

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 2006**

COMPANY INFORMATION

Board of Directors	Sulieman Ahmed Said Al-Hoqani (Chairman) Salmaan Taseer (Chief Executive Officer) Aamna Taseer Shaan Taseer Jamal Said Al-Ojaili Babar Ali Syed Air Vice Marshal (R) Syed Imtiaz Hyder Abid Raza Arshed Ahmed Khan
Chief Financial Officer	Muhammad Naveed Tariq
Audit Committee	Babar Ali Syed (Chairman) Aamna Taseer Arshed Ahmed Khan
Company Secretary	Ahmad Bilal
Auditors	KPMG Taseer Hadi & Co., Chartered Accountants
Legal Advisers	Hosain & Rahim Advocates
Bankers	Allied Bank Limited Askari Commercial Bank Limited Atlas Bank Limited (Formerly Dawood Bank Ltd) Crescent Commercial Bank Limited Faysal Bank Limited First Woman Bank Limited Habib Bank AG Zurich Habib Bank Limited KASB Limited MCB Bank Limited National Bank of Pakistan Limited Pakistan Industrial Credit and Investment Corporation Limited PICIC Commercial Bank Limited Prime Commercial Bank Limited Saudi Pak Commercial Bank Limited Soneri Bank Limited Standard Chartered Bank The Bank Of Punjab Union Bank Limited United Bank Limited
Registrar and Shares Transfer Office	THK Associates (Pvt.) Limited Ground Floor State Life Building No.3, Dr. Zia-ud-Din Ahmed Road Karachi ☎ (021) 111-000-322
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 6th Annual General Meeting of the shareholders of Worldcall Telecom Limited (the "Company" or "WTL") will be held on Tuesday 31 October 2006 at 03:30p.m. at the Registered Office of the Company, 103-C/II, Gulberg-III, Lahore, to transact the following business:

Ordinary business

1. To confirm the minutes of last General Meeting held on 18 February 2006;
2. To approve as recommended by the Board of Directors, issue of bonus shares in the proportion of fifteen (15) bonus shares for every one hundred (100) shares held i.e. 15%, out of the share premium account of the Company.
3. To receive, consider and to adopt the financial statements of the Company for the year ended 30 June 2006 together with the Directors' and Auditors' reports thereon; and
4. To appoint the Auditors of the Company for the year ending 30 June 2007 and to fix their remuneration.

Special business

5. **To pass a special resolution under the provisions of Section 86(1) of the Companies Ordinance, 1984, for issuance of ordinary shares of the Company by way of otherwise than rights to the holder of the Loan to enable conversion into ordinary shares of the Company of amounts outstanding under a Loan Agreement dated 13 April 2006 between Amatis Limited and the Company pursuant to which Amatis Limited has loaned an amount of US \$ 25 Million to the Company. The total number of shares to be issued and the price per share will be calculated in accordance with the terms of the said Loan Agreement. In this regard it is proposed to pass the following special resolutions, with or without modifications:**

"RESOLVED THAT pursuant to Section 86(1) of the Companies Ordinance, 1984 the Company issue further capital without issue of right shares by issuance from time to time of such ordinary shares as are required to enable the conversion of the shares underlying the convertible loan of USD 25 Million received by the Company from Amatis Limited, on conversion terms and conditions as are provided in the Loan Agreement dated 13th April 2006 between the Company and Amatis Limited (the "Loan Agreement"), subject to any necessary approval of the Securities and Exchange Commission of Pakistan.

RESOLVED FURTHER THAT the conversion of the shares underlying the Loan Agreement into ordinary shares of the Company in accordance with and subject to the terms of the Loan Agreement is hereby approved.

RESOLVED FURTHER THAT the Chief Executive or the Company Secretary of the Company be and are hereby singly authorized to complete all the necessary corporate and legal formalities in respect of the above including but not limited to filing of application(s) with Securities and Exchange Commission of Pakistan ("SECP"), making necessary alterations and amendments in the application or any other matter in respect of the above. The Chief Executive is also authorized to delegate his powers to any other person who he may deem fit."

6. **To consider and if thought fit, approve the increase in Authorized Share Capital of the Company and to pass the following 'Special Resolutions' with or without modifications**

Worldcall Telecom Limited

RESOLVED THAT the Authorized Capital of the Company be and is hereby increased from Rs. 7,750,000,000/- divided into 775,000,000 ordinary shares of Rs. 10/- each to Rs. 9,000,000,000/- divided into 900,000,000 ordinary shares of Rs. 10/- each and the words and figures in Clause V of the Memorandum of Association and Clause 4 of the Articles of Association of the Company be and are hereby amended accordingly.

“RESOLVED FURTHER THAT the Chief Executive and/or the Company Secretary of the Company be and hereby authorized to complete all the necessary corporate and legal formalities in respect of the above.”

By order of the Board

Lahore
10 October 2006

Ahmad Bilal
Company Secretary

Notes:

- 1) The Register of Members will remain closed from 24 October 2006 to 31 October 2006 (both days inclusive). Transfers received at THK Associates (Pvt.) Limited, Ground Floor, State Life Building No.3, Dr. Ziauddin Ahmed Road, Karachi, the Registrar and Shares Transfer Office of the Company by the close of business on 23 October 2006 will be treated in time for the Annual General Meeting and entitlement of bonus shares .
- 2) Copies of statement u/s 160(1)(b) of the Companies Ordinance, 1984, recent annual/quarterly accounts along with all published or otherwise required accounts of all prior periods of the Company (including the merged entities i.e. Worldcall Communications Limited, Worldcall Broadband Limited and Worldcall Multimedia Limited) along with financial projections of the Company, Memorandum and Articles of Association of the Company and Amatis, principle approval letters from State Bank of Pakistan and Securities and Exchange Commission of Pakistan, loan registration letter with State Bank of Pakistan, Loan agreement signed between the Company and Amatis Limited (an affiliate of a US Hedge Fund) and other related information of the Company including the merged entities, may be inspected/procured during the business hours on any working day at the Registered Office of the Company from the date of publication of this notice till the conclusion of the General Meeting. The financial statements of the Company, are annexed and of the merged entities can also be viewed at <http://www.worldcall.com.pk>.
- 3) 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.
- 4) In order to be valid, an instrument of proxy and the power of attorney or any other authority under which it is signed, or a notarially certified copy of such power of attorney, must be deposited at the Registered Office of the Company, not less than 48 hours before the time of the meeting.
- 5) 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 the 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 the nominees shall be produced (unless provided earlier) at the time of the meeting. CDC account holders may also refer to Circular 1 dated 26 January 2000 issued by Securities and Exchange Commission of Pakistan for further information.

- b) For appointing of proxies, the individual beneficial owners of CDC shall submit the proxy form as per above requirements along with participant ID and account/sub-account number together with an 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 the meeting. In case of Corporate entity, resolution of the Board of Directors/Power of Attorney along with specimen signatures shall be submitted (unless submitted earlier) along with the proxy form.
- 6) Members are requested to notify any change in their registered address immediately.

EXPLANATORY STATEMENT ACCOMPANYING NOTICE TO THE MEMBERS UNDER SECTION 160(1)(b) OF THE COMPANIES ORDINANCE, 1984

The accompanying copy of the notice is for the purpose of convening the meeting of the members for passing of the Special Resolutions specified in the notice. The material facts relating to the Special Resolutions are as follows:

(1) ISSUANCE OF ORDINARY SHARES OTHERWISE THEN RIGHTS UNDER PROVISIONS OF SECTION 86 OF THE COMPANIES ORDINANCE, 1984

The Company intended to add around 1.5 million to 2.0 million Wireless Local Loop (“WLL”) subscribers to its system over the next few years which require funding. In order to achieve its roll-out objectives, the Company had borrowed US Dollars 25 million (the “Loan”) from Amatis Limited (“Amatis”), which is convertible into ordinary shares of WTL, subject to the detailed terms and conditions set forth in the Agreement with Amatis (the “Loan Agreement”). The Company signed the Loan Agreement with Amatis on 13 April 2006. The Loan has been disbursed to the Company accordingly on 16 May 2006. The US Dollars 25 million loan translates into Rs. 1,497,145,378.

Prior to the recent merger of the four Worldcall companies, the shareholders of WTL as well as the shareholders of Worldcall Communications Limited (“WCL”), Worldcall Broadband Limited (“WBL”) and Worldcall Multimedia Limited (“WML”) approved the Loan and its terms in Extraordinary General Meetings of the said companies held on 18 February 2006. Necessary disclosures of the convertible Loan along with the terms and conditions were provided to the shareholders through notice and in general meetings of the merging entities. Notwithstanding the fact that the shareholders of the merging entities and the Company have already approved the Loan along with its terms and conditions, this general meeting is being called to fulfil the requirement of the Securities and Exchange Commission of Pakistan (“SECP”) in its letter dated 12 December 2005, where the SECP has required that the issuance of shares otherwise than by rights should be approved by the shareholders of the post merged entity. The further issue otherwise than by rights is also subject to SECP approval under the provisions of Section 86(1) of the Companies Ordinance, 1984. The following information pertaining to the Loan along with the terms and conditions is being provided for the members once again.

Amatis (a limited liability company organized under the laws of Cayman Islands) and is an affiliate of a US Hedge Fund.

The nature of the Loan provided by Amatis is that of an unsecured loan which is convertible into equity shares of the Company. The conversion option has started from 26 June 2006 subject to the terms and conditions stated in the Loan Agreement. This conversion option may be exercised in whole or in part. A convertible loan is a debt structure that can be exchanged for another security usually the common stock of a company. Convertibles are an ideal instrument for international funds to invest in emerging markets as it hedges them against the downside like a bond and allows sharing of the upside like any equity security. Emerging markets like Indonesia, Malaysia and India have benefited considerably from the inflow of foreign direct investment through convertibles. The salient features of the agreement are stated as under:

- (1) The Loan by Amatis is convertible to equity at any time after 26 June 2006, in whole or in parts throughout the loan expiry period (i.e. seven years from 13 May 2006 which is the date of disbursement of Loan), into that number of ordinary shares of WTL equal to the outstanding Loan amount, together with any accrued but unpaid interest divided by the conversion price as per the terms and conditions set forth in the Loan Agreement.
- (2) Any principal amount of the Loan outstanding on the date which is seven years from the date of disbursement of the Loan (i.e. on 16 May 2013) together with any accrued and unpaid interest thereon, may be mandatorily converted by WTL into ordinary shares of WTL at the conversion price in effect at that time.
- (3) Upon conversion of 85% of the Loan amount, the outstanding Loan amount together with any accrued but unpaid interest thereon will be automatically converted into ordinary shares of WTL at the conversion price then in effect.
- (4) Once the conversion option is exercised, the Loan will be converted into that number of shares equal to the Loan Amount, together with any accrued but unpaid interest divided by the conversion price in effect at the time of the conversion. The conversion price will equal 150% of the reference price, subject to certain anti-dilution adjustments. Reference price is defined as the volume weighted average price ("VWAP") of the freely tradable common shares of WTL over the 25 trading days following the merger of WCL, WBL and WML into WTL. The shares of the merged entities have been credited into CDC account on 24 June 2006 and have started trading on 26 June 2006.
- (5) On certain reset dates set forth in the Loan Agreement, the conversion price shall be subject to reset in accordance with certain formulae set forth in the Loan Agreement. The reset clause mainly states that on the date that is nine months following the Merger Date, and on the last date of every three-month period thereafter (each, a "Reset Date"), the conversion price shall be subject to reset in accordance with the following provisions (i) on each of the Reset Dates that is nine months, twelve months and 15 months following the Merger Date, if the VWAP for the WTL shares over the 25 trading days prior to such Reset Date is below the lower of (x) 125% of the Reference Price (as adjusted for any corporate actions) and (y) the Conversion Price then in effect, and (ii) on the Reset Date that is 18 months following the Merger Date and each subsequent Reset Date, if the VWAP for the WTL's shares over the 25 trading days prior to such Reset Date falls below the Conversion Price then in effect, then in each case, the Conversion Price shall, be reset to 75% of the relevant 25-day VWAP.
- (6) Any adjustment to the Conversion Price shall be downwards only and the Loan shall not accrue any interest and there shall be no reset or adjustment of the Conversion Price following the Final Maturity Date. The conversion price will be subject to adjustment for stock dividends, stock splits, dilutive common share issuances and other customary adjustment events as per the terms of the Loan Agreement.
- (7) Unless one of the events of default as set forth in the Loan Agreement occurs, the interest rate will be 1% p.a. on the unconverted portion of the Loan. The first interest payment date shall be 16 May 2007

provided that the entire Loan has not been converted into equity by this date pursuant to the Loan Agreement dated 13 April 2006. The last instalment of interest is due on 16 May 2012 provided that the entire Loan amount has not been converted into equity by this date.

- (8) The total number of instalments shall be six, subject to the terms of the Loan Agreement. No principal repayments are contemplated and if there is no default by WTL, the principal amount of the Loan entirely is to be converted into equity of the WTL.
- (9) The holder of the Loan shall have the right to cause to the Company to repay the Loan if an Event of Default (as defined in the Loan Agreement) occurs. The following are included as Events of Default (i) non-payment of principal, interest and fees when due; (ii) cross-default on other indebtedness (iii) breach of any covenant, subject to a material adverse effect (iv) failure to convert Loan into shares of WTL upon exercise of conversion rights by the holder and (v) voluntary or involuntary bankruptcy, insolvency or winding up of WTL.
- (10) In case of an Event of Default, WTL will be liable to repay the principal amount of the Loan plus any accrued and unpaid interest, assuming a default interest rate of 12.5% per annum, calculated on a retroactive basis to the Closing Date. The Closing date is 16 May 2006 i.e. on the date the disbursement was made by Amatis to WTL.

The proceeds of the Loan shall be used to finance the import of Plant and Machinery and services rendered in their installation. The average market price of the Company's shares for preceding 6 months before merger is around Rs. 10.38 per share. The recent average market price of WTL (after the merger) is around Rs. 9.84 per share for the month of July 2006 and around Rs. 10.36 per share for the month of August 2006 and Rs. 11.06 for the month of September 2006. The break up value of the Company's shares based on the audited accounts for the year ended 30 June 2006 is around Rs. 17.17 per share. The existing paid up capital of WTL after the recent merger is Rs. 6,539,657,890 divided into 653,965,789 ordinary shares of Rs. 10/- each. The current Authorized share capital of the Company is Rs. 7,750,000,000 divided into 775,000,000 ordinary shares of Rs. 10/- each which shall be increased in order to give effect of bonus issue and the conversion of shares. This notice of Annual General Meeting is annexed to the annual accounts of the Company for the year ended 30 June 2006 and the related financial information can also be reviewed from the same.

As the conversion option is exercised in whole or in part, the paid up capital of the Company shall be increased to that extent. As per the latest shareholding available with the Company, Amatis does not hold any shares in the paid up capital of the Company. Amatis has given its consent by virtue of signing the Loan Agreement with the Company for purchase of shares of the Company in accordance with the Loan Agreement, accordingly, the Loan was disbursed to the Company on 16 May 2006.

Since the conversion price is dependent on the criteria set forth in the Loan Agreement and is linked with the market price of the Company's shares on the Karachi Stock Exchange, therefore, the conversion price may or may not be equal to the par value (1 ordinary share of Rs. 10/- each).

After the completion of all the necessary corporate formalities, the trading of the Company's shares (i.e. the merged entity) started on 26 June 2006. As per current situation, the 25 days VWAP (reference price) works out to be around Rs. 10.68. As per the terms of the Loan Agreement the first reset date would be 26 March 2007. If the holder of the loan converts the loan into ordinary shares of the Company prior to the first reset date, then the conversion price would be around Rs. 16.02 per share (150% of the reference price) which means that the loan amount of Rs. 1,497,145,378 is convertible into around 93,454,768 ordinary shares of Rs. 10/- each at an issue price of Rs. 16.02 per share including share premium of Rs. 6.02 per share which shall be issued to the holder of the loan.

Since the Company has announced 15% bonus shares, therefore, the existing paid up capital of the Company

comprising of 653,965,789 ordinary shares of Rs. 10/- each shall be raised to 752,060,657 ordinary shares of Rs. 10/- each (i.e. giving the effect of bonus issue). In case the holder of the loan exercises conversion option then the paid up capital would be increased to around 845,515,425 ordinary shares of Rs. 10/- each (i.e. issuance of 93,454,768 ordinary shares of Rs. 10/- each at an issue price of Rs.16.02 including a share premium of Rs. 6.02 per share).

Subsequent to 26 March 2007 if the holder of the loan converts the loan then the conversion price shall be calculated as per the terms stated in the Loan Agreement. Also please refer to point no. 5 of the salient features of the Loan Agreement as stated above in respect of subsequent conversion price after 26 March 2007. The conversion price may also be adjusted in accordance with the provisions of Clause 5(b) of the Loan Agreement in the event of certain corporate actions by the Company which includes stock dividends, stock splits, dilutive common share issuances and other customary adjustment events as per the terms of the Loan Agreement. The bonus issue of 15% announced by the Company is included in such corporate actions.

The rationale for the further issue of share capital to the holder of the loan without a rights offering is that the Loan Agreement may require issuance of shares from time to time to the lender and it is not practical to undertake a rights issue upon every exercise of a conversion right. Also, the lender requires confirmation that all consents, permissions, resolutions and actions have been undertaken to authorise the conversion as contemplated by the Loan Agreement. This confirmation cannot be provided unless the further issues of capital that may be required are approved now by the shareholders. The Loan is being provided to the Company at a low cost and enables the Company to enhance its operation and have aggressive roll-outs, thus taking early mover advantage. There are clear benefits for the Company and its shareholders for the subject investment (which is convertible into equity) since the Company will have available considerable capital at a very low cost to expand its business operations. The cost is much lower than the rate at which loans are currently available. The conversion of the Loan into shares will reduce the shareholding of all the shareholders on a pro-rata basis. The converted shares will rank pari passu in all respects with the existing shares of the Company.

The State Bank of Pakistan (“SBP”) on application by the Company earlier had conveyed no objection to conversion of the Loan into equity and registration of loan under Foreign Exchange Manual 2002 vide their letter no. INT/B-9585/7(894)-05 dated 29 December 2005. Later SBP vide their letter no. INT/B-2786/12(93)-06 dated 05 May 2006 has registered the Loan Agreement dated 13 April 2006 vide their registration No. INT/C-274/06 dated 05 May 2006.

The SECP have also agreed in principle with the scheme of transaction, subject to compliance of certain conditions as per their letter no. EMD/CI/34/2005 5380 dated 12 December 2005. SECP have also stated in their letter that the Company should pass special resolution in a general meeting of the post merged entity i.e. Worldcall Telecom Limited for issuance of ordinary shares otherwise than by way of a rights issue under the provisions of Section 86 of the Ordinance, against conversion of the Loan.

(2) INCREASE IN THE AUTHORIZED SHARE CAPITAL OF THE COMPANY

In order to facilitate the conversion of loan in to the Share capital of the Company and allotment of 15% bonus shares as recommended by the Board of Directors in their meeting held on 09 October 2006, it is necessary to increase the Authorized Share Capital of the Company. As per recommendations of the Board of Directors, the Authorized Share Capital of the Company be increased from Rs. 7,750,000,000/- to Rs. 9,000,000,000/-. This increase in capital will also necessitate amendments in clause V of the Memorandum of Association and in clause 4 of the Articles of Association of the Company accordingly and after the proposed amendment will be read as under:

Clause V of the Memorandum of Association of the Company

Worldcall Telecom Limited

The Authorized Capital of the company is Rs. 9,000,000,000/- (Rupees Nine Billion only) divided into 900,000,000/- (Nine hundred million only) ordinary shares of Rs. 10/- each. The Company shall have the power to increase, reduce, consolidate or re-organize the said Capital and to divide the shares capital into several classes in accordance with the provisions of the Companies Ordinance 1984.

Clause 4 of the Articles of Association of the Company

The Authorized Capital of the company is Rs. 9,000,000,000/- (Rupees Nine Billion only) divided into 900,000,000/- (Nine hundred million only) ordinary shares of Rs. 10/- each.

INSPECTION OF DOCUMENTS

Copies of statement u/s 160(1)(b) of the Companies Ordinance, 1984, recent annual/quarterly accounts along with all published or otherwise required accounts of all prior periods of the Company (including the merged entities i.e. Worldcall Communications Limited, Worldcall Broadband Limited and Worldcall Multimedia Limited) along with financial projections of the Company, Memorandum and Articles of Association of the Company and Amatis, principle approval letters from State Bank of Pakistan and Securities and Exchange Commission of Pakistan, loan registration letter with State Bank of Pakistan, Loan agreement signed between the Company and Amatis Limited (an affiliate of a US Hedge Fund) and other related information of the Company including the merged entities, may be inspected/procured during the business hours on any working day at the Registered Office of the Company from the date of publication of this notice till the conclusion of the General Meeting. The financial statements of the Company, are annexed and of the merged entities can also be viewed at <http://www.worldcall.com.pk>.

INTEREST OF THE DIRECTORS AND THEIR RELATIVES

All the directors of the Company including the Chief Executive and their relatives (if any) are interested in the business that is subject of the meeting to the extent of their shares that are held by them in the Company. The effect of the business to be transacted at the meeting on the interest of these directors including the Chief Executive and their relatives (if any) does not differ from its effect on the like interest of other shareholders. The shareholding of Directors including the Chief Executive and their relatives (if any) are as follows:

Name of Directors/CEO	No. of Shares (as at 30-June-2006)
Mr. Salmaan Taseer (CEO)	6,833,230
Mr. Shaan Taseer	157,066
Mrs. Aamna Taseer	1,519
<i>Mrs. Sara Taseer (Daughter)</i>	357,218
<i>Ms. Sanam Taseer (Daughter)</i>	322,925
<i>Ms. Meera Shoaib (Grand daughter)</i>	127,576
Mr. Sulieman Ahmad Said Al-Hoqani	256,117,716
Mr. Babar Ali Syed	500
Mr. Arshed Ahmed Khan (nominee director SAPICO*)	-
Air Vice Marshal (R) Syed Imtiaz Hyder (nominee director SF**)	500
Mr. Abid Raza	1,951
Mr. Muhammad Bilal Sheikh ***	500

* *Saudi Pak Industrial and Agricultural Investment Company (Pvt.) Limited*

** *Shaheen Foundation, PAF*

*** *Mr. Muhammad Bilal Sheikh resigned subsequent to the year end and Mr. Jamal Said Al-Ojaili was appointed as a director in his place, who holds 500 ordinary shares only.*

CHAIRMAN'S REVIEW

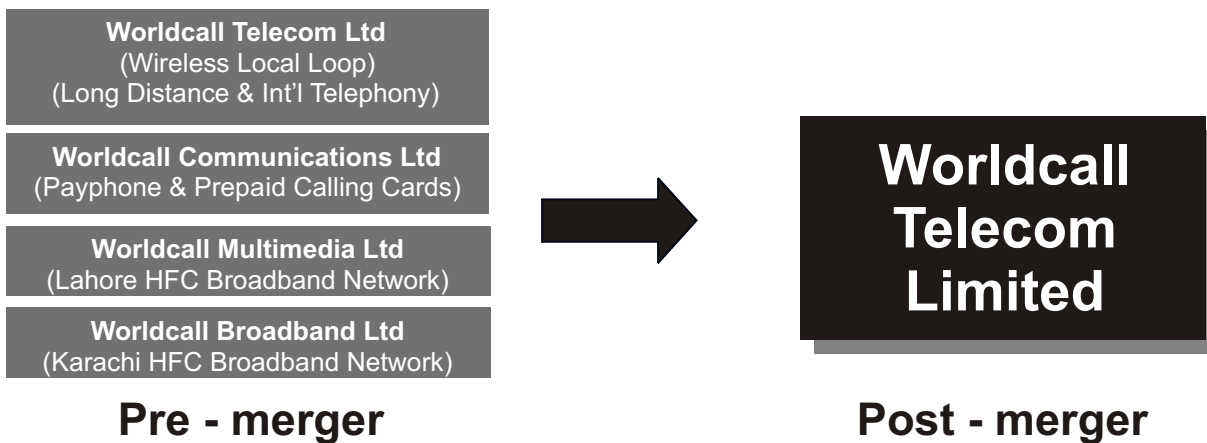
It is with a sense of pleasure and privilege that I present to you the annual accounts of Worldcall Telecom Limited ("WTL", "Worldcall" or the "Company") for the year ended 30 June 2006.

Worldcall has been positioning itself for the last three years for the competitive environs of post telecom deregulation market in Pakistan. Strategic initiatives in this regard have been carried out in a systematic manner. Focused management of this critical evolution has propelled Worldcall into an independent Multi Service Operator (MSO) of significance.

At present, operators are under constant pressure to realize maximum efficiencies and improve quality in order to compete and gain market share. On the other hand, the consumers have a variety of products and services to choose from at more and more affordable rates. It is in this backdrop that Worldcall has posted healthy results for the financial period under review. These results clearly validate the sound practices and hard work by management and employees in meeting the challenges of the market.

Merger

In line with the vision statement of maximizing operational depth, Worldcall Multimedia Limited ("WML"), Worldcall Broadband Limited ("WBL"), and Worldcall Communications Limited ("WCL") were merged into WTL to form a single operating entity. The merger process was completed smoothly and came into effect from 01 July 2005.



WTL stands to gain from multiple synergies which arise from the merger. Post-merger WTL is now the single largest fixed-line payphone operator and single largest HFC/Cable Operator (CATV, IOC, VoIP/MSAN Telephony) in Pakistan. It is also positioned as a premium WLL and LDI operator and carries the true strengths of an MSO after telecom deregulation.

Worldcall will benefit from stability associated with having multiple revenue streams, operational cost savings, centralization of extensive distribution network, and tax advantages. Its relationships with regulators, operators, consumers, vendors, financial institutions and investors will be integrated under one umbrella.

The much larger balance sheet of the post-merger entity presents advantages to Worldcall as follows:

- Better bargaining power vis-à-vis lenders / suppliers
- Access to international markets & better fund raising alternatives with critical mass to attract investors and possibility of listing on foreign bourses.

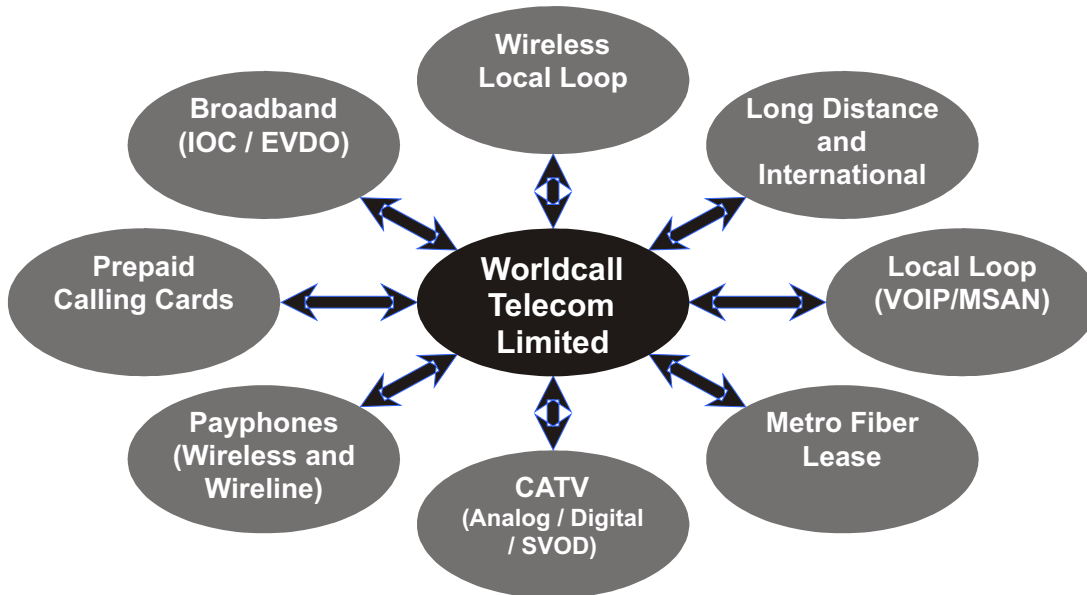
Consolidated holdings made possible by the merger translate into a better performing stock as single scrip.

Worldcall Telecom Limited

Shareholders and interested investors would be pleased to note the potential for increased stock turnover, meaning increased liquidity and better opportunity for capital gains.

Multi Service Operator

With the successful execution of the merger, WTL is now positioned as the only Multi Service Operator (“MSO”) in Pakistan capable of offering such a variety of telecom services.



Investment by US Hedge Fund

In line with the management's plans and efforts, a US based hedge fund invested US\$ 25 million in WTL in the form of convertible debt. It needs to be highlighted that the funds have been acquired at attractive terms for the Company. The proceeds of this transaction will enable Worldcall to maintain its growth momentum as it invests in introducing new services and in deploying new infrastructure.

Long Distance and International (“LDI”) Telephony

LDI operations contributed substantially to company's growth and formed the essential backbone to various telecom services including WLL and PCCS.

Worldcall flagship prepaid calling card service (Brand name HELLO) maintained its leadership position in face of very aggressive competition. HELLO achieved record high usage in this period. Independent operations in international termination segment also performed well during this period.

Wireless Local Loop (“WLL”)

I am pleased to inform you that Worldcall's WLL rollout has progressed at a fast pace and it now covers more than 22 cities and towns. Keeping in line with its reputation of innovation, Worldcall became the first company to launch state of the art Third Generation (“3G”) Evolution-Data Optimized (“EVDO”) service the first of its kind in Pakistan. Mindful of the constant competition and ever-more sophisticated requirements of the customers, Worldcall is investing in infrastructure and human resources to continuously improve its quality of service. In this regard network coverage and capacity for existing areas is being enhanced pro-actively.

Cable TV and Internet Over Cable

Worldcall is expanding its state of the art Hybrid Fiber Coaxial (“HFC”) networks to new localities of Karachi and Lahore. As expected it has received a very encouraging response which is reflected in record-high number of subscribers to its cable television and Internet Over Cable services. It has also initiated a VoIP over cable service in Karachi and looks forward to introducing the same to its Lahore customers.

WTL's extensive and timely HFC network deployment is enabling it to make more metro fiber lease agreements with reputable corporations.

Payphones

This period saw Worldcall install wireless payphones which operate on our own WLL CDMA network. Since the cost of operating these payphones is less than that of wire-line payphones, they are a much more attractive product and have been well-received by the market. Additionally, wireline payphone on PTCL infrastructure were also able to sustain operational viability on account of volume discount available to WTL.

Regulatory Environment

Several fortunate events in the regulatory domain have taken place during the period under review. These will all contribute positively towards achieving targets for the following year.

According to PTA's recent determination cost of Domestic Private Leased Circuit (DPLC) has been reduced by 35%, International Private Leased Circuit (IPLC) by 38% and Internet bandwidth cost by 40%. These cumulatively will contribute towards reducing a major reduction in cost during the following year.

After a process of consultations and deliberation, the Regulator and Government finally have approved a 4 year moratorium for WLL spectrum fee payments. This amounts to PKR 1.2 billion for Worldcall. The relief from this moratorium will help WTL continue on track with its phase-wise rollout plan.

Future Outlook

In track with its expansion plan Worldcall is poised to initiate its WLL service in Karachi and Hyderabad. For this purpose, a contract for the supply of network technology and equipment has been signed with Huawei Technologies in August 2006.

With the aim of maintaining its leading edge in the market, WTL intends to better understand and boldly meet its customers' value expectations during the times ahead.

Worldcall has come a long way over the last one year of operations. It has seen a remarkable transition in a sense as it evolved into a total telecom operator with diverse operations in various telecom segments. The maturity in its operations is already paying dividends to its shareholders. Consolidation and further expansion in the operations will surely enhance performance in future and we stand to move into more significant domains over the coming period.

I would like to thank WTL management and employees for their efforts in further our vision. Faith shown by our shareholders in WTL as a performing entity has been fully vindicated by the performance of the company. I am sure that future holds more promise for all of us and I look forward to prosperous growth for WTL over the years.

Suliaman Ahmed Said Al-Hoqani
Chairman

DIRECTORS' REPORT

The Directors of Worldcall Telecom Limited (“WTL” or “the Company”) are pleased to present before you a review of your Company's performance for its first full year period ended 30 June 2006.

Financial Overview

The Company earned net revenue of PKR 4.4 billion while making a net profit after tax of PKR 947.6 million during the year under review. The Company's cash flow situation, especially related to operating activities, also improved significantly. Complete results of the Company for the year are fully disclosed in the statements accompanying this report; however salient features of the results for the year are as follows:

Profit and Loss Account	(Rs. in Millions)
Revenue	4,356
Gross Profit	1,683
Profit after Taxation	948
EPS-Basic-(Rupees)	1.47

Balance Sheet

Non Current Assets	12,054
Net Current Assets	1,822
Non Current Liabilities	2,646
Share Capital and Reserves	11,230
Break up Value Per Share-(Rupees)	17.17

Bonus Issue

The Board of Directors in their meeting held on 09 October 2006 have proposed bonus shares for the year ended 30 June 2006 at the rate of 15 shares for each 100 shares held, i.e. 15% as a final dividend.

Merger

During this year, Worldcall Multimedia Limited (“WML”), Worldcall Broadband Limited (“WBL”), and Worldcall Communications Limited (“WCL”) were merged into WTL, thereby making the Company a Multi Service Operator (“MSO”) with one of the most diversified deployments in Pakistan.

The merger of the companies will rationalize business structure along efficient lines, bring economies of scale and significantly improve the adaptability of the company with improved financial strength. The merger will also reduce expenses, cut down reporting requirements, translate into savings in tax and will enhance the profitability of WTL giving significant benefit to the shareholders. There will also be a considerable cost saving through streamlined sales, elimination of duplicated services operations and reduction in operational expenses. The pooling of assets and resources will further enhance security available to creditors.

Convertible Loan from Amatis Ltd

The Company has arranged a long Term Convertible Loan of US\$ 25 Million from Amatis (a limited liability company organized under the laws of Cayman Islands) which is an affiliate of a US Hedge Fund. This Loan has been obtained for the expansion of WLL Operations. The conversion option has started from 26 June 2006 subject to the terms and conditions stated in the Loan Agreement. This conversion option may be exercised in whole or in part. A convertible loan is a debt structure that can be exchanged for another security usually the common stock of a company. Convertibles are

an ideal instrument for international funds to invest in emerging markets as it hedges them against the downside like a bond and allows sharing of the upside like any equity security. Emerging markets like Indonesia, Malaysia and India have benefited considerably from the inflow of foreign direct investment through convertibles.

Operational Achievements are highlighted below

WTL has shown sustained growth in its telecom operations in the last financial year with highlights as follows:

- WLL service has expanded to 21 new cities
- Wireless Payphone Service (WPS) on WLL infrastructure was successfully launched in all areas WTL's WLL operations
- In domestic operations, PCCS achieved a milestone performance of 24 million minutes in a single month with record daily volume achievement of one million plus minutes
- Turnkey contract for WLL operations in Karachi and Hyderabad was awarded to Huawei Technologies due to their global leadership position in 450 MHz spectrum WLL network roll-outs
- International termination volumes achieved a record high with direct interconnect operations with Pakistan Telecommunication Company Limited (PTCL) and Pakistan Mobile Company Limited (Mobilink)
- Data services achieved another milestone with both broadband operations in Lahore and Karachi achieving consumption levels of one STM1 (155 Mbps) each for their broadband connectivity services
- Advertisement on Cable was officially sanctioned which translated into significant boost top cable operations in Lahore and Karachi
- Siemens settled its accounts with WTL for its LDI network deployment and successfully enhanced network capacity by 50% to further facilitate WTL expansion in telecom operations
- EVDO (Evolution Data Optimized) broadband wireless access has commenced commercial operations in Lahore. Data service on WLL reached 20Mbps connectivity level further strengthening broadband services from WTL
- Significant contracts were concluded for Metro fiber connectivity with major telecom operators including Mobilink, TWA, Paktel and Telenor. Financial sector also opened up for WTL offering for fiber optic connectivity.
- Deployment for overseas Prepaid Calling Card Service (PCCS) has been successfully completed in UK market and service is expected to be launch during this month.

Future Outlook

The telecom market in Pakistan is driven by competitive operational deployments by new entrants and enhancement in incumbents reach to augment their share in the evolving market. WTL has the benefit of being an active operator with significant deployments in Pakistan over the last decade and post deregulation has successfully transformed itself into a true MSO with substantial advancement in its various operations.

WTL intends to consolidate its present position and at the same time expand its operations to new potential markets. Your Company will continue to invest in technologies and skills to achieve this objective.

Operational efficiency coupled with addition of new revenue enhancement services shall ensure that price pressures in today's competitive market are absorbed without affecting the revenue growth targets. The infrastructure capability to support new value added services has already been proven and same will be built upon.

In line with its stated objectives of being the most significant MSO in Pakistan, following management initiatives are being executed for consolidation of existing operations and further growth:

- WTL is expanding its WLL services to Karachi and Hyderabad, while investing in more infrastructures to improve quality in existing WLL deployment. Revenue enhancement, principally in the data and value added services segments, will be aggressively developed for better margins attributable to reduced direct costs.
- In LDI segment, overseas operations for direct access to captive minutes (PCCS in UK and planned for North America and mainland Europe) shall be commenced to protect market position achieved since commencement of operations. Significant interconnects in place shall be further cultivated to enhance volumes in LDI segment as market volume grows.
- WTL strength as the most significant payphone operator in Pakistan on fixed wireline and WLL infrastructure will be exploited for ensuring continued growth in this segment.

- Metro fiber / dark fiber contracts in Lahore and Karachi have been significant contributors to success of Hybrid Fiber Coaxial (HFC) deployments in both these cities with major revenues in this segment. Depth of deployment shall be enhanced and new service offering in managed services segment will ensure continued growth in this segment.
- WTL positioning as premier broadband operator in Pakistan shall be further consolidated with network expansion in the HFC networks and more competitive packaging making a play on significant bandwidth cost reduction. WTL has the benefit of being one of the largest operator of data connectivity and price reduction in bandwidth has been achieved on account of WTL bandwidth volumes.
- For maximizing revenue returns and enhancement of service bouquet from the existing HFC infrastructure, digital content (Digital Television) will be offered in the CATV segment with additional strength of true video on demand (VoD). It shall be the first commercial service of its kind in Pakistan and would be another milestone after successful Voice over Cable (VoC) offering from the same infrastructure.
- In continuation of initiatives over the last one year, customer operations and services support structure will be further augmented.

Changes in the Board of Directors

Since the last report, there have been the following changes in the composition of the Board. During the period Mrs. Aamna Taseer, Mr. Arshed Ahmed Khan, Mr. Babar Ali Syed and Mr. Jamal Said Al-Ojaili have been appointed in the places of Mr. Muhammad Shuaib Yousaf, Mr. Khurshid Zafar Qureshi, Mr. Tanvir Ahmad and Mr. Muhammad Bilal Sheikh. At present there are nine Directors serving the Board of the Company.

Board Meetings during the year

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

Directors	Meetings Attended
Sulieman Ahmed Said Al-Hoqani (Chairman)	5
Salmaan Taseer (Chief Executive Officer)	4
Aamna Taseer	2
Shaan Taseer	3
Jamal Said Al-Ojaili	-
Babar Ali Syed	-
Abid Raza	1
Air Vice Marshal (R) Syed Imtiaz Hyder	2
Arshed Ahmed Khan	2
Muhammad Shuaib Yousaf (Resigned)	3
Khurshid Zafar Qureshi (Resigned)	2
Tanvir Ahmad (Deceased)	4
Muhammad Bilal Sheikh (Resigned)	-

The Directors who could not attend the meeting were duly granted leave 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:

Babar Ali Syed	Chairman
Aamna Taseer	Member
Arshed Ahmed Khan	Member

During the year, Mr. Babar Ali Syed and Mr. Arshed Ahmed Khan have been appointed in places of Mr. Tanvir Ahmad and Mr. Shaan Taseer.

Auditors

The present Auditors, Messrs KPMG Taseer Hadi & Co., Chartered Accountants shall retire and being eligible to offer themselves for re-appointment. The Board of Directors endorses the recommendation of the audit committee for the re-appointment of Messrs KPMG Taseer Hadi & Co., Chartered Accountants as the auditors of the Company for the financial year ending June 30, 2007.

Pattern of Shareholding

The Pattern of shareholding as required under Section 236 of the Companies Ordinance, 1984 and listing regulations are enclosed.

Trading of Directors

During the financial year, the trading in shares of the Company by the directors', CEO, CFO, Company Secretary and their spouses and any minor children is given in annexure-1.

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 operation, cash flows and change in the equity.
2. Proper books of accounts of the Company have been maintained.
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 key financial data of two years is summarized in the report.
9. 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.

Earning per Share

Earning per share for the financial year ended 30 June 2006 is Rs.1.47.

Human Resources

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 endeavours of its employees.

For and on behalf of the Board of Directors

Lahore:
09 October 2006

Salmaan Taseer
Chief Executive Officer

**TRADING BY BOARD MEMBERS, COMPANY SECRETARY, CFO
AND THEIR SPOUSE & IF ANY MINOR CHILDREN**

	Opening balance as on 01-07-2005	Purchase	Bonus	Merger WCL, WML, WBL into WTL	Sale	Closing balance as on 30-06-2006
Directors						
Salmaan Taseer (CEO)	6,000,500	-	-	832,550	-	6,833,050
Aamna Taseer	-	500	-	1,019	-	1,519
Shaan Taseer	500	-	-	156,566	-	157,066
Sulieeman Ahmed Said Al-Hoqani	117,500,000	10,261,413	-	130,947,803	(2,591,500)	256,117,716
Jamal Said Al-Ojaiti	-	500	-	-	-	500
Abid Raza	500	-	-	1,451	-	1,951
Babar Ali Syed	-	500	-	-	-	500
Air Vice Marshal (R) Syed Imtiaz Hyder	500	-	-	-	-	500
Arshad Ahmed Khan (Nominee of SAPICO)	-	-	-	-	-	-
Muhammad Shuaib Yousaf (Resigned)	500	-	-	-	500	-
Khurshid Zafar Qureshi (Resigned)	500	-	-	-	500	-
Tanvir Ahmed (Deceased)	500	-	-	-	500	-
Muhamamd Bilal Sheikh (Resigned)	500	-	-	-	500	-
Spouses	-	-	-	-	-	-
Minor Children	-	-	-	-	-	-
Chief Financial Officer						
Muhammad Naveed Tariq	838	49,807	-	882	-	51,527
Company Secretary						
Ahmad Bilal	100	-	-	1,631	-	1,731

**TWO YEARS FINANCIAL PERFORMANCE
INCOME STATEMENT**

	2006	01 December 2004 to 30 June 2005
	(Rupees in '000)	
Revenue -Net	4,355,859	677,854
Direct cost	<u>(2,673,303)</u>	<u>(607,833)</u>
Gross profit	1,682,556	70,021
Operating cost	<u>(1,090,851)</u>	<u>(91,497)</u>
Operating profit/(loss)	591,705	(21,476)
Finance cost	<u>(179,092)</u>	<u>(24,746)</u>
	412,613	(46,222)
Gain on re-measurement of investments at fair value	138,363	-
Gain on re-measurement of investment property at fair value	21,000	-
Gain on re-measurement of long term liabilities at present value	453,107	-
Other operating income	<u>157,137</u>	<u>14,300</u>
Profit/(loss) before taxation	1,182,220	(31,922)
Taxation	<u>(234,610)</u>	<u>12,704</u>
Profit/(loss) after taxation	<u>947,610</u>	<u>(19,218)</u>

Consequent to the merger of Worldcall Multimedia Limited (WML), Worldcall Broadband Limited (WBL) and Worldcall Communications Limited (WCL), with the Company, the financial performance of the year ended 30 June 2006 present the merged position of all the four companies and comparatives reflect the financial performance of the Company. For information on the past few years financial performance of WML, WBL and WCL, the shareholders/users can visit the Company's website: www.worldcall.com.pk.

As the Company started its commercial operations on 01 December 2004; therefore, financial performance for the year 2005 reflect the financial performance for the period of 7 months and financial information for the periods prior to June 2005 are not required.

CHIEF EXECUTIVE

DIRECTOR

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

The Company has 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
09 October 2006

Salmaan Taseer
Chief Executive Officer

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2006

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 practice of corporate governance.

The Company has applied the principles contained in the Code in the 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 been convicted by a Court of competent jurisdiction as a defaulter in payment of any loan to a banking company, a DFI or NBFI. No one is a member of the 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 transaction, 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 meeting of the Board were presided over by the Chairman who is a non-executive director 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. Orientation course for directors has been conducted to appraise them of their duties and responsibilities.
10. The Board has approved appointment of Company Secretary, Chief Financial Officer and Head of Internal Auditor including their 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 comprises three members; all of them are 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 for the Company having suitable qualified and experienced personnel 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:
09 October 2006

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 Regulations No 37(Chapter XI) and No 43 (Chapter XIII) of the respective Stock Exchanges, 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 system 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 control 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:
9 October 2006

KPMG Taseer Hadi & 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 2006 and the related profit and loss account, cash flow statement and statement of changes in equity, together with the notes forming part thereof, for the year then ended 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 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 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 to the accounts with which we concur;
 - 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 2006 and of the profit, its cash flows and changes in equity for the year then ended; and
- d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980, was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Lahore:
09 October 2006

KPMG Taseer Hadi & Co.
Chartered Accountants

Worldcall Telecom Limited

BALANCE SHEET AS AT 30 JUNE 2006

	Note	2006 (Rupees in '000)	2005
NON CURRENT ASSETS			
Tangible fixed assets			
Property, plant and equipment	3	5,973,792	799,911
Capital work-in-progress	4	886,893	1,426,636
		6,860,685	2,226,547
Intangible assets			
Investment properties	5	4,826,751	2,413,020
Long term investments - at cost	6	56,634	-
Long term deposits	7	100,072	-
Deferred costs	8	199,704	139,129
	9	10,063	-
		12,053,909	4,778,696
CURRENT ASSETS			
Store and spares		34,637	-
Stock in trade		21,931	437
Trade debts	10	701,434	300,367
Loans and advances - considered good	11	134,095	132,351
Short term deposits and prepayments	12	191,024	122,164
Other receivables	13	549,548	32,971
Short term investments	14	784,542	-
Cash and bank balances	15	1,452,789	591,928
		3,870,000	1,180,218
CURRENT LIABILITIES			
Current maturities of non-current liabilities	16	793,762	130,173
Running finance under markup arrangements-Secured	17	273,207	29,539
Trade and other payables	18	845,569	948,931
Interest and mark-up accrued	19	34,131	55,584
Provision for taxation		101,202	-
		2,047,871	1,164,227
NET CURRENT ASSETS		1,822,129	15,991
NON CURRENT LIABILITIES			
Term finance certificates - Secured	20	49,909	-
Long term finances	21	1,085,017	647,768
Deferred taxation	22	477,545	(12,704)
Retirement benefits	23	69,823	5,760
Liabilities against assets subject to finance lease	24	175,624	103,057
Long term payables		6,261	106,875
Long term deposits		76,260	4,539
License fee payable	25	705,667	1,208,610
		2,646,106	2,063,905
Contingencies and commitments	26	-	-
		11,229,932	2,730,782
Represented By			
Share Capital and Reserves			
Authorized capital 775,000,000 (2005: 350,000,000) ordinary shares of Rs. 10 each.		7,750,000	3,500,000
Issued, subscribed and paid up capital	27	6,539,658	2,750,000
Share premium	28	1,391,836	-
Convertible loan reserve	21.2	1,400,430	-
Accumulated profit/(loss)		1,898,008	(19,218)
		11,229,932	2,730,782

The annexed notes 1 to 47 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

Worldcall Telecom Limited

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2006

	Note	2006	01 December 2004 to 30 June 2005 (Rupees in '000)
Revenue -Net	29	4,355,859	677,854
Direct cost	30	<u>(2,673,303)</u>	<u>(607,833)</u>
Gross profit		1,682,556	70,021
Operating cost	31	<u>(1,090,851)</u>	<u>(91,497)</u>
Operating profit/(loss)		591,705	(21,476)
Finance cost	32	<u>(179,092)</u>	<u>(24,746)</u>
		412,613	(46,222)
Gain on re-measurement of investments at fair value		138,363	-
Gain on re-measurement of investment property at fair value	6	21,000	-
Gain on re-measurement of long term liabilities at present value	25	453,107	-
Other operating income	33	<u>157,137</u>	<u>14,300</u>
Profit/(loss) before taxation		1,182,220	(31,922)
Taxation	34	<u>(234,610)</u>	<u>12,704</u>
Profit/(loss) after taxation		<u>947,610</u>	<u>(19,218)</u>
Earnings per share - basic (Rupees)	35	<u>1.47</u>	<u>(0.17)</u>
Earnings per share - diluted (Rupees)	35	<u>1.38</u>	<u>(0.17)</u>

Appropriations have been reflected in the statement of changes in equity.

The annexed notes 1 to 47 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2006**

	Note	2006 (Rupees in '000)	2005
Cash flows from operating activities			
Cash generated from operations	37	857,908	463,153
(Increase) in long term deposits receivable		(7,483)	(134,446)
(Decrease)/Increase in long term deposits payable		(56,755)	4,539
(Decrease) in long term payables		(100,614)	-
(Decrease) in license fee payable		(2,610)	-
Retirement benefits paid		(11,410)	(30)
Finance cost paid		(318,075)	(48,828)
Taxes paid		(21,226)	(661)
Net cash generated from operating activities		339,735	283,727
Cash flow from investing activities			
Fixed capital expenditure		(1,718,207)	(2,866,332)
Sale proceeds of property, plant and equipment		11,599	-
Proceeds from sale of long term investments		162,161	-
Short term investments-Net		(284,826)	-
Net cash used in investing activities		(1,829,273)	(2,866,332)
Cash flow from financing activities			
Receipt of long term finances		1,728,479	659,888
Repayment of long term finances		(255,555)	-
Repayment of term finance certificates		(99,127)	-
Repayment of finance lease liabilities		(209,339)	(33,556)
Shares issued		690,000	2,493,659
Dividend paid		(42)	-
Net cash generated from financing activities		1,854,416	3,119,991
Net increase in cash and cash equivalents		364,878	537,386
Cash and cash equivalents at the beginning of the year		562,389	25,003
Cash and cash equivalents of merged entities		252,315	-
Cash and cash equivalents at the end of the year	38	1,179,582	562,389

The annexed notes 1 to 47 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

Worldcall Telecom Limited

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2006

	Share capital	Capital reserves			Revenue reserve	Total
		Share premium	Convertible loan reserve	Share deposit money	Accumulated profit/(loss)	
(Rupees in '000)						
Balance as at 01 July 2004	35	-	-	256,306	-	256,341
Share deposit money received against issue of shares	-	-	-	2,493,659	-	2,493,659
Shares issued	2,749,965	-	-	(2,749,965)	-	-
Loss for the seven months period ended 30 June 2005	-	-	-	-	(19,218)	(19,218)
Balance as at 30 June 2005	2,750,000	-	-	-	(19,218)	2,730,782
Share deposit money received against issue of shares	-	-	-	690,000	-	690,000
Equity component of convertible loan	-	-	1,400,430	-	-	1,400,430
Shares issued	690,000	-	-	(690,000)	-	-
Shares issued to shareholders of WBL, WCL and WML under scheme of merger	3,099,658	1,373,148	-	-	-	4,472,806
Reserves of merged entities transferred as per scheme of merger	-	18,688	-	-	1,189,888	1,208,576
Bonus shares issued by WCL prior to court order	-	-	-	-	(220,230)	(220,230)
Interim dividend paid	-	-	-	-	(42)	(42)
Net profit for the year	-	-	-	-	947,610	947,610
Balance as at 30 June 2006	6,539,658	1,391,836	1,400,430	-	1,898,008	11,229,932

The annexed notes 1 to 47 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006**

1 Legal status and nature of business

- 1.1** 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 103 C-II, Gulberg III, Lahore.
- 1.2** The share holders of the Company in their meetings held on 18 February 2006 and 15 April 2006 had approved the scheme of merger ("the Scheme") of the Company with former Worldcall Multimedia Limited ("WML"), former Worldcall Broadband Limited ("WBL") and former Worldcall Communications Limited ("WCL"). The Scheme was subsequently sanctioned by the Honorable Lahore High Court through its order dated 24 April 2006. The effective date of the Scheme was 01 July 2005 ("Effective Date"). In terms of the Order of the Court and the Scheme the assets and liabilities of the merged entities stand transferred to and vested in the Company from the Effective Date. These financial statements have been prepared after accounting for the financial implications of the Scheme, consequently, current year figures present the merged position of all these four companies.

The main features of the merger Scheme are as follows:

- a) As per the Scheme WCL, WBL, WML and the Company are to be amalgamated by transfer to and vesting in the Company of the whole of the undertakings of WCL, WBL and WML (including all the assets, property, rights, liabilities and obligations of every description of WCL, WBL & WML) as subsisting immediately preceding the Effective Date. The amalgamation in accordance with the Scheme shall be treated as having taken effect from Effective Date.
- b) Each member of WCL, WBL and WML holding ordinary shares as at 09 June 2006 being the Record Date is entitled to receive fully paid ordinary shares of Rs.10/- each, at par, in the Company in exchange of shares of WCL, WBL and WML, in accordance with the following swap ratio:
1 Share of WCL : 1.42 Shares of the Company
1 Share of WBL : 1.09 Shares of the Company
1 Share of WML: 1.27 Shares of the Company
- c) The ordinary shares of the Company issued and allotted to shareholders of WCL, WBL and WML shall, in all respect, rank pari passu with the existing ordinary shares of the Company and holders of such shares shall be entitled to all dividends declared after the Effective Date.
- d) The authorized capital of WCL, WBL and WML shall upon the Completion Date be deemed to have merged with the authorized capital of the Company so that the authorized capital of the Company shall be Rs.7,750,000,000 divided into 775,000,000 shares of Rs10/- each.
- e) The capital reserve, revenue reserve including Unappropriated profit/ loss of WCL, WBL and WML, as at 30 June 2005 shall constitute and be treated as reserves/losses of a corresponding nature of the Company and shall be accounted for on that basis in the books of account of the Company.
- f) WCL, WBL and WML shall be dissolved, without winding up on record date.

2 Summary of significant accounting policies

The significant accounting policies adopted in preparation of financial statements are set out below:

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of 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, requirements of Companies Ordinance, 1984 or requirements of the said directives take precedence.

2.2 Accounting convention

These financial statements have been prepared under the historical cost convention, except for revaluation of investment properties and certain financial assets at fair value, and recognition of certain employee benefits and financial liabilities at present value.

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of 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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in subsequent years are discussed in note 41.

Change in accounting estimate

During the year, the Company has changed its accounting estimate for charging depreciation. Full month depreciation is charged in the month in which the asset is put to use while no depreciation is charged in the month of disposal. Previously full year depreciation was being charged in the year of addition and no depreciation was being charged in the year of disposal. The change has an effect on current year profit which has increased by Rs. 54.43 million.

2.3 Fixed capital expenditure and depreciation/amortization

Property, plant and equipment

Property, plant and equipment, are stated at cost less accumulated depreciation and impairment loss, if any. Cost in relation to self constructed assets include direct cost of material, labour and other allocable expenses.

Depreciation is charged to income on the straight line method whereby cost of an asset is written off over its estimated useful life at the rates given in note 3.

Residual value and the useful life of an assets are reviewed at least at each financial year-end.

Depreciation on additions is charged on a pro-rata basis from the month in which the asset is put to use, while for disposals depreciation is charged upto the month of disposal. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the assets revised carrying amount over its estimated useful life.

Maintenance and repairs are charged to income as and when incurred. Renewals and improvements are capitalized when it is probable that respective future economic benefits will flow to the Company and the cost of the item can be measured reliably, and the assets so replaced, if any, are retired. Gains and losses on disposals of assets are included in income.

Finance leases

Leases in terms of which the Company has substantially all the risks and rewards of ownership are classified as finance leases. Assets subject to finance lease are stated at the lower of its fair value and present value of minimum lease payments at the date of commencement of lease, less accumulated depreciation and impairment loss, if any.

The related rental obligations, net of finance costs are classified as current and long term depending upon the timing of the payment.

Each lease payment is allocated between the liability and finance costs so as to achieve a constant rate on the balance outstanding.

Assets acquired under a finance lease are depreciated over the estimated useful life of the asset on a straight-line method at the rates given in note 3. Depreciation of leased assets is charged to income.

Residual value and the useful life of leased assets are reviewed at least at each financial year-end.

Depreciation on additions to leased assets is charged from the month in which an asset is acquired while no depreciation is charged for the month in which the asset is disposed off.

Capital work-in-progress

Capital work-in-progress is stated at cost less identified impairment loss, if any.

2.4 Intangible assets

Goodwill

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.

Goodwill is stated at cost less accumulated amortization and impairment loss, if any. Goodwill is amortized using the straight line method at the rates given in note 5.

Other intangible assets

Intangible assets are stated at cost less accumulated amortization and impairment loss, if any. These are amortized using the straight line method at the rates given in note 5. Amortization on licenses is charged to the profit and loss account from the month in which the related operations are commenced. Amortization on additions to other intangible assets is charged on a pro-rata basis from the month in which asset is put to use, while for disposals amortization is charged upto the month of disposal.

Subsequent expenditure on intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are charged to income as and when incurred.

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

2.5 Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are initially recognized at cost, being the fair value of the consideration given, subsequent to initial recognition these are stated at fair value. The fair value is determined annually by an independent approved valuer. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between knowledgeable and willing buyer and seller in an arms length transaction.

Any gain or loss arising from a change in fair value is recognized in the income statement. Rental income from investment property is accounted for as described in note 2.17.

When an item of property, plant and equipment is transferred to investment property following a change in its use, any differences arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognized in surplus on revaluation of property, plant and equipment if it is a gain. Upon disposal of the item the related surplus on revaluation of property, plant and equipment is transferred to retained earnings. Any loss arising in this manner is recognized immediately in the income statement.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment and its fair value at the date of reclassification becomes its cost for accounting purposes of subsequent recording.

2.6 Investments

The Company classifies its investments in following categories.

Investments in equity instruments of subsidiaries

Investments in subsidiaries are initially measured at cost. Cost in relation to investments made in foreign currency is determined by translating the consideration paid in foreign currency into rupees at exchange rates prevailing on the date of transactions. Subsequent to initial measurement, these investments are stated at cost less impairment loss, if any.

Investments in associated companies

Investments in associated companies, other than long term investments which are stated at cost, are classified as investments at fair value through profit or loss and are valued accordingly except for investment in non listed equity instruments of associated companies, which are stated at cost less provision for impairment.

Investments at fair value through profit or loss

Investments that are acquired principally for the purpose of generating profit from short term fluctuations in price or dealer's margin are classified as held for trading.

During the year the Company has redesignated its investments previously classified as available for sale to financial assets at fair value through profit and loss as permitted in the transitional provisions to IAS 39 Financial Instruments: Recognition and Measurements. The change has no effect on the profit for the current period.

Investments at fair value through profit or loss are initially recognized at cost, being the fair value of the consideration given. Subsequent to initial recognition these are recognized at fair value unless fair value can not be reliably measured. The investments for which quoted market price is not available are measured at cost. Any surplus or deficit on revaluation of investments are charged to income currently.

Available for sale investments

Investments intended to be held for an unidentified period of time, which may be sold in response to need for liquidity or changes to interest rates, exchange rates or equity prices are classified as available for sale.

Available for sale investments are initially recognized at cost, being the fair value of the consideration given. Subsequent to initial recognition these are recognized at fair value unless fair value can not be reliably measured. The investments for which quoted market price is not available are measured at cost. Changes in carrying value are recognized in equity until investment is sold or determined to be impaired at which time the cumulative gain or loss previously recognized in equity is included in profit or loss account.

All "regular way" purchases and sales of listed shares are recognized on the trade date, i.e. the date that the Company commits to purchase/sell the asset.

The fair value of investments classified as held for trading and available for sale is their quoted bid price at the balance sheet date.

2.7 Securities under repurchase/reverse repurchase agreements

Transactions of repurchase/ reverse repurchase investment securities are entered into at a contracted rate for specified period of time and are accounted for as follows:

Repurchase agreements

Investments sold with a simultaneous commitment to repurchase at a specified future date (repo) continue to be recognized in the balance sheet and are measured in accordance with accounting policies for investment. The counter party liability for amounts received under these agreements is included in borrowing. The difference between sale and repurchase price is treated as mark-up on borrowing and accrued over the life of repo agreement.

Reverse repurchase agreements

Investments purchased with a corresponding commitment to resale at a specified future date (reverse repo) are not recognized in the balance sheet. Amount paid under these agreements are recorded as funds placements. The difference between purchase and resale price is treated as return from fund placement with financial institutions or income from reverse repurchase transactions of listed shares, as the case may be, and accrued over the life of the reverse repo agreement.

2.8 Taxation

Income tax on the profit or loss for the year comprises current and deferred tax.

Current

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted after taking into account tax credits, rebates and exemptions, if any. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred

Deferred tax is provided using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized 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.

The carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are calculated at the rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the income statement, except in the case of items credited or charged to equity in which case it is included in equity.

2.9 Deferred costs

These include share issue expenses incurred on increasing the authorized capital of the Company and expenses incurred in connection with the public offering/placements for the year 2004. In order to comply with the substituted Fourth Schedule to the Companies Ordinance, 1984, the Company has adopted the treatment allowed by Circular No. 1 of 2005 issued by Securities and Exchange Commission of Pakistan whereby deferred costs incurred prior to 01 July 2004 are being amortized over the remaining available period whereas deferred cost incurred subsequent to this date are charged to income currently.

2.10 Inventories

Inventories, except for stock in transit, is stated at lower of cost and net realizable value. Cost is determined as follows.

Store and spares

Useable stores and spares are valued principally at weighted average cost, while items considered obsolete are carried at nil value. Items in transit are valued at cost comprising invoice value plus other charges paid thereon.

Stock in trade

Cost is determined on weighted average basis.

Net realizable value is the estimated selling price in ordinary course of business, less estimated incidental selling cost.

2.11 Trade debts and other receivables

Trade debts and other receivables are recognized initially at fair value and subsequently measured at amortized cost less impairment loss, if any. A provision for impairment of trade and other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables.

2.12 Financial liabilities

Financial liabilities are classified according to substance of the contractual arrangements entered into. Significant financial liabilities include long term payables, license fee payable, borrowings, trade and other payables.

Interest bearing borrowings

Interest bearing borrowings are recognized initially at fair value less attributable transaction cost. Subsequent to initial recognition, these are stated at amortized cost with any difference between cost and redemption value being recognized in the profit and loss over the period of the borrowings on an effective interest basis.

Term finance certificates

Term finance certificates are stated at amortized cost using effective interest rate.

Convertible loans

Convertible loans that can be converted to share capital at the option of the lender, where the number of shares issued does not vary with the changes in their fair value, are accounted for as compound financial instruments. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity component in proportion to the allocation of proceeds. The equity component of the convertible loan is calculated as the excess of the issue proceeds over the present value of future cash out flows, discounted at the market rate of interest applicable to similar liabilities that do not have a conversion option. The interest expense recognized in the income statements is calculated using the effective interest rate method.

Other financial liabilities

All other financial liabilities are initially recognized at fair value plus directly attributable cost, if any, and subsequently at amortized cost using effective interest rate method.

2.13 Trade and other payables

Trade and other payables are initially recognized at fair value and subsequently at amortized cost using effective interest rate method.

2.14 Retirement and other benefits

Defined benefit plan

The Company operates unfunded defined benefit gratuity plan for all permanent employees, having a service period of more than one year. Provisions are made in the financial statements to cover obligations on the basis of actuarial valuations carried out annually under the projected unit credit method.

The Company recognizes actuarial gains/losses over the expected average remaining working lives of the current employees, to the extent that cumulative unrecognized actuarial gain/loss exceeds 10 per cent of present value of defined benefit obligation.

2.15 Impairment losses

The carrying amount of the Company's assets except for, inventories, investment property and deferred tax asset, are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any.

For goodwill, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the profit and loss.

Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash generating units and then, to reduce the carrying amount of the other assets in the unit.

Impairment losses are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been charged. An impairment loss in respect of goodwill is not reversed.

2.16 Foreign currencies

Transactions in foreign currencies are translated into rupees at exchange rates prevailing at the date of transaction. All monetary assets and liabilities in foreign currencies are translated into rupees at exchange rates prevailing at the balance sheet date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into rupees at exchange rates prevailing at the date of transaction. Non-monetary assets and liabilities denominated in foreign currency that are stated at fair value are translated into rupees at exchange rates prevailing at the date when fair values are determined. Exchange gains and losses are included in the income currently.

2.17 Revenue recognition

Revenue represents the fair value of the consideration received or receivable for services rendered, net of discounts and sales tax. Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue, and the associated cost incurred, or to be incurred, can be measured reliably.

Revenue from different sources are recognized as follows:

Revenue from terminating minutes is recognized at the time the call is made over the network of the Company.

Revenue from originating minutes is recognized on the occurrence of calls both for prepaid and postpaid subscribers.

Subscription revenue from Cable TV, internet over cable and channels subscription fee is recognized on provision of services.

Connection fee is recognized at the time of activation of connection.

Sale of goods is recognized on dispatch of goods to customer.

Advertisement income is recognized on the basis of spots run when commercials are aired on the network.

Interest income is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return.

Rental income from investment property is recognized in the income statement on accrual basis.

Revenue from prepaid cards is recognized as credit is used.

Dividend income is recognized when the right to receive payment is established.

2.18 Borrowing cost

Mark up, interest and other charges on long term borrowings are capitalized upto the date of commissioning of the related qualifying assets, acquired out of the proceeds of such long term borrowings. All other markup, interest and other charges are recognized as an expense in the period in which they are incurred.

2.19 Provisions

Provisions are recognized in the balance sheet when the Company has a legal or constructive obligation as a result of past events and it is probable that outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. However, provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

2.20 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. Cash and cash equivalents comprise cash in hand and demand deposits. Running finances that are repayable on demand are included as component of cash and cash equivalents for the purpose of cash flow statement.

2.21 Financial instruments

All financial assets and liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Financial assets are de-recognized when the Company loses control of the contractual right that comprise the financial assets. Financial liabilities are de-recognized when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to profit and loss account currently. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is 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 on a net basis or to realize the asset and settle the liability simultaneously.

2.22 Segment reporting

A segment is a distinguishable component of the Company that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risk and rewards that are different from other segments.

2.23 Related Party transactions

The Company enters into transactions with related parties on an arm's length basis. Prices for transactions with related parties are determined using admissible valuation methods, except in extremely rare circumstances where, subject to approval of the Board of Directors, it is in the interest of the Company to do so.

2.24 Business combination involving entities under common control

A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and the control is not transitory.

In the absence of more specific guidance, the Company consistently applied the fair value (Purchase method) measurement method to all common control transactions.

2.25 Dividend

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's financial statements in the period in which the dividends are approved.

3 Property, plant and equipment

3.1 The statement of property, plant and equipment is as follows:

	Cost as at 01 July	Acquisition through business combination	Additions/ (Disposals)		Transfers	Cost as at 30 June	Accumulated depreciation as at 01 July	Depreciation charge for the year/ (Disposals)	Transfers	Accumulated depreciation as at 30 June	Net book value as at 30 June	Depreciation rate %
			(Rupees in '000)	(Rupees in '000)								
Owned assets												
Leasehold improvements	1,876	24,611	31,294	-	-	57,781	1,174	10,215	-	11,389	46,392	20-33
Plant and equipment	616,272	2,221,141	2,893,600 (24,435)	101,462	-	5,808,040	19,513	406,130 (13,930)	21,490	433,203	5,374,837	6.67-20
Office equipment	5,592	37,798	6,422 (48)	160	-	49,924	958	6,844 (4)	-	7,798	42,126	10
Computers	9,832	13,334	14,679 (491)	-	-	37,354	2,327	11,718 (167)	-	13,878	23,476	10-33
Furniture and fixtures	1,820	8,572	1,410	-	-	11,802	324	1,700	-	2,024	9,778	10
Vehicles	12,250	24,099	9,818 (5,828)	12,307	-	52,646	2,773	12,568 (464)	5,632	20,509	32,137	20
Lab and other equipment	319	5,515	4,601 (664)	-	-	9,771	64	2,266 (33)	-	2,297	7,474	10-20
	647,961	2,335,070	2,961,824 (31,466)	113,929	(113,929)	6,027,318	27,133	451,441 (14,598)	27,122	491,098	5,536,220	
Leased assets												
Plant and equipment	152,876	244,288	130,506	(101,462)	-	426,208	5,749	35,914	(21,490)	20,173	406,035	6.67-10
Vehicles	39,943	16,445	6,189 (6,943)	(12,307)	-	43,327	7,989	13,434 (4,001)	(5,632)	11,790	31,537	20
Computers	-	353	-	-	-	353	-	353	-	353	-	33
Office equipment	-	160	-	(160)	-	-	13,738	49,701 (4,001)	(27,122)	-	437,572	10
	192,819	261,246	136,695 (6,943)	(113,929)	(160)	469,888	13,738	49,701 (4,001)	(27,122)	32,316	437,572	
2006	840,780	2,596,316	3,098,519 (38,409)	-	-	6,497,206	40,871	501,142 (18,599)	-	523,414	5,973,792	
2005	12,128	-	903,466 (74,814)	-	-	840,780	2,103	39,090 (324)	-	40,869	799,911	

Worldcall Telecom Limited

Note 2006 2005
(Rupees in '000)

3.2 Depreciation charge for the year has been allocated as follows:

Direct cost	30	454,401	25,261
Operating cost	31	46,741	3,953
Capitalized during the period		-	9,876
		501,142	39,090

3.3 Detail of certain property, plant and equipment sold during the year is as follows:

Description	Cost	Accumulated depreciation	Book Value	Sale proceeds	Mode of disposal	Sold to
(Rupees in '000)						
Plant and equipment						
SDA equipment	458	51	407	398	Insurance Claim	-
Payphone sets	18,052	13,536	4,516	-	Scraped	
Tems equipment	664	33	631	-	Insurance Claim	-
BTS Tower	4,841	305	4,536	1,449	Insurance Claim	-
Computers						
Laptop - Dell	95	31	64	64	Company policy	Mr. Adnan Khan
Laptop - Compaq	116	46	70	105	Insurance Claim	-
Laptop	130	13	117	-	Insurance Claim	-
Vehicles						
Honda Civic	1,393	557	836	950	Insurance Claim	-
Suzuki Cultus	555	222	333	355	Insurance Claim	-
Hyundai Shehzore	589	471	118	465	Insurance Claim	-
Honda Civic	1,325	530	795	1,199	Insurance Claim	-
Suzuki Mehran	350	70	280	350	Insurance Claim	-
Suzuki Baleno	749	212	537	333	Insurance Claim	-
Honda Civic VTI	1,359	110	1,249	1,125	Negotiation	Mr. Laeeq
Honda Civic	1,431	215	1,216	1,200	Insurance Claim	-
Suzuki Cultus	570	209	361	560	Settlement	Faysal Bank Ltd
Toyota Land Cruiser	4,711	1,570	3,141	2,500	Negotiation	First Capital Equities Ltd
Suzuki Pickup	339	271	68	207	Negotiation	Mr. Haji Iqbal
Items with book value below Rs. 50,000	682	147	535	339		
Total	38,409	18,599	19,810	11,599		

2006
(Rupees in '000)

2005

4 Capital work-in-progress

Owned

Civil works	36,287	38,845	
Plant and equipment	637,845	1,387,791	
	674,132	1,426,636	
Plant and equipments subject to finance lease Store and spares held for capital expenditure	29,354	-	
	183,407	-	
	886,893	1,426,636	

5 Intangible assets

	Accumulated amortization as at 01 July	Amortization (adjustments) for the year	Accumulated amortization as at 30 June	Net book value as at 30 June	Amortization rate %
--	--	--	--	------------------------------------	------------------------

	(Rupees in '000)							
	Cost as at 01 July	Acquisition through business combination	Additions/ (adjustments)	Cost as at 30 June				
Lease rights	23,084	-	-	1,413	-			
Licenses	2,454,340	-	(23,084)	77,261	(1,413)			
Patents and copyrights	-	5,333	-	-	122,717			
Software	14,467	-	3,657	197	801			
Goodwill	-	2,690,403	-	-	3,564			
	-	2,690,403	-	-	136,909			
2006	2,491,891	2,695,736	3,657 (23,084)	78,871	263,991 (1,413)	341,449	4,826,751	
2005	-	-	2,491,891	-	78,871	78,871	2,413,020	

Worldcall Telecom Limited

	Note	2006 (Rupees in '000)	2005
5.1			
Amortization charged for the year has been allocated as follows:			
Operating cost	31	198,561	5,125
Capitalized during the period		65,430	73,746
		<u>263,991</u>	<u>78,871</u>

6 Investment properties

Acquisition through business combination		35,634	-
Fair value adjustment		21,000	-
		<u>56,634</u>	<u>-</u>

Investment property comprises commercial property that is rented to Total Media Limited, an associated company.

The carrying value of investment property is the fair value of the property as determined by approved independent valuer M/s PEE DEE & Associates as at 30 June 2006. Fair value was determined having regard to recent market transactions for similar properties in the same location and condition as the Company's investment property.

	2006 (Rupees in '000)	2005
7 Long term investments - at cost		
Foreign subsidiary - Unquoted		
Worldcall Telecommunication Lanka (Pvt) Limited. Incorporated in Sri Lanka		
7,221,740 (2005: Nil) ordinary shares of Sri Lankan Rupees 10/-each Equity held 70.65% (2005: Nil)	44,406	-
Share deposit money	13,671	-
	<u>58,077</u>	<u>-</u>
Associated company - Unquoted		
Total Media Limited. Incorporated in Pakistan		
2,599,500 (2005: Nil) ordinary shares of Rs 10/-each Equity held 30.12% (2005: Nil)	25,995	-
Share deposit money	16,000	-
	<u>41,995</u>	<u>-</u>
	<u>100,072</u>	<u>-</u>

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	Note	2006 (Rupees in '000)	2005
8 Long term deposits			
Security deposit with PTCL		28,539	12,713
Deposits with financial institutions	8.1	153,545	114,418
Others		25,838	11,998
		<u>207,922</u>	<u>139,129</u>
Less: Current maturity	12	(8,218)	-
		<u>199,704</u>	<u>139,129</u>

8.1 These include amount deposited in debt service reserve account with HBL amounting to Rs. 95 million (2005: Rs. 95 million) on which syndicate banks have created a lien as mentioned in note 21.3. This carry's markup at the rate of 2.25% per annum (2005: Nil).

	Note	2006 (Rupees in '000)	2005
9 Deferred costs			
Acquired through business combination		25,996	-
Less: Amortization during the year		(15,933)	-
		<u>10,063</u>	<u>-</u>

10 Trade debts			
Considered good - Unsecured		757,315	300,367
Less: Provision for doubtful debts	10.1	(55,881)	-
		<u>701,434</u>	<u>300,367</u>

10.1 Provision for doubtful debts			
Addition during the year		65,917	-
Less: write off during the year		(10,036)	-
		<u>55,881</u>	<u>-</u>

11 Loans and advances - considered good			
Loans and advances to employees	11.1	23,456	4,297
Advances to suppliers		61,378	127,592
Advances to associated companies	11.2	49,261	462
		<u>134,095</u>	<u>132,351</u>

11.1 This includes aggregate balance of advances to executives of Rs. 0.365 million (2005 : Rs. 0.125 million).

	2006 (Rupees in '000)	2005
11.2 Advances to associated companies		
Media Times (Private) Limited	49,261	-
Worldcall Multimedia Limited	-	462
	<u>49,261</u>	<u>462</u>

These advances are unsecured and considered good and carry markup at the rate of 14% to 16% (2005: 16%).

11.3 Chief Executive and Directors have not taken any loan and advance from the Company.

	Note	2006 (Rupees in '000)	2005
12 Short term deposits and prepayments			
Margin deposits	12.1	125,201	101,275
Deposit with regulatory authorities		86	-
Prepayments		42,820	20,889
Current maturity of lease security deposits	8	8,218	-
Short term deposits		14,699	-
		191,024	122,164

12.1 These include deposits placed with banks against various guarantees and letters of credit.

	Note	2006 (Rupees in '000)	2005
13 Other receivables			
Income tax recoverable		128,161	774
Sales tax refundable		12,259	25,245
Receivable from PTCL - Unsecured considered good	13.1	214,527	-
Receivable from Pakistan Telecommunication Authority		58,151	-
Other receivables - considered good		136,450	6,952
Other receivables - considered doubtful		21,319	-
		157,769	6,952
Less: provision for doubtful receivables		(21,319)	-
		549,548	32,971

13.1 This includes an amount of Rs. 174 million representing claims lodged by Worldcall Communications Limited (WCL), now merged into the Company, with Pakistan Telecommunication Company Limited (PTCL) for excess billing on short duration calls, border line calls and 0900 facility. These claims were initially acknowledged by PTCL's Corporate Clients Committee through its decision dated 15 December 2003. However, PTCL subsequently through its letter dated 09 September 2005 withdrew its decision. The Company has decided to invoke the available arbitration clause in the agreement to realize the claimed amount. The management is hopeful for a favorable outcome in this respect.

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14 Short term investments	Note	2006 (Rupees in '000)	2005
Investments at fair value through profit and loss - Carrying value	14.1	99,242	-
Fair value adjustment		(3,112)	-
		96,130	-
Related parties			
At fair value through profit and loss - Carrying value	14.2	134,233	-
Fair value adjustment		141,475	-
		275,708	-
Placements under reverse repurchase agreements - Secured			
Quoted shares	14.3	412,704	-
		784,542	-

14.1 Particulars of listed shares - At fair value through profit and loss

All shares have face value of Rs. 10 each.

Name	No. of shares		2006		2005	
	2006	2005	Carrying value Rupees in '000	Market value	Carrying value Rupees in '000	Market value
Commercial Banks						
The Bank of Punjab	75,709	-	6,002	6,212	-	-
United Bank Ltd.	20,000	-	2,802	2,755	-	-
National Bank of Pakistan	37,500	-	8,767	8,081	-	-
Mutual Fund						
First Dawood Mutual Fund	505,000	-	4,359	4,697	-	-
Cement						
DG Khan Cement Ltd.	75,000	-	6,842	6,529	-	-
Lucky Cement Ltd.	100,000	-	10,424	10,355	-	-
Chemicals & Pharmaceuticals						
Engro Chemical (Pakistan) Ltd	35,000	-	6,362	5,929	-	-
Fauji Fertilizers (Bin Qasim) Ltd	110,000	-	3,773	3,218	-	-
Textile						
Nishat Mills Ltd.	50,000	-	5,308	5,240	-	-
Samin Textile Ltd.	40,500	-	537	618	-	-

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Name	No. of shares		2006		2005	
	2006	2005	Carrying value	Market value	Carrying value	Market value
			Rupees in '000		Rupees in '000	
Fuel & Energy						
Oil & Gas Development Company Ltd.	70,000	-	9,658	9,573	-	-
Pak Oilfields Ltd.	30,000	-	11,133	10,044	-	-
Pak Petroleum Ltd.	25,000	-	5,583	5,296	-	-
Pakistan State Oil Ltd.	10,000	-	3,044	3,090	-	-
Electric Appliances						
Pak Electron Limited	27,000	-	2,635	2,861	-	-
Engineering & Allied Industry						
Pak Suzuki Motors	13,800	-	4,257	4,319	-	-
Telecommunication Sector						
Pakistan Telecommunication Company Ltd.	180,000	-	7,756	7,313	-	-
			<u>99,242</u>	<u>96,130</u>	<u>-</u>	<u>-</u>

14.2 Particulars of listed shares of related parties- Investment at fair value through profit and loss

All shares have face value of Rs. 10 each.

Name	No. of shares		2006		2005	
	2006	2005	Carrying value	Market value	Carrying value	Market value
			Rupees in '000		Rupees in '000	
First Capital Securities Corporation Limited	1,264,847	-	22,767	44,459	-	-
Percentage of equity held 1.26%						
Shaheen Insurance Company Ltd.	1,569,625	-	45,785	148,330	-	-
Percentage of equity held 19.62%						
Pace (Pakistan) Limited	5,922,800	-	65,681	82,919	-	-
Percentage of equity held 5.69%						
			<u>134,233</u>	<u>275,708</u>	<u>-</u>	<u>-</u>

Market value of Pace (Pakistan) Limited represents value guaranteed by underwriters in Initial Public Offer (IPO). All associated companies are incorporated in Pakistan.

14.3 This represents placements for a period upto 35 days, secured against quoted shares having market value at year end of Rs.425.9 million (2005: Rs.Nil) and carrying mark-up at the rate ranging from 13% to 18% per annum (2005: Nil).

	Note	2006	2005
(Rupees in '000)			
15 Cash and bank balances			
At banks in			
Current accounts		197,034	192,936
Saving accounts	15.1	274,331	398,337
Deposit accounts	15.2	933,213	-
		1,404,578	591,273
Cash in hand		48,211	655
		1,452,789	591,928

15.1 The balances in saving accounts bear mark up at the rate of 1.5% to 5% (2005: 2.75 % to 5.5 %) per annum.

15.2 The balances in deposit accounts bear mark up at the rate of 3% to 10.7 % (2005: Nil) per annum.

	Note	2006	2005
(Rupees in '000)			
16 Current maturities of non-current liabilities			
Term finance certificates	20	100,000	-
Long term finances	21	433,830	75,000
Liabilities against assets subject to finance lease	24	188,932	55,173
License fee payable	25	71,000	-
		793,762	130,173
17 Running finance under mark-up arrangements-Secured			

Short term running finances available from commercial banks under mark up arrangements amount to Rs. 2,075 million (2005: Rs. 1,564 million). Mark up is charged at rates ranging from 7.7% to 13% per annum (2005: 8.17% to 9.74% per annum).

These running finances under mark up arrangements are secured by hypothecation charge of fixed assets, stores, stocks and receivables.

	2006	2005
(Rupees in '000)		
18 Trade and other payables		
Trade creditors		
Related parties - associated companies	4,348	30,482
Others	650,281	906,035
	654,629	936,517
Accrued and other liabilities	77,374	10,633
Advance from customers	67,252	1,781
Commitment fee payable	1,925	-
Retention money	23,017	-
Tax deducted at source	6,951	-
Unclaimed dividend	14,421	-
	845,569	948,931

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	Note	2006	2005
		(Rupees in '000)	
19 Interest and mark-up accrued			
Long term financing		23,116	8,187
Short term borrowings		5,085	760
Share deposit money		972	43,701
Finance lease		367	-
Advance from associated companies		-	2,936
Term finance certificates		4,591	-
		<u>34,131</u>	<u>55,584</u>

20 Term finance certificates - Secured

Term Finance Certificates	20.1	149,909	-
Less: Current maturity		(100,000)	-
		<u>49,909</u>	<u>-</u>

20.1 These represent listed Term Finance Certificates (TFCs) with face value of Rs. 5,000 per certificate. These TFCs are redeemable in seven equal semi annual installments commencing September 2004. Profit rate is charged at State Bank of Pakistan discount rate plus 1.75% p.a. with a floor of 12.25% p.a. and cap of 16.25% p.a. These are secured by way of first pari passu hypothecation charge on the present and future fixed assets of the Company amounting to Rs. 437.5 million.

If the Company fails to redeem any TFC on the respective redemption date thereof and such default is not rectified within seven business days of such redemption date, then the entire obligation shall become immediately due and payable and the security created pursuant to the security documents shall become immediately enforceable.

	Note	2006	2005
		(Rupees in '000)	
21 Long term finances			
Long term finances utilized under mark up arrangements:			
Banking companies and other financial institutions			
Convertible loan from Amatis Ltd - Un secured	21.2	66,371	-
Syndicated Loan I - Secured	21.3	826,212	609,888
Syndicated Loan II - Secured	21.4	427,778	-
Syndicated Loan III - Secured	21.5	74,563	150,000
Faysal Bank Limited - Secured	21.6	33,333	-
Habib Bank AG Zurich - Secured	21.7	32,083	-
Orix Investment Bank Limited - Secured	21.8	15,000	-
Pak Kuwait Investment Company Limited - Secured	21.9	75,000	-
		<u>1,550,340</u>	<u>759,888</u>
Initial transaction costs incurred		(43,866)	(40,315)
		<u>1,506,474</u>	<u>719,573</u>
Accumulated amortization of transaction costs		12,373	3,195
		<u>1,518,847</u>	<u>722,768</u>
Less: Current portion		(433,830)	(75,000)
		<u>1,085,017</u>	<u>647,768</u>

21.1 Finance cost

Borrowing cost amounting to Rs. 120.665 million (2005: Rs. 78.45 million) was capitalized during the year in cost of property, plant and equipment. This includes Rs. 101.575 million (2005: Rs. 78.45 million) on financing specifically obtained for expansion of WLL project and Rs. 19.08 million (2005:Nil) on financing obtained for expansion of Broad Band operations.

Terms of repayment and securities

21.2 Convertible loan from Amatis Ltd.

The Company has arranged a long term loan from Amatis Ltd ("the lender") for an amount of Rs. 1.497 billion. The purpose of loan is project expansion of WLL operations. The loan bears an interest rate of 1% per annum payable annually in arrears within 25 days of each anniversary. The term of the loan is 7 years. The loan is convertible into ordinary shares at par value of Rs. 10 each. The conversion option can be exercised by the lender at any time after the merger of WTL with WCL, WBL and WML. The loan is to be used exclusively for the agreed purpose.

21.2.1 The convertible loan recognized in the balance sheet is calculated as follows:

	2006	2005
	(Rupees in '000)	
Face value of convertible loan	1,497,105	-
Less transaction cost	(32,380)	-
	1,464,725	-
Equity component	(1,400,430)	-
Liability component	64,295	-
Interest expense recognized	2,076	-
	66,371	-

The fair value of the liability component of the convertible loan as at 30 June 2006 is calculated by discounting cash flows at a rate of 12.5% which represents the effective borrowing rate of the Company. The residual amount, representing the value of the equity conversion component, is included in shareholders equity in convertible loan reserve.

21.2.2 Interest expense on the loan is calculated using the effective interest method by applying the effective interest rate of 12.5% to the liability component.

21.3 Syndicated Loan I - Secured

	Limit	Outstanding
	(Rupees in '000)	
Habib Bank Limited	750,000	344,255
National Bank of Pakistan	750,000	344,255
MCB Bank Limited (formerly Muslim Commercial Bank Limited)	150,000	68,851
Askari Commercial Bank Limited	150,000	68,851
	1,800,000	826,212

The Company obtained a long term loan of Rs. 1,800 million from above mentioned syndicate for the purpose 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. Markup will be charged at a rate of six months ASK KIBOR prevailing two working days prior to the beginning of each installment period plus 4% with no floor or cap. The markup 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 and pledge of 51% shares 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 the 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 draw down date.

As per terms of the agreement the Company had to drawdown the total amount by 30 June 2005. However, to date, the Company has not withdrawn the total amount as PTA has extended the term of repayment of license fee.

	<u>Limit</u>	<u>Outstanding</u>
	(Rupees in '000)	
21.4 Syndicated Loan II - Secured		
The Bank of Punjab	100,000	77,778
KASB Bank Limited	100,000	77,778
Metropolitan Bank Limited	35,000	27,222
The Bank of Khyber	50,000	38,889
PICIC	50,000	38,889
PICIC Commercial Bank Limited	100,000	77,778
Orix Investment Bank Pakistan Limited	30,000	23,333
Crescent Bank Limited	25,000	19,444
Soneri Bank Limited	25,000	19,444
Saudi Pak Commercial Bank Limited	25,000	19,444
First Dawood Investment Bank Limited	5,000	3,890
Cres Lease	5,000	3,889
	<u>550,000</u>	<u>427,778</u>

The loan was obtained in September 2004 for a period of five years from above mentioned syndicate of banking companies at mark up of 4.25% above six months KIBOR with a floor of 6.5% and a cap of 10.5% per annum and is repayable in nine bi-annual installments. The loan is secured by way of First Exclusive Hypothecation charge ranking pari passu for Rs. 733 million on Broadband Karachi Division's fixed assets excluding land and building.

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	Limit	Outstanding
	(Rupees in '000)	
21.5 Syndicated Loan III - Secured		
Pak Oman Investment Company Limited	50,000	24,854
Union Bank Limited	50,000	24,855
PICIC Commercial Bank Limited	25,000	12,427
Soneri Bank Limited	25,000	12,427
	150,000	74,563

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 three years from the date of disbursement. Mark-up is being 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 loan is to be repaid in 4 equal semi annual installments after a grace period of 12 months from the disbursement date of 05 May 2004. This facility is secured against all present and future fixed and moveable assets (excluding land and building and current assets) of LDI Division.

21.6 This loan was obtained in June 2005 from Faysal Bank Limited for a period of three years under term Morabaha facility at mark up of six months KIBOR plus 3.5% with floor at 9% and no cap. The loan is repayable in 36 equal monthly installments and is secured by way of charge on all fixed assets of Broadband Lahore Division upto the extent of Rs. 75 million.

21.7 This loan has been obtained in March 2006 from Habib Bank AG Zurich for a period of three years at mark up rate of three months KIBOR plus 2.75% with no floor or cap. The loan is repayable in 12 equal quarterly installments and is secured by way of charge on current assets of Broadband Lahore Division upto the extent of Rs. 47 million.

21.8 This loan has been obtained from Orix Investment Bank Limited in August 2005 for a period of three years at mark up rate of six months KIBOR plus 4% with no floor or cap. The loan is repayable in 12 equal quarterly installments and is secured by way of charge on fixed assets of Broadband Lahore Division upto the extent of Rs. 26.667 million.

21.9 The loan has been obtained in September 2004 for a period of four years from Pak Kuwait Investment Company Limited at mark up rate of 4.75% above six months KIBOR with a floor of 7% and a cap of 10% per annum and is repayable after one year from disbursement in thirty six monthly installments. The loan is secured by way of First Exclusive Hypothecation charge ranking pari passu for Rs. 133 million on Broadband Karachi Division's fixed assets excluding land and building.

	2006	2005
	(Rupees in '000)	
22 Deferred taxation		
This is composed of:		
Liability for deferred taxation comprising temporary differences related to:		
Accelerated tax depreciation	1,114,390	114,222
Others	77,801	7,298
Asset for deferred taxation comprising temporary differences related to:		
Unused tax losses and tax credits	(714,646)	(134,224)
	477,545	(12,704)

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	Note	2006	2005
		(Rupees in '000)	
23	Retirement benefits		
	Gratuity		
	The amounts recognized in the balance sheet are as follows:		
	Present value of defined benefit obligation	73,978	5,774
	Unrecognized (actuarial losses)	<u>(4,155)</u>	<u>(14)</u>
		<u>69,823</u>	<u>5,760</u>
	Liability at beginning of the year	5,760	1,023
	Acquisition through business combination	42,563	-
	Charge to profit and loss account	23.1 32,910	3,156
	Additional liability due to transferred employees	-	1,611
	Paid during the year	(11,410)	(30)
		<u>69,823</u>	<u>5,760</u>

23.1 Salaries, wages, amenities and other benefits include the following in respect of retirement and other benefits:

		2006	2005
		(Rupees in '000)	
	Interest cost for the year	4,608	90
	Current service cost	28,192	3,066
	Actuarial loss recognized during the year	110	-
		<u>32,910</u>	<u>3,156</u>

Recent actuarial valuations of plans were carried out on 30 June 2006 by Nauman Associates.

Significant actuarial assumptions used for valuation of these plans are as follows:

		2006	2005
		per annum	per annum
	Discount rate	9%	9%
	Expected rates of salary increase	8%	8%

		2006	2005
		(Rupees in '000)	
24	Liabilities against assets subject to finance lease		
	Present value of minimum lease payments	364,556	158,230
	Less: Current portion shown under current liabilities	(188,932)	(55,173)
		<u>175,624</u>	<u>103,057</u>

Interest rate used as discounting factor ranging from 6 % to 17% per annum (2005: 6% to 10.5%)per annum. Taxes, repairs, replacements and insurance costs are to be borne by lessee. 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 amount against the residual value of the asset and intends to exercise the option. In case of default in payment of

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installments the Company will be liable to pay additional lease rental on overdue payment at the rate of 0.1% per day (2005: 0.1% per day).

The amount of future payments of the lease and the period in which these payments will become due are as follows:

	2006			2005		
	Minimum Lease Payment	Finance cost	Principal	Minimum Lease Payment	Finance cost	Principal
	(Rupees in '000)			(Rupees in '000)		
Not later than one year	216,340	27,408	188,932	64,593	9,420	55,173
Later than one year but not later than five year	185,850	10,226	175,624	108,816	5,759	103,057
	<u>402,190</u>	<u>37,634</u>	<u>364,556</u>	<u>173,409</u>	<u>15,179</u>	<u>158,230</u>
				2006		2005
				(Rupees in '000)		

25 License fee payable

Carrying value of license fee payable to PTA	1,206,000	1,208,610
Less: present value adjustment	(453,107)	-
	<u>752,893</u>	<u>1,208,610</u>
Interest charged to profit and loss	23,774	-
Less: current portion shown under current liabilities	(71,000)	-
	<u>705,667</u>	<u>1,208,610</u>

This represents interest free license fee payable to PTA for WLL license. As per the agreement with PTA the total of Rs. 1,206 million is payable after four years by March 2010. The long term portion has been discounted using the effective interest rate of 12.5%.

26 Contingencies and commitments

26.1 Billing disputes with PTCL

- The Worldcall Communications Limited (WCL) now merged into the Company, has a billing dispute amounting to Rs. 13.7 million with PTCL, these are the PTCL charges being in excess of actual usage as per the internal records. The committee formed by PTCL in this respect agreed the Company's claim, however settlement is still pending.
- There is a difference of Rs. 36.8 million (2005: Rs 40 million) due to the difference in formulae used by PTCL and the Company for the calculation of Domestic Private Lease Circuits (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. Further, PTCL has charged the Company Rs. 3.8 million (2005: Rs 32 million) for the link between Karachi to Islamabad which has not yet been activated. PTCL has also charged the Company excess DPLC charges amounting to Rs. 6.8 million (2005: Rs Nil) on account of differences of distances, transmission capacity and route which were not activated but were charged by PTCL.

26.2 The Income Tax proceedings of WML, WBL and the Company have been finalized upto Tax Year 2005 with the exception of the following issues relating to WCL :

26.2.1 The Taxation Officer reassessed the Income for the tax year 2005 creating gross tax liability of Rs.36.80 million (net tax liability of Rs.27.05 million). WCL (now merged into WTL) filed appeal to the Commissioner of Income Tax (Appeals) (CIT (A)) against order under section 122 of the Income Tax Ordinance 2001. The appeal mainly related to add backs of bad debts written off, deferred cost, allocation of expenses to capital gain, excess perquisites and capital gain on sale of property. The CIT (A) in his order has allowed partial relief reducing the gross tax demand to Rs.27.69 million (net tax liability of Rs.15.80 million). The Company has filed appeal against the above said order of CIT(A) in Income Tax Appellate Tribunal. The management is confident that the appeal will be decided in favour of the Company. The Company has already provided Rs.26.49 million in the audited accounts for the year ended 30 June 2005.

26.2.2 The Taxation Officer reassessed the Income for the tax year 2004 creating gross tax liability of Rs.63.66 million (net tax liability of Rs.54.98 million). The Company filed appeal to the Commissioner of Income Tax (Appeals) against order under section 122 of the Income Tax Ordinance 2001. The appeal mainly related to add backs of Intangible assets written off, deferred cost, excess perquisites and lease rentals. The CIT (A) in his order has allowed partial relief reducing the gross tax demand to Rs.56.86 million (net tax liability of Rs.34.99 million). The Company has already provided Rs.60 million in the audited accounts for the year ended 30 June 2004. The Company has also filed rectification application with the Taxation Officer on the issue that while framing the assessment Taxation Officer did not give full credit of advance tax and tax deducted at source while passing the order under section 124 and 129 of the Income Tax Ordinance 2001. After giving the effect of rectification application and order of CIT(A) the net tax demand for the year 2004 of the Company would be Rs. 14.80 million (2005: Nil). The Company as filed appeal against above said order of CIT(A) in Income Tax Appellate Tribunal . The management is confident that the appeal will be decided in favour of the Company.

26.2.3 The applicability of withholding tax under section 236 of the Income Tax Ordinance 2001 on Payphone services was challenged by the Association of Payphones Operators Pakistan. At present the matter is pending before the Honorable Supreme Court of Pakistan. The Management is confident of favorable outcome in this regard, therefore liability amounting to Rs. 141.80 million (2005: Nil) approximately has not been recognized in these accounts.

		2006	2005
		(Rupees in '000)	
26.3	Outstanding guarantees	<u>196,161</u>	<u>51,370</u>
26.4	Commitments in respect of capital expenditure	<u>66,349</u>	<u>236,600</u>
26.5	Outstanding letters of credit	<u>324,277</u>	<u>-</u>
27	Issued, subscribed and paid up capital		
	Ordinary shares of Rs. 10 each as fully paid in cash	3,440,000	2,750,000
	Ordinary shares of Rs. 10 each issued in accordance with the scheme of merger	3,099,658	-
		<u>6,539,658</u>	<u>2,750,000</u>

Worldcall Telecom Limited

		2006	2005
		(Number of Shares)	
27.1	Reconciliation of Issued, subscribed and paid up capital		
	Opening balance	275,000,000	3,500
	Issued as fully paid in cash	69,000,000	274,996,500
	Issued in accordance with the scheme of merger	309,965,789	-
		653,965,789	275,000,000

The detail of the Company's shares held by associated companies as at 30 June 2006 is as follows:

		2006	2005
		(Number of Shares)	
Name of associated undertaking			
	First Capital Securities Corporation Limited	78,538,838	29,250,000
	Pace (Pakistan) Limited	1,566,011	-
		80,104,849	29,250,000

28 Share premium

This reserve can be utilized by the Company only for the purposes specified in section 83(2) of the Companies Ordinance, 1984.

		2006	2005
		(Rupees in '000)	
29	Revenue -Net		
	Telecom services	4,126,882	677,854
	Broadband services	906,881	-
		5,033,763	677,854
	Less:		
	Sales tax	250,699	-
	Discount and commission	427,205	-
		677,904	-
		4,355,859	677,854

30 Direct cost

	Interconnect, settlement and other charges	1,748,203	512,298
	Bandwidth and other PTCL charges	259,420	60,828
	Depreciation	454,401	25,261
	Power consumption and pole rent	89,267	2,058
	PTA charges	33,031	2,353
	Salaries and other benefits	8,331	-
	Inventory consumed	23,380	-
	Stores and spares consumed	8,856	-
	Annual spectrum fee	16,378	265
	Content cost	21,414	-
	Network maintenance & insurance	2,887	274
	Cable modem and accessories	5,617	-
	Others	2,118	4,496
		2,673,303	607,833

Worldcall Telecom Limited

	Note	2006	2005
30.1	PTA Charges	(Rupees in '000)	
	LDI License	30.1.1 12,522	2,192
	WLL License	30.1.2 7,621	161
	Payphones License	30.1.3 8,311	-
	Broadband License	30.1.4 3,023	-
	Telephony License	30.1.5 333	-
	Annual numbering charges	1,221	-
		33,031	2,353
30.1.1	PTA charges for LDI License		
	Gross revenue	1,847,755	634,941
	Interoperator and related PTA cost:		
	Interconnect charges	261,800	62,980
	Inter-carrier settlement charges	88,548	9,967
	Access Promotion Contribution (APC)	568,746	203,959
	Universal Service Fund (USF)	11,400	142,866
	CPP Charges	271,876	81,477
	Bandwidth and other PTCL Charges	144,475	60,617
		1,346,845	561,866
	Net revenue	500,910	73,075
	PTA charges	12,522	2,192

This provision represents charges payable to PTA in respect of contribution to the Research and Development Fund established by Federal Government (Rs. 5,009,100), Universal Service Fund (Rs. 5,009,100) and annual regulatory fee (Rs. 2,504,550) under the license agreement for LDI project.

		2006	2005
30.1.2	PTA charges for WLL License	(Rupees in '000)	
	Gross revenue	441,709	6,055
	Interoperator and related PTA cost:		
	Leased circuit and other charges	27,012	-
	Interconnect charges	109,846	673
		136,858	673
	Net revenue	304,851	5,382
	PTA charges	7,621	161

This provision represents charges payable to PTA in respect of contribution to the Research and Development Fund established by Federal Government (Rs. 3,048,505), Universal Service Fund (Rs. 3,048,505) and annual regulatory fee (Rs. 1,524,253) under the license agreement for WLL project.

Worldcall Telecom Limited

The gross revenue represents revenue from licensed services only i.e. connection charges, post paid billing to customers, air time of prepaid cards utilized by customers, line rent of both prepaid and post paid 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.

	2006	2005
	(Rupees in '000)	
30.1.3 PTA charges for Payphones License		
Gross revenue	1,492,341	-
Interoperator and related PTA cost:		
Interconnect charges	(1,028,249)	-
Net revenue	464,092	-
PTA charges	2,320	-
Provision pertaining to previous years	5,991	-
Total provision	8,311	-
30.1.4 PTA charges for Broadband License		
Gross revenue from Internet Over Cable (IOC)	458,069	-
PTA charges	3,023	-
30.1.5 PTA charges for Telephony License		
Gross revenue from telephony services	25,015	-
Interconnect charges	(11,702)	-
Net revenue	13,313	-
PTA charges	333	-

This provision represents charges payable to PTA in respect of contribution to the Research and Development Fund established by Federal Government (Rs. 133,131), Universal Service Fund (Rs. 133,131) and annual regulatory fee (Rs. 66,565) under the licence agreement for Telephony project.

	Note	2006	2005
		(Rupees in '000)	
31 Operating cost			
Salaries, wages and benefits		380,521	32,649
Marketing, advertisement and selling expenses		99,643	31,919
Rent, rates and taxes	31.1	42,728	4,018
Communications		33,171	1,211
Transportation		35,755	-

Worldcall Telecom Limited

	Note	2006	2005
(Rupees in '000)			
Legal and professional	31.1	24,937	528
Insurance		24,662	2,619
Utilities		21,151	1,144
Printing and stationary		17,439	848
Entertainment		16,613	987
Travel and conveyance		13,909	2,588
Repairs and maintenance		12,324	639
Provision for doubtful debts		77,200	-
Bad debts written off		10,036	-
Donations	31.2	5,129	95
Fees and subscriptions		4,122	-
Postage and courier		3,774	152
Newspapers and periodicals		2,441	-
Consultancy		2,182	-
Auditor's remuneration	31.3	3,570	700
Depreciation	3.2	46,741	3,953
Amortization	5.1	198,561	5,125
Loss on sale of fixed assets		3,695	-
Miscellaneous		10,547	2,322
		1,090,851	91,497

31.1 These include operating expenses amounting to Rs. 91,000 with respect to investment properties.

31.2 None of the Directors of the Company or any of their spouses have any interest in or otherwise associated with any of the recipients of donations made by the Company during the year.

	2006	2005
(Rupees in '000)		
31.3 Auditor's remuneration		
Statutory audit	2,300	700
Half year review	650	-
Other sundry certifications	310	-
Out of pocket expenses	310	-
	3,570	700

32 Finance cost

Mark-up on long term loan	70,767	-
Interest on license fee payable	23,774	-
Financial charge on leased liabilities	32,576	4,818
Mark-up on Term Finance Certificates	24,527	-
Mark-up on running finance	16,934	10,563
Bank charges and commission	10,425	5,696
Mark-up on advances from associated companies	89	3,669
	179,092	24,746

Worldcall Telecom Limited

	2006	2005
	(Rupees in '000)	
33 Other operating income		
Income from financial assets		
Profit on sale of investments	104,868	5,193
Income on deposit accounts	15,622	9,791
Mark-up on advances to associated companies	9,458	-
Exchange Loss	(4,635)	(701)
	125,313	14,283
Income from non-financial instruments		
Rental income from investment property	3,712	-
Scrap sales	-	17
Miscellaneous	28,112	-
	31,824	17
	157,137	14,300
34 Taxation		
Current year		
Current	-	-
Deferred	234,610	(12,704)
	234,610	(12,704)
	234,610	(12,704)
34.1	No provision for the year has been provided in the financial statements since there is no taxable income.	
35 Earnings per share	2006	2005
35.1 Basic earnings per share		
Profit after taxation available for distribution to ordinary shareholders	<i>Rupees in '000'</i> 947,610	(19,218)
Weighted average number of ordinary shares	<i>Number in '000'</i> 642,466	116,428
Basic earnings per share	<i>Rupees</i> 1.47	(0.17)
	1.47	(0.17)
	2006	2005
	(Rupees in '000)	
35.2 Diluted earnings per share		
Profit after taxation available for distribution to ordinary shareholders	947,610	(19,218)
After tax effect of interest on convertible loan	2,076	-
Adjusted Profit after taxation available for distribution to ordinary shareholders (diluted)	949,686	(19,218)
	949,686	(19,218)

Worldcall Telecom Limited

	2006	2005
	(Number in '000')	
Weighted average number of ordinary shares	642,466	116,428
Effect of conversion of convertible loan	44,736	-
Weighted average number of ordinary shares (diluted)	687,202	116,428
Diluted earnings per share	<i>Rupees</i> 1.38	(0.17)

36 Related party transactions

The related parties comprise foreign subsidiary, local associated companies, related group companies, directors of the Company, companies where directors also hold directorship, and key management employees. Details of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

	2006	2005
	(Rupees in '000)	
Associated companies		
Purchase of goods and services	41,083	58,743
Interest on loan	9,547	21,991
Sale of goods and services	4,453	91,434

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

37 Cash generated from operations

	2006	2005
	(Rupees in '000)	
Profit/(loss) before taxation	1,182,220	(31,922)
Adjustment for non-cash charges and other items:		
Depreciation	501,142	29,214
Amortization of intangible assets	198,561	1,930
Amortization of deferred cost	15,933	-
Amortization of transaction cost	9,178	3,195
Provision for doubtful receivables	77,200	-
Bad debts written off	10,036	-
Gain on sale of investments	(104,868)	-
Property, plant and equipment written off	4,516	-
Loss on disposal of property, plant and equipment	3,695	-
Exchange loss	-	701
Gain on re-measurement of investments at fair value	(138,363)	-
Gain on re-measurement of investment property at fair value	(21,000)	-
Gain on re-measurement of long term liabilities at present value	(453,107)	-
Retirement benefits	32,910	2,036
Finance cost	179,092	24,744
Profit before working capital changes	1,497,145	29,898

Worldcall Telecom Limited

	Note	2006	2005
(Rupees in '000)			
Effect on cash flow due to working capital changes:			
Stores and spares		(2,657)	-
Stock in trade		(4,181)	(437)
Trade debts		(132,498)	(300,367)
Loans and advances		168,767	(11,517)
Short term deposits and prepayments		26,685	(110,797)
Other receivables		(126,853)	(31,592)
Trade and other payables		(568,500)	887,965
		(639,237)	433,255
38 Cash and cash equivalents		857,908	463,153
Cash and bank balances	15	1,452,789	591,928
Running finance under markup arrangements-Secured		(273,207)	(29,539)
39 Business combination		1,179,582	562,389
Detail of net assets acquired and goodwill are as follows:			
Fair value of shares issued		4,472,806	-
Fair value of net assets acquired		(1,814,259)	-
Goodwill		2,658,547	-

In the absence of the market value at the Effective Date, the fair value of share issued is based on share value used in determining swap ratio approved by Lahore High court in its order dated 24 April 2006.

40 Remuneration of chairman, chief executive and executives

The aggregate amount charged in these financial statements during the year for remuneration, including certain benefits, to the chief executive, directors and executives of the Company were as follows:

	Chief Executive		Directors		Executives	
	2006	2005	2006	2005	2006	2005
	(Rupees in '000)		(Rupees in '000)		(Rupees in '000)	
Managerial	1,584	-	2,120	-	37,902	12,339
Retirement benefits	200	-	100	-	2,506	-
Housing	648	-	848	-	15,225	4,936
Utilities	168	-	212	-	3,833	1,233
	2,600	-	3,280	-	59,466	18,508
Number of persons	1	-	2	-	56	19

During the year there were a total of four chief executives representing each of the merged entities before the date of the court order for merger of WCL, WBL and WML with the Company.

The chief executive, directors and certain executives of the Company are provided with Company maintained vehicles and residential telephones.

Aggregate amount charged in these financial statements for the year for fee to directors was Rs. Nil (2005: Rs. Nil).

41 Accounting estimates and judgments

Income Taxes

The Company takes into account the current income tax law and decisions taken by appellate authorities. Instances where the Company's view differs from the view taken by the income tax department at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities. Furthermore, the Company may be able to avail the benefit of the payment of turnover tax, provided sufficient taxable profits are available in next five years when this credit can be utilized.

Investment property

The estimates for revalued amounts of different investment properties, are based on valuation performed by external professional valuer and recommendation of technical teams of the Company. Further, the Company reviews the value of the assets for possible impairment on an annual basis.

Gratuity

Certain actuarial assumptions have been adopted as disclosed in note 23.1 to the financial statements for valuation of present value of defined benefit obligations. Any changes in these assumptions in future years might affect unrecognized gains and losses in those years.

42 Financial assets and liabilities

	Interest / mark up bearing				Non interest/mark up bearing				Total
	Maturity upto one year	Maturity after one year upto two years	Maturity after two years upto five years	Sub total	Maturity upto one year	Maturity after one year upto two years	Maturity after two years upto five years	Sub total	
Financial assets									
Long term investments - at cost	-	-	-	-	-	-	100,072	100,072	-
Long term deposits	-	-	-	-	8,218	-	199,704	207,922	139,129
Trade debts	-	-	-	-	701,434	-	-	701,434	300,367
Loans and advances - considered good	134,095	-	-	134,095	-	-	-	134,095	132,351
Short term deposits and prepayments	-	-	-	-	139,986	-	-	139,986	101,275
Other receivables	-	-	-	-	409,128	-	-	409,128	6,952
Short term investments	412,704	-	-	412,704	371,838	-	-	743,638	-
Cash and bank balances	1,207,544	-	-	1,207,544	245,245	-	-	490,789	591,928
	<u>1,754,343</u>	<u>-</u>	<u>-</u>	<u>1,754,343</u>	<u>1,875,849</u>	<u>-</u>	<u>299,776</u>	<u>3,929,968</u>	<u>1,272,002</u>
Financial liabilities									
Term finance certificates - Secured	100,000	49,909	-	149,909	-	-	-	149,909	-
Long term finances-secured	433,830	433,830	651,187	1,518,847	-	-	-	1,518,847	722,768
Liabilities against assets subject to finance lease	188,932	175,624	-	364,556	-	-	-	364,556	158,230
Long term payables	-	-	-	-	-	6,261	-	6,261	106,875
Long term deposits	-	-	-	-	-	76,260	-	76,260	4,539
License fee payable	-	-	-	-	-	705,667	-	705,667	1,208,610
Running finance under markup arrangements-Secured	273,207	-	-	273,207	-	-	-	273,207	29,539
Trade and other payables	-	-	-	-	771,366	-	-	771,366	947,150
Interest and mark up accrued	-	-	-	-	34,131	-	-	34,131	55,584
	<u>995,969</u>	<u>659,363</u>	<u>651,187</u>	<u>2,306,519</u>	<u>805,497</u>	<u>-</u>	<u>788,188</u>	<u>3,900,204</u>	<u>3,233,295</u>
Off balance sheet financial instruments									
Contingencies and commitments	-	-	-	-	-	-	-	-	122,500
Guarantees	-	-	-	-	-	-	-	-	196,161
Letters of credit	-	-	-	-	-	-	-	-	324,277
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>410,470</u>

The effective interest/ mark-up rates for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.

42.1 Financial risk management objectives

The Company finances its operations through equity, borrowings and management of working capital with a view to obtain a reasonable mix between the various sources of finance to minimize risk.

Taken as a whole, risk arising from the Company's financial instruments is limited as there is no significant exposure to market risk in respect of such instruments.

42.2 Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into foreign currency. The Company is exposed to foreign currency risk on sales, purchases and borrowings that are entered in a currency other than Pak Rupees. The Company uses forward exchange contracts to hedge its foreign currency risk, when considered appropriate.

42.3 Concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. The Company's credit risk is primarily attributable to its trade debts and loans and advances. The Company has no significant concentration of credit risk as exposure is spread over a large number of counter parties in the case of trade debts. Of the total financial assets of Rs. 3,928 million (2005: Rs. 1,272 million) financial assets which are subject to credit risk amount to Rs. 1,590.823 million (2005: Rs. 680.074 million). To manage exposure to credit risk, the Company applies credit limits to its customers and obtains advances from them.

42.4 Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

42.5 Liquidity risk

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. The Company follows an effective cash management and planning policy and maintains flexibility in funding by keeping committed credit lines available.

42.6 Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Company has adopted appropriate policies to cover interest rate risk.

43 Segment reporting

Segment information is presented in respect of the Company's business. The primary format, business segment, is based on the Company's management reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one year.

The Company's operations comprise of the following main business segments:

- Telecom segment which comprises of WLL, LDI and Operation and Maintenance of payphone network.
- Broadband segment which comprise of internet over cable and cable TV services.

Worldcall Telecom Limited

Segment analysis for the year ended 30 June 2006

	Telecom	Broadband (Rupees in '000)	Total
Sales			
External sales	4,126,882	906,881	5,033,763
Inter-segment sales	-	-	-
Sales tax	227,242	23,457	250,699
Discount and commission	413,020	14,185	427,205
Total revenue - net	<u>3,486,620</u>	<u>869,239</u>	<u>4,355,859</u>
Profit before tax and unallocated expenses	940,616	241,604	1,182,220
Unallocated corporate expenses			
Taxation			(234,610)
Profit/(loss) after taxation			<u>947,610</u>
Segment assets and liabilities			
Segment assets	12,832,455	3,091,453	15,923,908
Unallocated assets	-	-	-
Consolidated total assets			<u>15,923,908</u>
Segment liabilities	3,796,647	897,330	4,693,977
Unallocated liabilities	-	-	-
Consolidated total liabilities			<u>4,693,977</u>
Segment capital expenditure	2,481,047	621,129	3,102,176
Unallocated capital expenditure			-
Consolidated total capital expenditure			<u>3,102,176</u>
Non-cash expenses other than depreciation and amortization	<u>44,850</u>	<u>67,497</u>	<u>112,347</u>
Depreciation and amortization	<u>533,107</u>	<u>166,596</u>	<u>699,703</u>

44 Date of authorization for issue

These financial statements were authorized for issue on 09 October 2006 by the Board of Directors.

45 Dividend

The Board of Directors of the Company in their meeting held on 09 October 2006 have proposed bonus shares for the year ended 30 June 2006 @15 shares for each 100 shares held i.e. 15 % as a final dividend.

46 **Forthcoming Requirements Under International Accounting Standard (IAS) 8 "Accounting Policies, Changes in Accounting Policies, Changes in Accounting Estimates and Errors"**

During the current year the International Financial Reporting Interpretation Committee (IFRIC) of the International Accounting Standards Board issued IFRIC Interpretation 4 (IFRIC-4) "Determining whether an Arrangement contains a Lease". The interpretation is effective for financial periods beginning on or after 1 January 2006. The interpretation requires that determining whether an arrangement is, or contains, a lease shall be based on the substance of the arrangement and requires an assessment of whether:

- (a) fulfilment of the arrangement is dependent on the use of a specific / captive asset or assets; and
- (b) the arrangement conveys a right to use the asset.

The Company has in place certain arrangements which under IFRIC - 4 require re-assessment for potential classification as an operating lease. The financial impact, if any, as a result of this re-assessment is under review.

47 **General**

47.1 Previous year's figures have been rearranged, wherever necessary for the purpose of comparison. Material rearrangements are summarized below;

- Long term advances, previously shown as separate line item, have been classified with Long term deposits.
- Letters of credit in transit, previously shown as line item in other receivables, have been classified with capital work in progress.
- Exchange loss, previously shown as line item in operating cost, has been shown as line item in other operating income.

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

47.3 Comparative figures of cash flow statement and of profit and loss represent figures for seven months period ended 30 June 2005.

CHIEF EXECUTIVE

DIRECTOR

CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
30 JUNE 2006**

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of **Worldcall Telecom Limited (“Holding Company”)** and **Worldcall Telecommunications Lanka (Private) Limited (“the Subsidiary”)** as at 30 June 2006 and the related consolidated profit and loss account, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinion on the financial statements of the Holding Company. The financial statements of the subsidiary were audited by other firm of auditors whose report has been furnished to us and our opinion, in so far as it relates to the amounts included for such company, is based solely on the report of such other auditors. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of the Holding Company and its Subsidiary as at 30 June 2006 and the results of their operations for the year then ended.

Lahore:
09 October 2006

KPMG Taseer Hadi & Co.
Chartered Accountants

Worldcall Telecom Limited Group

DIRECTORS' REPORT (Consolidated Accounts)

The Directors of WorldCALL Telecom Limited are pleased to present the annual audited consolidated accounts of the Group for the year ended June 30, 2006.

Financial Overview

	<i>Rupees in million</i>	
	2006	2005
Revenue Net	4,380	678
Gross profit	1,687	70
Profit after tax	928	(19)
Combined EPS Basic Rupees	1.44	(0.17)

Group Foreign Subsidiary

WorldCALL Telecommunications Lanka (Pvt.) Limited (WCTL)

The company posted a gross profit of SLR 13.86 million as compared to SLR 16.8 million last year. Operational loss is SLR 6.15 million this year as compared to SLR 5.02 million last year. WorldCALL will be focusing on CDMA technology based payphones for speedy connectivity that will help improve the company's profitability.

Pattern of Share holding

The pattern of share holding is included in the Parent company's annual report.

Lahore:
09 October 2006

Salmaan Taseer
Chief Executive

Worldcall Telecom Limited Group

CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2006

	Note	2006 (Rupees in '000)	2005
NON CURRENT ASSETS			
Tangible fixed assets			
Property, plant and equipment	4	6,012,276	799,911
Capital work-in-progress	5	887,333	1,426,636
		6,899,609	2,226,547
Intangible assets			
Investment properties	6	4,855,798	2,413,020
Long term investments - at cost	7	56,634	-
Long term deposits	8	27,923	-
Deferred costs	9	199,704	139,129
	10	10,063	-
		12,049,731	4,778,696
CURRENT ASSETS			
Store and spares		34,637	-
Stock in trade		22,264	437
Trade debts	11	701,744	300,367
Loans and advances - considered good	12	134,095	132,351
Deposits and short term prepayments	13	191,428	122,164
Other receivables	14	553,214	32,971
Short term investments	15	784,542	-
Cash and bank balances	16	1,456,516	591,928
		3,878,440	1,180,218
CURRENT LIABILITIES			
Current maturities of non-current liabilities	17	793,762	130,173
Running finance under mark-up arrangements-Secured	18	273,207	29,539
Trade and other payables	19	857,621	948,931
Interest and mark-up accrued	20	34,131	55,584
Provision for taxation		101,202	-
		2,059,923	1,164,227
NET CURRENT ASSETS		1,818,517	15,991
NON CURRENT LIABILITIES			
Term finance certificates-Secured	21	49,909	-
Long term finances	22	1,085,017	647,768
Deferred taxation	23	477,545	(12,704)
Retirement benefits	24	70,103	5,760
Liabilities against assets subject to finance lease	25	175,624	103,057
Long term payables		6,261	106,875
Long term deposits		77,214	4,539
License fee payable	26	705,667	1,208,610
		2,647,340	2,063,905
Contingencies and commitments	27		
		11,220,908	2,730,782
Represented By			
Share Capital and Reserves			
Authorized capital 775,000,000 (2005: 350,000,000) ordinary shares of Rs. 10 each.		7,750,000	3,500,000
Issued, subscribed and paid up capital	28	6,539,658	2,750,000
Share premium	29	1,391,836	-
Convertible loan reserve	22.2	1,400,430	-
Exchange translation reserve		(845)	-
Accumulated profit/(loss)		1,879,824	(19,218)
Capital and reserves attributable to equity holders of the parent		11,210,903	2,730,782
Minority interest		10,005	-
		11,220,908	2,730,782

The annexed notes 1 to 48 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

Worldcall Telecom Limited Group

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2006

	Note	2006	01 December 2004 to 30 June 2005 (Rupees in '000)
Revenue -Net	30	4,379,895	677,854
Direct cost	31	<u>(2,692,521)</u>	<u>(607,833)</u>
Gross profit		1,687,374	70,021
Operating cost	32	<u>(1,100,464)</u>	<u>(91,497)</u>
Operating profit/(loss)		586,910	(21,476)
Finance cost	33	<u>(179,575)</u>	<u>(24,746)</u>
		407,335	(46,222)
Gain on re-measurement of investments at fair value		138,363	-
Gain on re-measurement of investment property at fair value	7	21,000	-
Gain on re-measurement of long term liabilities at present value	26	453,107	-
Other operating income	34	157,230	14,300
Share of loss of associate		14,072	-
Profit/(loss) before taxation		1,162,963	(31,922)
Taxation	35	<u>(234,610)</u>	12,704
Profit/(loss) after taxation		928,353	(19,218)
Attributable to:			
Equity holders of the parent		929,426	(19,218)
Minority interest		1,073	-
Profit attributable to parent company		928,353	(19,218)
Earnings per share - basic (Rupees)	36	<u>1.44</u>	<u>(0.17)</u>
Earnings per share - diluted (Rupees)	36	<u>1.35</u>	<u>(0.17)</u>

Appropriations have been reflected in the statement of changes in equity.

The annexed notes 1 to 48 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

Worldcall Telecom Limited Group

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

	Note	2006	2005
		(Rupees in '000)	
Cash flows from operating activities			
Cash generated from operations	38	861,463	463,153
(Increase) in long term deposits receivable		(7,483)	(134,446)
(Decrease)/Increase in long term deposits payable		(56,833)	4,539
(Decrease) in long term payables		(100,614)	-
(Decrease) in license fee payable		(2,610)	-
Retirement benefits paid		(11,410)	(30)
Finance cost paid		(318,558)	(48,828)
Taxes paid		(21,226)	(661)
Net cash generated from operating activities		342,729	283,727
Cash flow from investing activities			
Fixed capital expenditure		(1,722,588)	(2,866,332)
Sale proceeds of property, plant and equipment		11,599	-
Proceeds from sale of long term investments		162,161	-
Short term investments-Net		(284,826)	-
Net cash used in investing activities		(1,833,654)	(2,866,332)
Cash flow from financing activities			
Receipt of long term finances		1,728,479	659,888
Repayment of long term finances		(255,555)	-
Repayment of term finance certificates		(99,127)	-
Repayment of finance lease liabilities		(209,339)	(33,556)
Shares issued		690,000	2,493,659
Dividend paid		(42)	-
Net cash generated from financing activities		1,854,416	3,119,991
Net increase in cash and cash equivalents		363,491	537,386
Cash and cash equivalents at the beginning of the year		562,389	25,003
Cash and cash equivalents of merged entities		257,429	-
Cash and cash equivalents at the end of the year	39	1,183,309	562,389

The annexed notes 1 to 48 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

Worldcall Telecom Limited Group

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2006

	Attributable to equity holder of the parent						Minority Interest	Total
	Share capital	Capital reserves				Revenue reserve		
		Share premium	Currency translation reserve	Convertible loan reserve	Share deposit money	Accumulated profit/(loss)		
(Rupees in '000)								
Balance as at 01 July 2004	35	-	-	-	256,306	-	-	256,341
Share deposit money received against issue of shares	-	-	-	-	2,493,659	-	-	2,493,659
Shares issued	2,749,965	-	-	-	(2,749,965)	-	-	-
Loss for the seven months period ended 30 June 2005	-	-	-	-	-	(19,218)	-	(19,218)
Balance as at 30 June 2005	2,750,000	-	-	-	-	(19,218)	-	2,730,782
Share deposit money received against issue of shares	-	-	-	-	690,000	-	-	690,000
Equity component of convertible loan	-	-	-	1,400,430	-	-	-	1,400,430
Shares issued	690,000	-	-	-	(690,000)	-	-	-
Shares issued to shareholders of WBL, WCL and WML under scheme of merger	3,099,658	1,373,148	-	-	-	-	-	4,472,806
Reserves of merged entities transferred as per scheme of merger	-	18,688	-	-	-	1,189,888	-	1,208,576
Minority interest arising on business combination	-	-	-	-	-	-	11,425	11,425
Bonus shares issued by WCL prior to court order	-	-	-	-	-	(220,230)	-	(220,230)
Interim dividend paid	-	-	-	-	-	(42)	-	(42)
	6,539,658	1,391,836	-	1,400,430	-	950,398	11,425	10,293,747
Exchange translation difference	-	-	(845)	-	-	-	(347)	(1,192)
Net profit for the year	-	-	-	-	-	929,426	(1,073)	928,353
Total recognized income and expenses	-	-	(845)	-	-	929,426	(1,420)	927,161
Balance as at 30 June 2006	6,539,658	1,391,836	(845)	1,400,430	-	1,879,824	10,005	11,220,908

The annexed notes 1 to 48 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

1 Legal status and nature of business

1.1 The group Consists of:

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

- 1.1 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"), Long Distance & International ("LDI") services, 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.

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 networks. Payphones are installed at various shops/commercial outlets. The Company holds 70.65% of voting securities in the Subsidiary.

The registered office of the Group is situated at 103 C-II, Gulberg III, Lahore.

- 1.2 The share holders of the Company in their meetings held on 18 February 2006 and 15 April 2006 had approved the scheme of merger ("the Scheme") of the Company with former Worldcall Multimedia Limited ("WML"), former Worldcall Broadband Limited ("WBL") and former Worldcall Communication Limited ("WCL"). The Scheme was subsequently sanctioned by the Honorable Lahore High Court through its order dated 24 April 2006. The effective date of the Scheme was 01 July 2005 ("Effective Date"). In terms of the Order of the Court and the Scheme the assets and liabilities of the merged entities stand transferred to and vested in the Company from the Effective Date. These financial statements have been prepared after accounting for the financial implications of the Scheme, consequently, current year figures present the merged position of all these four companies.

The main features of the merger Scheme are as follows:

- a) As per the Scheme WCL, WBL, WML and the Company are to be amalgamated by transfer to and vesting in the Company of the whole of the undertakings of WCL, WBL and WML (including all the assets, property, rights, liabilities and obligations of every description of WCL, WBL & WML) as subsisting immediately preceding the Effective Date. The amalgamation in accordance with the Scheme shall be treated as having taken effect from Effective Date.
- b) Each member of WCL, WBL and WML holding ordinary shares as at 09 June 2006 being the Record Date is entitled to receive fully paid ordinary shares of Rs.10/- each, at par, in the Company in exchange of shares of WCL, WBL and WML, in accordance with the following swap ratio:
1 Share of WCL : 1.42 Shares of the Company
1 Share of WBL : 1.09 Shares of the Company
1 Share of WML: 1.27 Shares of the Company
- c) The ordinary shares of the Company issued and allotted to shareholders of WCL, WBL and WML shall, in all respect, rank pari passu with the existing ordinary shares of the Company and holders of such shares shall be entitled to all dividends declared after the Effective Date.
- d) The authorized capital of WCL, WBL and WML shall upon the Completion Date be deemed to have merged with the authorized capital of the Company so that the authorized capital of the Company shall be

Rs.7,750,000,000 divided into 775,000,000 ordinary shares of Rs10/- each.

- e) The capital reserve, revenue reserves including Unappropriated profit/ loss of WCL, WBL and WML, as at 30 June 2005 shall constitute and be treated as reserves/losses of a corresponding nature of the Company and shall be accounted for on that basis in the books of account of the Company.
- f) WCL, WBL and WML shall be dissolved, without winding up on record date.

2 Basis of consolidation

The consolidated financial statements include the financial statements of the Company, and its Subsidiary. The financial statements 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 statements of the Subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Associates

Associates are those entities in which the Group has significant influences but not control over the financial and reporting policies. The consolidated financial statements include the Group's share of the total recognized gains and losses of associates on equity accounted basis, from the date that significant influences commences until the date total significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the group has incurred legal or constructive obligation or made payments on behalf of the associate.

Transactions eliminated on consolidation

Intragroup balances and any other unrealized gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with associates are eliminated to the extent of the Group's interest in the entity. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Minority interest is that part of net results of operations and of net assets of Subsidiary attributable to interest which are not owned by the Company. Minority interest is presented separately in the consolidated financial statements.

3 Summary of significant accounting policies

The significant accounting policies adopted in preparation of consolidated financial statements are set out below.

3.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of 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, requirements of Companies Ordinance, 1984 or requirements of the said directives take precedence.

3.2 Accounting convention

These consolidated financial statements have been prepared under the historical cost convention, except

for revaluation of investment properties and certain financial assets at fair value, and recognition of certain employee benefits and financial liabilities at present value.

The preparation of consolidated financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of 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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in subsequent years are discussed in note 41.

Change in accounting estimate

During the year, the Company has changed its accounting estimate for charging depreciation. Full month depreciation is charged in the month in which the asset is put to use while no depreciation is charged in the month of disposal. Previously full year depreciation was being charged in the year of addition and no depreciation was being charged in the year of disposal. The change has an effect on current year profit which has increased by Rs. 54.43 million.

3.3 Fixed capital expenditure and depreciation/amortization

Property, plant and equipment

Property, plant and equipment, are stated at cost less accumulated depreciation and impairment loss, if any. Cost in relation to self constructed assets include direct cost of material, labour and other allocable expenses.

Depreciation is charged to income on the straight line method whereby cost of an asset is written off over its estimated useful life at the rates given in note 4.

Residual value and the useful life of an assets are reviewed at least at each financial year-end.

Depreciation on additions is charged on a pro-rata basis from the month in which the asset is put to use, while for disposals depreciation is charged upto the month of disposal. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the assets revised carrying amount over its estimated useful life.

Maintenance and repairs are charged to income as and when incurred. Renewals and improvements are capitalized when it is probable that respective future economic benefits will flow to the Company and the cost of the item can be measured reliably, and the assets so replaced, if any, are retired. Gains and losses on disposals of assets are included in income.

Finance leases

Leases in terms of which the Group has substantially all the risks and rewards of ownership are classified as finance leases. Assets subject to finance lease are stated at the lower of its fair value and present value of minimum lease payments at the date of commencement of lease, less accumulated depreciation and impairment loss, if any.

The related rental obligations, net of finance costs are classified as current and long term depending upon the timing of the payment.

Each lease payment is allocated between the liability and finance costs so as to achieve a constant rate on the balance outstanding.

Assets acquired under a finance lease are depreciated over the estimated useful life of the asset on a straight-line method at the rates given in note 3. Depreciation of leased assets is charged to income.

Residual value and the useful life of leased assets are reviewed at least at each financial year-end.

Depreciation on additions to leased assets is charged from the month in which an asset is acquired while no depreciation is charged for the month in which the asset is disposed off.

Capital work-in-progress

Capital work-in-progress is stated at cost less identified impairment loss, if any.

3.4 Intangible assets

Goodwill

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.

Goodwill is stated at cost less accumulated amortization and impairment loss, if any. Goodwill is amortized using the straight line method at the rates given in note 5.

Other intangible assets

Intangible assets are stated at cost less accumulated amortization and impairment loss, if any. These are amortized using the straight line method at the rates given in note 5. Amortization on licenses is charged to the profit and loss account from the month in which the related operations are commenced. Amortization on additions to other intangible assets is charged on a pro-rata basis from the month in which asset is put to use, while for disposals amortization is charged upto the month of disposal.

Subsequent expenditure on intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are charged to income as and when incurred.

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

3.5 Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are initially recognized at cost, being the fair value of the consideration given, subsequent to initial recognition these are stated at fair value. The fair value is determined annually by an independent approved valuer. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between knowledgeable and willing buyer and seller in an arms length transaction.

Any gain or loss arising from a change in fair value is recognized in the income statement. Rental income from investment property is accounted for as described in note 3.17.

When an item of property, plant and equipment is transferred to investment property following a change in its use, any differences arising at the date of transfer between the carrying amount of the item immediately

prior to transfer and its fair value is recognized in surplus on revaluation of property, plant and equipment if it is a gain. Upon disposal of the item the related surplus on revaluation of property, plant and equipment is transferred to retained earnings. Any loss arising in this manner is recognized immediately in the income statement.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment and its fair value at the date of reclassification becomes its cost for accounting purposes of subsequent recording.

3.6 Investments

The Group classifies its investments in following categories.

Investments in associated companies.

Long term Investments in associated companies, are stated at Group's share of their underlying net assets using the equity method. Short term investment are classified as investment at fair value through profit or loss and are valued accordingly except for investment in non listed equity instruments of associated companies, which are stated at cost less provision for impairment.

Investments at fair value through profit or loss

Investments that are acquired principally for the purpose of generating profit from short term fluctuations in price or dealer's margin are classified as held for trading.

During the year the Group has redesignated its investments previously classified as available for sale to financial assets at fair value through profit and loss as permitted in the transitional provisions to IAS 39 Financial Instruments: Recognition and Measurements. The change has no effect on the profit for the current period.

Investments at fair value through profit or loss are initially recognized at cost, being the fair value of the consideration given. Subsequent to initial recognition these are recognized at fair value unless fair value can not be reliably measured. The investments for which quoted market price is not available are measured at cost. Any surplus or deficit on revaluation of investments are charged to income currently.

Available for sale investments

Investments intended to be held for an unidentified period of time, which may be sold in response to need for liquidity or changes to interest rates, exchange rates or equity prices are classified as available for sale.

Available for sale investments are initially recognized at cost, being the fair value of the consideration given. Subsequent to initial recognition these are recognized at fair value unless fair value can not be reliably measured. The investments for which quoted market price is not available are measured at cost. Changes in carrying value are recognized in equity until investment is sold or determined to be impaired at which time the cumulative gain or loss previously recognized in equity is included in profit or loss account.

All "regular way" purchases and sales of listed shares are recognized on the trade date, i.e. the date that the Group commits to purchase/sell the asset.

The fair value of investments classified as held for trading and available for sale is their quoted bid price at the balance sheet date.

3.7 Securities under repurchase/reverse repurchase agreements

Transactions of repurchase/ reverse repurchase investment securities are entered into at a contracted rate for specified period of time and are accounted for as follows:

Repurchase agreements

Investments sold with a simultaneous commitment to repurchase at a specified future date (repo) continue to be recognized in the balance sheet and are measured in accordance with accounting policies for investment. The counter party liability for amounts received under these agreements is included in borrowing. The difference between sale and repurchase price is treated as mark-up on borrowing and accrued over the life of repo agreement.

Reverse repurchase agreements

Investments purchased with a corresponding commitment to resale at a specified future date (reverse repo) are not recognized in the balance sheet. Amount paid under these agreements are recorded as funds placements. The difference between purchase and resale price is treated as return from fund placement with financial institutions or income from reverse repurchase transactions of listed shares, as the case may be, and accrued over the life of the reverse repo agreement.

3.8 Taxation

Income tax on the profit or loss for the year comprises current and deferred tax.

Current

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted after taking into account tax credits, rebates and exemptions, if any. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred

Deferred tax is provided using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized 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.

The carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are calculated at the rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the income statement, except in the case of items credited or charged to equity in which case it is included in equity.

3.9 Deferred costs

These include share issue expenses incurred on increasing the authorized capital of the Group and expenses incurred in connection with the public offering/placements for the year 2004. In order to comply with the substituted Fourth Schedule to the Companies Ordinance, 1984, the Group has adopted the treatment allowed by Circular No. 1 of 2005 issued by Securities and Exchange Commission of Pakistan whereby deferred costs incurred prior to 01 July 2004 are being amortized over the remaining available period whereas deferred cost incurred subsequent to this date are charged to income currently.

3.10 Inventories

Inventories, except for stock in transit, is stated at lower of cost and net realizable value. Cost is determined as follows.

Store and spares

Useable stores and spares are valued principally at weighted average cost, while items considered obsolete are carried at nil value. Items in transit are valued at cost comprising invoice value plus other charges paid thereon.

Stock in trade

Cost is determined on weighted average basis.

Net realizable value is the estimated selling price in ordinary course of business, less estimated incidental selling cost.

3.11 Trade debts and other receivables

Trade debts and other receivables are recognized initially at fair value and subsequently measured at amortized cost less impairment loss, if any. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

3.12 Financial liabilities

Financial liabilities are classified according to substance of the contractual arrangements entered into. Significant financial liabilities include long term payables, license fee payable, borrowings, trade and other payables.

Interest bearing borrowings

Interest bearing borrowings are recognized initially at fair value less attributable transaction cost. Subsequent to initial recognition, these are stated at amortized cost with any difference between cost and redemption value being recognized in the profit and loss over the period of the borrowings on an effective interest basis.

Term finance certificates

Term finance certificates are stated at amortized cost using effective interest rate.

Convertible loans

Convertible loans that can be converted to share capital at the option of the lender, where the number of shares issued does not vary with the changes in their fair value, are accounted for as compound financial instruments. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity component in proportion to the allocation of proceeds. The equity component of the convertible loan is calculated as the excess of the issue proceeds over the present value of future cash out flows, discounted at the market rate of interest applicable to similar liabilities that do not have a conversion option. The interest expense recognized in the income statements is calculated using the effective interest rate method.

Other financial liabilities

All other financial liabilities are initially recognized at fair value plus directly attributable cost, if any, and subsequently at amortized cost using effective interest rate method.

3.13 Trade and other payables

Trade and other payables are initially recognized at fair value and subsequently at amortized cost using effective interest rate method.

3.14 Retirement and other benefits

Defined benefit plan

The Group operates unfunded defined benefit gratuity plan for all permanent employees, having a service period of more than one year. The Company provisions are made in the financial statements to cover obligations on the basis of actuarial valuations carried out annually under the projected unit credit method.

The Company recognizes actuarial gains/losses over the expected average remaining working lives of the current employees, to the extent that cumulative unrecognized actuarial gain/loss exceeds 10 per cent of present value of defined benefit obligation.

The Company provides for gratuity annually on the basis of terminal values.

The Subsidiary operates an un-funded gratuity scheme for those employees who have completed specific period of service with the subsidiary and provision is made annually to cover the obligations under the scheme. These benefits are calculated with reference to last drawn salary and prescribed qualifying periods of services of the employees.

Defined contribution plan

The Subsidiary operates Provident Fund Trust. Contributions to the fund are recognized as an expense in the profit and loss as incurred.

3.15 Impairment losses

The carrying amount of the Group's assets except for, inventories, investment property and deferred tax asset, are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any.

For goodwill, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the profit and loss.

Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash generating units and then, to reduce the carrying amount of the other assets in the unit.

Impairment losses are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been charged. An impairment loss in respect of goodwill is not reversed.

3.16 Foreign currencies

Transactions in foreign currencies are translated into rupees at exchange rates prevailing at the date of transaction. All monetary assets and liabilities in foreign currencies are translated into rupees at exchange rates prevailing at the balance sheet date. Non-monetary assets and liabilities that are measured in terms of

historical cost in a foreign currency are translated into rupees at exchange rates prevailing at the date of transaction. Non-monetary assets and liabilities denominated in foreign currency that are stated at fair value are translated into rupees at exchange rates prevailing at the date when fair values are determined. Exchange gains and losses are included in the income currently.

The results and financial position of Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates.
- (iii) all resulting exchange differences are recognized as a separate component of equity.

When a foreign operation is sold, exchange differences that were recorded in equity are recognized in the income statement as part of gain or loss on sale.

3.17 Revenue recognition

Revenue represents the fair value of the consideration received or receivable for services rendered, net of discounts and sales tax. Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of revenue, and the associated cost incurred, or to be incurred, can be measured reliably.

Revenue from different sources are recognized as follows:

Revenue from terminating minutes is recognized at the time the call is made over the network of the Group.

Revenue from originating minutes is recognized on the occurrence of calls both for prepaid and postpaid subscribers.

Subscription revenue from Cable TV, internet over cable and channels subscription fee is recognized on provision of services.

Connection fee is recognized at the time of activation of connection.

Sale of goods is recognized on dispatch of goods to customer.

Advertisement income is recognized on the basis of spots run when commercials are aired on the network.

Interest income is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return.

Rental income from investment property is recognized in the income statement on accrual basis

Revenue from prepaid cards is recognized as credit is used.

Dividend income is recognized when the right to receive payment is established.

3.18 Borrowing cost

Mark up, interest and other charges on long term borrowings are capitalized upto the date of commissioning of the related qualifying assets, acquired out of the proceeds of such long term borrowings. All other markup, interest and other charges are recognized as an expense in the period in which they are incurred.

3.19 Provisions

Provisions are recognized in the balance sheet when the Group has a legal or constructive obligation as a result of past events and it is probable that outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. However, provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

3.20 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. Cash and cash equivalents comprise cash in hand and demand deposits. Running finances that are repayable on demand are included as component of cash and cash equivalents for the purpose of cash flow statement.

3.21 Financial instruments

All financial assets and liabilities are recognized at the time when the Group becomes a party to the contractual provisions of the instrument. Financial assets are de-recognized when the Group loses control of the contractual right that comprise the financial assets. Financial liabilities are de-recognized when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to profit and loss account currently. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Group has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3.22 Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risk and rewards that are different from other segments.

3.23 Related Party transactions

The Group enters into transactions with related parties on an arm's length basis. Prices for transactions with related parties are determined using admissible valuation methods, except in extremely rare circumstances where, subject to approval of the Board of Directors, it is in the interest of the Group to do so.

3.24 Business combination involving entities under common control

A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and the control is not transitory.

In the absence of more specific guidance, the Group consistently applied the fair value (Purchase method) measurement method to all common control transactions.

3.25 Dividend

Dividend distribution to the Group's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved.

4 Property, plant and equipment

4.1 The statement of property, plant and equipment is as follows:

	(Rupees in '000)				(Rupees in '000)				Depreciation rate %				
	Cost as at 01 July	Acquisition through business combination	Exchange adjustments	Additions/ Disposals	Transfers	Cost as at 30 June	Accumulated depreciation as at 01 July	Depreciation charge for the year/ (Disposals)		Exchange adjustments	Transfers	Accumulated depreciation as at 30 June	Net book value as at 30 June
Owned assets													
Leasehold improvements	1,876	24,611	-	31,294	-	57,781	1,174	10,215	-	-	11,389	46,392	20-33
Plant and equipment	616,272	2,255,299	(1,383)	2,899,125 (24,435)	101,462	5,846,340	19,513	409,101 (13,930)	(333)	21,490	435,841	5,410,499	6.67-20
Office equipment	5,592	38,205	(24)	6,454 (48)	160	50,339	958	6,920 (4)	(12)	-	7,862	42,477	10
Computers	9,832	13,545	(71)	14,716 (491)	-	37,531	2,327	11,812 (167)	(65)	-	13,907	23,624	10-33
Furniture and fixtures	1,820	9,147	(31)	1,410	-	12,346	324	1,794	(14)	-	2,104	10,242	10
Vehicles	12,250	24,127	(2)	9,818 (5,828)	12,307	52,672	2,773	12,582 (464)	(2)	5,632	20,521	32,151	20
Lab and other equipment	319	7,587	(80)	4,601 (664)	-	11,763	64	2,429 (33)	(16)	-	2,444	9,319	10-20
	647,961	2,372,521	(1,591)	2,967,418 (31,466)	113,929	6,068,772	27,133	454,853 (14,598)	(442)	27,122	494,068	5,574,704	
Leased assets													
Plant and equipment	152,876	244,288	-	130,506	(101,462)	426,208	5,749	35,914	-	(21,490)	20,173	406,035	10
Vehicles	39,943	16,445	-	6,189 (6,943)	(12,307)	43,327	7,989	13,434 (4,001)	-	(5,632)	11,790	31,537	20
Computers	-	353	-	-	-	353	-	353	-	-	353	-	33
Office equipment	-	160	-	-	(160)	-	-	-	-	-	-	-	10
	192,819	261,246	-	136,695 (6,943)	(113,929)	469,888	13,738	49,701 (4,001)	-	(27,122)	32,316	437,572	
2006	840,780	2,633,767	(1,591)	3,104,113 (38,409)	-	6,538,660	40,871	504,554 (18,599)	(442)	-	526,384	6,012,276	
2005	12,128	-	-	903,466 (74,814)	-	840,780	2,103	39,090 (324)	-	-	40,869	799,911	

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Note 2006 2005
(Rupees in '000)

4.2 Depreciation charge for the year has been allocated as follows:

Direct cost	31	457,813	25,261
Operating cost	32	46,741	3,953
Capitalized during the period		-	9,876
		504,554	39,090

4.3 Detail of certain property, plant and equipment sold during the year is as follows:

Description	Cost	Accumulated depreciation	Book Value	Sale proceeds	Mode of disposal	Sold to
(Rupees in '000)						
Plant and Equipment						
SDA equipment	458	51	407	398	Insurance Claim	-
Payphone sets	18,052	13,536	4,516	-	Scraped	-
Tems equipment	664	33	631	-	Insurance Claim	-
BTS Tower	4,841	305	4,536	1,449	Insurance Claim	-
Computers						
Laptop - Dell	95	31	64	64	Company policy	Mr. Adnan Khan
Laptop - Compaq	116	46	70	105	Insurance Claim	-
Laptop	130	13	117	-	Insurance Claim	-
Vehicles						
Honda Civic	1,393	557	836	950	Insurance Claim	-
Suzuki Cultus	555	222	333	355	Insurance Claim	-
Hyundai Shehzore	589	471	118	465	Insurance Claim	-
Honda civic	1,325	530	795	1,199	Insurance Claim	-
Suzuki Mehran	350	70	280	350	Insurance Claim	-
Suzuki Baleno	749	212	537	333	Insurance Claim	-
Honda Civic VTI	1,359	110	1,249	1,125	Negotiation	Mr. Laeeq
Honda Civic	1,431	215	1,216	1,200	Insurance Claim	-
Suzuki Cultus	570	209	361	560	Settlement	Faysal Bank Ltd
Toyota Land Cruiser	4,711	1,570	3,141	2,500	Negotiation	First Capital Equities Ltd
Suzuki Pickup	339	271	68	207	Negotiation	Mr. Haji Iqbal
Items with book value below Rs. 50,000	682	146	535	339		
Total	38,409	18,599	19,810	11,599		

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	Note	2006 (Rupees in '000)	2005
6.1			
Amortization charged for the year has been allocated as follows:			
Operating cost	32	200,090	5,125
Capitalized during the period		65,430	73,746
		265,520	78,871

7 Investment properties

Acquisition through business combination		35,634	-
Fair value adjustment		21,000	-
		56,634	-

Investment property comprises commercial property that is rented to Total Media Limited, an associated company.

The carrying value of investment property is the fair value of the property as determined by approved independent valuer M/s PEE DEE & Associates as at 30 June 2006. Fair value was determined having regard to recent market transactions for similar properties in the same location and condition as the Group's investment property.

8 Long term investments - at cost

Associated company - Unquoted

Total Media Limited.

Incorporated in Pakistan

2,599,500 (2005: Nil) ordinary shares of Rs 10/-each

Equity held 30.12% (2005: Nil)

Share deposit money

Share of loss of associate

	25,995	-
	16,000	-
	(14,072)	-
	27,923	-
	27,923	-

9 Long term deposits

Security deposit with PTCL		28,539	12,713
Deposits with financial institutions	9.1	153,545	114,418
Others		25,838	11,998
		207,922	139,129
Less: Current maturity	13	(8,218)	-
		199,704	139,129

9.1 These include amount deposited in debt service reserve account with HBL amounting to Rs. 95 million (2005: Rs. 95 million) on which syndicate banks have created a lien as mentioned in note 22.3. This carry's markup at the rate of 2.25% per annum (2005: Nil).

	Note	2006	2005
(Rupees in '000)			
10 Deferred costs			
Acquired through business combination		25,996	-
Less: Amortization during the year		<u>(15,933)</u>	<u>-</u>
		<u>10,063</u>	<u>-</u>

11 Trade debts

Considered good - Unsecured		759,264	300,367
Less: Provision for doubtful debts	11.1	<u>(57,520)</u>	<u>-</u>
		<u>701,744</u>	<u>300,367</u>

11.1 Provision for doubtful debts

Addition during the year		65,917	-
Acquisition through business combination		1,639	-
Less: write offs during the year		<u>(10,036)</u>	<u>-</u>
		<u>57,520</u>	<u>-</u>

12 Loans and advances - considered good

Loans and advances to employees	12.1	23,456	4,297
Advances to suppliers		61,378	127,592
Advances to associated companies	12.2	<u>49,261</u>	<u>462</u>
		<u>134,095</u>	<u>132,351</u>

12.1 This includes aggregate balance of advances to executives of Rs. 0.365 million (2005 : Rs. 0.125 million).

		2006	2005
(Rupees in '000)			
12.2 Advances to associated companies			
Media Times (Private) Limited		49,261	-
Worldcall Multimedia Limited		<u>-</u>	<u>462</u>
		<u>49,261</u>	<u>462</u>

These advances are unsecured and considered good and carry markup at the rate of 14% to 16% (2005: 16%).

12.3 Chief Executive and Directors have not taken any loan and advance from the Group.

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	Note	2006 (Rupees in '000)	2005
13 Deposits and short term prepayments			
Margin deposits	13.1	125,201	101,275
Deposit with regulatory authorities		86	-
Prepayments		43,100	20,889
Current maturity of lease security deposits	9	8,218	-
Short term deposits		14,823	-
		191,428	122,164

13.1 These include deposits placed with banks against various guarantees and letters of credit.

	Note	2006 (Rupees in '000)	2005
14 Other receivables			
Income tax recoverable		128,161	774
Sales tax refundable		13,960	25,245
Receivable from PTCL - Unsecured considered good	14.1	214,527	-
Receivable from Pakistan Telecommunication Authority		58,151	-
Rural subsidy project		772	-
Other receivables - considered good		137,643	6,952
Other receivables - considered doubtful		21,319	-
		158,962	6,952
Less: provision for doubtful receivables		(21,319)	-
		553,214	32,971

14.1 This includes an amount of Rs. 174 million representing claims lodged by Worldcall Communications Limited (WCL), now merged into the Company, with Pakistan Telecommunication Company Limited (PTCL) for excess billing on short duration calls, border line calls and 0900 facility. These claims were initially acknowledged by PTCL's Corporate Clients Committee through its decision dated 15 December 2003. However PTCL subsequently through its letter dated 09 September 2005 withdrew its decision. The Company has decided to invoke the available arbitration clause in the agreement to realize the claimed amount. The management is hopeful for a favorable outcome in this respect.

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15 Short term investments	Note	2006 (Rupees in '000)	2005
Investments at fair value through profit and loss - Carrying value	15.1	99,242	-
Fair value adjustment		(3,112)	-
		96,130	-
Related parties			
At fair value through profit and loss - Carrying value	15.2	134,233	-
Fair value adjustment		141,475	-
		275,708	-
Placements under reverse repurchase agreements - Secured			
Quoted shares	15.3	412,704	-
		<u>784,542</u>	<u>-</u>

15.1 Particulars of listed shares - at fair value though profit and loss

All shares have face value of Rs. 10 each.

Name	No. of shares		2006		2005	
	2006	2005	Carrying value Rupees'000	Market value	Carrying value Rupees in '000	Market value
Commercial Banks						
The Bank of Punjab	75,709	-	6,002	6,212	-	-
United Bank Ltd.	20,000	-	2,802	2,755	-	-
National Bank of Pakistan	37,500	-	8,767	8,081	-	-
Mutual Fund						
First Dawood Mutual Fund	505,000	-	4,359	4,697	-	-
Cement						
DG Khan Cement Ltd.	75,000	-	6,842	6,529	-	-
Lucky Cement Ltd.	100,000	-	10,424	10,355	-	-
Chemicals & Pharmaceuticals						
Engro Chemical (Pakistan) Ltd	35,000	-	6,362	5,929	-	-
Fauji Fertilizers (Bin Qasim) Ltd	110,000	-	3,773	3,218	-	-
Textile						
Nishat Mills Ltd.	50,000	-	5,308	5,240	-	-
Samin Textile Ltd.	40,500	-	537	618	-	-

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Name	No. of shares		2006		2005	
	2006	2005	Carrying value Rupees'000	Market value	Carrying value Rupees in '000	Market value
Fuel & Energy						
Oil & Gas Development Company Ltd.	70,000	-	9,658	9,573	-	-
Pak Oilfields Ltd.	30,000	-	11,133	10,044	-	-
Pak Petroleum Ltd.	25,000	-	5,583	5,296	-	-
Pakistan State Oil Ltd.	10,000	-	3,044	3,090	-	-
Electric Appliances						
Pak Electron Limited	27,000	-	2,635	2,861	-	-
Engineering & Allied Industry						
Pak Suzuki Motors	13,800	-	4,257	4,319	-	-
Telecommunication Sector						
Pakistan Telecommunication Company Ltd.	180,000	-	7,756	7,313	-	-
			<u>99,242</u>	<u>96,130</u>	<u>-</u>	<u>-</u>

15.2 Particulars of listed shares of related parties- Investment at fair value through profit and loss.

All shares have face value of Rs. 10 each.

Name	No. of shares		2006		2005	
	2006	2005	Carrying value Rupees'000	Market value	Carrying value Rupees in '000	Market value
First Capital Securities Corporation Limited	1,264,847	-	22,767	44,459	-	-
Percentage of equity held 1.26%						
Shaheen Insurance Company Ltd.	1,569,625	-	45,785	148,330	-	-
Percentage of equity held 19.62%						
Pace (Pakistan) Limited	5,922,800	-	65,681	82,919	-	-
Percentage of equity held 5.69%						
			<u>134,233</u>	<u>275,708</u>	<u>-</u>	<u>-</u>

Market value of Pace (Pakistan) Limited represents value guaranteed by underwriters in Initial Public Offer (IPO).

All associated companies are incorporated in Pakistan.

15.3 This represents placements for a period upto 35 days, secured against quoted shares having market value at year end of Rs.425.9 million (2005: Rs.Nil) and carrying mark-up at the rate ranging from 13% to 18% per annum (2005: Nil%).

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	Note	2006 (Rupees in '000)	2005
16 Cash and bank balances			
At banks in			
Current accounts		198,702	192,936
Saving accounts	16.1	276,259	398,337
Deposit accounts	16.2	933,213	-
		1,408,174	591,273
Cash in hand		48,342	655
		1,456,516	591,928

16.1 The balances in saving accounts bear mark up at the rate of 1.5% to 5% (2005: 2.75% to 5.50%) per annum.

16.2 The balances in deposit accounts bear mark up at the rate of 3% to 10.7 % (2005: Nil) per annum.

	Note	2006 (Rupees in '000)	2005
17 Current maturities of non-current liabilities			
Term finance certificates	21	100,000	-
Long term finances	22	433,830	75,000
Liabilities against assets subject to finance lease	25	188,932	55,173
License fee payable	26	71,000	-
		793,762	130,173

18 Running finance under markup arrangements-Secured

Short term running finances available from commercial banks under mark up arrangements amount to Rs. 2,075 million (2005: Rs. 1,564 million). Mark up is charged at rates ranging from 7.7% to 13% per annum (2005: 8.17% to 9.74% per annum).

These running finances under mark up arrangements are secured by hypothecation charge of fixed assets, stores, stocks and receivables.

	2006 (Rupees in '000)	2005
19 Trade and other payables		
Trade creditors		
Related parties - associated companies	4,348	30,482
Others	661,814	906,035
	666,162	936,517
Accrued and other liabilities	77,679	10,633
Advance from customers	67,466	1,781
Commitment fee payable	1,925	-
Retention money	23,017	-
Tax deducted at source	6,951	-
Un claimed dividend	14,421	-
	857,621	948,931

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	Note	2006 (Rupees in '000)	2005
20 Interest and mark-up accrued			
Long term financing		23,116	8,187
Short term borrowings		5,085	760
Share deposit money		972	43,701
Finance lease		367	-
Advance from associated companies		-	2,936
Term finance certificates		4,591	-
		34,131	55,584

21 Term finance certificates - Secured

Term Finance Certificates	21.1	149,909	-
Less: Current maturity		(100,000)	-
		49,909	-

21.1 These represent listed Term Finance Certificates (TFCs) with face value of Rs. 5,000 per certificate. These TFCs are redeemable in seven equal semi annual installments commencing September 2004. Profit rate is charged at State Bank of Pakistan discount rate plus 1.75% p.a with a floor of 12.25% p.a and cap of 16.25% p.a. These are secured by way of first pari passu hypothecation charge on the present and future fixed assets of the Company amounting to Rs. 437.5 million.

If the Company fails to redeem any TFC on the respective redemption date thereof and such default is not rectified within seven business days of such redemption date then the entire obligation shall become immediately due and payable, and the security created pursuant to the security documents shall become immediately enforceable.

	Note	2006 (Rupees in '000)	2005
22 Long term finances			
Long term finances utilized under mark up arrangements:			
Banking companies and other financial institutions			
Convertible loan from Amatis Ltd - Un secured	22.2	66,371	-
Syndicated Loan I - Secured	22.3	826,212	609,888
Syndicated Loan II - Secured	22.4	427,778	-
Syndicated Loan III - Secured	22.5	74,563	150,000
Faysal Bank Limited - Secured	22.6	33,333	-
Habib Bank Limited AG Zurich - Secured	22.7	32,083	-
Orix Investment Bank Limited - Secured	22.8	15,000	-
Pak Kuwait Investment Company Limited - Secured	22.9	75,000	-
		1,550,340	759,888
Initial transaction costs incurred		(43,866)	(40,315)
		1,506,474	719,573
Accumulated amortization of transaction costs		12,373	3,195
		1,518,847	722,768
Less: Current portion		(433,830)	(75,000)
		1,085,017	647,768

22.1 Finance costs

Borrowing cost amounting to Rs. 120.665 million (2005: Rs. 78.45 million) was capitalized during the year in cost of property, plant and equipment. This includes Rs. 101.575 million (2005: Rs. 78.45 million) on financing specifically obtained for expansion of WLL project and Rs. 19.08 million (2005: Nil) on financing obtained for expansion of Broad Band operations.

Terms of repayment and securities

22.2 Convertible loan from Amatis Ltd.

The Company has arranged a long term loan from Amatis Ltd ("the lender") for an amount of Rs. 1.497 billion. The purpose of loan is project expansion of WLL operations. The loan bears an interest rate of 1% per annum payable annually in arrears within 25 days of each anniversary. The term of the loan is 7 years. The loan is convertible into ordinary shares of par value of Rs. 10 each. The conversion option can be exercised by the lender at any time after the merger of WTL with WCL, WBL and WML. The loan is to be used exclusively for the agreed purpose.

2006 **2005**
(Rupees in '000)

22.2.1 The convertible loan recognized in the balance sheet is calculated as follows:

Face value of convertible loan	1,497,105	-
Less transaction cost	(32,380)	-
	1,464,725	-
Equity component	(1,400,430)	-
Liability component	64,295	-
Interest expense recognized	2,076	-
	66,371	-

The fair value of the liability component of the convertible loan as at 30 June 2006 is calculated by discounting cash flows at a rate of 12.5% which represents the effective borrowing rate of the Company. The residual amount, representing the value of the equity conversion component, is included in shareholders equity in convertible loan reserve.

22.2.2 Interest expense on the loan is calculated using the effective interest method by applying the effective interest rate of 12.5% to the liability component.

22.3 Syndicated Loan I - Secured

	Limit	Outstanding
	(Rupees in '000)	
Habib Bank Limited	750,000	344,255
National Bank of Pakistan	750,000	344,255
MCB Bank Limited	150,000	68,851
Askari Commercial Bank Limited	150,000	68,851
	1,800,000	826,212

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The Company obtained a long term loan of Rs. 1,800 million from above mentioned syndicate for the purpose 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. Markup will be charged at a rate of six months ASK KIBOR prevailing two working days prior to the beginning of each installment period plus 4% with no floor or cap. The markup 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 and pledge of 51% shares 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 the 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 draw down date.

As per terms of the agreement the Company had to drawdown the total amount by 30 June 2005. However, to date, the Company has not withdrawn the total amount as PTA has extended the term of repayment of license fee.

	Limit	Outstanding
	(Rupees in '000)	
22.4 Syndicated Loan II - Secured		
The Bank of Punjab	100,000	77,778
KASB Bank Limited	100,000	77,778
Metropolitan Bank Limited	35,000	27,222
The Bank of Khyber	50,000	38,889
PICIC	50,000	38,889
PICIC Commercial Bank Limited	100,000	77,778
Orix Investment Bank Pakistan Limited	30,000	23,333
Crescent Bank Limited	25,000	19,444
Soneri Bank Limited	25,000	19,444
Saudi Pak Commercial Bank Limited	25,000	19,444
First Dawood Investment Bank Limited	5,000	3,890
Cres Lease	5,000	3,889
	550,000	427,777

The loan was obtained in September 2004 for a period of five years from above mentioned syndicate of banking companies at mark up of 4.25% above six months KIBOR with a floor of 6.5% and a cap of 10.5% per annum and is repayable in nine bi-annual installments. The loan is secured by way of First Exclusive Hypothecation charge ranking pari passu for Rs. 733 million on Broadband Karachi Division's fixed assets excluding land and building.

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22.5 Syndicated Loan III - Secured	<u>Limit</u>	<u>Outstanding</u>
	(Rupees in '000)	
Pak Oman Investment Company Limited	50,000	24,854
Union Bank Limited	50,000	24,855
PICIC Commercial Bank Limited	25,000	12,427
Soneri Bank Limited	25,000	12,427
	<u>150,000</u>	<u>74,563</u>

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 three years from the date of disbursement. Markup is being 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 loan is to be repaid in 4 equal semi annual installments after a grace period of 12 months from the disbursement date of 05 May 2004. This facility is secured against all present and future fixed and moveable assets (excluding land and building and current assets) of LDI Division.

22.6 This loan was obtained in June 2005 from Faysal Bank Limited for a period of three years under term morabaha facility at mark up of six months KIBOR plus 3.5% with floor at 9% and no cap. The loan is repayable in 36 equal monthly installments and is secured by way of charge on all fixed assets of Broadband Lahore Division upto the extent of Rs. 75 million.

22.7 This loan has been obtained in March 2006 from Habib Bank AG Zurich for a period of three years at mark up rate of three months KIBOR plus 2.75% with no floor or cap. The loan is repayable in 12 equal quarterly installments and is secured by way of charge on current assets of Broadband Lahore Division upto the extent of Rs. 47 million.

22.8 This loan has been obtained from Orix Investment Bank Limited in August 2005 for a period of three years at mark up rate of six months KIBOR plus 4% with no floor or cap. The loan is repayable in 12 equal quarterly installments and is secured by way of charge on fixed assets of Broadband Lahore Division upto the extent of Rs. 26.667 million.

22.9 The loan has been obtained in September 2004 for a period of four years from Pak Kuwait Investment Company Limited at mark up rate of 4.75% above six months KIBOR with a floor of 7% and a cap of 10% per annum and is repayable after one year from disbursement in thirty six monthly installments. The loan is secured by way of first exclusive hypothecation charge ranking pari passu for Rs. 133 million on Broadband Karachi Division's fixed assets excluding land and building.

23 Deferred taxation	2006	2005
	(Rupees in '000)	
This is composed of:		
Liability for deferred taxation comprising temporary differences related to:		
Accelerated tax depreciation	1,114,390	114,222
Others	77,801	7,298
Asset for deferred taxation comprising temporary differences related to:		
Unused tax losses and tax credits	(714,646)	(134,224)
	<u>477,545</u>	<u>(12,704)</u>

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	Note	2006 (Rupees in '000)	2005
24 Retirement benefits			
Gratuity			
Parents gratuity obligations			
The amounts recognized in the balance sheet are as follows:			
Present value of defined benefit obligation		73,978	5,774
Unrecognized (actuarial losses)		(4,155)	(14)
		69,823	5,760
Subsidiary's gratuity obligations		280	-
		70,103	5,760
Liability at beginning of the year		5,760	1,023
Acquisition through business combination		42,743	-
Charge to profit and loss account	24.1	33,010	3,156
Additional liability due to transferred employees		-	1,611
Paid during the year		(11,410)	(30)
		70,103	5,760

24.1 Salaries, wages, amenities and other benefits include the following in respect of retirement and other benefits:

	2006 (Rupees in '000)	2005
Interest cost for the year	4,608	90
Current service cost	28,292	3,066
Actuarial loss recognized during the year	110	-
	33,010	3,156

Recent actuarial valuations of plans were carried out on 30 June 2006 by Nauman Associates.

Significant actuarial assumptions used for valuation of these plans are as follows:

	2006 per annum	2005 per annum
Discount rate	9%	9%
Expected rates of salary increase	8%	8%

		2006 (Rupees in '000)	2005
25 Liabilities against assets subject to finance lease			
Present value of minimum lease payments		364,556	158,230
Less: Current portion shown under current liabilities		(188,932)	(55,173)
		175,624	103,057

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Interest rate used as discounting factor ranging from 6 % to 17% per annum (2005: 6% to 10.5% per annum). Taxes, repairs, replacements and insurance costs are to be borne by lessee. 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 amount against the residual value of the asset and intends to exercise the option. In case of default in payment of installments the Company will be liable to pay additional lease rental on overdue payment at the rate of 0.1% per day (2005: 0.1% per day).

The amount of future payments of the lease and the period in which these payments will become due are as follows:

	2006			2005		
	Minimum Lease Payment	Finance cost	Principal	Minimum Lease Payment	Finance cost	Principal
	(Rupees in '000)			(Rupees in '000)		
Not later than one year	216,340	27,408	188,932	64,593	9,420	55,173
Later than one year but not later than five year	185,850	10,226	175,624	108,816	5,759	103,057
	<u>402,190</u>	<u>37,634</u>	<u>364,556</u>	<u>173,409</u>	<u>15,179</u>	<u>158,230</u>

2006
2005
(Rupees in '000)

26 License fee payable

Carrying value of license fee payable to PTA	1,206,000	1,208,610
Less: present value adjustment	<u>(453,107)</u>	-
	752,893	1,208,610
Interest charged to profit and loss	23,774	-
Less: current portion shown under current liabilities	<u>(71,000)</u>	-
	<u>705,667</u>	<u>1,208,610</u>

This represents interest free license fee payable to PTA for WLL license. As per the agreement with PTA the total of Rs. 1,206 million is payable after four years by March 2010. The long term portion has been discounted using the effective interest rate of 12.5%.

27 Contingencies and commitments

27.1 Billing disputes with PTCL

- a) The Worldcall Communications Limited (WCL) now merged into the Company, has a billing dispute amounting to Rs. 13.7 million with PTCL, these are the PTCL charges being in excess of actual usage as per the internal records. The committee formed by PTCL in this respect agreed the Company's claim, however, settlement is still pending.
- b) There is a difference of Rs. 36.8 million (2005: Rs 40 million) due to the difference in formulae used by PTCL and the Company for the calculation of Domestic Private Lease Circuits (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. Further, PTCL has charged the Company Rs.

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3.8 million (2005: Rs 32 million) for the link between Karachi to Islamabad which has not yet been activated. PTCL has also charged the Company excess DPLC charges amounting to Rs. 6.8 million (2005: Rs Nil) on account of differences of distances, transmission capacity and route which were not activated but were charged by PTCL.

27.2 The Income Tax proceedings of WML, WBL and the Company have been finalized upto Tax Year 2005 with the exception of the following issues relating to WCL :

27.2.1 The Taxation Officer reassessed the Income for the tax year 2005 creating gross tax liability of Rs.36.80 million (net tax liability of Rs.27.05 million). WCL (now merged into WTL) filed appeal to the Commissioner of Income Tax (Appeals) (CIT (A)) against order under section 122 of the Income Tax ordinance 2001. The appeal mainly related to add backs of bad debts write off, deferred cost, allocation of expenses to capital gain, excess perquisites and capital gain on sale of property. The CIT (A) in his order has allowed partial relief reducing the gross tax demand to Rs.27.69 million (net tax liability of Rs.15.80 million). The Company has filed appeal against the above said order of CIT(A) in Income Tax Appellate Tribunal. The management is confident that the appeal will be decided in its favour of the Company. The Company has already provided Rs.26.49 Million in the audited accounts for the year ended 30 June 2005.

27.2.2 The Taxation Officer reassessed the Income for the tax year 2004 creating gross tax liability of Rs.63.66 million (net tax liability of Rs.54.98 million). The Company filed appeal to the Commissioner of Income Tax (Appeals) against order under section 122 of the Income Tax ordinance 2001. The appeal mainly related to add backs of Intangible assets written off, deferred cost, excess perquisites and lease rentals. The CIT (A) in his order has allowed partial relief reducing the gross tax demand to Rs.56.86 million (net tax liability of Rs.34.99 million). The Company has already provided Rs.60 million in the audited accounts for the year ended 30 June 2004. The Company has also filed rectification application with the Taxation Officer on the issue that while framing the assessment Taxation Officer did not give full credit of advance tax and tax deducted at source while passing the order under section 124 and 129 of the Income Tax Ordinance 2001. After giving the effect of rectification application and order of CIT(A) the net tax demand for the tax year 2004 of the company would be Rs. 14.80 million (2005:Nil). The Company has filed appeal against the above said order of CIT(A) in Income Tax Appellate Tribunal . The management is confident that the appeal will be decided in favour of the Company.

27.2.3 The applicability of withholding tax under section 236 of the Income Tax Ordinance 2001 on Payphone services was challenged by the Association of Payphones Operators Pakistan. At present the matter is pending before the Honorable Supreme Court of Pakistan. The Management is confident of favorable outcome in this regard, therefore liability amounting to Rs. 141.80 million (2005: Nil) approximately has not been recognized in these accounts.

	2006	2005
	(Rupees in '000)	
27.3 Outstanding guarantees	<u>196,161</u>	<u>51,370</u>
27.4 Commitments in respect of capital expenditure	<u>66,349</u>	<u>236,600</u>
27.5 Outstanding letters of credit	<u>324,277</u>	<u>-</u>
28 Issued, subscribed and paid up capital		
Ordinary shares of Rs. 10 each as fully paid in cash	3,440,000	2,750,000
Ordinary shares of Rs. 10 each issued in accordance with the scheme of merger	3,099,658	-
	<u>6,539,658</u>	<u>2,750,000</u>

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	2006	2005
	(Number of shares)	
28.1 Reconciliation of Issued, subscribed and paid up capital		
Opening balance	275,000,000	3,500
Issued as fully paid in cash	69,000,000	274,996,500
Issued in accordance with the scheme of merger	309,965,789	-
	<u>653,965,789</u>	<u>275,000,000</u>

The detail of the Company's shares held by associated companies as at 30 June 2006 is as follows:

	2006	2005
	(Rupees in '000)	
Name of associated undertaking		
First Capital Securities Corporation Limited.	78,538,838	29,250,000
Pace (Pakistan) Limited.	1,566,011	-
	<u>80,104,849</u>	<u>29,250,000</u>
29 Share premium		

This reserve can be utilized by the Company only for the purposes specified in section 83(2) of the Companies Ordinance, 1984.

	Note	2006	2005
		(Rupees in '000)	
30 Revenue -Net			
Telecom services		4,153,102	677,854
Broadband services		906,881	-
		<u>5,059,983</u>	<u>677,854</u>
Less:			
Sales tax		252,563	-
Discount and commission		427,525	-
		<u>680,088</u>	<u>-</u>
		<u>4,379,895</u>	<u>677,854</u>
31 Direct cost			
Interconnect, settlement and other charges		1,764,009	512,298
Bandwidth and other PTCL charges		259,420	60,828
Depreciation	4.2	457,813	25,261
Power consumption and pole rent		89,267	2,058
PTA charges	31.1	33,031	2,353
Salaries and other benefits		8,331	-
Inventory consumed		23,380	-
Stores and spares consumed		8,856	-
Annual Spectrum Fee		16,378	265
Content cost		21,414	-
Network maintenance & insurance		2,887	274
Cable modem and accessories		5,617	-
Others		2,118	4,496
		<u>2,692,521</u>	<u>607,833</u>

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	Note	2006	2005
(Rupees in '000)			
31.1 PTA Charges			
LDI License	31.1.1	12,522	2,192
WLL License	31.1.2	7,621	161
Payphones License	31.1.3	8,311	-
Broadband License	31.1.4	3,023	-
Telephony License	31.1.5	333	-
Annual numbering charges		1,221	-
		33,031	2,353
31.1.1 PTA charges for LDI License			
Gross revenue		1,847,755	634,941
Interoperator and related PTA cost:			
Interconnect charges		261,800	62,980
Inter carrier settlement charges		88,548	9,967
Access Promotion Contribution (APC)		568,746	203,959
Universal Service Fund (USF)		11,400	142,866
CPP Charges		271,876	81,477
Bandwidth and other PTCL Charges		144,475	60,617
		1,346,845	561,866
Net revenue		500,910	73,075
PTA charges		12,522	2,192

This provision represents charges payable to PTA in respect of contribution to the Research and Development Fund established by Federal Government (Rs. 5,009,100), Universal Service Fund (Rs. 5,009,100) and annual regulatory fee (Rs. 2,504,550) under the license agreement for LDI project.

		2006	2005
(Rupees in '000)			
31.1.2 PTA charges for WLL License			
Gross revenue		441,709	6,055
Interoperator and related PTA cost:			
Leased circuit and other charges		27,012	-
Interconnect charges		109,846	673
		136,858	673
Net revenue		304,851	5,382
PTA charges		7,621	161

This provision represents charges payable to PTA in respect of contribution to the Research and Development Fund established by Federal Government (Rs. 3,048,505), Universal Service Fund (Rs. 3,048,505) and annual regulatory fee (Rs. 1,524,253) under the license agreement for WLL project.

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The gross revenue represents revenue from licensed services only i.e. connection charges, post paid billing to customers, air time of prepaid cards utilized by customers, line rent of both prepaid and post paid 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.

	2006	2005
	(Rupees in '000)	
31.1.3 PTA charges for Payphones License		
Gross revenue	1,492,341	-
Interoperator and related PTA cost:		
Interconnect charges	(1,028,249)	-
Net revenue	<u>464,092</u>	<u>-</u>
PTA charges	2,320	-
Provision pertaining to previous years	5,991	-
Total provision	<u>8,311</u>	<u>-</u>
31.1.4 PTA charges for Broadband License		
Gross revenue from Internet over Cable (IOC)	<u>458,069</u>	<u>-</u>
PTA charges	<u>3,023</u>	<u>-</u>
31.1.5 PTA charges for Telephony License		
Gross revenue from telephony services	25,015	-
Interconnect charges	(11,702)	-
Net revenue	<u>13,313</u>	<u>-</u>
PTA charges	<u>333</u>	<u>-</u>

This provision represents charges payable to PTA in respect of contribution to the Research and Development Fund established by Federal Government (Rs. 133,131), Universal Service Fund (Rs. 133,131) and annual regulatory fee (Rs. 66,565) under the license agreement for Telephony project.

	Note	2006	2005
		(Rupees in '000)	
32 Operating cost			
Salaries, wages and benefits		385,036	32,649
Marketing, advertisement and selling expenses		99,659	31,919
Rent, rates and taxes	32.1	44,056	4,018
Communications		33,736	1,211
Transportation		35,939	-
Legal and professional	32.1	25,058	528
Insurance		24,665	2,619
Utilities		21,483	1,144

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	Note	2006	2005
(Rupees in '000)			
Printing and stationary		17,517	848
Entertainment		16,650	987
Travel and conveyance		14,194	2,588
Repairs and maintenance		12,413	639
Provision for doubtful debts		77,200	-
Bad debts written off		10,036	-
Donations	32.2	5,129	95
Fees and subscriptions		4,122	-
Postage and courier		3,783	152
Newspapers and periodicals		2,445	-
Consultancy		2,182	-
Auditor's remuneration	32.3	3,686	700
Depreciation	4.2	46,741	3,953
Amortization	6.1	200,090	5,125
Loss on sale of fixed assets		3,695	-
Miscellaneous		10,949	2,322
		1,100,464	91,497

32.1 These includes operating expenses amounting to Rs. 91,000 with respect to investment properties.

32.2 None of the Directors of the Company or any of their spouses have any interest in or otherwise associated with any of the recipients of donations made by the Company during the year.

	2006	2005
(Rupees in '000)		
32.3 Auditor's remuneration		
Statutory audit	2,416	700
Half year review	650	-
Other sundry certifications	310	-
Out of pocket expenses	310	-
	3,686	700
33 Finance cost		
Mark-up on long term loan	70,767	-
Interest on license fee payable	23,774	-
Financial charge on leased liabilities	33,011	4,818
Mark up on Term Finance Certificates	24,527	-
Mark-up on running finance	16,934	10,563
Bank charges and commission	10,473	5,696
Mark-up on advances from associated companies	89	3,669
	179,575	24,746

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	2006	2005
	(Rupees in '000)	
34 Other operating income		
Income from financial assets		
Profit on sale of investments	104,868	5,193
Income on deposit accounts	15,622	9,791
Mark-up on advances to associated companies	9,458	-
Exchange Loss	(4,635)	(701)
	125,313	14,283
Income from non-financial instruments		
Rental income from investment property	3,712	-
Scrap sales	-	17
Miscellaneous	28,205	-
	31,917	17
	157,230	14,300
35 Taxation		
Current year		
Current	-	-
Deferred	234,610	(12,704)
	234,610	(12,704)
35.1	In view of the available tax losses, provision for current year taxation represents minimum tax payable under section 113 of the Income Tax Ordinance, 2001 at the rate of one-half of one percent of turnover of the Company.	
	2006	2005
36 Earnings per share		
36.1 Basic earnings per share		
Profit after taxation available for distribution to ordinary shareholders	<i>Rupees in '000'</i> 928,353	(19,218)
Weighted average number of ordinary shares	<i>Number in '000'</i> 642,466	116,428
Basic earnings per share	<i>Rupees</i> 1.44	(0.17)
	1.44	(0.17)
	(Rupees in '000)	
36.2 Diluted earnings per share		
Profit after taxation available for distribution to ordinary shareholders	928,353	(19,218)
After tax effect of interest on convertible loan	2,076	-
Profit after taxation available for distribution to ordinary shareholders (diluted)	930,429	(19,218)

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	2006	2005
	Number in '000'	
Weighted average number of ordinary shares	642,466	116,428
Effect of conversion of convertible loan	44,736	-
Weighted average number of ordinary shares (diluted)	<u>687,202</u>	<u>116,428</u>
Diluted earnings per share	<i>Rupees</i> <u>1.35</u>	<u>(0.17)</u>

37 Related party transactions

The related parties comprise foreign subsidiary, local associated companies, related group companies, directors of the Company, companies where directors also hold directorship, and key management employees. Details of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

	2006	2005
	(Rupees in '000)	
Associated companies		
Purchase of goods and services	41,083	58,743
Interest on loan	9,547	21,991
Sale of goods and services	4,453	91,434

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

38 Cash generated from operations

	2006	2005
	(Rupees in '000)	
Profit before taxation	1,162,963	(31,922)
Adjustment for non-cash charges and other items:		
Depreciation	504,554	29,214
Amortization of intangible assets	200,090	1,930
Amortization of deferred cost	15,933	-
Amortization of transaction cost	9,178	3,195
Provision for doubtful receivables	77,200	-
Bad debts written off	10,036	-
Gain on sale of investments	(104,868)	-
Property, plant and equipment written off	4,516	-
Loss on disposal of property, plant and equipment	3,695	-
Exchange loss	-	701
Shares of loss of associate	14,072	-
Gain on re-measurement of investments at fair value	(138,363)	-
Gain on re-measurement of investment property at fair value	(21,000)	-
Gain on re-measurement of long term liabilities at present value	(453,107)	-
Retirement benefits	33,010	2,036
Finance cost	179,575	24,744
Profit before working capital changes	<u>1,497,484</u>	<u>29,898</u>

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	Note	2006	2005
(Rupees in '000)			
Effect on cash flow due to working capital changes:			
Stores and spares		(2,657)	-
Stock in trade		(4,310)	(437)
Trade debts		(132,472)	(300,367)
Loans and advances		168,767	(11,517)
Deposits and short term prepayments		26,696	(110,797)
Other receivables		(124,488)	(31,592)
Trade and other payables		(567,557)	887,965
		(636,021)	433,255
39 Cash and cash equivalents		861,463	463,153
Cash and bank balances	16	1,456,516	591,928
Running finance under markup arrangements-Secured		(273,207)	(29,539)
40 Business combination		1,183,309	562,389

Detail of net assets acquired and goodwill are as follows:

Fair value of shares issued	4,472,806	-
Fair value of net assets acquired	(1,795,108)	-
Minority interest in net asset of Worldcall Lanka (Pvt) Ltd. (29.35%)	11,425	-
Goodwill	2,689,123	-

In the absence of the market value at the Effective Date, the fair value of share issued is based on share value used in determining swap ratio approved by Lahore High court in its order dated 24 April 2006.

41 Remuneration of chairman, chief executive and executives

The aggregate amount charged in these financial statements during the year for remuneration, including certain benefits, to the chief executive, directors and executives of the Company were as follows:

	Chief Executive		Directors		Executives	
	2006	2005	2006	2005	2006	2005
	(Rupees in '000)		(Rupees in '000)		(Rupees in '000)	
Managerial	1,584	-	2,120	-	37,902	12,339
Retirement benefits	200	-	100	-	2,506	-
Housing	648	-	848	-	15,225	4,936
Utilities	168	-	212	-	3,833	1,233
	2,600	-	3,280	-	59,466	18,508
Number of persons	1	-	2	-	56	19

During the year there were a total of four chief executives representing each of the merged entities before the date of the court order for merger of WCL, WBL and WML with the Company.

The chief executive, directors and certain executives of the Company are provided with Company maintained vehicles and residential telephones.

Aggregate amount charged in these financial statements for the year for fee to directors was Rs. Nil (2005: Rs. Nil).

42 Accounting estimates and judgments

Income Taxes

The Group takes into account the current income tax law and decisions taken by appellate authorities. Instances where the Group's view differs from the view taken by the income tax department at the assessment stage and where the Group considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities. Furthermore, the Group may be able to avail the benefit of the payment of turnover tax, provided sufficient taxable profits are available in next five years when this credit can be utilized.

Investment property

The estimates for revalued amounts of different investment properties, are based on valuation performed by external professional valuer and recommendation of technical teams of the Group. Further, the Group reviews the value of the assets for possible impairment on an annual basis.

Gratuity

Certain actuarial assumptions have been adopted as disclosed in note 23.1 to the financial statements for valuation of present value of defined benefit obligations. Any changes in these assumptions in future years might affect unrecognized gains and losses in those years.

43 Financial assets and liabilities

	Interest / mark up bearing			Non interest/mark up bearing			Total
	Maturity upto one year	Maturity after one year upto two years	Maturity after two years upto five years	Maturity upto one year	Maturity after one year upto two years	Maturity after two years upto five years	
Financial assets							
Long term investments - at cost	-	-	27,923	-	-	27,923	27,923
Long term deposit	-	-	199,704	8,218	-	207,922	207,922
Trade debt	-	-	-	701,744	-	701,744	701,744
Loans and advances - considered good	134,095	-	-	-	-	-	134,095
Deposits and short term prepayments	-	-	-	140,110	-	140,110	140,110
Other receivables	-	-	-	411,093	-	411,093	411,093
Short term investments	412,704	-	-	371,838	-	371,838	784,542
Cash and bank balances	1,209,472	-	-	247,044	-	247,044	1,456,516
	<u>1,756,271</u>	<u>-</u>	<u>-</u>	<u>1,880,047</u>	<u>-</u>	<u>2,27,627</u>	<u>3,863,945</u>
Financial liabilities							
Term finance certificates - Secured	100,000	49,909	-	-	-	-	149,909
Long term finances-secured	433,830	433,830	651,187	-	-	-	1,518,847
Liabilities against assets subject to finance lease	188,932	175,624	-	-	-	-	364,556
Long term payables	-	-	-	-	6,261	6,261	6,261
Long term deposits	-	-	-	-	77,214	77,214	77,214
License fee payable	-	-	-	-	705,667	705,667	705,667
Running finance under markup arrangements-Secured	273,207	-	-	-	-	-	273,207
Trade and other payables	-	-	-	783,204	-	-	783,204
Interest and mark up accrued	-	-	-	34,131	-	-	34,131
	<u>995,969</u>	<u>659,363</u>	<u>651,187</u>	<u>817,335</u>	<u>-</u>	<u>789,142</u>	<u>3,912,996</u>
Off balance sheet financial instruments							
Contingencies and commitments	-	-	-	-	-	-	267,309
Guarantees	-	-	-	-	-	-	196,161
Letters of credit	-	-	-	-	-	-	324,277
	-	-	-	-	-	-	<u>787,747</u>

The effective interest/ mark-up rates for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.

43.1 Financial risk management objectives

The Group finances its operations through equity, borrowings and management of working capital with a view to obtain a reasonable mix between the various sources of finance to minimize risk. Taken as a whole, risk arising from the Group's financial instruments is limited as there is no significant exposure to market risk in respect of such instruments.

43.2 Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into foreign currency. The Group is exposed to foreign currency risk on sales, purchases and borrowings that are entered in a currency other than Pak Rupees. The Group uses forward exchange contracts to hedge its foreign currency risk, when considered appropriate.

43.3 Concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. The Group credit risk is primarily attributable to its trade debts and loans and advances. The Group has no significant concentration of credit risk as exposure is spread over a large number of counter parties in the case of trade debts. Of the total financial assets of Rs. 3,864 million (2005: Rs. 1,272 million) financial assets which are subject to credit risk amount to Rs. 1,594.964 million (2005: Rs. 680.074 million). To manage exposure to credit risk, the Group applies credit limits to its customers and obtains advances from them.

43.4 Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

43.5 Liquidity risk

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. The Group follows an effective cash management and planning policy and maintains flexibility in funding by keeping committed credit lines available.

43.6 Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group has adopted appropriate policies to cover interest rate risk.

44 Segment reporting

Segment information is presented in respect of the Group's business. The primary format, business segment, is based on the Group management reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one year.

The Group's operations comprise of the following main business segments:

- Telecom segment which comprises of WLL, LDI and Operation and Maintenance of payphone network.
- Broadband segment which comprise of internet over cable and cable TV services.

Worldcall Telecom Limited Group

Segment analysis for the year ended 30 June 2006

	Telecom	Broadband (Rupees in '000)	Total
Sales			
External sales	4,153,102	906,881	5,059,983
Inter-segment sales	-	-	-
Sales tax	229,106	23,457	252,563
Discount and commission	413,340	14,185	427,525
Total revenue - net	<u>3,510,656</u>	<u>869,239</u>	<u>4,379,895</u>
Profit before tax and unallocated expenses	921,359	241,604	1,162,963
Unallocated corporate expenses			
Taxation			(234,610)
Profit after taxation			<u>928,353</u>
Segment assets and liabilities			
Segment assets	12,836,718	3,091,453	15,928,171
Unallocated assets	-	-	-
Consolidated total assets			<u>15,928,171</u>
Segment liabilities	3,809,933	897,330	4,707,263
Unallocated liabilities	-	-	-
Consolidated total liabilities			<u>4,707,263</u>
Segment capital expenditure	2,475,330	632,440	3,107,770
Unallocated capital expenditure			-
Consolidated total capital expenditure			<u>3,107,770</u>
Non-cash expenses other than depreciation and amortization	<u>44,850</u>	<u>67,497</u>	<u>112,347</u>
Depreciation and amortization	<u>538,048</u>	<u>166,596</u>	<u>704,644</u>

45 Date of authorization for issue

These consolidated financial statements were authorized for issue on 09 October 2006 by the Board of Directors.

46 Dividend

The Board of Directors of the Company in their meeting held on 09 October 2006 have proposed bonus shares for the year ended 30 June 2006 @15 shares for each 100 shares held i.e. 15 % as a final dividend.

47 **Forthcoming Requirements Under International Accounting Standard (IAS) 8 "Accounting Policies, Changes in Accounting Policies, Changes in Accounting Estimates and Errors"**

During the current year the International Financial Reporting Interpretation Committee (IFRIC) of the International Accounting Standards Board issued IFRIC Interpretation 4 (IFRIC-4) "Determining whether an Arrangement contains a Lease". The interpretation is effective for financial periods beginning on or after 1 January 2006. The interpretation requires that determining whether an arrangement is, or contains, a lease which shall be based on the substance of the arrangement and requires an assessment of whether:

- (a) fulfilment of the arrangement is dependent on the use of a specific / captive asset or assets; and
- (b) the arrangement conveys a right to use the asset.

The Company has in place certain arrangements which under IFRIC - 4 require re-assessment for potential classification as an operating lease. The financial impact, if any, as a result of this re-assessment is under review.

48 **General**

48.1 Previous year's figures have been rearranged, wherever necessary for the purpose of comparison. Material rearrangements are summarized below;

- Long term advances, previously shown as separate line item, have been classified with Long term deposits.
- Letters of credit in transit, previously shown as line item in other receivables, have been classified with capital work in progress.
- Exchange loss, previously shown as line item in operating cost, has been shown as line item in other operating income.

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

48.3 Comparative figures of cash flow statement and of profit and loss represent figures for seven months period ended 30 June 2005.

CHIEF EXECUTIVE

DIRECTOR

Worldcall Telecom Limited

PATTERN OF SHAREHOLDING AS AT 30 JUNE 2006

INCORPORATION NUMBER: L-10540 of 2000-2001

No. of Shareholders	Shareholdings			Shares Held
	From		To	
183	1	-	100	9,418
1114	101	-	500	394,279
3998	501	-	1000	2,337,076
2686	1001	-	5000	5,985,112
583	5001	-	10000	4,237,457
240	10001	-	15000	2,947,643
154	15001	-	20000	2,632,480
75	20001	-	25000	1,687,444
40	25001	-	30000	1,118,018
46	30001	-	35000	1,511,709
22	35001	-	40000	805,332
22	40001	-	45000	932,440
19	45001	-	50000	933,254
15	50001	-	55000	797,657
10	55001	-	60000	571,850
6	60001	-	65000	379,470
9	65001	-	70000	601,096
15	70001	-	75000	1,078,929
8	75001	-	80000	619,285
9	80001	-	85000	742,315
8	85001	-	90000	697,624
2	90001	-	95000	184,777
7	95001	-	100000	691,107
6	100001	-	105000	615,476
9	105001	-	110000	967,648
5	110001	-	115000	567,323
2	115001	-	120000	236,461
2	125001	-	130000	256,132
3	130001	-	135000	395,046
2	135001	-	140000	276,425
7	140001	-	145000	994,000
3	145001	-	150000	446,865
4	150001	-	155000	610,509
1	155001	-	160000	159,500
4	160001	-	165000	651,764
2	165001	-	170000	334,060

Worldcall Telecom Limited

No. of Shareholders	Shareholdings			Shares Held
	From		To	
4	170001	-	175000	691,189
1	175001	-	180000	175,821
2	185001	-	190000	378,767
2	190001	-	195000	387,407
1	195001	-	200000	198,800
2	200001	-	205000	405,686
2	205001	-	210000	412,400
1	215001	-	220000	218,000
1	220001	-	225000	220,455
1	235001	-	240000	239,000
2	240001	-	245000	485,283
1	260001	-	265000	261,600
1	285001	-	290000	286,794
2	295001	-	300000	595,700
1	340001	-	345000	340,500
1	345001	-	350000	349,345
1	370001	-	375000	370,020
1	385001	-	390000	390,000
1	405001	-	410000	405,200
1	435001	-	440000	438,425
1	450001	-	455000	451,079
1	455001	-	460000	457,240
1	500001	-	505000	500,820
1	515001	-	520000	516,750
1	525001	-	530000	527,355
1	535001	-	540000	536,000
3	540001	-	545000	1,631,978
1	585001	-	590000	588,425
1	590001	-	595000	593,392
2	650001	-	655000	1,304,605
1	680001	-	685000	680,210
1	705001	-	710000	710,000
1	815001	-	820000	816,500
1	910001	-	915000	911,000
1	1060001	-	1065000	1,065,000
1	1085001	-	1090000	1,090,000
1	1160001	-	1165000	1,164,210
1	1210001	-	1215000	1,213,572
1	1540001	-	1545000	1,545,000
1	1565001	-	1570000	1,566,011
1	1585001	-	1590000	1,589,827

Worldcall Telecom Limited

No. of Shareholders	Shareholdings		Shares Held
	From	To	
1	1715001	1720000	1,716,650
1	2045001	2050000	2,049,400
1	2640001	2645000	2,641,565
1	2745001	2750000	2,748,185
1	2780001	2785000	2,782,770
1	2800001	2805000	2,803,196
1	2915001	2920000	2,916,344
1	4070001	4075000	4,074,450
1	4080001	4085000	4,081,923
2	4295001	4300000	8,600,000
1	4850001	4855000	4,853,778
1	5100001	5105000	5,103,550
1	5125001	5130000	5,130,000
1	5975001	5980000	5,978,471
1	6000001	6005000	6,000,500
1	6140001	6145000	6,143,260
1	6445001	6450000	6,447,350
1	6535001	6540000	6,540,000
1	7170001	7175000	7,171,793
1	7540001	7545000	7,542,220
1	7695001	7700000	7,700,000
1	9020001	9025000	9,022,325
1	9635001	9640000	9,637,392
1	9995001	10000000	10,000,000
1	11750001	11755000	11,753,523
1	12070001	12075000	12,073,845
1	13820001	13825000	13,823,460
1	14260001	14265000	14,260,990
1	15805001	15810000	15,806,740
1	15875001	15880000	15,876,000
1	16785001	16790000	16,786,725
1	16915001	16920000	16,919,330
1	17685001	17690000	17,685,714
1	19335001	18340000	18,335,969
1	18550001	18555000	18,551,535
1	20305001	20310000	20,308,380
1	20995001	21000000	21,000,000
1	22415001	22420000	22,416,903
1	22540001	22545000	22,540,500
1	25520001	25525000	25,520,810
1	29995001	30000000	30,000,000
1	47000001	47005000	47,003,896
1	96495001	96500000	96,500,000
9418			653,965,789

**PATTERN OF SHAREHOLDING
AS AT 30 JUNE 2006**

Categories of Shareholders	Shares held	Percentage
Directors, Chief Executive Officer, and their spouse and minor children	263,112,982	40.233
Associated Companies, undertakings and related parties.	80,104,849	12.249
NIT and ICP	963,365	0.147
Banks, Development Financial Institutions, Non Banking financial Institutions	64,470,062	9.858
Modarabas and Mutual Funds	32,372,519	4.950
Insurance Companies	264,065	0.040
Share holders holding 10% or more	334,656,554	51.173
General Public		
a) Local	82,672,463	12.642
b) Foreign	32,697,729	5.000
Others		
- Public Sector Com. & Corp.	12,866,390	1.967
- Joint Stock Companies	84,441,365	12.912

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

**PATTERN OF SHAREHOLDING AS PER LISTING REGULATIONS
AS AT 30 JUNE 2006**

Shareholders' Category	Number of Shares held
Associated Companies, undertaking and related parties	
First Capital Securities Corporation Limited	78,538,838
Pace (Pakistan) Limited	1,566,011
NIT and ICP	
Investment Corporation of Pakistan	146,865
National Bank of Pakistan, Trustee Deptt	816,500
Directors, CEO & their Spouse and Minor Children	
Sulieman Ahmed Said Al-Hoqani	256,117,716
Salmaan Taseer	6,833,230
Aamna Taseer	1,519
Shaan Taseer	157,066
Abid Raza	1,951
Air Vice Marshal (Retd) Syed Imtiaz Hyder	500
Muhammad Bilal Sheikh (Resigned)	500
Babar Ali Syed	500
*Jamal Said Al-Ojaili was appointed as a director in place of Mr. Muhammad Bilal Sheikh subsequent to year-end.	
Executives	-
Public Sector Companies and Corporations	12,866,390
Banks, Development Financial Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas and Mutual Funds etc.	97,106,646
Shareholders holding 10% or more voting interest in the Company	
Sulieman Ahmad Said Al-Hoqani	256,117,716
First Capital Securities Corporation Limited	78,538,838

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 2006 at 03:30 p.m. and at any adjournment thereof.

Signature this _____ Day of _____ 2006

(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.

