

VISION

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

MISSION STATEMENT

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

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

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

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

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

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FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
30 JUNE 2005**

COMPANY INFORMATION

Board of Directors

Sulieman Ahmed Said Al-Hoqani (Chairman)
Salmaan Taseer (Chief Executive Officer)
Shaan Taseer
Muhammad Shuaib Yousaf
Tanvir Ahmad
Air Vice Marshal (R) Syed Imtiaz Hyder
Muhammad Bilal Sheikh
Khurshid Zafar Qureshi
Abid Raza

Chief Financial Officer

Muhammad Naveed Tariq

Audit Committee

Muhammad Shuaib Yousaf (Chairman)
Shaan Taseer (Member)
Tanvir Ahmad (Member)

Company Secretary

Ahmad Bilal

Auditors

Taseer Hadi Khalid & Co.
Chartered Accountants

Legal Adviser

Hosain & Rahim
Advocates

Bankers

Askari Commercial Bank Limited
Crescent Commercial Bank Limited
Faysal Bank Limited
Habib Bank Limited
KASB Bank Limited
Muslim Commercial Bank Limited
National Bank of Pakistan
ORIX Leasing Pakistan Limited
Pak Kuwait Investment Co. (Pvt) Limited
Pak Oman Investment Co. Limited
Pakistan Industrial Credit & Investment Corporation Limited
PICIC Commercial Bank Limited
Prime Commercial Bank Limited
Soneri Bank Limited
Standard Chartered Bank
Standard Chartered Modaraba
Union Bank Limited

Registrar and Shares Transfer Office

THK Associates (Pvt.) Limited
Ground Floor, Modern Motors House,
Beaumont Road
Karachi
☎ (021) 5689021

Registered Office / Head Office

103-C/II, Gulberg-III
Lahore, Pakistan
☎ (042) 5757591-4
Fax: (042) 5757590, 5877920

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 5th Annual General Meeting of the Shareholders of Worldcall Telecom Limited (“the Company”) will be held on 31 October 2005 at 2:30 p.m. at the Registered Office of the Company, 103-C/II, Gulberg-III, Lahore, to transact the following business:

1. To receive, consider and adopt the financial statements of the Company for the year ended 30 June 2005 together with the Directors' and Auditors' reports thereon;
2. To appoint Auditors for the year ending 30 June 2006 and to fix their remuneration.

By order of the Board

Lahore
08 October 2005

Ahmad Bilal
Company Secretary

Notes:

- 1) The register of members will remain closed from 24 October 2005 to 31 October 2005 (both days inclusive). Transfers received at THK Associates (Pvt.) Limited, Ground Floor, Modern Motors House, Beaumont Road Karachi the Registrar and Shares Transfer Office of the Company, by the close of business on 23 October 2005 will be treated in time.
- 2) A member eligible to attend and vote at the meeting may appoint another member as proxy to attend and vote in the meeting. In order to be effective, proxies must be received by the Company at the Registered Office not later than 48 hours before the time for holding the meeting.
- 3) In order to be valid, an instrument of proxy and the power of attorney or other authority (if any) under which it is signed, or notarially certified copy of such power of attorney, must be deposited at the registered office of the Company, 103-C/II, Gulberg-III, Lahore, not less than 48 hours before the time of the meeting.
- 4) a) Individual beneficial owners of CDC entitled to attend and vote at the meeting must bring his/her participant ID and account/sub-account number along with original NIC or passport to authenticate his/her identity. In case of Corporate entity, resolution of the Board of Directors/Power of attorney with specimen signatures of nominees shall be produced (unless provided earlier) at the time of meeting.
b) For appointing of proxies, the individual beneficial owners of CDC shall submit the proxy form as per above requirement along with participant ID and account/sub-account number together with attested copy of their NIC or Passport. The proxy form shall be witnessed by two witnesses with their names, addresses and NIC numbers. The proxy shall produce his/her original NIC or Passport at the time of meeting. In case of Corporate entity, resolution of the Board of Director/Power of attorney along with specimen signatures shall be submitted (unless submitted earlier) along with the proxy form.
- 5) Members are requested to notify any changes, if any, in their registered address immediately.

CHAIRMAN'S REVIEW

It is indeed an honour for me to present the annual accounts of Worldcall Telecom Limited (“WTL” or “the Company”) for the year ended 30 June 2005.

Telecom environment in Pakistan, like many other Asian countries, is undergoing a rapid change. Last year has been a landmark in the history of Pakistan's telecom sector. Not only is the implementation of deregulation policies visible but liberalization of the sector has resulted in a competition era thereby eliminating the monopolistic atmosphere of the incumbent operator PTCL. Apart from 2 new cellular licenses, LDI and WLL licenses were also granted.

Since the inception of Worldcall Group in 1995, WTL is the largest and most challenging initiative undertaken by the group so far. Encouraged by the results, we are confident that this project will be instrumental in realizing our vision of becoming the alternative telecom operator of choice offering total telecom solutions to prospective customers in the region.

Pakistan today is standing at the threshold of a telecoms revolution and the recent deregulation has already witnessed a paradigm landscape change in the telecom map. Numbers of telecom customers are multiplying by leaps and bounds, mainly due to the rapid growth of cellular industry. Introduction of Wireless Local Loop (“WLL”) telephony complemented by Long Distance and International (“LDI”) calling options now available is bringing telecommunication to the doorstep of every household and that too at affordable prices.

Long Distance and International (“LDI”) telephony

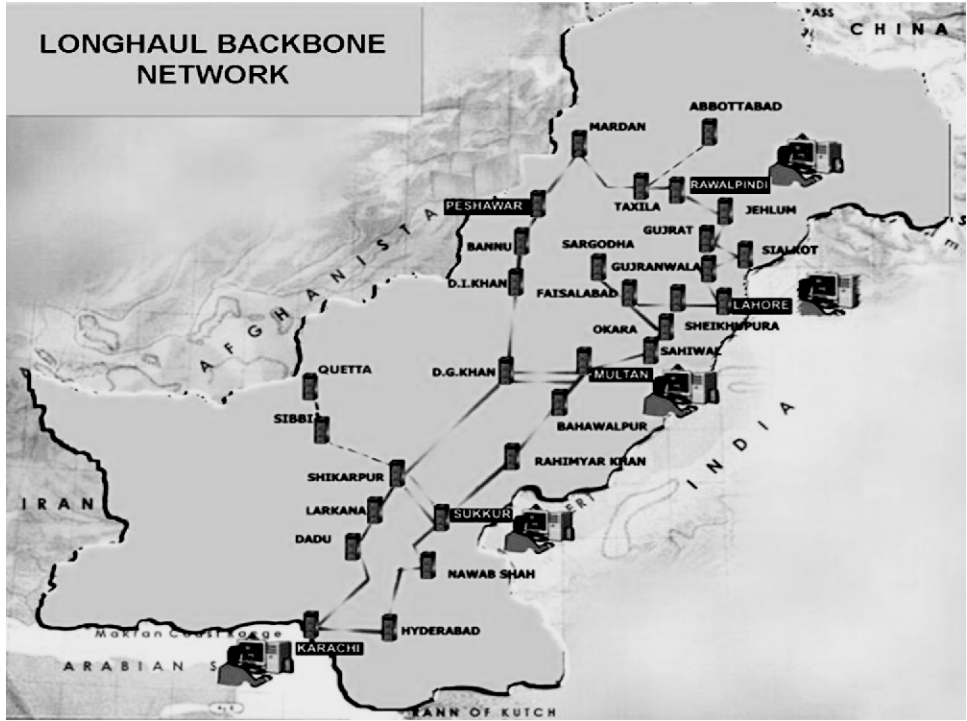
Worldcall has had the privilege of being a “first mover” in introducing innovative telecom services in the country. Supervised payphone model, prepaid calling cards and HFC broadband networks offering triple play (cable TV, high speed internet/ data and telephony) are a few examples. Keeping up the tradition, it once again took the lead as the first private operator to start LDI services in Pakistan by deploying a state of the art Next Generation Network (“NGN”) from top of the line global vendors like Siemens, Cisco and Nuera. Worldcall does not believe in making any compromise either on technology or quality issues. It offers latest, cost effective and timely end-to-end solutions to its valued customers. In simple words, under its LDI license WTL offers nationwide and international calling facilities to consumers on most competitive rates.

WTL has signed traffic/interconnect agreements with a number of top international players including, amongst others, British Telecom, T-Systems, VSNL, Lycatel, Saudi Telecom, Telekom Malaysia, Airtel, Vectone, Teleglobe, MCI & Net2Phone. WTL also has a head start and a significant edge over competition due to a large captive base owing to its existing payphone and calling card operations. Worldcall has additional arrangement with BT for a space segment solution or satellite connectivity to take care of redundancy as well. It was this foresight which ensured that, while most of the operators in the country experienced breakdown of their data network due to the recent SE-ME-WE-3 submarine cable failure on PTCL's part, our customers enjoyed uninterrupted services.

The regulatory requirement for installation of 14 Points of Presence (“PoPs”) over a period of three years was achieved even before WTL commenced commercial operations in November / December 2004. For better efficiency it however plans to increase its points of interconnect to over 24 in the coming year.

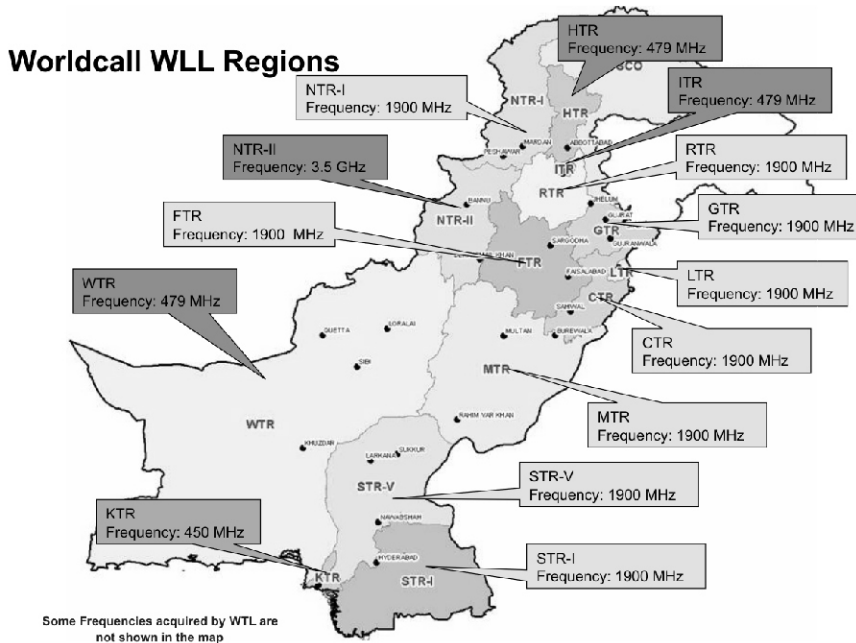
For national inter-PoP connectivity, regulation requires operators to either own network or enter into lease arrangement with PTCL for inter city media needs. While the latter has a high operational cost associated with it yet the former requires huge capital investment to lay down a nationwide backbone network. Although WTL is currently using PTCL's media, yet it has taken an edge over its competitors by signing an agreement with a subsidiary of Telekom Malaysia for long term access to dark fibers over their network almost free of cost. This network would be available to WTL in segments starting six months down the line with completion period of 2 years.

Worldcall Telecom Limited



Wireless Local Loop (“WLL”)

WTL has emerged as one of the main players in the WLL segment with licenses to operate in all 14 telecom regions of the country. Frequency mix, amongst new players, has been thoughtfully chosen for a fair penetration both in urban and rural areas. The service, which commenced from Lahore in June 2005, registered a speedy roll out to other parts of central Punjab such as Gujrat, Sheikhupura, Sargodha, Kharian, Gujranwala, Sialkot and Multan (on 4th October 2005). More cities shall be illuminated every month with WLL network covering almost 17 cities in Phase-I. In the next phase, the tally will be increased to over 50 cities so as to provide coverage to all important cities, towns and villages of Punjab. Backup support arrangements comprise of dedicated teams working more or less round the clock.



Worldcall Telecom Limited

WLL is basically a fixed line service with limited mobility as against the conventional wireline fixed telephony with no mobility. It is a quick and efficiently deployed solution with instant connectivity. Value added services include SMS, MMS, high speed Internet etc. All WLL customers will have access to the entire subscriber features available to digital exchange users. There is an immense demand for this quality service and the market is also big enough to accommodate multiple players. However players like WTL making early moves will definitely have an advantage.



While some of our competitors have chosen to deploy second tier solutions, WTL has once again gone for superior, state of the art CDMA 2000 1X solution with option of EVDO (superior data rates) as well. WTL has chosen Samsung as their technology partner and is a world leader in 3G CDMA deployment. Apart from Qualcomm, Samsung is the only vendor that manufactures in-house chip set.

WTL was listed on the stock exchanges in September 2005 and offers public an opportunity to invest in the fast growing telecommunications sector.

Regulation

The recent deregulation has been a new experience for all the players including the operators and the regulator. Worldcall's management has been at the forefront of not only educating the market but also taking initiatives and working hand in hand with other players and the regulator towards creating a conducive environment for all to operate in the larger interest of the industry. While the regulator - PTA (Pakistan Telecommunication Authority) and the related government ministries and departments have to be commended for moving ahead with the deregulation process and providing an opportunity to private operators which in turn has created choices for the consumer, A lot still needs to be accomplished in order to maintain a level playing field for all and to ensure that the investments are protected and businesses remain viable. In this regard your Company is actively liaising with other operators and the relevant authorities. For achieving fair competition and level playing field objectives, the regulator needs to effectively monitor significant market players and ensure that there is no discrimination among the various services and operators. The regulator has to keep pace with the rapid dynamic changes of the sector.

While the cellular operators have been provided relief in terms of payment of their license fees through an initial moratorium and subsequent staggering over the license term, yet similar concession is awaited by WLL operators for a level playing field. These operators have made due representations to all quarters in this regard. The concession being sought is for second installment of license fees since half has already been submitted as the first installment. Since the quantum of these fees runs in millions of US dollars, any respite in this connection would provide the WLL operators to opt for a more aggressive roll out. This would not only make the business case more attractive but also help increase the abysmally low teledensity for basic telephony - a key PTA objective.

WTL has also made due representations to CBR and other relevant agencies for withdrawal of 25% Custom Duty levied on fixed wireless terminals/phones (FWT/FWP) as cellular hand held phones which is also wireless technology attract only 5% Customs Duty. FWTs/FWPs are not currently manufactured in Pakistan and even if any local manufacturer starts producing these, these have to conform to minimum ITU standards before such sets can be offered to consumers. While our plea was entertained earlier on these grounds a recent notification to this effect has stipulated the earlier withdrawn duty again.

A recent determination issued by PTA restricts limited mobility for WLL services to one base station (BTS). Since CDMA technology requires soft handoffs, it is essential to allow a cluster of cells and not just one base station to offer requisite grade of service for the consumer which is also a requirement of the license. This issue is still being debated and Qualcomm, which holds the patent for CDMA chipset, has been wrongly quoted in the determination as supporting WLL operators for implementation of the requisite parameters to allow a cluster of cells for limited mobility application.

Positive outcomes to the above issues are likely and will go a long way in promoting this service which is globally a service for the general public as opposed to cellular telephony which is a premium service and a personal communication tool.

Future Outlook

WTL's future appears to be very bright. There is a huge untapped market and operators reaching specific areas will enjoy significant early mover advantage and that too in a place where there is ample room for all major players. Worldcall is targeting a number of such areas including those with low hanging fruit and those with significant traffic. WTL's access to longhaul backbone network would realize savings of millions of rupees on media costs and add significantly to our bottom line. Once the regulator issues the guidelines for utilization of Universal Service Fund ("USF") WTL can aggressively work with the regulator to increase teledensity by targeting the untouched rural areas as well, which is home to a significant population a vast majority of which has members working abroad but have no access to communication.

Worldcall while heading towards completion at a very advanced stage of deploying its Phase-I (17 major cities), has already started negotiating with vendors and potential investors for the next phase which will increase its coverage to over 50 cities. It is at an advanced stage of deliberations for a possible investment of millions of US dollars by a foreign fund which believes in the potential of this business.

Given its experience in telecom, track record of deploying large networks and synergies available through optimizing a number of telecom businesses, Worldcall is poised to become a significant player and the alternative choice operator.

I would like to thank the Worldcall management and employees for their constant hard work for making our dreams come true. Consequently these efforts will translate in maximizing returns for our shareholders who have reposed faith in our projects.

Suliman Ahmed Said Al-Hoqani
Chairman

DIRECTORS' REPORT

The Directors of Worldcall Telecom Limited ("WTL" or "the Company") are pleased to present before you the first review of your Company's performance for the year ended 30 June 2005. It gives us immense pleasure to inform you that the Company has started its operations for both LDI and WLL services.

Review of current year's operations

The Company has been successfully running its LDI (Long Distance & International) operations for the last nine months and WLL (Wireless Local Loop) operations for the last 4 months. The Company started commercial operations of LDI on 1 December 2004 and WLL on 8 June 2005 respectively. Accordingly, the financial statements contain LDI results of 7 months and WLL results of 23 days.

It has earned total revenue of Rs. 677.8 million during the year under review. Though the Company has not made any profits during the year, however, the Company's operational cash requirements are being met from self generated resources as the company has positive EBITDA margin of Rs. 29.9 million. The loss during the current year is mainly attributable to heavy depreciation and amortization of license fees amounting to Rs. 34.3 million.

Highlights of major achievements during the year under review

- Worldcall was the first private operator to start LDI services in Pakistan after deploying a state of the art Next Generation Network ("NGN") from top of the line global vendors including Siemens, Cisco and Nuera.
- Under the LDI license, the Company is currently offering LDI services to Hello calling cards (Worldcall Communications), Worldcall Multimedia and Worldcall Broadband local loop customers and its own WLL customers. On the termination side, services are being offered to both TDM (Time Division Multiplexing) and VOIP (Voice Over Internet Protocol) carriers.
- During the period ended 30 June 2005, over 97 million minutes were carried through our network, which is the highest traffic among all the LDI license holders excluding PTCL. The said volume was achieved despite the fact that payphones of the associated company, Worldcall Communications, were not allowed to use LDI services, since PTCL has obtained a stay order against PTA's determination.
- The WLL licenses, of various frequencies, have been obtained for all 14 telecom regions of Pakistan at a total cost of Rs. 2.42 billion.
- The Company has chosen Samsung as its technology partner which is the pioneer in the field of WLL technology, bringing state of the art CDMA 2000 technology to Pakistan.
- In a short time of seven months, after obtaining the license, Lahore was the first city where WLL service was launched. Subsequently, within four months, the Company launched WLL services in seven more cities of Punjab. These include Gujrat, Kharian, Sheikhpura, Sargodha, Sialkot, Gujranwala and Multan. The initial roll-out phase will cover 17 cities. This number will be increased to over 50 cities in the next phase. Current subscriber base is nearing the 30,000 mark.
- Interconnect agreements are in place with major international players including British Telecom (BT), T-Systems, Lycatel, Telekom Malaysia and local companies such as PTCL and Mobilink.
- An agreement has been signed with Multinet Pakistan (Pvt.) Limited, a subsidiary of Telekom Malaysia, for two cores of dark fiber nationwide, which will bring savings of million of rupees in the fixed cost of the Company upon completion of the project.

Future outlook

WTL had deployed 14 Points of Presence (PoPs) in all telecom regions even before commencement in November / December 2004 whereas currently 18 PoPs are operational. The Company plans to increase its presence to 24 points of

interconnect in the coming year. The LDI business environment is becoming very competitive and the margins are expected to come under pressure. However, the Company efforts are directed towards not only consolidating current business but to further increase it and remain as a premier supplier of LDI services. To achieve these objectives, efforts will be made to enhance business relations with current customers and attract new customers. The emphasis would be on improving internal efficiencies to make our services more cost-effective and create more value for our customers. WTL is amongst a few operators that offer both VOIP and TDM termination, giving it a distinctive edge over the competition

With a view to enhance the subscriber base and strategically position the Company in the growing telephony market, a systematic phase wise expansion of the WLL network has been planned. Your Company also intends to become the largest alternative telecom service provider in the country, after the incumbent, and plans to launch its services in all fourteen licensed regions of Pakistan. First phase of the project is nearing its completion and your Company is already taking initiatives for the planning of phase II, whereby significant expansion and optimization of its network coverage in Southern & Northern regions of Pakistan will be executed, increasing total coverage to over 50 cities. The Company is planning to install two more MSCs (Mobile Switching Centres), in order to provide cost efficient and good quality services to the WLL customers.

The Telecom Division companies of the Worldcall Group are also conducting studies to identify cost reduction and revenue optimization opportunities through consolidation of telecom businesses and entities in the interest of the shareholders and other stake holders. The vision is to be a full telecom services provider.

In order to accelerate expansion plans and to speed up capturing sizeable market share, options are also being reviewed to obtain debt of upto US\$ 25 million by issuance of foreign debentures/certificates which may be convertible into equity subject to such terms and conditions agreed with the debt provider.

Ongoing developments

- Your Company, along with other WLL operators, has put up a request with PTA for getting relief in balance payment of the license fee of Rs. 1.28 billion. The proposed structure is a moratorium of four years followed by staggering of the outstanding fee over ten years. This plea has been taken based on the relief given to cellular mobile operators and change of other ground realities. The WLL operators have also approached the Ministry of Information & Technology - Government of Pakistan, for accord of equitable treatment in the matter, in line with the objectives of Government's deregulation policy. A positive response is expected in this regard.
- The Company has filed a review petition with PTA to re-consider its determination regarding restriction of limited mobility of WLL services to one base station (BTS), issued in December. The date of hearing is yet to be decided. Please refer to the Chairman's review for more detail on these issues.

Changes in the Directors

During the year election of Directors was held and the following Directors were elected unopposed for a term of three years commencing from 30 December 2004, namely Mr. Salmaan Taseer, Mr. Shaan Taseer, Mr. Sardar Ali Wattoo, Mr. Muhammad Shuaib Yousaf, Mr. Muhammad Naveed Tariq, Mr. Effan Ibne Riaz, Mr. Babar Ali Syed, Mr. Muhammad Rashid Shafi and Mr. Khurshid Zafar Qureshi. After the said election of Directors, Mr. Salmaan Taseer was re-appointed as Chief Executive officer of the Company for the term of next three years commencing from 30 December 2004.

Mr. Sardar Ali Wattoo & Mr. Effan Ibne Riaz resigned from the Board while Mr. Sulieman Ahmed Said Al-Hoqani & Mr. Jamal Said Al-Ojaili were appointed in their places respectively. Furthermore, Mr. Jamal Said Al-Ojaili and Mr. Muhammad Rashid Shafi resigned as Director and Mr. Abid Raza and Air vice Marshal (R) Syed Imtiaz Hyder were appointed in places of Mr. Jamal Said Al-Ojaili and Mr. Muhammad Rashid Shafi. Mr. Muhammad Bilal Sheikh was also appointed as Director in place of Mr. Babar Ali Syed who had tendered his resignation from Directorship.

Subsequent, to the year end Mr. Muhammad Naveed Tariq resigned and Mr. Tanvir Ahmad had been appointed as Director in his place. At present, the Company has nine Directors on its Board.

Worldcall Telecom Limited

Meetings of Board of Directors

Six meetings of the Board of Directors were held during the year. Attendance by each director is as under:

Directors	Meetings Attended
Salmaan Taseer (CEO)	6
Suliman Ahmed Said Al-Hoqani	1
Shaan Taseer	6
Muhammad Shuaib Yousaf	5
Tanvir Ahmad	-
Air Vice Marshal (R) Syed Imtiaz Hyder	1
Muhammad Bilal Sheikh	-
Khurshid Zafar Qureshi	1
Abid Raza	-
Sardar Ali Wattoo (Resigned)	1
Babar Ali Syed (Resigned)	4
Jamal Said Al-Ojaili (Resigned)	-
Muhammad Rashid Shafi (Resigned)	1
Muhammad Naveed Tariq (Resigned)	2

The Directors who could not attend the meeting were duly granted leave of absence by the Board.

Audit Committee

The Board of Directors in compliance with the Code of Corporate Governance has established an Audit Committee consisting of following directors:

Muhammad Shuaib Yousaf	Chairman
Shaan Taseer	Member
Tanvir Ahmad	Member

Auditors

The present Auditors, Messrs Taseer Hadi Khalid & Co., Chartered Accountants, shall retire and being eligible offer themselves for re-appointment. The Board of Directors endorses the recommendation of the Audit Committee for the re-appointment of Messrs Taseer Hadi Khalid & Co., Chartered Accountants as the auditors of the Company for the financial year ending 30 June 2006.

Pattern of Shareholdings

The pattern of shareholdings as required under section-236 of the Companies Ordinance, 1984 and listing regulations are enclosed.

Disclosure of trades in the Company shares by its Directors', CEO, CFO, Company Secretary and their spouses including any minor children

During the year under review no trading in the Company shares was carried out by the Directors', CEO, CFO, Company Secretary and their spouses including any minor children.

Statement of Compliance in accordance with the Code of Corporate Governance ("CCG")

1. The financial statements, prepared by the management, fairly present its state of affairs, the result of its operations, cash flows and changes in equity.
2. Proper books of accounts of the Company have been maintained.

Worldcall Telecom Limited

3. Appropriate accounting policies have been consistently applied in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment.
4. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon the Company's ability to continue as a going concern.
7. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
8. The Company has followed the best practices of corporate governance, as detailed in the listing regulations of Stock Exchanges, wherever possible and is in the process of complying with all the remaining regulations.

Earnings per Share

Earnings per share for the financial year ended 30 June 2005 is Rs. (0.17).

Human Resources

A team of skilled professionals has been put together to cater to the nationwide operations and maintenance requirements, for both LDI and WLL operations. This is an achievement in the current situation where there is a great shortage of trained professionals and engineers in the telecom industry.

Worldcall appreciates the hard work and determination of its employees that has helped it to become one of the leading telecom companies in Pakistan. Worldcall continues to rely on its employees for its future expansion and believes in the mutual sharing of rewards that are a result of the endeavors of its employees.

For and on behalf of the Board of Directors

Lahore:
08 October 2005

Salmaan Taseer
Chief Executive Officer

**STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES
ON TRANSFER PRICING**

The Company has fully complied with the best practices on Transfer Pricing as contained in the listing regulations of Stock Exchanges where the Company is listed.

For and on behalf of the Board

Lahore
08 October 2005

Salmaan Taseer
Chief Executive Officer

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2005

This statement is being presented to comply with the Code of Corporate Governance contained in listing regulations of Karachi Stock Exchange (Guarantee) Limited and Lahore Stock Exchange (Guarantee) Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in following manner:

- 1) The board of directors comprise of nine directors. The Company encourages representation of independent non-executive directors on its board. At present, the board includes at least three independent non-executive directors.
- 2) The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
- 3) All the resident directors of the Company are registered as taxpayers and none of them has convicted by a Court of competent jurisdiction as a defaulter in payment of any loan to a banking company, a DFI's or NBFIs. No one is a member of Stock Exchange.
- 4) All casual vacancies occurring in the Board were filled up by the directors within 30 days thereof.
- 5) The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the Company.
- 6) The board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
- 7) All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the board.
- 8) The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
- 9) The Board arranged orientation courses for its directors during the year to apprise them of their duties and responsibilities.
- 10) The Board has approved appointment of Company Secretary, Chief Financial Officer and Head of Internal Auditor including remuneration and terms and conditions of employment, as determined by the CEO.
- 11) The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
- 12) The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
- 13) The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
- 14) The Company has complied with all the corporate and financial reporting requirements of the Code.

- 15) The Board has formed an audit committee. At present, the committee includes three non-executive directors including the chairman of the committee.
- 16) The meetings of the audit committee were held at least once every quarter prior to the approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
- 17) The Board has set-up an effective internal audit function having suitable qualified and experienced personal who are conversant with the policies and procedures of the Company.
- 18) The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and any minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
- 19) The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
- 20) We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board

Lahore:
08 October 2005

Salmaan Taseer
Chief Executive Officer

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Worldcall Telecom Limited ("the Company") to comply with the Listing Regulation No. 37 (Chapter XI) and No. 43 (Chapter XIII) of Karachi and Lahore Stock Exchanges respectively, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal controls covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance.

Lahore:
08 October 2005

Taseer Hadi Khalid & Co.
Chartered Accountants

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Worldcall Telecom Limited** ("the Company") as at 30 June 2005 and the related profit and loss account for the period from 01 December 2004 to 30 June 2005, cash flow statement and statement of changes in equity for the year ended 30 June 2005, together with the notes forming part thereof and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by the management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2005 and of the loss for the period from 01 December 2004 to 30 June 2005, its cash flows and changes in equity for the year ended 30 June 2005; and
- d) in our opinion no Zakat was deductible under the Zakat and Ushr Ordinance, 1980

The financial statements of the Company for the year ended 30 June 2004 were audited by another firm of auditors, whose report dated 04 October 2004 expressed an unqualified opinion on those financial statements.

Lahore:
08 October 2005

Taseer Hadi Khalid & Co.
Chartered Accountants

Worldcall Telecom Limited

BALANCE SHEET AS AT 30 JUNE 2005

	Note	30 June 2005 Rupees	30 June 2004 Rupees
PROPERTY, PLANT AND EQUIPMENT	3-4	2,114,292,498	196,188,039
INTANGIBLE ASSETS	5	2,413,020,723	-
LONG TERM ADVANCES	6	6,423,070	1,070,248
LONG TERM DEPOSITS	7	132,705,733	3,612,520
DEFERRED TAXATION		12,703,806	-
DEFERRED COSTS		-	943,000
		<u>4,679,145,830</u>	<u>201,813,807</u>
CURRENT ASSETS			
Stock-in-trade		436,390	-
Trade debts	8	300,367,332	-
Loans and advances	9	132,351,745	150,003,497
Deposits and prepayments	10	122,164,138	11,366,653
Other receivables	11	145,224,993	4,204,699
Short term investments		-	1,892,110
Cash and bank balances	12	591,927,868	25,003,480
		<u>1,292,472,466</u>	<u>192,470,439</u>
CURRENT LIABILITIES			
Trade and other payables	13	948,931,291	35,701,371
Interest and mark-up payable	14	55,584,139	1,218,952
Short term borrowings	15	29,539,157	-
Current maturity of long term finances	16	75,000,000	-
Current portion of liabilities against assets subject to finance lease	17	55,172,957	-
		<u>1,164,227,544</u>	<u>36,920,323</u>
NET CURRENT ASSETS		<u>128,244,922</u>	<u>155,550,116</u>
NON CURRENT LIABILITIES			
Long term finances	16	647,767,810	100,000,000
Liabilities against assets subject to finance lease	17	103,056,970	-
Long term deposits		4,538,675	-
Long term payables	18	106,874,574	-
Deferred liability for staff gratuity	19	5,760,375	1,022,993
License fee payable	20	1,208,610,000	-
		<u>2,076,608,404</u>	<u>101,022,993</u>
CONTINGENCIES AND COMMITMENTS	21	<u>2,730,782,348</u>	<u>256,340,930</u>
REPRESENTED BY			
SHARE CAPITAL AND RESERVES			
Share capital	22	2,750,000,000	35,000
Accumulated loss		(19,217,652)	-
		<u>2,730,782,348</u>	<u>35,000</u>
SHARE DEPOSIT MONEY		-	256,305,930
		<u>2,730,782,348</u>	<u>256,340,930</u>

The annexed notes 1 to 37 form an integral part of these financial statements.

LAHORE

CHIEF EXECUTIVE

DIRECTOR

PROFIT AND LOSS ACCOUNT
FOR THE PERIOD FROM 01 DECEMBER 2004 TO 30 JUNE 2005

	Note	<u>01 December 2004 to 30 June 2005</u> Rupees
REVENUE	23	677,853,716
DIRECT COSTS	24	(607,833,453)
GROSS PROFIT		<u>70,020,263</u>
OPERATING COSTS	25	(92,198,755)
OPERATING LOSS		<u>(22,178,492)</u>
Finance costs	26	(24,743,728)
Other operating income	27	15,000,762
LOSS BEFORE TAXATION		<u>(31,921,458)</u>
TAXATION	28	12,703,806
LOSS AFTER TAXATION		<u><u>(19,217,652)</u></u>
LOSS PER SHARE - BASIC	29	<u><u>(0.17)</u></u>

The annexed notes 1 to 37 form an integral part of these financial statements.

LAHORE

CHIEF EXECUTIVE

DIRECTOR

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2005**

	Note	30 June 2005 Rupees	30 June 2004 Rupees
Cash flows from operating activities			
Loss before taxation		(31,921,458)	-
Adjustments for non-cash and other items:			
Depreciation and amortization		34,339,569	-
Finance costs		24,743,728	-
Exchange (gain)/loss		700,697	-
Provision for gratuity		2,035,543	-
		<u>61,819,537</u>	-
		29,898,079	-
Adjustments for working capital items:			
(Increase)/decrease in current assets			
Increase in stock-in-trade		(436,390)	-
Increase in trade debts		(300,367,332)	-
Increase in loans and advances		(11,518,555)	(150,058,090)
Increase in deposits and prepayments		(110,797,485)	(11,366,653)
Increase in other receivables		(31,592,908)	(4,091,215)
Increase/(decrease) in current liabilities			
Increase in trade and other payables		887,965,755	33,701,371
Increase in interest and mark up payable		-	1,218,952
		<u>433,253,085</u>	(130,595,635)
		463,151,164	(130,595,635)
Finance costs paid		(48,828,298)	(2,271,602)
Gratuity paid		(29,900)	-
Taxes paid		(660,702)	(113,484)
Net cash generated from / (used in) operating activities		<u>413,632,264</u>	(132,980,721)
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,635,133,494)	(191,824,251)
Payment for intangible assets		(1,231,197,302)	-
Deferred costs paid		-	(625,000)
Increase in long term advances		(5,352,822)	(1,070,248)
Increase in long term deposits		(129,093,213)	(3,612,520)
Short term investments		-	(1,193,010)
Net cash used in investing activities		<u>(3,000,776,831)</u>	(198,325,029)
Cash flows from financing activities			
Proceeds from long term loan		659,888,000	100,000,000
Repayment of liabilities against assets subject to finance lease		(33,555,947)	-
Issuance of share capital		2,493,659,070	-
Share deposit money		-	256,305,930
Increase in long term deposits		4,538,675	-
Net cash inflow from financing activities		<u>3,124,529,798</u>	356,305,930
Net increase in cash and cash equivalents		537,385,231	25,000,180
Cash and cash equivalents at the beginning of the year		25,003,480	3,300
Cash and cash equivalents at the end of the year	30	<u>562,388,711</u>	<u>25,003,480</u>

The annexed notes 1 to 37 form an integral part of these financial statements.

LAHORE

CHIEF EXECUTIVE

DIRECTOR

Worldcall Telecom Limited

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2005

	Share Capital Rupees	Share Deposit Money Rupees	Accumulated loss Rupees	Total Rupees
Balance as at 30 June 2003	35,000	-	-	35,000
Share deposit money received	-	256,305,930	-	256,305,930
Balance as at 30 June 2004	35,000	256,305,930	-	256,340,930
Share deposit money received	-	2,493,659,070	-	2,493,659,070
Issuance of share capital	2,749,965,000	(2,749,965,000)	-	-
Loss during the period				
01 December 2004 to 30 June 2005	-	-	(19,217,652)	(19,217,652)
Balance as at 30 June 2005	2,750,000,000	-	(19,217,652)	2,730,782,348

The annexed notes 1 to 37 form an integral part of these financial statements.

LAHORE

CHIEF EXECUTIVE

DIRECTOR

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2005**

1. The Company and its operations

Worldcall Telecom Limited (“WTL” or “the Company”) was incorporated in Pakistan on 15 March 2001 as public limited company under the Companies Ordinance, 1984. The principal activities of the Company are to provide Wireless Local Loop (“WLL”) and Long Distance & International (“LDI”) services in Pakistan under licenses from Pakistan Telecommunications Authority. The Registered Office of the Company is located at 103 C-II, Gulberg III, Lahore.

The Company has started commercial operations of LDI & WLL on 01 December 2004 and on 08 June 2005 respectively, accordingly the profit and loss account has been prepared for the period of 7 months. Subsequent to the balance sheet date the Company's shares have been listed on Karachi and Lahore Stock Exchanges on 28 September 2005.

2. Summary of significant accounting policies

2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved Accounting Standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. Approved Accounting Standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of these Standards, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives take precedence.

2.2 Accounting convention

These financial statements have been prepared under the historical cost convention.

2.3 Property, plant and equipment

Owned

These are stated at cost less accumulated depreciation. Capital work- in- progress (CWIP) is stated at cost. Cost includes purchase price and all other expenses which are directly attributable for bringing the asset to its intended use, location and condition.

Depreciation is charged by applying the straight-line method at the rates specified in Note-3 to these financial statements so as to write off the cost of assets over their estimated useful lives.

Full year's depreciation is charged on additions made during the year except on plant and machinery on which depreciation is charged from the date the plant and machinery is ready for its intended use on prorata basis, while no depreciation is charged on assets disposed off during the year.

Gain or loss on sale of property, plant and equipment are included in the profit and loss account.

Normal repairs and maintenance costs are charged to income. Major improvements are capitalized.

Leased

Assets subject to finance lease are stated at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets less accumulated depreciation. Related obligations under the leases are accounted for as liabilities. Depreciation is charged on the basis and rates applicable to owned assets. Finance charge is calculated at the rates implicit in the leases and charged to income.

2.4 Intangible assets

An intangible asset is recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise and that the cost of such asset can also be measured reliably.

Amortization is charged by applying straight line method, so as to write off the cost of assets over their estimated useful lives. Amortization is charged on a systematic basis from the day the asset is available for use.

Gain or loss arising on disposal and retirement of intangible asset is determined as a difference between the net disposal proceeds and carrying amount of the asset and is recognized as income or expense in the income statement.

2.5 Impairment

An impairment loss is recognized when the asset's carrying amount exceeds its recoverable amount determined on the basis of higher of asset's net selling price and its value in use.

2.6 Foreign currency transactions

All monetary assets and liabilities in foreign currencies are translated into rupees at exchange rates prevailing at the balance sheet date. Transactions in foreign currencies are translated into rupees at the spot rates. All non-monetary items are translated into rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined. Exchange differences are included in income currently.

2.7 Stock in trade

These are stated at lower of cost and net realizable value calculated on weighted average basis.

2.8 Staff retirement benefits

The Company operates an un-funded gratuity scheme as a defined benefit plan for all its eligible employees, under which benefits are paid on cessation of employment subject to a minimum qualifying period of service. The liability for the year, under the plan, is determined on the basis of actuarial valuation carried out by using the Projected Unit Credit Method and is charged to CWIP till the commencement of commercial operations. Afterwards it is charged to income. Actuarial gains/losses are recognized over the expected

average working lives of eligible employees, using the recommended approach under the International Accounting Standards.

2.9 Taxation

Provision for taxation is based on the taxable income at the current rate of tax after taking into account applicable tax credits, rebates and exemption available, if any, under the Income Tax Ordinance, 2001.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all major temporary differences arising from the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized on all deductible temporary differences to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is measured at tax rates that are expected to apply to the period when the temporary differences are reversed, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

2.10 Trade debts

Trade debts are carried at original invoice amount less provision for doubtful debts, if any.

2.11 Revenue recognition

LDI

Revenue is recognized on rendering of services

WLL

Revenue from originating minutes is recognized on the occurrence of call both for prepaid and postpaid subscribers, however, bills to postpaid subscribers are dispatched on monthly basis. Line rent is recognised from prepaid and post paid customers on daily basis. Membership fee is recognized on dispatch of terminals. Franchise fee is recognized when services are rendered.

Income from bank deposits, loans and advances is recognized on a time proportion basis.

2.12 Borrowing costs

Mark-up, interest and other charges on borrowings are capitalized up to the date the qualifying asset is ready for its intended use. All other mark-up, interest and other charges are charged to income.

2.13 Financial instruments

All the financial assets and financial liabilities are recognized at the time when the company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised at the time when the Company loses control over the contractual rights that comprise the financial assets. All financial liabilities are derecognised at the time when they are extinguished that is, when the obligation specified in the contract is discharged, cancelled, or expired. Any gains or losses on derecognition of financial assets and financial liabilities are taken to profit and loss account.

Financial assets are deposits, trade debts, other receivables and cash and bank balances. These are stated at their nominal values as reduced by the appropriate allowances for estimated irrecoverable amount. Financial liabilities are classified according to the substance of the contractual arrangements entered into. Significant financial liabilities are long term loans, creditors, accrued and other liabilities. These are stated at their nominal value except for mark-up bearing borrowings for which the relevant policy is given in note 2.17. The policies in respect of financial instruments have been disclosed in their respective policy notes.

2.14 Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set off the recognized amounts and intends either to settle these on net basis or to realize the assets and settle the liabilities simultaneously.

2.15 Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the obligation can be made.

2.16 Related party transactions

The transactions between the Company and related parties are carried out on an arm's length basis and the relevant rates are determined in accordance with comparable uncontrolled price method.

2.17 Mark-up bearing borrowings

Mark-up bearing borrowings are recognized initially at cost, less attributable transaction costs. Subsequent to initial recognition, mark-up bearing borrowings are stated at original cost less subsequent repayments.

2.18 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, bank balances and short term running finance.

Worldcall Telecom Limited

3 Property, plant and equipment

	COST			Depreciation rate %	DEPRECIATION			Book value as at 30 June 2005 Rupees
	As at 01, July 2004 Rupees	Additions/ Transfers/ (Adjustments) Rupees	As at 30 June 2005 Rupees		As at 01 July 2004 Rupees	for the year Rupees	As at 30 June 2005 Rupees	
Owned assets								
Leasehold improvements	1,680,417	196,010	1,876,427	33	554,538	619,221	1,173,759	702,668
Plant and machinery	-	26,564,118	616,272,367	10 - 20	-	19,512,752	19,512,752	596,759,615
		662,584,336						
		(72,876,087)						
Office equipment	3,990,536	1,601,198	5,591,734	10	399,054	559,138	958,192	4,633,542
Lab equipment	-	318,873	318,873	20	-	63,774	63,774	255,099
Computers	1,800,939	8,031,230	9,832,169	20	360,188	1,966,434	2,326,622	7,505,547
Furniture and fixtures	1,419,583	399,960	1,819,543	10	141,958	181,954	323,912	1,495,631
Vehicles	3,236,393	10,951,955	12,250,473	20	647,279	2,450,095	2,773,479	9,476,994
		-				-		
		(1,937,875)				(323,895)		
	12,127,868	48,063,344	647,961,586		2,103,017	25,353,368	27,132,490	620,829,096
		662,584,336				-		
		(74,813,962)				(323,895)		
Leased assets								
Vehicles	-	39,942,863	39,942,863	20	-	7,988,572	7,988,572	31,954,291
Plant and machinery	-	-	152,876,087	10	-	5,748,557	5,748,557	147,127,530
		80,000,000						
		72,876,087						
	-	192,818,950	192,818,950		-	13,737,129	13,737,129	179,081,821
Capital work in progress- Note 4	186,163,188	1,870,802,729	1,314,381,581		-	-	-	1,314,381,581
		(742,584,336)						
		-						
2005	198,291,056	1,958,808,936	2,155,162,117		2,103,017	39,090,497	40,869,619	2,114,292,498
		-				-		
		(1,937,875)				(323,895)		
Operating assets	-	12,127,868	12,127,868		-	2,103,017	2,103,017	10,024,851
Capital work in progress- Note 4	-	186,163,188	186,163,188		-	-	-	186,163,188
2004	-	198,291,056	198,291,056		-	2,103,017	2,103,017	196,188,039

	Note	2005 Rupees	2004 Rupees
3.1 Allocation of Depreciation			
Unallocated portion before commercial operation taken to CWIP		9,875,908	2,103,017
Direct cost	24	25,261,309	-
Operating cost	25	3,953,280	-
		39,090,497	2,103,017

3.2 Disposal of Fixed Assets

Particulars of the assets	Sold to	Mode of Sale	Cost	Accumulated Depreciation	Book value	Sale proceeds	Profit/(loss) on Disposal
Vehicles							
Suzuki Baleno	Worldcall Broadband Limited	Negotiation	794,715	-	794,715	794,715	-
Honda Civic	Worldcall Multimedia Limited	Negotiation	1,143,160	323,895	819,265	819,265	-
			1,937,875	323,895	1,613,980	1,613,980	-

3.3 Additions include Rs. 8,727,435 in respect of vehicles transferred from Worldcall Communications Limited at net book value.

Worldcall Telecom Limited

	Note	2005 Rupees	2004 Rupees
4. Capital work in progress			
Civil works		38,844,778	13,756,443
Plant and machinery under installation		1,275,536,803	172,406,745
		<u>1,314,381,581</u>	<u>186,163,188</u>
5. Intangible assets			
Wireless Local Loop (WLL) license	5.1	2,425,340,000	-
Radio Frequency Planning Software and CRM	5.2	14,467,302	-
Lease rights - Dark Fiber	5.3	23,083,702	-
Long Distance and International (LDI) license	5.4	29,000,000	-
		<u>2,491,891,004</u>	-
Less: Amortization		78,870,281	-
		<u>2,413,020,723</u>	-

5.1 Represents non exclusive license granted by Pakistan Telecommunications Authority (PTA) to Worldcall Telephony (Private) Limited (WTPL) to provide telecommunications services effective 12 November 2004 for a period of 20 years. The license was transferred to WTL with effect from 24 November 2004. Commercial operations of WLL have started on 08 June 2005 in Lahore Region. The license cost is being amortised over the term of the license which is 20 years starting from 12 November 2004.

5.2 The Company has purchased two software namely Radio Frequency Planning (RFP) software for locating and maintaining access links between WLL equipments at various sites and Customer Relationship Management (CRM) software for collecting WLL customer queries and to deliver their responses. The cost will be amortized over a period of 5 years starting from 01 May 2005 and 08 June 2005 for CRM and RFP respectively.

5.3 Represents cost of rights of fiber leased from Worldcall Multimedia Limited for WLL and LDI operations for a period of 10 years starting from January 2005. The cost is being amortized over the period of lease rights.

5.4 Represents non-exclusive license granted by PTA to the Company to provide telecommunications services of Long Distance and International (LDI) effective 14 July 2004 for a period of 20 years. The license cost is being amortised over the term of license.

The Company has issued a performance bond in the form of Standby Letter of Credit (SBLC) to PTA for network rollout plan in accordance with the terms of the LDI license. Worldcall Communications Limited (WCL), an associated company has issued a corporate guarantee amounting to Rs. 580 million, against the above SBLC, to financial institutions that have issued the SBLC. Upon Company's request for redemption of 50% of the performance bond value, PTA has reduced the same to Rs. 290 million. Accordingly cross corporate guarantee has also been reduced to 50%. Subsequently after reduction of 50% performance bond, the Company has applied to PTA for further 30% reduction. Currently the Company is meeting all the rollout requirements of the license, accordingly the performance bond will be redeemed.

6. Long term advances

This amount represents the cost incurred by the Company in respect of the Long Haul Project consisting of installation of optic fiber cables throughout Pakistan. The Company, however, during the year transferred all its interests in the Project to Multinet Pakistan (Private) Limited under an agreement dated 11 February 2005 according to which Multinet has agreed to undertake and complete the Project. Under the agreement Multinet will provide two cores of dark fibre nationwide to the Company.

	Note	2005 Rupees	2004 Rupees
7. Long term deposits			
Security deposit with PTCL		12,712,523	-
Deposits with financial institutions	7.1	114,418,270	1,394,750
Others		5,574,940	2,217,770
		132,705,733	3,612,520

7.1 These include amount deposited in debt service reserve account with HBL amounting to Rs. 95 million on which syndicate banks have created a lien as mentioned in note 16.

8. These trade debts are unsecured and considered good and include trade debts of Rs. 24.5 million due from associated companies.

	Note	2005 Rupees	2004 Rupees
9. Loans and advances - considered good			
Loans and advances	9.1 & 9.2	4,759,492	31,451,044
Advances to suppliers		127,592,253	118,552,453
		132,351,745	150,003,497

9.1 This includes aggregate balance of advances to executives of Rs 125,000 (2004: Rs 170,000).

9.2 This also includes balances due from associated companies as under:

	2005 Rupees	2004 Rupees
Worldcall Multimedia Limited	461,817	176,505
Media Times (Private) Limited	-	679,333
	461,817	855,838

These are unsecured and carry mark-up at the rate of 16% per annum (2004: 8% per annum).

Worldcall Telecom Limited

10. Deposits and prepayments	Note	2005 Rupees	2004 Rupees
Margin deposits	10.1	101,274,727	9,240,840
Prepayments		20,889,411	2,125,813
		122,164,138	11,366,653

10.1 These include deposits placed with banks against various guarantees issued in favour of PTA and PTCL and against Letters of Credit for import of WLL Project equipment.

11. Other receivables	Note	2005 Rupees	2004 Rupees
Advance tax		774,186	113,484
Sales tax recoverable		25,245,053	3,734,797
Letter of credit in transit		112,253,532	-
Other receivables- considered good		6,952,222	356,418
		145,224,993	4,204,699

12. Cash and bank balances

Cash in hand		654,717	2,041
Cash at banks			
Current accounts		192,935,952	3,429,226
Deposit accounts		398,337,199	21,572,213
		591,273,151	25,001,439
		591,927,868	25,003,480

13. Trade and other payables

Trade creditors and suppliers		547,187,969	28,880,873
Pakistan Telecommunications Company Limited		236,231,367	-
Pakistan Telecommunications Authority		122,616,128	-
Due to associated companies	13.1	30,481,683	5,019,664
		936,517,147	33,900,537
Accrued and other liabilities		10,633,344	1,800,834
Advance from customers		209,173	-
Unearned revenue	13.2	1,571,627	-
		948,931,291	35,701,371

13.1 These represent balances due to related parties and carries mark up at the rate of 14% per annum (2004: 14% per annum).

13.2 This represents amount received in advance on sales of Prepaid cards on which airtime is not yet used by prepaid customers.

Worldcall Telecom Limited

14. Interest and mark-up payable	2005 Rupees	2004 Rupees
Mark up accrued on advance against issue of shares	43,701,104	-
Long term financing	8,186,861	1,071,912
Short term borrowings	760,256	-
Payable to associated companies	2,935,918	147,040
	55,584,139	1,218,952

15. Short term borrowings from Banking Company - Secured

This represents a short term running finance facility of limit of Rs. 30 million from KASB Bank Limited under mark up arrangements and is secured by way of charge over present and future fixed assets of LDI project. This facility carries mark up at the rate of 6 months KIBOR plus 3.0% per annum payable quarterly. This facility is due to expire on 30 September 2005.

16. Long term finances - secured	Note	2005 Rupees	2004 Rupees
Banking companies and other financial institutions			
Loan I	16.1	150,000,000	100,000,000
Loan II	16.2	609,888,000	-
		759,888,000	100,000,000
Initial transaction costs incurred		(40,315,382)	-
		719,572,618	100,000,000
Amortization of transaction costs		3,195,192	-
		722,767,810	100,000,000
Less: Current portion		75,000,000	-
		647,767,810	100,000,000

16.1 Loan I

	Limit Rupees	Outstanding Rupees
Pak Oman Investment Company Limited	50,000,000	50,000,000
Union Bank Limited	50,000,000	50,000,000
PICIC Commercial Bank Limited	25,000,000	25,000,000
Soneri Bank Limited	25,000,000	25,000,000
	150,000,000	150,000,000

The Company obtained a medium term finance facility from the above mentioned syndicate amounting to Rs 150 million. This facility was granted to finance the purchase of equipment related to LDI services. The tenure of this facility is 3 years from the date of the disbursement. Mark-up will be charged at six months ASK KIBOR prevailing three working days prior to beginning of each installment period plus 5% with no floor or cap. The principal is to be repaid in 4 equal semi annual installments after a grace period of 12 months from the disbursement date which was made on 05 May 2004. The first installment will be paid in 18th month. This facility is secured against all present and future fixed and moveable assets (excluding land and building and current assets) of the Company together with a corporate guarantee issued by Worldcall Communications Limited in favour of syndicate amounting to Rs 200 million.

16.2 Loan II

	<u>Limit</u> Rupees	<u>Outstanding</u> Rupees
Habib Bank Limited	750,000,000	254,142,000
National Bank of Pakistan	750,000,000	254,142,000
Muslim Commercial Bank Limited	150,000,000	50,802,000
Askari Commercial Bank Limited	150,000,000	50,802,000
	<u>1,800,000,000</u>	<u>609,888,000</u>

The Company obtained a long term loan of Rs 1,800 million from above mentioned syndicate for the purposes of acquiring 20 years license from PTA to operate WLL network and import of equipment under various letters of credit. The loan will be paid in 14 equal quarterly installments starting from November 2006 with a grace period of 18 months. Mark-up will be charged at a rate of six months ASK KIBOR prevailing two working days prior to beginning of each installment period plus 4% with no floor or cap. The mark-up is payable on quarterly basis. The facility is secured against First Exclusive Mortgage over the present and future fixed assets, First Exclusive Hypothecation charge over equipment and related other moveable assets of the WLL project, mortgage on personal properties of Directors, assignment of all benefits and rights of the Company under various equipment supply contracts with suppliers, lien over collection account, debt service reserve account and debt payment account, pledge of shares held by associates as investment in other group companies and pledge of 51% share of sponsors of the Company.

In case of default in payment of any installment the Company will be liable to pay additional 1.5% liquidated damages on outstanding amount from date of default till the final settlement of outstanding installment. As per terms of agreement the syndicate has option to convert the lower of 20% of total principal amount or entire outstanding principal loan amount into ordinary shares of the Company after two years from first draw down. The conversion price would be determined as the lower of (a) average daily market value for a period of three months commencing from the date falling four months prior to the option exercise date and ending one month prior to the option exercise date less discount at 30% and (b) present/current market value on the date of option exercise less discount at 30%. The option can be availed upon giving the Company a thirty days notice in writing.

As per terms of agreement, the Company shall pay by way of commitment fee to the Syndicate, a sum calculated at the rate of 0.25% per annum of such part of loan which remains undrawn by the Company commencing from the date mentioned in the disbursement schedule till the final drawdown date.

As per the terms of Agreement the Company had to drawdown the total amount by 30 June 2005. However, to date the Company has not withdrawn the total amount due to its current negotiations with PTA to extend the date of the balance license fee payable, accordingly, it is also negotiating with syndicate banks to extend its final drawdown date.

17. Liabilities against assets subject to finance lease

	30 June 2005			30 June 2004		
	Minimum lease payments	Finance charges for future periods	Present value of lease liability	Minimum lease payments	Finance charges for future periods	Present value of lease liability
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Not later than one year	64,592,839	9,419,882	55,172,957	-	-	-
Later than one year but not later than five years	108,815,512	5,758,542	103,056,970	-	-	-
	<u>173,408,351</u>	<u>15,178,424</u>	<u>158,229,927</u>	<u>-</u>	<u>-</u>	<u>-</u>

The approximate rates used as discounting factor range from 6-10.5% per annum (2004:Nil). Under the terms of the agreements, the Company has an option to acquire the assets at the end of the respective lease term by adjusting the deposit amounts against the residual value of the asset and intends to exercise the option. In case of default in payment of lease installment the Company will be liable to pay an additional lease rental on over due payments at the rate of 0.1% per day.

18. Long term payables

This represents payable to Samsung Electronics Limited against supply and installation of WLL equipment. The amount is payable on preparation of Final Acceptance Certificate after Final Acceptance Test (FAT). The FAT will be carried out at least twelve months after Provisional Acceptance Test (PAT), which has been issued on 29 August 2005 subsequent to balance sheet date.

	Note	2005 Rupees	2004 Rupees
19. Deferred liability for staff gratuity			
Present value of obligation		5,774,381	1,022,993
Actuarial gains/(losses) to be recognized in later periods		65,449	-
Unrecognized transitional liability to be recognized in later periods		(79,455)	-
Liability recognised in the balance sheet		<u>5,760,375</u>	<u>1,022,993</u>
Movement in net liability			
Liability at the beginning of the year		1,022,993	-
Interest cost for the year		89,785	-
Current service cost for the year		3,066,200	283,520
Additional liability due to transferred employees	19.1	1,611,297	739,473
Benefits paid during the year		(29,900)	-
Liability at the end of the year		<u>5,760,375</u>	<u>1,022,993</u>

- 19.1** This represents the liability of employees transferred from associated companies during the year.
- 19.2** These figures are based on the actuarial valuation as at 30 June 2005 carried out by Nauman Associates. The valuation was based on Projected Unit Credit Method. Discount rate has been taken as 9% per annum based on market yield on Pakistan Investment Bonds at the balance sheet date. Salary inflation is assumed to average 8% per annum over the future working lives of current employees. Average expected remaining working life time of employees is estimated at 9 years and 11 years for the WLL and LDI operations respectively.

20. License fee payable

The Company alongwith other WLL operators has applied to PTA to get a relief i.e. moratorium of four years followed by staggering balance license fee in 10 equal annual installments. This plea has been taken based on the relief given to cellular mobile operators. The WLL operators have also approached Ministry of Information & Technology - Government of Pakistan, for accord of equal treatment in the matter, in line with the objectives of Government's deregulation policy.

21. Contingencies and commitments

- 21.1** PTCL has billed 1.6 million excess minutes as compared to the Company's record due to which there is difference of Rs. 10.5 million with PTCL on account of interconnect and settlement charges, which has not been provided for in these financial statements.
- 21.2** There is a difference of Rs. 112 million between the amount billed by PTCL upto May 2005 and the amount charged by the Company on account of Domestic Private Lease Circuit (DPLC) charges. The difference is mainly due to following:
- 21.2.1** PTCL has billed the DPLC charges on the basis of rates defined in the Interim Reference Interconnect Offer (RIO) issued on 28 July 2004 ignoring the downward revision in rates through the revised RIO issued by PTA on 6 May 2005 with retrospective effect. Due to this the impact of Rs 40 million remains unprovided in these financial statements. The management is contesting the issue and expects that the matter will be settled in the Company's favour.
- 21.2.2** There is a difference of Rs. 40 million due to the difference in formulae used by PTCL and the Company for the calculation of DPLC charges. PTCL has charged bandwidth on the basis of activation of DPLC link whereas the Company has calculated the bandwidth charges from the date of activation of Digital Interface Units (DIU) for commercial operation and in proportion to activation of DIUs related to each DPLC.
- 21.2.3** PTCL has charged the company Rs. 32 million for the link between Karachi to Islamabad which has not yet been activated.
- 21.3** Letter of guarantees outstanding as at 30 June 2005 amounting to Rs. 51.370 million are issued in favour of PTCL.
- 21.4** Commitments for capital expenditure amounting to Rs. 236.6 million (2004: Rs 74 million).

Worldcall Telecom Limited

	Note	<u>2005</u> Rupees	<u>2004</u> Rupees
22. Share capital			
Authorized			
350,000,000 (2004: 35,000,000) ordinary shares of Rs. 10 each		<u>3,500,000,000</u>	<u>350,000,000</u>
Issued, subscribed and paid up capital			
275,000,000 (2004: 3,500) ordinary shares of Rs. 10 each			
fully paid in cash	22.1	<u>2,750,000,000</u>	<u>35,000</u>

22.1 Worldcall Communications Limited, Worldcall Broadband Limited and First Capital Securities Corporation Limited hold 32,246,000 shares (11.73%), 50,000,000 shares (18.18%), 29,250,000 shares (10.64%) respectively in the Company.

22.2 The movement in number of ordinary shares outstanding during the year is as follows:

	<u>2005</u>	<u>2004</u>
Number of ordinary shares at the beginning of the year	3,500	3,500
Number of ordinary shares issued during the year	<u>274,996,500</u>	-
Number of ordinary share at the end of the year	<u>275,000,000</u>	<u>3,500</u>

22.3 Subsequent to balance sheet date share capital of the Company has increased to Rs. 3,440 million.

	Note	<u>01 December 2004</u> <u>to 30 June 2005</u> Rupees
23. Revenue		
Domestic	23.1	<u>77,021,640</u>
International	23.2	<u>562,985,673</u>
		<u>640,007,313</u>
Membership and franchise fee		<u>37,846,403</u>
		<u>677,853,716</u>

23.1 Domestic revenue represents revenue from nationwide calls and international calls that originate from Pakistan.

23.2 International revenue represents revenue from foreign network operators for calls that originate outside Pakistan.

Worldcall Telecom Limited

	Note	01 December 2004 to 30 June 2005 Rupees
24. Direct costs		
Interconnect, settlement and other charges		512,297,916
Bandwidth charges		60,827,623
Provision for PTA charges	24.1	2,353,771
Power consumed		2,058,142
Annual Spectrum fee		265,123
Network maintenance and insurance		273,952
Commission and other charges		4,495,617
Depreciation	3.1	25,261,309
		607,833,453
24.1 Provision for PTA charges		
LDI license	24.1.1	2,192,288
WLL license	24.1.2	161,483
		2,353,771
24.1.1 Gross revenue		634,941,480
Interoperator and related PTA cost		
Interconnect charges		62,980,259
Intercarrier settlement charges		9,967,008
Access Promotion Contribution (APC)		203,958,531
Universal Service Fund (USF)		142,865,575
CPP charges		81,476,879
Bandwidth and other PTCL charges		60,616,956
		561,865,208
Net revenue		73,076,272
Provision for PTA charges @ 3% per annum		2,192,288

This provision represents charges payable to PTA in respect of contribution to the Research and Development Fund established by the Federal Government -1% (Rs. 730,763), Universal Service Fund - 1.5% (Rs. 1,096,145) and annual regulatory fee - 0.5% (Rs. 365,380) under the license agreement for LDI Project.

Worldcall Telecom Limited

**01 December 2004
to 30 June 2005**
Rupees

24.1.2	Gross revenue	6,055,381
	Interoperator and related PTA cost	
	Interconnect charges	672,612
	Net revenue	<u>5,382,769</u>
	Provision for PTA charges @ 3% per annum	<u>161,483</u>

This provision represents charges payable to PTA in respect of contribution to the Research and Development Fund established by the Federal Government - 1% (Rs. 53,828), Universal Service Fund - 1.5% (Rs. 80,741) and annual regulatory fee - 0.5% (Rs. 26,914) under the license agreement for WLL Project.

The gross revenue represents revenue from licensed services only i.e. connection charges, post paid billing to customers, air time of prepaid card utilized by customers, line rent of both prepaid and postpaid connections and local and international inbound revenue. It does not include one time initial fee received from customers on activation of connection i.e. membership fee and license fee.

	Note	01 December 2004 to 30 June 2005 <u>Rupees</u>
25. Operating costs		
Salaries, wages and benefits	25.1	32,648,860
Rent, rates and taxes		4,018,376
Postage and courier		152,270
Utilities		1,143,556
Communications		1,210,653
Entertainment		986,945
Repairs and maintenance		639,182
Travel and conveyance - Local		903,869
Foreign		1,684,235
Printing and stationery		848,351
Depreciation	3.1	3,953,280
Amortization		5,124,979
Insurance		2,618,661
Donations	25.2	95,000
Marketing and advertisement		31,919,043
Legal and professional		527,935
Auditor's remuneration		700,000
Exchange loss		700,697
Miscellaneous		2,322,863
		<u>92,198,755</u>

25.1 This includes charge for gratuity amounting to Rs. 2.04 million.

25.2 The directors or their spouses do not have any interest in any donor's fund to which donations were made.

Worldcall Telecom Limited

	Note	<u>01 December 2004 to 30 June 2005</u> Rupees
26. Finance costs		
Bank charges and commission		5,696,287
Financial charges on leased assets		4,817,459
Mark-up on short term and long term borrowings		10,562,627
Mark-up on due to associated companies		3,667,355
		<u>24,743,728</u>
27. Other operating income		
Income from financial assets		
Income on deposit accounts		9,790,516
Income from purchase/resale of listed equity securities		5,193,246
Income from non-financial assets		
Scrap sales		17,000
		<u>15,000,762</u>
28. Taxation		
Current Tax	28.1	-
Deferred Tax	28.2	12,703,806
		<u>12,703,806</u>
28.1 Current		
No provision for the period has been provided in accounts since there is no taxable income.		
28.2 Deferred		
Deductible temporary differences		
Recognized tax losses		134,224,454
Taxable temporary differences		
Operating fixed assets - owned		(114,222,485)
Operating fixed assets - leased		(7,298,163)
Deferred tax asset		<u>12,703,806</u>
29. Loss per share		
Loss attributable to ordinary shareholders	<i>Rupees</i>	<u>(19,217,652)</u>
Weighted average number of ordinary shares outstanding during the year	<i>Number</i>	<u>116,427,762</u>
Loss per share - basic	<i>Rupees</i>	<u>(0.17)</u>
30. Cash and cash equivalents		
	<u>2005</u> Rupees	<u>2004</u> Rupees
Cash and bank balances	591,927,868	25,003,480
Short term borrowings	(29,539,157)	-
	<u>562,388,711</u>	<u>25,003,480</u>

31. Remuneration of Chief Executive, Directors and Executives

The aggregate amount charged in the financial statements for the period for remuneration including all benefits to the Chief Executive, Directors and Executives of the Company were as follows:

	Chief Executive		Directors		Executives	
	2005 Rupees	2004 Rupees	2005 Rupees	2004 Rupees	2005 Rupees	2004 Rupees
Managerial remuneration	-	-	-	904,667	12,339,153	2,044,547
House rent allowance	-	-	-	361,867	4,935,726	817,819
Utilities	-	-	-	90,467	1,233,365	204,455
	-	-	-	1,357,001	18,508,244	3,066,821
Number of persons	-	-	-	1	19	11

Directors and Executives have been provided with Company maintained cars.

No meeting fee was paid to Directors during the period (2004: Nil).

Pursuant to the amendments in the Fourth Schedule to the Companies Ordinance, 1984, Executive means person whose annual basic salary exceeds Rs. 500,000 (2004:Rs.100,000).

32. Transactions with Related Parties

Related parties comprise of major shareholders, directors, key management personnel, entities over which the directors are able to exercise influence. Worldcall Communications Limited, Worldcall Broadband Limited, First Capital Securities Corporation Limited, First Capital Associates (Private) Limited, Worldcall Mobile (Private) Limited, Worldcall Telephony Limited, Media Times (Private) Limited, Shaheen Insurance Company Limited, First Capital Mutual Fund Limited, First Capital Investment Limited, Pace Pakistan Limited, Worldcall Internet Solutions (Private) Limited, Pace SuperMall (Private) Limited, Lanka Securities (Private) Limited, WorldPress (Private) Limited, Pace Woodlands (Private) Limited, Total Media Limited and Worldcall Multimedia Limited are associated companies due to common directorship. Amounts due from and due to these undertakings are shown under receivables and payables. The transactions with related parties other than those which have been disclosed in relevant notes to the accounts are disclosed as follows:

Worldcall Telecom Limited

	2005 Rupees	2004 Rupees
Worldcall Multimedia Limited		
Internet services received	687,372	72,500
Mark-up charged	51,010	554
Lease Rights-Dark Fiber	23,083,702	-
International Bandwidth rentals	1,225,000	-
Call termination charges	134,959	-
Shared expenses received	472,797	-
CATV services	12,250	-
Vehicle transferred	819,265	-
Worldcall Broadband Limited		
Mark-up expense	12,775,401	147,040
Equity contribution	500,000,000	-
Revenue from LDI services	1,789,674	-
Shared expenses received	1,835,412	1,010,382
Vehicle transferred	794,715	-
Worldcall Communications Limited		
Consultancy services	20,000,000	25,090,070
Mark-up expense	9,164,645	-
Share deposit money	-	133,805,930
Equity contribution	322,460,000	-
Revenue from LDI services	68,230,728	-
Shared expenses received	17,491,822	13,377,885
First Capital Securities Corporation Limited		
Consultancy services	13,600,000	6,000,000
Share deposit money	-	52,500,000
Equity contribution	292,500,000	-
Equity Contribution by		
Mr. Salmaan Taseer	60,005,000	-
Mr. Sulieman Ahmad Said Al-Hoqani	1,175,000,000	-
Saudi Pak Industrial & Agricultural Investment Company (Pvt) Limited	100,000,000	-
Shaheen Foundation, PAF	300,000,000	-
Mark up on advance for issue of shares		
Mr. Salmaan Taseer	621,699	-
Mr. Sulieman Ahmad Said Al-Hoqani	24,920,620	-
Saudi Pak Industrial & Agricultural Investment Company (Private) Limited	350,683	-

Worldcall Telecom Limited

33. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

33.1 Interest rate risk exposure

The information about the Company's exposure to interest rate risk based on contractual refinancing or maturity dates, whichever is earlier, is as follows:

2005

	Interest / mark - up bearing			Non interest / mark-up bearing			Total Rupees
	Upto one year Rupees	Over one year to five years Rupees	Over five years Rupees	Upto one year Rupees	Over one year to five years Rupees	Over five years Rupees	
Financial assets							
Long term deposits	-	-	-	-	128,574,513	4,131,220	132,705,733
Trade debts	-	-	-	300,367,332	-	-	300,367,332
Loans and advances	461,817	-	-	-	-	-	461,817
Deposits and prepayments	51,874,605	-	-	49,400,122	-	-	101,274,727
Other receivables	-	-	-	119,205,754	-	-	119,205,754
Cash and bank balances	398,337,199	-	-	193,590,669	-	-	591,927,868
	450,673,621	-	-	662,563,877	128,574,513	4,131,220	1,245,943,231
Financial liabilities							
Trade and other payables	30,481,683	-	-	918,449,608	-	-	948,931,291
Interest and mark-up payable	-	-	-	55,584,139	-	-	55,584,139
Short term borrowings	29,539,157	-	-	-	-	-	29,539,157
Long term loan	75,000,000	647,767,810	-	-	-	-	722,767,810
Liabilities against assets subject to finance lease	55,172,957	103,056,970	-	-	-	-	158,229,927
	190,193,797	750,824,780	-	974,033,747	-	-	1,915,052,324
On Balance Sheet gap	260,479,824	(750,824,780)	-	(311,469,870)	128,574,513	4,131,220	(669,109,093)
Interest rate sensitivity gap	260,479,824	(750,824,780)	-				
Cumulative interest rate sensitivity gap	260,479,824	(490,344,956)	(490,344,956)				

2004

	Interest / mark - up bearing			Non interest / mark-up bearing			Total Rupees
	Upto one year Rupees	Over one year to five years Rupees	Over five years Rupees	Upto one year Rupees	Over one year to five years Rupees	Over five years Rupees	
Financial assets							
Long term deposits	-	-	-	-	2,824,470	788,050	3,612,520
Loans and advances	855,838	-	-	120,311,959	-	-	121,167,797
Deposits and prepayments	9,240,840	-	-	-	-	-	9,240,840
Other receivables	-	-	-	356,418	-	-	356,418
Short term investments	-	-	-	1,892,110	-	-	1,892,110
Cash and bank balances	21,572,213	-	-	3,431,267	-	-	25,003,480
	31,668,891	-	-	125,991,754	2,824,470	788,050	161,273,165
Financial liabilities							
Trade and other payables	5,035,943	-	-	30,665,428	-	-	35,701,371
Interest and mark-up payable	-	-	-	1,218,952	-	-	1,218,952
Long term loan	-	100,000,000	-	-	-	-	100,000,000
	5,035,943	100,000,000	-	31,884,380	-	-	136,920,323
On Balance Sheet gap	26,632,948	(100,000,000)	-	94,107,374	2,824,470	788,050	24,352,842
Interest rate sensitivity gap	26,632,948	(100,000,000)	-				
Cumulative interest rate sensitivity gap	26,632,948	(73,367,052)	(73,367,052)				

33.2 Interest rate risk management

Interest rate risk represents the value of a financial instrument which will fluctuate due to changes in market interest rate.

The effective interest rates for financial assets and financial liabilities are as follows:

	2005	2004
	%	%
Due to associated companies	14	14
Due from associated companies	16	8
Cash at bank	2.75-5.5	1-3
Long term loan		
LDI	5%+KIBOR	5%+KIBOR
WLL	4%+KIBOR	-

The Company is exposed to interest rate risk, since the interest rates in respect of long term loans and short term borrowings are not capped.

33.3 Foreign exchange risk management

Foreign currency risk arises mainly where payables exist due to purchase transactions with foreign suppliers. Payables exposed to foreign currency risk are identified as liabilities. The Company obtains foreign risk cover for all major imports through Letter of credit.

33.4 Concentration of credit risk and credit exposure

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company does not have significant exposure to any individual customer. To reduce credit risk, the management of the Company continuously monitors the credit exposure towards its customers.

34. Fair value of the financial instruments

The carrying values of all the financial instruments reflected in the financial statements approximate their fair values.

35. Number of employees

The total number of employees as at the period end was 376 (2004: 64).

36. Date of authorization

These financial statements were authorized for issue on 08 October 2005 by the Board of Directors of the Company.

37. General

37.1 Figures in the financial statements are rounded off to the nearest rupee.

37.2 Profit and loss account does not carry comparatives as the Company commenced commercial operations during the period.

37.3 Profit and loss account represents seven months operations of LDI Project and 23 days operations of WLL Project of the Company.

37.4 Previous year figures have been rearranged and reclassified wherever necessary for the purpose of comparison. Major changes made during the year were reclassifications resulting from the submitted Fourth Schedule to the Companies Ordinance, 1984.

LAHORE:

CHIEF EXECUTIVE

DIRECTOR

**PATTERN OF SHAREHOLDING AS PER LISTING REGULATIONS
AS AT 30 JUNE 2005**

<u>Shareholders' Category</u>	<u>Number of Shares held</u>
Associated Companies, undertaking and related parties	
Worldcall Broadband Limited	50,000,000
Worldcall Communications Limited	32,246,000
First Capital Securities Corporation Limited	29,250,000
NIT and ICP	-
Directors, CEO & their Spouse and Minor Children	
Sulieman Ahmed Said Al-Hoqani (Chairman/Director)	117,500,000
Salmaan Taseer (CEO/Director)	6,000,500
Shaan Taseer (Director)	500
Muhammad Shuaib Yousaf (Director)	500
Muhammad Naveed Tariq *(Director)	500
Abid Raza (Director)	500
Khurshid Zafar Qureshi (Director)	500
Air Vice Marshal (Retd) Syed Imtiaz Hyder (Director)	500
Muhammad Bilal Sheikh (Director)	500
Executives	-
Public Sector Companies and Corporations	10,000,000
Banks Development Financial Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas and Mutual Funds etc.	-
Shareholders holding 10% or more voting interest in the Company	
Sulieman Ahmad Said Al-Hoqani	117,500,000
Worldcall Broadband Limited	50,000,000
Worldcall Communications Limited	32,246,000
First Capital Securities Corporation Limited	29,250,000
Shaheen Foundation PAF	30,000,000

*Subsequent to the year end Mr. Muhammad Naveed Tariq has resigned from Directorship and Mr. Tanvir Ahmad has been appointed as Director in his place.

**PATTERN OF SHAREHOLDING
AS AT 30 JUNE 2005**

INCORPORATION NUMBER: L-10540 OF 2000-2001

No. of Shareholders	Shareholdings		Shares Held
	From	To	
7	1	500	3,500
1	6000001	6005000	6,000,500
1	9995001	10000000	10,000,000
1	20995001	21000000	21,000,000
1	29245001	29250000	29,250,000
1	29995001	30000000	30,000,000
1	32245001	32250000	32,246,000
1	49995001	50000000	50,000,000
1	96495001	96500000	96,500,000
15			275,000,000

Categories of Shareholders	Shares held	Percentage
Directors, Chief Executive Officer, and their spouse and minor children.	123,504,000	44.91
Associated Companies, undertakings and related parties.	111,496,000	40.54
Shareholders holding 10%	258,996,000	94.18
Others		
- Joint Stock Companies	10,000,000	3.64
- Foundation	30,000,000	10.91

Note: Some of the shareholders are reflected in more than one category.

Worldcall Telecom Limited

FORM OF PROXY

The Company Secretary
Worldcall Telecom Limited
103-C/II, Gulberg-III
Lahore

Folio No./CDC A/c No. _____
Shares Held: _____

I / We _____ of _____
(Name) (Address)

being the member (s) of **Worldcall Telecom Limited** hereby appoint Mr. / Mrs./

Miss _____ of _____
(Name) (Address)

or failing him / her / Mr. / Mrs. / Miss. _____ of _____
(Name) (Address)

[who is also member of the Company vide Registered Folio No. _____ (being the member of the Company)] as my / our proxy to attend at and vote for me / us and on my / our behalf at the Annual General Meeting of the Company to be held at the Registered Office of the Company, 103-C/II, Gulberg-III, Lahore, on 31 October 2005 at 2:30 p.m. and at any adjournment thereof.

Signature this _____ Day of _____ 2005

(Witnesses)

1. _____

2. _____

**Affix Revenue Stamp
of Rupees Five**

Signature _____
(Signature appended should agree with the specimen signature registered with the Company.)

Notes:

1. This Proxy Form, duly completed and signed, must be received at the Registered Office of the Company not later than 48 hours before the time of holding the meeting.
2. No person shall act as proxy unless he himself is a member of the Company, except that a corporation may appoint a person who is not a member.
3. CDC account holders will further have to follow the guidelines as laid down in Circular No. 1 dated 26 January 2000 issued by the Securities and Exchange Commission of Pakistan.

