



An Omantel Company

WorldCall



An Omantel Company

WorldCall

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

30 SEPTEMBER 2012



VISION

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

MISSION STATEMENT

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

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

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

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

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





Contents

Page Seven

Company information

Page Nine

Directors' review

Page Ten

Condensed interim balance sheet

Page Eleven

Condensed interim profit & loss account

Page Twelve

Condensed interim statement of comprehensive income

Page Thirteen

Condensed interim cash flow statement

Page Fourteen

Condensed interim statement of changes in equity

Page Fifteen

Notes to the condensed interim financial information

Page Twenty Three

Condensed consolidated interim financial information





COMPANY INFORMATION

| | |
|---|---|
| Chairman | Mehdi Mohammed Al Abduwani |
| Chief Executive Officer | Babar Ali Syed |
| Board of Directors (In Alphanumeric order) | Aimen bin Ahmed Al Hosni Asadullah Khawaja Mehdi Mohammed Al Abduwani 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) Babar Ali Syed (Member) Sohail Qadir (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) |
| Chief Internal Auditor | Mirghani Hamza Al-Madani |
| Company Secretary | Rizwan Abdul Hayi |
| Auditors | KPMG Taseer Hadi & Co. Chartered Accountants |
| Legal Advisers | M/s Miankot & Co. Barristers, Advocates & Corporate Legal Consultant |
| Bankers (In Alphanumeric 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) Deutsche Bank AG Faysal Bank Limited First Dawood Investment Bank Limited Habib Bank Limited Habib Metropolitan Bank Limited HSBC Bank Middle East Limited HSBC Bank Oman S.A.O.G. (formerly Oman International Bank S.A.O.G.) IGI Investment Bank Limited KASB Bank Limited MCB Bank Limited National Bank of Pakistan NIB Bank Limited Pak Oman Investment Co. Limited Soneri Bank Limited Standard Chartered Bank (Pakistan) Limited Summit Bank Limited (formerly Arif Habib Bank Limited) 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 nine months period ended 30 September 2012.

Financial Overview

Revenues for the period under review have shown a growth of 8% as compared to corresponding period last year. However this increase has been diluted by eroded margins and high fixed cost. The Company has been struggling against different odds in recent past. On macro-economic front price hikes, power outages and delayed market reforms deteriorated the situation. Internally, the delay in network/business expansion has been creating pressure. Consequently the Company has incurred gross loss of Rs 83 million. Operating costs are in line with the level of activities and as percentage terms of net sales there is a slight improvement from 21% to 19%. Finance cost witnessed savings of 7% as against comparative period last year. The period was closed with net loss of Rs 1,155 million as compared to loss of Rs 92 million in the corresponding period last year.

Future Outlook

Subsequent to period end, the International Clearing House (ICH) arrangement has commenced working. This has brought a much awaited relief for the whole industry. The arrangement has also received some criticism, but keeping in view the market situation and the problems being faced by operators, it seems the best solution to cure the ailments of this industry. It is expected that successful running of this arrangement will generate healthy returns for all including Government of Pakistan.

The Company is currently focused towards data market. Various capital layout plans are being considered for increasing the customer base. Besides this, the Company is also aiming to invest significantly in the service delivery areas to increase the satisfaction level of customers. In broader terms, the Company is looking forward to take steps so that customer's confidence in its products and services are enhanced and to ensure provision of quality services at competitive pricing

Company's staff and customers

We whole heartedly put in record here our appreciation and gratitude to our all staff members for their efforts and hard work especially in recent times of stress and pressure. We further express our sincere gratitude for our customers for their continued trust on our services.

For and on behalf of the Board of Directors

Babar Ali Syed

Babar Ali Syed
Chief Executive Officer

Lahore
30 October 2012

**CONDENSED INTERIM BALANCE SHEET (Un-Audited)
AS AT 30 SEPTEMBER 2012**

| Note | 30 September 2012 | 31 December 2011 |
|--|----------------------|---------------------|
| ------(Rupees in '000)----- | | |
| NON CURRENT ASSETS | | |
| Tangible fixed assets | | |
| Property, plant and equipment | 5 13,263,203 | 13,527,048 |
| Capital work-in-progress | 530,606 | 650,986 |
| | 13,793,809 | 14,178,034 |
| Intangible assets | | |
| Investment properties | 6 5,040,147 | 5,183,628 |
| Long term investment - classified as held for sale | 7 150,874 | 146,074 |
| Long term trade receivable | 8 253,392 | 18,092 |
| Deferred taxation | 1,005,788 | 288,499 |
| Long term loans and deposits | 127,741 | 132,323 |
| | 20,371,751 | 19,946,650 |
| CURRENT ASSETS | | |
| Stores and spares | 220,632 | 235,415 |
| Stock in trade | 200,958 | 201,901 |
| Trade debts | 3,595,992 | 3,252,683 |
| Loans and advances - considered good | 1,364,957 | 1,058,229 |
| Deposits and prepayments | 209,195 | 142,945 |
| Other receivables | 75,102 | 86,212 |
| Short term investments | 107,794 | 114,489 |
| Income tax recoverable - net | 152,434 | 163,943 |
| Cash and bank balances | 91,084 | 327,028 |
| | 6,018,148 | 5,582,845 |
| CURRENT LIABILITIES | | |
| Current maturities of non-current liabilities | 2,143,060 | 2,095,116 |
| Running finance under mark-up arrangements - secured | 788,516 | 979,373 |
| Short term borrowings | 849,779 | 118,503 |
| License fee payable | 1,021,500 | 1,021,500 |
| Trade and other payables | 6,159,646 | 4,589,727 |
| Interest and mark-up accrued | 172,560 | 140,183 |
| | 11,135,061 | 8,944,402 |
| | (5,116,913) | (3,361,557) |
| NET CURRENT LIABILITIES | | |
| NON CURRENT LIABILITIES | | |
| Term finance certificates - secured | 10 541,520 | 1,081,213 |
| Long term loan | 11 2,906,910 | 3,060,004 |
| Deferred income | 12 65,916 | 166,300 |
| Retirement benefits | 370,118 | 300,075 |
| Liabilities against assets subject to finance lease | 57,795 | 89,471 |
| Long term payables | 13 2,053,178 | 1,494,620 |
| Long term deposits | 42,410 | 42,661 |
| | 6,037,847 | 6,234,344 |
| Contingencies and commitments | 14 | |
| | 9,216,991 | 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 | (220,384) | (242,023) |
| Accumulated (loss)/profit | (354,011) | 806,476 |
| | 8,868,656 | 10,007,504 |
| Surplus on revaluation | 348,335 | 343,245 |
| | 9,216,991 | 10,350,749 |

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

Lahore

Babar Ali Syed
Chief Executive Officer

[Signature]
Director



CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED) FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2012

| Note | Nine months ended 30 September 2012 | Nine months ended 30 September 2011 | Quarter ended 30 September 2012 | Quarter ended 30 September 2011 |
|--|---|---|---------------------------------------|---------------------------------------|
| | ----- (Rupees in '000) ----- | | | |
| Revenue - net | 6,011,554 | 5,564,762 | 1,200,301 | 1,863,597 |
| Direct cost | (6,094,447) | (4,526,731) | (1,652,288) | (1,443,321) |
| Gross (loss)/profit | (82,893) | 1,038,031 | (451,987) | 420,276 |
| Operating cost | (1,164,181) | (1,154,092) | (441,590) | (406,456) |
| Operating (loss)/profit | (1,247,074) | (116,061) | (893,577) | 13,820 |
| Finance cost | (492,188) | (531,090) | (178,205) | (185,146) |
| | (1,739,262) | (647,151) | (1,071,782) | (171,326) |
| Impairment loss on available for sale financial assets | (28,334) | (15,470) | - | (5,204) |
| Other operating (expenses)/income | (75,032) | 385,243 | (15,595) | 322,965 |
| (Loss)/profit before taxation | (1,842,628) | (277,378) | (1,087,377) | 146,435 |
| Taxation | 687,231 | 185,813 | 358,215 | 61,877 |
| | (1,155,397) | (91,565) | (729,162) | 208,312 |
| (Loss)/profit after taxation | (1,155,397) | (91,565) | (729,162) | 208,312 |
| (Loss)/earning per share - basic and diluted (Rupees) | (1.34) | (0.11) | (0.85) | 0.24 |

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

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

Lahore

Balawandi
Chief Executive Officer

[Signature]
Director



CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED) FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2012

| | Nine months ended 30 September 2012 | Nine months ended 30 September 2011 | Quarter ended 30 September 2012 | Quarter ended 30 September 2011 |
|--|---|---|---------------------------------------|---------------------------------------|
| | ----- (Rupees in '000) ----- | | | |
| (Loss)/profit for the period | (1,155,397) | (91,565) | (729,162) | 208,312 |
| Other comprehensive (loss)/ income - net of tax: | | | | |
| Net change in fair value of available for sale financial assets | (6,695) | (196,153) | 25,910 | (33,152) |
| Impairment loss transferred to profit and loss account | 28,334 | 15,470 | - | 5,204 |
| | 21,639 | (180,683) | 25,910 | (27,948) |
| Total comprehensive (loss)/income for the period | (1,133,758) | (272,248) | (703,252) | 180,364 |

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

Lahore

Balawandi
Chief Executive Officer

[Signature]
Director



CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2012

| Note | Nine months ended | | |
|--|-------------------|-------------------------------------|--------------------|
| | 30 September 2012 | Nine months ended 30 September 2011 | |
| ----- (Rupees in '000) ----- | | | |
| Cash flows from operating activities | | | |
| Cash generated from/(used in) operations | 15 | 1,414,051 | (773,770) |
| Decrease/(increase) in long term deposits receivable | | 4,582 | (32,321) |
| (Increase)/decrease in long term trade receivable | | (794,519) | 17,721 |
| Decrease in long term deposits payable | | (251) | (405) |
| Decrease in deferred income | | (100,384) | (39,286) |
| Increase in long term payables | | 225,064 | 1,275,416 |
| Retirement benefits paid | | (7,844) | (20,595) |
| Finance cost paid | | (396,462) | (477,452) |
| Taxes paid | | (18,549) | (67,088) |
| Net cash generated from/(used in) operating activities | | 325,688 | (117,780) |
| Cash flows from investing activities | | | |
| Fixed capital expenditure | | (522,659) | (1,539,669) |
| Proceeds from sale of property, plant and equipment | | 18,982 | 83,243 |
| Net cash used in investing activities | | (503,677) | (1,456,426) |
| Cash flows from financing activities | | | |
| Receipts of long term loan | | - | 2,943,855 |
| Running finance - net | | (190,857) | (377,216) |
| Receipt/(repayment) of short term borrowings | | 731,276 | (200,000) |
| Repayment of term finance certificates | | (547,913) | (606,199) |
| Repayment of liabilities against assets subject to finance lease | | (50,461) | (27,975) |
| Net cash (used in)/generated from financing activities | | (57,955) | 1,732,465 |
| Net (decrease)/increase in cash and cash equivalents | | (235,944) | 158,259 |
| Cash and bank balances at the beginning of the period | | 327,028 | 183,960 |
| Cash and bank balances at the end of the period | | 91,084 | 342,219 |

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.



CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2012

| | Share capital | Share premium | Fair value reserve- available for sale financial assets | Accumulated profit/(loss) | Revaluation reserve | Total |
|--|------------------|----------------|---|---------------------------|---------------------|-------------------|
| | | | | | | |
| 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 | - | - | (180,683) | (91,565) | - | (272,248) |
| Transfer to surplus on revaluation | - | - | - | (5,090) | 5,090 | - |
| Balance as at 30 September 2011 | 8,605,716 | 837,335 | (253,231) | 424,456 | 343,450 | 9,957,726 |
| Total comprehensive income for the period | - | - | 11,208 | 381,815 | - | 393,023 |
| Transfer to surplus on revaluation | - | - | - | 205 | (205) | - |
| 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 | - | - | 21,639 | (1,155,397) | - | (1,133,758) |
| Transfer to surplus on revaluation | - | - | - | (5,090) | 5,090 | - |
| Balance as at 30 September 2012 | 8,605,716 | 837,335 | (220,384) | (354,011) | 348,335 | 9,216,991 |

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.



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 of Goodwill at 30 September 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. The management has considered the delays in the inflows of second tranche of USD 35 million due to delay in regulatory approval and is of the opinion that it will not have a significant impact on the recoverable amount of Goodwill.

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.

| 30 September 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%)

Share deposit money

| | |
|--------|--------|
| 44,406 | 44,406 |
| 13,671 | 13,671 |
| 58,077 | 58,077 |

Less: Provision for impairment

| | |
|----------|----------|
| (58,077) | (58,077) |
| - | - |

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.

8 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 from Pakistan Mobile Communications (Private) Limited over a period of five years and from Getronics Pakistan (Private) Limited over a period of 20 years.



| Note | 30 September 2012 | 31 December 2011 |
|-----------------------------|----------------------|---------------------|
| ------(Rupees in '000)----- | | |

9 Short term borrowings

| | | | |
|--|-----|---------|---------|
| Habib Bank Limited | 9.1 | 708,000 | - |
| KASB Bank Limited | 9.2 | 57,500 | - |
| Soneri Bank Limited | 9.3 | 68,546 | 15,908 |
| Allied Bank Limited | | - | 102,595 |
| Standard Chartered Bank (Pakistan) Limited | 9.4 | 15,733 | - |
| | | 849,779 | 118,503 |

9.1 This represents a bridge loan facility of Rs. 708 million from Habib Bank Limited ("HBL") to bridge Convertible Preference Shares to be issued by the Company valuing USD 35 million. The said facility is repayable over a period of 90 days having mark up of 3 month KIBOR + 3.50% per annum. Facility is completely secured under joint pari passu hypothecation agreement for present and future fixed and current assets of the Company amounting to Rs. 1,015.67 million. Moreover a deposit of USD 8 million has been placed by the Oman Telecommunication Company SAOG with HBL Offshore Banking Unit, Bahrain.

9.2 It represents short term demand finance facility repayable over a period of six months having mark up of 6 month KIBOR + 2.50% per annum. Facility is secured against pledge of shares with 30% margin and joint pari passu hypothecation agreement with 25% security margin.

9.3 This facility is repayable in four months having mark up of 6 month KIBOR + 4.00% per annum. It is secured through joint pari passu hypothecation agreement with 25% margin.

9.4 It carries markup of 19% - 24% per annum and is secured by hypothecation charge on assets and lien over import documents.

| 30 September 2012 | 31 December 2011 |
|-----------------------------|---------------------|
| ------(Rupees in '000)----- | |

10 Term Finance Certificates - secured

| | | |
|----------------------------------|-------------|-------------|
| Term Finance Certificates - III | 1,643,735 | 2,191,648 |
| Less: Initial transaction cost | (53,994) | (53,994) |
| | 1,589,741 | 2,137,654 |
| Amortization of transaction cost | 47,602 | 39,384 |
| | 1,637,343 | 2,177,038 |
| Less: Current maturity | (1,095,823) | (1,095,825) |
| | 541,520 | 1,081,213 |

Term Finance Certificates have a face value of Rs. 5,000 per certificate.

11 Long term loan

| | | |
|---------------------------------------|-----------|-----------|
| Receipt | 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 | 9,143 | 4,572 |
| | 2,910,330 | 2,905,759 |



30 September 2012 31 December 2011

----- (Rupees in '000) -----

Add: Exchange loss

| | |
|------------------|------------------|
| 323,295 | 154,245 |
| <u>3,233,625</u> | <u>3,060,004</u> |

Less: Current maturity

| | |
|------------------|------------------|
| (326,715) | - |
| <u>2,906,910</u> | <u>3,060,004</u> |

This represents foreign currency syndicated loan facility amounting to USD 35 million from Askari Bank Limited Offshore Banking Unit, Bahrain, lead arranger for the transaction is Askari Bank Limited. This loan is repayable in 20 equal quarterly instalments, 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 favouring 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.

12 Deferred income

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

30 September 2012 31 December 2011

----- (Rupees in '000) -----

13 Long term payable

Payable to Pakistan Telecommunication Authority
Payable to Multinet Pakistan (Private) Limited
Suppliers

| | |
|------------------|------------------|
| 1,536,802 | 545,955 |
| 112,972 | 173,863 |
| 403,404 | 774,802 |
| <u>2,053,178</u> | <u>1,494,620</u> |

14 Contingencies and commitments

Contingencies

14.1 Billing disputes with PTCL

14.1.1 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. 48.51 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.

14.1.2 PTCL has charged the Company excess Domestic Private Lease Circuits ("DPLC") and other media charges amounting to Rs. 177.1 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.



14.2 Disputes with Pakistan Telecommunication Authority (PTA)

14.2.1 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.

14.2.2 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 Honourable Supreme Court of Pakistan. The Company is hopeful of a favourable decision.

14.2.3 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 Honourable Supreme Court of Pakistan. The Company is hopeful of a favourable decision.

14.3 Taxation issues

14.3.1 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.

14.3.2 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 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 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.

14.3.3 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 Honourable 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 that, the Company is hopeful of a favorable decision.

14.3.4 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. Based on legal advice Company is hopeful of a favorable decision.

**14.4 Others**

14.4.1 Samsung claimed an amount of Rs.132.6 million (USD 1.4 million) against its receivables under a certain settlement and services agreement. However, the Company denies the claim on the basis that Samsung failed to fulfil its obligations and did not provide services for which Company reserves the right to initiate appropriate proceedings against Samsung. Based on the legal advice, Company is hopeful that matter will be resolved in its favour.

| | 30 September 2012 | 31 December 2011 |
|---|-----------------------------|---------------------|
| Commitments | ------(Rupees in '000)----- | |
| 14.5 Outstanding guarantees | <u>1,212,623</u> | <u>963,482</u> |
| 14.6 Commitments in respect of capital expenditure | <u>2,044,866</u> | <u>2,185,760</u> |
| 14.7 Outstanding letters of credit | <u>37,880</u> | <u>55,697</u> |

15 Cash generated from/(used in) operations

| | Nine months ended 30 September 2012 | Nine months ended 30 September 2011 |
|---|---|---|
| Loss before taxation | (1,842,628) | (277,378) |
| Adjustment for non-cash charges and other items: | | |
| Depreciation | 916,919 | 1,057,668 |
| Amortization of intangible assets | 144,298 | 115,384 |
| Amortization of transaction cost | 12,790 | 12,306 |
| Discounting charges | 606,423 | 12,942 |
| Amortization of receivables | (11,565) | (2,953) |
| Provision for doubtful receivables | 219,721 | 84,376 |
| Provision for stores and spares | 12,000 | 6,000 |
| Impairment loss on available for sale financial assets | 28,334 | 15,470 |
| Exchange loss on foreign currency loan | 169,050 | 71,445 |
| Gain on remeasurement of liabilities | - | (360,186) |
| Gain on sale of property, plant and equipment | (2,211) | (60,978) |
| Retirement benefits | 64,216 | 68,956 |
| Finance cost | 428,014 | 505,841 |
| Profit before working capital changes | <u>745,361</u> | <u>1,248,893</u> |

Effect on cash flow due to working capital changes:*(Increase)/decrease in the current assets*

| | | |
|---|-----------|-------------|
| Stores and spares | 2,783 | (70,154) |
| Stock in trade | 5,141 | (2,865) |
| Trade debts | (547,285) | (1,188,749) |
| Loans and advances | (306,728) | (641,350) |
| Deposits and prepayments | (66,250) | 22,432 |
| Other receivables | 11,110 | 149,874 |
| <i>Increase/(decrease) in current liabilities</i> | | |
| Trade and other payables | 1,569,919 | (291,851) |
| | 668,690 | (2,022,663) |

| | | |
|--|------------------|------------------|
| | <u>1,414,051</u> | <u>(773,770)</u> |
|--|------------------|------------------|

**16 Related party transactions**

The related parties comprise of 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 | Nine months ended 30 September 2012 | Nine months ended 30 September 2011 |
|-------------------------------|--------------------------------------|---|---|
| | | ------(Rupees in '000)----- | |
| Parent Company | Purchase of goods and services | 470,538 | 192,841 |
| | Sale of goods and services | 49,661 | 134,177 |
| Other related parties | Purchase of goods and services | 6,876 | 12,332 |
| | Purchase of property | - | 21,000 |
| | Sale of goods and services | 773 | 560 |
| Key management personnel | Salaries and other employee benefits | 85,886 | 86,132 |

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

| | 30 September 2012 | 31 December 2011 |
|---------------------------------|-----------------------------|---------------------|
| Period end balances | ------(Rupees in '000)----- | |
| Receivable from related parties | 228,820 | 232,281 |
| Payable to related parties | 2,039,557 | 1,487,304 |

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

17 Date of authorization for issue

This condensed interim financial information was authorized for issue on 30 October 2012 by the Board of Directors of the Company.

18 General

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



An Omantel Company

WorldCall

WORLDCALL TELECOM LIMITED AND ITS SUBSIDIARY

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

30 SEPTEMBER 2012



An Omantel Company

WorldCall

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 nine months ended 30 September 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
30 October 2012

Babar Ali Syed
Babar Ali Syed
Chief Executive Officer



CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (Un-Audited) AS AT 30 SEPTEMBER 2012

| Note | 30 September 2012 | 31 December 2011 |
|---|----------------------|---------------------|
| ----- (Rupees in '000) ----- | | |
| NON CURRENT ASSETS | | |
| Tangible fixed assets | | |
| Property, plant and equipment | 13,263,203 | 13,527,048 |
| Capital work-in-progress | 530,606 | 650,986 |
| | 13,793,809 | 14,178,034 |
| Intangible assets | | |
| Investment properties | 5,040,147 | 5,183,628 |
| Long term trade receivable | 150,874 | 146,074 |
| Deferred taxation | 253,392 | 18,092 |
| Long term loans and deposits | 1,005,788 | 288,499 |
| | 127,741 | 132,323 |
| | 20,371,751 | 19,946,650 |
| CURRENT ASSETS | | |
| Stores and spares | 220,632 | 235,415 |
| Stock in trade | 200,958 | 201,901 |
| Trade debts | 3,595,992 | 3,252,683 |
| Loans and advances - considered good | 1,364,957 | 1,058,229 |
| Deposits and prepayments | 209,195 | 142,945 |
| Other receivables | 67,426 | 81,995 |
| Short term investments | 107,794 | 114,489 |
| Income tax recoverable - net | 152,434 | 163,943 |
| Cash and bank balances | 91,084 | 327,028 |
| | 6,010,472 | 5,578,628 |
| Non - current assets classified as held for sale | 40 | 23 |
| | 6,010,512 | 5,578,651 |
| CURRENT LIABILITIES | | |
| Current maturities of non-current liabilities | 2,143,060 | 2,095,116 |
| Running finance under mark-up arrangements - secured | 788,516 | 979,373 |
| Short term borrowings | 849,779 | 118,503 |
| License fee payable | 1,021,500 | 1,021,500 |
| Trade and other payables | 6,159,646 | 4,589,727 |
| Interest and mark-up accrued | 172,560 | 140,183 |
| | 11,135,061 | 8,944,402 |
| Non - current liabilities classified as held for sale | 1,105 | 7,278 |
| | 11,136,166 | 8,951,680 |
| | (5,125,654) | (3,373,029) |
| NET CURRENT LIABILITIES | | |
| NON CURRENT LIABILITIES | | |
| Term Finance Certificates - secured | 541,520 | 1,081,213 |
| Long term loan | 2,906,910 | 3,060,004 |
| Deferred income | 65,916 | 166,300 |
| Retirement benefits | 370,118 | 300,075 |
| Liabilities against assets subject to finance lease | 57,795 | 89,471 |
| Long term payables | 2,053,178 | 1,494,620 |
| Long term deposits | 42,410 | 42,661 |
| | 6,037,847 | 6,234,344 |
| Contingencies and commitments | | |
| | 9,208,250 | 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 | (220,384) | (242,023) |
| Exchange translation reserve | (2,502) | (5,868) |
| Accumulated profit | (357,684) | 804,241 |
| Capital and reserves attributable to equity holders of the Company | 8,862,481 | 9,999,401 |
| Non controlling interest | (2,566) | (3,369) |
| | 8,859,915 | 9,996,032 |
| Surplus on revaluation | 348,335 | 343,245 |
| | 9,208,250 | 10,339,277 |

The annexed notes 1 to 19 form an integral part of this condensed consolidated interim financial information.

Lahore

25

Balawandi
Chief Executive Officer

Director

QUARTERLY REPORT 2012



CONDENSED CONSOLIDATED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED) FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2012

| Note | Nine months ended 30 September 2012 | Nine months ended 30 September 2011 | Quarter ended 30 September 2012 | Quarter ended 30 September 2011 |
|--|---|---|---------------------------------------|---------------------------------------|
| ----- (Rupees in '000) ----- | | | | |
| Continuing operations | | | | |
| Revenue - net | 6,011,554 | 5,564,762 | 1,200,301 | 1,863,597 |
| Direct cost | (6,094,447) | (4,526,731) | (1,652,288) | (1,443,321) |
| Gross profit | (82,893) | 1,038,031 | (451,987) | 420,276 |
| Operating cost | (1,164,181) | (1,154,092) | (441,590) | (406,456) |
| Operating (loss)/profit | (1,247,074) | (116,061) | (893,577) | 13,820 |
| Finance cost | (492,188) | (531,090) | (178,205) | (185,146) |
| | (1,739,262) | (647,151) | (1,071,782) | (171,326) |
| Impairment loss on available for sale financial assets | (28,334) | (15,470) | - | (5,204) |
| Other operating (expenses)/ income - net | (75,032) | 385,243 | (15,595) | 322,965 |
| (Loss)/profit before taxation | (1,842,628) | (277,378) | (1,087,377) | 146,435 |
| Taxation | 687,231 | 185,813 | 358,215 | 61,877 |
| (Loss)/profit after taxation from continuing operations | (1,155,397) | (91,565) | (729,162) | 208,312 |
| Discontinued operations | | | | |
| (Loss)/profit for the period from discontinued operations | (2,034) | 2,994 | (561) | 4,867 |
| | (1,157,431) | (88,571) | (729,723) | 213,179 |
| Attributable to: | | | | |
| Equity holders of parent | (1,156,835) | (89,450) | (729,559) | 211,749 |
| Non controlling interest | (596) | 879 | (164) | 1,430 |
| | (1,157,431) | (88,571) | (729,723) | 213,179 |
| (Loss)/earning per share - basic and diluted | | | | |
| From continuing and discontinued operations | Rupees (1.34) | (0.10) | (0.85) | 0.25 |
| From continuing operations | Rupees (1.34) | (0.11) | (0.85) | 0.24 |

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

The annexed notes 1 to 19 form an integral part of this condensed consolidated interim financial information.

Lahore

26

Balawandi
Chief Executive Officer

Director

QUARTERLY REPORT 2012



**CONDENSED CONSOLIDATED INTERIM STATEMENT OF
COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2012**

| | Nine months ended 30 September 2012 | Nine months ended 30 September 2011 | Quarter ended 30 September 2012 | Quarter ended 30 September 2011 |
|--|---|---|---------------------------------------|---------------------------------------|
| ----- (Rupees in '000) ----- | | | | |
| (Loss)/profit for the period | (1,157,431) | (88,571) | (729,723) | 213,179 |
| Other comprehensive income/ (loss) - net of tax: | | | | |
| Exchange differences on translating foreign operations | 4,765 | (1,758) | (1,850) | (674) |
| Net change in fair value of available for sale financial assets | (6,695) | (196,153) | 25,910 | (33,152) |
| Impairment loss transferred to profit and loss account | 28,334 | 15,470 | - | 5,204 |
| | 26,404 | (182,441) | 24,060 | (28,622) |
| Total comprehensive (loss)/income for the period | (1,131,027) | (271,012) | (705,663) | 184,557 |
| Attributable to: | | | | |
| Equity holders of the Parent | (1,131,830) | (271,375) | (704,956) | 183,326 |
| Non controlling interest | 803 | 363 | (707) | 1,231 |
| | (1,131,027) | (271,012) | (705,663) | 184,557 |

The annexed notes 1 to 19 form an integral part of this condensed consolidated interim financial information.



**CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT
(UN-AUDITED)
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2012**

| | Nine months ended 30 September 2012 | Nine months ended 30 September 2011 |
|--|---|---|
| ----- (Rupees in '000) ----- | | |
| Cash flows from operating activities | | |
| Cash generated from/(used in) operations | 16 1,416,144 | (773,106) |
| Decrease/(increase) in long term deposits receivable | 4,582 | (32,321) |
| (Increase)/decrease in long term trade receivable | (794,519) | 17,721 |
| Decrease in long term deposits payable | (251) | (405) |
| Decrease in deferred income | (100,384) | (39,286) |
| Increase in long term payables | 225,064 | 1,275,416 |
| Retirement benefits paid | (9,918) | (20,595) |
| Finance cost paid | (396,464) | (477,515) |
| Taxes paid | (18,549) | (67,088) |
| Net cash generated from/(used in) operating activities | 325,705 | (117,179) |
| Cash flows from investing activities | | |
| Fixed capital expenditure | (522,659) | (1,539,729) |
| Proceeds from sale of property, plant and equipment | 18,982 | 83,243 |
| Net cash used in investing activities | (503,677) | (1,456,486) |
| Cash flows from financing activities | | |
| Receipts of long term loan | - | 2,943,855 |
| Running finance - net | (190,857) | (377,216) |
| Receipt/(repayment) of short term borrowings | 731,276 | (200,000) |
| Repayment of term finance certificates | (547,913) | (606,199) |
| Repayment of liabilities against assets subject to finance lease | (50,461) | (27,975) |
| Net cash (used in)/generated from financing activities | (57,955) | 1,732,465 |
| Net (decrease)/increase in cash and cash equivalents | (235,927) | 158,800 |
| Cash and bank balance at the beginning of the period | 327,051 | 184,104 |
| Cash and bank balance at the end of the period | 91,124 | 342,904 |

The annexed notes 1 to 19 form an integral part of this condensed consolidated interim financial information.

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2012**



WorldCall

| Attributable to equity holders of the Company | | | | | | | | | |
|--|------------------|---------------|---|------------------------------|---------------------------|---------------------|-------------|--------------------------|-------------|
| | Share capital | Share premium | Fair value reserve- available for sale financial assets | Currency translation reserve | Accumulated profit/(loss) | Revaluation reserve | Sub Total | Non controlling interest | Total |
| | (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)/income for the period | - | - | (180,683) | (1,242) | (89,450) | - | (271,375) | 363 | (271,012) |
| Transfer to surplus on revaluation | - | - | - | - | (5,090) | 5,090 | - | - | - |
| Balance as at 30 September 2011 | 8,605,716 | 837,335 | (253,231) | (6,152) | 422,875 | 343,450 | 9,949,993 | (3,215) | 9,946,778 |
| Total comprehensive income/(loss) for the period | - | - | 11,208 | 284 | 381,161 | - | 392,653 | (154) | 392,499 |
| Transfer to surplus on revaluation | - | - | - | - | 205 | (205) | - | - | - |
| 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 | - | - | 21,639 | 3,366 | (1,156,835) | - | (1,131,830) | 803 | (1,131,027) |
| Transfer to surplus on revaluation | - | - | - | - | (5,090) | 5,090 | - | - | - |
| Balance as at 30 September 2012 | 8,605,716 | 837,335 | (220,384) | (2,502) | (357,684) | 348,335 | 9,210,816 | (2,566) | 9,208,250 |

The annexed notes 1 to 19 form an integral part of this condensed consolidated interim financial information.

Lahore

Balawadity
Chief Executive Officer

[Signature]
Director



WorldCall

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION (UN-AUDITED)
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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 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. 153.01 million as at balance sheet date and its current liabilities exceed its current assets by Rs. 60.73 million. The net loss for the current period after tax is Rs. 2.03 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 the 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 consolidated interim financial information for the period ended 30 September 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 of Companies Ordinance, 1984 differ, the provisions of or directives issued under the Companies Ordinance, 1984 or directives issued by Securities and Exchange Commission of Pakistan ("SECP") have been followed. This condensed consolidated interim financial information does not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the financial statements of the Group for the year ended 31 December 2011.

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 interim financial information are same as those applied in the preparation of the audited financial statements of the Group for the year ended 31 December 2011 and stated therein, except for addition of the following:



| Note | 30 September | 31 December |
|--|---|-------------------|
| | 2012 | 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 | 6.1 669,845 | 1,997,791 |
| | 14,196,893 | 14,792,835 |
| Disposals for the period/year - NBV | 6.2 (16,771) | (24,514) |
| Adjustment during the period/year - NBV | - | (187) |
| Depreciation for the period/year | (916,919) | (1,241,086) |
| Closing net book value | 6.3 13,263,203 | 13,527,048 |
| 6.1 Break-up of additions | | |
| Leasehold improvements | 3,562 | 5,983 |
| Plant and equipment | 625,539 | 1,767,386 |
| Office equipment | 902 | 6,437 |
| Computers | 35,792 | 61,561 |
| Furniture and fixtures | 300 | 280 |
| Vehicles | 3,750 | 155,569 |
| Lab and other equipment | - | 575 |
| | 669,845 | 1,997,791 |
| 6.2 Break-up of disposals (at NBV) | | |
| Leasehold improvement | (24) | - |
| Plant and equipment | - | (5,537) |
| Office equipment | (40) | (767) |
| Computers | (16,001) | (290) |
| Furniture and fixtures | - | (4) |
| Vehicles | (706) | (17,916) |
| | (16,771) | (24,514) |
| 6.3 Property, plant and equipment includes equipment deployed in implementing the Universal Service Fund network which is subject to lien exercisable by Universal Service Fund Company ("USFC") in the event of failure by the Company to maintain service availability and quality specification. | | |
| Note | 30 September | 31 December |
| | 2012 | 2011 |
| ------(Rupees in '000)----- | | |
| 7 Intangible assets (at NBV) | | |
| Licenses | 1,774,768 | 1,893,173 |
| Patents and copyrights | - | 125 |
| Indefeasible right of use - Media cost | 7.1 697,636 | 736,836 |
| Software | 14,249 | - |
| Goodwill | 7.2 2,553,494 | 2,553,494 |
| | 5,040,147 | 5,183,628 |
| 7.1 | During the last year the Company has 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 of Goodwill at 30 September 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. The management has considered the delays in the inflows of second tranche of USD 35 million due to delay in regulatory approval and is of the opinion that it will not have a significant impact on the recoverable amount of Goodwill.

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 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 from Pakistan Mobile Communications (Private) Limited over a period of five years and from Getronics Pakistan (Private) Limited over a period of 20 years.

9 Non current assets and liabilities classified as held for sale

The Group's foreign subsidiary namely Worldcall Telecommunications Lanka (Private) Limited has been suffering losses since last many years as the demand for payphones in Sri Lanka has greatly diminished. Keeping in view the Sri Lankan market conditions and negative equity of the subsidiary, the management 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 30 September 2011 and the comparative period of discontinued operations.

| | Nine months ended 30 September 2012 ----- (Rupees in '000)----- | Nine months ended 30 September 2011 ----- (Rupees in '000)----- |
|---|---|---|
| Results of discontinued operations | | |
| Revenue | - | 1,237 |
| Expenses | (2,078) | (7,801) |
| Results from operating activities | (2,078) | (6,564) |
| Finance cost | (2) | (64) |
| Other income | 46 | 9,622 |
| Loss for the period | (2,034) | 2,994 |
| Cash flow generated from/(used in) discontinued operations | | |
| Net cash used in operating activities | (2,988) | (7,860) |
| Net cash used in investing activities | - | (60) |
| Net cash generated from financing activities | 3,005 | 8,561 |
| Net cash generated from discontinued operation | 17 | 641 |



| Nine months ended 30 September 2012 ----- (Rupees in '000)----- | Nine months ended 30 September 2011 ----- (Rupees in '000)----- |
|---|---|
|---|---|

Assets and liabilities classified as held for sale

Assets

| | | |
|---------------|-----------|-----------|
| Cash and bank | 40 | 23 |
| | <u>40</u> | <u>23</u> |

Liabilities

| | | |
|--------------------------|--------------|--------------|
| Trade and other payables | 1,098 | 7,271 |
| Income tax payable | 7 | 7 |
| | <u>1,105</u> | <u>7,278</u> |

| 30 September 2012 ----- (Rupees in '000)----- | 31 December 2011 ----- (Rupees in '000)----- |
|--|---|
|--|---|

10 Short term borrowings

| | | | |
|--|------|----------------|----------------|
| Habib Bank Limited | 10.1 | 708,000 | - |
| KASB Bank Limited | 10.2 | 57,500 | - |
| Soneri Bank Limited | 10.3 | 68,546 | 15,908 |
| Allied Bank Limited | | - | 102,595 |
| Standard Chartered Bank (Pakistan) Limited | 10.4 | 15,733 | - |
| | | <u>849,779</u> | <u>118,503</u> |

10.1 This represents a bridge loan facility of Rs. 708 million from Habib Bank Limited ("HBL") to bridge Convertible Preference Shares to be issued by the Company valuing USD 35 million. The said facility is repayable over a period of 90 days having mark up of 3 month KIBOR + 3.50% per annum. Facility is completely secured under joint pari passu hypothecation agreement for present and future fixed and current assets of the Company amounting to Rs. 1,015.67 million. Moreover a deposit of USD 8 million has been placed by the Oman Telecommunication Company SAOG with HBL Offshore Banking Unit, Bahrain.

10.2 It represents short term demand finance facility repayable over a period of six months having mark up of 6 month KIBOR + 2.50% per annum. Facility is secured against pledge of shares with 30% margin and joint pari passu hypothecation agreement with 25% security margin.

10.3 This facility is repayable in four months having mark up of 6 month KIBOR + 4.00% per annum. It is secured through joint pari passu hypothecation agreement with 25% margin.

10.4 It carries markup of 19% - 24% per annum and is secured by hypothecation charge on assets and lien over import documents.

| 30 September 2012 ----- (Rupees in '000)----- | 31 December 2011 ----- (Rupees in '000)----- |
|--|---|
|--|---|

11 Term Finance Certificates - secured

| | | |
|----------------------------------|------------------|------------------|
| Term Finance Certificates - III | 1,643,735 | 2,191,648 |
| Less: Initial transaction cost | (53,994) | (53,994) |
| | <u>1,589,741</u> | <u>2,137,654</u> |
| Amortization of transaction cost | 47,602 | 39,384 |
| | <u>1,637,343</u> | <u>2,177,038</u> |
| Less: Current maturity | (1,095,823) | (1,095,825) |
| | <u>541,520</u> | <u>1,081,213</u> |

Term Finance Certificates have a face value of Rs. 5,000 per certificate.

**12 Long term loan**

| | 30 September 2011 | 31 December 2010 |
|---------------------------------------|------------------------------|---------------------|
| | ----- (Rupees in '000) ----- | |
| Receipt | 2,943,855 | 2,943,855 |
| Less: Initial transaction cost | (42,668) | (42,668) |
| | <u>2,901,187</u> | <u>2,901,187</u> |
| Add: Amortization of transaction cost | 9,143 | 4,572 |
| | <u>2,910,330</u> | <u>2,905,759</u> |
| Add: Exchange loss | 323,295 | 154,245 |
| | <u>3,233,625</u> | <u>3,060,004</u> |
| Less: Current maturity | (326,715) | - |
| | <u>2,906,910</u> | <u>3,060,004</u> |

This represents foreign currency syndicated loan facility amounting to USD 35 million from Askari Bank Limited Offshore Banking Unit, Bahrain, lead arranger for the transaction is Askari Bank Limited. This loan is repayable in 20 equal quarterly instalments, 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 favouring 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.

13 Deferred income

It represents the amount received against contracts valuing Rs. 786 million and Rs. 487 million for the deployment of network in Multan Telecom Region-I and Gujranwala Telecom Region respectively awarded by USF, a company established for the purpose of increasing teledensity in Pakistan.

14 Long term payables

| | 30 September 2011 | 31 December 2010 |
|---|------------------------------|---------------------|
| | ----- (Rupees in '000) ----- | |
| Payable to Pakistan Telecommunication Authority | 1,536,802 | 545,955 |
| Payable to Multinet Pakistan (Private) Limited | 112,972 | 173,863 |
| Suppliers | 403,404 | 774,802 |
| | <u>2,053,178</u> | <u>1,494,620</u> |

15 Contingencies and commitments - The Company**Contingencies****15.1 Billing disputes with PTCL**

15.1.1 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. 48.51 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.

15.1.2 PTCL has charged the Company excess Domestic Private Lease Circuits ("DPLC") and other media charges amounting to Rs. 177.1 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.

15.2 Disputes with Pakistan Telecommunication Authority (PTA)

15.2.1 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 its roll out plan.

15.2.2 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 Honourable Supreme Court of Pakistan. The Company is hopeful of a favourable decision.

15.2.3 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.

15.3 Taxation issues

15.3.1 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.

15.3.2 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.

15.3.3 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 final 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.



15.3.4 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. Based on legal advice Company is hopeful of a favorable decision.

15.4 Others

15.4.1 Samsung claimed an amount of Rs.132.6 million (USD 1.4 million) against its receivables under a certain settlement and services agreement. However, the Company denies the claim on the basis that Samsung failed to fulfil its obligations and did not provide services for which Company reserves the right to initiate appropriate proceedings against Samsung. Based on the legal advice, Company is hopeful that matter will be resolved in its favour.

| | 30 September 2012 | 31 December 2011 |
|--|-----------------------------|---------------------|
| | ------(Rupees in '000)----- | |

Commitments

| | | |
|---|------------------|------------------|
| 15.5 Outstanding guarantees | <u>1,212,623</u> | <u>963,482</u> |
| 15.6 Commitments in respect of capital expenditure | <u>2,044,866</u> | <u>2,185,760</u> |
| 15.7 Outstanding letters of credit | <u>37,880</u> | <u>55,697</u> |

| | Nine months ended 30 September 2012 | Nine months ended 30 September 2011 |
|--|---|---|
| | ------(Rupees in '000)----- | |

16 Cash generated from/(used in) operations

| | | |
|---|----------------|------------------|
| Loss before taxation | (1,844,662) | (274,384) |
| Adjustment for non-cash charges and other items: | | |
| Depreciation | 916,919 | 1,057,668 |
| Amortization of intangible assets | 144,298 | 115,384 |
| Amortization of transaction cost | 12,790 | 12,306 |
| Discounting charges | 606,423 | 12,942 |
| Amortization of receivables | (11,565) | (2,953) |
| Provision for doubtful receivables | 219,721 | 84,376 |
| Provision for stores and spares | 12,000 | 6,000 |
| Impairment loss on available for sale financial assets | 28,334 | 15,470 |
| Gain on remeasurement of liabilities | - | (360,186) |
| Exchange loss on foreign currency loan | 169,050 | 71,445 |
| Gain on sale of property, plant and equipment | (2,211) | (60,978) |
| Exchange translation difference | 6,087 | (1,242) |
| Retirement benefits | 64,216 | 69,339 |
| Finance cost | 428,016 | 505,905 |
| Profit before working capital changes | <u>749,416</u> | <u>1,251,092</u> |



| Nine months ended 30 September 2012 | Nine months ended 30 September 2011 |
|---|---|
| ------(Rupees in '000)----- | |

Effect on cash flow due to working capital changes:

(Increase)/decrease in the current assets

| | | |
|---|------------------|--------------------|
| Stores and spares | 2,806 | (70,163) |
| Stock in trade | 5,159 | (2,872) |
| Trade debts | (547,029) | (1,188,844) |
| Loans and advances | (306,728) | (641,350) |
| Deposits and prepayments | (66,231) | 22,425 |
| Other receivables | 11,546 | 146,918 |
| <i>Increase/(decrease) in current liabilities</i> | | |
| Trade and other payables | 1,567,205 | (290,312) |
| | <u>666,728</u> | <u>(2,024,198)</u> |
| | <u>1,416,144</u> | <u>(773,106)</u> |

17 Related party transactions

The related parties comprise of 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:

| | Nine months ended 30 September 2012 | Nine months ended 30 September 2011 |
|--|---|---|
| | ------(Rupees in '000)----- | |

| Relationship with the Company | Nature of transactions | | |
|-------------------------------|--------------------------------------|---------|---------|
| Parent Company | Purchase of goods and services | 470,538 | 192,841 |
| | Sale of goods and services | 49,661 | 134,177 |
| Other related parties | Purchase of goods and services | 6,876 | 12,332 |
| | Purchase of property | - | 21,000 |
| | Sale of goods and services | 773 | 560 |
| Key management personnel | Salaries and other employee benefits | 85,886 | 86,132 |

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

| 30 September 2012 | 31 December 2011 |
|-----------------------------|---------------------|
| ------(Rupees in '000)----- | |

Period end balances

| | | |
|---------------------------------|-----------|-----------|
| Receivable from related parties | 228,820 | 232,281 |
| Payable to related parties | 2,039,557 | 1,487,304 |

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



18 Date of authorization for issue

This condensed consolidated interim financial information was authorized for issue on 30 October 2012 by the Board of Directors.

19 General

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

