

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

**31 MARCH 2010**

## VISION

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

## MISSION STATEMENT

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

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

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

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

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

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Condensed consolidated interim financial information

## Worldcall Telecom Limited

### COMPANY INFORMATION

<b>Chairman</b>	Mehdi Mohammed Al Abduwani
<b>Chief Executive Officer</b>	Babar Ali Syed
<b>Board of Directors (In Alaphabetic order)</b>	Asadullah Khawaja (Nominee Arif Habib Securities Ltd.) Bernhard Heinichen Mehdi Mohammed Al Abduwani Mohamad Ahmad Ghamlouch Salmaan Taseer Samy Ahmed Abdulqadir Al Ghassany Sumbul Munir Talal Said Marhoon Al-Mamari Zafar Iqbal
<b>Chief Financial Officer</b>	Mohammad Noaman Adil
<b>Executive Committee</b>	Mehdi Mohammed Al Abduwani (Chairman) Talal Said Marhoon Al-Mamari (Member) Asadullah Khawaja (Member) Babar Ali Syed (Member) Saud Mansoor Al Mazroui (Secretary)
<b>Audit Committee</b>	Talal Said Marhoon Al-Mamari (Chairman) Sumbul Munir (Member) Asadullah Khawaja (Member) Rizwan Abdul Hayi (Secretary)
<b>Chief Internal Auditor</b>	Mirghani Hamza Al-Madani
<b>Company Secretary</b>	Saud Mansoor Al Mazroui
<b>Auditors</b>	KPMG Taseer Hadi & Co. Chartered Accountants
<b>Legal Advisers</b>	M/s Ebrahim Hosain & Associates Advocates
<b>Bankers (In Alaphabetic Order)</b>	Allied Bank Limited Arif Habib Bank Limited Askari Bank Limited Barclays Bank Plc Pakistan Deutsche Bank AG Emirates Global Islamic Bank Limited Faysal Bank Limited First Dawood Investment Bank Limited Habib Bank Limited Habib Metropolitan Bank Limited HSBC Bank Middle East Limited IGI Investment Bank Limited KASB Bank Limited MCB Bank Limited National Bank of Pakistan NIB Bank Limited Oman International Bank S.A.O.G. Pak Oman Investment Co. Limited Soneri Bank Limited Standard Chartered Bank (Pakistan) Limited The Bank of Punjab United Bank Limited
<b>Registrar and Shares Transfer Office</b>	THK Associates (Pvt.) Limited Ground Floor, State Life Building No.3, Dr. Zia-ud-Din Ahmed Road, Karachi. Tel: (021) 111-000-322
<b>Registered Office/Head Office</b>	67-A, C/III, Gulberg-III, Lahore, Pakistan Tel: (042) 3587 2633-38 Fax: (042) 3575 5231

## Worldcall Telecom Limited

### DIRECTORS' REVIEW

The Directors of Worldcall Telecom Limited ("WTL" or the "Company") are pleased to present the financial information for the three months ended 31 March 2010.

#### Financial Overview

The revenue for the quarter increased by 33% as compared to same quarter last year and stands at Rs 2,399 million. This growth came as the Company successfully pursued a focused strategy of aggressive market penetration in data and broadband segments. Direct cost registered an increase of 24% which is in line with the increase in revenue streams. Further heavy depreciation charge also contributed to increase in direct cost. Increase in traffic volumes coupled with better utilization of deployed network favorably impacted the GP ratio which increased from 14% to 20%. Increase of 45% in operating cost is mainly due to recognition of provision against receivable balances. The finance cost surged by 147% due to high mark up cost on TFCs and other borrowings. Increase in revenue was successfully translated in operating profit however escalation in finance cost led to a net loss of Rs 121 million at the quarter end.

#### Future Outlook

The Company is consolidating its operations in the data and broad band segment. After successfully launching its valued EVDO services in seven major cities across the country, the Company is now pursuing focused strategy to maintain the market share along with creating the appetite of the product in other under-served consumer segments. The customer support and improved service levels coupled with affordable price packages is expected to ensure a committed customer base in future. Apart from securing the general market segments the Company is also well aware of the potential of corporate segment and has set up alternate dedicated channels to address the peculiar needs of its prestigious corporate clients.

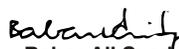
Different synergies with Omantel are being weighed and considered in the background of mutual growth and prosperity. Interconnects with new partners and exchange of healthy volumes of traffic is expected to contribute positively towards growth in revenue and profitability in times to come.

#### Company's staff and customers

We wish to express our sincere gratitude and appreciation for our employees. Their loyalty and support is indeed praiseworthy. We are also thankful to our customers, contractors and other business partners for their assistance and continued support.

For and on behalf of the Board of Directors

Muscat  
26 April 2010

  
Babar Ali Syed  
Chief Executive Officer

## Worldcall Telecom Limited

### CONDENSED INTERIM BALANCE SHEET (UN-AUDITED) AS AT 31 MARCH 2010

	Note	31 March 2010	31 December 2009
----- (Rupees in '000) -----			
<b>NON CURRENT ASSETS</b>			
<b>Tangible fixed assets</b>			
Property, plant and equipment	5	12,464,963	12,110,704
Capital work-in-progress		1,220,850	1,650,854
		<u>13,685,813</u>	<u>13,761,558</u>
<b>Intangible assets</b>			
Investment properties		4,727,062	4,767,265
Long term investment - classified as held for sale	6	76,162	76,162
Long term trade receivable	7	-	-
Long term deposits		46,805	-
		66,366	68,801
		<u>18,602,208</u>	<u>18,673,786</u>
<b>CURRENT ASSETS</b>			
Store and spares		277,429	317,614
Stock in trade		191,701	182,105
Trade debts		2,641,560	2,116,744
Loans and advances - considered good		513,168	469,790
Deposits and prepayments		217,863	181,918
Other receivables		15,492	15,890
Short term investments		378,905	378,439
Income tax recoverable-net		144,598	143,111
Cash and bank balances		168,772	336,480
		<u>4,549,488</u>	<u>4,142,091</u>
<b>CURRENT LIABILITIES</b>			
Current maturities of non-current liabilities		1,725,152	1,858,591
Running finance under mark-up arrangements - secured		835,350	1,045,660
Trade and other payables		3,217,909	2,239,121
Interest and mark-up accrued		307,730	166,605
		<u>6,086,141</u>	<u>5,309,977</u>
		<u>(1,536,653)</u>	<u>(1,167,886)</u>
<b>NET CURRENT LIABILITIES</b>			
<b>NON CURRENT LIABILITIES</b>			
Term finance certificates - secured		3,367,948	3,364,861
Deferred taxation		346,025	398,122
Retirement benefits		197,064	175,942
Liabilities against assets subject to finance lease		22,057	18,542
Long term payables		1,805,344	2,125,220
Long term deposits		43,902	44,160
		<u>5,782,340</u>	<u>6,126,847</u>
Contingencies and commitments	8		
		<u>11,283,215</u>	<u>11,379,053</u>
<b>Represented By</b>			
<b>Share capital and reserves</b>			
Authorized capital 900,000,000 (31 December 2009: 900,000,000) ordinary shares of Rs. 10 each		<u>9,000,000</u>	<u>9,000,000</u>
Issued, subscribed and paid up capital		8,605,716	8,605,716
Share premium		837,335	837,335
Fair value reserve- available for sale financial assets		(45,723)	(70,475)
Accumulated profit		1,552,617	1,674,903
		<u>10,949,945</u>	<u>11,047,479</u>
Surplus on Revaluation		333,270	331,574
		<u>11,283,215</u>	<u>11,379,053</u>

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

Muscat

*Babandily*  
Chief Executive Officer

*W. M. Y.*  
Director

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## Worldcall Telecom Limited

### CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED) FOR THE QUARTER ENDED 31 MARCH 2010

	Quarter ended 31 March 2010	Quarter ended 31 March 2009
----- (Rupees in '000) -----		
Revenue -net	2,398,870	1,804,854
Direct cost	(1,917,451)	(1,552,423)
<b>Gross profit</b>	<u>481,419</u>	<u>252,431</u>
Operating cost	(422,060)	(290,603)
<b>Operating profit/(loss)</b>	<u>59,359</u>	<u>(38,172)</u>
Finance cost	(203,208)	(82,332)
	<u>(143,849)</u>	<u>(120,504)</u>
Impairment loss on available for sale financial assets	(24,286)	-
Other operating income	9,869	16,096
Other expenses	(2,426)	(7,281)
<b>Loss before taxation</b>	<u>(160,692)</u>	<u>(111,689)</u>
Taxation	40,102	40,298
<b>Loss after taxation</b>	<u>(120,590)</u>	<u>(71,391)</u>
<b>Loss per share - basic &amp; diluted</b>	<u>(0.14)</u>	<u>(0.08)</u>

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

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

Muscat

*Babandily*  
Chief Executive Officer

*W. M. Y.*  
Director

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## Worldcall Telecom Limited

### CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED) FOR THE QUARTER ENDED 31 MARCH 2010

	Quarter ended 31 March 2010	Quarter ended 30 March 2009
----- (Rupees in '000) -----		
Loss for the period	(120,590)	(71,391)
<b>Other comprehensive income/(loss)-net of tax:</b>		
Net change in fair value of available for sale financial assets	466	(158,926)
Impairment loss transferred to profit & loss account	24,286	-
	24,752	(158,926)
<b>Total comprehensive loss for the period</b>	<b>(95,838)</b>	<b>(230,317)</b>

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

Muscat

*Balambidi*  
Chief Executive Officer

*Gilim*  
Director

## Worldcall Telecom Limited

### CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE QUARTER ENDED 31 MARCH 2010

	Note	Quarter ended 31 March 2010	Quarter ended 31 March 2009
----- (Rupees in '000) -----			
<b>Cash flows from operating activities</b>			
Cash generated from operations	9	451,378	654,954
Decrease in long term deposits receivable		2,435	5,899
Long term trade receivable		(46,805)	-
(Decrease)/increase in long term deposits payable		(258)	76
Increase in long term payables		89,066	345,779
Retirement benefits paid		(3,980)	(6,509)
Finance cost paid		(44,030)	(36,041)
Taxes paid		(13,481)	(9,397)
<b>Net cash generated from operating activities</b>		<b>434,325</b>	<b>954,761</b>
<b>Cash flow from investing activities</b>			
Fixed capital expenditure		(223,553)	(925,713)
Sale proceeds of property, plant and equipment		5,275	3,207
License fee paid		(113,500)	-
<b>Net cash used in investing activities</b>		<b>(331,778)</b>	<b>(922,506)</b>
<b>Cash flow from financing activities</b>			
Repayment of long term finances		(37,494)	(36,650)
Repayment of running finance		(210,310)	(274,275)
Repayment of finance lease liabilities		(22,451)	(27,370)
<b>Net cash used in financing activities</b>		<b>(270,255)</b>	<b>(338,295)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(167,708)</b>	<b>(306,040)</b>
<b>Cash and bank balances at the beginning of the period</b>		<b>336,480</b>	<b>564,188</b>
<b>Cash and bank balances at the end of the period</b>		<b>168,772</b>	<b>258,148</b>

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

Muscat

*Balambidi*  
Chief Executive Officer

*Gilim*  
Director

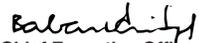
## Worldcall Telecom Limited

### CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE QUARTER ENDED 31 MARCH 2010

	Share capital	Revenue reserves	Other component of equity		Total
		Accumulate profit/(loss)	Share premium	Fair value reserve- Available for sale assets	
------(Rupees in '000)-----					
<b>Balance as at 31 December 2008</b>	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)
<b>Balance as at 31 March 2009</b>	8,605,716	2,099,421	837,335	(389,639)	11,152,833
Total comprehensive (loss)/income for the period	-	(419,428)	-	319,164	(100,264)
Transfer to surplus on revaluation	-	(5,090)	-	-	(5,090)
<b>Balance as at 31 December 2009</b>	8,605,716	1,674,903	837,335	(70,475)	11,047,479
Total comprehensive (loss)/income for the period	-	(120,590)	-	24,752	(95,838)
Transfer to surplus on revaluation	-	(1,696)	-	-	(1,696)
<b>Balance as at 31 March 2010</b>	<u>8,605,716</u>	<u>1,552,617</u>	<u>837,335</u>	<u>(45,723)</u>	<u>10,949,945</u>

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

Muscat

  
Chief Executive Officer

  
Director

## Worldcall Telecom Limited

### NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE QUARTER ENDED 31 MARCH 2010

#### 1 Legal status and nature of business

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

#### 2 Accounting convention and basis of preparation

This condensed interim financial information has been presented in condensed form in accordance with the requirements of the "International Accounting Standard 34 - Interim Financial Reporting" as applicable in Pakistan and is unaudited. 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 31 December 2009. Further, this condensed interim financial information is being circulated to the shareholders in accordance with the requirements of Section 245 of the Companies Ordinance, 1984.

#### 3. Significant accounting judgments and estimates

The preparation of condensed interim financial information in conformity with approved accounting standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions and judgements are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. In preparing this condensed interim financial information, the significant judgements made by management in applying accounting policies and the key sources of estimation were the same as those that were applied to the financial statements for the period ended 31 December 2009.

#### 4 Accounting policies

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

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

## Worldcall Telecom Limited

	Note	31 March 2010	31 December 2009	
		------(Rupees in '000)-----		
<b>5. Property, Plant and Equipment</b>				
<b>Owned and leased assets:</b>				
Opening net book value		12,110,704	9,901,500	
Additions during the period/year	5.1	719,580	3,408,726	
		<u>12,830,284</u>	<u>13,310,226</u>	
Disposals for the period/year - NBV	5.2	(23,309)	(13,687)	
Depreciation for the period/year		<u>(342,012)</u>	<u>(1,185,835)</u>	
<b>Closing book value</b>		<u><b>12,464,963</b></u>	<u><b>12,110,704</b></u>	
<b>5.1 Break-up of additions</b>				
Freehold land		5,760	-	
Leasehold improvements		267	11,570	
Plant and equipment		696,973	3,369,710	
Office equipment		4,339	6,617	
Computers		2,906	10,455	
Furniture and fixtures		35	6,202	
Vehicles		9,300	3,910	
Lab and other equipment		-	262	
		<u>719,580</u>	<u>3,408,726</u>	
<b>5.2 Break-up of disposals</b>				
Leasehold improvements		(41)	(1,062)	
Plant and equipment		(23,061)	(7,895)	
Office equipment		(30)	(348)	
Computers		-	(179)	
Furniture and fixtures		(113)	(26)	
Vehicles		(64)	(4,177)	
		<u>(23,309)</u>	<u>(13,687)</u>	
<b>6 Long term investment - at cost less impairment</b>				
<b>Foreign subsidiary - Unquoted</b>				
<b>Worldcall Telecommunications Lanka (Pvt) Limited Incorporated in Sri Lanka</b>				
7,221,740 ( 31 December 2009: 7,221,740) ordinary shares of Sri Lankan Rupees 10/-each. Equity held 70.65% (31 December 2009: 70.65%)		44,406	44,406	
Share deposit money		13,671	13,671	
		<u>58,077</u>	<u>58,077</u>	
Less: Provision for impairment		<u>(58,077)</u>	<u>(58,077)</u>	
		-	-	
<b>6.1</b>				The Company's foreign subsidiary namely Worldcall Telecommunications Lanka (Private) Limited has been suffering losses since last many years as the demand for payphones in Sri Lanka has greatly diminished. Keeping in view the Sri Lankan market conditions and negative equity of the subsidiary, the management has decided and approved the winding up of the subsidiary. Long term investment in subsidiary has now been classified as discontinued operations.

## Worldcall Telecom Limited

### 7 Long term trade receivable

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

### 8 Contingencies and commitments

#### Contingencies

#### 8.1 Billing disputes with PTCL

**8.1.1** There is a dispute of Rs.71 million (31 Dec 2009: Rs 70.23 million) with PTCL of non revenue time of prepaid calling cards and Rs. 28.126 million (31 Dec 2009: Rs 29.3 million) for excess minutes billed on account of interconnect and settlement charges. The management is hopeful that matter will be decided in favour of the company.

**8.1.2** PTCL has charged the Company excess Domestic Private Lease Circuits (DPLC) and other media charges amounting to Rs. 158.10 million (31 Dec 2009: Rs.153.54 million) on account of difference in rates, distances and date of activation. Further the Company has also deposited Rs. 40 million (31 Dec 2009: Rs. 40 million) in Escrow Account on account of dispute of charging of bandwidth charges from the date of activation of Digital Interface Units (DIUs) for commercial operation and in proportion to activation of DIUs related to each DPLC link and excess charging in respect of Karachi-Rawalpindi link which was never activated. The management is hopeful that matter will be decided in favour of the Company.

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

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

**8.2.2** PTA has issued a notice to the Company for the cancellation of the 479 MHz and 3.5 GHz frequency bands licenses, as the Company has failed to undertake the rollout of its wireless local loop ("WLL") network in the aforesaid frequencies within the time limit prescribed by PTA. The Authority has right to withdraw unused frequency spectrum and cancel the license for not meeting the said roll out requirement. The Company's stance in this respect is that the rollout in 479 MHz, a non standard frequency band, could not be carried out due to non availability of infrastructure and user terminals. Its deployment and commercial operation is not possible in the limited revised time frame. In 3.5 GHz band, the roll out is delayed due to limited customers' market and high cost of the Customer Premises Equipment. Non-firm standards, technology evolution and optimization of spectrum by PTA are also the main reasons for its delayed rollout. However, the Company has started its roll out plan and is successful in getting commencement certificate in GTR and KTR regions for 3.5 GHz frequency and 479 MHz frequency respectively.

In addition to above commencement inspection has been done for 3.5 GHz frequency for the following regions: RTR, CTR, MTR, STR-I, and STR-V while for 479 MHz frequency commencement inspection has been conducted for the following regions: RTR, GTR, FTR,

## Worldcall Telecom Limited

MTR, STR-I, and STR-V. The management is hopeful that the matter will be decided in favour of the Company and notice will be withdrawn.

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

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

- 8.2.4** There is a dispute of Rs.491 million (31 Dec 2009: Rs. 491 million) with PTA on Access Promotion Contribution (APC) for Universal Service Fund (USF) representing contribution for the period prior to the valid formation of USF fund by the Federal Government. A Show cause notice was issued by the PTA which culminated into determination dated 04 April 2008 against the Company. The Company filed an appeal in Honourable Islamabad High Court Islamabad and the Honourable Court was pleased to dismiss the appeal vide judgment dated 21 January 2009. The Company then filed a Civil Petition for Leave to Appeal (CPLA) before the Honourable Supreme Court of Pakistan against the judgment of the Honourable Islamabad High Court. The Honourable Supreme Court has heard the preliminary arguments in presence of the Respondents in various hearings. Lastly, this case was fixed on 8 February 2010 however the same got adjourned on the written request of the Respondents. The office of Honourable Supreme Court is yet to fix the next date of hearing. Based on legal advice, Company is hopeful that the matter will be decided in favour of the Company.

### 8.3 Taxation issues

- 8.3.1** 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.

- 8.3.2** 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

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

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

Following this change in stance by the FBR, a Show Cause Notice was sent to the Company, including various other payphone companies, and proceedings were initiated, culminating in the decision of the Customs, Federal Excise and Sales Tax Appellate Tribunal (CESTAT) dated 15 October 2009 in which it was held that though no tax fraud was apparent and neither were penalties appropriate, however, the disputed refund should be recovered from the Company (that is Rs.167 million). A reference has now been filed by the Company against the CESTAT decision before the Honourable High Court of Lahore bearing Reference Application No.74 of 2009. An injunction currently holds the field which precludes recovery of the disputed refund.

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

31 March 2010	31 December 2009
------(Rupees in '000)-----	

### Commitments

<b>8.4</b> Outstanding guarantees	<u>1,035,956</u>	<u>799,755</u>
<b>8.5</b> Commitments in respect of capital expenditure	<u>663,655</u>	<u>647,197</u>
<b>8.6</b> Outstanding letters of credit	<u>152,023</u>	<u>12,870</u>

## Worldcall Telecom Limited

	Quarter ended 31 March 2010	Quarter ended 31 March 2009
----- (Rupees in '000) -----		
<b>9 Cash generated from operations</b>		
Loss before taxation	(160,692)	(111,689)
<b>Adjustment for non-cash charges and other items:</b>		
Depreciation	342,012	259,591
Amortization of intangible assets	25,082	25,082
Interest on PTA license fee	34,219	30,680
Amortization of transaction cost	2,703	347
Amortization cost of receivables	18,437	-
Provision for doubtful receivables	68,902	13,300
Provision for store & spares	2,000	-
Impairment loss on available for sale financial assets	24,286	-
Gain on disposal of property, plant and equipment	(4,313)	(950)
Retirement benefits	25,102	15,218
Finance cost	166,286	51,305
<b>Profit before working capital changes</b>	<b>544,024</b>	<b>282,884</b>

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

*(Increase)/Decrease in the current assets*

Store and spares	38,184	3,216
Stock in trade	(9,596)	(13,962)
Trade debts	(612,155)	(365,783)
Loans and advances	(43,378)	5,083
Deposits and prepayments	(35,945)	(63,662)
Other receivables	398	62,389
<i>Increase/(Decrease) in current liabilities</i>		
Trade and other payables	569,846	744,789
	(92,646)	372,070
	<b>451,378</b>	<b>654,954</b>

### 10 Related party transactions

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

	Quarter ended 31 March 2010	Quarter ended 31 March 2009
----- (Rupees in '000) -----		
Purchase of goods and services	227,467	92,243
Sale of goods and services	102,668	137,084
Interest on advance	1,175	1,282
Provision for doubtful debts-Pace Group Companies	54,648	-

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

## Worldcall Telecom Limited

### 11 Date of authorization for issue

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

### 12 General

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

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

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

Muscat

  
Chief Executive Officer

  
Director

**WORLDCALL TELECOM LIMITED  
AND ITS SUBSIDIARY**

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

**31 MARCH 2010**

**DIRECTORS' REVIEW**

The Directors of Worldcall Telecom Limited ("WTL" or the "Parent Company") are pleased to present the un-audited condensed consolidated financial information of the Group for the three months ended 31 March 2010.

**Group Foreign Subsidiary**

Worldcall Telecommunications Lanka (Pvt.) Limited (WTCL)

Due to excessive accumulated losses and meager chances of any healthy returns in future, it was decided at last year end to wind up the operations of the group foreign subsidiary. Accordingly the resolution for winding up was made and approved in the last AGM of the Company. In annexed condensed consolidated financial information, the subsidiary has been accounted for under IFRS 5 as discontinued operations.

For and on behalf of the Board of Directors

**Muscat**  
26 April 2010

  
**Babar Ali Syed**  
Chief Executive Officer

## Worldcall Telecom Limited Group

### CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (Un-Audited) AS AT 31 MARCH 2010

	Note	31 March 2010	31 December 2009
------(Rupees in '000)-----			
<b>NON CURRENT ASSETS</b>			
<b>Tangible fixed assets</b>			
Property, plant and equipment	6	12,464,963	12,110,704
Capital work-in-progress		1,220,850	1,650,854
		<u>13,685,813</u>	<u>13,761,558</u>
<b>Intangible assets</b>			
Investment property		4,727,062	4,767,265
Long term trade receivable	7	76,162	76,162
Long term deposits		46,805	-
		<u>66,366</u>	<u>68,801</u>
		<u>18,602,208</u>	<u>18,673,786</u>
<b>CURRENT ASSETS</b>			
Store and spares		277,429	317,614
Stock in trade		191,701	182,105
Trade debts		2,641,560	2,116,744
Loans and advances - considered good		513,168	469,790
Deposits and prepayments		217,863	181,918
Other receivables		15,492	15,890
Short term investments		378,905	378,439
Income tax recoverable-net		144,598	143,104
Cash and bank balances		168,772	335,579
Assets classified as held for sale	8	161	-
		<u>4,549,649</u>	<u>4,141,183</u>
<b>CURRENT LIABILITIES</b>			
Current maturities of non-current liabilities		1,725,152	1,858,591
Running finance under mark-up arrangements - secured		835,350	1,045,660
Trade and other payables		3,165,928	2,238,208
Interest and mark-up accrued		307,730	166,605
Liabilities classified as held for sale	8	53,570	-
		<u>6,087,730</u>	<u>5,309,064</u>
		<u>(1,538,081)</u>	<u>(1,167,881)</u>
<b>NET CURRENT LIABILITIES</b>			
<b>NON CURRENT LIABILITIES</b>			
Term finance certificates		3,367,948	3,364,861
Deferred taxation		346,025	398,122
Retirement benefits		197,064	175,942
Liabilities against assets subject to finance lease		22,057	18,542
Long term payables		1,805,344	2,125,220
Long term deposits		43,902	44,160
		<u>5,782,340</u>	<u>6,126,847</u>
Contingencies and commitments	9	-	-
		<u>11,281,787</u>	<u>11,379,058</u>
<b>REPRESENTED BY</b>			
<b>Share capital and reserves</b>			
Authorized capital 900,000,000 (31 December 2009: 900,000,000) ordinary shares of Rs. 10 each		<u>9,000,000</u>	<u>9,000,000</u>
Issued, subscribed and paid up capital		8,605,716	8,605,716
Share premium		837,335	837,335
Fair value reserve-available for sale financial assets		(45,724)	(70,476)
Exchange translation reserve		(3,028)	(2,940)
Accumulated profit		1,554,639	1,677,849
Capital and reserves attributable to equity holders of the Company		<u>10,948,938</u>	<u>11,047,484</u>
Non controlling interest		(421)	-
		<u>10,948,517</u>	<u>11,047,484</u>
Surplus on revaluation		333,270	331,574
		<u>11,281,787</u>	<u>11,379,058</u>

The annexed notes 1 to 13 form an integral part of these condensed consolidated interim financial information.

Muscat

*Babandiriy*  
Chief Executive Officer

*G. I. M. T.*  
Director

## Worldcall Telecom Limited Group

### CONDENSED CONSOLIDATED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED) FOR THE QUARTER ENDED 31 MARCH 2010

	Quarter ended 31 March 2010	Quarter ended 31 March 2009
------(Rupees in '000)-----		
<b>Continuing operations</b>		
Revenue -Net	2,398,870	1,804,854
Direct cost	(1,917,451)	(1,552,423)
<b>Gross profit</b>	<u>481,419</u>	<u>252,431</u>
Operating cost	(422,060)	(290,603)
<b>Operating profit/(loss)</b>	<u>59,359</u>	<u>(38,172)</u>
Finance cost	(203,208)	(82,332)
	<u>(143,849)</u>	<u>(120,504)</u>
Impairment loss on available for sale financial assets	(24,286)	-
Other operating income	9,869	16,096
Other expenses	(2,426)	(7,281)
<b>Loss before taxation</b>	<u>(160,692)</u>	<u>(111,689)</u>
Taxation	40,102	40,298
<b>Loss after taxation from continuing operations</b>	<u>(120,590)</u>	<u>(71,391)</u>
<b>Discontinued operations</b>		
Loss for the period from discontinued operations	8 (1,308)	(2,345)
	<u>(121,898)</u>	<u>(73,736)</u>
Attributable to:		
Equity holders of parent	(121,514)	(73,048)
Non controlling interest	(384)	(688)
	<u>(121,898)</u>	<u>(73,736)</u>
<b>Loss per share</b>	<b>(Rupees)</b> <u>(0.14)</u>	<u>(0.08)</u>
<b>Loss per share -continuing operations</b>	<b>(Rupees)</b> <u>(0.14)</u>	<u>(0.08)</u>

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

The annexed notes 1 to 13 form an integral part of this condensed consolidated interim financial information.

Muscat

*Babandiriy*  
Chief Executive Officer

*G. I. M. T.*  
Director

## Worldcall Telecom Limited Group

### CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED) FOR THE QUARTER ENDED 31 MARCH 2010

	Quarter ended 31 March 2010	Quarter ended 31 March 2009
	------(Rupees in '000)-----	
Loss for the period	(121,898)	(73,736)
<b>Other Comprehensive income/(loss)- net of tax:</b>		
Exchange differences on translating foreign operations	(125)	(141)
Net change in fair value of available for sale financial assets	466	(158,926)
Impairment loss transferred to profit & loss account	24,286	-
	24,627	(159,067)
<b>Total comprehensive loss for the period</b>	<b>(97,271)</b>	<b>(232,803)</b>
Attributable to:		
Equity holders of the Parent	(96,850)	(232,074)
Non controlling interest	(421)	(729)
	<b>(97,271)</b>	<b>(232,803)</b>

The annexed notes 1 to 13 form an integral part of this condensed consolidated interim financial information.

Muscat

*Balambidi*  
Chief Executive Officer

*GILM*  
Director

## Worldcall Telecom Limited Group

### CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE QUARTER ENDED 31 MARCH 2010

		31 March 2010	31 March 2009
	Note	------(Rupees in '000)-----	
<b>Cash flows from operating activities</b>			
Cash generated from operations	10	450,978	655,330
Decrease in long term deposits receivable		2,435	5,899
Long term trade receivable		(46,805)	-
(Decrease)/increase in long term deposits payable		(258)	82
Increase in long term payables		89,066	345,779
Retirement benefits paid		(3,980)	(6,503)
Finance cost paid		(44,081)	(36,114)
Taxes paid		(13,481)	(9,397)
<b>Net cash generated from operating activities</b>		<b>433,874</b>	<b>955,076</b>
<b>Cash flow from investing activities</b>			
Fixed capital expenditure		(223,553)	(925,938)
Sale proceeds of property, plant and equipment		5,275	3,207
License fee paid		(113,500)	-
<b>Net cash used in investing activities</b>		<b>(331,778)</b>	<b>(922,731)</b>
<b>Cash flow from financing activities</b>			
Repayment of long term finances		(37,494)	(36,650)
Repayment of running finance		(210,310)	(274,275)
Repayment of finance lease liabilities		(22,451)	(27,370)
<b>Net cash used in financing activities</b>		<b>(270,255)</b>	<b>(338,295)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(168,159)</b>	<b>(305,950)</b>
<b>Cash and bank balance at the beginning of the period</b>		<b>335,579</b>	<b>564,627</b>
<b>Cash and bank balance at the end of the period</b>		<b>167,420</b>	<b>258,677</b>

The annexed notes 1 to 13 form an integral part of these condensed consolidated interim financial information.

Muscat

*Balambidi*  
Chief Executive Officer

*GILM*  
Director

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)  
FOR THE QUARTER ENDED 31 MARCH 2010**

**Worldcall Telecom Limited Group**

	Attributable to equity holders of the Company							
	Revenue Reserve	Capital Reserves					Sub Total	Non controlling interest
	Share capital	Accumulated profit/ (loss)	Share premium	Fair value reserve- available for sale	Currency translation reserve	Sub Total	Non controlling interest	Total
<b>Balance as at 31 December 2008</b>	8,605,716	2,159,091	837,335	(230,713)	(1,308)	11,370,121	-	11,370,121
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)
Non controlling interest transferred to majority share holders	-	(729)	-	-	-	(729)	729	-
<b>Balance as at 31 March 2009</b>	8,605,716	2,083,589	837,335	(389,639)	(1,408)	11,135,593	-	11,135,593
Exchange translation difference	-	-	-	-	(1,632)	(1,632)	(677)	(2,309)
Transfer to surplus on revaluation	-	(5,090)	-	-	-	(5,090)	-	(5,090)
Total comprehensive loss for the period	-	(390,842)	-	319,710	100	(71,032)	(9,678)	(80,710)
Transfer from fair value reserve	-	547	-	(547)	-	-	-	-
Non controlling interest transferred to majority share holders	-	(10,355)	-	-	-	(10,355)	10,355	-
<b>Balance as at 31 December 2009</b>	8,605,716	1,677,849	837,335	(70,476)	(2,940)	11,047,484	-	11,047,484
Total comprehensive loss for the period	-	(121,514)	-	24,752	(88)	(96,850)	(421)	(97,271)
Transfer to surplus on revaluation	-	(1,696)	-	-	-	(1,696)	-	(1,696)
<b>Balance as at 31 March 2010</b>	8,605,716	1,554,639	837,335	(45,724)	(3,028)	10,948,938	(421)	10,948,517

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The annexed notes 1 to 13 form an integral part of this condensed consolidated interim financial information.

Muscat

*Kalanda J*  
Chief Executive Officer

*Director*  
Director

**Worldcall Telecom Limited Group**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE QUARTER ENDED 31 MARCH 2010**

**1 Legal status and nature of business**

**1.1 The Group consists of:**

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

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

Worldcall Telecommunications Lanka (Private) Limited ("the Subsidiary") was incorporated in Sri Lanka and is a joint venture with Hayleys Group to operate payphones. The principal activity of the Subsidiary is the operation and maintenance of a public payphones network. Payphones are installed at various shops/ commercial outlets. The Company holds 70.65% of voting securities in the Subsidiary. The Subsidiary has accumulated losses of Rs. 146.59 million as at balance sheet date and its current liabilities exceed its current assets by Rs. 53.41 million. The net loss for the current period after tax is Rs. 1.31 million. In the current period, the assets, liabilities and operations of the subsidiary have been classified as those representing discontinued operations. The comparative profit and loss account has also been re-presented to reflect the change in the classification.

**2 Basis of consolidation**

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

**Subsidiary**

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

**Transactions eliminated on consolidation**

Intragroup balances and any other unrealized gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial information.

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## Worldcall Telecom Limited Group

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

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

### 3 Accounting convention and basis of preparation

This condensed consolidated interim financial information has been presented in condensed form in accordance with the requirements of the "International Accounting Standard 34 - Interim Financial Reporting" as applicable in Pakistan and is un-audited. 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 2009. Further, this condensed consolidated interim financial information is being circulated to the shareholders in accordance with the requirements of Section 245 of the Companies Ordinance, 1984.

### 4. Significant accounting judgments and estimates

The preparation of condensed consolidated interim financial information in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. In preparing this condensed consolidated interim financial information, the significant judgments made by management in applying accounting policies and the key sources of estimation were the same as those that were applied to the financial statements for the year ended 31 December 2009.

### 5 Accounting policies

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

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

## Worldcall Telecom Limited Group

	Note	31 March 2010	31 December 2009
------(Rupees in '000)-----			
<b>6. Property, Plant and Equipment</b>			
<b>Owned and leased assets:</b>			
Opening net book value		12,110,704	9,923,940
Exchange adjustment		-	1,108
Impairment		-	(20,028)
Additions during the period /year	6.1	719,580	3,408,726
		<u>12,830,284</u>	<u>13,313,746</u>
Disposals during the period/year - NBV	6.2	(23,309)	(13,687)
Depreciation for the period/year		(342,012)	(1,188,792)
Exchange adjustment on depreciation		-	(563)
<b>Closing book value</b>		<u><u>12,464,963</u></u>	<u><u>12,110,704</u></u>
<b>6.1 Break-up of additions</b>			
Freehold land		5,760	-
Leasehold improvements		267	11,570
Plant and equipment		696,973	3,369,710
Office equipment		4,339	6,617
Computers		2,906	10,455
Furniture and fixtures		35	6,202
Vehicles		9,300	3,910
Lab and other equipment		-	262
		<u>719,580</u>	<u>3,408,726</u>
<b>6.2 Break-up of disposals</b>			
Leasehold improvements		(41)	(1,062)
Plant and equipment		(23,061)	(7,895)
Office equipment		(30)	(348)
Computers		-	(179)
Furniture and fixtures		(113)	(26)
Vehicles		(64)	(4,177)
		<u>(23,309)</u>	<u>(13,687)</u>
<b>7 Long term trade receivable</b>			
This represents receivable from the sale of Optical Fiber Cable stated at amortized cost by using the discount rate of 16%. This amount is receivable over a period of three years.			
<b>8 Assets held for sale</b>			
The Group's foreign subsidiary namely Worldcall Telecommunications Lanka (Private) Limited has been suffering losses since last many years as the demand for payphones in Sri Lanka has greatly diminished. Keeping in view the Sri Lankan market conditions and negative equity of the subsidiary, the management has decided and approved the winding up of the subsidiary. Long term investment in subsidiary has now been classified as discontinued operations.			
The following re-classifications in the results for the quarter ending 31 March 2010 and the comparative period have been made to separately present the results of discontinued operations.			

## Worldcall Telecom Limited Group

31 March 31 December  
2010 2009  
----- (Rupees in '000) -----

### Results of discontinued operations

Revenue	989	1,702
Expenses	(2,251)	(4,012)
Results from operating activities	(1,262)	(2,310)
Finance cost	(51)	(73)
Other income	5	38
Loss for the period	(1,308)	(2,345)

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

Net cash used in operating activities	(451)	90
Net cash from investing activities	-	-
Net cash from financing activities	-	-
Net cash used in discontinued operation	(451)	90

31 March  
2010  
(Rupees in '000)

### Assets and Liabilities classified as held for sale

#### Assets

Trade debts	161
-------------	-----

#### Liabilities

Trade and other payables	(52,211)
Income tax payable	(7)
Cash and Bank Balance	(1,352)
	(53,570)

## 9 Contingencies and commitments

### Contingencies

#### 9.1 Billing disputes with PTCL

**9.1.1** There is a dispute of Rs.71 million (31 Dec 2009: Rs 70.23 million) with PTCL of non revenue time of prepaid calling cards and Rs. 28.126 million (31 Dec 2009: Rs 29.3 million) for excess minutes billed on account of interconnect and settlement charges. The management is hopeful that matter will be decided in favour of the company.

**9.1.2** PTCL has charged the Company excess Domestic Private Lease Circuits (DPLC) and other media charges amounting to Rs. 158.10 million (31 Dec 2009: Rs. 153.54 million) on account of difference in rates, distances and date of activation. Further the Company has also deposited Rs. 40 million (31 Dec 2009: Rs. 40 million) in Escrow Account on account of dispute of charging of bandwidth charges from the date of activation of Digital Interface Units (DIUs) for commercial operation and in proportion to activation of DIUs related to each DPLC link and excess charging in respect of Karachi-Rawalpindi link which was never activated. The management is hopeful that matter will be decided in favour of the Company.

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

**9.2.1** PTA has raised a demand on the Company of Rs. 10.6 million (31 Dec 2009: Rs. 10.6 million) on account of annual microwave and BTS registration charges. The Company disputed this amount on the grounds that the same are illegal and discriminatory. PTA issued a Show Cause Notice dated 26 June 2009 which culminated into a determination dated 22 February

## Worldcall Telecom Limited Group

2010 against the Company. The Company has filed an appeal bearing F.A.O.147/2010 against the said determination before the Honourable Lahore High Court Lahore; the same is pending adjudication. Based on legal advice, Company has a very good case and there is every likelihood of success.

**9.2.2** PTA has issued a notice to the Company for the cancellation of the 479 MHz and 3.5 GHz frequency bands licenses, as the Company has failed to undertake the rollout of its wireless local loop ("WLL") network in the aforesaid frequencies within the time limit prescribed by PTA. The Authority has right to withdraw unused frequency spectrum and cancel the license for not meeting the said roll out requirement. The Company's stance in this respect is that the rollout in 479 MHz, a non standard frequency band, could not be carried out due to non availability of infrastructure and user terminals. Its deployment and commercial operation is not possible in the limited revised time frame. In 3.5 GHz band, the roll out is delayed due to limited customers' market and high cost of the Customer Premises Equipment. Non-firm standards, technology evolution and optimization of spectrum by PTA are also the main reasons for its delayed rollout. However, the Company has started its roll out plan and is successful in getting commencement certificate in GTR and KTR regions for 3.5 Ghz frequency and 479 Mhz frequency respectively.

In addition to above commencement inspection has been done for 3.5 GHz frequency for the following regions: RTR, CTR, MTR, STR-I, and STR-V while for 479 MHz frequency commencement inspection has been conducted for the following regions: RTR, GTR, FTR, MTR, STR-I, and STR-V. The management is hopeful that the matter will be decided in favour of the Company and notice will be withdrawn.

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

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

**9.2.4** There is a dispute of Rs.491 million (31 Dec 2009: Rs. 491 million) with PTA on Access Promotion Contribution (APC) for Universal Service Fund (USF) representing contribution for the period prior to the valid formation of USF fund by the Federal Government. A Show cause notice was issued by the PTA which culminated into determination dated 04 April 2008 against the Company. The Company filed an appeal in Honourable Islamabad High Court Islamabad and the Honourable Court was pleased to dismiss the appeal vide judgment dated 21 January 2009. The Company then filed a Civil Petition for Leave to Appeal (CPLA) before the Honourable Supreme Court of Pakistan against the judgment of the Honourable Islamabad High Court. The Honourable Supreme Court has heard the preliminary arguments in presence of the Respondents in various hearings. Lastly, this case was fixed on 8 February 2010 however the same got adjourned on the written request of the Respondents. The office of Honourable Supreme Court is yet to fix the next date of hearing. Based on legal advice, Company is hopeful that the matter will be decided in favour of the Company.

#### 9.3 Taxation issues

**9.3.1** 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

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decided in favour of the Company.

9.3.2 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.

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

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

Following this change in stance by the FBR, a Show Cause Notice was sent to the Company, including various other payphone companies, and proceedings were initiated, culminating in the decision of the Customs, Federal Excise and Sales Tax Appellate Tribunal (CESTAT) dated 15 October 2009 in which it was held that though no tax fraud was apparent and neither were penalties appropriate, however, the disputed refund should be recovered from the Company (that is Rs.167 million). A reference has now been filed by the Company against the CESTAT decision before the Honourable High Court of Lahore bearing Reference Application No.74 of 2009. An injunction currently holds the field which precludes recovery of the disputed refund.

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

	31 March 2010	31 December 2009
	----- (Rupees in '000) -----	
<b>Commitments</b>		
9.4 Outstanding guarantees	<u>1,035,956</u>	<u>799,755</u>
9.5 Commitments in respect of capital expenditure	<u>663,655</u>	<u>647,197</u>
9.6 Outstanding letters of credit	<u>152,023</u>	<u>12,870</u>

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

31 March  
2009

### 10 Cash generated from operations

Loss before taxation	(162,000)	(114,034)
<b>Adjustment for non-cash charges and other items:</b>		
Depreciation	342,012	260,317
Amortization of intangible assets	25,082	25,082
Interest on PTA license fee	34,219	30,680
Amortization of transaction cost	2,703	347
Amortization cost of receivables	18,437	-
Provision for doubtful receivables	68,902	13,300
Provision for stores & spares	2,000	-
Impairment loss on available for sale financial assets	24,286	-
Gain on disposal of property, plant and equipment	(4,313)	(950)
Exchange translation difference	(88)	(100)
Retirement benefits	25,102	15,271
Finance cost	166,337	51,378
<b>Profit before working capital changes</b>	<u>542,679</u>	<u>281,291</u>

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

(Increase)/Decrease in the current assets

Store and spares	38,183	3,216
Stock in trade	(9,597)	(13,957)
Trade debts	(612,323)	(365,760)
Loans and advances	(43,378)	5,083
Deposits and prepayments	(35,945)	(63,691)
Other receivables	387	62,388

Increase/(Decrease) in current liabilities

Trade and other payables	570,972	746,760
	(91,701)	374,039
	<u>450,978</u>	<u>655,330</u>

### 11 Related party transaction

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

	31 March 2010	31 March 2009
	----- (Rupees in '000) -----	
Purchase of goods and services	227,467	92,243
Sale of goods and services	102,668	137,084
Interest on advance	1,175	1,282
Provision for doubtful debts-Pace Group Companies	54,648	-

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

**12 Date of authorization for issue**

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

**13 General**

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

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

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