CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)

31 MARCH 2012

WorldCall

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 over-whelming impact on the basis of following benchmarks:

Create new standards of product offering in basic and value added telephony by being more cost effective, easily accessible and dependable. Thus ensuring real value for money to all segments of market.
Be a leader within indigenous operators in terms of market share, gross revenues and ARPU within five years and maintain the same positioning thereafter.
Achieve utmost customer satisfaction by setting up high standards of technical quality and service delivery.

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

Contents

COMPANY INFORMATION

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

DIRECTORS' REVIEW

The Directors of Worldcall Telecom Limited ("WTL" or the "Company") are pleased to present the brief overview of the financial information for the quarter ended 31 March 2012.

Financial Overview

The quarter under review put up hard challenges for the management in terms of financial performance. Compared with the results of same quarter last year, revenues have shown growth of 27%. However declining margins and ARPUs led to fall in gross profit. Operating and finance cost witnessed savings of 3% and 9% respectively compared with the comparative period last year. The period was closed with net loss of Rs 399.7 million as compared to loss of Rs 182 million in the corresponding period last year.

Future Outlook

Funding of USD 35 million is in the final stages. The Company expects that funds shall be available to the Company by June 2012. The Company has plans to expedite the upgrade of network as soon as the funding is received.

The Company's focus will remain on the data segment in days to come. EVDO services are expected to grow remarkably once the planned upgrades are undertaken. Besides this the management is taking keen interest in developing P2P connectivity business in different areas. In addition the Company is supporting initiatives taken by the industry as a whole to uplift the termination rates in LDI segment. This increase will not only strengthen the termination business but would also positively affect the overall financial performance.

Company's staff and customers

We express our gratitude to our all staff members for their efforts and loyalty to the Company especially in recent times of stress and pressure. We further express our appreciation for our customers for their trust in our service

For and on behalf of the Board of Directors

Lahore
29 April 2012

Babar Ali Syed
Chief Executive Officer

CONDENSED INTERIM BALANCE SHEET (UN-AUDITED) AS AT 31 MARCH 2012

	Note	31 March 2012	31 December 2011
		-------------(Rupees in '000)------------	
NON CURRENT ASSETS			
Tangible fixed assets			
Property, plant and equipment	5	**13,368,174**	13,527,048
Capital work-in-progress		**706,890**	650,986
		14,075,064	14,178,034
Intangible assets	6	**5,130,817**	5,183,628
Investment properties		**146,074**	146,074
Long term investment- classified as held for sale	7	**-**	-
Long term trade receivable		**16,784**	18,092
Deferred taxation		**486,842**	288,499
Long term deposits		**122,939**	132,323
		19,978,520	19,946,650
CURRENT ASSETS			
Stores and spares		**238,301**	235,415
Stock in trade		**168,430**	201,901
Trade debts		**3,753,304**	3,252,683
Loans and advances - considered good		**1,039,760**	1,058,229
Deposits and prepayments		**152,132**	142,945
Other receivables		**59,781**	86,212
Short term investments-available for sale		**127,200**	114,489
Income tax recoverable-net		**147,118**	163,943
Cash and bank balances		**139,177**	327,028
		5,825,203	5,582,845
CURRENT LIABILITIES			
Current maturities of non-current liabilities		**2,188,227**	2,095,116
Running finance under mark-up arrangements - secured		**792,222**	979,373
Short term borrowings		**198,390**	118,503
License fee payable		**1,021,500**	1,021,500
Trade and other payables		**5,182,669**	4,589,727
Interest and mark-up accrued		**221,684**	140,183
		9,604,692	8,944,402
NET CURRENT LIABILITIES		**(3,779,489)**	(3,361,557)
NON CURRENT LIABILITIES			
Term finance certificates - secured		**1,083,952**	1,081,213
Long term loan	8	**3,092,577**	3,060,004
Deferred income	9	**142,155**	166,300
Retirement benefits		**324,271**	300,075
Liabilities against assets subject to finance lease		**75,283**	89,471
Long term payables	10	**1,474,025**	1,494,620
Long term deposits		**42,998**	42,661
		6,235,261	6,234,344
Contingencies and commitments	11		
		9,963,770	10,350,749
Represented by			
Share capital and reserves			
Authorized capital			
900,000,000 (31 December 2011: 900,000,000) ordinary shares of Rs. 10 each		**9,000,000**	9,000,000
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		**(229,312)**	(242,023)
Accumulated profit		**405,089**	806,476
		9,618,828	10,007,504
Surplus on revaluation		**344,942**	343,245
		9,963,770	10,350,749

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

Lahore **Chief Executive Officer** **Director**

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED) FOR THE QUARTER ENDED 31 MARCH 2012

		Quarter ended 31 March 2012	Quarter ended 31 March 2011
		-------------(Rupees in '000)------------	
Revenue -net		**2,060,072**	1,626,648
Direct cost		**(2,085,867)**	(1,421,265)
Gross (loss)/profit		**(25,795)**	205,383
Operating cost		**(354,881)**	(364,341)
Operating loss		**(380,676)**	(158,958)
Finance cost		**(171,083)**	(189,009)
		(551,759)	(347,967)
Impairment loss on available for sale financial assets		**-**	(1,238)
Other (expenses)/income- net		**(25,674)**	81,513
Loss before taxation		**(577,433)**	(267,692)
Taxation		**177,743**	85,369
Loss after taxation		**(399,690)**	(182,323)
Loss per share - basic and diluted	**(Rupees)**	**(0.46)**	(0.21)

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

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

Lahore **Chief Executive Officer** **Director**

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED) FOR THE QUARTER ENDED 31 MARCH 2012

	Quarter ended 31 March 2012	Quarter ended 31 March 2011
	------------(Rupees in '000)-----------	
Loss for the period	**(399,690)**	(182,323)
Other comprehensive income / (loss)-net of tax:		
Net change in fair value of available for sale financial assets	**12,711**	(143,616)
Impairment loss transferred to profit & loss account	**-**	1,238
	12,711	(142,378)
Total comprehensive loss for the period	**(386,979)**	(324,701)

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

Lahore

Chief Executive Officer

Director

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE QUARTER ENDED 31 MARCH 2012

	Note	Quarter ended 31 March 2012	Quarter ended 31 March 2011
		-------------(Rupees in '000)------------	
Cash flows from operating activities			
Cash generated from/(used in) operations	*12*	**217,993**	(465,932)
Decrease/(Increase) in long term deposits receivable		**9,384**	(2,020)
Decrease long term trade receivable		**1,308**	12,430
Increase/(decrease) in long term deposits payable		**337**	(34)
(Decrease) in deferred income		**(24,145)**	-
(Decrease)/Increase in long term payables		**(20,595)**	121,305
Retirement benefits paid		**(1,766)**	(4,165)
Finance cost paid		**(75,850)**	(117,129)
Taxes paid		**(3,776)**	(21,378)
Net cash generated from/(used in) operating activities		**102,890**	(476,923)
Cash flows from investing activities			
Fixed capital expenditure		**(170,286)**	(249,938)
Sale proceeds of property, plant and equipment		**-**	64,780
Net cash used in investing activities		**(170,286)**	(185,158)
Cash flows from financing activities			
Receipts of long term finances		**-**	2,943,855
Running finance- net		**(187,151)**	(1,170,964)
Receipt/(repayment) of short term borrowings		**79,887**	(200,000)
Repayment of finance lease liabilities		**(13,191)**	(4,338)
Net cash (used in)/generated from financing activities		**(120,455)**	1,568,553
Net (decrease)/increase in cash and cash equivalents		**(187,851)**	906,472
Cash and bank balances at the beginning of the period		**327,028**	183,960
Cash and bank balances at the end of the period		**139,177**	1,090,432

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

Lahore

Chief Executive Officer

Director

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE QUARTER ENDED 31 MARCH 2012

	Share capital	Share premium	Fair value reserve-available for sale assets	Accumulat profit/(loss)	Revaluation reserve	Total
	----------------------------	----------------------------	---------(Rupees in '000)	----------------------------	----------------------------	----------------------------
Balance as at 31 December 2010	**8,605,716**	**837,335**	**(72,548)**	**521,111**	**338,360**	**10,229,974**
Total comprehensive loss for the period	-	-	(142,378)	(182,323)	-	(324,701)
Transfer to surplus on revaluation	-	-	-	(1,697)	1,697	-
Balance as at 31 March 2011	**8,605,716**	**837,335**	**(214,926)**	**337,091**	**340,057**	**9,905,273**
Total comprehensive (loss)/income for the period	-	-	(27,097)	472,573	-	445,476
Transfer to surplus on revaluation	-	-		(3,188)	3,188	-
Balance as at 31 December 2011	**8,605,716**	**837,335**	**(242,023)**	**806,476**	**343,245**	**10,350,749**
Total comprehensive income/(loss) for the period	-	-	12,711	(399,690)	-	(386,979)
Transfer to surplus on revaluation	-	-	-	(1,697)	1,697	-
Balance as at 31 March 2012	**8,605,716**	**837,335**	**(229,312)**	**405,089**	**344,942**	**9,963,770**

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

Lahore

Chief Executive Officer

Director

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER ENDED 31 MARCH 2012

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, cable television and radio signals as well as interactive communication and to establish, maintain and operate the licensed telephony services. The Company has been licensed by Pakistan Telecommunication Authority ("PTA") and Pakistan Electronic Media Regulatory Authority ("PEMRA") for these purposes. The registered office of the Company is situated at 67A-C-III, Gulberg III, Lahore. In the year ended 30 June 2008, 56.80% shares (488,839,429 ordinary shares) had been acquired by Oman Telecommunications Company SAOG ("the Parent company").

2 Statement of Compliance

This condensed interim financial information for the period ended 31 March 2012 has been prepared in accordance with the requirements of the International Accounting Standard 34 -Interim Financial Reporting and provisions of and the directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

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 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 year ended 31 December 2011.

4 Accounting policies

Accounting polices 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 2011 and stated therein.

	Note	31 March 2012	31 December 2011
		--------(Rupees in '000)--------	
5. Property, plant and equipment			
Owned and leased assets:			
Opening net book value		**13,527,048**	12,795,044
Additions during the period/year	*5.1*	**119,688**	1,997,791
		13,646,736	14,792,835
Disposals for the period/year - NBV	*5.2*	**-**	(24,514)
Adjustment during the period/year -NBV		**-**	(187)
Depreciation for the period/year		**(278,562)**	(1,241,086)
Closing net book value	*5.3*	**13,368,174**	13,527,048

5.1 Break-up of additions

	31 March 2012	31 December 2011
Leasehold improvements	**702**	5,983
Plant and equipment	**116,515**	1,767,386
Office equipment	**1,737**	6,437
Computers	**667**	61,561
Furniture and fixtures	**-**	280
Vehicles	**67**	155,569
Lab and other equipment	**-**	575
	119,688	1,997,791

5.2 Break-up of disposals -NBV

	31 March 2012	31 December 2011
Plant and equipment	**-**	(5,537)
Office equipment	**-**	(767)
Computers	**-**	(290)
Furniture and fixtures	**-**	(4)
Vehicles	**-**	(17,916)
	-	(24,514)

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

	Note	31 March 2012	31 December 2011
		--------(Rupees in '000)--------	
6 Intangible assets			
Licenses		**1,853,650**	1,893,173
Patents and copyrights		**-**	125
Indefeasible right of use- Media cost	*6.1*	**723,673**	736,836
Goodwill	*6.2*	**2,553,494**	2,553,494
		5,130,817	5,183,628

6.1 During last year the Company acquired an indefeasible right of use in respect of capacity procured from Multinet Pakistan (Pvt.) Limited for the period of 15 years.

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

The Company assessed the recoverable amount at 31 March 2012 and determined that as of this date there is no indication of impairment of Goodwill. The recoverable amount was calculated on the basis of five year financial business plan which assumes cash inflows of USD 70 million from investing and financing activities. As assumed in the five year financial plan, the Company during last year obtained a long term loan facility of USD 35 million and is in advance stage of arranging funding of equivalent amount.

The business plan also includes a comprehensive analysis of the existing operational deployments of the Company along with strategic direction of future investments and business growth. Discount rate of 16% was used for the calculation of net present value of future cash flows. The cash flows beyond the five years period have been extrapolated using a steady 5% growth rate which is consistent with the long-term average growth rate for the industry, whereas for impairment calculation no growth is considered in cash flows beyond five years as per International Accounting Standard 36-Impairment of Assets.

	31 March 2012	31 December 2011
	--------(Rupees in '000)--------	
7 Long term investment-classified as held for sale		
Foreign subsidiary - unquoted		
Worldcall Telecommunications Lanka (Pvt.) Limited incorporated in Sri Lanka		
7,221,740 (31 December 2011: 7,221,740) ordinary shares of Sri Lankan Rupees 10/-each. Equity held 70.65% (31 December 2011: 70.65%)	**44,406**	44,406
Share deposit money	**13,671**	13,671
	58,077	58,077
Less: Provision for impairment	**(58,077)**	(58,077)
	-	-

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

	31 March 2012	31 December 2011
	--------(Rupees in '000)--------	
8 Long term loan		
Amount received	**2,943,855**	2,943,855
Less: Initial transaction cost	**(42,668)**	(42,668)
	2,901,187	2,901,187
Add: Amortization of transaction cost	**6,095**	4,572
	2,907,282	2,905,759
Add: Exchange loss	**185,295**	154,245
	3,092,577	3,060,004

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

9 Deferred income

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

	Note	31 March 2012	31 December 2011
		---------(Rupees in '000)---------	
10 Long term payable			
Payable to Pakistan Telecommunication Authority	*10.1*	**454,563**	545,955
Payable to Multinet Pakistan (Private) Limited	*10.2*	**107,127**	173,863
Suppliers		**912,335**	774,802
		1,474,025	1,494,620

10.1 Payable to Pakistan Telecommunication Authority (PTA)

Carrying value of payable to PTA	**1,373,557**	1,373,557
Less: present value adjustment	**(273,831)**	(273,831)
	1,099,726	1,099,726
Add: unwinding of discount on liability	**10,314**	2,986
	1,110,040	1,102,712
Less: payments	**(228,926)**	(152,617)
	881,114	950,095
Less: current maturity	**(426,551)**	(404,140)
	454,563	545,955

This represents interest free access promotion contribution charges (APC) for USF payable to PTA. PTA has allowed to make payment of outstanding amount in 36 equal installments, commencing from 01 September 2011. The liability was discounted using the effective interest rate of 16% per annum.

	31 March 2012	31 December 2011
	---------(Rupees in '000)---------	
10.2 Payable to Multinet Pakistan (Private) Limited		
Carrying value of liability	**784,800**	784,800
Less: present value adjustment	**(103,356)**	(103,356)
	681,444	681,444
Add: unwinding of discount on liability	**11,593**	8,627
	693,037	690,071
Add: exchange loss	**23,400**	23,400
	716,437	713,471
Less: current maturity	**(609,310)**	(539,608)
	107,127	173,863

This represents amount payable to Multinet Pakistan (Pvt.) Limited ("MPL") in respect of indefeasible right to use of media. Subsequent to initial recognition, the consideration that was immediately payable was deferred for period of five years by MPL. Gain on remeasurement has been calculated using the effective interest rate of 16% per annum.

11 Contingencies and commitments

Contingencies

11.1 Billing disputes with PTCL

11.1.1 There is a dispute of Rs. 72.64 million (31 December 2011: Rs 72.64 million) with PTCL of non revenue time of prepaid calling cards and Rs. 42.27 million (31 December 2011: Rs 38.84 million) for excess minutes billed on account of interconnect and settlement charges. The management is hopeful that matter will be decided in favour of the Company.

11.1.2 PTCL has charged the Company excess Domestic Private Lease Circuits (DPLC) and other media charges amounting to Rs. 170.4 million (31 December 2011: Rs.168.8 million) on account of difference in rates, distances and date of activations. The Company has deposited Rs. 40 million (31 December 2011: Rs. 40 million) in Escrow Account on account of dispute of charging of bandwidth charges from the date of activation of Digital Interface Units (DIUs) for commercial operation and in proportion to activation of DIUs related to each DPLC link and excess charging in respect of Karachi-Rawalpindi link which was never activated. The management is hopeful that matter will be decided in favour of the Company.

11.2 Disputes with Pakistan Telecommunication Authority (PTA)

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

11.2.2 There is a dispute with PTA on payment of R&D Fund contribution amounting to Rs. 5.65 million (31 December 2011: Rs. 11.3 million). The legal validity of this fund is under challenge before the Honorable Supreme Court of Pakistan. The Company is hopeful of a favorable decision.

11.2.3 There is a dispute with PTA on payment of contribution of APC for USF amounting to Rs. 491 million (31 December 2011: Rs. 491 million). Out of this amount, Rs. 394 million has been deposited with PTA in relation to the period prior to the valid formation of USF fund by the Federal Government. The matter is pending adjudication before the Honorable Supreme Court of Pakistan. The Company is hopeful of a favorable decision.

11.3 Taxation issues

11.3.1 Income Tax Return for the tax year ended 30 June 2006 was filed under the self assessment scheme. Subsequently, the case was reopened by invoking the provisions of section 122 (5A). Additions were made on account of brought forward losses, gratuity and goodwill of Rs. 773 million. The appeal of the Company is pending in Income Tax Appellate Tribunal Lahore. The management is hopeful that the matter will be decided in favour of the Company.

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

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

11.3.4 The department of Inland Revenue, Sales Tax, LTU has issued a show cause notice under section 11(2) and 36(1) of the Sales Tax Act 1990 demanding Rs. 223.32 million allegedly claimed wrongly as input tax during the period 2005 to 2009 on LDI services. It is the case of the department that LDI services are exempt under Federal Excise Act therefore input tax cannot be claimed for exempt services. The case is at first appellate forum i.e. Commissioner Appeals. Based on legal advice Company is hopeful of a favorable decision.

11.3.5 The Deputy Commissioner Inland Revenue finalized the assessment under section 161/205 of the Ordinance for tax year 2006 and create a demand of Rs.113.39 million. The Company filed an Appeal before CIT(Appeals), wherin after adjudication the CIT(Appeals) has setaside the original order of the DCIR.

	31 March 2012	31 December 2011
Commitments	---------(Rupees in '000)---------	
11.4 Outstanding guarantees	**987,732**	963,482
11.5 Commitments in respect of capital expenditure	**2,010,411**	2,185,760
11.6 Outstanding letters of credit	**38,249**	55,697

	Quarter ended 31 March 2012	Quarter ended 31 March 2011
	---------(Rupees in '000)---------	
12 Cash generated from/(used in) operations		
Loss before taxation	**(577,433)**	(267,692)
Adjustment for non-cash charges and other items:		
Depreciation	**278,562**	376,466
Amortization of intangible assets	**48,333**	26,059
Amortization of transaction cost	**4,262**	3,086
Discounting charges	**10,294**	-
Amortization of receivables	**-**	(405)
Provision for doubtful receivables	**32,763**	19,892
Provision for stores and spares	**-**	1,000
Impairment loss on available for sale financial assets	**-**	1,238
Exchange loss/(gain) on foreign currency loan	**31,050**	(2,730)
Gain on disposal of property, plant and equipment	**-**	(49,253)
Retirement benefits	**25,963**	22,985
Finance cost	**156,527**	185,923
Profit before working capital changes	**10,321**	316,569
Effect on cash flow due to working capital changes:		
(Increase)/Decrease in the current assets		
Stores and spares	**(2,888)**	(5,053)
Stock in trade	**33,470**	(5,323)
Trade debts	**(533,384)**	(189,210)
Loans and advances	**18,469**	189
Deposits and prepayments	**(9,187)**	(30,507)
Other receivables	**26,431**	(32,535)
Increase/(Decrease) in current liabilities		
Trade and other payables	**674,761**	(520,062)
	207,672	(782,501)
	217,993	(465,932)

13 Related party transactions

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

Relationship with the Company	Nature of transactions	Quarter ended 31 March 2012	Quarter ended 31 March 2011
		---------(Rupees in '000)---------	
Parent Company	Purchase of goods and services	**358,596**	75,329
	Sale of goods and services	**10,843**	76,711

Relationship with the Company	Nature of transactions	Quarter ended 31 March 2012	Quarter ended 31 March 2011
		---------(Rupees in '000)---------	
Other related parties	Purchase of goods and services	**2,292**	2,169
	Purchase of property	**-**	11,000
	Sale of goods and services	**-**	110
Key management personnel	Salaries and other employee benefits	**26,820**	27,287

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

	31 March 2012	31 December 2011
	---------(Rupees in '000)---------	
Period / year end balances		
Receivable from related parties	**232,728**	232,281
Payable to related parties	**1,864,808**	1,487,304

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

14 Date of authorization for issue

This condensed interim financial information was authorized for issue on 29 April 2012 by the Board of Directors of the Company.

15 General

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

Lahore

Chief Executive Officer

Director

WORLDCALL TELECOM LIMITED AND ITS SUBSIDIARY

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (UN-AUDITED)

31 MARCH 2012

DIRECTORS' REVIEW

The Directors of Worldcall Telecom Limited ("WTL" or the "Parent Company") are pleased to present condensed consolidated financial information of the Group for the quarter ended 31 March 2012.

Group Foreign Subsidiary

WorldCall Telecommunications Lanka (Pvt.) Limited

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

For and on behalf of the Board of Directors

Lahore
29 April 2012

Babar Ali Syed
Chief Executive Officer

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (Un-Audited) AS AT 31 MARCH 2012

	Note	31 March 2012	31 December 2011
		------------(Rupees in '000)------------	
NON CURRENT ASSETS			
Tangible fixed assets			
Property, plant and equipment	6	**13,368,174**	13,527,048
Capital work-in-progress		**706,890**	650,986
		14,075,064	14,178,034
Intangible assets	7	**5,130,817**	5,183,628
Investment properties		**146,074**	146,074
Long term trade receivable		**16,784**	18,092
Deferred taxation		**486,842**	288,499
Long term deposits		**122,939**	132,323
		19,978,520	19,946,650
CURRENT ASSETS			
Stores and spares		**238,301**	235,415
Stock in trade		**168,430**	201,901
Trade debts		**3,753,304**	3,252,683
Loans and advances - considered good		**1,039,760**	1,058,229
Deposits and prepayments		**152,132**	142,945
Other receivables		**55,113**	81,995
Short term investments-available for sale		**127,200**	114,489
Income tax recoverable-net		**147,118**	163,943
Cash and bank balances		**139,177**	327,028
		5,820,535	5,578,628
Non current assets classified as held for sale	8	**20**	23
		5,820,555	5,578,651
CURRENT LIABILITIES			
Current maturities of non-current liabilities		**2,188,227**	2,095,116
Running finance under mark-up arrangements - secured		**792,222**	979,373
Short term borrowings		**198,390**	118,503
License fee payable		**1,021,500**	1,021,500
Trade and other payables		**5,182,669**	4,589,727
Interest and mark-up accrued		**221,684**	140,183
		9,604,692	8,944,402
Non current liabilities classified as held for sale	8	**1,009**	7,278
		9,605,701	8,951,680
NET CURRENT LIABILITIES		**(3,785,146)**	(3,373,029)
NON CURRENT LIABILITIES			
Term finance certificates -secured		**1,083,952**	1,081,213
Long term loan	9	**3,092,577**	3,060,004
Deferred income	10	**142,155**	166,300
Retirement benefits		**324,271**	300,075
Liabilities against assets subject to finance lease		**75,283**	89,471
Long term payables	11	**1,474,025**	1,494,620
Long term deposits		**42,998**	42,661
		6,235,261	6,234,344
Contingencies and commitments	12		
		9,958,113	10,339,277
REPRESENTED BY			
Share capital and reserves			
Authorized capital			
900,000,000 (31 December 2011: 900,000,000) ordinary shares of Rs. 10 each		**9,000,000**	9,000,000
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		**(229,312)**	(242,023)
Exchange translation reserve		**(1,210)**	(5,868)
Accumulated profit		**402,304**	804,241
Capital and reserves attributable to equity holders of the Company		**9,614,833**	9,999,401
Non controlling interest		**(1,662)**	(3,369)
		9,613,171	9,996,032
Surplus on revaluation		**344,942**	343,245
		9,958,113	10,339,277

The annexed notes 1 to 16 form an integral part of this condensed consolidated interim financial information.

Lahore **Chief Executive Officer** **Director**

CONDENSED CONSOLIDATED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED) FOR THE QUARTER ENDED 31 MARCH 2012

	Note	Quarter ended 31 March 2012	Quarter ended 31 March 2011
		-------------(Rupees in '000)------------	
Continuing operations			
Revenue -Net		**2,060,072**	1,626,648
Direct cost		**(2,085,867)**	(1,421,265)
Gross (loss)/profit		**(25,795)**	205,383
Operating cost		**(354,881)**	(364,341)
Operating loss		**(380,676)**	(158,958)
Finance cost		**(171,083)**	(189,009)
		(551,759)	(347,967)
Impairment loss on available for sale financial assets		**-**	(1,238)
Other (expenses)/income- net		**(25,674)**	81,513
Loss before taxation		**(577,433)**	(267,692)
Taxation		**177,743**	85,369
Loss after taxation from continuing operations		**(399,690)**	(182,323)
Discontinued operations			
Loss for the period from discontinued operations	8	**(779)**	(3,989)
		(400,469)	(186,312)
Attributable to:			
Equity holders of parent		**(400,240)**	(185,141)
Non controlling interest		**(229)**	(1,171)
		(400,469)	(186,312)
Loss per share - basic and diluted			
From continuing and discontinued operations	***(Rupees)***	**(0.47)**	(0.22)
From continuing operations	***(Rupees)***	**(0.46)**	(0.21)

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

The annexed notes 1 to 16 form an integral part of this condensed consolidated interim financial information.

Lahore **Chief Executive Officer** **Director**

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)

FOR THE QUARTER ENDED 31 MARCH 2012

	Quarter ended 31 March 2012	Quarter ended 31 March 2011
	-----------(Rupees in '000)-----------	
Loss for the period	**(400,469)**	(186,312)
Other comprehensive income/(loss)- net of tax:		
Exchange differences on translating foreign operations	**6,594**	93
Net change in fair value of available for sale financial assets	**12,711**	(143,616)
Impairment loss transferred to profit and loss account	**-**	1,238
	19,305	(142,285)
Total comprehensive loss for the period	**(381,164)**	(328,597)
Attributable to:		
Equity holders of the Parent	**(382,871)**	(327,454)
Non controlling interest	**1,707**	(1,143)
	(381,164)	(328,597)

The annexed notes 1 to 16 form an integral part of this condensed consolidated interim financial information.

Lahore

Chief Executive Officer

Director

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

FOR THE QUARTER ENDED 31 MARCH 2012

	Note	Quarter ended 31 March 2012	Quarter ended 31 March 2011
		----------(Rupees in '000)----------	
Cash flows from operating activities			
Cash generated from/(used in) operations	*13*	**217,972**	(465,358)
Decrease/(Increase) in long term deposits receivable		**9,384**	(2,020)
Decrease long term trade receivable		**1,308**	12,430
Increase/(decrease) in long term deposits payable		**337**	(34)
(Decrease) in deferred income		**(24,145)**	-
(Decrease)/Increase in long term payables		**(20,595)**	121,305
Retirement benefits paid		**(1,766)**	(4,248)
Finance cost paid		**(75,849)**	(117,190)
Taxes paid		**(3,776)**	(21,378)
Net cash generated from/(used in) operating activities		**102,870**	(476,493)
Cash flows from investing activities			
Fixed capital expenditure		**(170,286)**	(249,996)
Sale proceeds of property, plant and equipment		**-**	64,780
Net cash used in investing activities		**(170,286)**	(185,216)
Cash flows from financing activities			
Receipts of long term finances		**-**	2,943,855
Running finance- net		**(187,151)**	(1,170,964)
Receipt/(repayment) of short term borrowings		**79,887**	(200,000)
Repayment of finance lease liabilities		**(13,191)**	(4,338)
Net cash (used in)/generated from financing activities		**(120,455)**	1,568,553
Net (decrease)/increase in cash and cash equivalents		**(187,871)**	906,844
Cash and bank balance at the beginning of the period		**327,051**	183,960
Cash and bank balance at the end of the period		**139,180**	1,090,804

The annexed notes 1 to 16 form an integral part of this condensed consolidated interim financial information.

Lahore

Chief Executive Officer

Director

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE QUARTER ENDED 31 MARCH 2012

	Share capital	Share premium	Fair value reserve-available for sale assets	Currency translation reserve	Accumulated profit/ (loss)	Revaluation reserve	Sub Total	Non controlling interest	Total
	Attributable to equity holders of the Company								
	-- (Rupees in '000) --								
Balance as at 31 December 2010	8,605,716	837,335	(72,548)	(4,910)	517,415	338,360	10,221,368	(3,578)	10,217,790
Total comprehensive loss for the period	-	-	(142,378)	65	(185,141)	-	(327,454)	(1,143)	(328,597)
Transfer to surplus on revaluation	-	-	-	-	(1,697)	1,697	-	-	-
Balance as at 31 March 2011	8,605,716	837,335	(214,926)	(4,845)	330,577	340,057	9,893,914	(4,721)	9,889,193
Total comprehensive (loss)/income for the period	-	-	(27,097)	(1,023)	476,852	-	448,732	1,352	450,084
Transfer to surplus on revaluation	-	-	-	-	(3,188)	3,188	-	-	-
Balance as at 31 December 2011	8,605,716	837,335	(242,023)	(5,868)	804,241	343,245	10,342,646	(3,369)	10,339,277
Total comprehensive income/(loss) for the period	-	-	12,711	4,658	(400,240)	-	(382,871)	1,707	(381,164)
Transfer to surplus on revaluation	-	-	-	-	(1,697)	1,697	-	-	-
Balance as at 31 March 2012	8,605,716	837,335	(229,312)	(1,210)	402,304	344,942	9,959,775	(1,662)	9,958,113

The annexed notes 1 to 16 form an integral part of this condensed consolidated interim financial information.

Lahore

Chief Executive Officer

Director

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE QUARTER ENDED 31 MARCH 2012

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, 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. 147.01 (31 December 2011: 163.103 million) million as at balance sheet date and its current liabilities exceed its current assets by Rs. 57.65 million (31 December 2011: 63.459 million). The net loss for the current period after tax is Rs. 0.78 million (31 March 2011: 3.99 million). These factors raised substantial doubt that subsidiary will be able to continue as a going concern, hence the financial information of the subsidiary has not been prepared on going concern basis.

2 Basis of consolidation

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

Subsidiary

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

Transactions eliminated on consolidation

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

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

3 Statement of compliance

This condensed interim financial information for the period ended 31 March 2012 has been prepared in accordance with the requirements of the International Accounting Standard 34 -Interim Financial Reporting and provisions of and the directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

4. Significant accounting judgments and estimates

The preparation of condensed 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 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 2011.

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 2011 and stated therein.

	Note	31 March 2012	31 December 2011
		---------(Rupees in '000)---------	
6. Property, plant and equipment			
Owned and leased assets:			
Opening net book value		**13,527,048**	12,795,044
Additions during the period/year	*6.1*	**119,688**	1,997,791
		13,646,736	14,792,835
Disposals for the period/year - NBV	*6.2*	**-**	(24,514)
Adjustment during the period/year -NBV		**-**	(187)
Depreciation for the period/year		**(278,562)**	(1,241,086)
Closing net book value	*6.3*	**13,368,174**	13,527,048

	31 March 2012	31 December 2011
	---------(Rupees in '000)---------	
6.1 Break-up of additions		
Leasehold improvements	**702**	5,983
Plant and equipment	**116,515**	1,767,386
Office equipment	**1,737**	6,437
Computers	**667**	61,561
Furniture and fixtures	**-**	280
Vehicles	**67**	155,569
Lab and other equipment	**-**	575
	119,688	1,997,791
6.2 Break-up of disposals - NBV		
Plant and equipment	**-**	(5,537)
Office equipment	**-**	(767)
Computers	**-**	(290)
Furniture and fixtures	**-**	(4)
Vehicles	**-**	(17,916)
	-	(24,514)

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

	Note	31 March 2012	31 December 2011
		---------(Rupees in '000)---------	
7 Intangible assets			
Licenses		**1,853,650**	1,893,173
Patents and copyrights		**-**	125
Indefeasible right of use- Media cost	*7.1*	**723,673**	736,836
Goodwill	*7.2*	**2,553,494**	2,553,494
		5,130,817	5,183,628

7.1 During last year the Company acquired an indefeasible right of use in respect of capacity procured from Multinet Pakistan (Pvt.) Limited for the period of 15 years.

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

The Company assessed the recoverable amount at 31 March 2012 and determined that as of this date there is no indication of impairment of Goodwill. The recoverable amount was calculated on the basis of five year financial business plan which assumes cash inflows of USD 70 million from investing and financing activities. As assumed in the five year financial plan, the Company during last year obtained a long term loan facility of USD 35 million and is in advance stage of arranging funding of equivalent amount.

The business plan also includes a comprehensive analysis of the existing operational deployments of the Company along with strategic direction of future investments and business growth. Discount rate of 16% was used for the calculation of net present value of future cash flows. The cash flows beyond the five years period have been extrapolated using a steady 5% growth rate which is consistent with the long-term average growth rate for the industry, whereas for impairment calculation no growth is considered in cash flows beyond five years as per International Accounting Standard 36-Impairment of Assets.

8 Non current assets and liabilities classified as held for sale

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

Following are the results for the period ending 31 March 2012 and the comparative period of discontinued operations.

	Quarter ended 31 March 2012	Quarter ended 31 March 2011
	---------(Rupees in '000)---------	
Results of discontinued operations		
Revenue	**-**	533
Expenses	**(779)**	(4,480)
Results from operating activities	**(779)**	(3,947)
Finance cost	**-**	(61)
Other income	**-**	19
Loss for the period	**(779)**	(3,989)
Cash flow generated (used in)/from discontinued operations		
Net cash used in operating activities	**(474)**	(1,994)
Net cash used in investing activities	**-**	(58)
Net cash from financing activities	**454**	2,280
Net cash (used in)/generated from discontinued operation	**(20)**	228

	31 March 2012	31 December 2011
	---------(Rupees in '000)---------	
Assets and liabilities classified as held for sale		
Assets		
Other receivable	**17**	-
Cash and bank	**3**	23
	20	23
Liabilities		
Trade and other payables	**1,003**	7,271
Income tax payable	**6**	7
	1,009	7,278

	31 March 2012	31 December 2011
	---------(Rupees in '000)---------	
9 Long term loan		
Received during the period/year	**2,943,855**	2,943,855
Less: Initial transaction cost	**(42,668)**	(42,668)
	2,901,187	2,901,187
Add: Amortization of transaction cost	**6,095**	4,572
	2,907,282	2,905,759
Add: Exchange loss	**185,295**	154,245
	3,092,577	3,060,004

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

10 Deferred income

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

	Note	**31 March 2012**	31 December 2011
		---------(Rupees in '000)---------	
11 Longterm payable			
Payable to Pakistan Telecommunication Authority	*11.1*	**454,563**	545,955
Payable to Multinet Pakistan (Private) Limited	*11.2*	**107,127**	173,863
Suppliers		**912,335**	774,802
		1,474,025	1,494,620

11.1 Payable to Pakistan Telecommunication Authority (PTA)

Carrying value of liability	**1,373,557**	1,373,557
Less: present value adjustment	**(273,831)**	(273,831)
	1,099,726	1,099,726
Add: unwinding of discount on liability	**10,314**	2,986
	1,110,040	1,102,712
Less: payments	**(228,926)**	(152,617)
	881,114	950,095
Less: current maturity	**(426,551)**	(404,140)
	454,563	545,955

This represents interest free access promotion contribution charges (APC) for USF payable to PTA. PTA has allowed to make payment of outstanding amount in 36 equal installments, commencing from 01 September 2011. The liability is discounted using the effective interest rate of 16% p.a.

	31 March 2012	31 December 2011
	---------(Rupees in '000)---------	
11.2 Payable to Multinet Pakistan (Private) Limited		
Carrying value of liability	**784,800**	784,800
Less: present value adjustment	**(103,356)**	(103,356)
	681,444	681,444
Add: unwinding of discount on liability	**11,593**	8,627
	693,037	690,071
Add: exchange loss	23,400	23,400
	716,437	713,471
Less: current maturity	**(609,310)**	(539,608)
	107,127	173,863

This represents amount payable to Multinet Pakistan (Pvt.) Limited ("MPL") in respect of indefeasible right to use of media. Subsequent to initial recognition, the consideration that was immediately payable was deferred for period of five years by MPL. Gain on remeasurement has been calculated using the effective interest rate of 16% per annum.

12 Contingencies and commitments - The Company

Contingencies

12.1 Billing disputes with PTCL

12.1.1 There is a dispute of Rs. 72.64 million (31 December 2011: Rs 72.64 million) with PTCL of non revenue time of prepaid calling cards and Rs. 42.27 million (31 December 2011: Rs 38.84 million) for excess minutes billed on account of interconnect and settlement charges. The management is hopeful that matter will be decided in favour of the Company.

12.1.2 PTCL has charged the Company excess Domestic Private Lease Circuits (DPLC) and other media charges amounting to Rs. 170.4 million (31 December 2011: Rs.168.8 million) on account of difference in rates, distances and date of activations. The Company has deposited Rs. 40 million (31 December 2011: Rs. 40 million) in Escrow Account on account of dispute of charging of bandwidth charges from the date of activation of Digital Interface Units (DIUs) for commercial operation and in proportion to activation of DIUs related to each DPLC link and excess charging in respect of Karachi-Rawalpindi link which was never activated. The management is hopeful that matter will be decided in favour of the Company.

12.2 Disputes with Pakistan Telecommunication Authority (PTA)

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

12.2.2 There is a dispute with PTA on payment of R&D Fund contribution amounting to Rs. 5.65 million (31 December 2011: Rs. 11.3 million). The legal validity of this fund is under challenge before the Honorable Supreme Court of Pakistan. The Company is hopeful of a favorable decision.

12.2.3 There is a dispute with PTA on payment of contribution of APC for USF amounting to Rs. 491 million (31 December 2011: Rs. 491 million). Out of this amount, Rs. 394 million has been deposited with PTA in relation to the period prior to the valid formation of USF fund by the Federal Government. The matter is pending adjudication before the Honorable Supreme Court of Pakistan. The Company is hopeful of a favorable decision.

12.3 Taxation issues

12.3.1 Income Tax Return for the tax year ended 30 June 2006 was filed under the self assessment scheme. Subsequently, the case was reopened by invoking the provisions of section 122 (5A). Additions were made on account of brought forward losses, gratuity and goodwill of Rs. 773 million. The appeal of the Company is pending in Income Tax Appellate Tribunal Lahore. The management is hopeful that the matter will be decided in favour of the Company.

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

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

12.3.4 The department of Inland Revenue, Sales Tax, LTU has issued a show cause notice under section 11(2) and 36(1) of the Sales Tax Act 1990 demanding Rs. 223.32 million allegedly claimed wrongly as input tax during the period 2005 to 2009 on LDI services. It is the case of the department that LDI services are exempt under Federal Excise Act therefore input tax cannot be claimed for exempt services. The case is at first appellate forum i.e. Commissioner Appeals. Based on legal advice Company is hopeful of a favorable decision

12.3.5 The Deputy Commissioner Inland Revenue finalized the assessment under section 161/205 of the Ordinance for tax year 2006 and create a demand of Rs.113.39 million. The Company filed an Appeal before CIT(Appeals), wherin after adjudication the CIT(Appeals) has setaside the original order of the DCIR.

		31 March 2012	31 December 2011
		---------(Rupees in '000)---------	
Commitments			
12.4	Outstanding guarantees	**987,732**	963,482
12.5	Commitments in respect of capital expenditure	**2,010,411**	2,185,760
12.6	Outstanding letters of credit	**38,249**	55,697

		Quarter ended 31 March 2012	Quarter ended 31 March 2011
		---------(Rupees in '000)---------	
13	**Cash generated from/(used in) operations**		
	Loss before taxation	**(578,212)**	(271,681)
	Adjustment for non-cash charges and other items:		
	Depreciation	**278,562**	376,466
	Amortization of intangible assets	**48,333**	26,059
	Amortization of transaction cost	**4,262**	3,086
	Discounting charges	**10,294**	-
	Amortization of receivables	**-**	(405)
	Provision for doubtful receivables	**32,763**	19,892
	Provision for stores and spares	**-**	1,000
	Impairment loss on available for sale financial assets	**-**	1,238
	Exchange loss/(gain) on foreign currency loan	**31,050**	(2,730)
	Gain on disposal of property, plant and equipment	**-**	(49,253)
	Exchange translation difference	**4,657**	65
	Retirement benefits	**25,963**	23,363
	Finance cost	**156,527**	185,984
	Profit before working capital changes	**14,199**	313,084
	Effect on cash flow due to working capital changes:		
	(Increase)/Decrease in the current assets		
	Stores and spares	**(2,856)**	(5,053)
	Stock in trade	**33,496**	(5,323)
	Trade debts	**(533,027)**	(189,210)
	Loans and advances	**18,469**	189
	Deposits and prepayments	**(9,161)**	(30,507)
	Other receivables	**26,573**	(32,558)
	Increase/(Decrease) in current liabilities		
	Trade and other payables	**670,279**	(515,980)
		203,772	(778,443)
		217,972	(465,358)

14 Related party transactions

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

Relationship with the Company	Nature of transactions	Quarter ended 31 March 2012	Quarter ended 31 March 2011
		---------(Rupees in '000)---------	
Parent Company	Purchase of goods and services	**358,596**	75,329
	Sale of goods and services	**10,843**	76,711
Other related parties	Purchase of goods and services	**2,292**	2,169
	Purchase of property	**-**	11,000
	Sale of goods and services	**-**	110
Key management personnel	Salaries and other employee benefits	**26,820**	27,287

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

	31 March 2012	31 December 2011
	---------(Rupees in '000)---------	
Period/year end balances		
Receivable from related parties	**232,728**	232,281
Payable to related parties	**1,864,808**	1,487,304

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

15 Date of authorization for issue

This condensed consolidated interim financial information was authorized for issue on 29 April 2012 by the Board of Directors.

16 General

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

Lahore **Chief Executive Officer** **Director**