

**CONDENSED
QUARTERLY ACCOUNTS
(Un-Audited)**

30 September 2008

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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Worldcall Telecom Limited

COMPANY INFORMATION

Chairman	Dr. Mohammed Ali Mohammed Al-Wohaibi
Chief Executive Officer	Babar Ali Syed
Board of Directors (in Alphabetical order)	Abdullah Zahran Abdullah Al-Hinai Asdullah Khawaja Dr. Mohammed Ali Mohammed Al-Wohaibi Saleem Jawad Jaffer Al-Khabori Salmaan Taseer Sameer Hamed Nasser Al-Siyabi Sheikh Sulieman Ahmed Said Al-Hoqani Sumbul Munir Talal Said Marhoon Al-Mamari
Chief Financial Officer	Muhammad Naveed Tariq
Audit Committee	Talal Said Marhoon Al-Mamari (Chairman) Asdullah Khawaja (Member) Sumbul Munir (Member)
Company Secretary	Ahmad Bilal
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 Citi Bank N.A Pakistan Deutsche Bank AG Emirates Global Islamic Bank Faysal Bank Limited Habib Bank Limited Habib Metropolitan Bank Limited KASB Bank Limited MCB Bank Limited National Bank of Pakistan NIB Bank 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	103-C/II, Gulberg-III Lahore, Pakistan ☎ (042) 5757591-4 Fax: (042) 5757590, 5877920

Worldcall Telecom Limited

DIRECTORS' REVIEW

The Directors of Worldcall Telecom Limited ("WTL" or the "Company") are pleased to present the financial information for the period ended September 30, 2008

Financial Overview

The overall economic and business scenario remained quite turbulent during the three months under review. The company was badly impacted by the overall worsening economic conditions of the country and the plummeting financial and stocks indexes. The company's investments in listed securities suffered sharp decline in values that resulted in a loss of Rs 150 million at the end of the period. This loss has been mitigated to some extent as the Company received 40% bonus shares in October 2008 from First Capital Securities Corporation Limited. The growing competition and the ongoing price war also forced the Company to reduce profit margins on different services. This resulted in fall in Average Revenue Per User (ARPU) that negatively effected the profitability. The Company posted net revenue of PKR 1,345 million showing an increase of 13% over the corresponding prior period. The revenue increase was partly attributable to increase in international termination rates in the period under review and partly to the strong management polices aimed at business growth in different market segments, launch of new products as per customer requirements, commencement of services in new areas and growth of customer base in telephony market. However this growth in revenue was greatly offset by substantial increase in operating and direct costs that led to a 90% fall in operating profit which stands at Rs. 31 million at the period end. The increase in direct and operating costs along with loss on investments translated in a net loss of Rs. 156 million and loss per share of Rs 0.18

Future Outlook

Company has successfully launched its EVDO service in the south region. It was another pioneering step of Worldcall in the broadband market. The product due to its unique characteristics, utility and sophistication drew an overwhelmingly good response from the market. The Company has also signed Turn Key agreements with Huawei for launch of EVDO service in north region. Initially six cities have been targeted for the launch of this product. To support this launch and to further enhance the service standard of the existing wireless products, the Company has signed different agreements which are expected to improve revenues and profitability in the future.

With the increase in APC rate, the international termination market has started showing promising signs. It is expected that this would greatly benefit the LDI operations in days to come.

The acquisition by Omantel is also expected to show the colors in the near future. The expertise, richness of experience and professional excellence of Omantel of doing business will help in ameliorating the Company image and strengthening its market position. Furthermore the investment by Omantel in new projects which are under the process of evaluation would open new vistas of prosperity and corporate growth.

On behalf of the Board of Directors

Muscat
October 30, 2008

Babar Ali Syed
Chief Executive Officer

Worldcall Telecom Limited

CONDENSED INTERIM BALANCE SHEET (UN-AUDITED) AS AT 30 SEPTEMBER 2008

Note	30 September 2008	30 June 2008
(Rupees in '000')		
NON CURRENT ASSETS		
Tangible fixed assets		
Property, plant and equipment	5 9,115,694	8,903,741
Capital work-in-progress	2,696,022	1,976,225
	<u>11,811,716</u>	<u>10,879,966</u>
Intangible assets		
Investment property	4,968,187	5,008,323
Long term investments - at cost less impairment	76,162	76,162
Long term deposits	51,461	51,461
	<u>94,999</u>	<u>109,908</u>
	<u>17,002,525</u>	<u>16,125,820</u>
CURRENT ASSETS		
Stores and spares	47,190	57,340
Stock in trade	152,266	90,868
Trade debts	982,815	900,712
Loans and advances - considered good	223,713	216,089
Deposits and prepayments	213,407	234,004
Other receivables	237,976	233,821
Short term investments	425,029	574,785
Income tax recoverable-net	118,283	102,469
Cash and bank balances	386,356	849,040
	<u>2,787,035</u>	<u>3,259,128</u>
CURRENT LIABILITIES		
Current maturities of non-current liabilities	471,470	323,429
Running finance under mark-up arrangements - secured	340,718	66,894
Trade and other payables	1,491,800	1,020,125
Interest and mark-up accrued	25,932	74,841
	<u>2,329,920</u>	<u>1,485,289</u>
NET CURRENT ASSETS	<u>457,115</u>	<u>1,773,839</u>
NON CURRENT LIABILITIES		
Term finance certificates - secured	3,241,291	3,237,470
Long term finances	36,650	258,787
Deferred taxation	692,215	710,589
Retirement benefits	136,498	133,200
Liabilities against assets subject to finance lease	80,346	110,916
Long term payables - secured	79,123	119,876
Long term deposits	44,671	53,060
License fee payable	942,384	913,554
	<u>5,253,178</u>	<u>5,537,452</u>
Contingencies and commitments	6	
	<u>12,206,462</u>	<u>12,362,207</u>
REPRESENTED BY		
Share capital and reserves		
Authorized capital 900,000,000 (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
Accumulated profit	2,447,316	2,597,762
	<u>11,890,367</u>	<u>12,040,813</u>
Surplus on revaluation	316,095	321,394
	<u>12,206,462</u>	<u>12,362,207</u>

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

Muscat


Chairman


Chief Executive


Chairman Audit Committee

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Worldcall Telecom Limited

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED) FOR THE QUARTER ENDED 30 SEPTEMBER 2008

	Quarter ended 30 September 2008	Quarter ended 30 September 2007
(Rupees in '000')		
Revenue -net	1,344,815	1,185,367
Direct cost	(992,776)	(617,498)
Gross profit	<u>352,039</u>	<u>567,869</u>
Operating cost	(320,626)	(257,567)
Operating profit	<u>31,413</u>	<u>310,302</u>
Finance cost	(69,792)	(108,297)
	<u>(38,379)</u>	<u>202,005</u>
Loss on re-measurement of investments at fair value through profit or loss	(149,755)	(16,800)
Other income/(loss)	20,996	(21,154)
Other expenses	(6,921)	-
(Loss)/profit before taxation	<u>(174,059)</u>	<u>164,051</u>
Taxation	18,314	(20,716)
(Loss)/profit after taxation	<u>(155,745)</u>	<u>143,335</u>
Earnings per share - basic	(Rupees)	0.19
	<u>(0.18)</u>	<u>0.19</u>
Earnings per share - diluted	(Rupees)	0.17
	<u>-</u>	<u>0.17</u>

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

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

Muscat


Chairman


Chief Executive


Chairman Audit Committee

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Worldcall Telecom Limited

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE QUARTER ENDED 30 SEPTEMBER 2008

	Note	30 September 2008 (Rupees in '000')	30 September 2007
Cash flows from operating activities			
Cash generated from operations	7	655,888	336,258
Decrease/(increase) in long term deposits receivable		14,909	(8,814)
(Decrease)/Increase in long term deposits payable		(8,389)	746
Decrease in long term payables		(40,753)	(3,441)
Decrease in license fee payable		-	(8,875)
Retirement benefits paid		(11,302)	(2,345)
Finance cost paid		(181,296)	(84,707)
Taxes paid		(15,873)	(6,558)
Net cash generated from operating activities		413,184	222,264
Cash flow from investing activities			
Fixed capital expenditure		(1,043,642)	(585,260)
Intangible asset acquired		-	(37)
Sale proceeds of property, plant and equipment		2,228	23,411
Short term investments - net		-	(16,867)
Net cash used in investing activities		(1,041,414)	(578,753)
Cash flow from financing activities			
Repayment of term finance certificates		-	(49,970)
Receipt of long term finances		-	705,864
Repayment of long term finances		(73,298)	(203,633)
Repayment of finance lease liabilities		(34,980)	(59,659)
Net cash generated from/(used in) financing activities		(108,278)	392,602
Net increase / (decrease) in cash and cash equivalents		(736,508)	36,113
Cash and cash equivalents at the beginning of the period		782,146	35,116
Cash and cash equivalents at the end of the period		45,638	71,229
Cash and cash equivalents comprised of the following:			
Cash and bank balances		386,356	674,625
Running finance under markup arrangements - secured		(340,718)	(603,396)
		45,638	71,229

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

Muscat


Chairman


Chief Executive

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CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE QUARTER ENDED 30 SEPTEMBER 2008

	Capital reserves		Revenue reserve	Total	
	Share premium	Convertible loan reserve	Un-appropriated profit/(loss)		
Share capital	(Rupees in '000')				
Balance as at 30 June 2007	7,520,607	410,887	1,403,575	2,521,544	11,856,613
Net profit for the quarter	-	-	-	143,335	143,335
Balance as at 30 September 2007	<u>7,520,607</u>	<u>410,887</u>	<u>1,403,575</u>	<u>2,664,879</u>	11,999,948
Liability component of convertible loan	-	-	107,982	-	107,982
Shares issued against convertible loan	1,085,109	426,448	(1,511,557)	-	-
Net loss for the period	-	-	-	(67,117)	(67,117)
Balance as at 30 June 2008	<u>8,605,716</u>	<u>837,335</u>	<u>-</u>	<u>2,597,762</u>	12,040,813
Transfer from surplus on revaluation of intangible assets				5,299	5,299
Net loss for the quarter	-	-	-	(155,745)	(155,745)
Balance as at 30 September 2008	<u><u>8,605,716</u></u>	<u><u>837,335</u></u>	<u><u>-</u></u>	<u><u>2,447,316</u></u>	11,890,367

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

Muscat


Chairman


Chief Executive

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**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
(UN-AUDITED)
FOR THE QUARTER ENDED 30 SEPTEMBER 2008**

1 Legal status and nature of business

Worldcall Telecom Limited ("the Company") is a public limited company incorporated in Pakistan on 15 March 2001 under the Companies Ordinance, 1984 and its shares are quoted on the Karachi and Lahore Stock Exchanges. The Company commenced its operations on 01 December 2004 and is engaged in providing Wireless Local Loop ("WLL") and Long Distance & International ("LDI") services in Pakistan, operation and maintenance of public payphones network and re-broadcasting international/national satellite/terrestrial wireless and cable television and radio signals as well as interactive communication and to establish, maintain and operate the licensed telephony services. The Company has been licensed by Pakistan Telecommunication Authority ("PTA") and Pakistan Electronic Media Regulatory Authority ("PEMRA") for these purposes. The registered office of the Company is situated at 103 C-II, Gulberg III, Lahore.

2 Accounting convention and basis of preparation

This condensed interim financial information have 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 year ended 30 June 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 estimate

The preparation of condensed interim financial information in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. In preparing this condensed 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 30 June 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 annual audited financial statements of the Company for the year ended 30 June 2008.

5. Property, Plant and Equipment

Owned and lease assets:

	Note	30 September 2008 (Rupees in '000')	30 June 2008
Opening net book value		8,903,741	7,643,496
Revaluation decrease		-	(240,238)
Additions during the period / year	5.1	440,659	2,402,135
		<u>9,344,400</u>	<u>9,805,393</u>
Disposals for the period / year - NBV	5.2	(1,452)	(9,883)
Depreciation for the period / year		(227,254)	(891,769)
Closing book value		<u>9,115,694</u>	<u>8,903,741</u>

30 September 2008 30 June 2008
(Rupees in '000')

5.1 Break-up of additions

Leasehold improvements	7,332	16,099
Plant and equipment	417,729	2,316,832
Office equipment	5,678	18,533
Computers	722	19,015
Furniture and fixtures	132	4,546
Vehicles	8,193	26,655
Lab and other equipment	873	455
	<u>440,659</u>	<u>2,402,135</u>

5.2 Break-up of disposals

Leasehold improvements	-	(168)
Plant and equipment	-	(7,151)
Office equipment	(143)	(59)
Computers	(111)	(227)
Vehicles	(1,198)	(2,278)
	<u>(1,452)</u>	<u>(9,883)</u>

6 Contingencies and commitments

6.1 Billing disputes with PTCL

6.1.1 PTCL has charged the company excess Domestic Private Lease Circuits (DPLC), and other media charges amounting to Rs. 77.75 million (June 2008: Rs. 73.9 million) on account of difference in rates, distances and date of activation. Further the company has also deposited Rs. 40 million (June 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 confident that matter will be decided in favour of the company.

6.1.2 There is a dispute of Rs.69.41 million (June 2008: Rs 68.9 million) with PTCL of non revenue time of prepaid calling cards and Rs. 12.98 million (June 2008: Rs 9.07 million) for excess minutes billed on account of interconnect and settlement charges. The management is confident that matter will be decided in favour 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 (June 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 confident that matter will be decided in favour of the Company.

6.2.2 PTA has issued a notice to the Company regarding the 479 MHz and 3.5 GHz frequency bands, 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

Worldcall Telecom Limited

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 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 (June 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 confident that the matter will be decided in favour of the Company.

6.2.4 There is a dispute of Rs. 491 million (June 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. Out of this amount, Rs. 223 million relating to prior periods has been deposited with PTA. Show cause notice was issued by the PTA and the Company had submitted its reply. PTA after hearing the Company's view has passed determination dated 4 April 2008 against the Company. The Company has filed an appeal in Honourable Islamabad High Court and stay order has been granted by the Honourable Islamabad High Court in favour of the Company. The next date of hearing has not yet been fixed by the Honourable Islamabad High Court. Based on legal advice, the management is confident 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 confident that 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 Honourable High Court against the decision of ITAT, Lahore on September 08, 2008 which is pending adjudication.

6.3.3 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 18-09-07 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

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before the Collector (Appeals) Customs, Federal Excise & Sales Tax, Lahore against the order of Additional Collector (Adjudication) and the same is pending adjudication till date. 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.

A representation has been filed by the Collectorate against the said Order of the FTO before the Honorable President of Pakistan on which decision is yet awaited. However, in case of another payphone company having similar case, the Honourable President has set aside the decision of FTO and has restored the potential 100% penalty on the principal amount. The said decision of the President has been challenged before the Honourable Islamabad High Court and the matter is pending adjudication before the Honourable Court.

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 management is confident that matter will be decided in favour of the Company.

	30 September 2008	30 June 2008
Commitments		
6.3 Outstanding guarantees	<u>365,034</u>	<u>314,446</u>
6.4 Commitments in respect of capital expenditure	<u>794,847</u>	<u>108,629</u>
6.5 Outstanding letters of credit	<u>1,651,106</u>	<u>518,396</u>

	30 September 2008	30 September 2007
(Rupees in '000')		
7 Cash generated from operations		
Profit/(loss) before taxation	(174,059)	164,051
Adjustment for non-cash charges and other items:		
Depreciation	225,237	222,283
Amortization of intangible assets	25,157	18,961
Amortization of deferred cost	-	1,334
Interest on PTA license fee	28,830	25,459
Amortization of transaction cost	4,375	2,571
Loss on sale of investments	-	29,420
Provision for doubtful receivables	17,240	-
Profit on disposal of property, plant and equipment	(777)	-
Loss on re-measurement of investments at fair value	149,755	16,800
Retirement benefits	13,642	12,484
Finance cost	<u>36,587</u>	<u>80,267</u>
Profit before working capital changes	<u>325,987</u>	<u>573,630</u>

Worldcall Telecom Limited

30 September 2008 30 September 2007
(Rupees in '000')

Effect on cash flow due to working capital changes:

(Increase)/Decrease in the current assets

Stores and spares	10,150	33,943
Stock in trade	(61,398)	3,918
Trade debts	(99,343)	(90,726)
Loans and advances	(7,624)	(19,680)
Deposits and prepayments	20,597	7,098
Other receivables	(4,155)	(145,158)
Increase/(Decrease) in current liabilities		
Trade and other payables	471,674	(26,767)
	<u>329,901</u>	<u>(237,372)</u>
	<u>655,888</u>	<u>336,258</u>

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:

30 September 2008 30 September 2007
(Rupees in '000')

Associated companies

Purchase of goods and services	23,459	13,051
Sale of goods and services	1,852	1,884
Interest on advance	1,019	1,024

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

9 Segment reporting

Segment information is presented in respect of the Company's business. The primary format, business segment, is based on the Company's management reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one year.

The Company's operations comprise of the following main business segments:

- Telecom segment which comprises of WLL, LDI and Operation and Maintenance of payphone network.
- Broadband segment which comprises of internet over cable and cable TV services.

All inter-segment sales are on arms length basis.

Worldcall Telecom Limited

Segment analysis for the quarter ended 30 September 2008.

	Telecom	Broadband	Eliminations	Total
	(Rupees in '000')			
Sales				
External sales	1,128,441	290,098	-	1,418,539
Inter-segment sales	2,979	1,676	(4,655)	-
Sales tax	(34,065)	(12,610)	-	(46,675)
Discount and commission	(26,828)	(221)	-	(27,049)
Total revenue	<u>1,070,527</u>	<u>278,943</u>	<u>(4,655)</u>	<u>1,344,815</u>
Loss before tax and unallocated expenses	(155,760)	(18,299)	-	(174,059)
Unallocated corporate expenses				
Taxation				18,314
Loss after taxation				<u>(155,745)</u>

Segment assets and liabilities as at 30 September 2008

	Telecom	Broadband	Total
	(Rupees in '000')		
Segment assets	13,971,814	5,817,745	19,789,559
Consolidated total assets			<u>19,789,559</u>
Segment liabilities	5,102,437	1,788,445	6,890,882
Unallocated segment liabilities			692,215
Consolidated total liabilities			<u>7,583,097</u>
Segment capital expenditure	408,440	32,219	<u>440,659</u>
			<u>440,659</u>
Non-cash expenses other than depreciation and amortization	<u>43,320</u>	<u>7,125</u>	<u>50,445</u>
Depreciation and amortization	<u>197,999</u>	<u>69,393</u>	<u>267,392</u>

Worldcall Telecom Limited

Segment analysis for the quarter ended 30 September 2007

	Telecom	Broadband	Eliminations	Total
	(Rupees in '000')			
Sales				
External sales	848,874	404,117	-	1,252,991
Inter-segment sales	2,245	5,979	(8,224)	-
Sales tax	(29,988)	(8,588)	-	(38,576)
Discount and commission	(26,129)	(2,919)	-	(29,048)
Total revenue	795,002	398,589	(8,224)	1,185,367
(Loss)/profit before tax and unallocated expenses	(21,609)	185,660	-	164,051
Unallocated corporate expenses				
Taxation				(20,716)
Profit after taxation				143,335

Segment assets and liabilities as at 30 June 2008

	Telecom	Broadband	Total
	(Rupees in '000')		
Segment assets	13,883,130	5,501,818	19,384,948
Consolidated total assets			19,384,948
Segment liabilities	4,822,402	1,489,750	6,312,152
Unallocated segment liabilities			710,589
Consolidated total liabilities			7,022,741
Segment capital expenditure	1,555,893	847,822	2,403,715
Non-cash expenses other than depreciation and amortization	236,853	20,166	257,019
Depreciation and amortization	730,753	289,163	1,019,916

10 Date of authorization for issue

These condensed financial statements were authorized for issue on October 30, 2008 by the Board of Directors of the Company.

11 General

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

11.2 Corresponding figures have been rearranged wherever necessary for the purpose of comparison.

Worldcall Telecom Limited

**WORLDCALL TELECOM LIMITED
AND ITS SUBSIDIARY**

**CONDENSED CONSOLIDATED
QUARTERLY
FINANCIAL STATEMENTS
(UN-AUDITED)**

30 SEPTEMBER 2008

DIRECTORS' REVIEW

The Directors of the Worldcall Telecom Limited ("WTL or the "Parent Company") are pleased to present the condensed consolidated financial information of the Group for the three months ended 30 Sep 2008.

Operating result

Revenue for the three months under review was Rs. 1,347 million as compared to Rs. 1,189 million in the corresponding period last year. Due to significant loss on investments and increase in operational and direct cost, the Company posted net loss of Rs. 159 million as compared to net profit after tax of Rs 141 million in the corresponding period last year. Similarly the loss per share at the end of the quarter under review was Rs 0.18 as against earning per share of Rs 0.19 in the corresponding period last year.

Group Foreign Subsidiary

Worldcall Telecommunications Lanka (Pvt.) Limited (WTCL)

The company posted gross loss of SLR 0.353 million as compared to gross loss of SLR 1.37 million in the corresponding period last year. Net loss for the three months under review was SLR 4.85 million as against net loss of SLR 5.58 million during the corresponding period last year.

On behalf of the Board of Directors

Muscat
October 30, 2008

Babar Ali Syed
Chief Executive Officer

Worldcall Telecom Limited Group

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (UN-AUDITED) AS AT 30 SEPTEMBER 2008

	Note	30 September 2008	30 June 2008
(Rupees in '000')			
NON CURRENT ASSETS			
Tangible fixed assets			
Property, plant and equipment	6	9,145,562	8,930,588
Capital work-in-progress		2,696,303	1,976,470
		<u>11,841,865</u>	<u>10,907,058</u>
Intangible assets			
Investment property		4,968,186	5,008,324
Long term investments - at cost less impairment		76,162	76,162
Long term deposits		41,448	41,448
		94,998	109,908
		<u>17,022,659</u>	<u>16,142,900</u>
CURRENT ASSETS			
Stores and spares		47,190	57,190
Stock in trade		152,502	91,094
Trade debts		983,257	901,050
Loans and advances - considered good		223,713	216,089
Deposits and prepayments		213,839	234,424
Other receivables		238,730	234,478
Short term investments		425,029	574,785
Income tax recoverable-net		118,276	102,462
Cash and bank balances		388,274	850,516
		<u>2,790,810</u>	<u>3,262,088</u>
CURRENT LIABILITIES			
Current maturities of non-current liabilities		471,470	323,429
Running finance under mark-up arrangements - secured		340,718	66,894
Trade and other payables		1,495,606	1,023,322
Interest and mark-up accrued		25,932	74,841
		<u>2,333,726</u>	<u>1,488,486</u>
NET CURRENT ASSETS		457,084	1,773,602
NON CURRENT LIABILITIES			
Term finance certificates - secured		3,241,290	3,237,470
Long term finances		36,650	258,787
Deferred taxation		692,215	710,589
Retirement benefits		137,213	133,824
Liabilities against assets subject to finance lease		80,346	110,916
Long term payables - secured		108,403	142,935
Long term deposits		45,787	54,037
License fee payable		942,384	913,554
		<u>5,284,288</u>	<u>5,562,112</u>
Contingencies and commitments	7	<u>12,195,455</u>	<u>12,354,390</u>
REPRESENTED BY			
Share capital and reserves			
Authorized capital 900,000,000 (2008: 900,000,000) ordinary shares of Rs. 10 each		<u>9,000,000</u>	9,000,000
Issued, subscribed and paid up capital		8,605,716	8,605,716
Share premium		837,335	837,335
Exchange translation reserve		(876)	(944)
Accumulated profit		2,437,185	2,590,242
		<u>11,879,360</u>	<u>12,032,349</u>
Minority interest		-	647
		<u>11,879,360</u>	<u>12,032,996</u>
Surplus on revaluation		316,095	321,394
		<u>12,195,455</u>	<u>12,354,390</u>

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

Muscat


Chairman


Chief Executive


Chairman Audit Committee

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Worldcall Telecom Limited Group

CONDENSED CONSOLIDATED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED) FOR THE QUARTER ENDED 30 SEPTEMBER 2008

	Quarter ended 30 September 2008	Quarter ended 30 September 2007
(Rupees in '000')		
Revenue -net	1,346,877	1,188,594
Direct cost	(995,077)	(621,463)
Gross profit	<u>351,800</u>	<u>567,131</u>
Operating cost	(323,507)	(259,686)
Operating profit	<u>28,293</u>	<u>307,445</u>
Finance cost	(69,986)	(108,444)
	<u>(41,693)</u>	<u>199,001</u>
Loss on re-measurement of investments at fair value through profit or loss	(149,755)	(16,800)
Other income/(loss)	21,027	(21,154)
	<u>(6,921)</u>	<u>-</u>
(Loss)/profit before taxation and share from associate	<u>(177,342)</u>	<u>161,047</u>
Share of profit from associate	-	1,281
(Loss)/profit before taxation	<u>(177,342)</u>	<u>162,328</u>
Taxation	18,314	(21,084)
	<u>(159,028)</u>	<u>141,244</u>
(Loss)/profit after taxation	<u>(159,028)</u>	<u>141,244</u>
Attributable to:		
Equity holders of parents	(158,356)	142,126
Minority interest	(672)	(882)
	<u>(159,028)</u>	<u>141,244</u>
Earnings per share - basic	(Rupees) <u>(0.18)</u>	0.19
Earnings per share - diluted	(Rupees) <u>-</u>	0.17

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

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

Muscat


Chairman


Chief Executive


Chairman Audit Committee

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Worldcall Telecom Limited Group

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE QUARTER ENDED 30 SEPTEMBER 2008

	Note	30 September 2008	30 September 2007
(Rupees in '000')			
Cash flows from operating activities			
Cash generated from operations	8	653,597	334,421
Decrease/(increase) in long term deposits receivable		14,909	(8,814)
(Decrease)/increase in long term deposits payable		(8,391)	732
Decrease in long term payables		(37,869)	(2,263)
Decrease in license fee payable		-	(8,875)
Retirement benefits paid		(11,302)	(2,345)
Finance cost paid		(181,490)	(84,855)
Taxes paid		(15,873)	(6,558)
Net cash generated from operating activities		413,581	221,443
Cash flow from investing activities			
Fixed capital expenditure		(1,043,642)	(585,327)
Intangible assets acquired		-	(37)
Sale proceeds of property, plant and equipment		2,228	23,411
Short term investments - net		-	(16,867)
Net cash used in investing activities		(1,041,414)	(578,820)
Cash flow from financing activities			
Repayment of term finance certificates		-	(49,970)
Receipt of long term finances		-	705,864
Repayment of long term finances		(73,298)	(203,633)
Repayment of finance lease liabilities		(34,980)	(59,659)
Net cash generated from/(used in) financing activities		(108,278)	392,602
Net (decrease)/increase in cash and cash equivalents		(736,111)	35,225
Effect of exchange rate changes		45	-
Cash and cash equivalents at the beginning of the period		783,622	37,526
Cash and cash equivalents at the end of the period		47,556	72,751
Cash and cash equivalents comprised of the following:			
Cash and bank balances		388,274	676,147
Running finance under markup arrangements - secured		(340,718)	(603,396)
		47,556	72,751

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

Muscat


Chairman


Chief Executive

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Chairman Audit Committee

Worldcall Telecom Limited Group

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE QUARTER ENDED 30 SEPTEMBER 2008

	Attributable to equity holders of the Company					Minority Interest	Total
	Capital reserves			Revenue	Sub Total		
	Share capital	Share premium	Currency translation reserve	Convertible loan reserve	Un-appropriated profit/(loss)		
	Rupees in '000'						
Balance as at 30 June 2007	7,520,607	410,887	(2,301)	1,403,575	2,509,902	6,292	11,848,962
Exchange translation difference	-	-	(183)	-	-	(75)	(258)
Adjustment due to dilution in shareholding of associate	-	-	-	-	8,320	-	8,320
Net profit/(loss) for the quarter	-	-	-	-	142,126	(882)	141,244
	-	-	(183)	-	150,446	(957)	149,306
Balance as at 30 September 2007	7,520,607	410,887	(2,484)	1,403,575	2,660,348	5,335	11,998,268
Liability component of convertible loan	-	-	-	107,982	-	-	107,982
Shares issued against convertible loan	1,085,109	426,448	-	(1,511,557)	-	-	-
Exchange translation difference	-	-	1,540	-	(70,106)	639	2,179
Net loss for the period	1,085,109	426,448	1,540	(1,403,575)	(70,106)	(5,327)	(75,483)
Balance as at 30 September 2008	8,605,716	837,335	(944)	2,590,242	12,032,349	647	12,032,996
Exchange translation difference	-	-	68	-	-	25	93
Transfer from surplus on revaluation of intangible assets	-	-	-	-	5,299	-	5,299
Net loss for the quarter	-	-	-	-	(158,356)	(672)	(159,028)
	-	-	68	-	(152,989)	(647)	(153,636)
Balance as at 30 September 2008	8,605,716	837,335	(876)	2,437,185	11,879,360	-	11,879,360

Balance as at 30 June 2007
Exchange translation difference
Adjustment due to dilution in shareholding of associate
Net profit/(loss) for the quarter

Balance as at 30 September 2007
Liability component of convertible loan
Shares issued against convertible loan
Exchange translation difference
Net loss for the period

Balance as at 30 June 2008
Exchange translation difference
Transfer from surplus on revaluation of intangible assets
Net loss for the quarter

Balance as at 30 September 2008

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


Chairman


Chief Executive


Chairman Audit Committee

Muscat

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NOTES TO THE CONDENSED CONSOLIDATE INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE QUARTER ENDED 30 SEPTEMBER 2008

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 a joint venture with Hayleys Group to operate payphones. The principal activity of the Subsidiary is the operation and maintenance of public payphones networks. Payphones are installed at various shops/commercial outlets. The Company holds 70.65% of voting securities in the Subsidiary.

The registered office of the Company is situated at 103 C-II, 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.

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.

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

Minority interest is that part of net results of operations and of net assets of Subsidiary attributable to interest which are not owned by the Company. Minority interest is presented separately in the consolidated financial 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 30 June 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 30 June 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 30 June 2008.

		30 September 2008	30 June 2008
	Note	(Rupees in '000')	
6. Property, Plant and Equipment			
Owned and leased assets:			
Opening net book value		8,930,588	7,677,460
Exchange adjustment on WDV		7,207	7,733
Revaluation decrease		-	(240,238)
Impairment		-	(9,371)
Additions during the period / year	6.1	440,659	2,402,456
		<u>9,378,454</u>	<u>9,838,040</u>
Disposals during the period / year - NBV	6.2	(1,452)	(9,883)
Depreciation for the period / year		(228,044)	(894,507)
Exchange adjustment on depreciation		(3,396)	(3,062)
Closing book value		<u>9,145,562</u>	<u>8,930,588</u>

Worldcall Telecom Limited Group

30 September 2008
30 June 2008
(Rupees in '000')

6.1 Break-up of additions

Leasehold improvements	7,332	16,099
Plant and equipment	417,729	2,317,145
Office equipment	5,678	18,534
Computers	722	19,024
Furniture and fixtures	132	4,544
Vehicles	8,193	26,655
Lab and other equipment	873	455
	<u>440,659</u>	<u>2,402,456</u>

6.2 Break-up of disposals

Leasehold improvements	-	(168)
Plant and equipment	-	(7,151)
Office equipment	(143)	(59)
Computers	(111)	(227)
Vehicles	(1,198)	(2,278)
	<u>(1,452)</u>	<u>(9,883)</u>

7 Contingencies and commitments

Contingencies

7.1 Billing disputes with PTCL

7.1.1 PTCL has charged the company excess Domestic Private Lease Circuits (DPLC), and other media charges amounting to Rs. 77.75 million (June 2008: Rs. 73.9 million) on account of difference in rates, distances and date of activation. Further the company has also deposited Rs. 40 million (June 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 confident that matter will be decided in favour of the company.

7.1.2 There is a dispute of Rs.69.41 million (June 2008: Rs 68.9 million) with PTCL of non revenue time of prepaid calling cards and Rs. 12.98 million (June 2008: Rs 9.07 million) for excess minutes billed on account of interconnect and settlement charges. The management is confident that matter will be decided in favour 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 (June 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 confident that matter will be decided in favour of the Company.

7.2.2 PTA has issued a notice to the Company regarding the 479 MHz and 3.5 GHz frequency bands, 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

Worldcall Telecom Limited Group

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. The management is hopeful that 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 (June 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 confident that the matter will be decided in favour of the Company.

7.2.4 There is a dispute of Rs. 491 million (June 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. Out of this amount, Rs. 223 million relating to prior periods has been deposited with PTA. Show cause notice was issued by the PTA and the Company had submitted its reply. PTA after hearing the Company's view has passed determination dated 4 April 2008 against the Company. The Company has filed an appeal in Honourable Islamabad High Court and stay order has been granted by the Honourable Islamabad High Court in favour of the Company. The next date of hearing has not yet been fixed by the Honourable Islamabad High Court. Based on legal advice, the management is confident 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 confident that 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 had 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 Honourable High Court against the decision of ITAT, Lahore on September 08, 2008 which is pending adjudication.

7.3.3 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 18-09-07 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

Worldcall Telecom Limited Group

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) and the same is pending adjudication till date. The said Order of the Additional Collector was also assailed before the Honourable 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.

A representation has been filed by the Collectorate against the said Order of the FTO before the Honourable President of Pakistan on which decision is yet awaited. However, in case of another payphone company having similar case, the Honourable President has set aside the decision of FTO and has restored the potential 100% penalty on the principal amount. The said decision of the President has been challenged before the Honourable Islamabad High Court and the matter is pending adjudication before the Honourable Court.

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 management is confident that matter will be decided in favour of the Company.

	30 September 2008	30 June 2008
	(Rupees in '000')	
Commitments		
7.4 Outstanding guarantees	<u>365,034</u>	<u>314,446</u>
7.5 Commitments in respect of capital expenditure	<u>794,847</u>	<u>108,629</u>
7.6 Outstanding letters of credit	<u>1,651,106</u>	<u>518,396</u>
	30 September 2008	30 September 2007
	(Rupees in '000')	
8 Cash generated from operations		
Profit/(loss) before taxation	(177,342)	162,328
Adjustment for non-cash charges and other items:		
Depreciation	226,027	223,347
Amortization of intangible assets	25,157	18,961
Amortization of deferred cost	-	1,334
Interest on PTA license fee	28,830	25,459
Amortization of transaction cost	4,375	2,571
Loss on sale of investments	-	29,420
Provision for doubtful receivables	17,240	-
Profit on disposal of property, plant and equipment	(777)	-
Share of profit of associate	-	(1,281)
Loss on re-measurement of investments at fair value	149,755	16,800
Retirement benefits	13,642	12,484
Finance cost	36,781	80,414
Profit before working capital changes	<u>323,688</u>	<u>571,837</u>

Worldcall Telecom Limited Group

30 September
2008

30 September
2007

(Rupees in '000')

Effect on cash flow due to working capital changes:

(Increase)/Decrease in the current assets

Stores and spares	10,150	33,943
Stock in trade	(61,375)	4,127
Trade debts	(99,397)	(91,333)
Loans and advances	(7,624)	(19,680)
Deposits and prepayments	20,645	7,246
Other receivables	(4,155)	(145,040)
Increase/(Decrease) in current liabilities	471,665	(26,679)
Trade and other payables	329,909	(237,416)
	<u>653,597</u>	<u>334,421</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:

	30 September 2008	30 September 2007
	(Rupees in '000')	
Associated companies		
Purchase of goods and services	23,459	13,051
Sale of goods and services	1,852	1,884
Interest on advance	1,019	1,024

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

10 Segment reporting

Segment information is presented in respect of the Group's business. The primary format, business segment, is based on the Group's management reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one year.

The Group's operations comprise of the following main business segments:

- Telecom segment which comprises of WLL, LDI and Operation and Maintenance of payphone network.
- Broadband segment which comprises of internet over cable and cable TV services.

All inter-segment sales are on arms length basis.

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Segment analysis for the quarter ended 30 September 2008

	Telecom	Broadband	Eliminations	Total
(Rupees in '000')				
Sales				
External sales	1,130,765	290,098	-	1,420,863
Inter-segment sales	2,979	1,676	(4,655)	-
Sales tax	(34,065)	(12,610)	-	(46,675)
Discount and commission	(27,090)	(221)	-	(27,311)
Total revenue	<u>1,072,589</u>	<u>278,943</u>	<u>(4,655)</u>	<u>1,346,877</u>
Loss before tax and unallocated expenses	(159,043)	(18,299)	-	(177,342)
Unallocated corporate expenses				
Taxation				18,314
Profit after taxation				<u>(159,028)</u>

Segment assets and liabilities as at 30 September 2008

	Telecom	Broadband	Total
(Rupees in '000')			
Segment assets	13,995,727	5,817,745	19,813,472
Consolidated total assets			<u>19,813,472</u>
Segment liabilities	5,137,357	1,788,445	6,925,802
Unallocated segment liabilities			692,215
Consolidated total liabilities			<u>7,618,017</u>
Segment capital expenditure	408,438	32,219	440,657
			<u>440,657</u>
Non-cash expenses other than depreciation and amortization	43,320	7,125	50,445
	<u>43,320</u>	<u>7,125</u>	<u>50,445</u>
Depreciation and amortization	198,790	69,393	268,183
	<u>198,790</u>	<u>69,393</u>	<u>268,183</u>

Segment analysis for the quarter ended 30 September 2007

	Telecom	Broadband	Eliminations	Total
(Rupees in '000')				
Sales				
External sales	852,101	404,117	-	1,256,218
Inter-segment sales	2,245	5,979	(8,224)	-
Sales tax	(29,988)	(8,588)	-	(38,576)
Discount and commission	(26,129)	(2,919)	-	(29,048)
Total revenue	<u>798,229</u>	<u>398,589</u>	<u>(8,224)</u>	<u>1,188,594</u>
(Loss)/profit before tax and unallocated expenses	(23,332)	185,660	-	162,328
Unallocated corporate expenses				
Taxation				(21,084)
Profit after taxation				<u>141,244</u>

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Segment assets and liabilities as at 30 June 2008

	Telecom	Broadband	Total
(Rupees in '000')			
Segment assets	13,903,173	5,501,815	19,404,988
Consolidated total assets			<u>19,404,988</u>
Segment liabilities	4,850,259	1,489,750	6,340,009
Unallocated segment liabilities			710,589
Consolidated total liabilities			<u>7,050,598</u>
Segment capital expenditure	1,556,215	847,820	2,404,035
			<u>2,404,035</u>
Non-cash expenses other than depreciation and amortization	238,149	20,166	258,315
	<u>238,149</u>	<u>20,166</u>	<u>258,315</u>
Depreciation and amortization	733,491	289,163	1,022,654
	<u>733,491</u>	<u>289,163</u>	<u>1,022,654</u>

11 Date of authorization for issue

This condensed consolidated interim financial information was authorized for issue on October 30, 2008 by the Board of Directors of the Company.

12 General

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

12.2 Corresponding figures have been rearranged wherever necessary for the purpose of comparison.

Muscat


Chairman


Chief Executive


Chairman Audit Committee