

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

31 DECEMBER 2007

VISION

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

MISSION STATEMENT

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

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

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

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

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

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Condensed consolidated interim financial information

COMPANY INFORMATION

Board of Directors	Sheikh Sulieman Ahmed Said Al-Hoqani (Chairman) Salmaan Taseer (Chief Executive Officer) Aamna Taseer Shaan Taseer Air Vice Marshal (R) Arshad Rashid Sethi Nasim Beg Jamal Said Al-Ojaili Babar Ali Syed Abid Raza
Chief Financial Officer	Muhammad Naveed Tariq
Audit Committee	Babar Ali Syed (Chairman) Aamna Taseer Abid Raza
Company Secretary	Ahmad Bilal
Auditors	KPMG Taseer Hadi & Co. Chartered Accountants
Legal Advisers	Ebrahim Hosain Advocates & Corporate Counsel
Bankers	Askari Bank Limited ABN Amro Bank Limited Allied Bank Limited Arif Habib Bank Limited Bank Al-Falah Limited Barclays Bank Plc Citi Bank N.A Pakistan Deutsche Bank AG Emirates Global Islamic Bank Faysal Bank Limited First Women Bank Limited Habib Bank Limited Habib Metropolitan Bank Limited KASB Bank Limited MCB Bank Limited National Bank of Pakistan NIB Bank Limited Saudi Pak Commercial Bank Limited Soneri Bank Limited Standard Chartered Bank (Pakistan) Limited The Bank of Punjab United Bank Limited
Registrar and Shares Transfer Office	THK Associates (Pvt.) Limited Ground Floor State Life Building-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

DIRECTORS' REVIEW

The Directors of Worldcall Telecom Limited ("WTL" or the "Company") are pleased to present the financial information for the half year ended 31 December 2007, reviewed by the statutory auditors.

Financial Overview

During the half year under review the Company posted net revenue of PKR 2,291 million showing an increase of 9.2 % over the corresponding prior period. This growth in sales came despite severe competition that prevailed over the telecommunication industry throughout the period. The Company too, was impacted by this but was able to achieve strong growth in major dimensions by making timely response to changing market dynamics. The Company was able to sustain gross profit margin to sales owing to the managements' continuous endeavor to achieve higher efficiency in operations and processes. Moreover the Company is undertaking a planned and systematic replacement of certain high cost media to lower cost media without making any compromise on the service and delivery standards. This change over has shown some good results in the current period and is likely to significantly ameliorate the operational efficiency in the future. The Company's operating costs increased by 8.4% mainly due to expansion in operations and launch of service in new regions. The increase in revenue coupled with managements' focus on efficient operations led to a 5.9 % increase in the operating profit that stands at Rs. 428 million as compared to Rs. 404 million in the corresponding period last year.

Oman Telecommunications Company (S.A.O.G) ("Omantel") has signed a Share Purchase Agreement ("SPA") with the majority sponsors group of the Company to purchase 451,236,394 ordinary shares from these sponsors. Under the terms of the SPA Omantel will be making a public offer to acquire a further 37,603,033 ordinary shares in compliance with the Listed Companies (Substantial Acquisition of Voting Shares and Takeovers) Ordinance, 2002. Assuming the successful completion of this public offer Omantel would have an aggregate shareholding of 488,839,427 ordinary shares representing approximately 65% of the existing capital of the Company. The subject acquisition (including the public offer) by Omantel is subject to necessary regulatory approvals and satisfaction of conditions precedent stipulated in the SPA.

The rationale for the acquisition of 65% shares of the existing paid up capital of the Company is that the Company is a party to two loan agreements which give conversion rights to lenders. On the assumption that the conversions take place under both agreements, Omantel wishes to ensure that it holds more than 51% of the issued share capital of the Company after the exercise of all existing conversion rights. Upon the completion of the acquisition by Omantel, the majority shareholding of the Company will be controlled by Omantel and Omantel will have majority representation on the Board of Directors of the Company.

Future Outlook

In immediate terms, the Company is executing further enhancement in its existing network for better coverage and capacity expansion. Company has also started to materialize on its strength in broadband and metro connect segments besides robust performance in telecom voice operations.

Given the dynamism of the management team coupled with operational and financial strength of Omantel, the future growth and performance of the Company is assured for the benefit of all shareholders.

Acknowledgement

The Company wishes to place on record its appreciation and gratitude for the dedicated services of its employees. Their hard work and commitment have led the Company to secure a leading place among other players of the industry. The Company also wishes to testify the strong patronage and confidence of its valued customers, share holders and financial partners.

on behalf of the Board of Directors

Lahore
29 February 2008

Salmaan Taseer
Chief Executive Officer

Independent Report on Review of Condensed Interim Financial Information to the members of Worldcall Telecom Limited

Introduction

We have reviewed the accompanying condensed interim balance sheet of **Worldcall Telecom Limited** ("the Company") as at 31 December 2007 and the related condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity for the half year then ended (condensed interim financial information). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan relating to interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as at and for the half year ended 31 December 2007 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan relating to interim financial reporting.

The figures for the quarter ended 31 December 2007 in the condensed interim profit and loss account have not been reviewed and we do not express an opinion on them.

Lahore
29 February 2008

KPMG TASEER HADI & CO.
CHARTERED ACCOUNTANTS

**CONDENSED INTERIM BALANCE SHEET (Un-Audited)
AS AT 31 DECEMBER 2007**

Note	31 December 2007	30 June 2007
(Rupees in '000')		
Non current assets		
Tangible fixed assets		
Property, plant and equipment	8,510,605	7,643,496
Capital work-in-progress	1,756,124	1,780,544
	<u>10,266,729</u>	<u>9,424,040</u>
Intangible assets	4,640,465	4,704,499
Investment properties	74,157	72,150
Long term investments - at cost	58,758	58,758
Long term deposits	223,663	223,383
Deferred costs	2,058	4,727
	<u>15,265,830</u>	<u>14,487,557</u>
Current assets		
Store and spares	44,160	67,451
Stock in trade	31,480	35,187
Trade debts	1,285,715	899,052
Loans and advances - considered good	129,504	115,195
Deposits and prepayments	226,834	189,788
Other receivables	258,341	398,777
Short term investments	674,466	570,941
Income tax recoverable-net	70,832	58,229
Cash and bank balances	767,956	560,575
	<u>3,489,288</u>	<u>2,895,195</u>
Current liabilities		
Current maturities of non-current liabilities	851,673	751,320
Short term borrowings - un-secured	935,000	-
Running finance under mark-up arrangements - secured	69,212	525,459
Trade and other payables	1,119,589	1,039,068
Interest and mark-up accrued	38,989	31,981
	<u>3,014,463</u>	<u>2,347,828</u>
Net current assets	474,825	547,367
Non current liabilities		
Term finance certificates - secured	331,572	342,855
Long term finances	1,027,191	677,464
Deferred taxation	682,106	666,625
Retirement benefits	119,688	98,856
Liabilities against assets subject to finance lease	173,082	194,026
Long term payables - secured	136,167	134,127
Long term deposits	50,648	59,774
License fee payable	858,514	806,791
	<u>3,378,968</u>	<u>2,980,518</u>
Contingencies and commitments	8	8
	<u>12,361,687</u>	<u>12,054,406</u>
Represented by		
Share capital and reserves		
Authorized capital 900,000,000 (2007: 900,000,000) ordinary shares of Rs. 10 each	9,000,000	9,000,000
Issued, subscribed and paid up capital	7,520,607	7,520,607
Share premium	410,887	410,887
Convertible loan reserve	1,403,575	1,403,575
Accumulated profit	2,828,825	2,521,544
	<u>12,163,894</u>	<u>11,856,613</u>
Surplus on revaluation	197,793	197,793
	<u>12,361,687</u>	<u>12,054,406</u>

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.

Lahore

Chief Executive

Director

Worldcall Telecom Limited

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED) FOR THE HALF YEAR ENDED 31 DECEMBER 2007

	Half year ended		Quarter ended	
	31 December 2007	31 December 2006	31 December 2007	31 December 2006
	(Rupees in '000')		(Rupees in '000')	
Revenue - net	2,290,793	2,097,985	1,105,426	1,002,489
Direct cost	(1,307,182)	(1,181,111)	(689,684)	(405,842)
Gross profit	983,611	916,874	415,742	596,647
Operating cost	(555,882)	(512,787)	(298,315)	(271,637)
Operating profit	427,729	404,087	117,427	325,010
Finance cost	(233,264)	(125,561)	(124,967)	(60,568)
	194,465	278,526	(7,540)	264,442
Gain on re-measurement of investments at fair value	103,524	95,832	120,324	49,174
Gain on re-measurement of investment property at fair value	2,007	9,506	2,007	9,506
Other operating income	22,874	79,353	44,028	27,000
Profit before taxation	322,870	463,217	158,819	350,122
Taxation	(15,589)	(76,805)	5,127	(44,102)
Profit after taxation	307,281	386,412	163,946	306,020
Earnings per share - basic	0.41	0.51	0.22	0.30
Earnings per share - diluted	0.40	0.45	0.21	0.27

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

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.

Lahore

Chief Executive

Director

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Worldcall Telecom Limited

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE HALF YEAR ENDED 31 DECEMBER 2007

Note	31 December 2007	31 December 2006	
	(Rupees in '000')		
Cash flows from operating activities			
Cash generated from operations	9	761,345	643,562
(Increase) / decrease in long term deposits receivable		(280)	9,393
(Decrease) in long term deposits payable		(9,126)	(24,937)
Increase in long term payables		2,040	65
(Decrease) in license fee payable		(71,000)	-
Retirement benefits paid		(4,992)	(7,149)
Finance cost paid		(188,609)	(79,675)
Taxes paid		(12,711)	(19,511)
Net cash generated from operating activities		476,667	521,748
Cash flow from investing activities			
Fixed capital expenditure		(1,084,633)	(1,350,791)
Sale proceeds of property, plant and equipment		8,793	1,817
Short term investments - net		7,921	392,276
Net cash used in investing activities		(1,067,919)	(956,698)
Cash flow from financing activities			
Repayment of term finance certificates		(51,538)	-
Receipt of term finance certificates-net		-	343,917
Receipt of long term finances		950,164	-
Repayment of long term finances		(347,252)	(224,749)
Repayment of finance lease liabilities		(231,494)	(63,881)
Receipt of short term borrowings		935,000	-
Net cash generated from financing activities		1,254,880	55,287
Net increase / (decrease) in cash and cash equivalents		663,628	(379,663)
Cash and cash equivalents at the beginning of the period		35,116	1,179,582
Cash and cash equivalents at the end of the period		698,744	799,919
Cash and cash equivalents comprised of the following:			
Cash and bank balances		767,956	1,187,705
Running finance under markup arrangements - secured		(69,212)	(387,786)
		698,744	799,919

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.

Lahore

Chief Executive

Director

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CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE HALF YEAR ENDED 31 DECEMBER 2007

	Share capital	Capital reserves		Revenue reserve	Total
		Share premium	Convertible loan reserve (Rupees in '000')	Un-appropriated profit	
Balance as at 30 June 2006	6,539,658	1,391,836	1,400,430	1,898,008	11,229,932
Bonus shares issued	980,949	(980,949)	-	-	-
Net profit for the half year	-	-	-	386,412	386,412
Balance as at 31 December 2006	7,520,607	410,887	1,400,430	2,284,420	11,616,344
Reimbursement of transaction cost related to equity component of convertible loan	-	-	3,145	-	3,145
Net profit for the half year	-	-	-	237,124	237,124
Balance as at 30 June 2007	7,520,607	410,887	1,403,575	2,521,544	11,856,613
Net profit for the half year	-	-	-	307,281	307,281
Balance as at 31 December 2007	7,520,607	410,887	1,403,575	2,828,825	12,163,894

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.

Lahore

Chief Executive

Director

Worldcall Telecom Limited

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR ENDED 31 DECEMBER 2007

1 Legal status and nature of business

Worldcall Telecom Limited ("the Company") is a public limited company incorporated in Pakistan on 15 March 2001 under the Companies Ordinance, 1984 and its shares are quoted on the Karachi and Lahore Stock Exchanges. The Company commenced its operations on 01 December 2004 and is engaged in providing Wireless Local Loop ("WLL") and Long Distance & International ("LDI") services in Pakistan, operation and maintenance of public payphones network and re-broadcasting international/national satellite/terrestrial wireless and cable television and radio signals as well as interactive communication and to establish, maintain and operate the licensed telephony services. The Company has been licensed by Pakistan Telecommunication Authority ("PTA") and Pakistan Electronic Media Regulatory Authority ("PEMRA") for these purposes. The registered office of the Company is situated at 103 C-II, Gulberg III, Lahore.

2 Accounting convention and basis of preparation

This condensed interim financial information has been presented in accordance with the requirements of the "International Accounting Standard 34 - Interim Financial Reporting" as applicable in Pakistan and are unaudited but subject to limited scope review performed by the external auditors of the Company in accordance with the requirements of clause (xxi) of the Code of Corporate Governance. This condensed interim financial information does not include all of the information required for full annual financial statements, and should be read in conjunction with the financial statements of the Company for the year ended 30 June 2007. Further, this condensed interim financial information is being circulated to the shareholders in accordance with the requirements of Section 245 of the Companies Ordinance, 1984.

3. Significant accounting judgments and estimates

The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. In preparing this condensed interim financial information, the significant judgements made by management in applying accounting policies and the key sources of estimation were the same as those that were applied to the financial statements for the year ended 30 June 2007.

4 Accounting policies

Accounting policies adopted for preparation of this condensed interim financial information are same as those applied in the preparation of the annual audited financial statements of the Company for the year ended 30 June 2007.

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	<u>Note</u>	<u>31 December 2007</u>	<u>30 June 2007</u>
		(Rupees in '000')	
5. Property, Plant and Equipment			
Owned and leased assets:			
Opening net book value		7,643,496	5,973,792
Revaluation surplus		-	304,297
Additions / transfers during the period / year	5.1	<u>1,315,922</u>	<u>2,117,145</u>
		8,959,418	8,395,234
Disposals during the period / year - NBV	5.2	<u>(6,690)</u>	<u>(25,398)</u>
Depreciation for the period / year		<u>(442,123)</u>	<u>(726,340)</u>
Closing net book value		<u>8,510,605</u>	<u>7,643,496</u>
5.1 Break-up of additions			
Freehold land		-	19,800
Leasehold improvements		10,850	13,639
Plant and equipment		1,277,638	1,957,202
Office equipment		8,582	6,460
Computers		8,579	24,286
Furniture and fixtures		2,155	2,089
Vehicles		7,804	87,655
Lab and other equipment		314	6,014
		<u>1,315,922</u>	<u>2,117,145</u>
5.2 Break-up of disposals			
Plant and equipment		(4,396)	(3,547)
Office equipment		(26)	(171)
Computers		(142)	(40)
Vehicles		(2,126)	(21,520)
Furniture and fixtures		-	(120)
		<u>(6,690)</u>	<u>(25,398)</u>
6 Short term borrowings - un-secured			
This includes the following Commercial papers issued by the Company during the period:			
Pak Brunei Investment Company Limited (Advisor & Arranger)	6.1	285,000	-
Pak Oman Investment Company Limited (Advisor & Arranger)	6.2	<u>650,000</u>	-
		<u>935,000</u>	-
6.1		It represents an un-secured Commercial paper issued by the Company on 22 November 2007 ("disbursement date"). This carries mark up at 6 months KIBOR plus 0.80% per annum. The maturity of this Commercial paper is 180 days from the disbursement date.	
6.2		It represents an un-secured Commercial paper issued by the Company on 12 December 2007 ("disbursement date"). This carries mark up at 6 months KIBOR plus 0.80% per annum. The maturity of this Commercial paper is 180 days from the disbursement date.	

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7 Long term finances

This includes bridge finance facility of Rs. 3,000 million availed by the Company in December 2007 to raise funds for future expansion plans and import of equipment. The Company as at 31 December 2007 has only utilized Rs. 218 million. Interest is payable at the rate of 6 months KIBOR + 2.0% per annum. The Facility is secured by way of charge of Rs. 4,000 million on present and future fixed assets of the Company excluding land and building.

8 Contingencies and commitments

Contingencies

8.1 Billing disputes with PTCL

8.1.1 PTCL has charged the Company excess Domestic Private Lease Circuits (DPLC), International Private Lease Circuit (IPLC), Co Locations and Transmission Capacity charges amounting to Rs. 53.31 million (30 June 2007: Rs. 20.2 million) on account of difference in rates, distances and date of activation. Further the Company has also deposited Rs. 40 million (30 June 2007: Rs. 40 million) in Escrow Account on account of dispute of charging of 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 link and excess charging in respect of Karachi-Rawalpindi link which was never activated.

8.1.2 There is a dispute of Rs. 73.73 million (30 June 2007: Rs 75.2 million) with PTCL of non revenue time of prepaid calling cards and excess minutes billed on account of interconnect and settlement charges.

8.2 Disputes with Pakistan Telecommunication Authority (PTA)

8.2.1 There is a dispute of Rs. 11.3 million with PTA on account of contribution to the Research and Development Fund ("R&D Fund") for the period prior to the formation of R&D Fund by the Federal Government. Based on legal advice, the management is confident that the matter will be decided in favour of the Company.

8.2.2 PTA has raised a demand on the Company of Rs. 4.3 million on account of annual microwave and BTS registration charges. The Company is not paying this amount as earlier exemptions were given to mobile operators.

8.2.3 PTA has issued a notice to the Company regarding the 479 MHz and 3.5 MHz frequency bands, as the Company has failed to undertake the rollout of its wireless local loop ("WLL") network in the aforesaid frequencies within the time limit prescribed by PTA. The Company's stance in this respect is that the rollout in 479 MHz, a non standard frequency band, could not be carried out due to non availability of infrastructure and user terminals. Its deployment and commercial operation is not possible in the limited revised time frame. In 3.5 MHz band, the roll out is delayed due to limited customers' market and high cost of the Customer Premises Equipment. Non-firm standards, technology evolution and optimization of spectrum by PTA are also the main reasons for its delayed rollout.

8.2.4 There is a dispute of Rs. 491 million (30 June 2007: Rs. 491 million) with PTA on Universal Service Fund (USF) representing contribution to USF for the period prior to the formation of USF by the Federal Government. Out of this amount, Rs. 223 million relating to prior periods has been deposited with PTA. Show cause notice has been received by the Company in this respect from PTA and hearing is due on 29 February 2008. Based on legal advice, the management is confident that the matter will be decided in favour of the Company.

Worldcall Telecom Limited

8.3 Taxation issues

8.3.1 Income Tax Return for the tax year ended 30 June 2006 was filed under the self assessment scheme, subsequently the case was reopened by invoking the provisions of section 122 (5A). Additions were made on account of brought forward losses, gratuity and goodwill of Rs. 773 million. The Company has filed an appeal before the Commissioner Income Tax (Appeals) which has been heard for orders.

8.3.2 During the last year the Taxation Officer passed an order under section 161/205 of the Income Tax Ordinance, 2001 for the tax year 2004 and 2005 on account of sales of Payphone services and calling cards creating a tax demand of Rs. 173 million by treating the Company as assessee in default for non-deduction of tax under section 236 of the Income Tax Ordinance, 2001. A penalty of Rs. 8.67 million has also been imposed for non payment of the demand mentioned above. The Company has filed an appeal against this order before Commissioner Income Tax (Appeals) which has been heard for orders.

8.3.3 During the last year, the Sales Tax authorities served showcause notices to various payphone companies, including the Company on account of alleged wrong claim of refund of Rs. 167 million under section 66 of the Sales Tax Act 1990. Subsequent to 30 June 2007, Additional Collector (Adjudication) Sales Tax Act Lahore has given a decision against the Company and imposed a penalty on the Company and Chief Executive, equivalent to the amount of original alleged claim. Later on, the Sales Tax Department has issued a notice under Section 48 of the Sales Tax Act, 1990 to the bankers of the Company and Customs Authorities for recovery of refund along with penalty. Moreover, a notice for stoppage of clearance of imported goods has also been issued by the Sales Tax Department to Custom Authorities. The Federal Tax Ombudsman ("FTO") has issued an order that no penalty can be imposed against the Company as there is no element of tax fraud involved in the matter and the issue pertains to a change of opinion of the Federal Board of Revenue. Order to the extent of Chief Executive for imposition of penalty can not be passed by FTO as the Chief Executive's writ petition is pending in the Honourable Lahore High Court.

	31 December 2007	30 June 2007
	(Rupees in '000')	
Commitments		
8.4 Outstanding guarantees	205,988	195,569
8.5 Commitments in respect of capital expenditure	242,690	179,261
8.6 Outstanding letters of credit	131,663	31,084
	31 December 2007	31 December 2006
	(Rupees in '000')	

9 Cash generated from operations

Profit before taxation	322,870	463,217
Adjustment for non-cash charges and other items:		
Depreciation	442,123	337,524
Amortization of intangible assets	42,846	29,876
Amortization of deferred cost	2,668	2,668
Interest on PTA license fee	51,722	49,823
Amortization of transaction cost	4,228	1,154

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	31 December 2007	31 December 2006
	(Rupees in '000')	

Profit on sale of investments	(7,922)	-
Provision for doubtful receivables	2,000	4,730
Profit on disposal of property, plant and equipment	(2,103)	(261)
Gain on re-measurement of investments at fair value	(103,524)	(95,832)
Gain on re-measurement of investment Property at fair value	(2,007)	(9,506)
Retirement benefits	23,193	17,450
Finance cost	177,314	75,738
Profit before working capital changes	953,408	876,581

Effect on cash flow due to working capital changes:

(Increase)/Decrease in the current assets

Stores and spares	23,291	18,932
Stock in trade	3,707	(6,221)
Trade debts	(388,663)	(77,517)
Loans and advances	(14,309)	23,299
Deposits and prepayments	(37,046)	15,252
Other receivables	140,436	(139,429)

Increase/(Decrease) in current liabilities

Trade and other payables	80,521	(67,335)
	(192,063)	(233,019)
	761,345	643,562

10 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. Significant transactions with related parties are summarised as follows:

	31 December 2007	31 December 2006
	(Rupees in '000')	

Associated companies

Purchase of goods and services	21,443	10,726
Interest on loan charged	2,044	3,194
Sale of goods and services	120,857	6,774

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

11 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.

Worldcall Telecom Limited

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.

All inter-segment sales are on arms length basis.

Segment analysis for the half year ended 31 December 2007.

	Telecom	Broadband	Eliminations	Total
	(Rupees in '000')			
Sales				
External sales	1,560,897	871,057	-	2,431,954
Inter-segment sales	4,433	12,114	(16,547)	-
Sales tax	(40,601)	(27,989)	-	(68,590)
Discount and commission	(55,818)	(16,753)	-	(72,571)
Total revenue	<u>1,468,911</u>	<u>838,429</u>	<u>(16,547)</u>	<u>2,290,793</u>
(Loss) / profit before tax and unallocated expenses	(31,708)	354,578	-	322,870
Unallocated corporate expenses				(15,589)
Taxation				<u>307,281</u>
Profit after taxation				<u>307,281</u>

Segment assets and liabilities as at 31 December 2007

	Telecom	Broadband	Total
	(Rupees in '000')		
Segment assets	13,493,559	5,261,559	18,755,118
Consolidated total assets			<u>18,755,118</u>
Segment liabilities	4,265,948	1,445,377	5,711,325
Unallocated segment liabilities			682,106
Consolidated total liabilities			<u>6,393,431</u>
Segment capital expenditure	938,666	377,293	1,315,959
			<u>1,315,959</u>
Non-cash expenses other than depreciation and amortization	<u>59,530</u>	<u>5,181</u>	<u>64,711</u>
Depreciation and amortization	<u>370,077</u>	<u>136,837</u>	<u>506,914</u>

Worldcall Telecom Limited

Segment analysis for the half year ended 31 December 2006

	Telecom	Broadband	Eliminations	Total
	(Rupees in '000')			
Sales				
External sales	1,678,672	518,236	-	2,196,908
Inter-segment sales	4,168	11,226	(15,394)	-
Sales tax	(5,779)	(18,311)	-	(24,090)
Discount and commission	(60,682)	(14,151)	-	(74,833)
Total revenue	<u>1,616,379</u>	<u>497,000</u>	<u>(15,394)</u>	<u>2,097,985</u>
Profit before tax and unallocated expenses	314,007	149,210	-	463,217
Unallocated corporate expenses				(76,805)
Taxation				<u>386,412</u>
Profit after taxation				<u>386,412</u>

Segment assets and liabilities as at 30 June 2007

	Telecom	Broadband	Total
	(Rupees in '000')		
Segment assets	12,938,245	4,444,507	17,382,752
Consolidated total assets			<u>17,382,752</u>
Segment liabilities	3,671,906	989,815	4,661,721
Unallocated segment liabilities			666,625
Consolidated total liabilities			<u>5,328,346</u>
Segment capital expenditure	1,673,127	449,157	2,122,284
			<u>2,122,284</u>
Non-cash expenses other than depreciation and amortization	<u>187,280</u>	<u>40,044</u>	<u>227,324</u>
Depreciation and amortization	<u>656,291</u>	<u>197,440</u>	<u>853,731</u>

12 Post balance sheet date event

Oman Telecommunications Company (S.A.O.G) ("Omantel") has signed a Share Purchase Agreement ("SPA") with the majority sponsors group of the Company to purchase 451,236,394 ordinary shares from these sponsors. Under the terms of the SPA Omantel will be making a public offer to acquire a further 37,603,033 ordinary shares in compliance with the Listed Companies (Substantial Acquisition of Voting Shares and Takeovers) Ordinance, 2002. Assuming the successful completion of this public offer Omantel would have an aggregate shareholding of 488,839,427 ordinary shares representing approximately 65% of the existing capital of the Company. The subject acquisition (including the public offer) by Omantel is subject to necessary regulatory approvals and satisfaction of conditions precedent stipulated in the SPA.

The rationale for the acquisition of 65% shares of the existing paid up capital of the Company is that the Company is a party to two loan agreements which give conversion rights to lenders. On the assumption that the conversions take place under both agreements, Omantel wishes to ensure that it holds more than 51% of the issued share capital of the Company after the exercise of all existing conversion rights. Upon the completion of the acquisition by Omantel, the majority shareholding of the Company will be controlled by Omantel and Omantel will have majority representation on the Board of Directors of the Company.

13 Date of authorization for issue

This condensed interim financial information was authorized for issue on 29 February 2008 by the Board of Directors of the Company.

14 General

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

14.2 Corresponding figures have been rearranged wherever necessary for the purpose of comparison.

**WORLDCALL TELECOM LIMITED
AND ITS SUBSIDIARY**

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

31 DECEMBER 2007

DIRECTORS' REVIEW

The Directors of the Worldcall Telecom Limited ("WTL or the "Parent Company") are pleased to present the un-audited condensed consolidated financial information of the Group for the half year ended 31 December 2007.

Operating results

Revenue for the six months is Rs. 2,297 million as compared to Rs. 2,107 million in the corresponding period last year. The gross profit has increased by Rs. 63.7 million over those in the last corresponding period. Profit after tax is Rs. 303 million as compared to Rs. 373 million in the corresponding period last year. Combined earning per share reported for the half year is Rs. 0.40 as compared to Rs. 0.50 in the corresponding period last year.

Group Foreign Subsidiary

Worldcall Telecommunications Lanka (Pvt.) Limited (WTLL)

The company posted gross loss of SLR 0.135 million as compared to gross profit of SLR 2.25 million in the corresponding period last year. Net loss has increased from SLR 8.11 million to SLR 11.56 million during the corresponding period last year. The management is doing endeavors to improve profitability of the company.

For and on behalf of the Board of Directors

Lahore
29 February 2008

Salmaan Taseer
Chief Executive Officer

Worldcall Telecom Limited Group

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (Un-Audited) AS AT 31 DECEMBER 2007

	Note	31 December 2007	30 June 2007
Rupees in ('000)			
Non current assets			
Tangible fixed assets			
Property, plant and equipment	6	8,544,379	7,677,460
Capital work-in-progress		<u>1,756,356</u>	<u>1,780,893</u>
		10,300,735	9,458,353
Intangible assets			
Investment properties		4,640,465	4,704,499
Long term investments - at cost		74,157	72,150
Long term deposits		40,446	29,680
Deferred costs		<u>223,663</u>	<u>223,383</u>
		2,058	4,727
		<u>15,281,524</u>	<u>14,492,792</u>
Current assets			
Store and spares		44,160	67,451
Stock in trade		32,059	36,201
Trade debts		1,286,596	899,714
Loans and advances - considered good		129,504	115,195
Deposits and prepayments		227,018	190,255
Other receivables		260,177	400,635
Short term investments		674,466	570,941
Income tax recoverable-net		70,827	58,224
Cash and bank balances		<u>769,394</u>	<u>562,985</u>
		3,494,201	2,901,601
Current liabilities			
Current maturities of non-current liabilities		851,673	751,320
Short term borrowings - unsecured	7	<u>935,000</u>	-
Running finance under mark-up arrangements - secured		69,212	525,459
Trade and other payables		1,125,465	1,044,306
Interest and mark-up accrued		<u>38,989</u>	<u>31,981</u>
		3,020,339	2,353,066
		473,862	548,535
Net current assets			
		<u>473,862</u>	<u>548,535</u>
Non current liabilities			
Term finance certificates - secured		331,572	342,855
Long term finances	8	<u>1,027,191</u>	677,464
Deferred taxation		682,106	666,625
Retirement benefits		120,137	99,311
Liabilities against assets subject to finance lease		173,082	194,026
Long term payables - secured		152,090	146,873
Long term deposits		51,527	60,627
License fee payable		<u>858,514</u>	<u>806,791</u>
		3,396,219	2,994,572
Contingencies and commitments			
	9	<u>12,359,167</u>	<u>12,046,755</u>
Represented by			
Share capital and reserves			
Authorized capital 900,000,000 (2007: 900,000,000) ordinary shares of Rs. 10 each		<u>9,000,000</u>	<u>9,000,000</u>
Issued, subscribed and paid up capital		7,520,607	7,520,607
Share premium		410,887	410,887
Convertible loan reserve		1,403,575	1,403,575
Exchange translation reserve		(1,761)	(2,301)
Accumulated profit		<u>2,823,428</u>	<u>2,509,902</u>
		12,156,736	11,842,670
Minority interest		<u>4,638</u>	<u>6,292</u>
		12,161,374	11,848,962
Surplus on revaluation		197,793	197,793
		<u>12,359,167</u>	<u>12,046,755</u>

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

Lahore

Chief Executive

Director

Worldcall Telecom Limited Group

CONDENSED CONSOLIDATED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED) FOR THE HALF YEAR ENDED 31 DECEMBER 2007

	Half year ended		Quarter ended	
	31 December 2007	31 December 2006	31 December 2007	31 December 2006
	(Rupees in '000')		(Rupees in '000')	
Revenue - net	2,296,892	2,107,056	1,108,298	1,005,972
Direct cost	<u>(1,315,074)</u>	<u>(1,188,891)</u>	<u>(693,611)</u>	<u>(409,409)</u>
Gross profit	981,818	918,165	414,687	596,563
Operating cost	<u>(560,145)</u>	<u>(518,742)</u>	<u>(300,459)</u>	<u>(274,427)</u>
Operating profit	421,673	399,423	114,228	322,136
Finance cost	<u>(233,608)</u>	<u>(125,561)</u>	<u>(125,164)</u>	<u>(60,568)</u>
	<u>188,065</u>	<u>273,862</u>	<u>(10,936)</u>	<u>261,568</u>
Gain on re-measurement of investments at fair value	103,524	95,832	120,324	49,174
Gain on re-measurement of investment property at fair value	2,007	9,506	2,007	9,506
Other operating income	<u>22,874</u>	<u>79,353</u>	<u>44,028</u>	<u>27,000</u>
Profit before taxation and share from associate	316,470	458,553	155,423	347,248
Share of profit/(loss) from associate	<u>4,589</u>	<u>(8,865)</u>	<u>3,308</u>	<u>(3,309)</u>
Profit before taxation	321,059	449,688	158,731	343,939
Taxation	<u>(17,731)</u>	<u>(76,805)</u>	<u>3,353</u>	<u>(44,102)</u>
Profit after taxation	303,328	372,883	162,084	299,837
Attributable to:				
Equity holders of parent	305,206	374,249	163,080	300,678
Minority interest	<u>(1,878)</u>	<u>(1,366)</u>	<u>(996)</u>	<u>(841)</u>
	<u>303,328</u>	<u>372,883</u>	<u>162,084</u>	<u>299,837</u>
Earnings per share - basic	0.40	0.50	0.22	0.30
Earnings per share - diluted	0.39	0.44	0.21	0.27

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

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

Lahore

Chief Executive

Director

Worldcall Telecom Limited Group

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

FOR THE HALF YEAR ENDED 31 DECEMBER 2007

Note	31 December 2007	31 December 2006
	(Rupees in '000')	
Cash flows from operating activities		
Cash generated from operations	10 758,096	645,365
(Increase) / decrease in long term deposits receivable	(280)	9,393
(Decrease) in long term deposits payable	(9,136)	(24,937)
Increase in long term payables	4,631	65
(Decrease) in license fee payable	(71,000)	-
Retirement benefits paid	(5,016)	(7,149)
Finance cost paid	(188,953)	(79,675)
Taxes paid	(12,711)	(19,511)
Net cash generated from operating activities	475,631	523,551
Cash flow from investing activities		
Fixed capital expenditure	(1,084,649)	(1,351,401)
Sale proceeds of property, plant and equipment	8,793	1,817
Short term investments - net	7,921	392,276
Net cash used in investing activities	(1,067,935)	(957,308)
Cash flow from financing activities		
Repayment of term finance certificates	(51,538)	-
Receipt of term finance certificates-net	-	343,917
Receipt of long term finances	950,164	-
Repayment of long term finances	(347,252)	(224,749)
Repayment of finance lease liabilities	(231,494)	(63,881)
Receipt of short term borrowings	935,000	-
Net cash generated from financing activities	1,254,880	55,287
Net increase / (decrease) in cash and cash equivalents	662,576	(378,470)
Effect of exchange rate changes	80	-
Cash and cash equivalents at the beginning of the period	37,526	1,183,309
Cash and cash equivalents at the end of the period	700,182	804,839
Cash and cash equivalents comprised of the following:		
Cash and bank balances	769,394	1,192,625
Running finance under markup arrangements - secured	(69,212)	(387,786)
	700,182	804,839

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

Lahore

Chief Executive

Director

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Worldcall Telecom Limited Group

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE HALF YEAR ENDED 31 DECEMBER 2007

	Attributable to equity holders of the Company					Minority Interest	Total
	Share capital	Share premium	Currency translation reserve	Convertible loan reserve	Revenue reserve		
Balance as at 30 June 2006	6,539,658	1,391,836	(845)	1,400,430	1,879,824	10,005	11,220,908
Exchange translation difference	-	-	(800)	-	-	(382)	(1,182)
Bonus shares issued	980,949	(980,949)	-	-	-	-	-
Net profit for the half year	-	-	-	-	374,249	(1,366)	372,883
Total recognized income and expenses	980,949	(980,949)	(800)	-	374,249	(1,666)	371,751
Balance as at 31 December 2006	7,520,607	410,887	(1,645)	1,400,430	2,254,073	8,307	11,592,859
Balance as at 30 June 2007	7,520,607	410,887	(2,301)	1,403,575	2,509,902	6,292	11,849,962
Exchange translation difference	-	-	540	-	-	224	764
Adjustment for change in share of associate	-	-	-	8,320	-	-	8,320
Net profit for the half year	-	-	-	-	305,206	(1,878)	303,328
Total recognized income and expenses	-	-	540	-	313,526	(1,654)	312,412
Balance as at 31 December 2007	7,520,607	410,887	(1,761)	1,403,575	2,823,428	4,638	12,161,374
Reimbursement of transaction cost related to equity component of convertible loan							
	-	-	-	3,145	-	-	3,145
Exchange translation difference	-	-	(656)	-	-	(928)	(273)
Net profit for the half year	-	-	-	255,829	255,829	(1,742)	254,087
Total recognized income and expenses	-	-	(656)	-	255,829	(2,015)	253,158

Balance as at 30 June 2006

Exchange translation difference

Bonus shares issued

Net profit for the half year

Total recognized income and expenses

Balance as at 31 December 2006

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Reimbursement of transaction cost related to equity component of convertible loan

Exchange translation difference

Net profit for the half year

Total recognized income and expenses

Balance as at 30 June 2007

Exchange translation difference

Adjustment for change in share of associate

Net profit for the half year

Total recognized income and expenses

Balance as at 31 December 2007

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

Lahore

Chief Executive

Director

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED 31 DECEMBER 2007****1 Legal status and nature of business****1.1 The Group consists of:**

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

1.2 Worldcall Telecom Limited ("the Company") is a public limited company incorporated in Pakistan on 15 March 2001 under the Companies Ordinance, 1984 and its shares are quoted on 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 Parent 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 joint venture with Hayleys Group to operate payphones. The principal activity of the subsidiary is the operation and maintenance of public payphones network. Payphones are installed at various shops/commercial outlets. The Company holds 70.65 % of voting securities in the subsidiary.

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

2 Basis of consolidation

The consolidated interim financial information includes the financial information of the Company and its Subsidiary. The financial information of the Subsidiary has been consolidated on a line by line basis.

Subsidiary

Subsidiary is an entity controlled by the Company. The control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of the entity so as to benefit from its activities. The financial information of the Subsidiary is included in the consolidated financial information from the date that control commences until the date that control ceases.

Associates

Associates are those entities in which the Group has significant influences but not control over the financial and reporting policies. The consolidated financial information includes the Group's share of the total recognized gains and losses of associates on equity accounting basis, from the date that significant influence 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 or expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial information. 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 unrealised 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 information.

3 Accounting convention and basis of preparation

This condensed consolidated interim financial information has been presented in accordance with the requirements of the "International Accounting Standard 34 - Interim Financial Reporting" as applicable in Pakistan and are unaudited. This condensed consolidated interim financial information does not include all of the information required for full annual consolidated financial statements, and should be read in conjunction with the financial statements of the Group for the year ended 30 June 2007. Further, this condensed consolidated interim financial information is being circulated to the shareholders in accordance with the requirements of Section 245 of the Companies Ordinance, 1984.

4 Significant accounting judgments and estimates

The preparation of condensed consolidated interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying accounting policies and the key sources of estimation were the same as those that were applied to the financial statements for the year ended 30 June 2007.

5 Accounting policies

Accounting policies adopted for preparation of this condensed consolidated interim financial information are same as those applied in the preparation of the annual audited financial statements of the Group for the year ended 30 June 2007.

Worldcall Telecom Limited Group

	31 December 2007	30 June 2007
Note	(Rupees in '000')	
6. Property, Plant and Equipment		
Owned and leased assets:		
Opening net book value	7,677,460	6,012,276
Exchange adjustment on WDV	1,418	(2,841)
Revaluation surplus	-	304,297
Additions / transfers during the period / year	6.1 <u>1,316,068</u>	2,118,858
	<u>8,994,946</u>	8,432,590
Disposals for the period / year - NBV	6.2 (6,690)	(25,398)
Depreciation for the period / year	(443,842)	(729,864)
Exchange adjustment on depreciation	(35)	132
Closing net book value	<u><u>8,544,379</u></u>	<u><u>7,677,460</u></u>

6.1 Break-up of additions

Freehold land	-	19,800
Leasehold improvements	10,850	13,639
Plant and equipment	1,277,782	1,958,820
Office equipment	8,582	6,479
Computers	8,581	24,356
Furniture and fixtures	2,155	2,089
Vehicles	7,804	87,655
Lab and other equipment	314	6,020
	<u>1,316,068</u>	<u>2,118,858</u>

6.2 Break-up of disposals

Plant and equipment	(4,396)	(3,547)
Office equipment	(26)	(171)
Computers	(142)	(40)
Vehicles	(2,126)	(21,520)
Furniture and fixtures	-	(120)
	<u>(6,690)</u>	<u>(25,398)</u>

7 Short term borrowings - unsecured

This includes the following Commercial papers issued by the Company during the period:

Pak Brunei Investment Company Limited (Advisor & Arranger)	7.1	285,000	-
Pak Oman Investment Company Limited (Advisor & Arranger)	7.2	650,000	-
		<u>935,000</u>	<u>-</u>

7.1 It represents an un-secured Commercial paper issued by the Company on 22 November 2007 ("disbursement date"). This carries mark up at 6 months KIBOR plus 0.80% per annum. The maturity of this Commercial paper is 180 days from the disbursement date.

7.2 It represents an un-secured Commercial paper issued by the Company on 12 December 2007 ("disbursement date"). This carries mark up at 6 months KIBOR plus 0.80% per annum. The maturity of this Commercial paper is 180 days from the disbursement date.

Worldcall Telecom Limited Group

8 Long term finances

This includes bridge finance facility of Rs. 3,000 million availed by the Company in December 2007 to raise funds for future expansion and import of equipment. The Company as at 31 December 2007 has only utilized Rs. 218 million. Interest is payable at the rate of 6 months KIBOR + 2.0% per annum. The Facility is secured by way of charge of Rs. 4,000 million on present and future fixed assets of the Company excluding land and building.

9 Contingencies and commitments

Contingencies

9.1 Billing disputes with PTCL

9.1.1 PTCL has charged the Company excess Domestic Private Lease Circuits (DPLC), International Private Lease Circuit (IPLC), Co Locations and Transmission Capacity charges amounting to Rs. 53.31 million (30 June 2007: Rs. 20.2 million) on account of difference in rates, distances and date of activation. Further the Company has also deposited Rs. 40 million (30 June 2007: Rs. 40 million) in Escrow Account on account of dispute of charging of 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 link and excess charging in respect of Karachi-Rawalpindi link which was never activated.

9.1.2 There is a dispute of Rs. 73.73 million (30 June 2007: Rs 75.2 million) with PTCL of non revenue time of prepaid calling cards and excess minutes billed on account of interconnect and settlement charges.

9.2 Disputes with Pakistan Telecommunication Authority (PTA)

9.2.1 There is a dispute of Rs. 11.3 million with PTA on account of contribution to the Research and Development Fund ("R&D Fund") for the period prior to the formation of R&D Fund by the Federal Government. Based on legal advice, the management is confident that the matter will be decided in favour of the Company.

9.2.2 PTA has raised a demand on the Company of Rs. 4.3 million on account of annual microwave and BTS registration charges. The Company is not paying this amount as earlier exemptions were given to mobile operators.

9.2.3 PTA has issued a notice to the Company regarding the 479 MHz and 3.5 MHz frequency bands, as the Company has failed to undertake the roll out of its wireless local loop ("WLL") network in the aforesaid frequencies within the time limit prescribed by PTA. The Company's stance in this respect is that the roll out in 479 MHz, a non standard frequency band, could not be carried out due to non availability of infrastructure and user terminals. Its deployment and commercial operation is not possible in the limited revised time frame. In 3.5 MHz band, the roll out is delayed due to limited customers' market and high cost of the Customer Premises Equipment. Non-firm standards, technology evolution and optimization of spectrum by PTA are also the main reasons for its delayed roll out.

9.2.4 There is a dispute of Rs. 491 million (30 June 2007: Rs. 491 million) with PTA on Universal Service Fund (USF) representing contribution to USF for the period prior to the formation of USF by the Federal Government. Out of this amount, Rs. 223 million relating to prior periods has been deposited with PTA. Show cause notice has been received by the Company in this respect from PTA and hearing is due on 29 February 2008. Based on legal advice, the management is confident that the matter will be decided in favour of the Company.

Worldcall Telecom Limited Group

9.3 Taxation issues

9.3.1 Income Tax Return for the tax year ended 30 June 2006 was filed under the self assessment scheme, subsequently the case was reopened by invoking the provisions of section 122 (5A). Additions were made on account of brought forward losses, gratuity and goodwill of Rs. 773 million. The Company has filed an appeal before the Commissioner Income Tax (Appeals) which has been heard for orders.

9.3.2 During the last year the Taxation Officer passed an order under section 161/205 of the Income Tax Ordinance, 2001 for the tax year 2004 and 2005 on account of sales of Payphone services and calling cards creating a tax demand of Rs. 173 million by treating the Company as assessee in default for non-deduction of tax under section 236 of the Income Tax Ordinance, 2001. A penalty of Rs. 8.67 million has also been imposed for non payment of the demand mentioned above. The Company has filed an appeal against this order before Commissioner Income Tax (Appeals) which has been heard for orders.

9.3.3 During the last year, the Sales Tax authorities served showcause notices to various payphone companies, including the Company on account of alleged wrong claim of refund of Rs. 167 million under section 66 of the Sales Tax Act 1990. Subsequent to 30 June 2007, Additional Collector (Adjudication) Sales Tax Act Lahore has given a decision against the Company and imposed a penalty on the Company and Chief Executive, equivalent to the amount of original alleged claim. Later on, the Sales Tax Department has issued a notice under Section 48 of the Sales Tax Act, 1990 to the bankers of the Company and Customs Authorities for recovery of refund along with penalty. Moreover, a notice for stoppage of clearance of imported goods has also been issued by the Sales Tax Department to Custom Authorities. The Federal Tax Ombudsman ("FTO") has issued an order that no penalty can be imposed against the Company as there is no element of tax fraud involved in the matter and the issue pertains to a change of opinion of the Federal Board of Revenue. Order to the extent of Chief Executive for imposition of penalty can not be passed by FTO as the Chief Executive's writ petition is pending in the Honourable Lahore High Court.

	31 December 2007	30 June 2007
	(Rupees in '000')	
Commitments		
9.4 Outstanding guarantees	207,485	197,006
9.5 Commitments in respect of capital expenditure	242,690	179,261
9.6 Outstanding letters of credit	131,663	31,084
	31 December 2007	31 December 2006
	(Rupees in '000')	

10 Cash generated from operations

Profit before taxation	321,059	449,688
Adjustment for non-cash charges and other items:		
Depreciation	443,842	339,311
Amortization of intangible assets	42,846	29,876
Amortization of deferred cost	2,668	2,668
Interest on PTA license fee	51,722	49,823
Amortization of transaction cost	4,228	1,154

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	31 December 2007	31 December 2006
	(Rupees in '000')	
Profit on sale of investments	(7,922)	-
Provision for doubtful receivables	2,000	4,730
Profit on disposal of property, plant and equipment	(2,103)	(261)
Share of (profit)/loss of associate	(4,589)	8,865
Gain on re-measurement of investments at fair value	(103,524)	(95,832)
Gain on re-measurement of investment Property at fair value	(2,007)	(9,506)
Retirement benefits	23,193	17,450
Finance cost	177,658	75,748
Profit before working capital changes	949,071	873,714

Effect on cash flow due to working capital changes:

(Increase)/Decrease in the current assets

Stores and spares	23,291	18,932
Stock in trade	4,175	(6,139)
Trade debts	(388,850)	(78,898)
Loans and advances	(14,309)	23,299
Deposits and prepayments	(36,749)	15,252
Other receivables	140,533	(139,429)

Increase/(Decrease) in current liabilities

Trade and other payables	80,934	(61,366)
	(190,975)	(228,349)
	758,096	645,365

11 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. Significant transactions with related parties are summarised as follows:

	31 December 2007	31 December 2006
	(Rupees in '000')	
Associated companies		
Purchase of goods and services	21,443	10,726
Interest on loan charged	2,044	3,194
Sale of goods and services	120,857	6,774

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

12 Segment reporting

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

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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 comprises of internet over cable and cable TV services.

All inter-segment sales are on arms length basis.

Segment analysis for the half year ended 31 December 2007.

	Telecom	Broadband	Eliminations	Total
	(Rupees in '000')			
Sales				
External sales	1,568,055	871,057	-	2,439,112
Inter-segment sales	4,433	12,114	(16,547)	-
Sales tax	(41,535)	(27,989)	-	(69,524)
Discount and commission	(55,943)	(16,753)	-	(72,696)
Total revenue	<u>1,475,010</u>	<u>838,429</u>	<u>(16,547)</u>	<u>2,296,892</u>
(Loss) / profit before tax and unallocated expenses	(33,519)	354,578	-	321,059
Unallocated corporate expenses				
Taxation				(17,731)
Profit after taxation				<u>303,328</u>

Segment assets and liabilities as at 31 December 2007

	Telecom	Broadband	Total
	(Rupees in '000')		
Segment assets	13,514,166	5,261,559	18,775,725
Consolidated total assets			<u>18,775,725</u>
Segment liabilities	4,289,076	1,445,377	5,734,453
Unallocated segment liabilities			682,106
Consolidated total liabilities			<u>6,416,559</u>
Segment capital expenditure	938,812	377,293	<u>1,316,105</u>
Non-cash expenses other than depreciation and amortization	<u>59,530</u>	<u>5,181</u>	<u>64,711</u>
Depreciation and amortization	<u>371,796</u>	<u>136,837</u>	<u>508,633</u>

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Segment analysis for the half year ended 31 December 2006

	Telecom	Broadband	Eliminations	Total
	(Rupees in '000')			
Sales				
External sales	1,689,257	518,236	-	2,207,493
Inter-segment sales	4,168	11,226	(15,394)	-
Sales tax	(7,160)	(18,311)	-	(25,471)
Discount and commission	(60,815)	(14,151)	-	(74,966)
Total revenue	<u>1,625,450</u>	<u>497,000</u>	<u>(15,394)</u>	<u>2,107,056</u>
Profit before tax and unallocated expenses	300,478	149,210	-	449,688
Unallocated corporate expenses				
Taxation				(76,805)
Profit after taxation				<u>372,883</u>

Segment assets and liabilities as at 30 June 2007

	Telecom	Broadband	Total
	(Rupees in '000')		
Segment assets	12,949,886	4,444,507	17,394,393
Consolidated total assets			<u>17,394,393</u>
Segment liabilities	3,691,198	989,815	4,681,013
Unallocated segment liabilities			666,625
Consolidated total liabilities			<u>5,347,638</u>
Segment capital expenditure	1,674,840	449,157	<u>2,123,997</u>
Non-cash expenses other than depreciation and amortization	<u>175,253</u>	<u>40,044</u>	<u>215,297</u>
Depreciation and amortization	<u>659,815</u>	<u>197,440</u>	<u>857,255</u>

13 Post balance sheet date event

Oman Telecommunications Company (S.A.O.G) ("Omantel") has signed a Share Purchase Agreement ("SPA") with the majority sponsors group of the Company to purchase 451,236,394 ordinary shares from these sponsors. Under the terms of the SPA Omantel will be making a public offer to acquire a further 37,603,033 ordinary shares in compliance with the Listed Companies (Substantial Acquisition of Voting Shares and Takeovers) Ordinance, 2002. Assuming the successful completion of this public offer Omantel would have an aggregate shareholding of 488,839,427 ordinary shares representing approximately 65% of the existing capital of the Company. The subject acquisition (including the public offer) by Omantel is subject to necessary regulatory approvals and satisfaction of conditions precedent stipulated in the SPA.

The rationale for the acquisition of 65% shares of the existing paid up capital of the Company is that the Company is a party to two loan agreements which give conversion rights to lenders. On the assumption that the conversions take place under both agreements, Omantel wishes to ensure that it holds more than 51% of the issued share capital of the Company after the exercise of all existing conversion rights. Upon the completion of the acquisition by Omantel, the majority shareholding of the Company will be controlled by Omantel and Omantel will have majority representation on the Board of Directors of the Company.

14 Date of authorization for issue

This condensed consolidated interim financial information was authorized for issue on 29 February 2008 by the Board of Directors.

15 General

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

15.2 Corresponding figures have been rearranged wherever necessary for the purpose of comparison.