		
	Civil works	**143,837**	203,864
	Plant and equipment	**1,387,303**	2,338,201
		1,531,140	2,542,065
	Less: provision for imapairment	**(286)**	-
		1,530,854	2,542,065

6 Intangible assets

	Cost as at 01 Jan 2009	Additions/ (adjustments)	Cost as at 31 Dec 2009	Accumulated amortization as at 01 Jan 2009	Amortization for the year	Accumulated amortization as at 31 Dec 2009	Net book value as at 31 Dec 2009	Rate %
	Rupees in '000							
Licenses	2,893,290	-	2,893,290	525,192	158,304	683,496	2,209,794	5
Patents and copyrights	5,333	-	5,333	2,895	711	3,606	1,727	10
Software	16,284	-	16,284	12,234	1,800	14,034	2,250	20
Goodwill	2,690,403	-	2,690,403	136,909	-	136,909	2,553,494	-
	5,605,310	**-**	**5,605,310**	**677,230**	**160,815**	**838,045**	**4,767,265**	

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

6.1 The Company had revalued its licenses and software on 30 June 2008 resulting in a net surplus of Rs. 430.391 million. The valuation was conducted by an independent valuer, M/s. Surval. Valuation of licenses and software was based on the estimated gross replacement cost, earning potential amortized to reflect the current market value. Had there been no revaluation, the net book value of licenses and software as at 31 December 2009 would have amounted to Rs. 4,369 million (2008: 4,514 million).

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

6.3 Goodwill

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

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

	Note	Year ended 31 December 2009	Period ended 31 December 2008
		(Rupees in '000)	
6.4 Amortization charge for the year/period has been allocated as follows:			
Direct cost	31	**100,329**	49,287
Capitalized during the year/period		**60,486**	30,956
		160,815	80,243

7 Investment property

Opening balance	**76,162**	76,162
Fair value adjustment	**-**	-
	76,162	76,162

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

Fair value of investment property was determined at 31 December 2009 by approved independent valuer M/s PEE DEE & Associates. There is no significant change in the fair value from the last year. Fair value was determined giving due regard to recent market transactions for similar properties in the same location and condition as the Company's investment property.

	31 December 2009	31 December 2008
	(Rupees in '000)	

8 Investment in associated company-available for sale
Media Times Limited Incorporated in Pakistan

Opening balance	**41,448**	41,448
Reclassified as short term investment	**(41,448)**	-
Equity held 3.13% (31 December 2008: 4.19%)	**-**	41,448

8.1 Media Times Limited is an associated company due to common directorship.

	Note	31 December 2009	31 December 2008
9 Long term deposits		(Rupees in '000)	
Security deposits with PTCL		**23,556**	19,757
Deposits with financial institutions		**18,414**	28,318
Others		**41,699**	39,227
		83,669	87,302
Less: Current maturity	12	**(14,868)**	(10,819)
		68,801	76,483

	Note	31 December 2009	31 December 2008
		(Rupees in '000)	
10 Trade debts			
Considered good - unsecured	10.1	**2,116,744**	978,451
Considered doubtful - unsecured		**583,033**	488,512
		2,699,777	1,466,963
Less: Provision for doubtful debts	10.2	**(583,033)**	(488,512)
		2,116,744	978,451

10.1 This includes due from associated companies as follows:

	2009	2008
Pace Wood Land (Private) Limited	**32,894**	32,894
Pace Barka Properties Limited	**47,781**	47,781
Pace Gujrat (Private) Limited	**12,138**	12,138
Oman Telecommunication Company S.A.O.G.	**200,199**	52,580
	293,012	145,393

10.2 Provision for doubtful debts

	2009	2008
Opening balance	**488,512**	191,707
Addition during the year/period	**94,352**	296,635
Exchange rate adjustments	**169**	170
Closing balance	**583,033**	488,512

10.2.1 It includes provision of Rs. 37.13 million against receivable from Pace group companies, associated companies.

11 Loans and advances - considered good

	Note	2009	2008
Loans and advances to employees	11.1	**39,144**	34,336
Advances to suppliers	11.2	**521,760**	377,963
Advances to associated company	11.3	**28,886**	28,886
		589,790	441,185

11.1 These loans and advances are unsecured and interest free and include advances given to executives of Rs. 13.337 million (31 December 2008 : Rs. 9.54 million).

11.2 It includes Rs. 85 million given to Pace (Pakistan) Limited, an associated company, against purchase of property.

11.3 This represents unsecured advance given to Media Times Limited carrying markup at the rate of 16.5-18% per annum (31 December 2008: 18% per annum).

	Note	31 December 2009	31 December 2008
		(Rupees in '000)	
12 Deposits and prepayments			
Margin deposits	12.1	**75,487**	145,961
Prepayments		**73,805**	65,753
Current maturity of long term deposits	9	**14,868**	10,819
Short term deposits		**17,994**	9,489
Less: provision for doubtful short term deposits	12.2	**(236)**	(147)
		17,758	9,342
		181,918	231,875

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

	Note	31 December 2009	31 December 2008
		(Rupees in '000)	
12.2 Provision for doubtful short term deposits			
Opening balance		**147**	-
Charged during the year/period		**76**	141
Exchange rate adjustments		**13**	6
Closing balance		**236**	147

	Note	31 December 2009	31 December 2008
13 Other receivables			
Receivable from PTCL - Unsecured considered doubtful	13.1	**196,919**	196,919
Less: Provision for doubtful receivables	13.2	**(196,919)**	(196,919)
		-	-
Other receivables - considered good		**15,890**	184,441
Other receivables - considered doubtful		**45,609**	42,346
		61,499	226,787
Less: Provision for doubtful receivables	13.3	**(45,609)**	(42,346)
		15,890	184,441
		15,890	184,441

13.1 This includes Rs. 174 million (31 December 2008: Rs. 174 million) representing claims lodged by Worldcall Communications Limited (WCL), merged into the Worldcall Telecom Limited, with Pakistan Telecommunication Company Limited (PTCL) for excess billing on short duration calls, border line calls and 0900 facility. These claims were initially acknowledged by PTCL's Corporate Clients Committee through its decision dated 15 December 2003. However, PTCL subsequently through its letter dated 09 September 2005 withdrew its decision. The Company had invoked the available arbitration clause in the agreement to realize the claimed amount but PTCL had refused the appointment of arbitrator. The Company has gone to civil court for the appointment of arbitrator. Provision of Rs 174 million has already been made in the financial statements for the period ended 31 December 2008.

	Note	31 December 2009	31 December 2008
		(Rupees in '000)	

13.2 Provision for doubtful receivables-PTCL

Opening balance		**196,919**	22,694
Charged during the year/period		**-**	174,225
Closing balance		**196,919**	196,919

13.3 Provision for doubtful other receivables

Opening balance		**42,346**	16,534
Charged during the year/period		**3,000**	25,678
Exchange rate adjustments		**263**	134
Closing balance		**45,609**	42,346

14 Short term investments

Carrying value	14.1	**188,216**	256,255
Fair value adjustment		**(102,755)**	(68,039)
		85,461	188,216
Related parties			
Carrying value	14.2	**155,856**	318,530
Reclassified from long term investment		**41,448**	-
		197,304	318,530
Fair value adjustment		**95,674**	(162,674)
		292,978	155,856
Total carrying value		**385,520**	574,785
Total fair value adjustment		**(7,081)**	(230,713)
		378,439	344,072

14.1 Particulars of listed shares - At fair value

All shares have face value of Rs. 10 each.

Name	No. of shares					
	31 Dec 2009	31 Dec 2008	**31 Dec 2009**		31 Dec 2008	
			Carrying value	**Market value**	Carrying value	Market value
			(Rupees in '000)		(Rupees in '000)	
Commercial Banks						
The Bank of Punjab	**10,528**	10,528	**139**	**205**	328	139
Mutual Fund						
First Dawood Mutual Fund	**580,750**	580,750	**1,254**	**981**	4,147	1,254
Pak Oman Advantage Fund	**1,000,000**	1,000,000	**8,420**	**10,500**	9,500	8,420
Electric Appliances						
Pak Elektron Limited	**102**	93	**2**	**2**	5	2
Leasing						
Standard Chartered Leasing Limited	**70,000**	70,000	**123**	**180**	427	123
Insurance						
Shaheen Insurance Company Limited	**3,136,963**	2,744,844	**178,278**	**73,593**	241,848	178,278
			188,216	**85,461**	256,255	188,216

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

All shares have face value of Rs. 10 each.

Name	No. of shares					
	31 Dec 2009	31 Dec 2008	**31 Dec 2009**		31 Dec 2008	
			Carrying value	**Market value**	Carrying value	Market value
			(Rupees in '000)		(Rupees in '000)	
First Capital Securities Corporation Limited	**3,628,867**	2,868,671	**95,728**	**34,438**	121,304	95,728
Percentage of equity held 1.27% (31 December 2008: 1.27%)						
Pace (Pakistan) Limited	**6,959,290**	6,959,290	**60,128**	**40,712**	197,226	60,128
Percentage of equity held 2.5% (31 December 2008: 3.16%)						
Media Times Limited	**4,199,500**	-	**41,448**	**217,828**	-	-
Percentage of equity held 3.13% (31 December 2008: 4.19%)						
			197,304	**292,978**	318,530	155,856

14.2.1 Shareholding in Media Times Limited has been diluted to issuance of shares through initial public offer (IPO) to general public during the year.

14.2.2 Shareholding in Pace (Pakistan) Limited has been diluted due to conversion of foreign currency convertible bonds into ordinary shares during the year.

	Note	31 December 2009	31 December 2008
		(Rupees in '000)	
15 Cash and bank balances			
At banks in			
Current accounts		**26,832**	39,311
Saving accounts	15.1	**284,962**	340,229
Deposit accounts		**-**	150,000
		311,794	529,540
Cash in hand		**23,785**	35,087
		335,579	564,627

15.1 The balances in saving accounts bear mark up at the rate of 1.5% to 16% per annum (31 December 2008: 1% to 16.22% per annum). The balance includes Rs. 40 million (31 December 2008: Rs. 40 million) and interest accrued thereon deposited in Escrow account as stated in note 26.1.2.

	Note	31 December 2009	31 December 2008
		(Rupees in '000)	
16 Current maturities of non-current liabilities			
Term finance certificates	20	**665,253**	118,174
Long term finances- The Bank of Punjab		-	146,598
Long term finances- Habib Bank Limited	16.1	**37,494**	149,994
License fee payable	25	**1,100,781**	-
Liabilities against assets subject to finance lease	23	**55,063**	100,383
		1,858,591	515,149

16.1 Habib Bank Limited

31 Dec. 2009 Limit	31 Dec. 2009 Outstanding	31 Dec. 2008 Limit	31 Dec. 2008 Outstanding
(Rupees in '000)		(Rupees in '000)	
150,000	**37,494**	150,000	149,994
150,000	**37,494**	150,000	149,994

The Company obtained a long term loan facility of Rs. 1,800 million from Habib Bank Limited, National Bank of Pakistan Limited, MCB Bank Limited and Askari Bank Limited for the purpose of acquiring 20 years license from Pakistan Telecommunication Authority (PTA) to operate WLL network and import of equipment under various letters of credit. The loan was repayable in 14 equal quarterly installments starting from November 2006 with a grace period of 18 months. The loan was repaid except Rs. 150 million, which Habib Bank Limited desired to convert into equity. The Company applied to SECP for approval to issue shares against Rs. 150 million to the aforesaid bank. SECP has rejected the request of the Company, as a result Habib Bank Limited has requested the company to repay the outstanding amount in four equal quarterly installments starting from June 2009. The loan is completely secured against joint pari passu hypothecation agreement of Rs. 6,208 million.

17 Running finance under markup arrangements-Secured

Short term running finances available from commercial banks under mark up arrangements amount to Rs. 1,131 million (31 December 2008: Rs. 431 million). Mark up is charged at rates ranging from 13.14% to 19.02% per annum (31 December 2008: 14.43% to 19% per annum). These are completely secured under joint pari passu hypothecation agreement of Rs. 6,208 million.

	Note	31 December 2009	31 December 2008
		(Rupees in '000)	
18 Trade and other payables			
Trade creditors			
Related parties - associated companies		**1,447**	6,305
Others		**1,918,367**	1,586,429
		1,919,814	1,592,734
Accrued and other liabilities		**174,317**	122,277
Advances from customers		**75,703**	103,549
Retention money		**49,806**	23,134
Sales tax payable		**279**	41,236
Tax deducted at source		**16,482**	14,251
Un-claimed dividend		**1,807**	1,807
		2,238,208	1,898,988
19 Interest and mark-up accrued			
Long term financing		**1,670**	9,792
Short term borrowings		**26,362**	12,095
Share deposit money		**351**	972
Finance lease		**248**	601
Term finance certificates		**137,974**	151,911
		166,605	175,371
20 Term finance certificates - Secured			
Term Finance Certificates - II	20.1	**233,146**	349,720
Term Finance Certificates - III	20.2	**3,836,153**	3,837,688
		4,069,299	4,187,408
Less: Initial transaction cost		**(60,928)**	(60,645)
		4,008,371	4,126,763
Amortization of transaction cost		**21,743**	9,544
		4,030,114	4,136,307
Less: Current maturity	16	**(665,253)**	(118,174)
		3,364,861	4,018,133

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

20.1 Term Finance Certificates - II

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

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

20.2 Term Finance Certificates - III

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

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

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

	Note	**31 December 2009**	31 December 2008
		(Rupees in '000)	
21 Deferred taxation			
This is composed of:			
Liability for deferred taxation comprising temporary differences related to:			
Accelerated tax depreciation		**2,359,522**	1,861,205
Surplus on revaluation of plant and equipment		**173,058**	173,058
Others		**572,608**	447,957
Asset for deferred taxation comprising temporary differences related to:			
Unused tax losses and tax credits		**(2,359,599)**	(1,620,631)
Provision for doubtful debts and retirement benefits		**(347,467)**	(308,189)
		398,122	553,400
22 Retirement benefits			
Company gratuity obligation	22.1	**169,336**	156,957
Subsidiary gratuity obligation		**-**	771
Accumulated compensated absences	22.2	**6,606**	1,257
		175,942	158,985

	Note	31 December 2009	31 December 2008
		(Rupees in '000)	

22.1 Gratuity

The amount recognized in the balance sheet is as follows:

Present value of defined benefit obligation		**173,153**	152,633
Unrecognized actuarial losses		**(14,518)**	(5,634)
Benefits due but not paid		**10,701**	9,958
		169,336	156,957
Liability at beginning of the year/period		**156,957**	133,200
Charge for the year/period	22.1.1	**82,938**	46,206
Paid during the year/period		**(70,559)**	(22,449)
		169,336	156,957

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

	Note	Year ended 31 December 2009	Period ended 31 December 2008
		(Rupees in '000)	
Interest cost for the year/period		**22,894**	8,000
Current service cost		**53,874**	22,649
Past service cost		**6,170**	15,522
Actuarial loss recognized during the year/period		**-**	35
	22.1.2	**82,938**	46,206

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

Operating cost	**82,938**	44,298
Capitalized during the year/period	**-**	1,908
	82,938	46,206

22.1.3 Recent actuarial valuation of plan was carried out on 31 December 2009 by Nauman Associates.

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

	31 December 2009	31 December 2008
Discount rate (per annum)	12%	15%
Expected rate of salary increase (per annum)	11%	14%
Average expected remaining working life time of employees	12 years	12 years

22.1.4 Historical information for gratuity

	June 2006	June 2007	June 2008	31 Dec 2008	**31 Dec 2009**
Present value of defined benefit obligation	73,978	107,126	133,328	152,633	**173,153**
Experience adjustment arising on plan liabilities	(4,251)	(4,461)	(2,096)	5,042	**(8,883)**

	Note	31 December 2009	31 December 2008
		(Rupees in '000)	
22.2 Accumulated compensated absences			
The amount recognized in the balance sheet is as follows:			
Present value of defined benefit obligation		**23,633**	1,257
Unrecognized actuarial losses		**(18,468)**	-
Benefits due but not paid		**1,441**	-
		6,606	1,257
Liability at beginning of the year/period		**1,257**	208
Charge for the year/period	22.2.1	**17,519**	3,702
Paid during the year/period		**(12,170)**	(2,653)
		6,606	1,257

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

	Year Ended 31 December 2009	Period Ended 31 December 2008
Interest cost for the year/period	**3,475**	-
Current service cost	**4,243**	3,702
Past service cost	**9,234**	-
Actuarial loss recognized during the year/period	**567**	-
	17,519	3,702

22.2.2 "IAS 19 employee benefits" has been adopted during the year for compensated leave absences. Transitional provision is being charged to profit and loss account over the period of three years. Actuarial valuation of plan was carried out on 31 December 2009 by Nauman Associates.

Significant actuarial assumptions used for valuation of this plan are as follows:

	31 December 2009	31 December 2008
Discount rate (per annum)	12%	-
Expected rate of salary increase (per annum)	11%	-
Average number of leaves accumulated per annum by the employees	10 days	-
Average number of leaves utilized per annum by the employees	10 days	-

	Note	31 December 2009	31 December 2008
		(Rupees in '000)	
23 Liabilities against assets subject to finance lease			
Present value of minimum lease payments		**73,605**	163,827
Less: Current portion shown under current liabilities	16	**(55,063)**	(100,383)
		18,542	63,444

Interest rate used as discounting factor is ranging from 8 % to 17.76% per annum (31 December 2008: 8% to 18.67% per annum). Taxes, repairs, replacements and insurance costs are to be borne by lessee. Under the terms of the agreements, the Company has an option to acquire the assets at the end of the respective lease terms by adjusting the deposit amount against the residual value of the assets. The Company intends to exercise the option. In case of default in payment of installments, the Company will be liable to pay additional lease rental on overdue payment at the rate of 0.1% per day.

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

	31 December 2009			31 December 2008		
	Minimum lease payment	Finance cost	Principal	Minimum lease payment	Finance cost	Principal
	(Rupees in '000)			(Rupees in '000)		
Not later than one year	**59,769**	**4,705**	**55,063**	115,133	14,750	100,383
Later than one year but not later than five years	**20,694**	**2,151**	**18,542**	65,905	2,461	63,444
	80,463	**6,856**	**73,605**	181,038	17,211	163,827

	31 December 2009	31 December 2008
	(Rupees in '000)	
24 Long term payables		
Universal Service Fund	**157,144**	-
Oman Telecommunications Company S.A.O.G.	**616,698**	-
Suppliers	**1,258,068**	502,674
Others	**93,310**	-
	2,125,220	502,674

24.1 It represents the amount received in August 09 against a contract valuing Rs. 786 million for the deployment of network in MTR-I awarded by Universal Service Fund(USF), a Company established for the purpose of increasing teledensity in Pakistan.

	31 December 2009	31 December 2008
	(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	**418,888**	290,232
Less: Payments	**(71,000)**	(71,000)
	1,100,781	972,125
Less: current maturity	**(1,100,781)**	-
	-	972,125

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

26 Contingencies and commitments

The Company

26.1 Billing disputes with PTCL

26.1.1 There is a dispute of Rs.70.23 million (31 December 2008: Rs 69.675 million) with PTCL of non revenue time of prepaid calling cards and Rs. 29.3 million (31 December 2008: Rs 16.728 million) for excess minutes billed on account of interconnect and settlement charges. The management is hopeful that matter will be decided in favour of the company.

26.1.2 PTCL has charged the Company excess Domestic Private Lease Circuits (DPLC) and other media charges amounting to Rs. 153.54 million (31 December 2008: Rs.78.24 million) on account of difference in rates, distances and date of activation. Further, the Company has also deposited Rs. 40 million (31 December 2008: Rs. 40 million) in Escrow Account on account of dispute of charging of bandwidth charges from the date of activation of Digital Interface Units (DIUs) for commercial operation and in proportion to activation of DIUs related to each DPLC link and excess charging in respect of Karachi-Rawalpindi link which was never activated. The management is hopeful that matter will be decided in favour of the Company.

26.2 Billing disputes with Pakistan Telecommunication Authority (PTA)

26.2.1 PTA has raised a demand on the Company of Rs.10.6 million (31 December 2008: Rs. 4.3 million) on account of annual microwave and BTS registration charges. The Company is not paying this amount on the grounds that earlier exemptions were given to mobile operators. In addition to this, there is no legal requirement to register BTS with PTA, therefore PTA cannot charge a fee for BTS registration. The management is hopeful that matter will be decided in favour of the Company.

26.2.2 PTA has issued a notice to the Company for the cancellation of the 479 MHz and 3.5 GHz frequency bands licenses, as the Company has failed to undertake the rollout of its wireless local loop (“WLL”) network in the aforesaid frequencies within the time limit prescribed by PTA. The Authority has right to withdraw unused frequency spectrum and cancel the license for not meeting the said roll out requirement. The Company's stance in this respect is that the rollout in 479 MHz, a non standard frequency band, could not be carried out due to non availability of infrastructure and user terminals. Its deployment and commercial operation is not possible in the limited revised time frame. In 3.5 GHz band, the roll out is delayed due to limited customers' market and high cost of the Customer Premises Equipment. Non-firm standards, technology evolution and optimization of spectrum by PTA are also the main reasons for its delayed rollout. However, the Company has started its roll out plan and is successful in getting commencement certificate in GTR and KTR regions for 3.5 GHz frequency and 479 MHz frequency respectively. In addition to above commencement inspection has been done for 3.5 GHz frequency for the following regions: RTR, CTR, MTR, STR-I, and STR-V while for 479 MHz frequency commencement inspection has been conducted for the following regions: RTR, GTR, FTR, MTR, STR-I, and STR-V. The management is hopeful that the matter will be decided in favour of the Company and notice will be withdrawn.

26.2.3 There is a dispute of Rs. 11.3 million (31 December 2008: Rs. 11.3 million) with PTA on account of contribution to the Research and Development Fund (“R&D Fund”) for the period prior to the formation of R&D Fund by the Federal Government. Based on legal advice, the management is hopeful that the matter will be decided in favour of the Company.

26.2.4 There is a dispute of Rs.491 million (31 December 2008: Rs. 491 million) with PTA on Universal Service Fund (USF) representing contribution to USF for the period prior to the formation of USF by the Federal Government. Show cause notice was issued by the PTA which culminated into determination dated 04 April 2008 against the Company. The Company filed an appeal in Honourable Islamabad High Court Islamabad and the Honourable Court was pleased to grant stay order in favour of the Company. The Appeal was finally fixed for hearing on 16 December 2008 on which date arguments were heard and the judgment reserved by the Honourable Court. Thereafter, Honourable Court vide its judgment dated 21 January 2009 has dismissed the appeal of the Company. A Civil Petition for Leave to Appeal (CPLA) has been filed before the Honourable Supreme Court of Pakistan against the judgment of the Honourable Islamabad High Court. The CPLA was fixed for hearing before the Honourable Supreme Court on 29 April 2009. The Honourable Supreme Court after hearing the preliminary arguments has issued notices to Respondents. Next date of hearing was fixed on 28 May 2009. The Honourable Supreme court after further hearing has suspended the case till third week of July 2009 which could not be heard. The office of Honourable Supreme Court is yet to fix the matter for hearing. Based on legal advice, management of the Company is hopeful that the matter will be decided in favour of the Company.

26.3 Taxation issues

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

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

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

26.3.4 In year 2006 Sales Tax Authorities served Show Cause Notices to various payphone companies including the Company on account of alleged wrong claim of sales tax refund of Rs. 167 million under section 66 of the Sales Tax Act 1990. The matter was adjudicated and the Additional Collector (Adjudication) Sales Tax, Lahore passed an Order dated 18-09-2007 against the Company and imposed a penalty equivalent to the amount of original alleged claim on the Company and Chief Executive. In a first appeal, against the order of Adjudicating Authority, Collector (Appeals) Customs, Federal Excise & Sales Tax, Lahore has confirmed the demand vide Order-in-Appeal dated 06-01-2009 however the Collector (Appeals) modified the order to the extent that 100% personal penalty on the Chief Executive stood waived. An appeal, against the decision of the Collector, to the Customs, Federal Excise & Sales Tax (Appellate) Tribunal which is the first Forum outside departmental hierarchy has been filed. The Appeal is pending adjudication before the Honorable Tribunal.The Order of the Additional Collector was also assailed before the Honorable Federal Tax Ombudsman (“FTO”).The Honorable FTO has ruled no penalty could be imposed against the Company as there is no element of tax fraud involved in the matter and the issue pertains to a change of opinion of the Federal Board of Revenue. A representation has been filed by the Collectorate against the said Order of the FTO before the Honorable President of Pakistan on which decision is yet awaited. However, in case of another payphone company having similar case, the Honourable President has set aside the decision of FTO and has restored the potential 100% penalty on the principal amount. During the aforestated litigation, upon application of the Company under section 47A of the Sales Tax Act, 1990 for constitution of Alternative Dispute Resolution Committee (ADRC) the FBR constituted the Committee and referred the matter to be resolved at ADRC. However, the meeting of ADRC counsel not be convened. However, after the lapse of so much time it appears that ADRC front is now closed. The FBR vide its Order dated 30-10-2009 has withdrawn the ADRC and as such this forum now stand closed.

The last date of hearing was fixed on 29th September 2009. The respondent department again sought adjournment and case was fixed for hearing on 13th October 2009. On 13th October 2009 arguments have been heard and Honorable Tribunal has been pleased to reserve the judgment. The Honorable Tribunal vide its judgment dated 15 October 2009 has been pleased to modify the order of the Collector (Appeals) to the extent that it has set aside the element of penalty and additional tax. The Tribunal, however, maintained that principal amount is recoverable in as much as the incidence of duty has been passed on. A Reference Application under section 47 of the Sales Tax Act 1990 to the Honorable High Court has been filed against the judgment of the Tribunal. The Honorable High Court has directed to present record in order to examine the questions of law framed in the Reference Application. The next date of hearing was on 20 January 2010 which has been adjourned till 02 February 2010. The Company has paid 20% of principal amount to date to the department against the said dispute. Based on legal advice, the management is hopeful that matter will be decided in favour of the Company.

		31 December 2009	31 December 2008
		(Rupees in '000)	
26.4	Outstanding guarantees	**799,755**	401,337
26.5	Commitments in respect of capital expenditure	**647,197**	717,104
26.6	Outstanding letters of credit	**12,870**	637,174

	31 Dec. 2009	31 Dec. 2008	31 Dec. 2009	31 Dec. 2008
	(No of shares)		(Rupees in '000)	
27 Issued, subscribed and paid up capital				
Ordinary shares of Rs. 10 each as fully paid in cash	**344,000,000**	344,000,000	**3,440,000**	3,440,000
Ordinary shares of Rs. 10 each issued in accordance with the scheme of merger	**309,965,789**	309,965,789	**3,099,658**	3,099,658
Ordinary shares of Rs. 10 each issued as fully paid bonus shares	**98,094,868**	98,094,868	**980,949**	980,949
Ordinary shares of Rs. 10 each issued against convertible loan	**108,510,856**	108,510,856	**1,085,109**	1,085,109
	860,571,513	860,571,513	**8,605,716**	8,605,716

27.1 As at 31 December 2009, Oman Telecommunications Company S.A.O.G. the holding company, holds 488,839,429 ordinary shares (31 December 2008: 488,839,429) of the Company. In addition 77,136,650 ordinary shares (31 December 2008: 74,861,749 ordinary shares) are held by the following related parties as at 31 December 2009:

	31 December 2009	31 December 2008
	(Rupees in '000)	
Related parties		
First Capital Securities Corporation Limited	**4,221,207**	8,717,707
Pace (Pakistan) Limited	**912**	912
Arif Habib Securities Limited	**72,914,531**	66,143,130
	77,136,650	74,861,749

28 Share premium

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

29 Surplus on revaluation

	31 December 2009 (Rupees in '000)	31 December 2008 (Rupees in '000)
Revaluation surplus on:		
Plant & equipment	**64,059**	64,059
Intangible assets	**430,393**	430,393
	494,452	494,452
Less: Related deferred tax liability	**(173,058)**	(173,058)
Less: Transfer to retained earning in respect of incremental amortization net of deferred tax	**(31,796)**	(10,627)
Add: Transfer from retained earning in respect of decremental depreciation net of deferred tax	**41,976**	13,992
	10,180	3,365
	331,574	324,759

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.

30 Revenue -Net

	Note	Year ended 31 December 2009 (Rupees in '000)	Period ended 31 December 2008 (Rupees in '000)
Gross revenue		**8,828,739**	3,262,711
Less:			
Sales tax		**212,780**	89,456
Discount and commission		**202,264**	77,668
		415,044	167,124
		8,413,695	3,095,587

31 Direct cost

	Note	Year ended 31 December 2009	Period ended 31 December 2008
Interconnect, settlement and other charges		**4,831,151**	1,238,176
Bandwidth and other PTCL charges		**364,520**	142,470
Depreciation	4.6	**1,113,030**	447,827
Amortization of intangible assets	6.4	**100,329**	49,287
Power consumption and pole rent		**305,545**	111,420
Security services		**30,745**	18,852
PTA charges	31.1	**65,131**	28,463
Cable license fee		**32,607**	16,790
Salaries and other benefits		**21,669**	7,113
Inventory consumed		**11,501**	8,547
Stores and spares consumed		**57,752**	61,811
Annual spectrum fee		**23,883**	8,942
Content cost		**62,152**	21,262
Network maintenance & insurance		**18,614**	20,471
Others		**6,383**	88,615
		7,045,012	2,270,046

		Note	Year ended 31 December 2009	Period ended 31 December 2008
			(Rupees in '000)	
31.1	**PTA Charges**			
	LDI License	31.1.1	**41,411**	15,754
	WLL License	31.1.2	**18,795**	10,408
	Broadband License		**4,213**	2,056
	Telephony License	31.1.3	**407**	220
	Annual numbering charges		**12**	25
	Testing and other charges		**293**	-
			65,131	28,463

31.1.1 This represents charges payable to PTA in respect of contribution to the Research and Development Fund amounting to Rs. 13.41 million (31 December 2008: 5.25 million), Universal Service Fund established by Federal Government amounting to Rs. 21 million (31 December 2008: Rs. 7.88 million) and annual regulatory fee amounting to Rs. 7 million (31 December 2008: Rs. 2.62 million) under the license agreement for LDI project.

31.1.2 This represents charges payable to PTA in respect of contribution to the Research and Development Fund established by Federal Government amounting to Rs. 5.64 million (31 December 2008: Rs. 3.43 million), Universal Service Fund amounting to Rs. 8.69 million (31 December 2008: Rs. 5.15 million), annual regulatory fee amounting to Rs. 2.9 million (31 December 2008: Rs 1.72 million) and Royalty Fee Rs. 1.56 million (31 December 2008: 0.115 million) under the license agreement for WLL project.

31.1.3 This represents charges payable to PTA in respect of contribution to the Research and Development Fund established by Federal Government amounting to Rs. 0.136 million (31 December 2008: Rs. 0.073 million), Universal Service Fund amounting to Rs. 0.203 million (31 December 2008: Rs. 0.110 million) and annual regulatory fee amounting to Rs. 0.068 million (31 December 2008: Rs. 0.037 million) for the current period under the license agreement for Telephony Project.

		Note	Year ended 31 December 2009	Period ended 31 December 2008
			(Rupees in '000)	
32	**Operating cost**			
	Salaries, wages and benefits		**626,765**	291,969
	Marketing, advertisement and selling expenses		**109,348**	79,418
	Rent, rates and taxes		**92,532**	40,759
	Communications		**17,509**	12,959
	Transportation		**62,146**	43,949
	Legal and professional		**50,141**	5,467
	Insurance		**45,114**	20,761
	Utilities		**45,920**	21,292
	Printing and stationery		**10,709**	10,675
	Entertainment		**18,355**	12,922
	Travel and conveyance		**76,714**	37,015
	Repairs and maintenance		**23,831**	9,311
	Provision for doubtful debts & other receivables		**60,730**	497,763
	Donations	32.1	**37**	77
	Fees and subscriptions		**3,515**	900
	Directors Meeting fee		**5,624**	-
	Postage and courier		**2,653**	2,149
	Newspapers and periodicals		**428**	348
	Auditor's remuneration	32.2	**6,945**	2,353
	Depreciation	4.6	**75,762**	40,309
	Miscellaneous		**33,751**	8,495
			1,368,529	1,138,891

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

	Note	Year ended 31 December 2009	Period ended 31 December 2008
		(Rupees in '000)	
32.2 Auditor's remuneration			
Statutory audit		**4,020**	2,330
Half year review		**1,000**	-
International reportings		**1,750**	-
Out of pocket expenses		**175**	23
		6,945	2,353
33 Finance cost			
Mark-up on long term loans	33.1	**30,346**	32,786
Mark-up on short term loans		**99,119**	15,483
Interest on PTA license fee		**128,656**	58,571
Financial charge on leased liabilities		**15,937**	13,432
Mark up on Term Finance Certificates	33.1	**242,377**	38,998
Bank charges and commission		**6,642**	4,207
		523,077	163,477

33.1 These include amortization of initial transaction cost of Rs. 9.916 million (31 December 2008: Rs. 7.272 million).

	Year ended 31 December 2009	Period ended 31 December 2008
	(Rupees in '000)	
34 Other operating income		
Income from financial assets		
Income on deposit and saving accounts	**35,556**	28,242
Dividend income	**961**	1,016
Mark-up on advance to associated company	**5,090**	2,621
	41,607	31,879
Income from non-financial assets		
Rental income from investment property	**5,158**	2,378
Scrap sales	**577**	248
Gain on sale of property plant and equipment	**6,224**	46,814
Miscellaneous	**80,005**	17,295
	91,964	66,735
	133,571	98,614
35 Other expenses		
Provision for impairment of fixed assets of the subsidiary	**20,304**	4,843
Exchange loss	**29,480**	13,647
	49,784	18,490

36 Taxation

	Note	Year ended 31 December 2009	Period ended 31 December 2008
		(Rupees in '000)	
for the year/period			
Current	36.1	**22,573**	196
Deferred		**(155,277)**	(91,189)
		(132,704)	(90,993)

36.1 It includes tax on income covered under presumptive tax regime under section 113 of the Income Tax Ordinance, 2001 and minimum turnover tax.

36.2 Tax charge reconciliation

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

	Year ended 31 December 2009 %	Period ended 31 December 2008 %
Applicable tax rate	**35.00**	35.00
Tax effect of amounts:		
Not deductible for tax purposes	**(21.58)**	(17.50)
Admissible for tax purposes	**6.63**	6.65
Chargeable to tax at different rates	**3.64**	-
Covered under presumptive tax regime	**0.22**	0.18
Loss of subsidiary	**(2.04)**	(1.40)
Average effective tax rate (tax expense divided by profit before tax)	**21.86**	22.93

37 Earnings per share

37.1 Basic and diluted earnings per share

Loss after taxation available for distribution to ordinary shareholders	*Rupees in '000*	**(463,890)**	(301,047)
Weighted average number of ordinary shares	*Number in '000*	**860,572**	860,572
Basic and diluted earnings per share	*Rupees*	**(0.54)**	(0.35)

38 Related party transactions

The related parties comprise Oman Telecommunications Company S.A.O.G., shareholders, 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 40. Other significant transactions with related parties are as follows:

	Year ended 31 December 2009 (Rupees in '000)	Period ended 31 December 2008 (Rupees in '000)
Purchase of goods and services	**635,775**	8,214
Sale of goods and services	**350,295**	56,136
Interest on advance	**5,090**	2,621
Provision for doubtful debts	**37,125**	-

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

		Year ended 31 December 2009 (Rupees in '000)	Period ended 31 December 2008 (Rupees in '000)
39 Cash generated from operations			
Loss before taxation		**(607,001)**	(396,703)
Adjustment for non-cash charges and other items:			
Depreciation		**1,188,792**	488,136
Amortization of intangible assets		**100,329**	49,287
Amortization of transaction cost		**9,916**	7,272
Interest on PTA license fee		**128,656**	58,571
Provision for doubtful receivables		**97,428**	497,763
Provision for stock in trade and stores & spares		**17,486**	-
Exchange translation difference		**(1,632)**	(364)
Profit on disposal of property, plant and equipment		**(6,224)**	(46,814)
Impairment of assets		**20,304**	4,843
Impairment loss on available for sale financial assets		**167,865**	-
Retirement benefits		**100,457**	44,381
Finance costs		**384,505**	97,634
Profit before working capital changes		**1,600,881**	804,006
Effect on cash flow due to working capital changes:			
(Increase)/decrease in the current assets			
Stores and spares		**90,761**	1,000
Stock in trade		**(45,860)**	(52,381)
Trade debts		**(1,232,814)**	(372,249)
Loans and advances		**(148,605)**	99,296
Deposits and prepayments		**49,868**	2,696
Other receivables		**165,288**	(66,957)
Increase/(decrease) in the current liabilities			
Trade and other payables		**339,220**	603,351
		(782,142)	214,756
		818,739	1,018,762
40 Cash and cash equivalents			
Cash and bank balances	15	**335,579**	564,627
Running finance under markup arrangements-secured	17	**(1,045,660)**	(427,240)
		(710,081)	137,387

41 Remuneration of chief executive, directors and executives of the Company.

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	
	31 Dec. 2009	31 Dec. 2008	**31 Dec. 2009**	31 Dec. 2008	**31 Dec. 2009**	31 Dec. 2008
			(Rupees in '000)			
Managerial remuneration	**9,398**	3,503	**-**	-	**153,303**	54,737
Retirement benefits	**2,000**	500	**-**	-	**17,106**	8,443
Housing	**3,759**	1,401	**-**	-	**61,321**	21,894
Utilities	**940**	350	**-**	-	**15,330**	5,474
	16,097	5,754	**-**	-	**247,060**	90,548
Number of persons	**1**	1	-	-	**150**	101

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

Meeting fee Rs. 5.624 million (31 December 2008: Rs. Nil)was paid to directors during the year .

42 Financial risk management

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

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

- Credit risk
- Liquidity risk
- Market risk

42.1 Credit risk

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

42.1.1 Exposure to credit risk

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

	31 December 2009	31 December 2008
	(Rupees in '000)	
Long term deposits	**83,669**	87,302
Trade debts	**2,699,777**	1,466,963
Loans and advances - considered good	**68,030**	63,222
Short term deposits	**93,481**	155,450
Other receivables	**258,418**	423,706
Short term investments	**378,439**	344,072
Cash and bank balances	**335,579**	564,627
	3,917,393	3,105,342

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

	31 December 2009	31 December 2008
	(Rupees in '000)	
The age of trade receivables		
Not past due	**848,045**	363,512
Past due 0 - 180 days	**1,109,701**	469,217
Past due 181 - 365 days	**117,867**	222,256
1 - 2 years	**218,335**	217,231
More than 2 years	**405,829**	194,747
	2,699,777	1,466,963
The age of impairment loss against trade receivables		
Not past due	**-**	-
Past due 0 - 180 days	**11,081**	86,635
Past due 181 - 365 days	**21,569**	3,349
1 - 2 years	**144,554**	203,781
More than 2 years	**405,829**	194,747
	583,033	488,512
The movement in provision for impairment of receivables is as follows :		
Opening balance	**488,512**	191,707
Charge for the year/peiod	**94,352**	296,635
Exchange adjustment	**169**	170
Closing balance	**583,033**	488,512

42.2 Liquidity risk

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

The following are the contractual maturities of financial liabilities as on 31 December 2009:

	Carrying Amount	6 months or less	6-12 months	1-2 year	More than 2 years
	(Rupees in '000)				
Term finance certificates - secured	**4,030,114**	**59,054**	**606,199**	**1,209,739**	**2,155,122**
Long term finances-secured	**37,494**	**37,494**	**-**	**-**	**-**
Liabilities against assets subject to finance lease	**73,605**	**42,046**	**13,017**	**9,769**	**8,773**
Long term payables	**2,125,220**	**-**	**-**	**2,125,220**	**-**
Long term deposits	**44,160**	**-**	**-**	**-**	**44,160**
License fee payable	**1,100,781**	**1,100,781**	**-**	**-**	**-**
Running finance under markup Arrangements-secured	**1,045,660**	**1,045,660**	**-**	**-**	**-**
Trade and other payables	**2,145,744**	**1,866,029**	**279,715**	**-**	**-**
Interest and mark up accrued	**166,605**	**166,605**	**-**	**-**	**-**
	10,769,383	**4,317,669**	**898,931**	**3,344,728**	**2,208,055**

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

	Carrying Amount	6 months or less	6-12 months	1-2 year	More than 2 years
	(Rupees in '000)				
Term finance certificates - secured	4,136,307	59,087	59,087	665,271	3,352,862
Long term finances-secured	296,592	223,293	73,299	-	-
Liabilities against assets subject to finance lease	163,827	52,913	47,470	62,281	1,163
Long term payables	502,674	-	-	223,928	278,746
Long term deposits	47,174	-	-	1,063	46,111
License fee payable	972,125	-	-	972,125	-
Running finance under markup Arrangements-secured	427,240	427,240	-	-	-
Trade and other payables	1,739,952	1,443,668	296,264	-	-
Interest and mark up accrued	175,371	175,371	-	-	-
	8,461,262	2,381,592	476,120	1,924,668	3,678,882

42.3 Market risk

42.3.1 Currency risk

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into foreign currency. The Group is exposed to foreign currency risk on sales and purchases that are entered in a currency other than functional currency. The Group's foreign currency payables are substantialy hedged against foreign currency receivables.

The Group exposure to foreign currency risk was as follows:

	31 December 2009 USD ('000)	31 December 2008 USD ('000)
Trade receivables	**16,843**	6,881
Trade payables	**(7,686)**	(590)
Suppliers	**(14,957)**	(9,759)
Net exposure	**(5,800)**	(3,468)

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

	31 December 2009	31 December 2008
	(Rupees in '000)	
Average Rate -Rupees per US Dollar	**81.58**	76.78
Reporting Date Rate -Rupees per US Dollar	**84.20**	78.80

A 5% strengthening of Pak Rupees against the above currency would have increased equity and Profit and loss account by Rs. 24.418 million (31 December 2008: 13.6 million). This analysis assumes that all other variables, in particular interest rates remain constant.

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

42.3.2 Interest rate risk

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

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

	31 December 2009	31 December 2008
	(Rupees in '000)	
Fixed rate instruments		
Financial assets		
Cash and bank balances- deposit accounts	**-**	150,000
Floating rate instruments		
Financial assets		
Loans and advances - considered good	**28,886**	28,886
Cash and bank balances- saving accounts	**284,962**	340,229
Financial liabilities		
Term finance certificates - secured	**4,069,299**	4,187,408
Long term finances-secured	**37,494**	296,592
Liabilities against assets subject to finance lease	**73,605**	163,827
Running finance under markup arrangements-secured	**1,045,660**	427,240
	(4,912,210)	(4,705,952)

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

An increase of 1% in interest rate at the reporting date would have increased markup by Rs. 49.12 million. Similarly a decrease of 1% in interest rate would have decreased markup by similar amount. This analysis assumes that all other variables remain constant.

42.3.3 Other market price risk

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

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

42.4 Fair values of financial assets and liabilities

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

42.5 Capital management

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

The Company's objectives when managing capital are:

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

b) to provide an adequate return to shareholders.

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

	31 December 2009	31 December 2008
	(Rupees in '000)	
Total debt	**5,186,873**	5,023,966
Total equity and debt	**16,234,357**	16,394,087
Debt-to-equity ratio	**32 : 68**	31 : 69

There is no major change in Debt-to-equity ratio at 31 December 2009 as compare to last period.

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

43 Date of authorization for issue

These financial statements were authorized for issue on 30 January 2010 by the Board of Directors.

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

A number of new standards and amendments to standards not yet effective for the year ended 31 December 2009 have not been applied in preparing this financial statements.

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

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

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

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

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

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

- IFRIC 18 Transfers of Assets from Customers (to be applied prospectively to transfers of assets from customers received on or after 01 July 2009). This interpretation clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant, and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). The interpretation is not relevant to the Company's operations.

- The International Accounting Standards Board made certain amendments to existing standards as part of its Second annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the Company’s 2010 financial statements. These amendments are unlikely to have an impact on the Company’s financial statements.

- Amendment to IFRS 2 – Share-based Payment – Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2010). Currently effective IFRSs requires attribution of group share-based payment transactions only if they are equity-settled. The amendments resolve diversity in practice regarding attribution of cash-settled share-based payment transactions and require an entity receiving goods or services in either an equity-settled or a cash-settled payment transaction to account for the transaction in its separate or individual financial statements.

45 General

45.1 Pursuant to the change in financial year from June to December, comparative figures of the profit and loss account, statement of comprehensive income, cash flow statement, statement of changes in equity and related notes of the financial statements were of six months ending on 31 December 2008, hence are not comparable.

Lahore:
30 January 2010

CHIEF EXECUTIVE

DIRECTOR

PATTERN OF SHAREHOLDING AS AT 31 DECEMBER 2009

INCORPORATION NUMBER: 0042200 of 15-03-2001

No. of Shareholders	Shareholdings			Shares Held
	From		To	
553	1	-	100	25,840
1462	101	-	500	460,373
3568	501	-	1000	2,486,704
2353	1001	-	5000	6,209,169
663	5001	-	10000	5,430,328
196	10001	-	15000	2,514,727
158	15001	-	20000	2,920,638
155	20001	-	25000	3,638,624
54	25001	-	30000	1,538,938
40	30001	-	35000	1,304,664
40	35001	-	40000	1,556,455
22	40001	-	45000	949,511
62	45001	-	50000	3,065,930
16	50001	-	55000	820,488
22	55001	-	60000	1,287,328
10	60001	-	65000	636,897
7	65001	-	70000	479,203
6	70001	-	75000	446,150
4	75001	-	80000	312,322
5	80001	-	85000	415,812
8	85001	-	90000	710,447
8	90001	-	95000	749,184
45	95001	-	100000	4,486,371
7	100001	-	105000	717,904
15	105001	-	110000	1,633,862
2	110001	-	115000	226,022
3	115001	-	120000	352,920
2	120001	-	125000	250,000
4	125001	-	130000	515,503
4	130001	-	135000	531,716
2	135001	-	140000	275,931
4	140001	-	145000	564,955
4	145001	-	150000	597,799
3	150001	-	155000	456,714
2	155001	-	160000	315,167
3	160001	-	165000	484,157

No. of Shareholders	Shareholdings From		Shareholdings To	Shares Held
2	165001	-	170000	337,516
5	170001	-	175000	871,034
3	175001	-	180000	533,484
2	180001	-	185000	368,500
2	185001	-	190000	375,303
1	190001	-	195000	195,000
16	195001	-	200000	3,193,561
1	200001	-	205000	203,000
1	205001	-	210000	209,000
1	215001	-	220000	216,000
1	220001	-	225000	225,000
1	225001	-	230000	226,759
1	230001	-	235000	231,012
2	235001	-	240000	478,899
1	245001	-	250000	250,000
1	250001	-	255000	253,700
4	255001	-	260000	1,028,818
2	260001	-	265000	528,303
1	265001	-	270000	270,000
1	270001	-	275000	275,000
1	275001	-	280000	276,762
1	290001	-	295000	294,000
9	295001	-	300000	2,700,000
1	300001	-	305000	301,024
1	305001	-	310000	310,000
3	310001	-	315000	937,990
1	315001	-	320000	318,033
3	320001	-	325000	968,864
1	325001	-	330000	325,116
3	345001	-	350000	1,050,000
1	360001	-	365000	360,649
1	370001	-	375000	372,190
1	395001	-	400000	400,000
1	400001	-	405000	401,000
1	405001	-	410000	405,998
1	415001	-	420000	416,437
1	420001	-	425000	423,703
2	430001	-	435000	865,100
1	440001	-	445000	445,000
1	445001	-	450000	450,000
1	475001	-	480000	476,200

No. of Shareholders	Shareholdings From		To	Shares Held
2	495001	-	500000	1,000,000
1	500001	-	505000	505,000
1	525001	-	530000	530,000
2	545001	-	550000	1,100,000
1	550001	-	555000	552,900
1	555001	-	560000	557,500
2	595001	-	600000	1,199,763
1	605001	-	610000	605,943
2	750001	-	755000	1,508,686
1	815001	-	820000	820,000
1	830001	-	835000	835,000
1	860001	-	865000	861,500
1	865001	-	870000	866,500
3	995001	-	1000000	3,000,000
1	1095001	-	1100000	1,100,000
1	1130001	-	1135000	1,130,550
1	1165001	-	1170000	1,169,188
1	1215001	-	1220000	1,216,800
1	1235001	-	1240000	1,237,408
1	1295001	-	1300000	1,300,000
1	1420001	-	1425000	1,425,000
1	1515001	-	1520000	1,520,000
2	1600001	-	1605000	3,204,771
1	2065001	-	2070000	2,067,458
1	2695001	-	2700000	2,700,000
1	2760001	-	2765000	2,763,268
1	3245001	-	3250000	3,250,000
1	4220001	-	4225000	4,220,677
1	5680001	-	5685000	5,682,821
1	5790001	-	5795000	5,790,385
1	7115001	-	7120000	7,120,000
1	9190001	-	9195000	9,194,848
1	13495001	-	13500000	13,500,000
1	13795001	-	13800000	13,800,000
1	24790001	-	24795000	24,791,978
1	26360001	-	26365000	26,364,109
1	27365001	-	27370000	27,369,901
1	53580001	-	53585000	53,582,159
1	70150001	-	70155000	70,151,263
1	48883501	-	48884000	488,839,429
9644				**860,571,513**

PATTERN OF SHAREHOLDING AS AT 31 DECEMBER 2009

Categories of Shareholders	Shares held	Percentage
Directors, Chief Executive Officer, their spouses and minor children	140,177	0.02%
Associated Companies, undertakings and related parties	565,976,079	65.77%
NIT and ICP	317,274	0.04%
Banks, Development Financial Institutions, Non-Banking Finance Companies	41,277,090	4.80%
Insurance Companies	311,750	0.04%
Modarabas and Mutual Funds	2,295,849	0.27%
Shareholders holding 10% or more	488,839,429	56.80%
General Public		
a. Local	106,794,075	12.41%
b. Foreign	54,042,349	6.28%
Others		
- Joint Stock Companies	89,261,014	10.37%
- Foreign Companies	155,856	0.02%

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

PATTERN OF SHAREHOLDING AS PER LISTING REGULATIONS AS AT 31 DECEMBER 2009

Shareholders' Category	Number of Shares held	% of shareholding
Associated Companies, undertaking and related parties		
Arif Habib Securities Limited	72,914,531	8.47%
First Capital Securities Corporation Limited	4,221,207	0.49%
Oman Telecommunications Company (S.A.O.G.)	488,839,429	56.80%
Pace (Pakistan) Ltd.	912	0.00%
NIT and ICP	317,274	0.04%
Directors and their Spouse & Minor Children		
Mr. Mehdi Mohammed Al Abduwani	500	0.00%
Mr. Salmaan Taseer	35,281	0.00%
Mr. Talal Said Marhoon Al Mamari	500	0.00%
Mr. Mohamad Ahmed Ghamlouch	500	0.00%
Mr. Bernhard Heinichen	500	0.00%
Mr. Samy Ahmed Abdulqadir Al Ghassany	500	0.00%
Ms. Sumbul Munir	575	0.00%
Mr. Zafar Iqbal	500	0.00%
Mr. Asadullah Khawaja (Nominee: Arif Habib Securities Ltd.)	100,000	0.01%
Spouse & Minor Children		
Mrs. Aamna Taseer	1,246	0.00%
Executives	-	0.00%
Public Sector Companies and Corporations	89,416,870	10.39%
Banks, Development Financial Institutions, Non-Banking Finance Institutions	41,277,090	4.80%
Insurance Companies,	311,750	0.04%
Modarabas and Mutual Funds etc.	2,295,849	0.27%
General Public	160,836,499	18.69%
Shareholders holding 10% or more voting interest in the Company		
Oman Telecommunications Company (S.A.O.G.)	488,839,429	56.80%

FORM OF PROXY

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

Folio No./CDC A/c No. ___________

Shares Held: ___________

I / We ____ of ______________________________________
(Name) *(Address)*

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

Miss ____ of ____
(Name) *(Address)*

or failing him / her / Mr. / Mrs. / Miss. ______________________________ of __________________________
(Name) *(Address)*

{who is also member of the Company vide Registered Folio No. ____________ (being the member of the Company)}as my / our proxy to attend at and vote for me / us and on my/our behalf at the Annual General Meeting of the Company to be held at The Institute of Chartered Accountants of Pakistan, 155-156, West Wood Colony, Thokar Niaz Beg, Lahore on 25 February 2010 at 11:00 a.m. and at any adjournment thereof.

Signature this _________________ Day of _______________ 2010.

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.