

**CONDENSED INTERIM  
FINANCIAL INFORMATION  
(UN-AUDITED)**

**31 MARCH 2011**

**VISION**

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

**MISSION STATEMENT**

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

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

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

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

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

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Condensed consolidated interim financial information

**COMPANY INFORMATION**

<b>Chairman</b>	Mehdi Mohammed Al Abduwani
<b>Chief Executive Officer</b>	Babar Ali Syed
<b>Board of Directors <i>(In Alphabetical order)</i></b>	Aimen bin Ahmed Al Hosni Asadullah Khawaja Mehdi Mohammed Al Abduwani Samy Ahmed Abdulqadir Al Ghassany Sohail Qadir Shehryar Ali Taseer Talal Said Marhoon Al-Mamari
<b>Chief Financial Officer</b>	Mohammad Noaman Adil
<b>Executive Committee</b>	Mehdi Mohammed Al Abduwani (Chairman) Aimen bin Ahmed Al Hosni (Member) Sohail Qadir (Member) Babar Ali Syed (Member) Rizwan Abdul Hayi (Secretary)
<b>Audit Committee</b>	Talal Said Marhoon Al-Mamari (Chairman) Asadullah Khawaja (Member) Aimen bin Ahmed Al Hosni (Member) Rizwan Abdul Hayi (Secretary)
<b>Chief Internal Auditor</b>	Mirghani Hamza Al-Madani
<b>Company Secretary</b>	Rizwan Abdul Hayi
<b>Auditors</b>	KPMG Taseer Hadi & Co. Chartered Accountants
<b>Legal Advisers</b>	M/s Khan & Partners Barristers & Solicitors
<b>Bankers</b>	Allied Bank Limited Albaraka Bank (Pakistan) Limited (formerly Emirates Global Islamic Bank Limited) Askari Bank Limited Barclays Bank Plc Pakistan Citi Bank N.A. Deutsche Bank AG Faysal Bank Limited First Dawood Investment Bank Limited Habib Bank Limited Habib Metropolitan Bank Limited HSBC Bank Middle East Limited IGI Investment Bank Limited KASB Bank Limited MCB Bank Limited National Bank of Pakistan NIB Bank Limited Oman International Bank S.A.O.G. Pak Oman Investment Co. Limited Soneri Bank Limited Standard Chartered Bank (Pakistan) Limited Summit Bank Limited (formerly Arif Habib Bank Limited) The Bank of Punjab
<b>Registrar and Shares Transfer Office</b>	THK Associates (Pvt.) Limited Ground Floor, State Life Building No.3, Dr. Zia-ud-Din Ahmed Road, Karachi. Tel: (021) 111-000-322
<b>Registered Office/Head Office</b>	67-A, C/III, Gulberg-III, Lahore, Pakistan Tel: (042) 3587 2633-38 Fax: (042) 3575 5231

## Worldcall Telecom Limited

### DIRECTORS' REVIEW

The Directors of Worldcall Telecom Limited ("WTL" or the "Company") are pleased to present the financial information for the three months ended 31 March 2011.

#### Financial Overview

The period under review witnessed 32% decline in revenues as compared to same period last year. Diminishing margins in the international termination and rate instability were the major factors causing this decline. Consequent to decline in revenue direct costs also showed savings but increase in the depreciation, bandwidth charges and higher network maintenance attributable to direct costs made these savings limited to 26% of the corresponding period cost. This adversely impacted the gross profit after showing 57% decline stands at Rs 205 million. Operating costs showed decline mainly because of recognition of provisions in the corresponding period last year. Similarly slight improvement in finance cost is attributable to payments made against redemption of TFC III. After accounting for impairment, other income and taxation the quarter was closed with the net loss of Rs 182 million.

#### Future Outlook

Funding arrangement of USD 35 million against corporate guarantee of Omantel was successfully concluded during the period. The injection of funds not only reaffirms the corporate support of Omantel but has also strengthened the fiscal structure of the Company.

Off loading of high cost debt and accumulated liabilities along with planned expansion of network is expected to ensure the turnaround in the near future. Apart from these initiatives on financial and infrastructure front, the Company is continuously making various quality improvements with respect to its internal control mechanism and business processes. Implementation of ERP is in progress and all internal processes are being re-defined to make them in harmony with the established best practices. The management believes that with these positive initiatives maturing in the coming times, the Company will be able to offer higher level of satisfaction and utility to both its customers and shareholders.

#### Changes in Board and its Committees

Election of directors was held on 31 March 2011 and the following directors were elected:

Mr. Mehdi Mohammed Al-Abduwani (Chairman)  
Mr. Talal Said Marhoon Al-Mamari (Vice Chairman)  
Mr. Aimen bin Ahmed Al-Hosni  
Mr. Samy Ahmed Abdulqadir Al-Ghassany  
Mr. Sohail Qadir  
Mr. Shehryar Ali Taseer  
Mr. Asadullah Khawaja

The board appointed Mr. Mehdi Mohammed Al-Abduwani as Chairman and Mr. Talal Said Marhoon Al-Mamari as Vice Chairman of the Board.

The board formed the following committees of the board with the structure as given below:

## Worldcall Telecom Limited

### Audit Committee

The following directors were nominated as the members of the Audit Committee:

Mr. Talal Said Marhoon Al-Mamari (Chairman)  
Mr. Aimen bin Ahmed Al-Hosni  
Mr. Asadullah Khawaja  
Mr. Rizwan Abdul Hayi (Secretary)

### Executive Committee

The following directors were nominated as the members of the Executive Committee:

Mr. Mehdi Mohammed Al-Abduwani (Chairman)  
Mr. Aimen bin Ahmed Al-Hosni  
Mr. Sohail Qadir  
Mr. Babar Ali Syed (Chief Executive Officer)

### Statement U/S 218 of the Companies Ordinance, 1984

The board of directors in their meeting held on 31 March 2011 revised the remuneration of Chief Executive Officer. He will be entitled to a salary of Rs. 2.24 million per month with effect from 01 January 2011 along with other employee benefits as per the Company policy.

### Appointment of Company Secretary

Board appointed Mr. Rizwan Abdul Hayi as Company Secretary in place of Mr. Saud Al-Mazroui in the meeting held on 28 April 2011. Directors placed on record their appreciation for the commendable job done by Mr. Saud Al-Mazroui during his tenure. Board also wished him success in his role in the parent company (Omantel).

### Company's staff and customers

We wish to place on record here our appreciation and gratitude for our employees. Their continued effort and untiring struggle has made this Company stand against various formidable challenges. We are also thankful to our valued customers who have shown trust in our products and services. Our contractors and business partners also deserve our appreciation for all the help they extended to us.

For and on behalf of the Board of Directors

Lahore  
28 April 2011

  
Babar Ali Syed  
Chief Executive Officer

## Worldcall Telecom Limited

### CONDENSED INTERIM BALANCE SHEET (UN-AUDITED) AS AT 31 MARCH 2011

Note	31 March 2011	31 December 2010
	----- (Rupees in '000) -----	
<b>NON CURRENT ASSETS</b>		
<b>Tangible fixed assets</b>		
Property, plant and equipment	5	12,536,901
Capital work-in-progress	881,621	12,795,044
	<u>13,418,522</u>	<u>751,378</u>
		13,546,422
<b>Intangible assets</b>		
Investment properties	6	4,566,095
Long term investment - classified as held for sale	7	89,900
Long term trade receivable	-	46,805
Deferred taxation	120,589	18,953
Long term deposits	65,459	63,439
	<u>18,294,940</u>	<u>18,371,831</u>
<b>CURRENT ASSETS</b>		
Stores and spares	196,128	192,075
Stock in trade	198,241	192,917
Trade debts	2,186,141	2,016,418
Loans and advances - considered good	383,927	384,116
Deposits and prepayments	204,558	174,051
Other receivables	57,534	24,999
Short term investments	166,856	310,472
Income tax recoverable-net	160,545	155,433
Cash and bank balances	1,090,432	183,960
	<u>4,644,362</u>	<u>3,634,441</u>
<b>CURRENT LIABILITIES</b>		
Current maturities of non-current liabilities	1,223,658	1,224,671
Running finance under mark-up arrangements - secured	-	1,170,964
Short term borrowings	-	200,000
License fee payable	1,021,500	1,021,500
Trade and other payables	4,129,943	4,650,005
Interest and mark-up accrued	282,031	170,569
	<u>6,657,132</u>	<u>8,437,709</u>
	(2,012,770)	(4,803,268)
<b>NET CURRENT LIABILITIES</b>		
<b>NON CURRENT LIABILITIES</b>		
Term finance certificates - secured	2,168,819	2,166,079
Long term loan	2,898,457	-
Deferred income	254,716	254,716
Retirement benefits	245,798	226,979
Liabilities against assets subject to finance lease	12,983	15,962
Long term payables	752,950	631,645
Long term deposits	43,174	43,208
	<u>6,376,897</u>	<u>3,338,589</u>
Contingencies and commitments	10	9,905,273
		<u>10,229,974</u>
<b>REPRESENTED BY</b>		
<b>Share capital and reserves</b>		
Authorized capital		
900,000,000 (31 December 2010: 900,000,000)		
ordinary shares of Rs. 10 each	<u>9,000,000</u>	<u>9,000,000</u>
Issued, subscribed and paid up capital	8,605,716	8,605,716
Share premium	837,335	837,335
Fair value reserve-available for sale financial assets	(214,926)	(72,548)
Accumulated profit	337,091	521,111
	<u>9,565,216</u>	<u>9,891,614</u>
Surplus on revaluation	340,057	338,360
	<u>9,905,273</u>	<u>10,229,974</u>

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.

Lahore

*Babandilji*  
Chief Executive Officer

*Griffith*  
Director

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## Worldcall Telecom Limited

### CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED) FOR THE QUARTER ENDED 31 MARCH 2011

	Quarter ended 31 March 2011	Quarter ended 31 March 2010
	----- (Rupees in '000) -----	
Revenue -net	1,626,648	2,398,870
Direct cost	(1,421,265)	(1,917,451)
<b>Gross profit</b>	<u>205,383</u>	<u>481,419</u>
Operating cost	(364,341)	(422,060)
<b>Operating (loss)/profit</b>	<u>(158,958)</u>	<u>59,359</u>
Finance cost	(189,009)	(203,208)
	<u>(347,967)</u>	<u>(143,849)</u>
Impairment loss on available for sale financial assets	(1,238)	(24,286)
Other operating income	81,513	7,443
<b>Loss before taxation</b>	<u>(267,692)</u>	<u>(160,692)</u>
Taxation	85,369	40,102
<b>Loss after taxation</b>	<u>(182,323)</u>	<u>(120,590)</u>
<b>Loss per share - basic and diluted</b>	<b>(Rupees) (0.21)</b>	<b>(0.14)</b>

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

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.

Lahore

*Babandilji*  
Chief Executive Officer

*Griffith*  
Director

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## Worldcall Telecom Limited

### CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED) FOR THE QUARTER ENDED 31 MARCH 2011

	Quarter ended 31 March 2011	Quarter ended 31 March 2010
	------(Rupees in '000)-----	
Loss for the period	(182,323)	(120,590)
<b>Other comprehensive (loss)/income-net of tax:</b>		
Net change in fair value of available for sale financial assets	(143,616)	466
Impairment loss transferred to profit & loss account	1,238	24,286
	(142,378)	24,752
<b>Total comprehensive loss for the period</b>	<b>(324,701)</b>	<b>(95,838)</b>

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.

Lahore

*Balawandi*  
Chief Executive Officer

*Griffith*  
Director

## Worldcall Telecom Limited

### CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE QUARTER ENDED 31 MARCH 2011

	Note	Quarter ended 31 March 2011	Quarter ended 31 March 2010
		------(Rupees in '000)-----	
<b>Cash flows from operating activities</b>			
Cash (used in)/generated from operations	11	(465,932)	451,378
(Increase)/decrease in long term deposits receivable		(2,020)	2,435
Decrease/(increase) long term trade receivable		12,430	(46,805)
Decrease in long term deposits payable		(34)	(258)
Increase in long term payables		121,305	89,066
Retirement benefits paid		(4,165)	(3,980)
Finance cost paid		(117,129)	(44,030)
Taxes paid		(21,378)	(13,481)
<b>Net cash (used in)/generated from operating activities</b>		<b>(476,923)</b>	<b>434,325</b>
<b>Cash flows from investing activities</b>			
Fixed capital expenditure		(249,938)	(223,553)
Sale proceeds of property, plant and equipment		64,780	5,275
License fee paid		-	(113,500)
<b>Net cash used in investing activities</b>		<b>(185,158)</b>	<b>(331,778)</b>
<b>Cash flows from financing activities</b>			
Repayment of long term finances		-	(37,494)
Receipts of long term finances		2,943,855	-
Repayment of running finance		(1,170,964)	(210,310)
Repayment of short term borrowings		(200,000)	-
Repayment of finance lease liabilities		(4,338)	(22,451)
<b>Net cash generated from/(used in) financing activities</b>		<b>1,568,553</b>	<b>(270,255)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>906,472</b>	<b>(167,708)</b>
<b>Cash and bank balances at the beginning of the period</b>		<b>183,960</b>	<b>336,480</b>
<b>Cash and bank balances at the end of the period</b>		<b>1,090,432</b>	<b>168,772</b>

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.

Lahore

*Balawandi*  
Chief Executive Officer

*Griffith*  
Director

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY  
(UN-AUDITED)  
FOR THE QUARTER ENDED 31 MARCH 2011**

**Worldcall Telecom Limited**

	Share capital	Share premium	Fair value reserve- available for sale assets	Accumulated profit/(loss)	Revaluation reserve	Total
	----- (Rupees in '000) -----					
<b>Balance as at 31 December 2009</b>	8,605,716	837,335	(70,475)	1,674,903	331,574	11,379,053
Total comprehensive income/(loss) for the period	-	-	24,752	(120,590)	-	(95,838)
Transfer to surplus on revaluation	-	-	-	(1,696)	1,696	-
<b>Balance as at 31 March 2010</b>	8,605,716	837,335	(45,723)	1,552,617	333,270	11,283,215
Total comprehensive loss for the period	-	-	(26,825)	(1,026,416)	-	(1,053,241)
Transfer to surplus on revaluation	-	-	-	(5,090)	5,090	-
<b>Balance as at 31 December 2010</b>	8,605,716	837,335	(72,548)	521,111	338,360	10,229,974
Total comprehensive loss for the period	-	-	(142,378)	(182,323)	-	(324,701)
Transfer to surplus on revaluation	-	-	-	(1,697)	1,697	-
<b>Balance as at 31 March 2011</b>	8,605,716	837,335	(214,926)	337,091	340,057	9,905,273

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.

Lahore

*Balaramditya*  
Chief Executive Officer

*Ghaffar*  
Director

**Worldcall Telecom Limited**

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION  
(UN-AUDITED)  
FOR THE QUARTER ENDED 31 MARCH 2011**

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

**2 Statement of Compliance**

This condensed interim financial information has been prepared in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. The disclosures in the condensed interim financial information do not include the information reported for full annual financial statements and should therefore be read in conjunction with financial statements for the year ended 31 December 2010.

**3. Significant accounting judgments and estimates**

The preparation of condensed interim financial information in conformity with approved accounting standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions and judgements are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. In preparing this condensed interim financial information, the significant judgements made by management in applying accounting policies and the key sources of estimation were the same as those that were applied to the financial statements for the period ended 31 December 2010.

**4 Accounting policies**

Accounting policies adopted for preparation of this condensed interim financial information are same as those applied in the preparation of the audited financial statements of the Company for the year ended 31 December 2010 and stated therein, except for addition of the following:

- 4.1** The revenue under Universal Service Fund (USF) services and subsidy agreement is recognized under IAS-18 based on stage of completion with reference to the achievement of each milestone as provided in the agreement.

## Worldcall Telecom Limited

	Note	31 March 2011	31 December 2010
----- (Rupees in '000) -----			
<b>5. Property, plant and equipment</b>			
<b>Owned and leased assets:</b>			
Opening net book value		12,795,044	12,110,704
Additions during the period/year	5.1	133,851	2,168,659
		<u>12,928,895</u>	<u>14,279,363</u>
Disposals for the period/year - NBV	5.2	(15,528)	(5,115)
Transferred to investment properties		-	(5,760)
Adjustment during the period/year -NBV		-	(43,257)
Depreciation for the period/year		(376,466)	(1,430,187)
Closing net book value	5.3	<u>12,536,901</u>	<u>12,795,044</u>

### 5.1 Break-up of additions

Freehold land	-	5,760
Leasehold improvements	770	1,141
Plant and equipment	119,400	2,132,163
Office equipment	740	7,635
Computers	12,941	8,908
Furniture and fixtures	-	552
Vehicles	-	9,335
Lab and other equipment	-	3,165
		<u>133,851</u>
		<u>2,168,659</u>

### 5.2 Break-up of disposals -NBV

Leasehold improvements	-	(41)
Plant and equipment	(1,605)	(2,173)
Office equipment	(5)	(1,139)
Computers	(7)	(58)
Furniture and fixtures	-	(208)
Vehicles	(13,911)	(1,496)
	<u>(15,528)</u>	<u>(5,115)</u>

5.3 Property, plant & equipment includes equipment deployed in implementing the USF network which is subject to lien exercisable by USF Company in the event of failure by the Company to maintain service availability and quality specification.

	Note	31 March 2011	31 December 2010
----- (Rupees in '000) -----			
<b>6 Intangible assets- NBV</b>			
Licenses		2,011,875	2,051,442
Patents and copyrights		726	926
Softwares		-	450
Goodwill	6.1	2,553,494	2,553,494
		<u>4,566,095</u>	<u>4,606,312</u>

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

## Worldcall Telecom Limited

The Company assessed the recoverable amount at 31 March 2011 and determined that as of this date there is no indication of impairment of Goodwill. The recoverable amount was calculated on the basis of five year financial business plan which assumes substantial cash inflows from either investing or financing activities. During the current period long term loan facility of USD 35 million was obtained by the Company as assumed in the five year financial business plan.

The business plan also 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 36-Impairment of Assets.

	31 March 2011	31 December 2010
----- (Rupees in '000) -----		
<b>7 Long term investment-classified as held for sale</b>		

### Foreign subsidiary - unquoted

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

7,221,740 ( 31 December 2010: 7,221,740) ordinary shares of Sri Lankan Rupees 10/-each. Equity held 70.65% (31 December 2010: 70.65%)

	44,406	44,406
Share deposit money	13,671	13,671
	<u>58,077</u>	<u>58,077</u>
Less: Provision for impairment	(58,077)	(58,077)
	<u>-</u>	<u>-</u>

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

	31 March 2011	31 December 2010
----- (Rupees in '000) -----		
<b>8 Long term loan</b>		

Received during the period	2,943,855	-
Less: Initial transaction cost	(42,668)	-
	<u>2,901,187</u>	<u>-</u>
Exchange gain during the period	(2,730)	-
	<u>2,898,457</u>	<u>-</u>

This represents foreign currency syndicated loan facility amounting to USD 35 million from Askari Bank Limited OFF-Shore Banking Unit, Bahrain with the lead arranger being Askari Bank Limited. As at 31 March 2011 USD 34.5 million have been drawn from this facility. This loan is re-payable in 20 equal quarterly installments with 2 years grace period commencing 06 June 2013. Profit is charged at



## Worldcall Telecom Limited

three months average LIBOR plus 1.75% per annum and monitoring fee at 1.2% per annum. To secure the facility an unconditional, irrevocable, first demand stand-by letter of credit has been issued by National Bank of Oman favoring Askari Bank Limited against the corporate guarantee of Oman Telecommunication Company SAOG. This arrangement shall remain effective until all obligations under the facility are settled.

### 9 Deferred income

It represents the amount received against contracts valuing Rs 786 million and 487 million for the deployment of network in MTR-I and GTR respectively awarded by Universal Service Fund (USF), a Company established for the purpose of increasing teledensity in Pakistan.

### 10 Contingencies and commitments

#### Contingencies

#### 10.1 Billing disputes with PTCL

**10.1.1** There is a dispute of Rs. 72.54 million (31 December 2010: Rs 72.22 million) with PTCL of non revenue time of prepaid calling cards and Rs. 22.57 million (31 December 2010: Rs 32.13 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.

**10.1.2** PTCL has charged the Company excess Domestic Private Lease Circuits (DPLC) and other media charges amounting to Rs. 144.13 million (31 December 2010: Rs.140.07 million) on account of difference in rates, distances and date of activation. Further, the Company has also deposited Rs. 40 million (31 December 2010: 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.

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

**10.2.1** There is a dispute with PTA on payment of annual microwave and BTS registration charges amounting to Rs.13 million (31 December 2010: Rs. 13 million). The matter is presently pending adjudication before the Honorable Lahore High Court Lahore. The Company is hopeful of a favorable decision.

**10.2.2** There is a dispute with PTA on roll out of Company's 479 MHz and 3.5 GHz frequency bands licenses for allegedly not completing roll out within prescribed time. The dispute is pending adjudication at PTA. The Company is hopeful that the issue will be favorably resolved at the level of PTA in as much as Company has now started its roll out plan.

**10.2.3** There is a dispute with PTA on payment of R&D Fund contribution amounting to Rs. 11.3 million (31 December 2010: Rs. 11.3 million). The legal validity of this fund is under challenge before the Honorable Supreme Court of Pakistan. The Company has also gone into appeal against the demand before the Honorable Lahore High Court Lahore. The Company is hopeful of a favorable decision.

**10.2.4** There is a dispute with PTA on payment of contribution of APC for USF for the period prior to the valid formation of USF fund by the Federal Government amounting to Rs. 491 million (31 December 2010: Rs. 491 million). Out of this amount, Rs. 223 million has been deposited with

## Worldcall Telecom Limited

PTA. The matter is pending adjudication before the Honorable Supreme Court of Pakistan. The Company is hopeful of a favorable decision.

### 10.3 Taxation issues

**10.3.1** 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.

**10.3.2** Income Tax Returns for the tax year ended 30 June 2003 were filed under the self assessment scheme of Worldcall Communications Limited, Worldcall Multimedia Limited, Worldcall Broadband Limited and Worldcall Phonocards Limited, now merged into the Company. The Company has received orders under section 122(5A) against the said returns filed under self assessment on 02 January 2009. As per Orders, the Income Tax Department intends to amend the returns on certain issues such as depreciation, turnover tax adjustment, gratuity provision, share premium, allocation of expenses to capital gain, mark up from associates and share deposit money amounting to Rs. 29.9 million. An appeal has been filed by the Company against the orders before the Commissioner of Income Tax (Appeals). Commissioner of Income Tax (Appeals) has restored the original assessment order U/S 177 dated 17 May 2005 for Worldcall Broadband Limited. Remaining appeals were also decided and a partial relief was given by CIT (Appeals), while being aggrieved, the Company has filed appeals in Income Tax Appellate Tribunal Lahore. Based on legal advice, the management is hopeful that matter will be decided in favour of the Company.

**10.3.3** There is a dispute with sales tax authorities for payment of Rs.167 million claimed and obtained as sales tax refund in the year 2006 by the Company. The matter is presently being adjudicated by the Honorable Lahore High Court Lahore. An injunction currently holds field which precludes recovery from the Company. The Company has paid 20% of principal amount to date to the department against the said dispute. Moreover, this is an industrial issue and in case companies of other jurisdiction the Inland Revenue Tribunal has dismissed the case of sales tax authorities. It is therefore, the Company is hopeful of a favorable decision.

	31 March 2011	31 December 2010
	----- (Rupees in '000) -----	
<b>Commitments</b>		
<b>10.4</b> Outstanding guarantees	<u>1,012,103</u>	<u>1,012,853</u>
<b>10.5</b> Commitments in respect of capital expenditure	<u>909,571</u>	<u>757,484</u>
<b>10.6</b> Outstanding letters of credit	<u>59,179</u>	<u>75,800</u>

## Worldcall Telecom Limited

	Quarter ended 31 March 2011	Quarter ended 31 March 2010
----- (Rupees in '000) -----		
<b>11 Cash generated from operations</b>		
Loss before taxation	(267,692)	(160,692)
<b>Adjustment for non-cash charges and other items:</b>		
Depreciation	376,466	342,012
Amortization of intangible assets	26,059	25,082
Interest on PTA license fee	-	34,219
Amortization of transaction cost	3,086	2,703
Amortization of receivables	(405)	18,437
Provision for doubtful receivables	19,892	68,902
Provision for store and spares	1,000	2,000
Impairment loss on available for sale financial assets	1,238	24,286
Exchange gain on foreign currency loan	(2,730)	-
Gain on disposal of property, plant and equipment	(49,253)	(4,313)
Retirement benefits	22,985	25,102
Finance cost	185,923	166,286
<b>Profit before working capital changes</b>	<b>316,569</b>	<b>544,024</b>
<b>Effect on cash flow due to working capital changes:</b>		
<i>(Increase)/Decrease in the current assets</i>		
Stores and spares	(5,053)	38,184
Stock in trade	(5,323)	(9,596)
Trade debts	(189,210)	(612,155)
Loans and advances	189	(43,378)
Deposits and prepayments	(30,507)	(35,945)
Other receivables	(32,535)	398
<i>Increase/(Decrease) in current liabilities</i>		
Trade and other payables	(520,062)	569,846
	(782,501)	(92,646)
	<b>(465,932)</b>	<b>451,378</b>

### 12 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. Significant transactions with related parties are as follows:

	Quarter ended 31 March 2011	Quarter ended 31 March 2010
----- (Rupees in '000) -----		
<b>Relationship with the Company</b>	<b>Nature of transactions</b>	
Parent Company	Purchase of goods and services	75,329
	Sale of goods and services	204,117
		76,711
		102,591

## Worldcall Telecom Limited

	Quarter ended 31 March 2011	Quarter ended 31 March 2010
----- (Rupees in '000) -----		
<b>Relationship with the Company</b>	<b>Nature of transactions</b>	
Other related parties	Purchase of goods and services	2,169
	Purchase of property	11,000
	Sale of goods and services	110
	Interest on loan	-
	Provision for doubtful debts	-
Key management personnel	Salaries and other employee benefits	84,690
		23,350
		20,000
		77
		1,175
		54,648
		71,188
All transactions with related parties have been carried out on commercial terms and conditions.		
	<b>31 March 2011</b>	<b>31 December 2010</b>
	----- (Rupees in '000) -----	
<b>Period end balances</b>		
Receivable from related parties	220,692	207,814
Payable to related parties	1,166,949	1,156,250

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

### 13 Date of authorization for issue

This condensed interim financial information was authorized for issue on 28 April 2011 by the Board of Directors of the Company.

### 14 General

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

14.2 Certain Comparatives amounts have been reclassified to conform to current period presentation. Material reclassifications are summarized below:

- License fee payable amounting to Rs. 1,021.5 million previously grouped in current maturities of non-current liabilities has now been shown separately.
- Deferred income amounting to Rs. 254.7 million previously grouped in long term payables has now been shown separately.

**WORLDCALL TELECOM LIMITED  
AND ITS SUBSIDIARY**

**CONDENSED CONSOLIDATED  
INTERIM  
FINANCIAL INFORMATION  
(UN-AUDITED)**

**31 MARCH 2011**

**DIRECTORS' REVIEW**

The Directors of Worldcall Telecom Limited ("WTL" or the "Parent Company") are pleased to present condensed consolidated financial information of the Group for the three months ended 31 March 2011.


**Group Foreign Subsidiary**

**WorldCall Telecommunications Lanka (Pvt.) Limited**

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

For and on behalf of the Board of Directors

**Lahore**  
28 April 2011

  
**Babar Ali Syed**  
Chief Executive Officer

## Worldcall Telecom Limited Group

### CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (Un-Audited) AS AT 31 MARCH 2011

	Note	31 March 2011	31 December 2010
----- (Rupees in '000) -----			
<b>NON CURRENT ASSETS</b>			
<b>Tangible fixed assets</b>			
Property, plant and equipment	6	12,536,901	12,795,044
Capital work-in-progress		881,621	751,378
		<u>13,418,522</u>	<u>13,546,422</u>
<b>Intangible assets</b>			
Investment properties	7	4,566,095	4,606,312
Long term trade receivable		89,900	89,900
Deferred taxation		34,375	46,805
Long term deposits		120,589	18,953
		65,459	63,439
		<u>18,294,940</u>	<u>18,371,831</u>
<b>CURRENT ASSETS</b>			
Stores and spares		196,128	192,075
Stock in trade		198,241	192,917
Trade debts		2,186,141	2,016,418
Loans and advances - considered good		383,927	384,116
Deposits and prepayments		204,558	174,051
Other receivables		57,534	24,999
Short term investments		166,856	310,472
Income tax recoverable-net		160,545	155,433
Cash and bank balances		1,090,432	183,960
		<u>4,644,362</u>	<u>3,634,441</u>
Non current assets classified as held for sale	8	466	144
		<u>4,644,828</u>	<u>3,634,585</u>
<b>CURRENT LIABILITIES</b>			
Current maturities of non-current liabilities		1,223,658	1,224,671
Running finance under mark-up arrangements - secured		-	1,170,964
Short term borrowings		-	200,000
License fee payable		1,021,500	1,021,500
Trade and other payables		4,126,469	4,644,195
Interest and mark-up accrued		282,031	170,569
		<u>6,653,658</u>	<u>8,431,899</u>
Non current liabilities classified as held for sale	8	20,021	18,139
		<u>6,673,679</u>	<u>8,450,038</u>
		<u>(2,028,851)</u>	<u>(4,815,453)</u>
<b>NET CURRENT LIABILITIES</b>			
<b>NON CURRENT LIABILITIES</b>			
Term finance certificates - secured		2,168,819	2,166,079
Long term loan	9	2,898,457	-
Deferred income	10	254,716	254,716
Retirement benefits		245,798	226,979
Liabilities against assets subject to finance lease		12,983	15,962
Long term payables		752,950	631,645
Long term deposits		43,174	43,208
		<u>6,376,897</u>	<u>3,338,589</u>
Contingencies and commitments	11	9,889,192	10,217,789
		<u>9,889,192</u>	<u>10,217,789</u>
<b>REPRESENTED BY</b>			
<b>Share capital and reserves</b>			
Authorized capital			
900,000,000 (31 December 2010: 900,000,000) ordinary shares of Rs. 10 each		<u>9,000,000</u>	<u>9,000,000</u>
Issued, subscribed and paid up capital		8,605,716	8,605,716
Share premium		837,335	837,335
Fair value reserve- available for sale financial assets		(214,927)	(72,549)
Exchange translation reserve		(4,845)	(4,910)
Accumulated profit		330,577	517,415
Capital and reserves attributable to equity holders of the Company		<u>9,553,856</u>	<u>9,883,007</u>
Non controlling interest		(4,721)	(3,578)
		<u>9,549,135</u>	<u>9,879,429</u>
Surplus on revaluation		340,057	338,360
		<u>9,889,192</u>	<u>10,217,789</u>

The annexed notes 1 to 15 form an integral part of this condensed consolidated interim financial information.

Lahore

  
Chief Executive Officer

  
Director

## Worldcall Telecom Limited Group

### CONDENSED CONSOLIDATED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)

#### FOR THE QUARTER ENDED 31 MARCH 2011

	Note	Quarter ended 31 March 2011	Quarter ended 31 March 2010
----- (Rupees in '000) -----			
<b>Continuing operations</b>			
Revenue -Net		1,626,648	2,398,870
Direct cost		(1,421,265)	(1,917,451)
<b>Gross profit</b>		<u>205,383</u>	<u>481,419</u>
Operating cost		(364,341)	(422,060)
<b>Operating (loss)/profit</b>		<u>(158,958)</u>	<u>59,359</u>
Finance cost		(347,967)	(143,849)
		<u>(506,925)</u>	<u>(86,481)</u>
Impairment loss on available for sale financial assets		(1,238)	(24,286)
Other operating income		81,513	7,443
<b>Loss before taxation</b>		<u>(267,692)</u>	<u>(160,692)</u>
Taxation		85,369	40,102
<b>Loss after taxation from continuing operations</b>		<u>(182,323)</u>	<u>(120,590)</u>
<b>Discontinued operations</b>			
Loss for the period from discontinued operations	8	(3,989)	(1,308)
		<u>(186,312)</u>	<u>(121,898)</u>
<b>Attributable to:</b>			
Equity holders of parent		(185,141)	(121,514)
Non controlling interest		(1,171)	(384)
		<u>(186,312)</u>	<u>(121,898)</u>
<b>Loss per share - basic and diluted</b>			
From continuing and discontinued operations	(Rupees)	<u>(0.22)</u>	<u>(0.14)</u>
From continuing operations	(Rupees)	<u>(0.21)</u>	<u>(0.14)</u>

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

The annexed notes 1 to 15 form an integral part of this condensed consolidated interim financial information.

Lahore

  
Chief Executive Officer

  
Director

## Worldcall Telecom Limited Group

### CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED) FOR THE QUARTER ENDED 31 MARCH 2011

	Quarter ended 31 March 2011	Quarter ended 31 March 2010
	------(Rupees in '000)-----	
Loss for the period	(186,312)	(121,898)
<b>Other comprehensive (loss)/income- net of tax:</b>		
Exchange differences on translating foreign operations	93	(125)
Net change in fair value of available for sale financial assets	(143,616)	466
Impairment loss transferred to profit and loss account	1,238	24,286
	(142,285)	24,627
Total comprehensive loss for the period	(328,597)	(97,271)
Attributable to:		
Equity holders of the Parent	(327,454)	(96,850)
Non controlling interest	(1,143)	(421)
	(328,597)	(97,271)

The annexed notes 1 to 15 form an integral part of this condensed consolidated interim financial information.

Lahore

  
Chief Executive Officer

  
Director

## Worldcall Telecom Limited Group

### CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE QUARTER ENDED 31 MARCH 2011

	Note	31 March 2011	31 March 2010
		------(Rupees in '000)-----	
<b>Cash flows from operating activities</b>			
Cash generated from operations	12	(465,358)	450,978
(increase)/decrease in long term deposits receivable		(2,020)	2,435
Decrease/(increase) long term trade receivable		12,430	(46,805)
Decrease in long term deposits payable		(34)	(258)
Increase in long term payables		121,305	89,066
Retirement benefits paid		(4,248)	(3,980)
Finance cost paid		(117,190)	(44,081)
Taxes paid		(21,378)	(13,481)
<b>Net cash (used in)/generated from operating activities</b>		(476,493)	433,874
<b>Cash flows from investing activities</b>			
Fixed capital expenditure		(249,996)	(223,553)
Sale proceeds of property, plant and equipment		64,780	5,275
License fee paid		-	(113,500)
<b>Net cash used in investing activities</b>		(185,216)	(331,778)
<b>Cash flows from financing activities</b>			
Repayment of long term finances		-	(37,494)
Receipts of long term finances		2,943,855	-
Repayment of running finance		(1,170,964)	(210,310)
Repayment of short term borrowings		(200,000)	-
Repayment of finance lease liabilities		(4,338)	(22,451)
<b>Net cash generated from/(used in) financing activities</b>		1,568,553	(270,255)
<b>Net increase/(decrease) in cash and cash equivalents</b>		906,844	(168,159)
<b>Cash and bank balance at the beginning of the period</b>		183,960	335,579
<b>Cash and bank balance at the end of the period</b>		1,090,804	167,420

The annexed notes 1 to 15 form an integral part of this condensed consolidated interim financial information.

Lahore

  
Chief Executive Officer

  
Director

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)  
FOR THE QUARTER ENDED 31 MARCH 2011**

**Worldcall Telecom Limited Group**

	Attributable to equity holders of the Company								
	Share capital	Share premium	Share reserve- available for sale assets	Currency translation reserve	Accumulated profit/ (loss)	Revaluation reserve	Sub Total	Non controlling interest	Total
<b>Balance as at 31 December 2009</b>	8,605,716	837,335	(70,476)	(2,940)	1,677,849	331,574	11,379,058	-	11,379,058
Total comprehensive loss for the period	-	-	24,752	(88)	(121,514)	-	(96,850)	(421)	(97,271)
Transfer to surplus on revaluation	-	-	-	-	(1,696)	1,696	-	-	-
<b>Balance as at 31 March 2010</b>	8,605,716	837,335	(45,724)	(3,028)	1,554,639	333,270	11,282,208	(421)	11,281,787
Total comprehensive loss for the period	-	-	(26,825)	(1,882)	(1,032,134)	-	(1,060,841)	(3,157)	(1,063,998)
Transfer to surplus on revaluation	-	-	-	-	(5,090)	5,090	-	-	-
<b>Balance as at 31 December 2010</b>	8,605,716	837,335	(72,549)	(4,910)	517,415	338,360	10,221,367	(3,578)	10,217,789
Total comprehensive loss for the period	-	-	(142,378)	65	(185,141)	-	(327,454)	(1,143)	(328,597)
Transfer to surplus on revaluation	-	-	-	-	(1,697)	1,697	-	-	-
<b>Balance as at 31 March 2011</b>	8,605,716	837,335	(214,927)	(4,845)	330,577	340,057	9,893,913	(4,721)	9,889,192

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The annexed notes 1 to 15 form an integral part of this condensed consolidated interim financial information.

Lahore

*Balawandhi*  
Chief Executive Officer

*Director*  
Director

**Worldcall Telecom Limited Group**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE QUARTER ENDED 31 MARCH 2011**

**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. 165.48 million as at balance sheet date and its current liabilities exceed its current assets by Rs. 68.07 million. The net loss for the current period after tax is Rs. 3.99 million. These factors raised substantial doubt that subsidiary will be able to continue as a going concern, hence the financial information of the subsidiary has not been prepared on going concern basis.

**2 Basis of consolidation**

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

**Subsidiary**

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

**Transactions eliminated on consolidation**

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

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## Worldcall Telecom Limited Group

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

### 3 Statement of compliance

This condensed consolidated interim financial information has been prepared in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. The disclosures in the condensed consolidated interim financial information do not include the information reported for full annual financial statements and should therefore be read in conjunction with financial statements for the year ended 31 December 2010.

### 4 Significant accounting judgments and estimates

The preparation of condensed consolidated interim financial information in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions and 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. In preparing this condensed consolidated interim financial information, the significant judgments made by management in applying accounting policies and the key sources of estimation were the same as those that were applied to the financial statements for the year ended 31 December 2010.

### 5 Accounting policies

Accounting policies adopted for preparation of this condensed consolidated interim financial information are same as those applied in the preparation of the audited financial statements of the Group for the year 31 December 2010 and stated therein, except for addition of the following:

- 5.1 The revenue under Universal Service Fund (USF) services and subsidy agreement is recognized under IAS-18 based on stage of completion with reference to the achievement of each milestone as provided in the agreement.

	Note	31 March 2011	31 December 2010
----- (Rupees in '000) -----			
<b>6. Property, plant and equipment</b>			
<b>Owned and leased assets:</b>			
Opening net book value		12,795,044	12,110,704
Additions during the period/year	6.1	133,851	2,168,659
		<u>12,928,895</u>	<u>14,279,363</u>
Disposals for the period/year - NBV	6.2	(15,528)	(5,115)
Transferred to investment properties		-	(5,760)
Adjustment during the period/year -NBV		-	(43,257)
Depreciation for the period/year		(376,466)	(1,430,187)
Closing net book value	6.3	<u>12,536,901</u>	<u>12,795,044</u>

## Worldcall Telecom Limited Group

31 March 2011  
31 December 2010  
----- (Rupees in '000) -----

### 6.1 Break-up of additions

Freehold land	-	5,760
Leasehold improvements	770	1,141
Plant and equipment	119,400	2,132,163
Office equipment	740	7,635
Computers	12,941	8,908
Furniture and fixtures	-	552
Vehicles	-	9,335
Lab and other equipment	-	3,165
	<u>133,851</u>	<u>2,168,659</u>

### 6.2 Break-up of disposals - NBV

Leasehold improvements	-	(41)
Plant and equipment	(1,605)	(2,173)
Office equipment	(5)	(1,139)
Computers	(7)	(58)
Furniture and fixtures	-	(208)
Vehicles	(13,911)	(1,496)
	<u>(15,528)</u>	<u>(5,115)</u>

- 6.3 Property, plant & equipment includes equipment deployed in implementing the USF network which is subject to lien exercisable by USF Company in the event of failure by the Company to maintain service availability and quality specification.

31 March 2011  
31 December 2010  
----- (Rupees in '000) -----

### 7 Intangible assets- NBV

Licenses	2,011,875	2,051,442
Patents and copyrights	726	926
Softwares	-	450
Goodwill	2,553,494	2,553,494
	<u>4,566,095</u>	<u>4,606,312</u>

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

The Company assessed the recoverable amount at 31 March 2011 and determined that as of this date there is no indication of impairment of Goodwill. The recoverable amount was calculated on the basis of five year financial business plan which assumes substantial cash inflows from either investing or financing activities. During the current period long term loan facility of USD 35 million was obtained by the Company as assumed in the five year financial business plan.

The business plan also 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



## Worldcall Telecom Limited Group

for impairment calculation no growth is considered in cash flows beyond five years as per International Accounting Standard 36-Impairment of Assets.

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

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

Following are the results for the period ending 31 March 2011 and the comparative period of discontinued operations.

	Quarter ended 31 March 2011	Quarter ended 31 March 2010
	----- (Rupees in '000) -----	
<b>Results of discontinued operations</b>		
Revenue	533	989
Expenses	(4,480)	(2,251)
Results from operating activities	(3,947)	(1,262)
Finance cost	(61)	(51)
Other income	19	5
Loss for the period	(3,989)	(1,308)

### Cash flow generated from/(used in) discontinued operations

Net cash used in operating activities	(1,994)	(451)
Net cash used in investing activities	(58)	-
Net cash generated from financing activities	2,280	-
Net cash generated from/(used in) discontinued operation	228	(451)

	31 March 2011	31 December 2010
	----- (Rupees in '000) -----	

### Assets and liabilities classified as held for sale

#### Assets

Computer	58	-
Trade debts	5	-
Other receivable	31	-
Cash and bank	372	144
	466	144

#### Liabilities

Trade and other payables	20,014	18,132
Income tax payable	7	7
	20,021	18,139

### 9 Long term loan

Received during the period	2,943,855	-
Less: Initial transaction cost	(42,668)	-
	2,901,187	-
Exchange gain during the period	(2,730)	-
	2,898,457	-

## Worldcall Telecom Limited Group

This represents foreign currency syndicated loan facility amounting to USD 35 million from Askari Bank Limited OFF-Shore Banking Unit, Bahrain with the lead arranger being Askari Bank Limited. As at 31 March 2011 USD 34.5 million have been drawn from this facility. This loan is re-payable in 20 equal quarterly installments with 2 years grace period commencing 06 June 2013. Profit is charged at three months average LIBOR plus 1.75% per annum and monitoring fee at 1.2% per annum. To secure the facility an unconditional, irrevocable, first demand stand-by letter of credit has been issued by National Bank of Oman favoring Askari Bank Limited against the corporate guarantee of Oman Telecommunication Company SAOG. This arrangement shall remain effective until all obligations under the facility are settled.

### 10 Deferred income

It represents the amount received against contracts valuing Rs 786 million and 487 million for the deployment of network in MTR-I and GTR respectively awarded by Universal Service Fund (USF), a Company established for the purpose of increasing teledensity in Pakistan.

### 11 Contingencies and commitments - The Company

#### Contingencies

#### 11.1 Billing disputes with PTCL

11.1.1 There is a dispute of Rs. 72.54 million (31 December 2010: Rs 72.22 million) with PTCL of non revenue time of prepaid calling cards and Rs. 22.57 million (31 December 2010: Rs 32.13 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.

11.1.2 PTCL has charged the Company excess Domestic Private Lease Circuits (DPLC) and other media charges amounting to Rs. 144.13 million (31 December 2010: Rs.140.07 million) on account of difference in rates, distances and date of activation. Further, the Company has also deposited Rs. 40 million (31 December 2010: 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.

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

11.2.1 There is a dispute with PTA on payment of annual microwave and BTS registration charges amounting to Rs.13 million (31 December 2010: Rs. 13 million). The matter is presently pending adjudication before the Honorable Lahore High Court Lahore. The Company is hopeful of a favorable decision.

11.2.2 There is a dispute with PTA on roll out of Company's 479 MHz and 3.5 GHz frequency bands licenses for allegedly not completing roll out within prescribed time. The dispute is pending adjudication at PTA. The Company is hopeful that the issue will be favorably resolved at the level of PTA in as much as the Company has now started its roll out plan.

11.2.3 There is a dispute with PTA on payment of R&D Fund contribution amounting to Rs. 11.3 million (31 December 2010: Rs. 11.3 million). The legal validity of this fund is under challenge before the Honorable Supreme Court of Pakistan. The Company has also gone into appeal against the demand before the Honorable Lahore High Court Lahore. The Company is hopeful of a favorable decision.

11.2.4 There is a dispute with PTA on payment of contribution of APC for USF for the period prior to the valid formation of USF fund by the Federal Government amounting to Rs. 491 million (31 December 2010: Rs. 491 million). Out of this amount, Rs. 223 million has been deposited with PTA. The matter is pending adjudication before the Honorable Supreme Court of Pakistan. The Company is hopeful of a favorable decision.



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### 11.3 Taxation issues

**11.3.1** 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.

**11.3.2** 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 amounting to Rs. 29.9 million. An appeal has been filed by the Company against the orders before the Commissioner of Income Tax (Appeals). Commissioner of Income Tax (Appeals) has restored the original assessment order U/S 177 dated 17 May 2005 for Worldcall Broadband Limited. Remaining appeals were also decided and a partial relief was given by CIT (Appeals), while being aggrieved, the Company has filed appeals in Income Tax Appellate Tribunal Lahore. Based on legal advice, the management is hopeful that matter will be decided in favour of the Company.

**11.3.3** There is a dispute with sales tax authorities for payment of Rs.167 million claimed and obtained as sales tax refund in the year 2006 by the Company. The matter is presently being adjudicated by the Honorable Lahore High Court Lahore. An injunction currently holds field which precludes recovery from the Company. The Company has paid 20% of principal amount to date to the department against the said dispute. Moreover, this is an industrial issue and in case companies of other jurisdiction the Inland Revenue Tribunal has dismissed the case of sales tax authorities. It is therefore, the Company is hopeful of a favorable decision.

	31 March 2011	31 December 2010
	----- (Rupees in '000) -----	
<b>Commitments</b>		
11.4 Outstanding guarantees	<u>1,012,103</u>	<u>1,012,853</u>
11.5 Commitments in respect of capital expenditure	<u>909,571</u>	<u>757,484</u>
11.6 Outstanding letters of credit	<u>59,179</u>	<u>75,800</u>

### 12 Cash generated from operations

	Quarter ended 31 March 2011	Quarter ended 31 March 2010
	----- (Rupees in '000) -----	
Loss before taxation	(271,681)	(162,000)
<b>Adjustment for non-cash charges and other items:</b>		
Depreciation	376,466	342,012
Amortization of intangible assets	26,059	25,082
Interest on PTA license fee	-	34,219
Amortization of transaction cost	3,086	2,703
Amortization of receivables	(405)	18,437
Provision for doubtful receivables	19,892	68,902
Provision for stores and spares	1,000	2,000

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	Quarter ended 31 March 2011	Quarter ended 31 March 2010
	----- (Rupees in '000) -----	
Impairment loss on available for sale financial assets	1,238	24,286
Exchange gain on foreign currency loan	(2,730)	-
Gain on disposal of property, plant and equipment	(49,253)	(4,313)
Exchange translation difference	65	(88)
Retirement benefits	23,363	25,102
Finance cost	185,984	166,337
<b>Profit before working capital changes</b>	<u>313,084</u>	<u>542,679</u>

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

(Increase)/Decrease in the current assets

Stores and spares	(5,053)	38,183
Stock in trade	(5,323)	(9,597)
Trade debts	(189,210)	(612,323)
Loans and advances	189	(43,378)
Deposits and prepayments	(30,507)	(35,945)
Other receivables	(32,558)	387
<i>Increase/(Decrease) in current liabilities</i>		
Trade and other payables	(515,980)	570,972
	<u>(778,442)</u>	<u>(91,701)</u>
	<u>(465,358)</u>	<u>450,978</u>

### 13 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 personnel. Significant transactions with related parties are as follows:

	Quarter ended 31 March 2011	Quarter ended 31 March 2010
	----- (Rupees in '000) -----	
<b>Relationship with the Company</b>		
Parent Company		
Purchase of goods and services	75,329	204,117
Sale of goods and services	76,711	102,591
Other related parties		
Purchase of goods and services	2,169	23,350
Purchase of property	11,000	20,000
Sale of goods and services	110	77
Interest on loan	-	1,175
Provision for doubtful debts	-	54,648
Key management personnel		
Salaries and other employee benefits	84,690	71,188

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

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31 March 2011      31 December 2010  
----- (Rupees in '000) -----

### Period end balances

Receivable from related parties	220,692	207,814
Payable to related parties	1,166,949	1,156,250

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

### 14 Date of authorization for issue

This condensed consolidated interim financial information was authorized for issue on 28 April 2011 by the Board of Directors.

### 15 General

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

15.2 Certain Comparatives amounts have been reclassified to conform to current period presentation. Material reclassifications are summarized below:

- License fee payable amounting to Rs. 1,021.5 million previously grouped in current maturities of non-current liabilities has now been shown separately.
- Deferred income amounting to Rs. 254.7 million previously grouped in long term payables has now been shown separately.

Lahore

  
Chief Executive Officer

  
Director

## Worldcall Telecom Limited Group