

**CONDENSED HALF YEARLY
FINANCIAL INFORMATION
(UN-AUDITED)**

30 JUNE 2011

VISION

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

MISSION STATEMENT

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

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

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

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

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

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Condensed consolidated interim financial information

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 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) 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 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 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 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) 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 second quarter and six months ended 30 June 2011.

Financial Overview

The performance during second quarter of half year has evidenced some signs of recovery. Comparing the quarter to 30 June 2011 with comparative period last year the revenues show slight growth of 3% along with the reduction in direct cost by 5%. Growth in the revenue came on account of successful delivery of USF milestones. Cost optimization endeavors led to 7% saving in the operating cost resulting in the operating profit of Rs 29 million for the 2nd quarter. This achievement is noteworthy as this reflects the positive outcome of the policies currently being followed by the management under supervision of the Board. Further this also indicates strengthening of operations and improvement in market performance. On the similar note finance cost has also showed savings of 10%. These savings came as Company discharged the high cost debt following the funding of USD 35 million during the period.

Cumulative results of six months against the comparative period last year continue to reflect the loss owing to decline in revenue and higher incidence of depreciation and network maintenance charges. Stability in the market prices of investment helped in curtailing the impairment loss. After accounting for other income and taxation the period ended with net loss of Rs 300 million.

Future Outlook

After successful conclusion of first phase of funding of USD 35 million, the Company is currently engaged with consultants for the second tranche of funding of the same amount. The previous funding has been primarily used to off load high cost debt with some marginal allocation to financing expansion projects. Activities on various expansion projects are in progress however management foresees acceleration of these activities once the ongoing transaction for next USD 35 million funding is completed.

The market as a whole is offering a highly competitive playing field. The rate instability in the international termination segment along with margin erosion in other business streams due to rising operational costs are going to be the areas of concern for the future. The prevailing uncertainty in pricing of termination business and the resultant margins are expected to further deteriorate if industry players do not take immediate measures to address the issue.

The Company's other initiatives with respect to enhancement of business streams and cost optimizations are being pursued in line with the business plan. It is expected that timely release of second phase of funding will ensure early completion of these projects along with ensuring turnaround on the financial performance front.

Statement U/S 218 of the Companies Ordinance, 1984

The board of directors re-appointed Mr. Babar Ali Syed through resolution by way of circulation on August 10, 2011 as Chief Executive Officer of the Company for a term of 3 years commencing August 12, 2011. His terms and conditions of appointment will remain the same.

Company's staff and customers

We are thankful to our all staff members for their continued support, hard work and untiring effort. We further express gratitude to our valued customers for their loyalty and support. In addition our contractors and other vendors also deserve our appreciation.

For and on behalf of the Board of Directors

Lahore
18 August 2011


Babar Ali Syed
Chief Executive Officer

Independent Report on Review of Condensed Interim Financial Information to the Members

Introduction

We have reviewed the accompanying condensed interim unconsolidated balance sheet of **Worldcall Telecom Limited** ("the Company") as at 30 June 2011 and the related condensed interim unconsolidated profit and loss account, condensed interim unconsolidated statement of comprehensive income, condensed interim unconsolidated cash flow statement, condensed interim unconsolidated statement of changes in equity and notes to the condensed interim unconsolidated financial information for the six months period then ended ("condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed interim unconsolidated financial information in accordance with approved accounting standards as applicable in Pakistan relating to interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

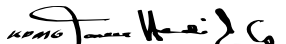
We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim unconsolidated financial information as at and for the six months ended 30 June 2011 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan relating to interim financial reporting.

The figures for the quarter ended 30 June 2011, in the condensed interim unconsolidated profit and loss account have not been reviewed and we do not express a conclusion on them.

Lahore
18 August 2011


KPMG TASEER HADI & CO.
CHARTERED ACCOUNTANTS
(KAMRAN IQBAL YOUSAFI)

**CONDENSED INTERIM BALANCE SHEET (Un-Audited)
AS AT 30 JUNE 2011**

Note	30 June 2011	31 December 2010	
	----- (Rupees in '000) -----		
NON CURRENT ASSETS			
Tangible fixed assets			
Property, plant and equipment	5	12,487,662	12,795,044
Capital work-in-progress		917,642	751,378
		<u>13,405,304</u>	<u>13,546,422</u>
Intangible assets			
Investment properties	6	4,526,327	4,606,312
Long term investment - classified as held for sale	7	101,934	89,900
Long term trade receivable	8	-	-
Deferred taxation		22,444	46,805
Long term deposits		179,902	18,953
		95,014	63,439
		<u>18,330,925</u>	<u>18,371,831</u>
CURRENT ASSETS			
Stores and spares		205,686	192,075
Stock in trade		189,474	192,917
Trade debts		2,521,893	2,016,418
Loans and advances - considered good		560,700	384,116
Deposits and prepayments		133,708	174,051
Other receivables		74,835	24,999
Short term investments		147,471	310,472
Income tax recoverable-net		166,699	155,433
Cash and bank balances		384,844	183,960
		<u>4,385,310</u>	<u>3,634,441</u>
CURRENT LIABILITIES			
Current maturities of non-current liabilities		1,203,096	1,224,671
Running finance under mark-up arrangements - secured		392,466	1,170,964
Short term borrowings		-	200,000
License fee payable		1,021,500	1,021,500
Trade and other payables		4,243,154	4,650,005
Interest and mark-up accrued		118,531	170,569
		<u>6,978,747</u>	<u>8,437,709</u>
		(2,593,437)	(4,803,268)
NET CURRENT LIABILITIES			
NON CURRENT LIABILITIES			
Term finance certificates - secured		1,622,733	2,166,079
Long term loan	9	2,927,581	-
Deferred income	10	215,430	254,716
Retirement benefits		264,321	226,979
Liabilities against assets subject to finance lease		112,426	15,962
Long term payables		774,533	631,645
Long term deposits		43,102	43,208
		<u>5,960,126</u>	<u>3,338,589</u>
Contingencies and commitments	11		
		<u>9,777,362</u>	<u>10,229,974</u>
REPRESENTED BY			
Share capital and reserves			
Authorized capital			
900,000,000 (31 December 2010: 900,000,000)			
ordinary shares of Rs. 10 each		<u>9,000,000</u>	<u>9,000,000</u>
Issued, subscribed and paid up capital		8,605,716	8,605,716
Share premium		837,335	837,335
Fair value reserve-available for sale financial assets		(225,283)	(72,548)
Accumulated profit		217,841	521,111
		<u>9,435,609</u>	<u>9,891,614</u>
Surplus on revaluation		341,753	338,360
		<u>9,777,362</u>	<u>10,229,974</u>

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

Lahore


Chief Executive Officer


Director

Worldcall Telecom Limited

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED) FOR THE HALF YEAR ENDED 30 JUNE 2011

	Half year ended 30 June 2011	Half year ended 30 June 2010	Quarter ended 30 June 2011	Quarter ended 30 June 2010
------(Rupees in '000)-----				
Revenue -net	3,701,165	4,421,880	2,074,517	2,023,010
Direct cost	(3,083,410)	(3,667,551)	(1,662,145)	(1,750,100)
Gross profit	617,755	754,329	412,372	272,910
Operating cost	(747,636)	(836,139)	(383,295)	(414,079)
Operating (loss)/profit	(129,881)	(81,810)	29,077	(141,169)
Finance cost	(345,944)	(377,353)	(156,935)	(174,145)
	(475,825)	(459,163)	(127,858)	(315,314)
Impairment loss on available for sale financial assets	(10,266)	(56,437)	(9,028)	(32,151)
Other operating income/(expenses)	62,278	7,015	(19,235)	(428)
Loss before taxation	(423,813)	(508,585)	(156,121)	(347,893)
Taxation	123,936	97,999	38,567	57,897
Loss after taxation	(299,877)	(410,586)	(117,554)	(289,996)
Loss per share - basic and diluted	(0.35)	(0.48)	(0.14)	(0.34)

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

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Chief Executive Officer

GHIMY
Director

Worldcall Telecom Limited

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED) FOR THE HALF YEAR ENDED 30 JUNE 2011

	Half year ended 30 June 2011	Half year ended 30 June 2010	Quarter ended 30 June 2011	Quarter ended 30 June 2010
------(Rupees in '000)-----				
Loss for the period	(299,877)	(410,586)	(117,554)	(289,996)
Other comprehensive (loss)/ income-net of tax:				
Net change in fair value of available for sale financial assets	(163,001)	(23,383)	(19,385)	(23,849)
Impairment loss transferred to profit & loss account	10,266	56,437	9,028	32,151
	(152,735)	33,054	(10,357)	8,302
Total comprehensive loss for the period	(452,612)	(377,532)	(127,911)	(281,694)

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

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Chief Executive Officer

GHIMY
Director

Worldcall Telecom Limited

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE HALF YEAR ENDED 30 JUNE 2011

	Note	Half year ended 30 June 2011	Half year ended 30 June 2010
------(Rupees in '000)-----			
Cash flows from operating activities			
Cash (used in)/generated from operations	12	(271,124)	1,338,973
(Increase)/decrease in long term deposits receivable		(31,575)	4,776
Decrease/(increase) in long term trade receivable		24,361	(47,210)
Decrease in long term deposits payable		(106)	(409)
Decrease in deferred income		(39,286)	-
Increase/(decrease) in long term payables		142,888	(420,401)
Retirement benefits paid		(8,628)	(11,037)
Finance cost paid		(433,983)	(372,319)
Taxes paid		(48,278)	(25,428)
Net cash (used in)/generated from operating activities		(665,731)	466,945
Cash flows from investing activities			
Fixed capital expenditure		(543,415)	(471,316)
Sale proceeds of property, plant and equipment		67,308	14,145
License fee paid		-	(113,500)
Net cash used in investing activities		(476,107)	(570,671)
Cash flows from financing activities			
Repayment of long term finances		-	(37,494)
Receipts of long term finances		2,943,855	-
(Repayment)/receipt of running finance- net		(778,498)	52,349
(Repayment)/receipt of short term borrowings		(200,000)	141,000
Repayment of term finance certificates		(606,199)	(59,054)
Repayment of finance lease liabilities		(16,436)	(43,068)
Net cash generated from financing activities		1,342,722	53,733
Net increase/(decrease) in cash and cash equivalents		200,884	(49,993)
Cash and bank balances at the beginning of the period		183,960	336,480
Cash and bank balances at the end of the period		384,844	286,487

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

Lahore


Chief Executive Officer


Director

Worldcall Telecom Limited

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE HALF YEAR ENDED 30 JUNE 2011

	Share capital	Share premium	Fair value reserve- available for sale assets	Accumulated profit/(loss)	Revaluation reserve	Total
------(Rupees in '000)-----						
Balance as at 31 December 2009	8,605,716	837,335	(70,475)	1,674,903	331,574	11,379,053
Total comprehensive income/(loss) for the period	-	-	33,054	(410,586)	-	(377,532)
Transfer to surplus on revaluation	-	-	-	(3,393)	3,393	-
Balance as at 30 June 2010	8,605,716	837,335	(37,421)	1,260,924	334,967	11,001,521
Total comprehensive loss for the period	-	-	(35,127)	(736,420)	-	(771,547)
Transfer to surplus on revaluation	-	-	-	(3,393)	3,393	-
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	-	-	(152,735)	(299,877)	-	(452,612)
Transfer to surplus on revaluation	-	-	-	(3,393)	3,393	-
Balance as at 30 June 2011	8,605,716	837,335	(225,283)	217,841	341,753	9,777,362

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 HALF YEAR ENDED 30 JUNE 2011**

1 Legal status and nature of business

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

2 Statement of Compliance

This condensed interim financial information has been prepared in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. The disclosures in the condensed interim financial information do not include the information reported for full annual financial statements and should therefore be read in conjunction with financial statements for the year ended 31 December 2010.

3 Significant accounting judgments and estimates

The preparation of condensed interim financial information is in conformity with approved accounting standards and requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. In preparing this condensed interim financial information, the significant 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 2010.

4 Accounting policies

Accounting policies and methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the financial statements of the Company for the year 31 December 2010 and stated therein, except for addition of the following:

- 4.1** The revenue under Universal Service Fund (USF) services and subsidy agreement is recognized under IAS-18 based on stage of completion with reference to the achievement of each milestone as provided in the agreement.

	Note	30 June 2011	31 December 2010
------(Rupees in '000)-----			
5. Property, plant and equipment			
Owned and leased assets:			
Opening net book value		12,795,044	12,110,704
Additions during the period/year	5.1	431,136	2,168,659
		13,226,180	14,279,363
Disposals for the period/year - NBV	5.2	(16,465)	(5,115)
Transferred to investment property		-	(5,760)
Adjustment during the period/year -NBV		-	(43,257)
Depreciation for the period/year		(722,053)	(1,430,187)
Closing net book value	5.3	12,487,662	12,795,044

5.1 Break-up of additions

Freehold land	-	5,760
Leasehold improvements	1,881	1,141
Plant and equipment	355,108	2,132,163
Office equipment	1,608	7,635
Computers	34,678	8,908
Furniture and fixtures	105	552
Vehicles	37,756	9,335
Lab and other equipment	-	3,165
	431,136	2,168,659

5.2 Break-up of disposals-NBV

Leasehold improvements	-	(41)
Plant and equipment	(2,541)	(2,173)
Office equipment	(8)	(1,139)
Computers	(7)	(58)
Furniture and fixtures	-	(208)
Vehicles	(13,909)	(1,496)
	(16,465)	(5,115)

- 5.3** 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	30 June 2011	31 December 2010
------(Rupees in '000)-----			
6 Intangible assets- NBV			
Licenses		1,972,308	2,051,442
Patents and copyrights		525	926
Software		-	450
Goodwill	6.1	2,553,494	2,553,494
		4,526,327	4,606,312

- 6.1** 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.

Worldcall Telecom Limited

The Company assessed the recoverable amount at 30 June 2011 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 substantial cash inflows from either investing or financing activities. During the current period long term loan facility of USD 35 million was obtained by the Company as assumed in the five year financial business plan.

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 June 2011	31 December 2010
	------(Rupees in '000)-----	

7 Investment properties

Opening balance	89,900	76,162
Additions during the period/year	12,034	6,600
Transferred from owned assets	-	5,760
Fair value adjustment	-	1,378
Closing balance	<u>101,934</u>	<u>89,900</u>

Investment properties comprises of land and offices.

During the period the Company acquired land under barter arrangement with Super Dream and Wind Mill Villas against the advertisement services.

	30 June 2011	31 December 2010
	------(Rupees in '000)-----	

8 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 2010: 7,221,740) ordinary shares
of Sri Lankan Rupees 10/-each. Equity held 70.65%
(31 December 2010: 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)
	<u>-</u>	<u>-</u>

8.1 The Company's foreign subsidiary namely Worldcall Telecommunications Lanka (Private) Limited has been suffering losses since last many years as the demand for payphones in Sri Lanka has greatly diminished. Keeping in view the Sri Lankan market conditions and negative equity of the subsidiary, the management has decided and approved the winding up

Worldcall Telecom Limited

of the subsidiary. Long term investment in subsidiary was classified as discontinued operations.

	30 June 2011	31 December 2010
	------(Rupees in '000)-----	

9 Long term loan

Received during the period	2,943,855	-
Less: Initial transaction cost	(42,668)	-
	<u>2,901,187</u>	<u>-</u>
Amortization of transaction cost	1,524	-
	<u>2,902,711</u>	<u>-</u>
Exchange loss during the period	24,870	-
	<u>2,927,581</u>	<u>-</u>

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. As at 30 June 2011 USD 34.5 million have been 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 487 million for the deployment of network in MTR-I and GTR respectively awarded by Universal Service Fund (USF), a Company established for the purpose of increasing teledensity in Pakistan.

11 Contingencies and commitments

Contingencies

11.1 Billing disputes with PTCL

11.1.1 There is a dispute of Rs.72.76 million (31 Dec 2010: Rs 72.22 million) with PTCL of non revenue time of prepaid calling cards and Rs. 31.10 million (31 Dec 2010: Rs 32.13 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. 146.96 million (31 December 2010: Rs.140.07 million) on account of difference in rates, distances and date of activations. The Company has deposited Rs. 40 million (31 December 2010: 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

Worldcall Telecom Limited

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 Company has now started its roll out plan.

11.2.2 There is a dispute with PTA on payment of R&D Fund contribution amounting to Rs. 11.3 million (31 December 2010: Rs. 11.3 million). The legal validity of this fund is under challenge before the Honorable Supreme Court of Pakistan. The Company has also gone into appeal against the demand before the Honorable Lahore High Court Lahore. 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 for the period prior to the valid formation of USF fund by the Federal Government amounting to Rs. 491 million (31 December 2010: Rs. 491 million). Out of this amount, Rs. 223 million has been deposited with PTA. 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. 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

Worldcall Telecom Limited

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.

	30 June 2011	31 December 2010
	----- (Rupees in '000) -----	
Commitments		
11.4 Outstanding guarantees	912,404	1,012,853
11.5 Commitments in respect of capital expenditure	1,263,174	757,484
11.6 Outstanding letters of credit	79,016	75,800
	Half year ended 30 June 2011	Half year ended 30 June 2010
	----- (Rupees in '000) -----	

12 Cash (used in)/generated from operations

Loss before taxation	(423,813)	(508,585)
Adjustment for non-cash charges and other items:		
Depreciation	722,053	685,600
Amortization of intangible assets	51,668	50,165
Interest on PTA license fee	-	34,219
Amortization of transaction cost	6,667	5,405
Amortization cost of receivables	(1,397)	18,033
Provision for doubtful receivables	47,159	91,432
Provision for stores and spares	6,000	5,000
Impairment loss on available for sale financial assets	10,266	56,437
Exchange loss on foreign currency loan	24,870	-
Gain on disposal of property, plant and equipment	(50,841)	(12,969)
Retirement benefits	45,970	46,203
Finance cost	339,277	337,729
Profit before working capital changes	777,879	808,669

Effect on cash flows due to working capital changes:

(Increase)/Decrease in the current assets

Stores and spares	(19,612)	72,692
Stock in trade	3,444	(8,907)
Trade debts	(551,238)	(919,135)
Loans and advances	(65,252)	(23,023)
Deposits and prepayments	40,343	(1,760)
Other receivables	(49,837)	(9,201)
<i>Increase/(Decrease) in current liabilities</i>		
Trade and other payables	(406,851)	1,419,638
	(1,049,003)	530,304
	(271,124)	1,338,973

Worldcall Telecom Limited

13 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 employees. Significant transactions with related parties are as follows:

Relationship with the Company	Nature of transactions	Half year ended	Half year ended
		30 June 2011	30 June 2010
----- (Rupees in '000) -----			
Parent Company	Purchase of goods and services	124,384	345,779
	Sale of goods and services	114,472	200,124
Other related parties	Purchase of goods and services	7,850	24,782
	Purchase of property	21,000	20,000
	Sale of goods and services	405	195
	Interest on loan	-	1,698
	Provision for doubtful debts	-	54,648
Key management Personnel	Salaries and other employee benefits	177,657	139,600

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

Period end balances	30 June 2011	31 December 2010
	----- (Rupees in '000) -----	
Receivable from related parties	230,122	207,814
Payable to related parties	1,071,574	1,156,250

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 18 August 2011 by the Board of Directors of the Company.

15 General

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

Lahore


Chief Executive Officer


Director

Worldcall Telecom Limited

**WORLDCALL TELECOM LIMITED
AND ITS SUBSIDIARY**

**CONDENSED CONSOLIDATED
HALF YEARLY
FINANCIAL INFORMATION
(UN-AUDITED)**

30 JUNE 2011

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 six months ended 30 June 2011.


Group Foreign Subsidiary

WorldCall Telecommunications Lanka (Pvt.) Limited

Winding up of the subsidiary is in process as approved in the last year's 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
18 August 2011


Babar Ali Syed
Chief Executive Officer

Worldcall Telecom Limited Group

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (Un-Audited) AS AT 30 JUNE 2011

	Note	30 June 2011	31 December 2010
-----Rupees in ('000)-----			
NON CURRENT ASSETS			
Tangible fixed assets			
Property, plant and equipment	6	12,487,662	12,795,044
Capital work-in-progress		917,642	751,378
		<u>13,405,304</u>	<u>13,546,422</u>
Intangible assets			
Investment properties	7	4,526,327	4,606,312
Long term trade receivable	8	101,934	89,900
Deferred taxation		22,444	46,805
Long term deposits		179,902	18,953
		95,014	63,439
		<u>18,330,925</u>	<u>18,371,831</u>
CURRENT ASSETS			
Stores and spares		205,686	192,075
Stock in trade		189,474	192,917
Trade debts		2,521,893	2,016,418
Loans and advances - considered good		560,700	384,116
Deposits and prepayments		133,708	174,051
Other receivables		74,835	24,999
Short term investments-available for sale		147,471	310,472
Income tax recoverable-net		166,699	155,433
Cash and bank balances		384,844	183,960
		<u>4,385,310</u>	<u>3,634,441</u>
Non current assets classified as held for sale	9	402	144
		<u>4,385,712</u>	<u>3,634,585</u>
CURRENT LIABILITIES			
Current maturities of non-current liabilities		1,203,096	1,224,671
Running finance under mark-up arrangements - secured		392,466	1,170,964
Short term borrowings		-	200,000
License fee payable		1,021,500	1,021,500
Trade and other payables		4,241,929	4,644,195
Interest and mark-up accrued		118,531	170,569
		<u>6,977,522</u>	<u>8,431,899</u>
Non current liabilities classified as held for sale	9	16,769	18,139
		<u>6,994,291</u>	<u>8,450,038</u>
		<u>(2,608,579)</u>	<u>(4,815,453)</u>
NET CURRENT LIABILITIES			
NON CURRENT LIABILITIES			
Term finance certificates -secured		1,622,733	2,166,079
Long term loan	10	2,927,581	-
Deferred income		215,430	254,716
Retirement benefits		264,321	226,979
Liabilities against assets subject to finance lease		112,426	15,962
Long term payables		774,533	631,645
Long term deposits		43,102	43,208
		<u>5,960,126</u>	<u>3,338,589</u>
Contingencies and commitments	12	9,762,220	10,217,789
REPRESENTED BY			
Share capital and reserves			
Authorized capital			
900,000,000 (31 December 2010: 900,000,000)			
ordinary shares of Rs. 10 each		<u>9,000,000</u>	<u>9,000,000</u>
Issued, subscribed and paid up capital		8,605,716	8,605,716
Share premium		837,335	837,335
Fair value reserve-available for sale financial assets		(225,283)	(72,549)
Exchange translation reserve		(5,677)	(4,910)
Accumulated profit		212,822	517,415
Capital and reserves attributable to equity holders of the Company		<u>9,424,913</u>	<u>9,883,007</u>
Non controlling interest		(4,446)	(3,578)
		<u>9,420,467</u>	<u>9,879,429</u>
Surplus on revaluation		341,753	338,360
		<u>9,762,220</u>	<u>10,217,789</u>

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

Lahore

Balawadity
Chief Executive Officer

Griffith
Director

Worldcall Telecom Limited Group

CONDENSED CONSOLIDATED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED) FOR THE HALF YEAR ENDED 30 JUNE 2011

	Note	Half year ended 30 June 2011	Half year ended 30 June 2010	Quarter ended 30 June 2011	Quarter ended 30 June 2010
-----Rupees in ('000)-----					
Continuing Operations					
Revenue -Net		3,701,165	4,421,880	2,074,517	2,023,010
Direct cost		<u>(3,083,410)</u>	<u>(3,667,551)</u>	<u>(1,662,145)</u>	<u>(1,750,100)</u>
Gross profit		<u>617,755</u>	<u>754,329</u>	<u>412,372</u>	<u>272,910</u>
Operating cost		<u>(747,636)</u>	<u>(832,704)</u>	<u>(383,295)</u>	<u>(410,644)</u>
Operating (loss)/profit		<u>(129,881)</u>	<u>(78,375)</u>	<u>29,077</u>	<u>(137,734)</u>
Finance cost		<u>(345,944)</u>	<u>(377,353)</u>	<u>(156,935)</u>	<u>(174,145)</u>
		<u>(475,825)</u>	<u>(455,728)</u>	<u>(127,858)</u>	<u>(311,879)</u>
Impairment loss on available for sale financial asset		<u>(10,266)</u>	<u>(56,437)</u>	<u>(9,028)</u>	<u>(32,151)</u>
Other operating income/(expenses)		<u>62,278</u>	<u>7,015</u>	<u>(19,235)</u>	<u>(428)</u>
Loss before taxation		<u>(423,813)</u>	<u>(505,150)</u>	<u>(156,121)</u>	<u>(344,458)</u>
Taxation		<u>123,936</u>	<u>97,999</u>	<u>38,567</u>	<u>57,897</u>
Loss after taxation from continuing operations		<u>(299,877)</u>	<u>(407,151)</u>	<u>(117,554)</u>	<u>(286,561)</u>
Discontinued operations					
(Loss)/profit for the period from discontinued operations	9	<u>(1,873)</u>	<u>(5,869)</u>	<u>2,116</u>	<u>(4,561)</u>
		<u>(301,750)</u>	<u>(413,020)</u>	<u>(115,438)</u>	<u>(291,122)</u>
Attributable to:					
Equity holders of Parent Company		<u>(301,199)</u>	<u>(411,297)</u>	<u>(116,058)</u>	<u>(289,783)</u>
Non controlling interest		<u>(551)</u>	<u>(1,723)</u>	<u>620</u>	<u>(1,339)</u>
		<u>(301,750)</u>	<u>(413,020)</u>	<u>(115,438)</u>	<u>(291,122)</u>
Loss per share - basic and diluted					
From continuing and discontinued Operations		<u>(0.35)</u>	<u>(0.48)</u>	<u>(0.13)</u>	<u>(0.34)</u>
From continuing operations		<u>(0.35)</u>	<u>(0.47)</u>	<u>(0.14)</u>	<u>(0.33)</u>

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

Balawadity
Chief Executive Officer

Griffith
Director

Worldcall Telecom Limited Group

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED) FOR THE HALF YEAR ENDED 30 JUNE 2011

	Half year ended 30 June 2011	Half year ended 30 June 2010	Quarter ended 30 June 2011	Quarter ended 30 June 2010
------(Rupees in '000)-----				
Loss for the period	(301,750)	(413,020)	(115,438)	(291,122)
Other comprehensive (loss)/ income- net of tax:				
Exchange differences on translating foreign operations	(1,084)	(1,240)	(1,177)	(1,115)
Net change in fair value of available for sale financial assets	(163,001)	(23,383)	(19,385)	(23,849)
Impairment loss transferred to profit & loss account	10,266	56,437	9,028	32,151
	(153,819)	31,814	(11,534)	7,187
Total comprehensive loss for the period	(455,569)	(381,206)	(126,972)	(283,935)
Attributable to:				
Equity holders of the Parent Company	(454,701)	(379,119)	(127,247)	(282,269)
Non controlling interest	(868)	(2,087)	275	(1,666)
	(455,569)	(381,206)	(126,972)	(283,935)

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

Lahore


Chief Executive Officer


Director

Worldcall Telecom Limited Group

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE HALF YEAR ENDED 30 JUNE 2011

	Half year ended 30 June 2011	Half year ended 30 June 2010
------(Rupees in '000)-----		
Cash flows from operating activities		
Cash (used in)/generated from operations	13 (270,858)	1,341,665
(Increase)/decrease in long term deposits receivable	(31,575)	4,776
Decrease/(increase) in long term trade receivable	24,361	(47,210)
Decrease in long term deposits payable	(106)	(409)
Decrease in deferred income	(39,286)	-
Increase/(decrease) in long term payables	142,888	(420,401)
Retirement benefits paid	(8,628)	(11,037)
Finance cost paid	(434,047)	(374,698)
Taxes paid	(48,278)	(25,428)
Net cash (used in)/generated from operating activities	(665,529)	467,258
Cash flows from investing activities		
Fixed capital expenditure	(543,474)	(471,316)
Sale proceeds of property, plant and equipment	67,308	14,145
License fee paid	-	(113,500)
Net cash used in investing activities	(476,166)	(570,671)
Cash flows from financing activities		
Repayment of long term finances	-	(37,494)
Receipts of long term finances	2,943,855	-
Running finance-net	(778,498)	52,349
(Repayment)/receipt of short term borrowings	(200,000)	141,000
Repayment of term finance certificate	(606,199)	(59,054)
Repayment of finance lease liabilities	(16,436)	(43,068)
Net cash generated from financing activities	1,342,722	53,733
Net increase/(decrease) in cash and cash equivalents	201,027	(49,680)
Cash and bank balances at the beginning of the period	184,104	335,579
Cash and bank balances at the end of the period	385,131	285,899

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 HALF YEAR ENDED 30 JUNE 2011**

	Attributable to equity holders of the Company							Non controlling interest	Total
	Revenue reserves		Capital reserves			Sub Total			
	Share capital	Share premium	Fair value reserve- available for sale	Currency translation reserve	Accumulated profit/ (loss)	Revaluation reserve			
	(Rupees in '000)								
Balance as at 31 December 2009	8,605,716	837,335	(70,475)	(2,940)	1,677,848	331,574	11,379,058	11,379,058	
Total comprehensive income/(loss) for the period	-	-	33,054	(876)	(411,297)	-	(379,119)	(381,206)	
Transfer to surplus on revaluation	-	-	-	-	(3,393)	3,393	-	-	
Balance as at 30 June 2010	8,605,716	837,335	(37,421)	(3,816)	1,263,158	334,967	10,999,939	10,997,852	
Total comprehensive loss for the period	-	-	(35,127)	(1,094)	(742,351)	-	(778,572)	(780,063)	
Transfer to surplus on revaluation	-	-	-	-	(3,393)	3,393	-	-	
Balance as at 31 December 2010	8,605,716	837,335	(72,548)	(4,910)	517,414	338,360	10,221,367	10,217,789	
Total comprehensive loss for the period	-	-	(152,735)	(767)	(301,199)	-	(454,701)	(455,569)	
Transfer to surplus on revaluation	-	-	-	-	(3,393)	3,393	-	-	
Balance as at 30 June 2011	8,605,716	837,335	(225,283)	(5,677)	212,822	341,753	9,766,666	9,762,220	

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

Laahore

Salawud Din
Chief Executive Officer

Q. Jinnat
Director

Worldcall Telecom Limited Group

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL
INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2011**

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 67-A, 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. 166.303 million as at balance sheet date and its current liabilities exceed its current assets by Rs. 67.13 million. The net loss for the current period after tax is Rs. 1.88 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

Worldcall Telecom Limited Group

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 consolidated interim financial information has been prepared in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. The disclosures in the condensed consolidated interim financial information do not include the information reported for full annual financial statements and should therefore be read in conjunction with financial statements for the year ended 31 December 2010.

4 Significant accounting judgments and estimates

The preparation of condensed consolidated interim financial information is in conformity with approved accounting standards and requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions and judgements are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying accounting policies and the key sources of estimation were the same as those that were applied to the financial statements for the year ended 31 December 2010.

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 annual financial statements of the Group for the year 31 December 2010 and stated therein, except for addition of the following:

- 5.1 The revenue under Universal Service Fund (USF) services and subsidy agreement is recognized under IAS-18 based on stage of completion with reference to the achievement of each milestone as provided in the agreement.

	Note	30 June 2011 ------(Rupees in '000)-----	31 December 2010
6 Property, plant and equipment			
Owned and leased assets:			
Opening net book value		12,795,044	12,110,704
Additions during the period /year	6.1	431,136	2,168,659
		<u>13,226,180</u>	14,279,363
Disposals for the period/year - NBV	6.2	(16,465)	(5,115)
Transferred to investment properties		-	(5,760)
Adjustment during the period/year -NBV		-	(43,257)
Depreciation for the period/year		(722,053)	(1,430,187)
Closing net book value	6.3	<u>12,487,662</u>	<u>12,795,044</u>

Worldcall Telecom Limited Group

Note	30 June 2011 ------(Rupees in '000)-----	31 December 2010
6.1 Break-up of additions		
Freehold land	-	5,760
Leasehold improvements	1,881	1,141
Plant and equipment	355,108	2,132,163
Office equipment	1,608	7,635
Computers	34,678	8,908
Furniture and fixtures	105	552
Vehicles	37,756	9,335
Lab and other equipment	-	3,165
	<u>431,136</u>	<u>2,168,659</u>

6.2 Break-up of disposals -NBV

Leasehold improvements	-	(41)
Plant and equipment	(2,541)	(2,173)
Office equipment	(8)	(1,139)
Computers	(7)	(58)
Furniture and fixtures	-	(208)
Vehicles	(13,909)	(1,496)
	<u>(16,465)</u>	<u>(5,115)</u>

- 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	30 June 2011 ------(Rupees in '000)-----	31 December 2010
7 Intangible assets- NBV		
Licenses	1,972,308	2,051,442
Patents and copyrights	525	926
Software	-	450
Goodwill	7.1	2,553,494
	<u>4,526,327</u>	<u>4,606,312</u>

- 7.1 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 30 June 2011 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 substantial cash inflows from either investing or financing activities. During the current period long term loan facility of USD 35 million was obtained by the Company as assumed in the five year financial business plan.

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

Worldcall Telecom Limited Group

for impairment calculation no growth is considered in cash flows beyond five years as per International Accounting Standard 36-Impairment of Assets.

	30 June 2011	31 December 2010
	----- (Rupees in '000) -----	
8 Investment properties		
Opening balance	89,900	76,162
Addition during the period/year	12,034	6,600
Transferred from owned assets	-	5,760
Fair value adjustment	-	1,378
Closing balance	<u>101,934</u>	<u>89,900</u>

Investment properties comprises of land and offices.

During the period the Company acquired land under barter arrangement with Super Dream and Wind Mill Villas against the advertisement services.

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 June 2011 and the comparative period of discontinued operations.

	30 June 2011	30 June 2010
	----- (Rupees in '000) -----	
Results of discontinued operations		
Revenue	1,130	1,911
Expenses	(6,476)	(5,450)
Results from operating activities	<u>(5,346)</u>	<u>(3,539)</u>
Finance cost	(62)	(2,379)
Other income	3,535	49
Loss for the period	<u>(1,873)</u>	<u>(5,869)</u>
Cash flows from discontinued operations		
Net cash (used in)/generated from operating activities	(4,207)	313
Net cash used in investing activities	(59)	-
Net cash generated from financing activities	4,553	-
Net cash generated from discontinued operation	<u>287</u>	<u>313</u>

Worldcall Telecom Limited Group

	30 June 2011	31 December 2010
	----- (Rupees in '000) -----	

Assets and liabilities classified as held for sale

Assets

Computer	59	-
Trade debts	19	-
Other receivable	37	-
Cash and bank	287	144
	<u>402</u>	<u>144</u>

Liabilities

Trade and other payables	16,762	18,132
Income tax payable	7	7
	<u>16,769</u>	<u>18,139</u>

10 Long term loan

Received during the period	2,943,855	-
Less: Initial transaction cost	(42,668)	-
	<u>2,901,187</u>	<u>-</u>
Amortization of transaction cost	1,524	-
	<u>2,902,711</u>	<u>-</u>
Exchange loss during the period	24,870	-
	<u>2,927,581</u>	<u>-</u>

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. As at 30 June 2011 USD 34.5 million have been 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.

11 Deferred income

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

12 Contingencies and commitments

Contingencies

12.1 Billing disputes with PTCL

12.1.1 There is a dispute of Rs.72.76 million (31 Dec 2010: Rs 72.22 million) with PTCL of non revenue time of prepaid calling cards and Rs. 31.01 million (31 Dec 2010: Rs 32.13 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.

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12.1.2 PTCL has charged the Company excess Domestic Private Lease Circuits (DPLC) and other media charges amounting to Rs. 146.96 million (31 December 2010: Rs.140.07 million) on account of difference in rates, distances and date of activations. The Company has deposited Rs. 40 million (31 December 2010: 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 Company has now started its roll out plan.

12.2.2 There is a dispute with PTA on payment of R&D Fund contribution amounting to Rs. 11.3 million (31 December 2010: Rs. 11.3 million). The legal validity of this fund is under challenge before the Honorable Supreme Court of Pakistan. The Company has also gone into appeal against the demand before the Honorable Lahore High Court Lahore. 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 for the period prior to the valid formation of USF fund by the Federal Government amounting to Rs. 491 million (31 December 2010: Rs. 491 million). Out of this amount, Rs. 223 million has been deposited with PTA. 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. 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 Phone cards 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.

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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.

	30 June 2011	31 December 2010
	----- (Rupees in '000) -----	
Commitments		
12.4 Outstanding guarantees	<u>912,404</u>	<u>1,012,853</u>
12.5 Commitments in respect of capital expenditure	<u>1,263,174</u>	<u>757,484</u>
12.6 Outstanding letters of credit	<u>79,016</u>	<u>75,800</u>

	30 June 2011	30 June 2010
	----- (Rupees in '000) -----	

13 Cash (used in)/generated from operations

Loss before taxation	(425,686)	(511,019)
Adjustment for non-cash charges and other items:		
Depreciation	722,053	685,600
Amortization of intangible assets	51,668	50,165
Interest on PTA license fee	-	34,219
Amortization of transaction cost	6,667	5,405
Amortization cost of receivables	(1,397)	18,033
Provision for doubtful receivables	47,159	91,432
Provision for stores and spares	6,000	5,000
Impairment loss on available for sale financial assets	10,266	56,437
Exchange loss on foreign currency loan	24,870	-
Gain on disposal of property, plant and equipment	(50,841)	(12,969)
Exchange translation difference	(767)	(876)
Retirement benefits	46,351	46,203
Finance cost	339,339	340,108
Profit before working capital changes	<u>775,682</u>	<u>807,738</u>

Effect on cash flows due to working capital changes:

(Increase)/Decrease in the current assets

Store and spares	(19,618)	72,686
Stock in trade	3,440	(8,912)
Trade debts	(551,313)	(919,298)
Loans and advances	(65,252)	(23,023)
Deposits and prepayments	40,339	(1,765)
Other receivables	(49,970)	(9,325)

Increase/(Decrease) in current liabilities

Trade and other payables	(404,166)	1,423,565
	<u>(1,046,540)</u>	<u>533,927</u>
	<u>(270,858)</u>	<u>1,341,665</u>

14 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 employees. Significant transactions with related parties are as follows:

Relationship with the Company	Nature of transactions	30 June	30 June
		2011	2010
----- (Rupees in '000) -----			
Parent Company	Purchase of goods and services	124,384	345,779
	Sale of goods and services	114,472	200,124
Other related parties	Purchase of goods and services	7,850	24,782
	Purchase of property	21,000	20,000
	Sale of goods and services	405	195
	Interest on loan	-	1,698
	Provision for doubtful debts	-	54,648
Key management Personnel	Salaries and other employee benefits	177,657	139,600

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

Period end balances	30 June	31 December
	2011	2010
----- (Rupees in '000) -----		
Receivable from related parties	230,122	207,814
Payable to related parties	1,071,574	1,156,250

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 18 August 2011 by the Board of Directors.

16 General

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