

**HALF YEARLY ACCOUNTS
(Un-Audited)**

31 December 2005

VISION

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

MISSION STATEMENT

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

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

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

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

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

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COMPANY INFORMATION

Board of Directors	Sulieaman Ahmed Said Al-Hoqani (Chairman) Salmaan Taseer (Chief Executive Officer) Shaan Taseer Aamna Taseer Tanvir Ahmad Air Vice Marshal (R) Syed Imtiaz Hyder Muhammad Bilal Sheikh Arshed Ahmed Khan Abid Raza
Chief Financial Officer	Muhammad Naveed Tariq
Audit Committee	Tanvir Ahmad Shaan Taseer Aamna Taseer
Company Secretary	Ahmad Bilal
Auditors	KPMG Taseer Hadi & Co. Accountants
Legal Advisers	Hosain & Rahim Advocates
Bankers	Allied Bank of Pakistan Limited Askari Commercial Bank Limited Crescent Commercial Bank Limited Faysal Bank Limited Habib Bank Limited KASB Bank Limited Muslim Commercial Bank Limited National Bank of Pakistan ORIX Leasing Pakistan Limited Pak Kuwait Investment Co. (Pvt) Limited Pak Oman Investment Co. Limited Pakistan Industrial Credit & Investment Corporation Limited PICIC Commercial Bank Limited Prime Commercial Bank Limited Soneri Bank Limited Standard Chartered Bank Standard Chartered Modaraba Union Bank Limited
Registrar and Shares Transfer Office	THK Associates (Pvt.) Limited Ground Floor Modern Motors House, Beaumont Road, Karachi ☎ (021) 5689021, 111-000-322
Registered Office/Head Office	103-C/II, Gulberg-III Lahore, Pakistan. ☎ (042) 5757591-4 Fax: (042) 5757590, 5877920

DIRECTORS' REVIEW

The Directors of Worldcall Telecom Limited (the Company) feel pleasure in presenting half yearly accounts for the period ended 31 December 2005, to the shareholders.

Current Status

The Company has successfully launched its WLL service in 15 major cities of Punjab, NWFP and Sindh. Out of these, 6 cities were launched during the second quarter, whereas, 2 were added subsequently. Launch in two more cities is in pipeline. The first phase roll-out is 85% completed.

The subscriber base of WLL is continuously increasing and significant milestones have been achieved by the end of the half year. An increase of 11% has been recorded in subscriber base during the second quarter, as compared to quarter 1.

The Company has also established its foot hold in the wireless payphone market and providing services to two major companies. Currently, a substantial number of pay phones have been installed and activated.

Overview of accounts

The two segments (WLL and LDI) have earned revenue of PKR 1.13 billion during first half of the financial year with a gross profit of PKR 191 million, which is 17% of the total revenue. Due to heavy investment in capital intensive deployment and costly spectrum fees, the Company has to entertain a hefty bill on account of depreciation and amortization. This has resulted in a net loss of PKR 26.6 million though a cash profit of PKR 108 million was made.

The management is making continuous efforts for the best utilization of available resources so as to optimize its operational costs and maximize profits.

Future outlook

Management has set foot for the upcoming phase II of WLL project, whereby, roll out in over 40 cities is planned in two stages. The ordering phase of stage-1 is in progress.

Worldcall Group is in the process of merging its other telecom operations in the Company. This has been approved by the shareholders of the respective companies. The case for merger will be filed with the Honorable High Court in the coming month.

M/s Amaranth, a US Hedge fund, has signed a term sheet with Worldcall Telecom, whereby an amount of US\$ 25 million is being invested in the Company. This transaction has been approved by the Board of Directors and Shareholders of the Company. The Management is in the process of completing the formalities for entering into a formal contract and this will be concluded shortly.

The Company has commenced exchange of minutes with Saudi Telecom, one of the single largest companies terminating minutes in Pakistan.

The request for the staggering of license fee has been taken up by the Ministry of Information and Technology (MOIT). A case is being prepared by the MOIT which will be presented in the Economic Coordination Committee (ECC) for re-consideration. The Management is hopeful of a favorable outcome this time. As regards our request on limited mobility, the case is still under consideration of PTA.

Management of the Company is keen to make it a trend setter in WLL and LDI markets by continuously improving existing services and devising innovative value-added solutions at most competitive prices. Management is also keen to maintain its position as a market leader by tapping the virgin markets and taking the first movers advantage.

For and on behalf of the Board of Directors

Lahore
27 February 2006

Salmaan Taseer
Chief Executive Officer

Worldcall Telecom Limited

REVIEW REPORT TO THE MEMBERS

We have reviewed the annexed balance sheet of **Worldcall Telecom Limited** as at 31 December 2005, and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the "financial statements") for the half-year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our review.

We conducted our review in accordance with the International Standard on Review Engagements 2400. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the annexed financial statements are not presented fairly, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

Lahore
27 February 2006

KPMG Taseer Hadi & Co.
Chartered Accountants

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Worldcall Telecom Limited

BALANCE SHEET AS AT 31 DECEMBER 2005 (Un-Audited)

	Note	31 December 2005 Rupees	30 June 2005 Rupees
PROPERTY, PLANT AND EQUIPMENT	4	2,646,846,110	2,226,546,030
INTANGIBLE ASSETS		2,352,426,056	2,413,020,723
LONG TERM ADVANCES		9,943,640	6,423,070
LONG TERM DEPOSITS		130,170,717	132,705,733
DEFERRED TAXATION		33,527,240	12,703,806
		5,172,913,763	4,791,399,362
CURRENT ASSETS			
Stock-in-trade		1,958,745	436,390
Trade debts		220,766,648	300,367,332
Loans and advances		162,033,583	132,351,745
Deposits and prepayments		149,782,290	122,164,138
Other receivables		30,066,772	32,971,461
Short term investments		226,800,000	-
Cash and bank balances		337,360,546	591,927,868
		1,128,768,584	1,180,218,934
CURRENT LIABILITIES			
Trade and other payables		629,875,482	947,220,558
Interest and mark-up payable		13,049,459	55,584,139
Short term borrowings		30,199,311	29,539,157
Current maturity of long term finances		183,101,714	75,000,000
Current portion of liabilities against assets subject to finance lease		56,266,936	55,172,957
		912,492,902	1,162,516,811
		216,275,682	17,702,123
NET CURRENT ASSETS			
NON CURRENT LIABILITIES			
Long term finances		653,126,634	647,767,810
Liabilities against assets subject to finance lease		75,961,656	103,056,970
Long term deposits		9,940,043	4,538,675
Long term payables		39,225,680	106,874,574
Deferred liability for staff retirement benefits		10,749,307	7,471,108
License fee payable	6	1,206,000,000	1,208,610,000
		1,995,003,320	2,078,319,137
CONTINGENCIES AND COMMITMENTS			
	7	3,394,186,125	2,730,782,348
REPRESENTED BY			
SHARE CAPITAL AND RESERVES			
Share capital		3,440,000,000	2,750,000,000
Accumulated loss		(45,813,875)	(19,217,652)
		3,394,186,125	2,730,782,348

The annexed notes 1 to 10 form an integral part of these financial statements.

Lahore

Chief Executive

Director

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Worldcall Telecom Limited

PROFIT AND LOSS ACCOUNT (UN-AUDITED) FOR THE HALF YEAR ENDED 31 DECEMBER 2005

	Quarter ended 31 December 2005 Rupees	Six months ended 31 December 2005 Rupees	Quarter ended 31 December 2004 Rupees	Six months ended 31 December 2004 Rupees
REVENUE	534,038,209	1,127,799,014	48,688,535	48,688,535
DIRECT COST	(447,433,041)	(936,734,591)	(48,865,110)	(48,865,110)
GROSS PROFIT/(LOSS)	86,605,168	191,064,423	(176,575)	(176,575)
OPERATING COST	(130,543,329)	(205,266,100)	(9,603,050)	(9,603,050)
OPERATING LOSS	(43,938,161)	(14,201,677)	(9,779,625)	(9,779,625)
Finance cost	(33,384,708)	(49,648,152)	(3,276,689)	(3,276,689)
Other operating income	12,489,436	16,430,172	1,416,814	1,416,814
LOSS BEFORE TAXATION	(64,833,433)	(47,419,657)	(11,639,500)	(11,639,500)
TAXATION	13,742,051	20,823,434	-	-
LOSS AFTER TAXATION	(51,091,382)	(26,596,223)	(11,639,500)	(11,639,500)
LOSS PER SHARE - BASIC/DILUTED	(0.16)	(0.09)	(3.084)	(3.084)

The annexed notes 1 to 10 form an integral part of these financial statements.

Lahore

Chief Executive

Director

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Worldcall Telecom Limited

CASH FLOW STATEMENT (UN-AUDITED) FOR THE HALF YEAR ENDED 31 DECEMBER 2005

	Six months ended 31 December 2005 Rupees	Six months ended 31 December 2004 Rupees
Cash flows from operating activities		
Loss before taxation	(47,419,658)	(11,639,500)
Adjustments for non-cash and other items:		
Depreciation and amortization	135,557,680	3,122,852
Provision for doubtful debts	92,349	-
Finance cost	49,648,152	3,276,689
Provision for retirement benefits	5,199,714	762,296
	190,497,895	7,161,837
	143,078,237	(4,477,663)
Adjustments for working capital items: (Increase)/decrease in current assets		
Stock-in-trade	(1,522,355)	-
Trade debts	79,508,335	(45,095,920)
Loans and advances	(64,580,948)	(101,864,103)
Deposits and prepayments	(27,618,152)	(175,756,063)
Other receivables	7,458,048	(8,105,511)
Increase/(decrease) in current liabilities		
Trade and other payables	(392,517,971)	164,853,221
	(399,273,043)	(165,968,376)
	(256,194,806)	(170,446,039)
Finance costs paid	(114,278,239)	(14,650,622)
Retirement benefits paid	(507,514)	(29,900)
Taxes paid	(4,553,359)	(263,163)
Net cash used in operating activities	(375,533,918)	(185,389,724)
Cash flows from investing activities		
Purchase of property, plant and equipment	(430,476,038)	(362,708,816)
Payment for intangible assets	(3,656,000)	(1,216,730,000)
Increase in short term investment	(226,800,000)	-
Increase in long term advances	(20,570)	(2,614,280)
Decrease/(Increase) in long term deposits	2,535,017	(35,319,812)
Net cash used in investing activities	(658,417,591)	(1,617,372,908)
Cash flows from financing activities		
Proceeds from long term loan	146,824,000	50,000,000
Repayment of long term loan	(37,500,000)	-
Repayment of liabilities against assets subject to finance lease	(26,001,335)	(9,167,974)
Issuance of share capital	690,000,000	5,000
Share deposit money	-	1,865,479,192
Increase in long term deposits	5,401,368	-
Net cash inflow from financing activities	778,724,033	1,906,316,218
Net (decrease)/increase in cash and cash equivalents	(255,227,476)	103,553,586
Cash and cash equivalents at the beginning of the period	562,388,711	25,003,480
Cash and cash equivalents at the end of the period	307,161,235	128,557,066
Cash and Cash equivalent comprised the following:		
Cash and bank balances	337,360,546	133,557,066
Short term running finances	(30,199,311)	(5,000,000)
	307,161,235	128,557,066

The annexed notes 1 to 10 form an integral part of these financial statements.

Lahore

Chief Executive

Director

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Worldcall Telecom Limited

STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE HALF YEAR ENDED 31 DECEMBER 2005

	Share capital Rupees	Share Deposit Money Rupees	Accumulated profit/(loss) Rupees	Total Rupees
Balance as at 30 June 2004	35,000	256,305,930	-	256,340,930
Share deposit money received	-	1,865,484,192	-	1,865,484,192
Issuance of share capital	5,000	(5,000)	-	-
Net loss for the period	-	-	(11,639,500)	(11,639,500)
Balance as at 31 December 2004	40,000	2,121,785,122	(11,639,500)	2,110,185,622
Share deposit money received	-	628,174,878	-	628,174,878
Issuance of share capital	2,749,960,000	(2,749,960,000)	-	-
Net loss for the period	-	-	(7,578,152)	(7,578,152)
Balance as at 30 June 2005	2,750,000,000	-	(19,217,652)	2,730,782,348
Share deposit money received	-	690,000,000	-	690,000,000
Issuance of share capital	690,000,000	(690,000,000)	-	-
Net loss for the period	-	-	(26,596,223)	(26,596,223)
Balance as at 31 December 2005	<u>3,440,000,000</u>	<u>-</u>	<u>(45,813,875)</u>	<u>3,394,186,125</u>

The annexed notes 1 to 10 form an integral part of these financial statements.

Lahore

Chief Executive

Director

Worldcall Telecom Limited

NOTES TO THE ACCOUNTS (UN-AUDITED) FOR THE HALF YEAR ENDED 31 DECEMBER 2005

1. The Company and its operations

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

2. Basis of Presentation

These financial statements are being presented in condensed form in accordance with the requirements of International Accounting Standard-(IAS)-34 "Interim Financial Reporting". These financial statements are un-audited and are being submitted to shareholders, as required under section 245 of the Companies Ordinance, 1984.

3. Accounting Policies

The Accounting policies and method of computation adopted for the preparation of these accounts are the same as those applied in preparation of accounts for the preceding year ended 30 June 2005, except for the following additions:

Revenue

Revenue from sale of payphones is recognised when significant risks and rewards are transferred to the customers, i.e on despatch of payphones.

Depreciation

Up to 30 June 2005, the Company charged full year depreciation on additions, except addition on plant and machinery, on which depreciation is charged from the date the plant and machinery is ready for its intended use on pro-rata basis, while no depreciation is charged in the year of disposal. During the period the Company has changed its accounting method of charging depreciation whereby depreciation is charged from month in which assets are put to use up to the month before the disposal of asset. Such change being change in accounting estimate has been accounted for prospectively. Had there been no change in accounting estimate the loss for the half year and unappropriated losses as at 31 December 2005 would have increased by Rs. 760,589.

	31 December 2005 Rupees	30 June 2005 Rupees
4. Property, Plant and Equipment		
Property, plant and equipment	4.1 <u>2,646,846,110</u>	<u>2,226,546,030</u>
4.1 Opening book value	<u>2,226,546,030</u>	672,925,524
Add: Additions/transfers during the period	4.1.1 <u>2,040,672,170</u>	<u>1,804,273,837</u>
	<u>4,267,218,200</u>	<u>2,477,199,361</u>
Transfers from capital work in progress (CWIP) during the period	<u>(1,523,693,950)</u>	(216,076,963)
Depreciation charged during the period	<u>(96,678,140)</u>	(34,576,368)
	<u>2,646,846,110</u>	<u>2,226,546,030</u>

Worldcall Telecom Limited

	31 December 2005 Rupees	30 June 2005 Rupees
4.1.1 Breakup of additions		
Lease hold improvements	724,219	87,860
Plant and machinery- Additions	62,347,728	20,197,288
-Transfers from CWIP	1,523,693,950	216,076,963
Office equipment	817,975	549,325
Lab equipment	4,601,447	192,332
Computers	4,588,119	5,705,116
Furniture and fixtures	111,760	121,760
Vehicles	2,911,719	21,662,676
Capital work in progress	440,875,253	1,539,680,517
	<u>2,040,672,170</u>	<u>1,804,273,837</u>

5. Transactions with Related Parties

Related parties comprise of Directors, key management personnel, major shareholders and associated companies. Transaction with related parties other than remuneration and benefits to key management personnel under the terms of their employment are as follows:

	31 December 2005 Rupees	31 December 2004 Rupees
Worldcall Multimedia Limited		
Internet and Bandwidth services received	2,512,835	127,000
Mark-up charged	37,596	7,767
Advertisement	2,320,073	-
Call termination charges	898,788	-
Revenue	872,381	-
Dark fiber maintenance charges	444,330	-
CATV services	4,200	8,050
Worldcall Broadband Limited		
Mark-up expense	201,138	1,021,565
Group pool expenses charged by	-	928,474
Group pool expenses charged to	-	1,945,408
Call termination charges	2,128,315	-
Revenue	6,476,552	-
Equipment transferred	-	70,153,072
Worldcall Communications Limited		
Consultancy Services	-	20,000,000
Mark-up expense	1,385,737	1,449,892
Group pool expenses	-	3,764,389
Distribution commission	8,243,558	-
Revenue	119,133,705	-
Cross corporate guarantee	316,000,000	780,000,000

Worldcall Telecom Limited

	31 December 2005 Rupees	31 December 2004 Rupees
Total Media Limited		
Advertisement	499,998	-
Revenue	35,956	-
Media Times (Pvt) Limited		
Advertisement	4,723,380	-
Revenue	50,853	-

The Company continues to have a policy whereby all transactions with related parties are entered into arm's length generally determined in accordance with "Comparable Uncontrolled Price Method".

6. The Company along with other WLL operators has requested PTA and Ministry of IT and Telecom for deferment of payment of the balance license fee. Such relief was granted to cellular mobile operators in payment of their spectrum/license fees. Furthermore, our request has been based upon the principal of level playing field available to all telecom operators under the De-regulation policy and charter of PTA. Currently, a fresh summary for the Economic Coordination Committee (ECC) is being prepared by the Ministry of IT for reconsideration of the committee with regards to moratorium / staggering of balance 50% initial spectrum fees for WLL license operators. However, major portion of this liability will be met through unutilized portion of long term loan.

7. Contingencies and commitments

- 7.1 There is difference of Rs. 39.9 million with PTCL on account of interconnect and settlement charges due to minutes and wrong application of formula, which has not been provided for in these financial statements.
- 7.2 PTCL has charged Rs. 30.3 million in respect of unsuccessful calls for national origination (A-Leg) which are not payable as per clause 3.1.1 of Schedule 11 of Reference Interconnect Offer (RIO).
- 7.3 There is a difference of Rs 39 million between the amount billed by PTCL and the amount charged by the Company on account of Domestic Private Lease Circuit (DPLC) charges. The difference is mainly due to following:
- 7.3.1 Difference of Rs. 27 million due to the difference in formulae used by PTCL and the Company for the calculation of DPLC charges. PTCL has charged bandwidth on the basis of activation of DPLC link whereas the Company has calculated the bandwidth charges from the date of activation of Digital Interface Units (DIU) for commercial operation and in proportion to activation of DIUs related to each DPLC.
- 7.3.2 PTCL is charging Rs. 4 million excess for the deactivation of Karachi to Rawalpindi link.
- 7.3.3 The remaining difference represents GST charged by PTCL on security deposit amounting to Rs. 2.5 million, charges for the lease media surrendered amounting to Rs. 2.3 million and surcharge amounting to Rs. 2.5 million.
- 7.4 Letter of guarantees outstanding as at 31 December 2005 amounting to Rs. 86.2 million (2005: Rs 51.370 million) and Rs. 35.6 million (2005: Rs Nil) are issued in favour of PTCL and Mobilink respectively as security for interconnect and settlement charges.

7.5 Commitments for capital expenditure amounting to Rs. 523.40 million (2005: Rs. 236.6 million).

8 Merger

With the view to consolidate the Telecom and Broadband businesses a scheme of merger/amalgamation of Worldcall Multimedia Limited, Worldcall Broadband Limited and Worldcall Communications Limited with that of Worldcall Telecom Limited was approved by the Board of Directors and subsequently by the shareholders in the extra ordinary general meeting held on 18th February 2006. The scheme will be implemented after obtaining approval of the Honorable Lahore High Court for which an application is in process.

9 Date of authorization

These financial statements were authorized for issue on 27 February 2006 by the Board of Directors of the Company.

10. General

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

10.2 Previous period's figures have been rearranged and reclassified wherever necessary for the purpose of comparison.