

**CONDENSED HALF YEARLY  
FINANCIAL INFORMATION  
(UN-AUDITED)**

**30 JUNE 2010**

## 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 Alphabetic order)</i></b>	Aimen bin Ahmed Al Hosni Asadullah Khawaja (Nominee Arif Habib Securities Ltd.) Bernhard Heinichen Mehdi Mohammed Al Abduwani Saud bin Ahmed Al-Nahari Salmaan Taseer Samy Ahmed Abdulqadir Al Ghassany Talal Said Marhoon Al-Mamari Zafar Iqbal
<b>Chief Financial Officer</b>	Mohammad Noaman Adil
<b>Executive Committee</b>	Mehdi Mohammed Al Abduwani (Chairman) Talal Said Marhoon Al-Mamari (Member) Asadullah Khawaja (Member) Babar Ali Syed (Member) Aimen bin Ahmed Al Hosni (Member) Saud Mansoor Al Mazroui (Secretary)
<b>Audit Committee</b>	Talal Said Marhoon Al-Mamari (Chairman) Zafar Iqbal (Member) Asadullah Khawaja (Member) Rizwan Abdul Hayi (Secretary)
<b>Chief Internal Auditor</b>	Mirghani Hamza Al-Madani
<b>Company Secretary</b>	Saud Mansoor Al Mazroui
<b>Auditors</b>	KPMG Taseer Hadi & Co. Chartered Accountants
<b>Legal Advisers</b>	M/s Ebrahim Hosain & Associates Advocates
<b>Bankers <i>(In Alphabetic Order)</i></b>	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 Soneri Bank Limited Standard Chartered Bank (Pakistan) 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

**DIRECTORS' REVIEW**

The Directors of Worldcall Telecom Limited ("WTL" or the "Company") are pleased to present the financial information for the second quarter and six months ended 30 June 2010.

**Financial Overview**

The Company posted revenue of Rs. 4,422 million for the period which shows an improvement of 11% over the revenue of the same period last year. Robust growth in data segment and commencement of EVDO operations in major cities were the reasons behind this increase in revenue. The increase in direct cost was mainly due to higher depreciation charges, network maintenance and excessive fuel consumption as unprecedented power outages were witnessed across the country. Increase in the foreign settlement expenses further augmented the direct costs which came to Rs 3,668 million showing a 10% increase over the same period last year. The Company earned gross profit of Rs 754 million however heavy increase in operating and finance cost significantly affected the results. After accounting for the impairment, taxation and other expenses, the Company closed the period with net loss of Rs 411 million.

**Future Outlook**

After deploying the network and capturing major cities in its service network, the Company is now focusing on creating awareness about its products among masses and winning their loyalty. Customer care is being attended with a renewed focus and endeavors are being made to equip the channels of customer access with enhanced communication facilities. It is expected that the diverse portfolio of products that the Company is offering at affordable prices will attract the masses and would lead to future growth.

The activities on various USF projects are also being carried out expeditiously and it is expected that implementation of these projects will be accomplished by the year end. Apart from this the Company, with the help of its parent company is analyzing different modes of economical financing that would help in mitigating the liquidity problems and alleviating the current exorbitant debt servicing expenses.

**Changes in the Board of Directors and Committees**

During the period Mr. Aimen Bin Ahmed Al Hosni and Mr. Saud Bin Ahmed Al-Nahari replaced Ms. Sumbul Munir and Mr. Mohamad Ahmad Ghamlouch on the Board of Directors. Mr. Zafar Iqbal has been appointed in place of Ms. Sumbul Munir in audit committee. Mr. Aimen Bin Ahmed Al Hosni has been added to the executive committee of the Board.

**Company's staff and customers**

We wish to place on record here our appreciation and thanks for our valuable employees. Their dedication to the work and loyalty to the organization is praiseworthy. We are also thankful to our customers for their trust and loyalty and to our contractors who have assisted us.

For and on behalf of the Board of Directors

*Babar Ali Syed*

**Babar Ali Syed**  
Chief Executive Officer

Lahore  
26 August 2010

**Independent Report on Review of Condensed Interim Financial Information to the members of Worldcall Telecom Limited**

**Introduction**

We have reviewed the accompanying condensed interim balance sheet of **Worldcall Telecom Limited** ("the Company") as at 30 June 2010 and the related condensed interim profit and loss account, condensed statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the condensed interim financial information for the six months period then ended ("condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan relating to interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

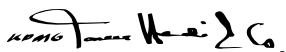
**Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as at and for the six months ended 30 June 2010 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan relating to interim financial reporting.

Lahore  
26 August 2010

  
**KPMG TASEER HADI & CO.**  
**CHARTERED ACCOUNTANTS**  
**(KAMRAN IQBAL YOUSAFI)**

**CONDENSED INTERIM BALANCE SHEET (Un-Audited)  
AS AT 30 JUNE 2010**

	Note	30 June 2010	31 December 2009
----- (Rupees in '000) -----			
<b>NON CURRENT ASSETS</b>			
<b>Tangible fixed assets</b>			
Property, plant and equipment	6	12,812,861	12,110,704
Capital work-in-progress		803,994	1,650,854
		<u>13,616,855</u>	<u>13,761,558</u>
<b>Intangible assets</b>			
Investment properties	7	4,686,857	4,767,265
Long term investment - classified as held for sale	8	81,922	76,162
Long term trade receivable	9	-	-
Long term deposits		47,210	-
		64,025	68,801
		<u>18,496,869</u>	<u>18,673,786</u>
<b>CURRENT ASSETS</b>			
Store and spares		239,921	317,614
Stock in trade		191,012	182,105
Trade debts		2,926,414	2,116,744
Loans and advances - considered good		492,813	469,790
Deposits and prepayments		183,678	181,918
Other receivables		25,091	15,890
Short term investments-available for sale		355,056	378,439
Income tax recoverable-net		146,430	143,111
Cash and bank balances		286,487	336,480
		<u>4,846,902</u>	<u>4,142,091</u>
<b>CURRENT LIABILITIES</b>			
Current maturities of non-current liabilities		2,256,000	1,858,591
Running finance under mark-up arrangements - secured	10	1,098,009	1,045,660
Short term borrowings		141,000	-
Trade and other payables		4,067,701	2,239,121
Interest and mark-up accrued		164,277	166,605
		<u>7,726,987</u>	<u>5,309,977</u>
		<u>(2,880,085)</u>	<u>(1,167,886)</u>
<b>NET CURRENT LIABILITIES</b>			
<b>NON CURRENT LIABILITIES</b>			
Term finance certificates - secured		2,764,835	3,364,861
Deferred taxation		278,013	398,122
Retirement benefits		211,108	175,942
Liabilities against assets subject to finance lease		21,679	18,542
Long term payables		1,295,877	2,125,220
Long term deposits		43,751	44,160
		<u>4,615,263</u>	<u>6,126,847</u>
Contingencies and commitments	11	-	-
		<u>11,001,521</u>	<u>11,379,053</u>
<b>REPRESENTED BY</b>			
<b>Share capital and reserves</b>			
Authorized capital			
900,000,000 (31 December 2009: 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		(37,421)	(70,475)
Accumulated profit		1,260,924	1,674,903
		<u>10,666,554</u>	<u>11,047,479</u>
Surplus on revaluation		334,967	331,574
		<u>11,001,521</u>	<u>11,379,053</u>

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

Lahore

  
Chief Executive Officer

  
Director

## Worldcall Telecom Limited

### CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED) FOR THE HALF YEAR ENDED 30 JUNE 2010

	Half year ended 30 June 2010	Half year ended 30 June 2009	Quarter ended 30 June 2010	Quarter ended 30 June 2009
------(Rupees in '000)-----				
Revenue -net	4,421,880	3,989,910	2,023,010	2,185,056
Direct cost	<u>(3,667,551)</u>	<u>(3,344,457)</u>	<u>(1,750,100)</u>	<u>(1,792,034)</u>
<b>Gross profit</b>	<b>754,329</b>	<b>645,453</b>	<b>272,910</b>	<b>393,022</b>
Operating cost	<u>(836,139)</u>	<u>(593,309)</u>	<u>(414,079)</u>	<u>(302,706)</u>
<b>Operating (loss)/profit</b>	<b>(81,810)</b>	<b>52,144</b>	<b>(141,169)</b>	<b>90,316</b>
Finance cost	<u>(377,353)</u>	<u>(169,022)</u>	<u>(174,145)</u>	<u>(86,690)</u>
	<b>(459,163)</b>	<b>(116,878)</b>	<b>(315,314)</b>	<b>3,626</b>
Impairment loss on available for sale financial assets	<u>(56,437)</u>	<u>(167,865)</u>	<u>(32,151)</u>	<u>(167,865)</u>
Other operating income	<u>24,123</u>	<u>33,225</u>	<u>14,254</u>	<u>17,129</u>
Other expenses	<u>(17,108)</u>	<u>(7,060)</u>	<u>(14,682)</u>	<u>221</u>
<b>Loss before taxation</b>	<b>(508,585)</b>	<b>(258,578)</b>	<b>(347,893)</b>	<b>(146,889)</b>
Taxation	<u>97,999</u>	<u>31,602</u>	<u>57,897</u>	<u>(8,696)</u>
<b>Loss after taxation</b>	<b><u>(410,586)</u></b>	<b><u>(226,976)</u></b>	<b><u>(289,996)</u></b>	<b><u>(155,585)</u></b>
<b>Loss per share - basic &amp; diluted (Rupees)</b>	<b><u>(0.48)</u></b>	<b><u>(0.26)</u></b>	<b><u>(0.34)</u></b>	<b><u>(0.18)</u></b>

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 interim financial information.

Lahore

*Balandi*  
Chief Executive Officer

*GHIMY*  
Director

## Worldcall Telecom Limited

### CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED) FOR THE HALF YEAR ENDED 30 JUNE 2010

	Half year ended 30 June 2010	Half year ended 30 June 2009	Quarter ended 30 June 2010	Quarter ended 30 June 2009
------(Rupees in '000)-----				
Loss for the period	<b>(410,586)</b>	<b>(226,976)</b>	<b>(289,996)</b>	<b>(155,585)</b>
<b>Other comprehensive income/ (loss)-net of tax:</b>				
Net change in fair value of available for sale financial assets	<u>(23,383)</u>	<u>(191,120)</u>	<u>(23,849)</u>	<u>(32,194)</u>
Impairment loss transferred to profit & loss account	<u>56,437</u>	<u>167,865</u>	<u>32,151</u>	<u>167,865</u>
	<b>33,054</b>	<b>(23,255)</b>	<b>8,302</b>	<b>135,671</b>
<b>Total comprehensive loss for the period</b>	<b><u>(377,532)</u></b>	<b><u>(250,231)</u></b>	<b><u>(281,694)</u></b>	<b><u>(19,914)</u></b>

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

Lahore

*Balandi*  
Chief Executive Officer

*GHIMY*  
Director

## Worldcall Telecom Limited

### CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE HALF YEAR ENDED 30 JUNE 2010

	Half year ended Note	Half year ended 30 June 2010	Half year ended 30 June 2009
------(Rupees in '000)-----			
<b>Cash flows from operating activities</b>			
Cash generated from operations	12	1,338,973	962,426
Decrease in long term deposits receivable		4,776	6,841
Increase in long term trade receivable		(47,210)	-
(Decrease)/increase in long term deposits payable		(409)	58
(Decrease)/increase in long term payables		(420,401)	441,313
Retirement benefits paid		(11,037)	(34,661)
Finance cost paid		(372,319)	(411,385)
Taxes paid		(25,428)	(17,999)
<b>Net cash generated from operating activities</b>		<b>466,945</b>	<b>946,593</b>
<b>Cash flow from investing activities</b>			
Fixed capital expenditure		(471,316)	(1,219,799)
Sale proceeds of property, plant and equipment		14,145	9,349
License fee paid		(113,500)	-
<b>Net cash used in investing activities</b>		<b>(570,671)</b>	<b>(1,210,450)</b>
<b>Cash flow from financing activities</b>			
Repayment of long term finances		(37,494)	(110,799)
Running finance- net		52,349	205,351
Receipts from short term borrowings		141,000	-
Repayment of term finance certificates		(59,054)	(59,055)
Repayment of finance lease liabilities		(43,068)	(57,276)
<b>Net cash generated from/(used in) financing activities</b>		<b>53,733</b>	<b>(21,779)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(49,993)</b>	<b>(285,636)</b>
<b>Cash and bank balances at the beginning of the period</b>		<b>336,480</b>	<b>564,188</b>
<b>Cash and bank balances at the end of the period</b>		<b>286,487</b>	<b>278,552</b>

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

Lahore

  
Chief Executive Officer

  
Director

## Worldcall Telecom Limited

### CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE HALF YEAR ENDED 30 JUNE 2010

	Revenue reserves		Other component of equity			Total
	Share capital	Accumulate profit/(loss)	Share premium	Fair value reserve- Available for sale assets	Revaluation reserve	
------(Rupees in '000)-----						
<b>Balance as at 31 December 2008</b>	8,605,716	2,172,537	837,335	(230,713)	324,759	11,709,634
Total comprehensive loss for the period	-	(226,976)	-	(23,255)	-	(250,231)
Transfer to surplus on revaluation	-	(3,421)	-	-	3,421	-
<b>Balance as at 30 June 2009</b>	<b>8,605,716</b>	<b>1,942,140</b>	<b>837,335</b>	<b>(253,968)</b>	<b>328,180</b>	<b>11,459,403</b>
Total comprehensive (loss)/income for the period	-	(263,843)	-	183,493	-	(80,350)
Transfer to surplus on revaluation	-	(3,394)	-	-	3,394	-
<b>Balance as at 31 December 2009</b>	<b>8,605,716</b>	<b>1,674,903</b>	<b>837,335</b>	<b>(70,475)</b>	<b>331,574</b>	<b>11,379,053</b>
Total comprehensive (loss)/income for the period	-	(410,586)	-	33,054	-	(377,532)
Transfer to surplus on revaluation	-	(3,393)	-	-	3,393	-
<b>Balance as at 30 June 2010</b>	<b>8,605,716</b>	<b>1,260,924</b>	<b>837,335</b>	<b>(37,421)</b>	<b>334,967</b>	<b>11,001,521</b>

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

Lahore

  
Chief Executive Officer

  
Director

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION  
(UN-AUDITED)  
FOR THE HALF YEAR ENDED 30 JUNE 2010**

**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 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 Accounting convention and basis of preparation**

This condensed interim financial information has been presented in condensed form in accordance with the requirements of the "International Accounting Standard 34 - Interim Financial Reporting" as applicable in Pakistan and is unaudited but subject to limited scope review performed by the external auditors of the Company in accordance with the requirements of clause (xxi) of the Code of Corporate. This condensed interim financial information does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the financial statements of the Company for the year ended 31 December 2009. Further, this condensed interim financial information is being circulated to the shareholders in accordance with the requirements of Section 245 of the Companies Ordinance, 1984.

**3 Statement of Compliance**

This condensed interim financial information of the company for the six months period ended 30 June 2010 has been prepared in accordance with the requirement of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

**4 Significant accounting judgments and estimates**

The preparation of condensed interim financial information is in conformity with approved accounting standards and 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 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 2009.

**5 Accounting policies**

Accounting policies and methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the financial statements of the Company for the year 31 December 2009 and stated therein, except for the following:

5.1 A discontinued operation is a component of the Company's business that represents a separate major line of business or geographical area of operations that has been disposed off or is held for sale or a subsidiary acquired exclusively with a view to resell. Classification as a discontinued operation occurs upon disposal or when the operations meet the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statement is re-presented as if the operation has been discontinued from the start of the comparative period.

	Note	30 June 2010	31 December 2009
----- (Rupees in '000) -----			
<b>6. Property, plant and equipment</b>			
<b>Owned and leased assets:</b>			
Opening net book value		<b>12,110,704</b>	9,901,500
Additions during the period/year	6.1	<b>1,417,040</b>	3,408,726
		<b>13,527,744</b>	13,310,226
Disposals for the period/year - NBV	6.2	<b>(23,523)</b>	(13,687)
Transferred to investment property		<b>(5,760)</b>	-
Depreciation for the period/year		<b>(685,600)</b>	(1,185,835)
<b>Closing net book value</b>		<b>12,812,861</b>	12,110,704
<b>6.1 Break-up of additions</b>			
Freehold land		<b>5,760</b>	-
Leasehold improvements		<b>750</b>	11,570
Plant and equipment		<b>1,387,377</b>	3,369,710
Office equipment		<b>5,758</b>	6,617
Computers		<b>5,129</b>	10,455
Furniture and fixtures		<b>157</b>	6,202
Vehicles		<b>9,317</b>	3,910
Lab and other equipment		<b>2,792</b>	262
		<b>1,417,040</b>	3,408,726
<b>6.2 Break-up of disposals</b>			
Leasehold improvements		<b>(41)</b>	(1,062)
Plant and equipment		<b>(23,061)</b>	(7,895)
Office equipment		<b>(30)</b>	(348)
Computers		-	(179)
Furniture and fixtures		<b>(113)</b>	(26)
Vehicles		<b>(278)</b>	(4,177)
		<b>(23,523)</b>	(13,687)
<b>7 Intangible assets- NBV</b>			
Licenses		<b>2,130,687</b>	2,209,794
Patents and copyrights		<b>1,326</b>	1,727
Software		<b>1,350</b>	2,250
Goodwill	7.1	<b>2,553,494</b>	2,553,494
		<b>4,686,857</b>	4,767,265
<b>7.1</b>			

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.



## Worldcall Telecom Limited

The Company assessed the recoverable amount at 30 June 2010 and determined that no impairment of Goodwill was found. The recoverable amount was calculated on the basis of five year financial business plan which includes debt financing. The debt financing assumption is substantially covered through commitment for the arrangement of financing available with the Company.

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.

**30 June      31 December**  
**2010            2009**  
-----**(Rupees in '000)**-----

### 8 Long term investment - classified as held for sale

#### Foreign subsidiary - Unquoted

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

7,221,740 ( 31 December 2009: 7,221,740) ordinary shares  
of Sri Lankan Rupees 10/-each. Equity held 70.65%  
(31 December 2009: 70.65%)

Share deposit money

44,406	44,406
13,671	13,671
58,077	58,077
<b>(58,077)</b>	<b>(58,077)</b>
-	-

Less: Provision for impairment

**8.1** 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 has decided and approved the winding up of the subsidiary. Long term investment in subsidiary has now been classified as discontinued operations.

### 9 Long term trade receivable

This represents receivable from the sale of Optical Fiber Cable stated at amortized cost by using the discount rate of 16%. This amount is receivable over a period of three years.

### 10 Short term borrowings

This represents a bridge finance facility of Rs. 200 million obtained from Habib Bank Limited to retire the Letter of Credit. This carries mark up at 3 months KIBOR plus 3% per annum. The bridge finance facility will be settled on or before 28th February 2011. This facility is secured by registered charge on current and fixed assets.

## Worldcall Telecom Limited

### 11 Contingencies and commitments

#### Contingencies

##### 11.1 Billing disputes with PTCL

**11.1.1** There is a dispute of Rs.71 million (31 Dec 2009: Rs 70.23 million) with PTCL of non revenue time of prepaid calling cards and Rs. 24.435 million (31 Dec 2009: Rs 29.3 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. 165.50 million (31 Dec 2009: Rs.153.54 million) on account of difference in rates, distances and date of activation. Further, the Company has also deposited Rs. 40 million (31 Dec 2009: 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** PTA has raised a demand on the Company of Rs. 10.6 million (31 Dec 2009: Rs. 10.6 million) on account of annual microwave and BTS registration charges. The Company disputed this amount on the grounds that the same are illegal and discriminatory. PTA issued a Show Cause Notice dated 26 June 2009 which culminated into a determination dated 22 February 2010 against the Company. The Company has filed an appeal bearing F.A.O.147/2010 against the said determination before the Honourable Lahore High Court Lahore; the same is pending adjudication. Based on legal advice, the Company has a very good case and there is every likelihood of success.

**11.2.2** 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.

## Worldcall Telecom Limited

**11.2.3** There is a dispute of Rs. 11.3 million (31 Dec 2009: 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 valid formation of R&D Fund by the Federal Government. PTA issued a Show Cause Notice dated 26 June 2009 which culminated into a determination dated 22 February 2010 against the Company. The Company has filed an appeal bearing F.A.O.147/2010 against the said determination before the Honourable Lahore High Court; the same is pending adjudication.

Validity of this fund is under question before the Honorable Supreme Court of Pakistan in a petition filed by another operator. The Honorable Supreme Court is yet to decide the fate of this fund. Any payment towards this fund shall be refundable in case of favorable decision of the Honorable Supreme Court. Based on legal advice, the Company is hopeful that there will be a favorable decision by the Honourable Supreme Court.

**11.2.4** There is a dispute of Rs. 491 million (31 Dec 2009: Rs. 491 million) with PTA on Access Promotion Contribution (APC) for Universal Service Fund (USF) representing contribution for the period prior to the valid formation of USF fund by the Federal Government. A 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 dismiss the appeal vide judgment dated 21 January 2009. The Company then filed a Civil Petition for Leave to Appeal (CPLA) before the Honourable Supreme Court of Pakistan against the judgment of the Honourable Islamabad High Court. The Honourable Supreme Court has heard the preliminary arguments in presence of the Respondents in various hearings. Lastly, this case was fixed on 08 February 2010 however the same got adjourned on the written request of the Respondents. The office of Honourable Supreme Court is yet to fix the next date of hearing. Based on legal advice, the Company is hopeful that the matter will be decided in favour of the Company.

### 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** 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.

## Worldcall Telecom Limited

**11.3.3** 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. 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

**11.3.4** In year 2006, Sales Tax refunds were applied for and granted to the Company under Section 66 of the Sales Tax Act 1990 on the basis of a letter issued by the Federal Board of Revenue (FBR) bearing No.1(17)CEB/96 dated 24 December 2004. Subsequently, in 2006, the FBR sent out another letter stating that the earlier clarification was prospective and did not apply to those instances of excise duty which had already been levied and collected since those were past and closed transactions.

Following this change in stance by the FBR, a Show Cause Notice was sent to the Company, including various other payphone companies and proceedings were initiated, culminating in the decision of the Customs, Federal Excise and Sales Tax Appellate Tribunal (CESTAT) dated 15 October 2009 in which it was held that though no tax fraud was apparent and neither penalties were appropriate, however, the disputed refund should be recovered from the Company (that is Rs.167 million). A reference has now been filed by the Company against the CESTAT decision before the Honourable Lahore High Court bearing Reference Application No.74 of 2009. An injunction currently holds the field which precludes recovery of the disputed refund. Most recently, the Appellate Tribunal Inland Revenue vide its judgment dated 09 April 2010 has allowed the appeals of other pay phone companies in result whereof entire demand of refund as well as additional tax and penalty has been set aside.

The Company has paid 20% of principal amount to date to the department against the said dispute. Based on legal advice and recent decision of the Tribunal in other similar cases, the management is hopeful that matter will be decided in favour of the Company.

	30 June 2010	31 December 2009
	----- (Rupees in '000) -----	
<b>Commitments</b>		
<b>11.4</b> Outstanding guarantees	<u>952,243</u>	<u>799,755</u>
<b>11.5</b> Commitments in respect of capital expenditure	<u>652,855</u>	<u>647,197</u>
<b>11.6</b> Outstanding letters of credit	<u>235,520</u>	<u>12,870</u>

## Worldcall Telecom Limited

	Half year ended 30 June 2010	Half year ended 30 June 2009
	------(Rupees in '000)-----	
<b>12 Cash generated from operations</b>		
Loss before taxation	(508,585)	(258,578)
<b>Adjustment for non-cash charges and other items:</b>		
Depreciation	685,600	546,827
Amortization of intangible assets	50,165	50,165
Interest on PTA license fee	34,219	62,329
Amortization of transaction cost	5,405	5,698
Amortization cost of receivables	18,033	-
Provision for doubtful receivables	91,432	34,341
Provision for store and spares	5,000	-
Impairment loss on available for sale financial assets	56,437	167,865
Gain on disposal of property, plant and equipment	(12,969)	(3,959)
Retirement benefits	46,203	32,347
Finance cost	337,729	100,995
<b>Profit before working capital changes</b>	<b>808,669</b>	<b>738,030</b>

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

*(Increase)/Decrease in the current assets*

Store and spares	72,692	6,918
Stock in trade	(8,907)	(25,654)
Trade debts	(919,135)	(584,725)
Loans and advances	(23,023)	(65,244)
Deposits and prepayments	(1,760)	(72,901)
Other receivables	(9,201)	56,898

*Increase/(Decrease) in current liabilities*

Trade and other payables	1,419,638	909,104
	530,304	224,396
	<b>1,338,973</b>	<b>962,426</b>

**13 Related party transactions**

The related parties comprise of shareholders, foreign subsidiary, 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 summarised as follows:

	Half year ended 30 June 2010	Half year ended 30 June 2009
	------(Rupees in '000)-----	
Purchase of goods and services	370,561	298,319
Sale of goods and services	200,319	160,046
Interest on advance	1,698	2,578
Provision for doubtful debts-Pace Group Companies	54,648	-

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

## Worldcall Telecom Limited

**14 Date of authorization for issue**

This condensed interim financial information was authorized for issue on 26 August 2010 by the Board of Directors of the Company.

**15 General**

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

**15.2** Corresponding figures have been re-arranged wherever necessary for the purpose of comparison. Material rearrangements is summarized below:

- Advances to suppliers amounting to Rs. 120 million previously grouped in loan and advances have now been grouped in capital work in progress.

Lahore

*Balaram*  
Chief Executive Officer

*W. J. M. J.*  
Director

**WORLDCALL TELECOM LIMITED  
AND ITS SUBSIDIARY**

**CONDENSED CONSOLIDATED  
HALF YEARLY  
FINANCIAL INFORMATION  
(UN-AUDITED)**

**30 JUNE 2010**

**DIRECTORS' REVIEW**

The Directors of Worldcall Telecom Limited ("WTL or the "Parent Company") are pleased to present the un-audited condensed consolidated financial information of the Group for the second quarter and six months ended 30 June 2010.


**Group Foreign Subsidiary**

**Worldcall Telecommunications Lanka (Pvt.) Limited (WTCL)**

Winding up of the subsidiary is in process as approved in the last 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**  
26 August 2010

  
**Babar Ali Syed**  
Chief Executive Officer

## Worldcall Telecom Limited Group

### CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (Un-Audited) AS AT 30 JUNE 2010

Note	30 June 2010	31 December 2009
	-----Rupees in ('000)-----	
<b>NON CURRENT ASSETS</b>		
<b>Tangible fixed assets</b>		
Property, plant and equipment	7 12,812,861	12,110,704
Capital work-in-progress	803,994	1,650,854
	<u>13,616,855</u>	<u>13,761,558</u>
<b>Intangible assets</b>		
Investment property	8 4,686,857	4,767,265
Long term trade receivable	9 81,922	76,162
Long term deposits	47,210	-
	<u>64,025</u>	<u>68,801</u>
	<u>18,496,869</u>	<u>18,673,786</u>
<b>CURRENT ASSETS</b>		
Store and spares	239,921	317,614
Stock in trade	191,012	182,105
Trade debts	2,926,414	2,116,744
Loans and advances - considered good	492,813	469,790
Deposits and prepayments	183,678	181,918
Other receivables	25,091	15,890
Short term investments-available for sale	355,056	378,439
Income tax recoverable-net	146,430	143,104
Cash and bank balances	286,487	335,579
Assets classified as held for sale	10 90	-
	<u>4,846,992</u>	<u>4,141,183</u>
<b>CURRENT LIABILITIES</b>		
Current maturities of non-current liabilities	2,256,000	1,858,591
Running finance under mark-up arrangements - secured	1,098,009	1,045,660
Short term borrowings	11 141,000	-
Trade and other payables	4,055,627	2,238,208
Interest and mark-up accrued	164,277	166,605
Liabilities classified as held for sale	10 15,833	-
	<u>7,730,746</u>	<u>5,309,064</u>
	<u>(2,883,754)</u>	<u>(1,167,881)</u>
<b>NET CURRENT LIABILITIES</b>		
<b>NON CURRENT LIABILITIES</b>		
Term finance certificates	2,764,835	3,364,861
Deferred taxation	278,013	398,122
Retirement benefits	211,108	175,942
Liabilities against assets subject to finance lease	21,679	18,542
Long term payables	1,295,877	2,125,220
Long term deposits	43,751	44,160
	<u>4,615,263</u>	<u>6,126,847</u>
Contingencies and commitments	12 -	-
	<u>10,997,852</u>	<u>11,379,058</u>
<b>REPRESENTED BY</b>		
<b>Share capital and reserves</b>		
Authorized capital		
900,000,000 (31 December 2009: 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	(37,421)	(70,475)
Exchange translation reserve	(3,816)	(2,940)
Accumulated profit	1,263,158	1,677,848
Capital and reserves attributable to equity holders of the Company	<u>10,664,972</u>	<u>11,047,484</u>
Non controlling interest	(2,087)	-
	<u>10,662,885</u>	<u>11,047,484</u>
Surplus on revaluation	334,967	331,574
	<u>10,997,852</u>	<u>11,379,058</u>

The annexed notes 1 to 17 form an integral part of this condensed consolidated interim financial information.

Lahore

*Balawandity*  
Chief Executive Officer

*Griffith*  
Director

## Worldcall Telecom Limited Group

### CONDENSED CONSOLIDATED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED) FOR THE HALF YEAR ENDED 30 JUNE 2010

Note	Half year ended 30 June 2010	Half year ended 30 June 2009	Quarter ended 30 June 2010	Quarter ended 30 June 2009
	-----Rupees in ('000)-----			
<b>Continuing Operations</b>				
Revenue -Net	4,421,880	3,989,910	2,023,010	2,185,056
Direct cost	<u>(3,667,551)</u>	<u>(3,344,457)</u>	<u>(1,750,100)</u>	<u>(1,792,034)</u>
<b>Gross profit</b>	<u>754,329</u>	<u>645,453</u>	<u>272,910</u>	<u>393,022</u>
Operating cost	<u>(832,704)</u>	<u>(593,309)</u>	<u>(410,644)</u>	<u>(302,706)</u>
<b>Operating (loss)/profit</b>	<u>(78,375)</u>	<u>52,144</u>	<u>(137,734)</u>	<u>90,316</u>
Finance cost	<u>(377,353)</u>	<u>(169,022)</u>	<u>(174,145)</u>	<u>(86,690)</u>
	<u>(455,728)</u>	<u>(116,878)</u>	<u>(311,879)</u>	<u>3,626</u>
Impairment loss on available for sale financial assets	<u>(56,437)</u>	<u>(167,865)</u>	<u>(32,151)</u>	<u>(167,865)</u>
Other operating income	24,123	33,225	14,254	17,129
Other expenses	<u>(17,108)</u>	<u>(7,060)</u>	<u>(14,682)</u>	<u>221</u>
<b>Loss before taxation</b>	<u>(505,150)</u>	<u>(258,578)</u>	<u>(344,458)</u>	<u>(146,889)</u>
Taxation	97,999	31,602	57,897	(8,696)
<b>Loss after taxation from continuing operations</b>	<u>(407,151)</u>	<u>(226,976)</u>	<u>(286,561)</u>	<u>(155,585)</u>
<b>Discontinued operations</b>				
Loss for the period from discontinued operations	10 <u>(5,869)</u>	<u>(4,327)</u>	<u>(4,561)</u>	<u>(1,982)</u>
	<u>(413,020)</u>	<u>(231,303)</u>	<u>(291,122)</u>	<u>(157,567)</u>
Attributable to:				
Equity holders of parent	<u>(411,297)</u>	<u>(230,033)</u>	<u>(289,783)</u>	<u>(156,985)</u>
Non controlling interest	<u>(1,723)</u>	<u>(1,270)</u>	<u>(1,339)</u>	<u>(582)</u>
	<u>(413,020)</u>	<u>(231,303)</u>	<u>(291,122)</u>	<u>(157,567)</u>
<b>Loss per share (Rupees)</b>	<u>(0.47)</u>	<u>(0.26)</u>	<u>(0.33)</u>	<u>(0.18)</u>
<b>Loss per share -continuing operations (Rupees)</b>	<u>(0.47)</u>	<u>(0.26)</u>	<u>(0.33)</u>	<u>(0.18)</u>

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

The annexed notes 1 to 17 form an integral part of this condensed consolidated interim financial information.

Lahore

*Balawandity*  
Chief Executive Officer

*Griffith*  
Director

## Worldcall Telecom Limited Group

### CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED) FOR THE HALF YEAR ENDED 30 JUNE 2010

	Half year ended 30 June 2010	Half year ended 30 June 2009	Quarter ended 30 June 2010	Quarter ended 30 June 2009
------(Rupees in '000)-----				
Loss for the period	(413,020)	(231,303)	(291,122)	(157,567)
<b>Other comprehensive income/ (loss)- net of tax:</b>				
Exchange differences on translating foreign operations	(1,240)	(347)	(1,115)	(206)
Net change in fair value of available for sale financial assets	(23,383)	(191,120)	(23,849)	(32,194)
Impairment loss transferred to profit & loss account	56,437	167,865	32,151	167,865
	<u>31,814</u>	<u>(23,602)</u>	<u>7,187</u>	<u>135,465</u>
Total comprehensive loss for the period	<u>(381,206)</u>	<u>(254,905)</u>	<u>(283,935)</u>	<u>(22,102)</u>
Attributable to:				
Equity holders of the parent	(379,119)	(253,533)	(282,269)	(21,459)
Non controlling interest	(2,087)	(1,372)	(1,666)	(643)
	<u>(381,206)</u>	<u>(254,905)</u>	<u>(283,935)</u>	<u>(22,102)</u>

The annexed notes 1 to 17 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 HALF YEAR ENDED 30 JUNE 2010

	Half year ended 30 June 2010	Half year ended 30 June 2009
------(Rupees in '000)-----		
<b>Cash flows from operating activities</b>		
Cash generated from operations	13      1,341,665	963,466
Decrease in long term deposits receivable	4,776	6,841
Increase in long term trade receivable	(47,210)	-
(Decrease)/increase in long term deposits payable	(409)	70
(Decrease)/increase in long term payables	(420,401)	441,313
Retirement benefits paid	(11,037)	(34,644)
Finance cost paid	(374,698)	(411,531)
Taxes paid	(25,428)	(17,999)
<b>Net cash generated from operating activities</b>	<u>467,258</u>	<u>947,516</u>
<b>Cash flow from investing activities</b>		
Fixed capital expenditure	(471,316)	(1,220,329)
Sale proceeds of property, plant and equipment	14,145	9,349
License fee paid	(113,500)	-
<b>Net cash used in investing activities</b>	<u>(570,671)</u>	<u>(1,210,980)</u>
<b>Cash flow from financing activities</b>		
Repayment of long term finances	(37,494)	(110,799)
Running finance-net	52,349	205,351
Receipts from short term borrowings	141,000	-
Repayment term finance certificate	(59,054)	(59,055)
Repayment of finance lease liabilities	(43,068)	(57,276)
<b>Net cash generated from/(used in) financing activities</b>	<u>53,733</u>	<u>(21,779)</u>
<b>Net decrease in cash and cash equivalents</b>	<u>(49,680)</u>	<u>(285,243)</u>
<b>Cash and bank balance at the beginning of the period</b>	<u>335,579</u>	<u>564,627</u>
<b>Cash and bank balance at the end of the period</b>	14 <u>285,899</u>	<u>279,384</u>

The annexed notes 1 to 17 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 HALF YEAR ENDED 30 JUNE 2010**

	Attributable to equity holders of the Company							Non controlling interest	Total
	Capital reserves								
	Revenue reserves	Share premium	Fair value reserve- available for sale	Currency translation reserve	Revaluation reserve	Sub Total	Non controlling interest		
Share capital	Accumulated profit/ (loss)	Share premium	Fair value reserve- available for sale	Currency translation reserve	Revaluation reserve	Sub Total	Non controlling interest	Total	
(Rupees in '000)									
<b>Balance as at 31 December 2008</b>	8,605,716	2,159,091	837,335	(230,713)	(1,308)	324,759	11,694,880	-	11,694,880
Total comprehensive loss for the period	-	(230,033)	-	(23,255)	(245)	-	(253,533)	(1,372)	(254,905)
Transfer to surplus on revaluation	-	(3,421)	-	-	-	3,421	-	-	-
Non controlling interest transferred to majority share holders	-	(1,372)	-	-	-	-	(1,372)	1,372	-
<b>Balance as at 30 June 2009</b>	8,605,716	1,924,265	837,335	(253,968)	(1,553)	328,180	11,439,975	-	11,439,975
Exchange translation difference	-	-	-	(1,632)	(677)	(1,632)	(1,632)	(677)	(2,309)
Transfer to surplus on revaluation	-	(3,394)	-	-	3,394	-	-	-	-
Total comprehensive loss for the period	-	(233,857)	-	184,039	245	-	(49,573)	(9,035)	(58,608)
Transfer from fair value reserve	-	546	-	(546)	-	-	-	-	-
Non controlling interest transferred to majority share holders	-	(9,712)	-	-	-	-	(9,712)	9,712	-
<b>Balance as at 31 December 2009</b>	8,605,716	1,677,848	837,335	(70,475)	(2,940)	331,574	11,379,058	-	11,379,058
Total comprehensive loss for the period	-	(411,297)	-	33,054	(876)	-	(379,119)	(2,087)	(381,206)
Transfer to surplus on revaluation	-	(3,393)	-	-	-	3,393	-	-	-
<b>Balance as at 30 June 2010</b>	8,605,716	1,263,158	837,335	(37,421)	(3,816)	334,967	10,999,939	(2,087)	10,997,852

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The annexed notes 1 to 17 form an integral part of this condensed consolidated interim financial information.

Lahore

*Balawad*  
Chief Executive Officer

*Director*  
Director

**Worldcall Telecom Limited Group**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL  
INFORMATION (UN-AUDITED)  
FOR THE HALF YEAR ENDED 30 JUNE 2010**

**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 Karachi and Lahore Stock Exchanges. The Company commenced its operations on 01 December 2004 and is engaged in providing Wireless Local Loop ("WLL") and Long Distance & International ("LDI") services in Pakistan, operation and maintenance of public payphones network and re-broadcasting international/national satellite/terrestrial wireless and cable television and radio signals as well as interactive communication and to establish, maintain and operate the licensed telephony services. The Company has been licensed by Pakistan Telecommunication Authority ("PTA") and Pakistan Electronic Media Regulatory Authority ("PEMRA") for these purposes. The registered office of the Company is situated at 67-A, C-III, Gulberg III, Lahore. 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. 154.15 million as at balance sheet date and its current liabilities exceed its current assets by Rs. 59.085 million. The net loss for the current period after tax is Rs. 5.87 million. In the current period, the assets, liabilities and operations of the subsidiary have been classified as those representing discontinued operations. The comparative profit and loss account has also been re-presented to reflect the change in the classification.

**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 consolidated financial information.

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## Worldcall Telecom Limited Group

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

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 Accounting convention and basis of preparation

This condensed consolidated interim financial information has been presented in condensed form in accordance with the requirements of the "International Accounting Standard 34 - Interim Financial Reporting" as applicable in Pakistan. This condensed consolidated interim financial information does not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the financial statements of the Group for the year ended 31 December 2009. Further, this condensed consolidated interim financial information is being circulated to the shareholders in accordance with the requirements of Section 245 of the Companies Ordinance, 1984.

### 4 Statement of Compliance

This condensed interim financial information of the Group for the six months period ended 30 June 2010 has been prepared in accordance with the requirement of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

### 5 Significant accounting judgments and estimates

The preparation of condensed consolidated interim financial information is in conformity with approved accounting standards and 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 consolidated 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 year ended 31 December 2009.

### 6 Accounting policies

Accounting policies adopted for preparation of this condensed interim financial information are same as those applied in the preparation of the audited annual financial statements of the Group for the year 31 December 2009 and stated therein, except for the following:

- 6.1 A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed off or is held for sale or a subsidiary acquired exclusively with a view to resell. Classification as a discontinued operation occurs upon disposal or when the operations meet the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statement is re-presented as if the operation has been discontinued from the start of the comparative period.

## Worldcall Telecom Limited Group

	Note	30 June 2010	31 December 2009
----- (Rupees in '000) -----			
<b>7 Property, plant and equipment</b>			
<b>Owned and leased assets:</b>			
Opening net book value		12,110,704	9,923,940
Exchange adjustment		-	1,108
Impairment		-	(20,028)
Additions during the period /year	7.1	1,417,040	3,408,726
		<u>13,527,744</u>	<u>13,313,746</u>
Disposals during the period/year - NBV	7.2	(23,523)	(13,687)
Transferred to investment property		(5,760)	-
Depreciation for the period/year		(685,600)	(1,188,792)
Exchange adjustment on depreciation		-	(563)
<b>Closing net book value</b>		<u><u>12,812,861</u></u>	<u><u>12,110,704</u></u>
<b>7.1 Break-up of additions</b>			
Freehold land		5,760	-
Leasehold improvements		750	11,570
Plant and equipment		1,387,377	3,369,710
Office equipment		5,758	6,617
Computers		5,129	10,455
Furniture and fixtures		157	6,202
Vehicles		9,317	3,910
Lab and other equipment		2,792	262
		<u>1,417,040</u>	<u>3,408,726</u>
<b>7.2 Break-up of disposals</b>			
Leasehold improvements		(41)	(1,062)
Plant and equipment		(23,061)	(7,895)
Office equipment		(30)	(348)
Computers		-	(179)
Furniture and fixtures		(113)	(26)
Vehicles		(278)	(4,177)
		<u>(23,523)</u>	<u>(13,687)</u>
<b>8 Intangible assets- NBV</b>			
Licenses		2,130,687	2,209,794
Patents and copyrights		1,326	1,727
Software		1,350	2,250
Goodwill	8.1	2,553,494	2,553,494
		<u>4,686,857</u>	<u>4,767,265</u>
<b>8.1</b>	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 30 June 2010 and determined that no impairment of Goodwill was found. The recoverable amount was calculated on the basis of five year financial business plan which includes debt financing. The debt financing assumption is substantially covered through commitment for the arrangement of financing available with the Company.



## Worldcall Telecom Limited Group

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.

### 9 Long term trade receivable

This represents receivable from the sale of Optical Fiber Cable stated at amortized cost by using the discount rate of 16%. This amount is receivable over a period of three years.

### 10 Assets 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 has decided and approved the winding up of the subsidiary. Long term investment in subsidiary has now been classified as discontinued operations.

The following are the results for the period ending 30 June 2010 and the comparative period of discontinued operations.

	30 June 2010	30 June 2009
	----- (Rupees in '000) -----	
<b>Results of discontinued operations</b>		
Revenue	1,911	3,068
Expenses	<u>(5,450)</u>	<u>(7,310)</u>
Results from operating activities	<b>(3,539)</b>	<b>(4,242)</b>
Finance cost	<b>(2,379)</b>	<b>(146)</b>
Other income	<u>49</u>	<u>61</u>
Loss for the period	<b><u>(5,869)</u></b>	<b><u>(4,327)</u></b>

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

Net cash generated from operating activities	313	393
Net cash generated from investing activities	-	-
Net cash generated from financing activities	-	-
Net cash generated from discontinued operation	<b><u>313</u></b>	<b><u>393</u></b>

### Assets and Liabilities classified as held for sale

#### Assets

Trade debts	<b><u>90</u></b>
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## Worldcall Telecom Limited Group

30 June  
2010  
(Rupees in '000)

<b>Liabilities</b>	
Trade and other payables	15,238
Income tax payable	7
Cash and Bank Balance	<u>588</u>
	<b><u>15,833</u></b>

### 11 Short term borrowings

This represents a bridge finance facility of Rs. 200 million obtained from Habib Bank Limited to retire the Letter of Credit. This carries mark up at 3 months KIBOR plus 3% per annum. The bridge finance facility will be settled on or before 28th February 2011. This facility is secured by registered charge on current and fixed assets.

### 12 Contingencies and commitments

#### Contingencies

#### 12.1 Billing disputes with PTCL

**12.1.1** There is a dispute of Rs.71 million (31 Dec 2009: Rs 70.23 million) with PTCL of non revenue time of prepaid calling cards and Rs. 24.435 million (31 Dec 2009: Rs 29.3 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.

**12.1.2** PTCL has charged the Company excess Domestic Private Lease Circuits (DPLC) and other media charges amounting to Rs. 165.50 million (31 Dec 2009: Rs.153.54 million) on account of difference in rates, distances and date of activation. Further, the Company has also deposited Rs. 40 million (31 Dec 2009: 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.

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

**12.2.1** PTA has raised a demand on the Company of Rs. 10.6 million (31 Dec 2009: Rs. 10.6 million) on account of annual microwave and BTS registration charges. The Company disputed this amount on the grounds that the same are illegal and discriminatory. PTA issued a Show Cause Notice dated 26 June 2009 which culminated into a determination dated 22 February 2010 against the Company. The Company has filed an appeal bearing F.A.O.147/2010 against the said determination before the Honourable Lahore High Court Lahore; the same is pending adjudication. Based on legal advice, the Company has a very good case and there is every likelihood of success.

**12.2.2** 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 management 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.

- 12.2.3** There is a dispute of Rs. 11.3 million (31 Dec 2009: 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 valid formation of R&D Fund by the Federal Government. PTA issued a Show Cause Notice dated 26 June 2009 which culminated into a determination dated 22 February 2010 against the Company. The Company has filed an appeal bearing F.A.O.147/2010 against the said determination before the Honourable Lahore High Court; the same is pending adjudication.

Validity of this fund is under question before the Honorable Supreme Court of Pakistan in a petition filed by another operator. The Honorable Supreme Court is yet to decide the fate of this fund. Any payment towards this fund shall be refundable in case of favorable decision of the Honorable Supreme Court. Based on legal advice, the Company is hopeful that there will be a favorable decision by the Honourable Supreme Court.

- 12.2.4** There is a dispute of Rs. 491 million (31 Dec 2009: Rs. 491 million) with PTA on Access Promotion Contribution (APC) for Universal Service Fund (USF) representing contribution for the period prior to the valid formation of USF fund by the Federal Government. A 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 dismiss the appeal vide judgment dated 21 January 2009. The Company then filed a Civil Petition for Leave to Appeal (CPLA) before the Honourable Supreme Court of Pakistan against the judgment of the Honourable Islamabad High Court. The Honourable Supreme Court has heard the preliminary arguments in presence of the Respondents in various hearings. Lastly, this case was fixed on 8 February 2010 however the same got adjourned on the written request of the Respondents. The office of Honourable Supreme Court is yet to fix the next date of hearing. Based on legal advice, the Company is hopeful that the matter will be decided in favour of the Company.

### 12.3 Taxation issues

- 12.3.1** 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.

- 12.3.2** 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.

- 12.3.3** 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 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. 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

- 12.3.4** In year 2006, Sales Tax refunds were applied for and granted to the Company under Section 66 of the Sales Tax Act 1990 on the basis of a letter issued by the Federal Board of Revenue (FBR) bearing No.1(17)CEB/96 dated 24 December 2004. Subsequently, in 2006, the FBR sent out another letter stating that the earlier clarification was prospective and did not apply to those instances of excise duty which had already been levied and collected since those were past and closed transactions.

Following this change in stance by the FBR, a Show Cause Notice was sent to the Company, including various other payphone companies and proceedings were initiated, culminating in the decision of the Customs, Federal Excise and Sales Tax Appellate Tribunal (CESTAT) dated 15 October 2009 in which it was held that though no tax fraud was apparent and neither penalties were appropriate, however, the disputed refund should be recovered from the Company (that is Rs.167 million). A reference has now been filed by the Company against the CESTAT decision before the Honourable Lahore High Court bearing Reference Application No.74 of 2009. An injunction currently holds the field which precludes recovery of the disputed refund. Most recently, the Appellate Tribunal Inland Revenue vide its judgment dated 09 April 2010 has allowed the appeals of other pay phone companies in result whereof entire demand of refund as well as additional tax and penalty has been set aside.

## Worldcall Telecom Limited Group

The Company has paid 20% of principal amount to date to the department against the said dispute. Based on legal advice and recent decision of the Tribunal in other similar cases, the management is hopeful that matter will be decided in favour of the Company.

	30 June 2010	31 December 2009
	----- (Rupees in '000) -----	
<b>Commitments</b>		
12.4 Outstanding guarantees	<u>952,243</u>	<u>799,755</u>
12.5 Commitments in respect of capital expenditure	<u>652,855</u>	<u>647,197</u>
12.6 Outstanding letters of credit	<u>235,520</u>	<u>12,870</u>
	30 June 2010	30 June 2009
	----- (Rupees in '000) -----	
<b>13 Cash generated from operations</b>		
Loss before taxation	(511,019)	(262,905)
<b>Adjustment for non-cash charges and other items:</b>		
Depreciation	685,600	548,286
Amortization of intangible assets	50,165	50,165
Interest on PTA license fee	34,219	62,329
Amortization of transaction cost	5,405	5,698
Amortization cost of receivables	18,033	-
Provision for doubtful receivables	91,432	34,341
Provision for store and spares	5,000	-
Impairment loss on available for sale financial assets	56,437	167,865
Gain on disposal of property, plant and equipment	(12,969)	(3,959)
Exchange translation difference	(876)	(245)
Retirement benefits	46,203	32,486
Finance cost	340,108	101,141
<b>Profit before working capital changes</b>	<u>807,738</u>	<u>735,202</u>
<b>Effect on cash flow due to working capital changes:</b>		
<i>(Increase)/Decrease in the current assets</i>		
Store and spares	72,686	6,918
Stock in trade	(8,912)	(25,653)
Trade debts	(919,298)	(584,642)
Loans and advances	(23,023)	(65,244)
Deposits and prepayments	(1,765)	(72,840)
Other receivables	(9,325)	56,897
<i>Increase/(Decrease) in current liabilities</i>		
Trade and other payables	1,423,564	912,828
	<u>533,927</u>	<u>228,264</u>
	<u>1,341,665</u>	<u>963,466</u>

## Worldcall Telecom Limited Group

	30 June 2010	30 June 2009
	----- (Rupees in '000) -----	
<b>14 Cash and bank balance</b>		
Cash and bank balance- parent	286,487	278,552
Cash and bank balance-subsiary	(588)	832
	<u>285,899</u>	<u>279,384</u>

### 15 Related party transactions

The related parties comprise 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 summarised as follows:

	30 June 2010	30 June 2009
	----- (Rupees in '000) -----	
Purchase of goods and services	370,561	298,319
Sale of goods and services	200,319	160,046
Interest on advance	1,698	2,578
Provision for doubtful debts-Pace Group Companies	54,648	-

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

### 16 Date of authorization for issue

This condensed consolidated interim financial information was authorized for issue on 26 August 2010 by the Board of Directors.

### 17 General

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

17.2 Corresponding figures have been re-arranged wherever necessary for the purpose of comparison. Material rearrangements is summarized below:

- Advances to suppliers amounting to Rs. 120 million previously grouped in loans and advances have now been grouped in capital work in progress.

Lahore

*Balanda*  
Chief Executive Officer

*Ghulam*  
Director