

**CONDENSED INTERIM
FINANCIAL INFORMATION
(UN-AUDITED)
FOR THE PERIOD ENDED**

31 MARCH 2009

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.

Contents

Page Seven

Company information

Page Nine

Directors' review

Page Ten

Condensed interim balance sheet

Page Eleven

Condensed interim profit & loss account

Page Twelve

Condensed interim statement of comprehensive income

Page Thirteen

Condensed interim cash flow statement

Page Fourteen

Condensed interim statement of changes in equity

Page Fifteen

Notes to the condensed interim financial information

Page Twenty One

Condensed consolidated interim financial information

COMPANY INFORMATION

| | |
|---|--|
| Chairman | Dr. Mohammed Ali Mohammed Al-Wohaibi |
| Chief Executive Officer | Babar Ali Syed |
| Board of Directors (In Alphanumeric order) | Abdullah Zahran Abdullah Al-Hinai Asadullah Khawaja (Nominee Arif Habib Securities Ltd.) Dr. Mohammed Ali Mohammed Al-Wohaibi Saleem Jawad Jaffer Al-Khabori Salmaan Taseer Sameer Hamed Naseer Al-Siyabi Sheikh Sulieman Ahmed Said Al-Hoqani Sumbul Munir Talal Said Marhoon Al-Mamari |
| Chief Financial Officer | Ahmed Suhail Al Mur Al-Habsi |
| Audit Committee | Talal Said Marhoon Al-Mamari (Chairman) Sumbul Munir (Member) Asadullah Khawaja (Member) |
| Company Secretary | Mohammad Khamis Al-Sinaidy |
| Auditors | KPMG Taseer Hadi & Co. Chartered Accountants |
| Legal Advisers | Ebrahim Hosain & Associates Advocates |
| Bankers | Allied Bank Limited Askari Bank Limited Arif Habib 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 Pak Oman Investment Co. Limited Soneri Bank Limited Standard Chartered Bank (Pakistan) Limited The Bank of Punjab The Royal Bank of Scotland Limited United Bank Limited |
| Registrar and Shares Transfer Office | THK Associates (Pvt.) Limited Ground Floor State Life Building No.3, Dr. Zia-ud-Din Ahmed Road Karachi ☎ (021) 111-000-322 |
| Registered Office/Head Office | 67-A, C/III, Gulberg-III Lahore, Pakistan ☎ (042) 5872633-38 Fax: (042) 5755231 |

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 2009.

Financial Overview

The Company posted revenue of Rs. 1,805 million for the quarter which is nearly twice the revenue of the same period last year. Growth in international traffic and higher APC rates were the main factors that led to this increase in revenue. GP ratio declined from 29% to 14% as direct cost registered an increase of 131%. The increase in the direct cost was attributable to higher interconnect and settlement costs. Increase of Rs. 60 million was recorded in operating cost. This increase was mainly brought about by the increase in marketing expenses and staff cost. The decline in the GP margin along with the increase of 26% in the operating cost led to an operating loss of Rs. 38 million as compared to operating profit of Rs. 39 million in the corresponding period last year.

Future Outlook


The Company has successfully launched EVDO service in Lahore and work is in process to launch the product in other major cities. The launch at Lahore has been greatly welcomed. The affordability and ease which the Company has offered in this service has attracted praise from all quarters. Keeping in view the utility and appetite of the market for such sophisticated and innovative products, it is expected that the Company will be able to grasp a good share of the market before other telecom operators launch similar products.

The Company is currently working on enhancing existing revenue streams that would make its operations aligned with the emerging trends of the market. Furthermore, the Company is implementing strategic initiatives for management efficiency and use of its extensive network and system capacity. The aim is to have such allocation and utilization of these resources that would help in achieving the competitive advantage and ensuring the long term success.

Company's staff and customers

We wish to place on record our gratitude and appreciation for our employees. Their loyalty and support is highly commendable. We are also grateful to our customers and business partners for their patronage and continued support.

For and on behalf of the Board of Directors


Babar Ali Syed
 Chief Executive Officer

Lahore
 07 July 2009

Worldcall Telecom Limited

CONDENSED INTERIM BALANCE SHEET (Un-Audited) AS AT 31 MARCH 2009

| Note | 31 March 2009 | 31 December 2008 |
|--|-------------------|---------------------|
| (Rupees in '000') | | |
| NON CURRENT ASSETS | | |
| Tangible fixed assets | | |
| Property, plant and equipment | 5 10,317,807 | 9,901,500 |
| Capital work-in-progress | 2,755,998 | 3,229,688 |
| | <u>13,073,805</u> | <u>13,131,188</u> |
| Intangible assets | 4,887,879 | 4,928,080 |
| Investment properties | 76,162 | 76,162 |
| Long term investments - at cost less impairment | 41,995 | 41,995 |
| Long term deposits | 70,584 | 76,483 |
| | <u>18,150,425</u> | <u>18,253,908</u> |
| CURRENT ASSETS | | |
| Store and spares | 52,986 | 56,190 |
| Stock in trade | 157,215 | 143,253 |
| Trade debts | 1,330,328 | 977,845 |
| Loans and advances - considered good | 1,007,562 | 115,678 |
| Deposits and prepayments | 295,312 | 231,650 |
| Other receivables | 122,052 | 184,441 |
| Short term investments | 185,146 | 344,072 |
| Income tax recoverable-net | 142,003 | 132,689 |
| Cash and bank balances | 258,148 | 564,188 |
| | <u>3,550,752</u> | <u>2,750,006</u> |
| CURRENT LIABILITIES | | |
| Current maturities of non-current liabilities | 483,303 | 515,149 |
| Running finance under mark-up arrangements - secured | 152,965 | 427,240 |
| Trade and other payables | 2,608,465 | 1,863,676 |
| Interest and mark-up accrued | 347,392 | 175,371 |
| | <u>3,592,125</u> | <u>2,981,436</u> |
| | (41,373) | (231,430) |
| NET CURRENT LIABILITIES | | |
| | | |
| NON CURRENT LIABILITIES | | |
| Term finance certificates - secured | 4,020,857 | 4,018,133 |
| Deferred taxation | 513,018 | 553,400 |
| Retirement benefits | 166,620 | 156,957 |
| Liabilities against assets subject to finance lease | 31,795 | 63,444 |
| Long term payables | 848,453 | 502,674 |
| Long term deposits | 46,187 | 46,111 |
| License fee payable | 1,002,805 | 972,125 |
| | <u>6,629,735</u> | <u>6,312,844</u> |
| Contingencies and commitments | 6 | |
| | <u>11,479,317</u> | <u>11,709,634</u> |
| Represented by | | |
| Share capital and reserves | | |
| Authorized capital | | |
| 900,000,000 (31 December 2008: 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 | (389,639) | (230,713) |
| Accumulated profit | 2,099,421 | 2,172,537 |
| | <u>11,152,833</u> | <u>11,384,875</u> |
| Surplus on Revaluation | 326,484 | 324,759 |
| | <u>11,479,317</u> | <u>11,709,634</u> |

The annexed notes 1 to 11 form an integral part of this condensed interim financial information.

Lahore


 Chief Executive


 Director

Worldcall Telecom Limited

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED) FOR THE QUARTER ENDED 31 MARCH 2009

| | Quarter ended 31 March 2009 (Rupees in '000') | Restated Quarter ended 31 March 2008 |
|---|---|--|
| Revenue -net | 1,804,854 | 941,716 |
| Direct cost | <u>(1,552,423)</u> | <u>(672,005)</u> |
| Gross profit | 252,431 | 269,711 |
| Operating cost | <u>(290,603)</u> | <u>(230,651)</u> |
| Operating (loss)/profit | (38,172) | 39,060 |
| Finance cost | <u>(82,332)</u> | <u>(77,211)</u> |
| | (120,504) | (38,151) |
| Loss on re-measurement of investments at fair value | - | (55,821) |
| Other operating income | 16,096 | 13,250 |
| Other expenses | <u>(7,281)</u> | <u>(2,484)</u> |
| Loss before taxation | (111,689) | (83,206) |
| Taxation | <u>40,298</u> | <u>14,984</u> |
| Loss after taxation | <u>(71,391)</u> | <u>(68,222)</u> |
| | | |
| Loss per share - basic | (Rupees) <u>(0.08)</u> | (Rupees) <u>(0.09)</u> |
| Loss per share - diluted | (Rupees) <u>-</u> | (Rupees) <u>(0.08)</u> |

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

The annexed notes 1 to 11 form an integral part of this condensed interim financial information.

Lahore

Balawanditya
Chief Executive

GRIMY
Director

Worldcall Telecom Limited

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 MARCH 2009

| | Quarter ended 31 March 2009 | Restated Quarter ended 31 March 2008 |
|---|-----------------------------------|---|
| | (Rupees in '000') | |
| Loss for the period | (71,391) | (68,222) |
| Other comprehensive loss-net of tax: | | |
| Loss on re-measurement of available for sale financial assets | (158,926) | - |
| Total comprehensive loss for the period | <u>(230,317)</u> | <u>(68,222)</u> |

The annexed notes 1 to 11 form an integral part of this condensed interim financial information.

Lahore

Balawanditya
Chief Executive

GRIMY
Director

Worldcall Telecom Limited

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE QUARTER ENDED 31 MARCH 2009

| | Note | 31 March 2009 | Restated 31 March 2008 |
|---|------|------------------|------------------------------|
| (Rupees in '000') | | | |
| Cash flow from operating activities | | | |
| Cash generated from operations | 7 | 654,954 | 351,874 |
| Decrease in long term deposits receivable | | 5,899 | 113,837 |
| Increase in long term deposits payable | | 76 | 11,042 |
| Increase in long term payables | | 345,779 | - |
| Retirement benefits paid | | (6,509) | (5,163) |
| Finance cost paid | | (36,041) | (109,570) |
| Taxes paid | | (9,397) | (14,332) |
| Net cash generated from operating activities | | 954,761 | 347,688 |
| Cash flow from investing activities | | | |
| Fixed capital expenditure | | (925,713) | (355,542) |
| Sale proceeds of property, plant and equipment | | 3,207 | 1,743 |
| Short term investments-net | | - | 5,355 |
| Net cash used in investing activities | | (922,506) | (348,444) |
| Cash flow from financing activities | | | |
| Receipt of long term finances | | - | 1,414,194 |
| Repayment of long term finances | | (36,650) | (1,316,745) |
| Repayment of finance lease liabilities | | (27,370) | (47,867) |
| Net cash (used in)/generated from financing activities | | (64,020) | 49,582 |
| Net (decrease)/increase in cash and cash equivalents | | (31,765) | 48,826 |
| Cash and cash equivalents at the beginning of the period | | 136,948 | 698,744 |
| Cash and cash equivalents at the end of the period | | 105,183 | 747,570 |

The annexed notes 1 to 11 form an integral part of this condensed interim financial information.

Lahore


Chief Executive


Director

Worldcall Telecom Limited

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE QUARTER ENDED 31 MARCH 2009

| | Revenue reserves | | Other component of equity | | | Total |
|---|------------------|--------------------------|---------------------------|---|--------------------------|-------------------|
| | Share capital | Accumulate profit/(loss) | Share premium | Fair value reserve- Available for sale assets | Convertible loan reserve | |
| | | | | (Rupees in '000') | | |
| Balance as at 31 December 2007 - Restated | 7,520,607 | 2,758,921 | 410,887 | - | 1,403,575 | 12,093,990 |
| Total comprehensive loss for the period as restated | - | (68,222) | - | - | - | (68,222) |
| Balance as at 31 March 2008 - Restated | 7,520,607 | 2,690,699 | 410,887 | - | 1,403,575 | 12,025,768 |
| Liability component of convertible loan | - | - | - | - | 107,982 | 107,982 |
| Shares issued against convertible loan | 1,085,109 | - | 426,448 | - | (1,511,557) | - |
| Total comprehensive loss for the period | - | (514,797) | - | (230,713) | - | (745,510) |
| Transfer to surplus on revaluation | - | (3,365) | - | - | - | (3,365) |
| Balance as at 31 December 2008 | 8,605,716 | 2,172,537 | 837,335 | (230,713) | - | 11,384,875 |
| Total comprehensive loss for the period | - | (71,391) | - | (158,926) | - | (230,317) |
| Transfer to surplus on revaluation | - | (1,725) | - | - | - | (1,725) |
| Balance as at 31 March 2009 | 8,605,716 | 2,099,421 | 837,335 | (389,639) | - | 11,152,833 |

The annexed notes 1 to 11 form an integral part of this condensed interim financial information.

Lahore


Chief Executive


Director

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
(UN-AUDITED)
FOR THE QUARTER ENDED 31 MARCH 2009**

1 Legal status and nature of business

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

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 are unaudited. This condensed interim financial information does not include all of the information required for full annual financial statements, and should be read in conjunction with the financial statements of the Company for the period ended 31 December 2008. 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. Significant accounting judgements 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 2008.

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 period ended 31 December 2008. In accordance with revised International Accounting Standard (IAS) 1 "Presentation of Financial Statements" which is applicable for accounting years beginning on or after 01 January, 2009, now 'non-owner changes in equity' have been presented separately as "Condensed Interim Statement of Other Comprehensive Income" thereby separated from owner changes in equity classified under "Condensed Interim Statement of Changes in Equity".

| | Note | 31 March 2009 | 31 December 2008 |
|---|------|--------------------------|---------------------|
| (Rupees in '000') | | | |
| 5. Property, Plant and Equipment | | | |
| Owned and leased assets: | | | |
| Opening net book value | | 9,901,500 | 8,903,741 |
| Additions during the period | 5.1 | 678,159 | 1,501,660 |
| | | <u>10,579,659</u> | <u>10,405,401</u> |
| Disposals for the period - NBV | 5.2 | (2,261) | (17,440) |
| Depreciation for the period | | (259,591) | (486,461) |
| Closing book value | | <u>10,317,807</u> | <u>9,901,500</u> |
| 5.1 Break-up of additions/adjustments | | | |
| Leasehold improvements | | 480 | 17,971 |
| Plant and equipment | | 675,455 | 1,427,842 |
| Office equipment | | 420 | 25,025 |
| Computers | | 1,061 | 3,112 |
| Furniture and fixtures | | 103 | 979 |
| Vehicles | | 603 | 25,793 |
| Lab and other equipment | | 37 | 938 |
| | | <u>678,159</u> | <u>1,501,660</u> |
| 5.2 Break-up of disposals | | | |
| Plant and equipment | | (2,122) | (15,736) |
| Office equipment | | (28) | (189) |
| Computers | | (39) | (167) |
| Furniture and fixtures | | (26) | (8) |
| Vehicles | | (46) | (1,340) |
| | | <u>(2,261)</u> | <u>(17,440)</u> |
| 6 Contingencies and commitments | | | |
| Contingencies | | | |
| 6.1 Billing disputes with PTCL | | | |
| 6.1.1 | | | |
| There is a dispute of Rs.69.770 million (31 Dec 2008: Rs 69.675 million) with PTCL of non revenue time of prepaid calling cards and Rs. 22.341 million (31 Dec 2008: Rs 16.728 million) for excess minutes billed on account of interconnect and settlement charges. The management is hopeful that matter will be decided in favour of the company. | | | |
| 6.1.2 | | | |
| PTCL has charged the Company excess Domestic Private Lease Circuits (DPLC) and other media charges amounting to Rs. 112.20 million (31 Dec 2008: Rs.78.24 million) on account of difference in rates, distances and date of activation. Further the Company has also deposited Rs. 40 million (31 Dec 2008: Rs. 40 million) in Escrow Account on account of dispute of charging of bandwidth charges from the date of activation of Digital Interface Units (DIUs) for commercial operation and in proportion to activation of DIUs related to each DPLC link and excess charging in respect of Karachi-Rawalpindi link which was never activated. The management is hopeful that matter will be decided in favor of the Company. | | | |
| 6.2 Disputes with Pakistan Telecommunication Authority (PTA) | | | |
| 6.2.1 | | | |
| PTA has raised a demand on the Company of Rs. 4.3 million (31 Dec 2008: Rs. 4.3 million) on account of annual microwave and BTS registration charges. The Company is not paying this amount on the grounds that earlier exemptions were given to mobile operators. In addition to this, there is no legal requirement to register BTS with PTA, therefore PTA cannot charge a fee for BTS registration. The management is hopeful that matter will be decided in favour of the Company. | | | |

Worldcall Telecom Limited

- 6.2.2** 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-form 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. The management is hopeful that the matter will be decided in favour of the Company and notice will be withdrawn.
- 6.2.3** There is a dispute of Rs. 11.3 million (31 Dec 2008: Rs. 11.3 million) with PTA on account of contribution to the Research and Development Fund ("R&D Fund") for the period prior to the formation of R&D Fund by the Federal Government. Based on legal advice, the management is hopeful that the matter will be decided in favour of the Company.
- 6.2.4** There is a dispute of Rs. 491 million (31 Dec 2008: Rs. 491 million) with PTA on Universal Service Fund (USF) representing contribution to USF for the period prior to the formation of USF by the Federal Government. Show cause notice was issued by the PTA which culminated into determination dated 4 April 2008 against the Company. The Company filed an appeal in Honourable Islamabad High Court Islamabad and the honourable Court was pleased to grant stay order in favour of the Company. The Appeal was finally fixed for hearing on 16 December 2008 on which date arguments were heard and the judgment reserved by the honourable Court. Thereafter, honourable Court vide its judgment dated 21 January 2009 has dismissed the appeal of the Company. A Civil Petition for Leave to Appeal (CPLA) has been filed before the Honourable Supreme Court of Pakistan against the judgment of Islamabad High Court. The CPLA was fixed for hearing before the Honourable Supreme Court on 29 April 2009. The Honourable Supreme Court after hearing the preliminary arguments has issued notices to Respondents. Next date of hearing was fixed on 28 May 2009. The Supreme court after further hearing has suspended the case till third week of July 2009. Based on legal advice, management of the Company is hopeful that the matter will be decided in favour of the Company.

6.3 Taxation issues

- 6.3.1** 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.
- 6.3.2** 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

- 6.3.3** 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. Other appeals are pending before the Commissioner of Income Tax (Appeals). Based on legal advice, the management is hopeful that matter will be decided in favour of the Company.
- 6.3.4** In 2006 Sales Tax Authorities served Show Cause Notices to various payphone companies, including the Company, on account of alleged wrong claim of refund of Rs. 167 million under section 66 of the Sales Tax Act 1990. The matter was adjudicated and the Additional Collector (Adjudication) Sales Tax, Lahore passed an Order dated 18 September 2007 against the Company and imposed a penalty equivalent to the amount of original alleged claim on the Company and Chief Executive. Later on, the Sales Tax Department has issued a notice under Section 48 of the Sales Tax Act, 1990 to the bankers of the Company and Customs Authorities for recovery of refund along with penalty. Moreover, a notice for stoppage of clearance of imported goods has also been issued by the Sales Tax Department to Custom Authorities.

Order of the Additional Collector to the extent of imposing penalty on the Chief Executive of the Company has been stayed by the Honourable High Court Lahore. An appeal has been filed before the Collector (Appeals) Customs, Federal Excise & Sales Tax, Lahore against the order of Additional Collector (Adjudication). The said Order of the Additional Collector was also assailed before the Honorable Federal Tax Ombudsman ("FTO"). The FTO has issued an order that no penalty can be imposed against the Company as there is no element of tax fraud involved in the matter and the issue pertains to a change of opinion of the Federal Board of Revenue. In a first appeal against the order of adjudicating authority, Collector (Appeals) Customs, Federal Excise & Sales Tax has confirmed the demand vide Order-in-Appeal no. 04-10/ST/2009 dated 06 January 2009, however the Collector has waived the 100% personal penalty on the Chief Executive. An appeal against the decision of the Collector (Appellate) Customs, Federal Excise & Sales Tax has been filed with Customs, Federal Excise and Sales Tax (Appellate) Tribunal Lahore, which is pending in adjudication. The honorable Tribunal vide its order dated 04 February 2009 has suspended the recovery proceedings subject to deposit of ten percent of principal amount. The Company has paid ten percent of principal amount as per order of the honorable Tribunal.

In the meanwhile upon application of the Company under section 47A of the Sales Tax Act, 1990 for constitution of Alternative Dispute Resolution Committee (ADRC) the FBR has constituted the Committee and referred the matter to be resolved at ADRC. The meeting of ADRC is yet to be convened. Based on the legal advice, the management is hopeful that the matter will be decided in favour of the Company.

| | 31 March 2009 | 31 December 2008 |
|--|-------------------|---------------------|
| | (Rupees in '000') | |
| Commitments | | |
| 6.5 Outstanding guarantees | <u>507,476</u> | <u>400,403</u> |
| 6.6 Commitments in respect of capital expenditure | <u>627,931</u> | <u>717,104</u> |
| 6.7 Outstanding letters of credit | <u>108,274</u> | <u>637,174</u> |

Worldcall Telecom Limited

| | 31 March 2009 | Restated 31 March 2008 |
|--|-------------------|------------------------------|
| | (Rupees in '000') | |
| 7 Cash generated from operations | | |
| Loss before taxation | (111,689) | (83,206) |
| Adjustment for non-cash charges and other items: | | |
| Depreciation | 259,591 | 218,408 |
| Amortization of intangible assets | 25,082 | 23,241 |
| Amortization of deferred cost | - | 1,335 |
| Interest on PTA license fee | 30,680 | 27,093 |
| Amortization of transaction cost | 347 | 3,178 |
| Profit on sale of investments | - | (5,354) |
| Provision for doubtful receivables | 13,300 | 700 |
| Profit on disposal of property, plant and equipment | (950) | (1,579) |
| Loss on re-measurement of investments at fair value | - | 55,821 |
| Retirement benefits | 15,218 | 11,812 |
| Finance cost | 51,305 | 46,940 |
| Profit before working capital changes | 282,884 | 298,389 |
| Effect on cash flow due to working capital changes: | | |
| <i>(Increase)/Decrease in the current assets</i> | | |
| Stores and spares | 3,216 | (3,575) |
| Stock in trade | (13,962) | 2,293 |
| Trade debts | (365,783) | 320,324 |
| Loans and advances | 5,083 | 5,340 |
| Deposits and prepayments | (63,662) | 17,624 |
| Other receivables | 62,389 | (25,079) |
| <i>Increase/(Decrease) in current liabilities</i> | | |
| Trade and other payables | 744,789 | (263,442) |
| | 372,070 | 53,485 |
| | 654,954 | 351,874 |

8 Related party transactions

The related parties comprise foreign subsidiary, local associated companies, related group companies, directors of the Company, companies where directors also hold directorship and key management employees. Significant transactions with related parties are summarised as follows:

| | 31 March 2009 | 31 March 2008 |
|--------------------------------|-------------------|------------------|
| | (Rupees in '000') | |
| Associated companies | | |
| Purchase of goods and services | 92,243 | 13,090 |
| Sale of goods and services | 137,084 | 2,129 |
| Interest on advance | 1,282 | 1,009 |

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

9 Correction of prior period errors

Based on restatement made in the Company's 30 June 2008 financial statements as a result of information made available to the Company in and from November 2008 it has been determined that

Worldcall Telecom Limited

the Company's 31 March 2008 accounts need to be restated to reflect the following:

Reversal of revenue and corresponding receivable of Rs. 70.255 million. Related tax benefit has been accordingly taken into account.

The effect of the restatement on financial information is summarised below.

| | Effect on 31 March 2008 Rupees ('000') |
|--|--|
| Profit & Loss Account line items affected | |
| (Decrease) in revenue | (70,255) |
| Decrease in deferred Tax | 24,589 |
| (Decrease) in profit | (45,666) |
| Balance Sheet line items affected | |
| (Decrease) in trade debts | (70,255) |
| Decrease in deferred tax liability | 24,589 |
| (Decrease) in equity | (45,666) |
| Decrease in EPS | (0.06) |

10 Date of authorization for issue

These condensed interim financial statements were authorized for issue on 07 July 2009 by the Board of Directors of the Company.

11 General

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

14.2 Corresponding figures have been re-arranged wherever necessary for the purpose of comparison. However, no significant re arrangements have been made.

Lahore

Balanda
Chief Executive

G. M. M. M.
Director

**WORLDCALL TELECOM LIMITED
AND ITS SUBSIDIARY**

**CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION
(UN-AUDITED)
FOR THE PERIOD ENDED**

31 MARCH 2009

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 three months ended 31 March 2009.

Operating results

Revenue for the three months under review was Rs. 1,807 million as compared to Rs. 945 million in the corresponding period last year. The Group posted net loss of Rs. 74 million as compared to Rs. 71 million in the corresponding period last year. Loss per share of Rs. 0.09 is as same compared with corresponding period last year.


Group Foreign Subsidiary

Worldcall Telecommunications Lanka (Pvt.) Limited (WTCL)

Revenue for the three months under review was SLR 2.55 million as compared to SLR 4.975 million in the corresponding period last year. Net loss for the three months under review was SLR 3.374 million as against net loss of SLR 6.493 million during the corresponding period last year.

For and on behalf of the Board of Directors

Lahore
07 July 2009


Babar Ali Syed
Chief Executive Officer

Worldcall Telecom Limited Group

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (Un-Audited) AS AT 31 MARCH 2009

| | Note | 31 March 2009 | 31 December 2008 |
|---|------|-------------------|---------------------|
| Rupees in ('000) | | | |
| Non current assets | | | |
| Tangible fixed assets | | | |
| Property, plant and equipment | 6 | 10,339,722 | 9,923,940 |
| Capital work-in-progress | | 2,756,269 | 3,229,957 |
| | | <u>13,095,991</u> | <u>13,153,897</u> |
| Intangible assets | | | |
| Investment property | | 4,887,879 | 4,928,080 |
| Long term investments | | 76,162 | 76,162 |
| Long term deposits | | 41,448 | 41,448 |
| | | 70,584 | 76,483 |
| | | <u>18,172,064</u> | <u>18,276,070</u> |
| CURRENT ASSETS | | | |
| Store and spares | | 52,986 | 56,190 |
| Stock in trade | | 157,433 | 143,476 |
| Trade debts | | 1,330,894 | 978,451 |
| Loans and advances - considered good | | 1,007,562 | 115,678 |
| Deposits and prepayments | | 295,566 | 231,875 |
| Other receivables | | 122,052 | 184,441 |
| Short term investments | | 185,146 | 344,072 |
| Income tax recoverable-net | | 141,997 | 132,683 |
| Cash and bank balances | | 258,677 | 564,627 |
| | | <u>3,552,313</u> | <u>2,751,493</u> |
| CURRENT LIABILITIES | | | |
| Current maturities of non-current liabilities | | 483,303 | 515,149 |
| Running finance under mark-up arrangements - secured | | 152,965 | 427,240 |
| Trade and other payables | | 2,647,005 | 1,900,245 |
| Interest and mark-up accrued | | 347,392 | 175,371 |
| | | <u>3,630,665</u> | <u>3,018,005</u> |
| NET CURRENT LIABILITIES | | | |
| | | <u>(78,352)</u> | <u>(266,512)</u> |
| NON CURRENT LIABILITIES | | | |
| Term finance certificates | | 4,020,857 | 4,018,133 |
| Deferred taxation | | 513,018 | 553,400 |
| Retirement benefits | | 167,451 | 157,728 |
| Liabilities against assets subject to finance lease | | 31,795 | 63,444 |
| Long term payables | | 848,453 | 502,674 |
| Long term deposits | | 47,256 | 47,174 |
| License fee payable | | 1,002,805 | 972,125 |
| | | <u>6,631,635</u> | <u>6,314,678</u> |
| Contingencies and commitments | 7 | | |
| | | <u>11,462,077</u> | <u>11,694,880</u> |
| REPRESENTED BY | | | |
| Share capital and reserves | | | |
| Authorized capital 900,000,000 (31 December 2008: 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 | | (389,639) | (230,713) |
| Exchange translation reserve | | (1,408) | (1,308) |
| Accumulated profit | | 2,083,589 | 2,159,091 |
| Capital and reserves attributable to equity holders of the Company | | 11,135,593 | 11,370,121 |
| Surplus on revaluation | | 326,484 | 324,759 |
| | | <u>11,462,077</u> | <u>11,694,880</u> |

The annexed notes 1 to 12 form an integral part of these condensed consolidated interim financial information.

Lahore

Balawandity
Chief Executive

GHIMY
Director

Worldcall Telecom Limited Group

CONDENSED CONSOLIDATED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED) FOR THE QUARTER ENDED 31 MARCH 2009

| | Quarter ended 31 March 2009 | Restated Quarter ended 31 March 2008 |
|--|--------------------------------|--|
| (Rupees in '000') | | |
| Revenue - net | 1,806,556 | 944,569 |
| Direct cost | <u>(1,554,442)</u> | <u>(676,004)</u> |
| Gross profit | 252,114 | 268,565 |
| Operating cost | <u>(292,596)</u> | <u>(233,155)</u> |
| Operating (loss)/profit | (40,482) | 35,410 |
| Finance cost | <u>(82,405)</u> | <u>(77,319)</u> |
| | <u>(122,887)</u> | <u>(41,909)</u> |
| Loss on re-measurement of investments at fair value | - | (55,821) |
| Other operating income | 16,134 | 13,250 |
| Other expenses | <u>(7,281)</u> | <u>(2,484)</u> |
| Loss before taxation and share from associate | (114,034) | (86,964) |
| Share of profit from associate | - | 1,001 |
| Loss before taxation | (114,034) | (85,963) |
| Taxation | <u>40,298</u> | <u>14,984</u> |
| Loss after taxation | (73,736) | (70,979) |
| Attributable to: | | |
| Equity holders of parent | <u>(73,048)</u> | <u>(69,876)</u> |
| Minority interest | <u>(688)</u> | <u>(1,103)</u> |
| | <u>(73,736)</u> | <u>(70,979)</u> |
| Loss per share - basic | (Rupees) (0.09) | (0.09) |
| Loss per share - diluted | (Rupees) - | (0.08) |

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

The annexed notes 1 to 12 form an integral part of these condensed consolidated interim financial information.

Lahore

Balawandity
Chief Executive

GHIMY
Director

Worldcall Telecom Limited Group

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 MARCH 2009

| | Quarter ended 31 March 2009 | Restated Quarter ended 31 March 2008 |
|---|-----------------------------------|---|
| | (Rupees in '000') | |
| Loss for the period | (73,736) | (70,979) |
| Other Comprehensive loss- net of tax: | | |
| Exchange differences on translating foreign operations | (141) | 481 |
| Loss on re-measurement of available for sale financial assets | (158,926) | - |
| Other comprehensive loss for the period -net of tax | (159,067) | 481 |
| Total comprehensive loss for the period | (232,803) | (70,498) |
| Attributable to: | | |
| Equity holders of the Company | (232,074) | (69,536) |
| Minority interest | (729) | (962) |
| | (232,803) | (70,498) |

The annexed notes 1 to 12 form an integral part of this condensed consolidated interim financial information.

Lahore


Chief Executive


Director

Worldcall Telecom Limited Group

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE QUARTER ENDED 31 MARCH 2009

| | | 31 March 2009 | Restated 31 March 2008 |
|---|---|-------------------|------------------------------|
| | | (Rupees in '000') | |
| Cash flows from operating activities | | | |
| Cash generated from operations | 8 | 655,330 | 353,858 |
| Decrease in long term deposits receivable | | 5,899 | 113,837 |
| Increase in long term deposits payable | | 82 | 11,037 |
| Increase in long term payables | | 345,779 | 2,995 |
| Retirement benefits paid | | (6,503) | (5,164) |
| Finance cost paid | | (36,114) | (114,437) |
| Taxes paid | | (9,397) | (14,332) |
| Net cash generated from operating activities | | 955,076 | 347,794 |
| Cash flow from investing activities | | | |
| Fixed capital expenditure | | (925,938) | (355,341) |
| Sale proceeds of property, plant and equipment | | 3,207 | 1,743 |
| Short term investments - net | | - | 5,354 |
| Net cash used in investing activities | | (922,731) | (348,244) |
| Cash flow from financing activities | | | |
| Receipt of long term finances | | - | 1,414,194 |
| Repayment of long term finances | | (36,650) | (1,316,745) |
| Repayment of finance lease liabilities | | (27,370) | (47,867) |
| Net cash (used in)/generated from financing activities | | (64,020) | 49,582 |
| Net (decrease)/increase in cash and cash equivalents | | (31,675) | 49,132 |
| Cash and cash equivalents at the beginning of the period | | 137,387 | 700,182 |
| Effect of exchange rate changes | | - | 73 |
| Cash and cash equivalents at the end of the period | | 105,712 | 749,387 |

The annexed notes 1 to 12 form an integral part of these condensed consolidated interim financial information.

Lahore


Chief Executive


Director

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE QUARTER ENDED 31 MARCH 2009**

Worldcall Telecom Limited Group

| | Attributable to equity holders of the Company | | | | | | | Total | |
|--|---|---------------------------|----------------|---|------------------------------|--------------------------|-------------------|-------------------|-------------------|
| | Other components of equity | | | | | | | | |
| | Share capital | Accumulated profit/(loss) | Share premium | Fair value reserve- available for sale assets | Currency translation reserve | Convertible loan reserve | Sub Total | Minority Interest | |
| Balance as at 31 December 2007- Restated | 7,520,607 | 2,753,524 | 410,887 | - | (1,761) | 1,403,575 | 12,086,832 | 4,638 | 12,091,470 |
| Total comprehensive loss for the period as restated | - | (69,876) | - | - | 340 | - | (69,536) | (962) | (70,498) |
| Balance as at 31 March 2008- Restated | <u>7,520,607</u> | <u>2,683,648</u> | <u>410,887</u> | - | <u>(1,421)</u> | <u>1,403,575</u> | <u>12,017,296</u> | <u>3,676</u> | <u>12,020,972</u> |
| Liability component of convertible loan | - | - | - | - | - | 107,982 | 107,982 | - | 107,982 |
| Shares issued against convertible loan | 1,085,109 | - | 426,448 | - | - | (1,511,557) | - | - | - |
| Total comprehensive loss for the period | - | (517,025) | - | (230,713) | 113 | - | (747,625) | (7,843) | (755,468) |
| Transfer to surplus on revaluation | - | (3,365) | - | - | - | - | (3,365) | - | (3,365) |
| Share of minority loss transferred to majority share holders | - | (4,167) | - | - | - | - | (4,167) | 4,167 | - |
| Balance as at 31 December 2008 | <u>8,605,716</u> | <u>2,159,091</u> | <u>837,335</u> | <u>(230,713)</u> | <u>(1,308)</u> | - | <u>11,370,121</u> | - | <u>11,370,121</u> |
| Total comprehensive loss for the period | - | (73,048) | - | (158,926) | (100) | - | (232,074) | (729) | (232,803) |
| Transfer to surplus on revaluation | - | (1,725) | - | - | - | - | (1,725) | - | (1,725) |
| Share of minority loss transferred to majority share holders | - | (729) | - | - | - | - | (729) | 729 | - |
| Balance as at 31 March 2009 | <u>8,605,716</u> | <u>2,083,589</u> | <u>837,335</u> | <u>(389,639)</u> | <u>(1,408)</u> | - | <u>11,135,593</u> | - | <u>11,135,593</u> |

(Rupees in '000')

The annexed notes 1 to 12 form an integral part of these condensed consolidated interim financial information.

Lahore

Balawandhi
Chief Executive

Guliyar
Director

Worldcall Telecom Limited Group

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE QUARTER ENDED 31 MARCH 2009

1 Legal status and nature of business

1.1 The Group consists of:

Worldcall Telecom Limited; and
Worldcall Telecommunications Lanka (Private) Limited

1.2 Worldcall Telecom Limited ("the Company") is a public limited company incorporated in Pakistan on 15 March 2001 under the Companies Ordinance, 1984 and its shares are quoted on the Karachi and Lahore Stock Exchanges. The Company commenced its operations on 01 December 2004 and is engaged in providing Wireless Local Loop ("WLL") and Long Distance & International ("LDI") services in Pakistan, operation and maintenance of public payphones network and re-broadcasting international/national satellite/terrestrial wireless and cable television and radio signals as well as interactive communication and to establish, maintain and operate the licensed telephony services. The Company has been licensed by Pakistan Telecommunication Authority ("PTA") and Pakistan Electronic Media Regulatory Authority ("PEMRA") for these purposes.

Worldcall Telecommunications Lanka (Private) Limited ("the Subsidiary") was incorporated in Sri Lanka and is joint venture with Hayleys Group to operate payphones. The principal activity of the subsidiary is the operation and maintenance of public payphones network. Payphones are installed at various shops/commercial outlets. The Company holds 70.65 % of voting securities in the subsidiary.

The registered office of the Company is situated at 67-A, C - III, Gulberg III, Lahore

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.

Associates

Associates are those entities in which the Group has significant influences but not control over the financial and reporting policies. The consolidated financial information includes the Group's share of the total recognized gains and losses of associates on equity accounting basis, from the date that significant influence commences until the date total significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligation or made payments on behalf of the associate.

Worldcall Telecom Limited Group

Transactions eliminated on consolidation

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

Minority interest is that part of net results of operations and of net assets of Subsidiary attributable to interest which are not owned by the Company. Minority interest is presented separately in the consolidated financial 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 and are unaudited. This condensed consolidated interim financial information does not include all of the information required for full annual consolidated financial statements, and should be read in conjunction with the financial statements of the Group for the year ended 31 December 2008. 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 Significant accounting judgements and estimates

The preparation of condensed consolidated 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 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 2008.

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 annual audited financial statements of the Group for the year ended 31 December 2008. In accordance with revised International Accounting Standard (IAS) 1 "Presentation of Financial Statements" which is applicable for accounting years beginning on or after 01 January, 2009, now 'non-owner changes in equity' have been presented separately as "Condensed Consolidated Interim Statement of Other Comprehensive Income" thereby separated from owner changes in equity classified under "Condensed Consolidated Interim Statement of Changes in Equity".

Worldcall Telecom Limited Group

| | Note | 31 March 2009 | 31 December 2008 |
|--|---|-------------------|---------------------|
| (Rupees in '000') | | | |
| 6. Property, Plant and Equipment | | | |
| Owned and leased assets: | | | |
| Opening net book value | | 9,923,940 | 8,930,588 |
| Exchange adjustment | | 417 | 4,380 |
| Impairment | | - | (4,843) |
| Additions during the period | 6.1 | 678,159 | 1,501,660 |
| | | 10,602,516 | 10,431,785 |
| Disposals during the period - NBV | 6.2 | (2,261) | (17,440) |
| Depreciation for the period | | (260,317) | (488,136) |
| Exchange adjustment on depreciation | | (216) | (2,269) |
| Closing book value | | 10,339,722 | 9,923,940 |
| 6.1 Break-up of additions/adjustments | | | |
| Leasehold improvements | | 480 | 17,971 |
| Plant and equipment | | 675,455 | 1,427,842 |
| Office equipment | | 420 | 25,025 |
| Computers | | 1,061 | 3,112 |
| Furniture and fixtures | | 103 | 979 |
| Vehicles | | 603 | 25,793 |
| Lab and other equipment | | 37 | 938 |
| | | 678,159 | 1,501,660 |
| 6.2 Break-up of disposals | | | |
| Plant and equipment | | (2,122) | (15,736) |
| Office equipment | | (28) | (189) |
| Computers | | (39) | (167) |
| Furniture and fixtures | | (26) | (8) |
| Vehicles | | (46) | (1,340) |
| | | (2,261) | (17,440) |
| 7 Contingencies and commitments | | | |
| Contingencies | | | |
| 7.1 Billing disputes with PTCL | | | |
| 7.1.1 | There is a dispute of Rs.69.770 million (31 Dec 2008: Rs 69.675 million) with PTCL of non revenue time of prepaid calling cards and Rs. 22.341 million (31 Dec 2008: Rs 16.728 million) for excess minutes billed on account of interconnect and settlement charges. The management is hopeful that matter will be decided in favour of the company. | | |
| 7.1.2 | PTCL has charged the Company excess Domestic Private Lease Circuits (DPLC) and other media charges amounting to Rs. 112.20 million (31 Dec 2008: Rs.78.24 million) on account of difference in rates, distances and date of activation. Further the Company has also deposited Rs. 40 million (31 Dec 2008: Rs. 40 million) in Escrow Account on account of dispute of charging of bandwidth charges from the date of activation of Digital Interface Units (DIUs) for commercial operation and in proportion to activation of DIUs related to each DPLC link and excess charging in respect of Karachi-Rawalpindi link which was never activated. The management is hopeful that matter will be decided in favor of the Company. | | |

7.2 Disputes with Pakistan Telecommunication Authority (PTA)

- 7.2.1** PTA has raised a demand on the Company of Rs. 4.3 million (31 Dec 2008: Rs. 4.3 million) on account of annual microwave and BTS registration charges. The Company is not paying this amount on the grounds that earlier exemptions were given to mobile operators. In addition to this, there is no legal requirement to register BTS with PTA, therefore PTA cannot charge a fee for BTS registration. The management is hopeful that matter will be decided in favour of the Company.
- 7.2.2** 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 rollout 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 rollout plan and is successful in getting commencement certificate in GTR and KTR regions for 3.5 GHz frequency and 479 MHz frequency respectively. The management is hopeful that the matter will be decided in favour of the Company and notice will be withdrawn.
- 7.2.3** There is a dispute of Rs. 11.3 million (31 Dec 2008: Rs. 11.3 million) with PTA on account of contribution to the Research and Development Fund ("R&D Fund") for the period prior to the formation of R&D Fund by the Federal Government. Based on legal advice, the management is hopeful that the matter will be decided in favour of the Company.
- 7.2.4** There is a dispute of Rs. 491 million (31 Dec 2008: Rs. 491 million) with PTA on Universal Service Fund (USF) representing contribution to USF for the period prior to the formation of USF by the Federal Government. Show cause notice was issued by the PTA which culminated into determination dated 4 April 2008 against the Company. The Company filed an appeal in Honourable Islamabad High Court Islamabad and the honourable Court was pleased to grant stay order in favour of the Company. The Appeal was finally fixed for hearing on 16 December 2008 on which date arguments were heard and the judgment reserved by the honourable Court. Thereafter, honourable Court vide its judgment dated 21 January 2009 has dismissed the appeal of the Company. A Civil Petition for Leave to Appeal (CPLA) has been filed before the Honourable Supreme Court of Pakistan against the judgment of Honourable Islamabad High Court. The CPLA was fixed for hearing before the Honourable Supreme Court on 29 April 2009. The Honourable Supreme Court after hearing the preliminary arguments has issued notices to Respondents. Next date of hearing was fixed on 28 May 2009. The Supreme court after further hearing has suspended the case till third week of July 2009. Based on legal advice, management of the Company is hopeful that the matter will be decided in favour of the Company.

7.3 Taxation issues

- 7.3.1** 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.

- 7.3.2** 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.
- 7.3.3** Income Tax Returns for the tax year ended 30 June 2003 were filed under the self assessment scheme of Worldcall Communications Limited, Worldcall Multimedia Limited, Worldcall Broadband Limited and Worldcall Phonecards Limited, now merged into the Company. The Company has received orders under section 122(5A) against the said returns filed under self assessment on 02 January 2009. As per Orders, the Income Tax Department intends to amend the returns on certain issues such as depreciation, turnover tax adjustment, gratuity provision, share premium, allocation of expenses to capital gain, mark up from associates and share deposit money. An appeal has been filed by the Company against the orders before the Commissioner of Income Tax (Appeals). Commissioner of Income Tax (Appeals) has restored the original assessment order U/S 177 dated 17 May 2005 for Worldcall Broadband Limited. Other appeals are pending before the Commissioner of Income Tax (Appeals). Based on legal advice, the management is hopeful that matter will be decided in favour of the Company.
- 7.3.4** In 2006 Sales Tax Authorities served Show Cause Notices to various payphone companies, including the Company, on account of alleged wrong claim of refund of Rs. 167 million under section 66 of the Sales Tax Act 1990. The matter was adjudicated and the Additional Collector (Adjudication) Sales Tax, Lahore passed an Order dated 18 September 2007 against the Company and imposed a penalty equivalent to the amount of original alleged claim on the Company and Chief Executive. Later on, the Sales Tax Department has issued a notice under Section 48 of the Sales Tax Act, 1990 to the bankers of the Company and Customs Authorities for recovery of refund along with penalty. Moreover, a notice for stoppage of clearance of imported goods has also been issued by the Sales Tax Department to Custom Authorities.

Order of the Additional Collector to the extent of imposing penalty on the Chief Executive of the Company has been stayed by the Honourable High Court Lahore. An appeal has been filed before the Collector (Appeals) Customs, Federal Excise & Sales Tax, Lahore against the order of Additional Collector (Adjudication). The said Order of the Additional Collector was also assailed before the Honorable Federal Tax Ombudsman ("FTO"). The FTO has issued an order that no penalty can be imposed against the Company as there is no element of tax fraud involved in the matter and the issue pertains to a change of opinion of the Federal Board of Revenue. In a first appeal against the order of adjudicating authority, Collector (Appeals) Customs, Federal Excise & Sales Tax has confirmed the demand vide Order-in-Appeal no. 04-10/ST/2009 dated 06 January 2009, however the Collector has waived the 100% personal penalty on the Chief Executive. An appeal against the decision of the Collector (Appellate) Customs, Federal Excise & Sales Tax has been filed with Customs, Federal Excise and Sales Tax (Appellate) Tribunal Lahore, which is pending in adjudication. The honorable Tribunal vide its order dated 04 February 2009 has suspended the recovery proceedings subject to deposit of ten percent of principal amount. The Company has paid ten percent of principal amount as per order of the honorable Tribunal.

In the meanwhile upon application of the Company under section 47A of the Sales Tax Act, 1990 for constitution of Alternative Dispute Resolution Committee (ADRC) the FBR has constituted the Committee and referred the matter to be resolved at ADRC. The meeting of ADRC is yet to be convened. Based on the legal advice, the management is hopeful that the matter will be decided in favour of the Company.

Worldcall Telecom Limited Group

| | 31 March 2009 | 31 December 2008 |
|--|-------------------|------------------------------|
| | (Rupees in '000') | |
| Commitments | | |
| 7.4 Outstanding guarantees | <u>507,476</u> | <u>401,337</u> |
| 7.5 Commitments in respect of capital expenditure | <u>627,931</u> | <u>717,104</u> |
| 7.6 Outstanding letters of credit | <u>108,274</u> | <u>637,174</u> |
| | | |
| | 31 March 2009 | Restated 31 March 2008 |
| | (Rupees in '000') | |
| 8 Cash generated from operations | | |
| Loss before taxation | (114,034) | (85,963) |
| Adjustment for non-cash charges and other items: | | |
| Depreciation | 260,317 | 219,105 |
| Amortization of intangible assets | 25,082 | 23,241 |
| Amortization of deferred cost | - | 1,335 |
| Interest on PTA license fee | 30,680 | 27,093 |
| Amortization of transaction cost | 347 | 3,178 |
| Loss on sale of investments | - | (5,354) |
| Provision for doubtful receivables | 13,300 | 700 |
| Profit on disposal of property, plant and equipment | (950) | (1,579) |
| Share of profit of associate | - | (1,001) |
| Exchange translation difference | (100) | - |
| Loss on re-measurement of investments at fair value | - | 55,821 |
| Retirement benefits | 15,271 | 11,812 |
| Finance cost | <u>51,378</u> | <u>51,808</u> |
| Profit before working capital changes | <u>281,291</u> | <u>300,196</u> |
| | | |
| Effect on cash flow due to working capital changes: | | |
| <i>(Increase)/Decrease in the current assets</i> | | |
| Stores and spares | 3,216 | (3,575) |
| Stock in trade | (13,957) | 2,663 |
| Trade debts | (365,760) | 320,402 |
| Loans and advances | 5,083 | 5,340 |
| Deposits and prepayments | (63,691) | 17,483 |
| Other receivables | 62,388 | (25,077) |
| <i>Increase/(Decrease) in current liabilities</i> | | |
| Trade and other payables | <u>746,760</u> | <u>(263,574)</u> |
| | <u>374,039</u> | <u>53,662</u> |
| | <u>655,330</u> | <u>353,858</u> |

9 Related party transactions

The related parties comprise foreign subsidiary, local associated companies, related group companies, directors of the Company, companies where directors also hold directorship and key management employees. Significant transactions with related parties are summarised as follows:

Worldcall Telecom Limited Group

| | 31 March 2009 | 31 March 2008 |
|--------------------------------|-------------------|------------------|
| | (Rupees in '000') | |
| Associated companies | | |
| Purchase of goods and services | 92,243 | 13,090 |
| Sale of goods and services | 137,084 | 2,129 |
| Interest on advance | 1,282 | 1,009 |

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

10 Correction of prior period errors

Based on restatement made in the Company's 30 June 2008 financial statements as a result of information made available to the Company in and from November 2008 it has been determined that the Company's 31 March 2008 accounts need to be restated to reflect the following:

Reversal of revenue and corresponding receivable of Rs. 70.255 million. Related tax benefit has been accordingly taken into account.

The effect of the restatement on financial information is summarised below.

| | Effect on 31 March 2008 Rupees ('000') |
|--|--|
| Profit & Loss Account line items affected | |
| (Decrease) in revenue | (70,255) |
| Decrease in deferred Tax | 24,589 |
| (Decrease) in profit | <u>(45,666)</u> |
| | |
| Balance Sheet line items affected | |
| (Decrease) in trade debts | (70,255) |
| Decrease in deferred tax liability | 24,589 |
| (Decrease) in equity | <u>(45,666)</u> |
| | |
| Decrease in EPS | <u>(0.06)</u> |

11 Date of authorization for issue

This condensed consolidated interim financial information was authorized for issue on 07 July 2009 by the Board of Directors.

12 General

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

12.2 Corresponding figures have been re-arranged wherever necessary for the purpose of comparison. However, no significant re arrangements have been made.

Lahore


Chief Executive


Director