

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.

CONTENTS

| | |
|---|-----------|
| Company Information | 04 |
| Notice of Annual General Meeting | 06 |
| Message from the Chairman | 08 |
| Directors' Report | 09 |
| Key Financial Information | 15 |
| Statement of Compliance with the best practices on Transfer Pricing | 16 |
| Statement of Compliance with Code of Corporate Governance | 17 |
| Auditors' Review Report on Statement of Compliance with Code of Corporate Governance | 19 |
| Auditors' Report to the Members | 20 |
| Balance Sheet | 21 |
| Profit and Loss Account | 22 |
| Statement of Comprehensive Income | 23 |
| Cash Flow Statement | 24 |
| Statement of Changes in Equity | 25 |
| Notes to the Financial Statements | 26 |
| Pattern of Shareholding | 74 |
| Form of Proxy | 81 |



FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
31 DECEMBER 2013**



COMPANY INFORMATION

| | |
|--|---|
| Chairman | Mehdi Mohammed Al Abduwani |
| Chief Executive Officer | Babar Ali Syed |
| Board of Directors <i>(In Alphabetical order)</i> | Aimen bin Ahmed Al Hosni Asadullah Khawaja Mehdi Mohammed Al Abduwani Samy Ahmed Abdulqadir Al Ghassany Sohail Qadir Shehryar Ali Taseer Talal Said Marhoon Al-Mamari (Vice Chairman) |
| Chief Financial Officer | Mohammad Noaman Adil |
| Executive Committee | Mehdi Mohammed Al Abduwani (Chairman) Aimen bin Ahmed Al Hosni (Member) Babar Ali Syed (Member) Sohail Qadir (Member) Rizwan Abdul Hayi (Secretary) |
| Audit Committee | Talal Said Marhoon Al-Mamari (Chairman) Asadullah Khawaja (Member) Aimen bin Ahmed Al Hosni (Member) Rizwan Abdul Hayi (Secretary) |
| HR Committee | Aimen bin Ahmed Al Hosni (Chairman) Sohail Qadir (Member) Talal Said Marhoon Al-Mamari (Member) Saud Mansoor Mohamed Al Mazrooei (Secretary) |
| Chief Internal Auditor | Mirghani Hamza Al-Madani |
| Company Secretary | Rizwan Abdul Hayi |
| Auditors | KPMG Taseer Hadi & Co. Chartered Accountants |
| Legal Advisers | M/s Miankot & Co. Barristers, Advocates & Corporate Legal Consultant |

**Bankers (In Alphabetical Order)**

Allied Bank Limited
Albaraka Bank (Pakistan) Limited
(formerly Emirates Global Islamic Bank Limited)
Askari Bank Limited
Bank Al-Habib Limited
Barclays Bank Plc Pakistan
Deutsche Bank AG
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
HSBC Bank Middle East Limited
HSBC Bank Oman S.A.O.G.
(formerly Oman International Bank S.A.O.G.)
IGI Investment Bank Limited
JS Bank Limited
KASB Bank Limited
MCB Bank Limited
National Bank of Pakistan
NIB Bank Limited
Pak Oman Investment Co. Limited
Soneri Bank Limited
Standard Chartered Bank (Pakistan) Limited
Summit Bank Limited
(formerly Arif Habib Bank Limited)
Tameer Microfinance Bank Limited
The Bank of Punjab
United Bank Limited

Registrar and Shares Transfer Office

THK Associates (Pvt.) Limited
2nd Floor, State Life Building No.3,
Dr. Zia-ud-Din Ahmed Road, Karachi.
Tel: (021) 111-000-322

Registered Office/Head Office

67-A, C/III, Gulberg-III,
Lahore, Pakistan
Tel: (042) 3587 2633-38
Fax: (042) 3575 5231

Webpage

www.worldcall.com.pk

NOTICE OF 14th ANNUAL GENERAL MEETING

Notice is hereby given that 14th Annual General Meeting (“AGM”) of the Shareholders of Worldcall Telecom Limited (the “Company” or “WTL”) will be held on 22 April, 2014 at 11:00 a.m. at Avari Hotel, 87 Shahrah-e-Quaid-e-Azam, Lahore to transact the following business:

1. To confirm the minutes of the 13th Annual General Meeting held on 4 May 2013;
2. To receive, consider and to adopt the financial statements of the Company for the year ended 31 December 2013 together with the Directors' and Auditors' reports thereon;
3. To appoint Auditors of the Company for the year ending 31 December 2014 and to fix their remuneration;
4. To elect 07 (seven) Directors of the Company as fixed by the Board of Directors in pursuant to Section 178(1) of the Companies Ordinance, 1984 for the term of next three years commencing from 22 April, 2014. Following are the retiring Directors:-
 1. Mr. Mehdi Mohamamd Al Abduwani
 2. Mr. Talal Said Marhoon Al Mamari
 3. Mr. Aimen bin Ahmed Al Hosni
 4. Mr. Samy Ahmed Abdulqadir Al Ghassany
 5. Mr. Asadullah Khawaja
 6. Mr. Sohail Qadir
 7. Mr. Shehryar Ali Taseer
5. To transact any other business with the permission of Chair.

By order of the Board

Babar Ali Syed
Chief Executive Officer

Lahore:
31 March, 2014

NOTES

A. General

- 1) The Register of Members will remain closed from 16 April, 2014 to 22 April, 2014 (both days inclusive). Transfers received at THK Associates (Pvt.) Limited, 2nd 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 15 April, 2014 will be treated in time.
- 2) A member eligible to attend and vote at the meeting may appoint another member as proxy to attend and vote in the meeting. In order to be effective, proxies must be received by the Company at the Registered Office, not later than 48 hours before the time for holding the meeting.
- 3) In order to be valid, an instrument of proxy and the power of attorney or any other authority under which it is signed, or a notarized/ 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.



- 4)
 - a) Individual beneficial owners of CDC entitled to attend and vote at the meeting must bring his/her participant ID and account/sub-account number along with original CNIC or passport to authenticate his/her identity. In case of Corporate entity, resolution of the Board of Directors/Power of attorney with specimen signatures of nominees shall be produced (unless provided earlier) at the time of the meeting. CDC Account holders may also refer to Circular 1 dated 26 January 2000 issued by Securities & 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 requirement along with participant ID and account/sub-account number together with an attested copy of their CNIC or Passport. The proxy form shall be witnessed by two witnesses with their names, addresses and CNIC numbers. The proxy shall produce his/her original CNIC or Passport at the time of 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.
- 5) Any member who seeks to contest the election to the office of Directors shall, whether he/she is retiring Director or otherwise, file with the company, not later than fourteen (14) days before the date of the meeting at which elections are to be held, a notice of his/her intention to offer himself/herself for election as Director. Declaration in accordance with the Listing Regulations alongwith consent to act as Director under section 184 of the Companies Ordinance, 1984 is also to be filed.
- 6) Members are requested to notify any change in their registered address immediately.

MESSAGE FROM THE CHAIRMAN

Dear Shareholders,

I am pleased to address you as we move into a new financial year. Despite odds and limitations, management has worked hard on various fronts. I am hopeful that in days to come, our performance shall improve in response to these efforts.

On the positive side CPS transaction was completed during the year and long awaited funds were raised consequently. Management is now vigorously aiming to improve the operational performance and several projects are currently in the pipeline to secure long term growth.

We are all well aware of the market dynamics that are currently shaping the future horizon of the ICT sector. Roll out of 3G is very much expected in the year 2014 and this would be a source of numerous opportunities and positive implications for the ICT participants. The economy on the whole is expected to take a very promising impact from the broadband expansion that 3G era would create. The digital divide will contract and broadband penetration would create plenty of new businesses. The enabling environment will create new connections among the industries and shall be a source of innumerable possibilities to manipulate the business dynamics.

The Company is looking forward to benefit from these developments. The management expects to cautiously strengthen its footprint in the underserved areas. Besides this, improving the delivery and enhancing the corporate image in the current service net is also a top priority.

Towards the end I take this opportunity to sincerely thank all the shareholders of this Company. I further place on record here my gratitude for the assistance and patronage of Omantel that has helped the management of the Company to face the challenges. I would also like to express my appreciation and gratitude for all the employees of the Company who despite difficulties and hard times, worked with dedication and passion.

Chairman, Board of Directors of Worldcall Telecom Limited

Dubai:
28 February 2014



Mehdi Mohammed Al-Abduwani
Chairman, Board of Directors of
Worldcall Telecom Limited

DIRECTORS' REPORT

The Directors of Worldcall Telecom Limited (“Worldcall” or “the Company”), are pleased to present audited financial statements of the Company and a review of its performance for the year ended 31 December 2013.

Financial Overview

The overall performance remained depressive during the period under review. Activity levels achieved last year have not been sustained as some high value projects were completed in that period. Major revenue streams could not post desired results owing to certain limitations that prevailed for the most part of the year. In addition to this, various other factors like power outages, diminishing value of rupee, general macro economic instability and certain market factors resulting in lower inflow of international traffic to the country led to overall losses in the year under review.

Total revenue for the year stands at Rs 3,188 million. Due to heavy depreciation charge, this remained insufficient to absorb the direct cost of Rs 4,043 million. Operating costs witnessed 19% savings and stand at Rs 1,570 million. Increase in other operating expenses by 40% is mainly attributable to adverse movement in exchange rate. After accounting for taxation, the year has been closed with a net loss of Rs 2,302 million.

Some major financial line items compared with the last year figures have been summarized in the following table.

| | Year 2013 ------(Rupees in Million)----- | Year 2012 |
|---------------------------------|---|----------------|
| Revenue | 3,188 | 7,119 |
| Direct cost | (4,043) | (6,606) |
| Gross (loss)/profit | (855) | 513 |
| Operating cost | (1,570) | (1,946) |
| Operating loss | (2,425) | (1,434) |
| Finance cost | (636) | (1,245) |
| Other income | 85 | 694 |
| Other operating expenses | (520) | (370) |
| Loss after tax | (2,302) | (1,650) |

CPS Transaction

With the backing of Omantel the Company successfully completed the issuance of convertible preference shares (CPS) during the year. This remarkable achievement has generated cash inflow of USD 35 million for the Company. Extensive regulatory and procedural requirements had to be complied with in order to successfully accomplish this funding. The completion of this activity reflects the patronage and assurance of the Omantel towards the unified vision of growth and prosperity.

The funds available in CPS account are reserved for making the capital expenditure as per approved business plan and as per agreed terms of the transaction with the investors. This capital expenditure will be used for making the planned expansions and for increasing the market share across different segments. As such this transaction was pivotal for growth, long term success and stability of the Company.

The inflow from the CPS will also help in improving the fiscal balance of the Company. Cash outflows in the near future are not required against the CPS liability. Due to this it would greatly help the Company in improving its operational and financial performance.

The future outlook and way forward

The funding has enabled the management to look forward to roll outs, network improvements and

infrastructure enhancements that were strategized to secure the long term success. The market landscape has plenty of opportunities for ICT sector. The management believes that the Company has got the potential and the capability to take advantage of these opportunities. It is reasonably expected that once the network expansion plans as envisaged are put in place, the financial indicators will show positive improvements.

The data segment will continue to remain the focus of all the initiatives. The economy has already witnessed a massive penetration of cellular technology when the market players were given the required freedom, access and regulatory support. The same can be foreseen with respect to broadband penetration. The broadband users which are currently around 3 million mark are expected to take a giant leap after 3G roll out. The Company expects that it will be a direct beneficiary of the expansion of digital footprint across the country. Accordingly the Company has planned to attract and maintain a sizable share of this broadband market that is positioned to make a takeoff in near future.

Board Meetings during the period

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

| Name of Board Member | Designation | Meeting Attended |
|---------------------------------------|-------------------|------------------|
| Mr. Mehdi Mohammad Al Abduwani | Chairman/Director | 4 |
| Mr. Talal Said Marhoon Al Mamari | Director | 4 |
| Mr. Aimen bin Ahmed Al Hosni | Director | 3 |
| Mr. Samy Ahmed Abdulqadir Al Ghassany | Director | 2 |
| Mr. Sohail Qadir | Director | 4 |
| Mr. Asadullah Khawaja | Director | 4 |
| Mr. Shehryar Ali Taseer | Director | - |

The directors who could not attend the meeting were duly granted leave of absence.

Audit Committee

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

| Audit Committee Member | Designation | Meeting Attended |
|----------------------------------|------------------------|------------------|
| Mr. Talal Said Marhoon Al-Mamari | Chairman | 4 |
| Mr. Asadullah Khawaja | Member | 4 |
| Mr. Aimen bin Ahmed Al Hosni | Member | 2 |
| Mr. Mirghani Hamza Al-Madani | Chief Internal Auditor | 4 |
| Mr. Rizwan Abdul Hayi | Secretary | 4 |

During the year four meetings of the Audit Committee were held. The Chief Executive Officer and the Chief Financial Officer attend meetings of the Committee on standing invitation. The Chief Internal Auditor reports directly to the Chairman of the Audit Committee.

The role and responsibilities of the Audit Committee include determining appropriate measures to safeguard the company's assets and reviewing quarterly, half yearly and annual financial statements of the Company and preliminary announcements of results before approval by the Board of Directors and their publication.

The Audit Committee assists the Board of Directors in monitoring the framework of managing business risks and internal controls. The Committee seeks assurance on the measures taken by the management in identification, evaluation and mitigation of relevant business risks.

It also monitors the performance of the Internal Audit Department which adopts a risk based approach for planning and conducting business process audits consistent with the Company's established work practices.

Executive Committee

This Committee conducts its business under the chairmanship of Mr Mehdi Al-Abduwani and has the following structure:

| Executive Committee Member | Designation | Meeting Attended |
|--------------------------------|-------------|------------------|
| Mr. Mehdi Mohammad Al Abduwani | Chairman | 2 |
| Mr. Aimen bin Ahmed Al Hosni | Member | 2 |
| Mr. Sohail Qadir | Member | 2 |
| Mr. Babar Ali Syed | Member | 2 |
| Mr. Rizwan Abdul Hayi | Secretary | 2 |

The Committee is entrusted with the tasks to recommend for approval both short term and long term finance options, administrative and control policies adopted by the Board and monitoring compliance thereof. The Committee is also responsible for dealing on the Board's behalf with matters of an urgent nature when the Board of Directors is not in session, in addition to other duties delegated by the Board.

During the year two meetings of the Executive Committee were held.

Human Resources

Board of Directors, in compliance with the Code of Corporate Governance has established HR Committee consisting of the following:

| HR Committee Members | Designation | Meeting Attended |
|----------------------------------|-------------|------------------|
| Mr. Aimen bin Ahmed Al Hosni | Chairman | 1 |
| Mr. Talal Said Marhoon Al Mamari | Member | 1 |
| Mr. Sohail Qadir | Member | 1 |
| Mr. Saud Al Mazrooei | Secretary | 1 |

The principle of equal opportunity is core to our HR policies and we at WTL are committed to motivate staff by upgrading their skills to equip all employees for their job performance and support them to realize their optimum potential. The HR department, through its continuous effort, pays considerable heed to enhance the employees' productivity which results in organizational effectiveness.

The Board would like to congratulate their employees for consistent hard work and efforts.

Auditors

The present auditors M/s KPMG Taseer Hadi & Co., Chartered Accountants would retire, as suggested by the Audit Committee, the Board of Directors has recommended M/s A. F. Ferguson & Co. Chartered Accountants (a member firm of Price Waterhouse Coopers) as Auditors of the company for the year ending 31 December 2014, at a fee to be mutually agreed. They have confirmed achieving satisfactory rating by the Institute of Chartered Accountants of Pakistan (ICAP) and compliance with the Guide-lines on the Code of Ethics of the International Federation of Accountants (IFAC) as adopted by ICAP.

Compliance with the Code of Corporate Governance

The requirements of the Code of Corporate Governance set out by the Karachi and Lahore Stock Exchanges

in their Listing Regulations, relevant for the year ended 31 December 2013 have been adopted by the Company and have been duly complied with. A statement to this effect is annexed to the Report.

Material Changes

There have been no material changes since 31 December 2013 except as disclosed in this annual report and the company has not entered into any commitment, which would affect its financial position at the date except for those mentioned in the audited financial statements of the company for the year ended 31 December 2013.

Statutory Compliance

During the year the company has complied with all applicable provisions, filed all returns / forms and furnished all the relevant particulars as required under the Companies Ordinance, 1984 and allied rules, the Securities and Exchange Commission of Pakistan (SECP) Regulations and the listing requirements.

Duties & Taxes (Contribution to the National Exchequer)

Information about taxes and levies is given in the respective notes to the accounts.

Web Presence

Updated information regarding the company can be accessed at Company website: www.worldcall.com.pk. The website contains the latest financial results of the company together with company's profile.

Dividend / Payout

Considering the cash flow situation and future expansion plans, the Directors have not recommended any dividend / payout for the year.

Pattern of Shareholding

A statement of the Pattern of Shareholding of different classes of shareholders as at 31 December, 2013, whose disclosure is required under the reporting framework, is included in the annexed Shareholders' Information.

The Directors, CEO, CFO, COO, Head of Internal Audits and Company Secretary and their spouses or minor children did not carry out any trade in the shares of the company during the year, except as given in Annexure-I.

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

1. The financial statements, prepared by the management of the Company, fairly present its state of affairs, the result of its operations, 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 Financial Reporting 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 five years is summarized in the report.
9. Information regarding outstanding taxes and levies is given in notes to the accounts of the financial statements.
10. The Company has followed the best practices of corporate governance, as detailed in the Listing Regulations of Stock Exchanges.

Holding Company information

The Company is a subsidiary of Omantel Telecommunications Company SAOG, which has been incorporated in Sultanate of Oman and is also the largest communication service provider of Oman.

Consolidated Financial Statements

The subsidiary has filed winding up petition under the laws of Sri Lanka in court. Under sub section 8 of section 237 of the Companies Ordinance 1984, SECP has granted exemption from consolidation of the Company's subsidiary for the year ended 31 December 2013 only. The accounts of the subsidiary shall be open for inspection to members at the registered office of the Company.

Acknowledgment

The Board of Directors wishes to place on record here, appreciation and gratitude for the continued support and trust of our valuable customers, suppliers, contractors and stakeholders. We appreciate their cooperation and assistance which helped us in meeting the challenges and improving our performance.

It goes without saying that all the achievements of the Company have been possible only due to the ceaseless and untiring efforts of its dedicated employees. Their professionalism, commitment to work and ability to perform remarkably well even in certain adverse conditions helped the Company to sustain during the worst economic recession. The Company remains thankful to all of its employees for their persistent efforts and valuable contributions. The Board also appreciates the helpful role played by members of audit and other executive committee in assisting the management on various governance matters. We would also like to appreciate the positive and highly constructive role played by PTA in the success and development of the telecom sector.

Apart from this we are also thankful for the continued support and assistance extended to us by our Parent Company throughout the year. This support has been highly pivotal in encouraging the management and employees and in meeting the formidable challenges.

For and on behalf of the Board of Directors

BABAR ALI SYED
CHIEF EXECUTIVE OFFICER

Lahore:
08 February 2014

Annexure-1

**TRADING BY BOARD MEMBERS, COMPANY SECRETARY, CFO,
HEAD OF INTERNAL AUDIT, COO AND THEIR SPOUSE & MINOR CHILDREN**

| Directors | Opening Balance as on 31-Dec-2012 | Purchase | Bonus | Sale | Closing Balance as of 31-Dec-2013 |
|---------------------------------------|--|-----------------|--------------|-------------|--|
| Mr. Mehdi Mohammed Al Abduwani | 20,500 | - | - | - | 20,500 |
| Mr. Talal Said Marhoon Al-Mamari | 500 | - | - | - | 500 |
| Mr. Shehryar Ali Taseer | 500 | - | - | - | 500 |
| Mr. Samy Ahmed Abdulqadir Al Ghassany | 500 | - | - | - | 500 |
| Mr. Aimen bin Ahmed Al Hosni | 575 | - | - | - | 575 |
| Mr. Asadullah Khawaja | 100,000 | - | - | - | 100,000 |
| Mr. Sohail Qadir | 500 | - | - | - | 500 |
| Mr. Babar Ali Syed (CEO) | 75 | - | - | - | 75 |
| Chief Financial Officer | | | | | |
| Mr. Mohammad Noaman Adil | - | - | - | - | - |
| Company Secretary | | | | | |
| Mr. Rizwan Abdul Hayi | - | - | - | - | - |
| Spouses / Minor Children | | | | | |
| | - | - | - | - | - |
| Head of Internal Audit | | | | | |
| Mirghani Hamza Al-Madani | 210,000 | - | - | - | 210,000 |
| Chief Operating Officer (COO) | | | | | |
| Abu Zar | - | - | - | - | - |

FIVE YEAR FINANCIAL PERFORMANCE

INCOME STATEMENTS

| | YEAR ENDED 31 December 2013 | YEAR ENDED 31 December 2012 | YEAR ENDED 31 December 2011 | YEAR ENDED 31 December 2010 | YEAR ENDED 31 December 2009 |
|---|-------------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| | ----- (Rupees in '000) ----- | | | | |
| Revenue - net | 3,187,636 | 7,118,825 | 8,001,013 | 7,464,404 | 8,408,275 |
| Direct cost | (4,042,699) | (6,606,299) | (6,012,774) | (6,615,984) | (7,036,603) |
| Gross (loss)/profit | (855,063) | 512,526 | 1,988,239 | 848,420 | 1,371,672 |
| Operating cost | (1,569,984) | (1,946,468) | (1,460,237) | (1,610,041) | (1,356,317) |
| Operating (loss)/profit | (2,425,047) | (1,433,942) | 528,002 | (761,621) | 15,355 |
| Finance cost | (636,182) | (1,245,090) | (714,654) | (743,413) | (523,025) |
| | (3,061,229) | (2,679,032) | (186,652) | (1,505,034) | (507,670) |
| Gain on re-measurement of investment property at fair value | - | - | - | 1,378 | - |
| Impairment loss on available for sale financial assets | (19,656) | (265,365) | (26,508) | (65,894) | (167,865) |
| Other income | 85,145 | 694,172 | 504,213 | 58,097 | 103,993 |
| Other operating expenses | (520,199) | (370,392) | (190,216) | - | (51,981) |
| (Loss)/profit before taxation | (3,515,939) | (2,620,617) | 100,837 | (1,511,453) | (623,523) |
| Taxation | 1,214,359 | 970,975 | 189,413 | 364,447 | 132,704 |
| (Loss)/profit after taxation | (2,301,580) | (1,649,642) | 290,250 | (1,147,006) | (490,819) |
| (Loss)/earning per share - basic | (Rupees) (2.78) | (1.92) | 0.34 | (1.33) | (0.57) |
| (Loss)/earning per share - diluted | (Rupees) (1.44) | (1.92) | 0.34 | (1.33) | (0.57) |



STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES ON TRANSFER PRICING FOR THE YEAR ENDED 31 DECEMBER 2013

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

For and on behalf of the Board

BABAR ALI SYED
CHIEF EXECUTIVE OFFICER

Lahore:
08 February 2014

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2013

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

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

1. The Company encourages representation of independent non-executive Directors and Directors representing minority interest on its Board of Directors. At present the Board constitutes all non-executive Directors except Chief Executive Officer ("CEO"), out of which 2 Directors are independent non-executive Directors. At present the board includes:

| Category | Names |
|------------------------------------|---------------------------------------|
| Non-Executive Director | Mr. Mehdi Mohammad Al Abduwani |
| Non-Executive Director | Mr. Talal Said Marhoon Al -Mamari |
| Non-Executive Director | Mr. Aimen bin Ahmed Al Hosni |
| Non-Executive Director | Mr. Samy Ahmed Abdulqadir Al Ghassany |
| Non-Executive Director | Mr. Sohail Qadir |
| Independent Non-Executive Director | Mr. Asadullah Khawaja |
| Independent Non-Executive Director | Mr. Shehryar Ali Taseer |

2. The Directors have confirmed that none of them is serving as a Director in more than Seven (7) 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 an NBFIs. No one is a member of Stock Exchange.
4. No casual vacancies occurred in the Board during the period.
5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the Directors and employees of the Company.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of CEO and other executive & other non-executive Directors have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a Director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board arranged orientation courses from time to time for its Directors during the year to apprise them of their duties and responsibilities.
10. There were no new appointments of the Head of Internal Audit, CFO or Company Secretary during the year.
11. The Directors' report for this year has been prepared in compliance with the requirements of the Code of Corporate Governance ("CCG") 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 (“CCG”) Code of Corporate Governance.
15. The Board has formed an Audit Committee. At present the committee includes three non-executive Directors including the Chairman of the committee.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has set-up an effective internal audit function having suitable qualified and experienced personal who are conversant with the policies and procedures of the Company.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and 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. The related party transactions have been placed before the Audit Committee and approved by the Board of Directors with necessary justifications for non arm's length transactions and pricing methods for transactions that were made on terms equivalent to those that prevail in the arm's length transactions only if such terms can be sustained.
21. The 'closed period', prior to the announcement of interim/final results and business decisions, which may materially affect the market price of company's securities, was determined and intimated to Directors, employees and stock exchanges(s).
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. The Management of the Company is committed to good corporate governance, and appropriate steps are taken to comply with the best practices.
24. We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board

BABAR ALI SYED
CHIEF EXECUTIVE OFFICER

Lahore:
08 February 2014

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **WorldCall Telecom Limited** (“**the Company**”) to comply with the Listing Regulation No. 35 of the Karachi and Lahore 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 systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the company's corporate governance procedures and risks.

Further, listing Regulations of the Karachi and Lahore stock exchanges require the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

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 as applicable to the Company for the year ended 31 December 2013.

Lahore:
08 February 2014


KPMG Taseer Hadi & Co.
Chartered Accountants
(Farid Uddin Ahmed)

AUDITORS' REPORT TO THE MEMBERS


We have audited the annexed balance sheet of **Worldcall Telecom Limited ("the Company")** as at 31 December 2013 and the related profit and loss account, statement of comprehensive income, 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 the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, 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 31 December 2013 and of the loss, its comprehensive loss, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Lahore:
08 February 2014


KPMG Taseer Hadi & Co.
Chartered Accountants
(Farid Uddin Ahmed)



BALANCE SHEET

AS AT 31 DECEMBER 2013

| | Note | 31 December 2013 | Restated 31 December 2012 |
|---|------|---------------------|---------------------------------|
| ------(Rupees in '000)----- | | | |
| NON CURRENT ASSETS | | | |
| Tangible fixed assets | | | |
| Property, plant and equipment | 4 | 12,520,955 | 13,002,060 |
| Capital work-in-progress | 5 | 1,018,067 | 782,635 |
| | | <u>13,539,022</u> | <u>13,784,695</u> |
| Intangible assets | 6 | 4,775,881 | 4,987,160 |
| Investment properties | 7 | 160,474 | 160,474 |
| Long term trade receivables | 8 | 172,794 | 242,883 |
| Deferred taxation | 9 | 2,546,247 | 1,295,068 |
| Long term loans and deposits | 10 | 77,615 | 122,074 |
| | | <u>21,272,033</u> | <u>20,592,354</u> |
| CURRENT ASSETS | | | |
| Stores and spares | 11 | 186,253 | 225,091 |
| Stock in trade | 12 | 243,898 | 208,140 |
| Trade debts | 13 | 1,043,058 | 2,624,883 |
| Loans and advances - considered good | 14 | 969,604 | 1,441,416 |
| Deposits and prepayments | 15 | 192,786 | 190,848 |
| Short term investments | 16 | 83,193 | 104,982 |
| Other receivables | 17 | 79,665 | 64,513 |
| Income tax recoverable - net | | 204,690 | 154,656 |
| Cash and bank balances | 18 | 2,501,852 | 100,742 |
| | | <u>5,504,999</u> | <u>5,115,271</u> |
| Long term investment - classified as held for sale | 19 | - | - |
| | | <u>5,504,999</u> | <u>5,115,271</u> |
| CURRENT LIABILITIES | | | |
| Current maturities of non-current liabilities | 20 | 1,831,247 | 1,447,025 |
| Running finance under mark-up arrangements - secured | 21 | 786,944 | 789,331 |
| Short term borrowings | 22 | 69,756 | 1,014,767 |
| License fee payable | 23 | 1,021,500 | 1,021,500 |
| Trade and other payables | 24 | 7,040,571 | 5,947,891 |
| Interest and mark-up accrued | 25 | 258,311 | 245,190 |
| | | <u>11,008,329</u> | <u>10,465,704</u> |
| | | <u>(5,503,330)</u> | <u>(5,350,433)</u> |
| NET CURRENT LIABILITIES | | | |
| NON-CURRENT LIABILITIES | | | |
| Term finance certificates - secured | 26 | 1,095,824 | 1,640,083 |
| Long term loan | 27 | 3,201,197 | 2,815,456 |
| Deferred income | | - | 65,916 |
| Retirement benefits | 28 | 336,991 | 362,907 |
| Liabilities against assets subject to finance lease | 29 | 1,423 | 44,904 |
| Long term payables | 30 | 1,123,506 | 1,288,444 |
| Long term deposits | | 42,333 | 42,458 |
| | | <u>5,801,274</u> | <u>6,260,168</u> |
| Contingencies and commitments | 31 | | |
| | | <u>9,967,429</u> | <u>8,981,753</u> |
| REPRESENTED BY | | | |
| Share capital and reserves | | | |
| Authorized share capital | | | |
| 1,500,000,000 (31 December 2012: 900,000,000) ordinary shares of Rs. 10 each | | <u>15,000,000</u> | <u>9,000,000</u> |
| 500,000 (31 December 2012: Nil) preference shares of USD 100 each (USD 50,000,000 equivalent to Rs. 6,000,000,000) | | <u>6,000,000</u> | <u>-</u> |
| Ordinary share capital | 32 | 8,605,716 | 8,605,716 |
| Preference share capital | 33 | 3,537,700 | - |
| Share premium | 34 | 837,335 | 837,335 |
| Fair value reserve - available for sale financial assets | | 11,702 | 13,835 |
| Exchange translation reserve | | 144,300 | - |
| Accumulated loss | | <u>(3,527,284)</u> | <u>(823,263)</u> |
| | | <u>9,609,469</u> | <u>8,633,623</u> |
| Surplus on revaluation | 35 | 357,960 | 348,130 |
| | | <u>9,967,429</u> | <u>8,981,753</u> |

The annexed notes 1 to 50 form an integral part of these financial statements.

Lahore:
08 February 2014

Balanchi
CHIEF EXECUTIVE OFFICER

[Signature]
DIRECTOR

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2013

| | Note | 31 December 2013 | 31 December 2012 |
|--|------|---------------------|---------------------|
| ------(Rupees in '000)----- | | | |
| Revenue - net | 36 | 3,187,636 | 7,118,825 |
| Direct cost | 37 | (4,042,699) | (6,606,299) |
| Gross (loss)/profit | | (855,063) | 512,526 |
| Operating cost | 38 | (1,569,984) | (1,946,468) |
| Operating loss | | (2,425,047) | (1,433,942) |
| Finance cost | 39 | (636,182) | (1,245,090) |
| | | (3,061,229) | (2,679,032) |
| Impairment loss on available for sale financial assets | | (19,656) | (265,365) |
| Other income | 40 | 85,145 | 694,172 |
| Other operating expenses | | (520,199) | (370,392) |
| Loss before taxation | | (3,515,939) | (2,620,617) |
| Taxation | 41 | 1,214,359 | 970,975 |
| Loss after taxation | | (2,301,580) | (1,649,642) |
| Loss per share - basic (Rupees) | 42.1 | (2.78) | (1.92) |
| Loss per share - diluted (Rupees) | 42.2 | (1.44) | (1.92) |

The annexed notes 1 to 50 form an integral part of these financial statements.

Lahore:
08 February 2014

Sabandily
CHIEF EXECUTIVE OFFICER

Griffith
DIRECTOR



STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2013

| | 31 December 2013 | Restated 31 December 2012 |
|--|------------------------------|---------------------------------|
| | ----- (Rupees in '000) ----- | |
| Loss for the year | (2,301,580) | (1,649,642) |
| Other comprehensive income/(loss) - net of tax: | | |
| Items that will not be reclassified to profit and loss account | | |
| Recognition of actuarial income on defined benefit plan | <u>1,665</u> | <u>34,720</u> |
| | 1,665 | 34,720 |
| Items that are or may be reclassified subsequently to profit or loss: | | |
| Net change in fair value of available for sale financial assets | (21,789) | (9,507) |
| Impairment loss transferred to profit and loss account | 19,656 | 265,365 |
| | (2,133) | 255,858 |
| Other comprehensive (loss)/income - net of tax | <u>(468)</u> | <u>290,578</u> |
| Total comprehensive loss for the year | <u>(2,302,048)</u> | <u>(1,359,064)</u> |

The annexed notes 1 to 50 form an integral part of these financial statements.

Lahore:
08 February 2014


CHIEF EXECUTIVE OFFICER


DIRECTOR

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

| | Note | 31 December 2013 | 31 December 2012 |
|---|------|---------------------|---------------------|
| ------(Rupees in '000)----- | | | |
| Cash flows from operating activities | | | |
| Cash generated from operations | 44 | 1,673,448 | 1,384,818 |
| Decrease in long term deposits receivable | | 44,459 | 10,249 |
| Decrease/(increase) in long term trade receivable | | 70,089 | (785,404) |
| Decrease in long term deposits payable | | (125) | (203) |
| Decrease in deferred income | | (65,916) | (100,384) |
| (Decrease)/increase in long term payables | | (164,938) | 452,701 |
| Retirement benefits paid | | (112,810) | (11,187) |
| Finance cost paid | | (564,822) | (492,645) |
| Taxes paid | | (28,280) | (26,307) |
| Net cash generated from operating activities | | 851,105 | 431,638 |
| Cash flows from investing activities | | | |
| Fixed capital expenditures | | (1,021,325) | (758,830) |
| Acquisition of intangible assets | | - | (14,249) |
| Proceeds from sale of property, plant and equipment | | 36,915 | 18,982 |
| Net cash used in investing activities | | (984,410) | (754,097) |
| Cash flows from financing activities | | | |
| Proceeds received against preference shares | | 3,537,700 | - |
| Running finance - net | | (2,387) | (190,042) |
| (Repayment)/receipt of short term borrowings - net | | (945,011) | 896,264 |
| Repayment of term finance certificates | | - | (547,913) |
| Repayment of liabilities against asset subject to finance lease | | (55,887) | (62,136) |
| Net cash generated from financing activities | | 2,534,415 | 96,173 |
| Net increase/(decrease) in cash and cash equivalents | | 2,401,110 | (226,286) |
| Cash and cash equivalents at the beginning of the year | | 100,742 | 327,028 |
| Cash and cash equivalents at the end of the year | | 2,501,852 | 100,742 |

Lahore:
08 February 2014

Sabandily
CHIEF EXECUTIVE OFFICER

Griffith
DIRECTOR

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013

| | Share Capital | | Capital Reserve | | | Revenue Reserve | | Total |
|--|------------------------|--------------------------|-----------------|--|------------------------------|-----------------------------|------------------------|--------------------|
| | Ordinary share capital | Preference share capital | Share premium | Fair value reserve - available for sale financial assets | Exchange translation reserve | Accumulated profit / (loss) | Surplus on revaluation | |
| ----- (Rupees in '000) ----- | | | | | | | | |
| Balance as at 31 December 2011 | 8,605,716 | - | 837,335 | (242,023) | - | 806,476 | 343,245 | 10,350,749 |
| Effect of change in accounting policy | - | - | - | - | - | (9,932) | - | (9,932) |
| Balance as at 31 December 2011 - restated | 8,605,716 | - | 837,335 | (242,023) | - | 796,544 | 343,245 | 10,340,817 |
| Transfer to surplus on revaluation | - | - | - | - | - | (4,885) | 4,885 | - |
| Loss for the year | - | - | - | - | - | (1,649,642) | - | (1,649,642) |
| Other comprehensive income for the year - restated | - | - | - | 255,858 | - | 34,720 | - | 290,578 |
| Balance as at 31 December 2012 - restated | 8,605,716 | - | 837,335 | 13,835 | - | (823,263) | 348,130 | 8,981,753 |
| Transfer to surplus on revaluation | - | - | - | - | - | (4,885) | 9,830 | 4,945 |
| Loss for the year | - | - | - | - | - | (2,301,580) | - | (2,301,580) |
| Other comprehensive (loss)/income for the year | - | - | - | (2,133) | - | 1,665 | - | (468) |
| Transactions with owners | | | | | | | | |
| Issuance of preference shares | - | 3,537,700 | - | - | - | - | - | 3,537,700 |
| Cost of issuance of preference shares | - | - | - | - | - | (161,139) | - | (161,139) |
| Exchange translation reserve | - | - | - | - | 144,300 | (144,300) | - | - |
| Dividend on preference shares | - | - | - | - | - | (93,782) | - | (93,782) |
| Balance as at 31 December 2013 | 8,605,716 | 3,537,700 | 837,335 | 11,702 | 144,300 | (3,527,284) | 357,960 | 9,967,429 |

The annexed notes 1 to 50 form an integral part of these financial statements.

Lahore:
08 February 2014

Balanda
CHIEF EXECUTIVE OFFICER

Griffith
DIRECTOR

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

1 Legal status and nature of business

Worldcall Telecom Limited ("the Company") is a public limited company incorporated in Pakistan on 15 March 2001 under the Companies Ordinance, 1984 and its shares are quoted on the Karachi and Lahore Stock Exchanges. The Company commenced its operations on 01 December 2004 and is engaged in providing Wireless Local Loop ("WLL") and Long Distance & International ("LDI") services in Pakistan, operation and maintenance of public payphones network and re-broadcasting international/national satellite/terrestrial wireless and cable television and radio signals as well as interactive communication and to establish, maintain and operate the licensed telephony services. The Company has been licensed by Pakistan Telecommunication Authority ("PTA") and Pakistan Electronic Media Regulatory Authority ("PEMRA") for these purposes. The registered office of the Company is situated at 67A, C-III, Gulberg III, Lahore. During the year ended 30 June 2008, 56.80% shares (488,839,429 ordinary shares) had been acquired by Oman Telecommunications Company SAOG ("the Parent company"). In addition to this, Parent company has also invested in preference shares as stated in note 33.

2 Basis of preparation

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 Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board as are 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 differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or requirements of the said directives shall prevail.

2.2 Accounting convention and basis of preparation

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

3 Summary of significant accounting policies

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

3.1 Significant accounting judgments and estimates

The preparation of financial statements in conformity with approved Financial Reporting 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 recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgments were exercised in application of accounting policies are as follows:

- Useful life of depreciable assets and amortization of intangible assets - (note 3.2, 3.3, 4 & 6)
- Staff retirement benefits - (note 3.11 & 28)
- Taxation - (note 3.6 & 41)
- Provisions and contingencies - (note 3.16 & 31)
- Investment properties - (note 3.4 & 7)
- Impairment testing of goodwill - (note 6.3)

3.2 Fixed capital expenditure and depreciation

Property, plant and equipment

Property, plant and equipment (except freehold land and plant and equipment) are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at cost and plant and equipment are stated at revalued amount less accumulated depreciation and any identified impairment loss.

Cost in relation to self constructed assets includes 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 assets are reviewed at least at each financial year end and adjusted if impact on depreciation is significant.

Incremental/decremental depreciation on revalued assets is transferred net of deferred tax from/to surplus on revaluation to/from retained earnings (accumulated profit).

Depreciation on additions is charged on a pro-rata basis from time the asset is put to use till the time the asset is disposed off. Where an impairment loss is recognised, the depreciation charge is adjusted in the future period 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 disposal of assets are included in income and the related surplus on revaluation of plant and equipment is transferred directly to retained earnings (accumulated profit).

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 their revalued amount less accumulated depreciation and any identified impairment loss and present value of minimum lease payments at the date of commencement of lease.

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 4. Depreciation of leased assets is charged to profit and loss account.

Residual value and the useful life of leased assets are reviewed at least at each financial year end and adjusted if impact on depreciation is significant.

Depreciation on additions to leased assets is charged on pro-rata basis from time the asset is put to use till the time the asset is disposed off.

Capital work-in-progress

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

3.3 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.

Other intangible assets

Other intangible assets are stated at revalued amount less accumulated amortization except for patents and copy rights, which are stated at cost less accumulated amortization.

Other intangible assets are amortized using the straight line method at the rates given in note 6. 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 up to the month of disposal.

Indefeasible right to use ("IRU") contracts are recognised at cost as an intangible asset when the Company has the specific IRU an identified portion of the underlying asset, generally optical fibers or dedicated bandwidth, and the duration of the right is for the major part of the underlying asset's economic life. They are amortized on a straight line basis over the period of the contract.

Incremental amortization on revalued intangible assets is transferred net of deferred tax from surplus on revaluation to retained earnings (unappropriated profit).

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 assets is determined as a difference between net disposal proceeds and carrying amount of the assets and is recognised as income

or expense in the profit and loss account. Related surplus on revaluation of intangible assets is transferred directly to retained earnings (unappropriated profit).

3.4 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 recognised at cost, being the fair value of the consideration given, subsequently 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 recognised in the profit and loss account. Rental income from investment properties is accounted for as described in note 3.14.

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 recognised 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 recognised immediately in the profit and loss account.

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.

3.5 Investments

The Company classifies its investments in following categories.

Investments in equity instruments of subsidiary

Investment in subsidiary where the Company has significant influence is measured at cost less impairment in the Company's financial statements. 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.

The Company is required to issue consolidated financial statements along with its separate financial statements, in accordance with the requirements of IAS 27 'Consolidated and Separate Financial Statements'.

Available for sale investments

Available for sale investments are initially recognised at cost, being the fair value of the consideration given. Subsequent to initial recognition these are recognised 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 recognised in equity until investment is sold or determined to be impaired at which time the cumulative gain or loss previously recognised in equity is included in profit or loss account.

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

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

3.6 Taxation

Income tax on the profit or loss for the year comprises of 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 recognised for all taxable temporary differences and deferred tax assets are recognised 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 substantially enacted by the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except in the case of items credited or charged to equity in which case it is included in equity.

3.7 Inventories

Inventories, except for stock in transit, are stated at lower of cost and net realizable value. Items in transit are valued at cost comprising invoice value plus other charges paid thereon. Cost is determined as follows:

Store and spares

Useable stores and spares are valued principally at moving average cost, while items considered obsolete are carried at nil value.

Stock in trade

Cost is determined on moving average basis.

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

3.8 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortized cost less any identified impairment loss. 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.

3.9 Financial liabilities

Financial liabilities are classified according to substance and related accrued interest 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 recognised initially at fair value less attributable transaction cost. Subsequently, these are stated at amortized cost with any difference between cost and redemption value being recognised in the profit and loss over the period of the borrowings on an effective interest rate basis.

Term finance certificates

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

Other financial liabilities

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

3.10 Trade and other payables

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

3.11 Retirement and other benefits

Defined benefit plan

The Company operates an unfunded defined benefit gratuity plan for all permanent employees as per Company policy. 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.

During the year, as a result of change in provisions relative to the recognition of actuarial gains and losses on defined benefit plan, as per IAS 19 Employee Benefits, the Company recognised all the changes in present value of defined benefit obligation in the Statement of Comprehensive Income and the past service costs in Profit and Loss Account, immediately in the period they occur.

Previously, the Company recognised actuarial gains/losses over the expected average remaining working lives of the current employees, to the extent that unrecognised actuarial gains / losses exceeds 10 percent of present value of defined benefit obligation.

The change in accounting policy has been applied retrospectively and resulted in following changes in the financial statements:

| | 31 December 2012 | 31 December 2011 |
|---|-----------------------------|---------------------|
| | ------(Rupees in '000)----- | |
| <u>Balance sheet</u> | | |
| (Decrease)/increase in retirement benefits obligation | <u>(24,788)</u> | <u>9,932</u> |
| Decrease in accumulated loss | <u>24,788</u> | <u>-</u> |
| Decrease in accumulated profit | <u>-</u> | <u>(9,932)</u> |
| | 31 December 2012 | 31 December 2011 |
| | ------(Rupees in '000)----- | |
| <u>Statement of comprehensive income</u> | | |
| Actuarial gain/(loss) on employee retirement benefits | <u>34,720</u> | <u>(9,932)</u> |

Accumulating compensated absences

Employees are entitled to take earned leave 20 days every year.

The un-utilized earned leave can be accumulated upto a maximum of 40 days and can be utilized at any time subject to the approval. Earned leaves in excess of 40 days shall lapse. An employee will be entitled to encash the accumulated earned leaves at the time of leaving Company service. The earned leave encashment is made on last drawn gross salary.

Provisions are made annually to cover the obligation for accumulating compensated absences and are charged to profit and loss account.

3.12 Impairment losses

The carrying amount of the Company's assets except for, inventories, investment properties 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 recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account.

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.

3.13 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 profit and loss account currently.

3.14 Revenue recognition

Revenue represents the fair value of the consideration received or receivable for services rendered, net of discounts and sales tax. Revenue is recognised 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 is recognised as follows:

- Revenue from terminating minutes is recognised at the time the call is made over the network of the Company.
- Capacity/media sold under Indefeasible Right to Use ("IRU") arrangement is recognised upfront if it is determined that the arrangement is a finance lease.
- Revenue from originating minutes is recognised on the occurrence of calls both for prepaid and postpaid subscribers.
- Subscription revenue from Cable TV, EVDO, internet over cable and channels subscription fee is recognised on provision of services.
- Connection and membership fee is recognised at the time of sale of connection.
- Sale of goods is recognised on dispatch of goods to customer.
- Advertisement income is recognised 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.
- Revenue from metro fiber solutions/sale is recognised on delivery of services.
- Rental income from investment properties is recognised in the profit and loss account on accrual basis.
- Revenue from prepaid cards is recognised as credit is used.
- Dividend income is recognised when the right to receive payment is established.
- The revenue under Universal Service Fund ("USF") services and subsidy agreement is recognised under IAS - 18 based on stage of completion with reference to the achievement of each milestone as provided in the agreement.

3.15 Borrowing cost

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

3.16 Provisions

Provisions are recognised 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.

3.17 Cash and bank balances

Cash and cash equivalents are carried in the balance sheet at cost. Cash and cash equivalents comprise cash in hand and cash at bank.

3.18 Financial instruments

All financial assets and liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial assets are de-recognised when the Company loses control of the contractual right that comprises the financial assets. Financial liabilities are de-recognised 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 recognised amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3.19 Fair value measurement

The Company has adopted IFRS 13 "Fair Value Measurement" with effect from 1 January 2013. In accordance with the transitional provisions, IFRS 13 has been applied prospectively from that date. As a result, the Company has adopted a new definition of fair value. The change had no impact on the measurements of the Company's assets and liabilities. However, the Company has included new disclosures in the financial statements which are required under IFRS 13. Summary of accounting policy for fair value measurement of financial instruments is as follows:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk. When applicable, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

When there is no quoted price in an active market, the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a transaction. The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price i.e. the fair value of the consideration given or received. If the Company determines that the fair value at initial recognition differs from the

transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is supported wholly by observable market data or the transaction is closed out.

The Company recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

3.20 Long term investments - classified as held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale or held for distribution and subsequent gains and losses on remeasurement are recognised in profit and loss.

3.21 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.

3.22 Dividend

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

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

| | Cost/revalued amount as at 01 January 2013 | Additions/ (disposals) | Transfers/ adjustments | Cost/revalued amount as at 31 December 2013 | Accumulated depreciation as at 01 January 2013 | Depreciation charge for the year/ (disposals) | Transfers/ adjustments | Accumulated depreciation as at 31 December 2013 | Net book value as at 31 December 2013 | Depreciation rate % |
|------------------------------|--|------------------------|------------------------|---|--|---|------------------------|---|---------------------------------------|---------------------|
| ----- (Rupees in '000) ----- | | | | | | | | | | |
| Owned assets | | | | | | | | | | |
| Freehold land | 19,800 | - | - | 19,800 | - | - | - | - | 19,800 | - |
| Leasehold improvements | 125,771 | 1,477 | (45) | 127,203 | 89,561 | 8,851 | (34) | 98,378 | 28,825 | 20 - 33 |
| Plant and equipment | 19,274,720 | 823,293 | (78,381) | 20,024,011 | 7,053,577 | 1,153,170 | 1,162 | 8,169,398 | 11,854,613 | 4 - 33.33 |
| Office equipment | 99,922 | 1,284 | (1,796) | 99,410 | 51,910 | 9,379 | - | 60,125 | 39,285 | 10 |
| Computers | 158,933 | 1,844 | (445) | 160,332 | 126,386 | 18,855 | - | 144,841 | 15,491 | 33 |
| Furniture and fixtures | 24,981 | - | (1,363) | 23,618 | 16,061 | 2,186 | - | 17,157 | 6,461 | 10 |
| Vehicles | 90,813 | 527 | (29,996) | 70,645 | 80,062 | 5,183 | 5,425 | 62,764 | 7,881 | 20 |
| Lab and other equipment | 21,180 | - | - | 21,180 | 17,034 | 690 | - | 17,724 | 3,456 | 10 - 20 |
| | 19,816,120 | 828,425 | (112,026) | 20,546,199 | 7,434,591 | 1,198,314 | 6,587 | 8,570,387 | 11,975,812 | |
| | | | | | | (69,717) | 612 | | | |
| Leased assets | | | | | | | | | | |
| Plant and equipment | 522,893 | - | (4,379) | 518,514 | 30,303 | 31,104 | (1,162) | 60,245 | 458,269 | 4 - 33.33 |
| Computers | 18,443 | - | - | 18,443 | 4,049 | 6,147 | - | 10,196 | 8,247 | 33 |
| Vehicles | 151,175 | 3,065 | (4,996) | 139,924 | 37,628 | 30,309 | (5,425) | 61,297 | 78,627 | 20 |
| | 692,511 | 3,065 | (4,996) | 676,881 | 71,980 | 67,560 | (6,587) | 131,738 | 545,143 | |
| | | | | | | (1,215) | | | | |
| | 20,508,631 | 831,490 | (117,022) | 21,223,080 | 7,506,571 | 1,265,874 | - | 8,702,125 | 12,520,955 | |
| | | | | | | (70,932) | 612 | | | |

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

| | Cost/revalued amount as at 01 January 2012 | Additions/ (disposals) | Transfers/ adjustments | Cost/revalued amount as at 31 December 2012 | Accumulated depreciation as at 01 January 2012 | Depreciation charge for the year/ (disposals) | Transfers/ adjustments | Accumulated depreciation as at 31 December 2012 | Net book value as at 31 December 2012 | Depreciation rate % |
|------------------------------|--|------------------------|------------------------|---|--|---|------------------------|---|---------------------------------------|---------------------|
| ----- (Rupees in '000) ----- | | | | | | | | | | |
| Owned assets | | | | | | | | | | |
| Freehold land | 19,800 | - | - | 19,800 | - | - | - | - | 19,800 | - |
| Leasehold improvements | 122,381 | 3,463 (73) | - | 125,771 | 79,053 | 10,557 (49) | - | 89,561 | 36,210 | 20 - 33 |
| Plant and equipment | 18,616,284 | 634,202 | 24,234 | 19,274,720 | 5,986,943 | 1,058,724 | 7,910 | 7,053,577 | 12,221,143 | 4 - 33.33 |
| Office equipment | 99,002 | 962 (42) | - | 99,922 | 41,588 | 10,324 (2) | - | 51,910 | 48,012 | 10 |
| Computers | 159,148 | 17,786 (18,001) | - | 158,933 | 104,165 | 24,221 (2,000) | - | 126,386 | 32,547 | 33 |
| Furniture and fixtures | 24,714 | 300 (33) | - | 24,981 | 13,710 | 2,384 (33) | - | 16,061 | 8,920 | 10 |
| Vehicles | 90,892 | 67 (146) | - | 90,813 | 73,950 | 6,258 (146) | - | 80,062 | 10,751 | 20 |
| Lab and other equipment | 21,180 | - | - | 21,180 | 15,713 | 1,321 | - | 17,034 | 4,146 | 10 - 20 |
| | 19,153,401 | 656,780 (18,295) | 24,234 | 19,816,120 | 6,315,122 | 1,113,789 (2,230) | 7,910 | 7,434,591 | 12,381,529 | |
| Leased assets | | | | | | | | | | |
| Plant and equipment | 547,127 | - | (24,234) | 522,893 | 5,419 | 32,794 | (7,910) | 30,303 | 492,590 | 4 - 33.33 |
| Computers | - | 18,443 | - | 18,443 | - | 4,049 | - | 4,049 | 14,394 | 33 |
| Vehicles | 148,387 | 3,684 (896) | - | 151,175 | 1,326 | 36,492 (190) | - | 37,628 | 113,547 | 20 |
| | 695,514 | 22,127 (896) | (24,234) | 692,511 | 6,745 | 73,335 (190) | (7,910) | 71,980 | 620,531 | |
| | 19,848,915 | 678,907 (19,191) | - | 20,508,631 | 6,321,867 | 1,187,124 (2,420) | - | 7,506,571 | 13,002,060 | |

4.3 Subsequent to revaluation on 31 March 2007, which was resulted in a net surplus of Rs. 304.30 million, plant and equipment were again revalued on 30 June 2008, resulting in revaluation decrease of Rs. 240.2 million. The valuation was conducted by an independent valuer, M/s. Surval. Basis of valuation for plant and equipment was the open market value of the asset based on estimated gross replacement cost, depreciated to reflect the residual service potential of the asset having paid due regard to age, condition and obsolescence.

Had there been no revaluation, the net book value of plant and equipment as at 31 December 2013 would have amounted to Rs. 12,021 million (31 December 2012: Rs. 12,411 million).

4.4 Carrying value of property, plant and equipment and current assets having a charge against borrowings amounts to Rs. 11,559 million (31 December 2012: Rs. 11,559 million).

4.5 Finance cost amounting to Rs. nil (31 December 2012: Rs. 0.83 million) has been capitalized during the year in property, plant and equipment.

4.6 Plant and equipment includes equipment deployed in implementing the USF network which is subject to lien exercisable by USF company in the event of failure by the Company to maintain service availability and quality specification.

| | Note | 31 December 2013 | 31 December 2012 |
|---|-------------|-------------------------------------|---------------------|
| | | ----- (Rupees in '000) ----- | |
| 4.7 Depreciation charge during the year has been allocated as follows: | | | |
| Direct cost | 37 | 1,184,274 | 1,091,519 |
| Operating cost | 38 | 81,600 | 95,605 |
| | | <u>1,265,874</u> | <u>1,187,124</u> |

4.8 Property, plant and equipment sold during the year are as follows:

| Description | Cost | Accumulated depreciation | Book value | Sale proceeds | Mode of disposal | Sold to |
|--|----------------|--------------------------|---------------|---------------|------------------|---------------------------|
| ------(Rupees in '000)----- | | | | | | |
| Mobile Switching Centre | 53,818 | 24,089 | 29,729 | 8,050 | Negotiation | Syed Traders |
| Media Gateway | 18,590 | 11,378 | 7,212 | 6,518 | Insurance Claim | Shaheen Insurance Co Ltd. |
| Satellite System | 5,486 | 3,374 | 2,112 | 2,075 | Insurance Claim | Shaheen Insurance Co Ltd. |
| Routers Cisco | 487 | 282 | 205 | 190 | Insurance Claim | Shaheen Insurance Co Ltd. |
| Suzuki Cultus | 525 | 438 | 88 | 198 | Auction | |
| BMW | 5,465 | 4,372 | 1,093 | 1,093 | Company policy | Employee |
| Suzuki Cultus | 882 | 244 | 638 | 638 | Final Settlement | Employee |
| Honda Civic | 2,066 | 723 | 1,343 | 1,803 | Insurance Claim | Shaheen Insurance Co Ltd. |
| Honda Civic | 2,048 | 248 | 1,800 | 1,800 | Final Settlement | Employee |
| Suzuki Bolan | 592 | 296 | 296 | 550 | Negotiation | Tech at Work |
| Suzuki Bolan | 592 | 296 | 296 | 460 | Negotiation | Tech at Work |
| Suzuki Bolan | 592 | 296 | 296 | 450 | Negotiation | Tech at Work |
| Items with book value less than Rs. 50,000 | 25,879 | 24,896 | 982 | 13,090 | | |
| Total | 117,022 | 70,932 | 46,090 | 36,915 | | |

31 December 31 December
2013 2012
------(Rupees in '000)-----

5 Capital work-in-progress

Owned

| | | |
|---------------------|------------------|----------------|
| Plant and equipment | <u>1,018,067</u> | <u>782,635</u> |
| | <u>1,018,067</u> | <u>782,635</u> |

6 Intangible assets

| | Cost/revalued amount as at 01 January 2013 | | Cost/revalued amount as at 31 December 2013 | | Accumulated amortization as at 01 January 2013 | Amortization for the year | Accumulated amortization as at 31 December 2013 | Net book value as at 31 December 2013 | Rate % |
|--|--|----------|---|------------------|--|---------------------------|---|---------------------------------------|--------|
| ----- (Rupees in '000) ----- | | | | | | | | | |
| Licenses | 2,893,290 | - | 2,893,290 | 1,157,966 | 157,586 | 1,315,552 | 1,577,738 | 5-6.5 | |
| Patents and copyrights | 5,333 | - | 5,333 | 5,333 | - | 5,333 | - | 10 | |
| Indefeasible right of use - media cost | 784,800 | - | 784,800 | 100,232 | 52,268 | 152,500 | 632,300 | 6.67 | |
| Softwares | 30,533 | - | 30,533 | 16,759 | 1,425 | 18,184 | 12,349 | 20 | |
| Goodwill | 2,690,403 | - | 2,690,403 | 136,909 | - | 136,909 | 2,553,494 | - | |
| | 6,404,359 | - | 6,404,359 | 1,417,199 | 211,279 | 1,628,478 | 4,775,881 | | |

| | Cost/revalued amount as at 01 January 2012 | | Cost/revalued amount as at 31 December 2012 | | Accumulated amortization as at 01 January 2012 | Amortization for the year | Accumulated amortization as at 31 December 2012 | Net book value as at 31 December 2012 | Rate % |
|--|--|---------------|---|------------------|--|---------------------------|---|---------------------------------------|--------|
| ----- (Rupees in '000) ----- | | | | | | | | | |
| Licenses | 2,893,290 | - | 2,893,290 | 1,000,117 | 157,849 | 1,157,966 | 1,735,324 | 5-6.5 | |
| Patents and copyrights | 5,333 | - | 5,333 | 5,208 | 125 | 5,333 | - | 10 | |
| Indefeasible right of use - media cost | 784,800 | - | 784,800 | 47,964 | 52,268 | 100,232 | 684,568 | 6.67 | |
| Software | 16,284 | 14,249 | 30,533 | 16,284 | 475 | 16,759 | 13,774 | 20 | |
| Goodwill | 2,690,403 | - | 2,690,403 | 136,909 | - | 136,909 | 2,553,494 | - | |
| | 6,390,110 | 14,249 | 6,404,359 | 1,206,482 | 210,717 | 1,417,199 | 4,987,160 | | |

6.1 The Company had revalued its licenses and software on 30 June 2008 resulting in a net surplus of Rs. 430.39 million. The valuation was conducted by an independent valuer, M/s. Surval. Valuation of licenses and software was based on the estimated gross replacement cost, earning potential amortized to reflect the current market value. Had there been no revaluation, the net book value of licenses as at 31 December 2013 would have amounted to Rs. 1,327 million (31 December 2012: 1,400 million).

6.2 Licenses of the Company are assigned to IGI Investment Bank Limited, trustee of TFC III.

6.3 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 at the time of merger of Worldcall Telecom Limited with Worldcall Communications Limited, Worldcall Multimedia Limited and Worldcall Broadband Limited.

The Company assessed the recoverable amount of Goodwill at 31 December 2013 and determined that, as of this date, there is no indication of impairment of Goodwill. The recoverable amount was calculated on the basis of five years financial business plan approved by the Board which includes cash inflows of USD 35 million during the year 2013 as foreign currency denominated convertible preference shares with mandatory conversion into equity. USD 35 million have been received in July 2013.

The business plan also includes a comprehensive analysis of the existing operational deployments of the Company along with strategic direction of future investments and business growth. Discount rate of 16% was used for the calculation of net present value of future cash flows. The cash flows beyond the five years period have been extrapolated using a steady 5% growth rate which is consistent with the long-term average growth rate for the industry, whereas for the purpose of impairment calculation, no growth is considered in cash flows beyond the period of five years as per International Accounting Standard 36-Impairment of Assets.



| | Note | 31 December 2013 | 31 December 2012 |
|------------|--|------------------------------|---------------------|
| | | ----- (Rupees in '000) ----- | |
| 6.4 | Amortization charge during the year has been allocated as follows: | | |
| | Direct cost | 37 193,368 | 192,805 |
| | Capitalized during the year | 17,911 | 17,912 |
| | | <u>211,279</u> | <u>210,717</u> |

7 Investment properties

| | | |
|--------------------------|-----------------------|----------------|
| Opening balance | 160,474 | 146,074 |
| Addition during the year | - | 14,400 |
| Closing balance | <u>160,474</u> | <u>160,474</u> |

7.1 Investment properties comprise of land and building. Latest valuation of these properties was carried out on 31 December 2013 by approved Independent values namely Khan Engineers & Evaluators and Gandhara Consultants.

7.2 Out of total investment properties, offices # 07, 08 & 09 situated at Ali Tower, Gulberg III, Lahore and offices # 302, 303 & 304 situated at The Plaza Shopping Mall, Clifton, Karachi, carry a charge against borrowings amounting to Rs. 53.71 million (31 December 2012: Nil).

8 Long term trade receivables

This represents receivable from the sale of Optical Fiber Cable stated at amortized cost by using the discount rate of 16%.

| | 31 December 2013 | 31 December 2012 |
|----------------------------|------------------------------|---------------------|
| | ----- (Rupees in '000) ----- | |
| 9 Deferred taxation | | |

This is composed of:

Liability for deferred taxation comprising temporary differences related to:

| | | |
|------------------------------|------------------|-----------|
| Accelerated tax depreciation | 2,592,698 | 2,758,527 |
| Surplus on revaluation | 168,114 | 173,058 |
| Others | 866,574 | 827,895 |

Asset for deferred taxation comprising temporary differences related to:

| | | |
|---|---------------------------|--------------------|
| Unused tax losses and tax credits | (5,486,573) | (4,595,395) |
| Provision for doubtful debts, exchange loss and retirement benefits | (687,060) | (459,153) |
| | <u>(2,546,247)</u> | <u>(1,295,068)</u> |

Based on approved business plan of the Company, it is probable that sufficient taxable profit will be available for utilization of deferred tax asset.

| Note | 31 December 2013 | 31 December 2012 |
|------|------------------------------|---------------------|
| | ----- (Rupees in '000) ----- | |

10 Long term loans and deposits

| | | | |
|--|------|----------|----------|
| Security deposit with Pakistan Telecommunication Company Limited | | 21,482 | 21,482 |
| Deposits with financial institutions | | 21,956 | 24,134 |
| Advances to employees | 10.1 | 24,996 | 54,078 |
| Others | | 48,880 | 52,378 |
| | | 117,314 | 152,072 |
| Less: current maturity | | | |
| Deposits | 15 | (21,472) | (2,253) |
| Advances to employees | 14 | (18,227) | (27,745) |
| | | (39,699) | (29,998) |
| | | 77,615 | 122,074 |

10.1 These loans and advances are unsecured and interest free and include advances given to executives of Rs. 13.81 million (31 December 2012 : Rs. 29.02 million) and Chief Executive Officer of Rs. 4.85 million (31 December 2012: Rs. 10.45 million) against gratuity.

| | 31 December 2013 | 31 December 2012 |
|--|------------------------------|---------------------|
| | ----- (Rupees in '000) ----- | |

11 Stores and spares

| | | | |
|--------------------------|--|----------|----------|
| Cost | | 245,195 | 269,991 |
| Less: provision | | | |
| Opening balance | | (44,900) | (30,900) |
| Addition during the year | | (14,042) | (14,000) |
| Closing balance | | (58,942) | (44,900) |
| | | 186,253 | 225,091 |

12 Stock in trade

| | | | |
|---|--|----------|----------|
| Cost | | 243,898 | 219,440 |
| Less: provision | | | |
| Opening balance | | (11,300) | (15,500) |
| Transferred to capital work in progress | | - | 4,200 |
| Write off | | 11,300 | - |
| | | - | (11,300) |
| Closing balance | | 243,898 | 208,140 |

Note **31 December** 31 December
 2013 2012
 -----(Rupees in '000)-----

13 Trade debts

| | | | |
|------------------------------------|------|--------------------|-------------|
| Considered good - unsecured | | 1,043,058 | 2,624,883 |
| Considered doubtful - unsecured | 13.1 | 1,605,494 | 1,009,210 |
| | | 2,648,552 | 3,634,093 |
| Less: provision for doubtful debts | 13.2 | (1,605,494) | (1,009,210) |
| | | 1,043,058 | 2,624,883 |

13.1 This includes due from associated companies as follows:

| | | | |
|----------------------------------|--|---------------|--------|
| Pace Wood Land (Private) Limited | | 32,894 | 32,894 |
| Pace Barka Properties Limited | | 47,781 | 47,781 |
| Pace Gujrat (Private) Limited | | 12,138 | 12,138 |
| | | 92,813 | 92,813 |

13.2 Provision for doubtful debts

| | | | |
|-------------------------|--------|------------------|-----------|
| Opening balance | | 1,009,210 | 221,006 |
| Charged during the year | | 596,284 | 788,204 |
| Closing balance | 13.2.1 | 1,605,494 | 1,009,210 |

13.2.1 It includes provision of Rs. 92.81 million (31 December 2012: Rs.92.81 million) against receivable from Pace group of companies, which are associated companies. The balance is due more than two years.

Note **31 December** 31 December
 2013 2012
 -----(Rupees in '000)-----

14 Loans and advances - considered good

| | | | |
|--|------|----------------|-----------|
| Loans and advances to employees | | 21,372 | 23,764 |
| Current maturity of long term loans to employees | 10 | 18,227 | 27,745 |
| Advances to suppliers | | 410,013 | 850,017 |
| Advances to PTA | 14.1 | 519,992 | 539,890 |
| | | 969,604 | 1,441,416 |

14.1 This mainly represents Access Promotion Contribution ("APC") for USF in relation to the period prior to the valid formation of USF fund by the Federal Government. It also includes Rs 40 million paid to Pakistan Telecommunication Authority ("PTA") against demand on account of annual spectrum fee and other regulatory charges. PTA determined the demand vide its determination dated 22 February 2010. The Company filed an appeal bearing No. 147/2010 against the

determination and the Honorable Lahore High Court granted stay against the recovery subject to payment of Rs. 40 million (31 December 2012: Rs. 40 million) which was complied by the Company.

Note **31 December** 31 December
 2013 2012
 -----(Rupees in '000)-----

15 Deposits and prepayments

| | | | |
|--|------|-----------------------|-----------------------|
| Margin deposits | 15.1 | 133,405 | 121,540 |
| Prepayments | | 36,668 | 66,519 |
| Current maturity of long term deposits | 10 | 21,472 | 2,253 |
| Short term deposits | | 1,241 | 536 |
| | | <u>192,786</u> | <u>190,848</u> |

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

16 Short term investments

| | | | |
|-----------------------|------|-----------------|--------|
| Carrying value | 16.1 | 46,551 | 41,744 |
| Fair value adjustment | | (12,733) | 4,807 |
| | | 33,818 | 46,551 |

Related parties

| | | | |
|-----------------------|------|----------------------|-----------------------|
| Carrying value | 16.2 | 58,431 | 72,745 |
| Fair value adjustment | | (9,056) | (14,314) |
| | | 49,375 | 58,431 |
| | 16.3 | <u>83,193</u> | <u>104,982</u> |



16.1 Particulars of listed shares - Available for sale investments

All shares have a face value of Rs. 10 each.

| Name | No. of shares | | 31 December 2013 | | 31 December 2012 | |
|------------------------------------|------------------|------------------|------------------|---------------|------------------|---------------|
| | 31 December 2013 | 31 December 2012 | Carrying value | Market value | Carrying value | Market value |
| ------(Rupees in '000)----- | | | | | | |
| Commercial Bank | | | | | | |
| The Bank of Punjab | 10,528 | 10,528 | 113 | 118 | 57 | 113 |
| Mutual Funds | | | | | | |
| First Dawood Mutual Fund | 580,750 | 580,750 | 3,717 | 4,065 | 987 | 3,717 |
| Pak Oman Advantage Fund | 1,000,000 | 1,000,000 | 9,240 | 7,500 | 9,120 | 9,240 |
| Electric Appliances | | | | | | |
| Pak Elektron Limited | 9 | 9 | - | - | - | - |
| Leasing | | | | | | |
| Standard Chartered Leasing Limited | 70,000 | 70,000 | 417 | 490 | 210 | 417 |
| Insurance | | | | | | |
| Shaheen Insurance Company Limited | 3,136,963 | 3,136,963 | 33,064 | 21,645 | 31,370 | 33,064 |
| | | | 46,551 | 33,818 | 41,744 | 46,551 |

16.2 Particulars of listed shares - Available for sale investments

All shares have a face value of Rs. 10 each.

| Name | No. of shares | | 31 December 2013 | | 31 December 2012 | |
|---|------------------|------------------|------------------|---------------|------------------|---------------|
| | 31 December 2013 | 31 December 2012 | Carrying value | Market value | Carrying value | Market value |
| ------(Rupees in '000)----- | | | | | | |
| First Capital Securities Corporation Limited | 3,991,754 | 3,991,754 | 14,610 | 11,576 | 7,425 | 14,610 |
| <i>Percentage of equity held 1.27% (31 Dec 2012: 1.27%)</i> | | | | | | |
| Pace (Pakistan) Limited | 6,959,290 | 6,959,290 | 20,808 | 26,376 | 9,047 | 20,808 |
| <i>Percentage of equity held 2.5% (31 Dec 2012: 2.5%)</i> | | | | | | |
| Media Times Limited | 4,199,500 | 4,199,500 | 23,013 | 11,423 | 56,273 | 23,013 |
| <i>Percentage of equity held 2.35% (31 Dec 2012: 2.35%)</i> | | | | | | |
| | | | 58,431 | 49,375 | 72,745 | 58,431 |

16.3 These investments are under pledge against the borrowing facilities availed from KASB Bank Limited.

17 Other receivables

| | Note | 31 December 2013 | 31 December 2012 |
|--|------|---------------------|---------------------|
| ----- (Rupees in '000) ----- | | | |
| Other receivables - considered good | | 36,501 | 22,555 |
| Other receivables - considered doubtful | | 15,139 | 15,139 |
| | | 51,640 | 37,694 |
| Less: provision for doubtful receivables | | (15,139) | (15,139) |
| | | <u>36,501</u> | <u>22,555</u> |
| Sales tax refundable | | 43,164 | 41,958 |
| | | <u>79,665</u> | <u>64,513</u> |

18 Cash and bank balances

| | | | |
|----------------------|------|------------------|----------------|
| Cash at bank | | | |
| Current accounts | | 228,300 | 6,184 |
| Savings accounts | 18.1 | 769,116 | 86,818 |
| Term deposit receipt | | 1,500,000 | - |
| | | 2,497,416 | 93,002 |
| Cash in hand | | 4,436 | 7,740 |
| | | <u>2,501,852</u> | <u>100,742</u> |

18.1 The balances in savings accounts bear mark up at the rate of 5.00% to 9.75% per annum (31 December 2012: 5.00% to 9.75% per annum). The balance includes Rs. 238 million (31 December 2012: Rs. 40 million) and interest accrued thereon deposited in Escrow account.

19 Long term investment - classified as held for sale
Foreign subsidiary - unquoted
**Worldcall Telecommunications Lanka (Private) Limited
Incorporated in Sri Lanka**

7,221,740 (31 December 2012: 7,221,740)
ordinary shares of Sri Lankan rupees 10 each.
Equity held 70.65% (31 December 2012: 70.65%)

| | 31 December 2013 | 31 December 2012 |
|--------------------------------|---------------------|---------------------|
| ----- (Rupees in '000) ----- | | |
| | 44,406 | 44,406 |
| Share deposit money | 13,671 | 13,671 |
| | 58,077 | 58,077 |
| Less: Provision for impairment | (58,077) | (58,077) |
| | <u>-</u> | <u>-</u> |

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

The subsidiary has filed winding up petition under the laws of Sri Lanka in court. Under sub section 8 of section 237 of the Companies Ordinance 1984, SECP has granted exemption from consolidation of the Company's subsidiary for the year ended 31 December 2013 only. The accounts of the subsidiary shall be open for inspection to members at registered office of the Company.

| Note | 31 December 2013 | 31 December 2012 |
|------------------------------|---------------------|---------------------|
| ----- (Rupees in '000) ----- | | |

Assets and liabilities - classified as held for sale

Assets

| | | |
|-----------------------|-----|-----|
| Cash and bank balance | 127 | 144 |
| | 127 | 144 |

Liabilities

| | | |
|--------------------------|--------|--------|
| Trade and other payables | 68,965 | 63,314 |
| Income tax payable | 7 | 7 |
| | 68,972 | 63,321 |
| | 68,972 | 63,321 |

20 Current maturities of non-current liabilities

| | | | |
|---|------|-----------|-----------|
| Term finance certificates - secured | 26 | 547,911 | - |
| Long term loan | 27 | 315,600 | 502,493 |
| Payable to Pakistan Telecommunication Authority | 30.1 | 385,517 | 198,534 |
| Payable to Multinet Pakistan (Private) Limited | 30.2 | 531,459 | 685,897 |
| Liabilities against assets subject to finance lease | 29 | 50,760 | 60,101 |
| | | 1,831,247 | 1,447,025 |
| | | 1,831,247 | 1,447,025 |

21 Running finance under mark-up arrangements - secured

Short term running finances available from commercial banks under mark-up arrangements amount to Rs. 798 million (31 December 2012: Rs. 798 million). Mark-up is charged at rates ranging from 9.43% to 12.03% per annum (31 December 2012: 10.81% to 11.85% per annum). These are completely secured under joint pari passu hypothecation of fixed and current assets with 25% security margin over the facility amount.

22 Short term borrowings

| | Note | 31 December 2013 | 31 December 2012 |
|--|------|---------------------|---------------------|
| ----- (Rupees in '000) ----- | | | |
| Habib Bank Limited - I | | - | 708,000 |
| Habib Bank Limited - II | | - | 194,459 |
| KASB Bank Limited | | - | 49,500 |
| Soneri Bank Limited - I | 22.1 | 35,051 | 42,196 |
| Soneri Bank Limited - II | 22.2 | 34,705 | 4,879 |
| Standard Chartered Bank (Pakistan) Limited | | - | 15,733 |
| | | 69,756 | 1,014,767 |

22.1 This facility is repayable up to 23 May 2014 having mark up of one month KIBOR plus 3% per annum. It is secured through joint pari passu hypothecation agreement with 25% margin.

22.2 This facility is repayable up to 23 May 2014 having mark up of one month KIBOR plus 3% per annum. It is secured through joint pari passu hypothecation agreement with 25% margin.

23 License fee payable

This represents balance amount of interest free license fee payable to PTA for Wireless Local Loop licenses.

24 Trade and other payables

| | Note | 31 December 2013 | 31 December 2012 |
|--|------|---------------------|---------------------|
| ----- (Rupees in '000) ----- | | | |
| Trade creditors | | | |
| Related parties - associated companies | 24.1 | 2,364,131 | 2,104,211 |
| Others | | 3,042,242 | 2,716,288 |
| | | 5,406,373 | 4,820,499 |
| Accrued and other liabilities | | 858,730 | 553,916 |
| Advance from customers | | 374,236 | 337,375 |
| Retention money | | 81,117 | 86,766 |
| Tax deducted at source | | 224,526 | 147,528 |
| Dividend payable on preference shares | | 93,782 | - |
| Un claimed dividend | | 1,807 | 1,807 |
| | | 7,040,571 | 5,947,891 |

24.1 This mainly includes payable to the Parent company amounting to Rs. 2,361 million.

| | Note | 31 December 2013 | 31 December 2012 |
|---|------|---------------------|---------------------|
| ----- (Rupees in '000) ----- | | | |
| 25 Interest and mark-up accrued | | | |
| Long term loan | | 26,448 | 7,353 |
| Short term borrowings | | 27,892 | 74,725 |
| Share deposit money | | 351 | 351 |
| Liabilities against assets subject to finance lease | | 365 | 465 |
| Term finance certificates | | 203,255 | 162,296 |
| | | <u>258,311</u> | <u>245,190</u> |

26 Term finance certificates - secured

| | | | |
|----------------------------------|------|------------------|------------------|
| Term finance certificates - III | 26.1 | 1,643,735 | 1,643,735 |
| Less: initial transaction cost | | <u>(53,994)</u> | <u>(53,994)</u> |
| | | 1,589,741 | 1,589,741 |
| Amortization of transaction cost | | <u>53,994</u> | <u>50,342</u> |
| | | 1,643,735 | 1,640,083 |
| Less: current maturity | 20 | <u>(547,911)</u> | - |
| | | <u>1,095,824</u> | <u>1,640,083</u> |

Term finance certificates have a face value of Rs. 5,000 per certificate.

26.1 Term finance certificates - III

These represent listed Term Finance Certificates ("TFC") amounting to Rs. 4,000 million. Out of this, Rs. 3,000 million was received on account of Pre-IPO and Rs. 1,000 million was offered to public for subscription. Profit rate is charged at six months average KIBOR plus 1.60% per annum.

These TFCs have been rescheduled by majority of TFC holders. The principal will be repayable in three semi-annual installments commencing from 07 October 2014.

| | 31 December 2013 | 31 December 2012 |
|--------------------------------|---------------------|---------------------|
| ----- (Rupees in '000) ----- | | |
| 27 Long term loan | | |
| Receipt | 2,943,855 | 2,943,855 |
| Less: initial transaction cost | <u>(129,365)</u> | <u>(42,668)</u> |
| | 2,814,490 | 2,901,187 |

| | Note | 31 December 2013 ----- (Rupees in '000) ----- | 31 December 2012 |
|---------------------------------------|------|--|---------------------|
| Add: amortization of transaction cost | | 16,762 | 10,667 |
| | | 2,831,252 | 2,911,854 |
| Add: exchange loss | | 685,545 | 406,095 |
| | | 3,516,797 | 3,317,949 |
| Less: current maturity | 20 | (315,600) | (502,493) |
| | | 3,201,197 | 2,815,456 |

This represents foreign currency syndicated loan facility amounting to USD 35 million from Askari Bank Limited OFF-Shore Banking Unit, Bahrain with the lead arranger being Askari Bank Limited. Initially, this loan was repayable in 20 equal quarterly installments with 2 years grace period commencing from 06 June 2013. Profit is being charged at three months average LIBOR plus 1.75% per annum and monitoring fee at 1.20% per annum. To secure the facility an unconditional, irrevocable, first demand stand-by letter of credit has been issued by National Bank of Oman favoring Askari Bank Limited against the corporate guarantee of Oman Telecommunication Company SAOG. This arrangement shall remain effective until all obligations under the facility are settled.

During the year, this loan has been rescheduled by Askari Bank Limited. Keeping other terms and conditions of the agreement un-modified, the principal is repayable in 16 quarterly installments commencing from 06 June 2014. The aggregate grace period now stands at 3 years from the original date of the loan facility, as per revised terms of the agreement.

| | Note | 31 December 2013 ----- (Rupees in '000) ----- | Restated 31 December 2012 |
|--|------|--|---------------------------------|
|--|------|--|---------------------------------|

28 Retirement benefits

| | | | |
|----------------------------------|------|----------------|---------|
| Gratuity | 28.1 | 295,694 | 319,255 |
| Accumulated compensated absences | 28.2 | 41,297 | 43,652 |
| | | 336,991 | 362,907 |

28.1 Gratuity

The amount recognised in the balance sheet is as follows:

| | | | |
|---|--------|----------------|---------|
| Present value of defined benefit obligation | | 262,848 | 250,207 |
| Benefits due but not paid | | 32,846 | 69,048 |
| | | 295,694 | 319,255 |
| Liability at beginning of the year | | 319,255 | 270,477 |
| Charge for the year | 28.1.1 | 73,778 | 90,447 |

| | 31 December 2013 | Restated 31 December 2012 |
|---|------------------------------|---------------------------------|
| | ----- (Rupees in '000) ----- | |
| Recognition of actuarial income on defined benefit plan | (1,665) | (32,564) |
| Paid during the year | (95,674) | (9,105) |
| | 295,694 | 319,255 |

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

| | | |
|----------------------|---------------|---------------|
| Interest cost | 27,523 | 31,485 |
| Current service cost | 46,255 | 58,962 |
| | 73,778 | 90,447 |

28.1.2 Recent actuarial valuation of plan was carried out on 31 December 2013 by Nauman Associates.

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

| | 31 December 2013 | Restated 31 December 2012 |
|---|-----------------------------|---------------------------------|
| Discount rate (per annum) | 13.00% | 11.00% |
| Expected rate of salary increase (per annum) | 12.00% | 10.00% |
| Average expected remaining working life time of employees | 12 years | 12 years |

Mortality rate

Mortality of active members is represented by the EFU (61-66) Table. As at 31 December 2013, the weighted average duration of the defined benefit obligation was 11.5 years (2012: 12.5 years). These figures are based on the actuarial valuation as at 31 December 2013. The valuation uses the Projected Unit Credit (PUC) Actuarial Cost Method.

28.1.3 Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below. Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

| | Impact on defined benefit obligation | | |
|--------------------|---|---|--------------------|
| | Change in Percentage | Increase in ---- (Rupees in '000) ---- | Decrease in |
| Discount rate | 1% | (235,122) | 295,746 |
| Salary growth rate | 1% | 295,746 | (234,664) |

28.1.4 Historical information for gratuity

| | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|-------------------------------------|----------|-------------|-------------------------------------|-------------------------|
| | ----- (Rupees in '000) ----- | | | | |
| Present value of defined benefit obligation | 173,153 | 185,500 | 251,878 | 250,207 | 262,848 |
| Experience adjustment arising on plan liabilities | (8,883) | (21,811) | 15,069 | (32,564) | - |
| | | | Note | 31 December 2013 | 31 December 2012 |
| | | | | ----- (Rupees in '000) ----- | |

28.2 Accumulated compensated absences

The amount recognised in the balance sheet is as follows:

| | | | |
|---|--------|-----------------|---------|
| Present value of defined benefit obligation | | 36,137 | 27,888 |
| Benefits due but not paid | | 5,160 | 15,764 |
| | | 41,297 | 43,652 |
| Liability at beginning of the year | | 43,652 | 39,530 |
| Charge for the year | 28.2.1 | 14,781 | 6,203 |
| Paid during the year | | (17,136) | (2,081) |
| | | 41,297 | 43,652 |

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

| | | | |
|--|--|---------------|---------|
| Interest cost for the year | | 3,067 | 4,465 |
| Current service cost | | 3,425 | 5,858 |
| Actuarial (gain)/loss recognised during the year | | 8,289 | (4,120) |
| | | 14,781 | 6,203 |

28.2.2 Recent actuarial valuation of plan was carried out on 31 December 2013 by Nauman Associates.

Significant actuarial assumptions used for valuation of this plan are as follows:

| | | |
|---|----------------|---------|
| Discount rate (per annum) | 13.00% | 11.00% |
| Expected rate of salary increase (per annum) | 12.00% | 10.00% |
| Average number of leaves accumulated per annum by the employees | 10 days | 10 days |
| Average number of leaves utilized per annum by the employees | 10 days | 10 days |

29 Liabilities against assets subject to finance lease

| | | | |
|---|----|-----------------|----------|
| Present value of minimum lease payments | | 52,183 | 105,005 |
| Less: current portion shown under current liabilities | 20 | (50,760) | (60,101) |
| | | 1,423 | 44,904 |

Interest rate used as discounting factor is ranging from 12.87 % to 16.56% per annum (31 December 2012: 12.07% to 16.56% 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 terms by adjusting the deposit amount against the residual value of the assets. The Company 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 0.10% per day.

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

| | 31 December 2013 | | | 31 December 2012 | | |
|---|-----------------------------|--------------|---------------|-----------------------------|--------------|----------------|
| | Minimum lease payment | Finance cost | Principal | Minimum lease payment | Finance cost | Principal |
| | ------(Rupees in '000)----- | | | ------(Rupees in '000)----- | | |
| Not later than one year | 52,085 | 1,325 | 50,760 | 67,148 | 7,047 | 60,101 |
| Later than one year but not later than five years | 1,514 | 91 | 1,423 | 46,598 | 1,694 | 44,904 |
| | 53,599 | 1,416 | 52,183 | 113,746 | 8,741 | 105,005 |

Note 31 December 2013 31 December 2012
------(Rupees in '000)-----

30 Long term payables

| | | | |
|---|------|------------------|------------------|
| Payable to Pakistan Telecommunication Authority | 30.1 | 599,230 | 768,589 |
| Payable to Multinet Pakistan (Private) Limited | 30.2 | 58,102 | 115,835 |
| Others | | 466,174 | 404,020 |
| | | 1,123,506 | 1,288,444 |

30.1 Payable to Pakistan Telecommunication Authority ("PTA")

| | | | |
|---|----|----------------|----------------|
| Carrying value of liability | | 1,711,254 | 1,711,254 |
| Less: present value adjustment | | (744,131) | (744,131) |
| | | 967,123 | 967,123 |
| Add: unwinding of discount on liability | | 17,624 | - |
| | | 984,747 | 967,123 |
| Less: payments during the year | | - | - |
| | | 984,747 | 967,123 |
| Less: current maturity | 20 | (385,517) | (198,534) |
| | | 599,230 | 768,589 |



This represents amount of interest free Access Promotion Contribution ("APC") charges for US\$ payable to PTA. The installments have been discounted using the effective interest rate of 16% per annum.

30.2 Payable to Multinet Pakistan (Private) Limited ("MPL")

| | 31 December 2013 | 31 December 2012 |
|---|------------------------------|---------------------|
| | ----- (Rupees in '000) ----- | |
| Carrying value of liability | 784,800 | 784,800 |
| Less: present value adjustment | (103,356) | (103,356) |
| | 681,444 | 681,444 |
| | | |
| Add: unwinding of discount on liability | 61,591 | 31,189 |
| | 743,035 | 712,633 |
| | | |
| Add: exchange loss | 162,000 | 89,099 |
| | 905,035 | 801,732 |
| | | |
| Less: current maturity | (846,933) | (685,897) |
| | 58,102 | 115,835 |

This represents amount payable to MPL in respect of infeasible right to use of media. Subsequent to initial recognition, the consideration that was immediately payable was deferred for period of five years by MPL. Gain on remeasurement has been calculated using the effective interest rate of 16.00% per annum.

31 Contingencies and commitments**31.1 Billing disputes with PTCL**

31.1.1 There is a dispute of Rs. 72.64 million (31 December 2012: Rs 72.64 million) with PTCL of non revenue time of prepaid calling cards and Rs. 47.24 million (31 December 2012: Rs 41.40 million) for excess minutes billed on account of interconnect and settlement charges. The Company is hopeful that matter will be decided in favour of the Company.

31.1.2 PTCL has charged the Company excess Domestic Private Lease Circuits ("DPLC") and other media charges amounting to Rs. 211.07 million (31 December 2012: Rs.183.99 million) on account of difference in rates, distances and date of activations. The Company has deposited Rs. 40 million (31 December 2012: Rs. 40 million) in Escrow Account on account of dispute of charging of bandwidth charges from the date of activation of Digital Interface Units ("DIUs") for commercial operation and in proportion to activation of DIUs related to each DPLC link and excess charging in respect of Karachi-Rawalpindi link which was never activated. The Company is hopeful that the matter will be decided in favour of the Company.

31.2 Disputes with Pakistan Telecommunication Authority

31.2.1 There is a dispute with PTA on roll out of the Company's 479 MHz and 3.5 GHz frequency band

licenses for allegedly not completing roll out within prescribed time. The dispute is pending adjudication at PTA. The Company is hopeful that the issue will be favourably resolved at the level of PTA.

31.2.2 There is a dispute with PTA on payment of research and development fund contribution amounting to Rs. 5.65 million (31 December 2012: Rs. 5.65 million). The legal validity of this fund is under challenge before the Honourable Supreme Court of Pakistan. The Company is hopeful of a favourable decision.

31.2.3 There is a dispute with PTA on payment of contribution of APC for USF amounting to Rs. 491 million (31 December 2012: Rs. 491 million) in relation to the period prior to the valid formation of USF fund by the Federal Government. Out of this amount, Rs. 394 million has been deposited with PTA. The matter is pending adjudication before the Honourable Supreme Court of Pakistan. The Company is hopeful of a favourable decision.

31.3 Taxation issues

31.3.1 Income Tax Return for the tax year ended 30 June 2006 was filed under the self assessment scheme. Subsequently, the case was re-opened by invoking the provisions of section 122 (5A). Additions were made on account of brought forward losses, gratuity and goodwill of Rs. 773 million. The appeal of the Company is pending in Income Tax Appellate Tribunal Lahore. The Company is hopeful that the matter will be decided in favour of the Company.

31.3.2 Income Tax Returns for the tax year ended 30 June 2003 were filed under the self assessment scheme of Worldcall Communications Limited, Worldcall Multimedia Limited, Worldcall Broadband Limited and Worldcall Phone cards Limited, now merged into the Company. The Company has received orders under section 122(5A) against the said returns filed under self assessment on 02 January 2009. As per Orders, the Income Tax Department intends to amend the returns on certain issues such as depreciation, turnover tax adjustment, gratuity provision, share premium, allocation of expenses to capital gain, mark up from associates and share deposit money amounting to Rs. 29.9 million. An appeal has been filed by the Company against the orders before the Commissioner of Income Tax (Appeals). Commissioner of Income Tax (Appeals) has restored the original assessment order U/S 177 dated 17 May 2005 for Worldcall Broadband Limited. Remaining appeals were also decided and a partial relief was given by CIT (Appeals), while being aggrieved, the Company has filed appeals in Income Tax Appellate Tribunal Lahore. Based on legal advice, the Company is hopeful that matter will be decided in favour of the Company.

31.3.3 There is a dispute with Sales Tax Authorities for payment of Rs. 167 million claimed and obtained as sales tax refund in the year 2006 by the Company. The matter is presently being adjudicated by the Honourable Lahore High Court Lahore. An injunction currently holds field which precludes recovery from the Company. The Company has paid 20% of principal amount to date to the department against the said dispute. Moreover, this is an industrial issue and in case companies of other jurisdiction, the Inland Revenue Tribunal has dismissed the case of sales tax authorities. It is therefore that, the Company is hopeful of a favourable decision.

31.4 Others

31.4.1 Samsung claimed an amount of Rs.147.28 million (USD 1.4 million) (31 December 2012: Rs. 132.60, USD 1.4 million) against its receivables under a certain settlement and service agreement. However, the Company denies the claim on the basis that Samsung failed to fulfill

its obligations and did not provide services for which Company reserves the right to initiate appropriate proceedings against Samsung. Based on the legal advice, the Company is hopeful that matter will be resolved in its favour.

| | 31 December 2013 | 31 December 2012 |
|---|-------------------------------------|---------------------|
| | ----- (Rupees in '000) ----- | |
| 31.5 Outstanding guarantees | <u>1,119,927</u> | <u>1,213,373</u> |
| 31.6 Commitments in respect of capital expenditure | <u>2,346,433</u> | <u>2,070,847</u> |
| 31.7 Outstanding letters of credit | <u>56,203</u> | <u>38,840</u> |

| | 31 December 2013 | 31 December 2012 | 31 December 2013 | 31 December 2012 |
|---|---------------------------------|---------------------|-------------------------------------|---------------------|
| | ----- No of shares ----- | | ----- (Rupees in '000) ----- | |
| 32 Ordinary share capital | | | | |
| Ordinary shares of Rs. 10 each as fully paid in cash | 344,000,000 | 344,000,000 | 3,440,000 | 3,440,000 |
| Ordinary shares of Rs. 10 each issued in accordance with the scheme of merger | 309,965,789 | 309,965,789 | 3,099,658 | 3,099,658 |
| Ordinary shares of Rs. 10 each issued as fully paid bonus shares | 98,094,868 | 98,094,868 | 980,949 | 980,949 |
| Ordinary shares of Rs. 10 each issued against convertible loan | <u>108,510,856</u> | <u>108,510,856</u> | <u>1,085,109</u> | <u>1,085,109</u> |
| | <u>860,571,513</u> | <u>860,571,513</u> | <u>8,605,716</u> | <u>8,605,716</u> |

32.1 As at 31 December 2013, the Parent company holds 488,839,429 ordinary shares (31 December 2012: 488,839,429) of the Company. In addition, 81,882,360 ordinary shares (31 December 2012: 76,541,360 ordinary shares) of the Company are held by the following related parties as at 31 December 2013:

| | 31 December 2013 | 31 December 2012 |
|--|---------------------------------------|---------------------|
| | ----- (Number of shares) ----- | |
| Related parties | | |
| First Capital Securities Corporation Limited | 4,221,207 | 4,221,207 |
| Pace (Pakistan) Limited | 912 | 912 |
| Arif Habib Corporation Limited | <u>77,660,241</u> | <u>72,319,241</u> |
| | <u>81,882,360</u> | <u>76,541,360</u> |

33 Preference share capital

350,000 Preference shares of USD 100 each fully paid in cash

| 31 December 2013 | 31 December 2012 |
|------------------------------|---------------------|
| ----- (Rupees in '000) ----- | |

| | |
|-----------|---|
| 3,537,700 | - |
|-----------|---|

| 31 December 2013 | 31 December 2012 |
|--------------------------------|---------------------|
| ----- (Number of shares) ----- | |

The reconciliation of preference shares is as follows:

| | | |
|------------------------------------|---------|---|
| Opening balance | - | - |
| Add: Shares issued during the year | 350,000 | - |
| | 350,000 | - |

These are foreign currency denominated in US Dollar, non-voting, cumulative and convertible preference shares (“CPS”, or “Preference Shares”) having a face value of USD 100/- each, held by Oman Telecommunication Company SAOG (the Holding Company) and Habib Bank Limited (the Investor) amounting to USD 20 million and USD 15 million, respectively.

The conversion option is exercisable by the holder at any time after the 1st anniversary of the issue date but no later than the 5th anniversary. On 5th anniversary CPS will be mandatorily converted into ordinary voting common shares. The CPS shall be converted fully or partially in multiples of USD 1 million at the conversion ratio defined in the agreement at 10% discount on share price after first anniversary and thereby increased by 10% additional discount for each completed year of anniversary.

The holders are entitled to a non-cash dividend which shall be calculated at the rate of 5.9% per annum on each of the preference shares or the dividend declared by the Company for Ordinary Shareholders, whichever is higher.

Omantel has provided a put option to the Investor in USD where the Investor can sell its convertible preference shares at participation amount along with any accumulated and accrued dividend shares and other pre-agreed charges and expenses (put strike price) to Omantel. This put option may be exercised fully or partially in multiples of USD 1 million from the 3rd anniversary of the CPS till the 5th anniversary, on occurrence of trigger events as defined in CPS agreement as at any time during the term of CPS.

The CPS have been treated as part of equity on the following basis:

- The shares were issued under the provisions of section 84 and 86 of the Companies Ordinance, 1984 (the Ordinance) read with section 90 of the Ordinance and the Companies Share Capital (Variation in Rights and Privileges) Rules, 2000.
- The financial capital of the Company and the issue of the shares were duly approved by the shareholders of the Company at the Annual General Meeting held on 30 April 2012.
- The requirements of the Ordinance takes precedence over the requirements of International Financial Reporting Standards.
- The preference shareholders have the right to convert these shares into Ordinary shares upto 5th anniversary.

34 Share premium

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

31 December 31 December
2013 2012
 -----(Rupees in '000)-----

35 Surplus on revaluation

Revaluation surplus on:

| | | |
|--|-----------|-----------|
| Plant and equipment | 64,059 | 64,059 |
| Intangible assets | 430,393 | 430,393 |
| | 494,452 | 494,452 |
| Less: Related deferred tax liability | (168,113) | (173,058) |
| Less: transfer to retained earning in respect of incremental amortization net of deferred tax | (116,584) | (95,387) |
| Add: transfer from retained earning in respect of decremental depreciation net of deferred tax | 148,205 | 122,123 |
| | 31,621 | 26,736 |
| | 357,960 | 348,130 |

35.1 The surplus on revaluation shall not be utilized directly or indirectly by way of dividend or bonus shares as per Section 235 of the Companies Ordinance, 1984.

Note **31 December** 31 December
2013 2012
 -----(Rupees in '000)-----

36 Revenue - net

| | | |
|-------------------------|-----------|-----------|
| Gross revenue | 3,545,354 | 7,907,780 |
| Less: | | |
| Sales tax | 73,049 | 124,424 |
| Discount and commission | 284,669 | 664,531 |
| | 357,718 | 788,955 |
| | 3,187,636 | 7,118,825 |

37 Direct cost

| | | | |
|--|-----|-----------|-----------|
| Interconnect, settlement and other charges | | 1,336,722 | 3,940,075 |
| Bandwidth and other PTCL charges | | 305,313 | 367,122 |
| Depreciation | 4.7 | 1,184,274 | 1,091,519 |
| Amortization | 6.4 | 193,368 | 192,805 |
| Power consumption and pole rent | | 378,928 | 456,053 |

| | Note | 31 December 2013 ------(Rupees in '000)----- | 31 December 2012 |
|-----------------------------------|--------|--|---------------------|
| Security services | | 63,166 | 63,715 |
| PTA charges | 37.1 | 25,166 | 2,946 |
| Cable license fee | | 22,652 | 24,076 |
| Inventory consumed | | 1,147 | 2,025 |
| Stores and spares consumed | | 53,568 | 38,510 |
| Annual spectrum fee | | 35,883 | 35,883 |
| Content cost | | 40,219 | 53,078 |
| Network maintenance and insurance | | 325,106 | 253,383 |
| Others | | 77,187 | 85,109 |
| | | 4,042,699 | 6,606,299 |
| 37.1 PTA charges | | | |
| LDI license | 37.1.1 | 18,732 | (886) |
| WLL license | 37.1.2 | 596 | (1,971) |
| Broadband license | | 4,017 | 4,388 |
| Telephony license | 37.1.3 | 242 | 114 |
| Annual numbering charges | | 1,579 | 1,301 |
| | | 25,166 | 2,946 |
| 37.1.1 LDI license | | | |
| Universal service fund | | 11,240 | 2,180 |
| Research and development fund | | 3,746 | (3,793) |
| Annual regulatory fee | | 3,746 | 727 |
| | | 18,732 | (886) |
| 37.1.2 WLL license | | | |
| Universal service fund | | - | 379 |
| Research and development fund | | - | (5,553) |
| Annual regulatory fee | | - | 126 |
| Royalty fee | | 596 | 3,077 |
| | | 596 | (1,971) |
| 37.1.3 Telephony license | | | |
| Universal service fund | | 146 | 185 |
| Research and development fund | | 48 | (132) |
| Annual regulatory fee | | 48 | 61 |
| | | 242 | 114 |

| | Note | 31 December 2013 | 31 December 2012 |
|--|------|---------------------|---------------------|
| ----- (Rupees in '000) ----- | | | |
| 38 Operating cost | | | |
| Salaries, wages and benefits | | 487,675 | 561,112 |
| Marketing, advertisement and selling expenses | | 11,914 | 28,960 |
| Rent, rates and taxes | | 91,887 | 121,769 |
| Communications | | 8,176 | 12,658 |
| Transportation | | 17,193 | 24,190 |
| Legal and professional | | 36,963 | 16,097 |
| Insurance | | 29,860 | 37,197 |
| Utilities | | 36,808 | 40,005 |
| Printing and stationery | | 5,027 | 9,333 |
| Entertainment | | 10,628 | 12,038 |
| Travel and conveyance | | 66,043 | 94,701 |
| Repairs and maintenance | | 22,662 | 29,453 |
| Provision for doubtful debts and other receivables | | 596,284 | 788,204 |
| Donations | 38.1 | - | 933 |
| Fees and subscriptions | | 9,764 | 7,586 |
| Directors meeting fee | | 6,879 | 2,653 |
| Postage and courier | | 994 | 1,201 |
| Newspapers and periodicals | | 304 | 315 |
| Auditor's remuneration | 38.2 | 7,404 | 8,000 |
| Depreciation | 4.7 | 81,600 | 95,605 |
| Miscellaneous | | 41,919 | 54,458 |
| | | 1,569,984 | 1,946,468 |

38.1 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.

| 31 December 2013 | 31 December 2012 |
|------------------------------|---------------------|
| ----- (Rupees in '000) ----- | |

38.2 Auditor's remuneration

| | | |
|-----------------------------|--------------|--------------|
| Statutory audit | 2,650 | 3,000 |
| Half year review | 1,000 | 1,000 |
| International reporting | 2,000 | 2,000 |
| Taxation and other services | 1,254 | 1,500 |
| Out of pocket expenses | 500 | 500 |
| | 7,404 | 8,000 |

38.3 The Company has 1,114 employees at the end of year, whereas, the average number of employees during the year were 1,162.

| | Note | 31 December 2013 | 31 December 2012 |
|---|------|------------------------------|---------------------|
| | | ----- (Rupees in '000) ----- | |
| 39 Finance cost | | | |
| Mark-up on long term loans | | 114,870 | 110,942 |
| Mark-up on short term loans/running finance | | 171,990 | 183,387 |
| Financial charge on leased liabilities | | 6,630 | 15,422 |
| Mark up on Term Finance Certificates | | 184,608 | 241,146 |
| Management fee | | 57,234 | - |
| Discounting charges | | 48,026 | 631,313 |
| Amortization of transaction cost | | 9,748 | 17,053 |
| Bank charges and commission | | 43,076 | 45,827 |
| | | 636,182 | 1,245,090 |

40 Other income
Income from financial assets/liabilities

| | | |
|---|---------------|----------------|
| Income on deposit and saving accounts | 79,600 | 12,640 |
| Dividend income | - | 1,018 |
| Gain on re-measurement of financial liabilities | - | 526,997 |
| Liabilities written off | - | 131,880 |
| Amortization of receivables | 10,659 | 17,337 |
| | 90,259 | 689,872 |

Income from non - financial assets

| | | |
|--|----------------|----------------|
| Scrap sales | 386 | 6 |
| (Loss)/profit on sale of property, plant and equipment | (9,424) | 2,211 |
| Miscellaneous | 3,924 | 2,083 |
| | (5,114) | 4,300 |
| | 85,145 | 694,172 |

41 Taxation

| | | | |
|--------------|------|--------------------|------------------|
| Current tax | 41.1 | 31,876 | 35,593 |
| Deferred tax | | (1,246,235) | (1,006,568) |
| | | (1,214,359) | (970,975) |

41.1 It includes tax on income covered under presumptive tax regime under Section 113 of the Income Tax Ordinance, 2001 and minimum turnover tax.

41.2 Since the Company is subject to minimum tax under section 113 of Income tax Ordinance 2001, therefore tax charge reconciliation has not been prepared.

| | | 31 December 2013 | 31 December 2012 |
|--|-----------------------|-----------------------------|---------------------|
| 42 Loss per share - basic and diluted | | | |
| 42.1 Basic loss per share | | | |
| Loss attributable to ordinary share holders | <i>Rupees in '000</i> | (2,395,362) | (1,649,642) |
| Weighted average number of ordinary shares | <i>Number in '000</i> | 860,572 | 860,572 |
| Basic loss per share | <i>Rupees</i> | (2.78) | (1.92) |
| 42.2 Diluted loss per share | | | |
| Loss attributable to ordinary share holders | <i>Rupees in '000</i> | (2,301,580) | (1,649,642) |
| Weighted average number of ordinary shares | <i>Number in '000</i> | 1,594,941 | 860,572 |
| Diluted loss per share | <i>Rupees</i> | (1.44) | (1.92) |

43 Related parties transactions

The related parties comprise of shareholders, foreign subsidiary, local associated companies, related group companies, directors of the Company, companies where directors also hold directorship and key management personnel.

| | | 31 December 2013 | 31 December 2012 |
|--------------------------------------|--------------------------------------|-------------------------------------|---------------------|
| | | ----- <i>(Rupees in '000)</i> ----- | |
| Relationship with the Company | Nature of transactions | | |
| 1 Parent Company | Purchase of goods and services | 16 | 472,753 |
| | Sale of goods and services | 6 | 49,699 |
| 2 Other related parties | Purchase of goods and services | 10,084 | 9,168 |
| | Sale of goods and services | 1,089 | 1,033 |
| 3 Key management personnel | Salaries and other employee benefits | 300,225 | 333,560 |

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

These transactions are in the normal course of business and are interest-free.

Year end balances

| | | |
|---------------------------------|------------------|-----------|
| Receivable from related parties | 228,813 | 228,813 |
| Payable to related parties | 2,364,131 | 2,104,212 |

31 December 31 December
2013 2012
 -----(Rupees in '000)-----

44 Cash generated from operations

Loss before taxation (3,515,939) (2,620,617)

Adjustment for:

| | | |
|--|------------------|----------------|
| Depreciation | 1,265,874 | 1,187,124 |
| Amortization of intangible assets | 193,368 | 192,805 |
| Amortization of transaction cost | 9,748 | 17,053 |
| Discounting charges | 48,026 | 631,313 |
| Amortization of receivables | (10,659) | (17,337) |
| Provision for doubtful receivables | 596,284 | 788,204 |
| Provision for stock in trade and stores and spares | 14,042 | 14,000 |
| Gain on sale of property, plant and equipment | 9,424 | (2,211) |
| Gain on remeasurement of liabilities | - | (526,997) |
| Liabilities written off | - | (131,880) |
| Exchange loss on foreign currency loan | 279,450 | 251,850 |
| Impairment loss on available for sale financial assets | 19,656 | 265,365 |
| Retirement benefits | 63,855 | 69,448 |
| Finance costs | 578,408 | 596,724 |
| Profit before working capital changes | (448,463) | 714,844 |

Effect on cash flow due to working capital changes:

(Increase)/decrease in the current assets

| | | |
|---|------------------|------------------|
| Stores and spares | 24,796 | (3,676) |
| Stock in trade | (35,758) | (2,039) |
| Trade debts | 996,200 | (137,493) |
| Loans and advances | 471,812 | (383,187) |
| Deposits and prepayments | (249,774) | (47,903) |
| Other receivables | (15,152) | 21,699 |
| <i>Increase/(decrease) in the current liabilities</i> | | |
| Trade and other payables | 929,787 | 1,222,573 |
| | 2,121,911 | 669,974 |
| | 1,673,448 | 1,384,818 |

45 Remuneration of Chief Executive Officer, Directors and Executives

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

| | Chief Executive Officer | | Directors | | Executives | |
|--------------------------|-----------------------------|------------------|------------------|------------------|------------------|------------------|
| | 31 December 2013 | 31 December 2012 | 31 December 2013 | 31 December 2012 | 31 December 2013 | 31 December 2012 |
| | ------(Rupees in '000)----- | | | | | |
| Managerial remuneration | 17,920 | 17,920 | - | - | 161,951 | 182,731 |
| Retirement benefits | 2,987 | 2,987 | - | - | 27,432 | 29,597 |
| Housing | 7,168 | 7,168 | - | - | 64,780 | 73,092 |
| Utilities | 1,792 | 1,792 | - | - | 16,195 | 18,273 |
| | 29,867 | 29,867 | - | - | 270,358 | 303,693 |
| Number of persons | 1 | 1 | - | - | 112 | 168 |

The Chief Executive Officer and certain executives of the Company are provided with Company maintained vehicles and residential telephones.

Meeting fee amounting to Rs. nil (31 December 2012: Rs. 2.65 million) is paid to directors during the year.

46 Financial risk management

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 the 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.

The Company has exposure to the following risks from its use of financial instruments

- Credit risk
- Liquidity risk
- Market risk

46.1 Credit risk

Credit risk represents the accounting loss that would be recognised 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. To manage exposure to credit risk, the Company applies credit limits to its customers and obtains advances from certain customers.

46.1.1 Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the balance sheet date was:

| | 31 December 2013 | 31 December 2012 |
|--------------------------------------|------------------------------|---------------------|
| | ----- (Rupees in '000) ----- | |
| Long term advances and deposits | 77,615 | 122,074 |
| Long term trade receivables | 172,794 | 242,883 |
| Trade debts | 2,648,552 | 3,634,093 |
| Loans and advances - considered good | 559,591 | 591,399 |
| Short term deposits | 156,118 | 124,329 |
| Other receivables | 51,640 | 37,694 |
| Short term investments | 83,193 | 104,982 |
| Cash and bank balances | 2,501,852 | 100,742 |
| | <u>6,251,355</u> | <u>4,958,196</u> |

46.1.2 The age of trade receivables and related impairment loss at the balance sheet date was:

| | 31 December 2013 | 31 December 2012 |
|---|------------------------------|---------------------|
| | ----- (Rupees in '000) ----- | |
| The age of trade debts and long term trade receivables | | |
| Not past due | 856,803 | 1,923,467 |
| Past due 0 - 180 days | 248,569 | 494,297 |
| Past due 181 - 365 days | 86,249 | 322,590 |
| 1 - 2 years | 216,179 | 404,790 |
| More than 2 years | 1,413,546 | 731,832 |
| | <u>2,821,346</u> | <u>3,876,976</u> |

The age of impairment loss

| | | |
|-------------------------|------------------|------------------|
| Not past due | - | - |
| Past due 0 - 180 days | 61,384 | 54,257 |
| Past due 181 - 365 days | 15,103 | 47,156 |
| 1 - 2 years | 115,461 | 175,965 |
| More than 2 years | 1,413,546 | 731,832 |
| | <u>1,605,494</u> | <u>1,009,210</u> |

The movement in provision for impairment of receivables is as follows :

| | | |
|---------------------|------------------|------------------|
| Opening balance | 1,009,210 | 221,006 |
| Charge for the year | 596,284 | 788,204 |
| Closing balance | <u>1,605,494</u> | <u>1,009,210</u> |

46.2 Liquidity risk

Liquidity risk reflects an entity'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.

The following are the contractual maturities of financial liabilities as on 31 December 2013:

| | Carrying Amount | 6 months or less | 6-12 months | 1-2 year | More than 2 years |
|--|------------------------|-------------------------|--------------------|------------------|--------------------------|
| | (Rupees in '000) | | | | |
| Term finance certificates - secured | 1,643,735 | - | 547,911 | 1,095,824 | - |
| Long term loan | 3,516,797 | 105,200 | 210,400 | 736,400 | 2,464,797 |
| Liabilities against assets subject to finance lease | 52,183 | 48,455 | 2,304 | 690 | 734 |
| Long term payables | 1,123,506 | - | - | 473,563 | 649,943 |
| Long term deposits | 42,333 | - | - | - | 42,333 |
| License fee payable | 1,021,500 | 1,021,500 | - | - | - |
| Running finance under mark-up arrangements - secured | 786,944 | 786,944 | - | - | - |
| Short term borrowings | 69,756 | 69,756 | - | - | - |
| Trade and other payables | 7,358,785 | 6,921,282 | 437,503 | - | - |
| Interest and mark up accrued | 258,311 | 258,311 | - | - | - |
| | 15,873,850 | 9,211,448 | 1,198,118 | 2,306,477 | 3,157,807 |

The following are the contractual maturities of financial liabilities as on 31 December 2012:

| | Carrying Amount | 6 months or less | 6-12 months | 1-2 year | More than 2 years |
|--|------------------------|-------------------------|--------------------|------------------|--------------------------|
| | (Rupees in '000) | | | | |
| Term finance certificates - secured | 1,640,083 | - | - | 547,911 | 1,092,172 |
| Long term loan | 3,317,949 | 167,498 | 334,995 | 669,990 | 2,145,466 |
| Liabilities against assets subject to finance lease | 105,005 | 31,490 | 28,611 | 44,904 | - |
| Long term payables | 1,288,444 | - | - | 438,050 | 850,394 |
| Long term deposits | 42,458 | - | - | - | 42,458 |
| License fee payable | 1,021,500 | 1,021,500 | - | - | - |
| Running finance under mark-up arrangements - secured | 789,331 | 789,331 | - | - | - |
| Short term borrowings | 1,014,767 | 1,014,767 | - | - | - |
| Trade and other payables | 6,347,419 | 6,040,724 | 306,695 | - | - |
| Interest and mark up accrued | 245,190 | 245,190 | - | - | - |
| | 15,812,146 | 9,310,500 | 670,301 | 1,700,855 | 4,130,490 |

46.3 Market risk

46.3.1 Currency risk

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into foreign currency. The Company is exposed to foreign currency's risk on sales and purchases that are entered in a currency other than Pak Rupees. The Company's foreign currency payables are substantially hedged against foreign currency receivables.



The Company exposure to foreign currency risk was as follows:

| | 31 December 2013 | 31 December 2012 |
|-------------------|-----------------------------|---------------------|
| | ----- (USD '000) ----- | |
| Trade receivables | 3,464 | 20,770 |
| Trade payables | (26,450) | (26,702) |
| Suppliers | (17,631) | (16,407) |
| Borrowings | (34,500) | (34,500) |
| Net exposure | <u>(75,117)</u> | <u>(56,839)</u> |

The following significant exchange rates were applied during the year

| | 31 December 2013 | 31 December 2012 |
|--|-----------------------------|---------------------|
| Average rate - Rupees per US Dollar (USD) | 101.13 | 93.40 |
| Reporting date rate - Rupees per US Dollar (USD) | 105.20 | 97.05 |

A 5% strengthening of Rupee against the above currency would have decreased equity and profit & loss account by Rs. 395.12 million (31 December 2012: 275.81 million). This analysis assumes that all other variables, in particular interest rates remain constant.

A 5% weakening of Rupees would have had equal but opposite effect.

46.3.2 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.

At the balance sheet date the interest rate profile of the Company's interest bearing financial instruments was:

| | 31 December 2013 | 31 December 2012 |
|--|------------------------------|---------------------|
| | ----- (Rupees in '000) ----- | |
| Fixed rate instruments | | |
| <u>Financial assets</u> | | |
| Cash and bank balances- deposit accounts | <u>-</u> | <u>-</u> |
| Floating rate instruments | | |
| <u>Financial assets</u> | | |
| Cash and bank balances- saving accounts | 769,116 | 86,818 |



31 December 31 December
2013 2012
 -----(Rupees in '000)-----

Financial liabilities

| | | |
|---|--------------------|--------------------|
| Term finance certificates - secured | 1,643,735 | 1,643,735 |
| Long term finances - secured | 3,629,400 | 3,349,950 |
| Liabilities against assets subject to finance lease | 52,183 | 105,005 |
| Short term borrowings | 69,756 | 1,014,767 |
| Running finance under mark-up arrangements secured | 786,944 | 789,331 |
| | (5,412,902) | (6,815,970) |

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the balance sheet date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

An increase of 1% in interest rate at the reporting date would have increased mark-up by Rs. 54.13 million. Similarly a decrease of 1% in interest rate would have decreased mark-up by similar amount. This analysis assumes that all other variables remain constant.

46.3.3 Other market price risk

Equity price risk arises from investments at fair value through profit or loss. The primary goal of the Company investment strategy is to maximise investment returns on the surplus cash balance. In accordance with this strategy certain investments are designated at fair value through profit or loss because their performance is actively monitored and they are managed on a fair value basis.

Since the investment amount is less than 1% of the Company's total assets, the performance of the investments will not have any material impact on the Company's performance.

46.4 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.

46.5 Capital management

The Company's board policy is to maintain an efficient capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the Company's business. The Board of Directors monitors the Return on Capital Employed, which the Company defines as operating income divided by total capital employed. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Company's objectives when managing capital are:

- a) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide

returns for shareholders and benefits for other stakeholders; and

- b) to provide an adequate return to shareholders.

The Company manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may, for example, adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt. The Company monitors capital on the basis of the debt-to-equity ratio calculated as a ratio of total debt to equity and total debt.

The debt-to-equity ratio is as follows:

| | 31 December 2013 | 31 December 2012 |
|-----------------------|------------------------------|---------------------|
| | ----- (Rupees in '000) ----- | |
| Total debt | 6,069,415 | 6,867,135 |
| Total equity and debt | 15,678,884 | 15,475,970 |
| Debt-to-equity ratio | 39 : 61 | 44 : 56 |

There were no changes in the Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements.

46.6 Financial assets subject to offsetting

| | | As at 31 December 2013 | | | | |
|---|-------------|---|--|--|---|---|
| | | Gross amounts of recognised financial assets | Gross amount of recognised financial liabilities off set in the statement of financial position | Net amount of financial assets presented in the statement of financial position | Related amounts not off set in the statement of financial position | Net amount Financial assets not in scope of off setting disclosures |
| | <i>Note</i> | A | B | C=A+B | D | E=C+D |
| Financial assets | | | | | | |
| Long term trade receivables | 8 | - | - | - | - | 172,794 |
| Long term loans and deposits | | - | - | - | - | 77,615 |
| Trade debts | | 1,686,559 | (643,501) | 1,043,058 | - | - |
| Loans and advances - considered good | | - | - | - | - | 559,591 |
| Other receivables - current | | - | - | - | - | 51,640 |
| Short term investments | | - | - | - | - | 83,193 |
| Cash and bank balances | | - | - | - | - | 2,501,852 |
| | | 1,686,559 | (643,501) | 1,043,058 | - | 1,043,058 |

46.7 Financial liabilities subject to offsetting

| As at 31 December 2013 | | | | | | |
|---|---|--|--|--|------------------|---|
| Note | Gross amounts of recognised financial liabilities | Gross amount of recognised financial assets off set in the statement of financial position | Net amount of financial liabilities presented in the statement of financial position | Related amounts not off set in the statement of financial position | Net amount | Financial liabilities not in scope of off setting disclosures |
| | A | B | C=A+B | D | E=C+D | |
| Financial liabilities | | | | | | |
| Short term borrowings | - | - | - | - | - | 69,756 |
| Running finances under mark-up arrangements - secured | - | - | - | - | - | 786,944 |
| Licence fee payable | - | - | - | - | - | 1,021,500 |
| Trade and other payables | 8,397,278 | (1,038,493) | 7,358,785 | - | 7,358,785 | - |
| Interest and mark-up accrued | - | - | - | - | - | 258,311 |
| Term finance certificates - secured | - | - | - | - | - | 1,643,735 |
| Long term loan | - | - | - | - | - | 3,516,797 |
| Liabilities against assets subject to finance lease | - | - | - | - | - | 52,183 |
| Long term payables | - | - | - | - | - | 1,123,506 |
| Long term deposits | - | - | - | - | - | 42,333 |
| | 8,397,278 | (1,038,493) | 7,358,785 | - | 7,358,785 | |

| As at 31 December 2012 | | | | | | |
|--------------------------------------|--|---|---|--|------------------|--|
| Note | Gross amounts of recognised financial assets | Gross amount of recognised financial liabilities off set in the statement of financial position | Net amount of financial assets presented in the statement of financial position | Related amounts not off set in the statement of financial position | Net amount | Financial assets not in scope of off setting disclosures |
| | A | B | C=A+B | D | E=C+D | |
| Financial assets | | | | | | |
| Long term trade receivables | - | - | - | - | - | 242,883 |
| Long term loans and deposits | - | - | - | - | - | 122,074 |
| Trade debts | 4,504,836 | (1,879,953) | 2,624,883 | - | 2,624,883 | - |
| Loans and advances - considered good | - | - | - | - | - | 591,399 |
| Other receivables - current | - | - | - | - | - | 37,694 |
| Short term investments | - | - | - | - | - | 104,982 |
| Cash and bank balances | - | - | - | - | - | 100,742 |
| | 4,504,836 | (1,879,953) | 2,624,883 | - | 2,624,883 | |

Financial liabilities subject to offsetting

| As at 31 December 2012 | | | | | | |
|---|---|--|--|--|------------------|---|
| Note | Gross amounts of recognised financial liabilities | Gross amount of recognised financial assets off set in the statement of financial position | Net amount of financial liabilities presented in the statement of financial position | Related amounts not off set in the statement of financial position | Net amount | Financial liabilities not in scope of off setting disclosures |
| | A | B | C=A+B | D | E=C+D | |
| Financial liabilities | | | | | | |
| Short term borrowings | - | - | - | - | - | 1,014,767 |
| Running finances under mark-up arrangements - secured | - | - | - | - | - | 789,331 |
| Licence fee payable | - | - | - | - | - | 1,021,500 |
| Trade and other payables | 7,047,332 | (699,913) | 6,347,419 | - | 6,347,419 | - |
| Interest and mark-up accrued | - | - | - | - | - | 245,190 |
| Term finance certificates - secured | - | - | - | - | - | 1,640,083 |
| Long term loan | - | - | - | - | - | 3,317,949 |
| Liabilities against assets subject to finance lease | - | - | - | - | - | 105,005 |
| Long term payables | - | - | - | - | - | 1,288,444 |
| Long term deposits | - | - | - | - | - | 42,458 |
| | 7,047,332 | (699,913) | 6,347,419 | - | 6,347,419 | |

47 Standards, interpretations and amendments to published approved Financial Reporting Standards

47.1 Standards, amendments or interpretations which became effective during the year

During the current period, the Company has adopted the following amendments to IFRS which became effective for the current period:

- Presentations of items of Other Comprehensive Income (Amendments to IAS 1) - (effective for annual periods beginning on or after 01 July 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard.
- Amendments to IAS 12 - deferred tax on investment property (effective for annual periods beginning on or after 01 January 2012). The 2012 amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. The measurement of deferred tax assets and liabilities, in this limited circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset.
- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 01 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognized immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss, which is currently allowed under IAS 19; and that the expected return on plan assets recognized in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The Company's policy was to account for actuarial gains and losses using the corridor method and with the change unrecognized actuarial gains/losses amounting to Rs. 1.67 million (31 December 2012: Rs. 34.72 million) would need to be recognized in other comprehensive income.

47.2 The following standards, amendments and interpretations of approved Financial Reporting Standards will be effective for accounting periods beginning on or after 01 January 2014

- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" Continuing hedge accounting after derivative novations (effective for annual periods beginning on or after 01 January 2014). The amendments add a limited exception to IAS 39, to provide relief from discontinuing an existing hedging relationship when a novation that was not contemplated in the original hedging documentation meets specific criteria.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 01 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement.

- Amendment to IAS 36 “Impairment of Assets” Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 01 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.
- Amendments to IAS 19 “Employee Benefits” Employee contributions – a practical approach (effective for annual periods beginning on or after 01 July 2014). The practical expedient addresses an issue that arose when amendments were made in 2011 to the previous pension accounting requirements. The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria.
- Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after 1 July 2014). The new cycle of improvements contain amendments to the following standards:
 - IFRS 2 ‘Share-based Payment’. IFRS 2 has been amended to clarify the definition of ‘vesting condition’ by separately defining ‘performance condition’ and ‘service condition’. The amendment also clarifies both: how to distinguish between a market condition and a non-market performance condition and the basis on which a performance condition can be differentiated from a vesting condition.
 - IFRS 3 ‘Business Combinations’. These amendments clarify the classification and measurement of contingent consideration in a business combination. Further IFRS 3 has also been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements including joint operations in the financial statements of the joint arrangement themselves.
 - IFRS 8 ‘Operating Segments’ has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. In addition this amendment clarifies that a reconciliation of the total of the reportable segment’s assets to the entity assets is required only if this information is regularly provided to the entity’s chief operating decision maker. This change aligns the disclosure requirements with those for segment liabilities.
 - Amendments to IAS 16 ‘Property, plant and equipment’ and IAS 38 ‘Intangible Assets’. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.
 - IAS 24 ‘Related Party Disclosure’. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.
 - IAS 40 ‘Investment Property’. IAS 40 has been amended to clarify that an entity should: assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.
- IFRIC 21- Levies ‘an Interpretation on the accounting for levies imposed by governments’



(effective for annual periods beginning on or after 01 January 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

48 Date of authorization for issue

These financial statements were authorized for issue on 08 February 2014 by the Board of Directors.

49 Corresponding figures

Corresponding figures have been re-classified wherever necessary to reflect more appropriate presentation of events and transactions for the purpose of comparison.

50 General

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

Lahore:
08 February 2014


CHIEF EXECUTIVE OFFICER


DIRECTOR

PATTERN OF SHAREHOLDING AS AT 31 DECEMBER 2013

INCORPORATION NUMBER: 0042200 of 15-03-2001

| No. of Shareholders | Shareholdings | | | Shares Held |
|---------------------|---------------|---|--------|-------------|
| | From | | To | |
| 535 | 1 | - | 100 | 23,106 |
| 1149 | 101 | - | 500 | 379,253 |
| 3222 | 501 | - | 1000 | 2,225,146 |
| 2452 | 1001 | - | 5000 | 7,003,794 |
| 830 | 5001 | - | 10000 | 7,070,489 |
| 317 | 10001 | - | 15000 | 4,177,555 |
| 309 | 15001 | - | 20000 | 5,860,953 |
| 228 | 20001 | - | 25000 | 5,473,611 |
| 140 | 25001 | - | 30000 | 4,004,437 |
| 72 | 30001 | - | 35000 | 2,407,161 |
| 87 | 35001 | - | 40000 | 3,369,451 |
| 36 | 40001 | - | 45000 | 1,565,795 |
| 167 | 45001 | - | 50000 | 8,293,832 |
| 35 | 50001 | - | 55000 | 1,855,963 |
| 43 | 55001 | - | 60000 | 2,538,545 |
| 24 | 60001 | - | 65000 | 1,515,427 |
| 19 | 65001 | - | 70000 | 1,312,000 |
| 28 | 70001 | - | 75000 | 2,077,786 |
| 16 | 75001 | - | 80000 | 1,268,000 |
| 16 | 80001 | - | 85000 | 1,324,937 |
| 11 | 85001 | - | 90000 | 973,740 |
| 8 | 90001 | - | 95000 | 751,667 |
| 88 | 95001 | - | 100000 | 8,783,407 |
| 8 | 100001 | - | 105000 | 817,803 |
| 16 | 105001 | - | 110000 | 1,737,504 |
| 11 | 110001 | - | 115000 | 1,242,310 |
| 7 | 115001 | - | 120000 | 833,300 |
| 13 | 120001 | - | 125000 | 1,616,500 |
| 8 | 125001 | - | 130000 | 1,032,626 |
| 3 | 130001 | - | 135000 | 397,500 |
| 9 | 135001 | - | 140000 | 1,247,687 |
| 5 | 140001 | - | 145000 | 711,878 |
| 29 | 145001 | - | 150000 | 4,342,000 |
| 4 | 150001 | - | 155000 | 608,514 |
| 9 | 155001 | - | 160000 | 1,432,143 |
| 1 | 160001 | - | 165000 | 165,000 |

| No. of Shareholders | Shareholdings | | | Shares Held |
|---------------------|---------------|---|--------|-------------|
| | From | | To | |
| 3 | 165001 | - | 170000 | 504,240 |
| 2 | 170001 | - | 175000 | 349,000 |
| 3 | 175001 | - | 180000 | 536,500 |
| 6 | 180001 | - | 185000 | 1,097,745 |
| 3 | 185001 | - | 190000 | 565,303 |
| 3 | 190001 | - | 195000 | 580,010 |
| 33 | 195001 | - | 200000 | 6,591,116 |
| 2 | 200001 | - | 205000 | 409,000 |
| 6 | 205001 | - | 210000 | 1,252,862 |
| 1 | 210001 | - | 215000 | 211,500 |
| 3 | 220001 | - | 225000 | 675,000 |
| 2 | 225001 | - | 230000 | 455,108 |
| 1 | 230001 | - | 235000 | 235,000 |
| 1 | 235001 | - | 240000 | 238,899 |
| 5 | 240001 | - | 245000 | 1,214,934 |
| 8 | 245001 | - | 250000 | 1,998,000 |
| 1 | 250001 | - | 255000 | 254,500 |
| 4 | 255001 | - | 260000 | 1,032,053 |
| 1 | 260001 | - | 265000 | 261,000 |
| 3 | 265001 | - | 270000 | 810,000 |
| 4 | 270001 | - | 275000 | 1,094,902 |
| 3 | 275001 | - | 280000 | 834,262 |
| 1 | 285001 | - | 290000 | 287,964 |
| 1 | 290001 | - | 295000 | 292,901 |
| 14 | 295001 | - | 300000 | 4,200,000 |
| 1 | 300001 | - | 305000 | 305,000 |
| 1 | 315001 | - | 320000 | 318,500 |
| 2 | 320001 | - | 325000 | 646,700 |
| 2 | 345001 | - | 350000 | 700,000 |
| 1 | 350001 | - | 355000 | 355,000 |
| 1 | 355001 | - | 360000 | 360,000 |
| 1 | 360001 | - | 365000 | 365,000 |
| 3 | 385001 | - | 390000 | 1,170,000 |
| 3 | 395001 | - | 400000 | 1,197,000 |
| 2 | 400001 | - | 405000 | 804,597 |
| 1 | 420001 | - | 425000 | 425,000 |
| 1 | 430001 | - | 435000 | 430,100 |
| 1 | 440001 | - | 445000 | 445,000 |
| 1 | 445001 | - | 450000 | 450,000 |
| 2 | 455001 | - | 460000 | 917,000 |
| 2 | 465001 | - | 470000 | 937,014 |



| No. of Shareholders | Shareholdings | | | Shares Held |
|---------------------|---------------|---|---------|-------------|
| | From | | To | |
| 7 | 495001 | - | 500000 | 3,500,000 |
| 2 | 520001 | - | 525000 | 1,047,000 |
| 1 | 525001 | - | 530000 | 530,000 |
| 4 | 545001 | - | 550000 | 2,196,666 |
| 1 | 560001 | - | 565000 | 562,919 |
| 2 | 595001 | - | 600000 | 1,200,000 |
| 1 | 605001 | - | 610000 | 605,943 |
| 1 | 610001 | - | 615000 | 613,500 |
| 1 | 645001 | - | 650000 | 646,500 |
| 1 | 655001 | - | 660000 | 658,000 |
| 1 | 695001 | - | 700000 | 700,000 |
| 1 | 705001 | - | 710000 | 707,000 |
| 1 | 780001 | - | 785000 | 785,000 |
| 3 | 795001 | - | 800000 | 2,400,000 |
| 1 | 870001 | - | 875000 | 875,000 |
| 1 | 915001 | - | 920000 | 916,000 |
| 1 | 970001 | - | 975000 | 975,000 |
| 1 | 975001 | - | 980000 | 979,000 |
| 5 | 995001 | - | 1000000 | 5,000,000 |
| 1 | 1035001 | - | 1040000 | 1,036,500 |
| 1 | 1050001 | - | 1055000 | 1,053,686 |
| 1 | 1080001 | - | 1085000 | 1,084,000 |
| 1 | 1095001 | - | 1100000 | 1,100,000 |
| 1 | 1200001 | - | 1205000 | 1,203,500 |
| 1 | 1255001 | - | 1260000 | 1,258,500 |
| 1 | 1395001 | - | 1400000 | 1,400,000 |
| 2 | 1495001 | - | 1500000 | 3,000,000 |
| 1 | 1595001 | - | 1600000 | 1,600,000 |
| 1 | 1620001 | - | 1625000 | 1,623,000 |
| 1 | 1705001 | - | 1710000 | 1,709,500 |
| 1 | 1995001 | - | 2000000 | 2,000,000 |
| 1 | 2200001 | - | 2205000 | 2,202,500 |
| 1 | 2495001 | - | 2500000 | 2,500,000 |
| 1 | 2750001 | - | 2755000 | 2,752,000 |
| 1 | 3740001 | - | 3745000 | 3,743,000 |
| 1 | 3995001 | - | 4000000 | 4,000,000 |
| 1 | 4195001 | - | 4200000 | 4,200,000 |
| 1 | 4220001 | - | 4225000 | 4,220,677 |
| 1 | 4250001 | - | 4255000 | 4,254,199 |
| 1 | 4585001 | - | 4590000 | 4,585,704 |
| 1 | 4995001 | - | 5000000 | 5,000,000 |



| No. of Shareholders | Shareholdings | | Shares Held |
|----------------------------|-----------------------------------|-----------|--------------------|
| | From | To | |
| 1 | 6160001 - | 6165000 | 6,163,105 |
| 1 | 13795001 - | 13800000 | 13,800,000 |
| 1 | 19995001 - | 20000000 | 20,000,000 |
| 1 | 47435001 - | 47440000 | 47,435,914 |
| 1 | 77660001 - | 77665000 | 77,660,241 |
| 1 | 488835001 - | 488840000 | 488,839,429 |
| 10159 | TOTAL NO. OF SHARES HELD:- | | 860,571,513 |

PATTERN OF SHAREHOLDING AS AT 31 DECEMBER 2013

| Categories of Shareholders | Shares held | Percentage |
|--|-------------|------------|
| Directors, Chief Executive Officer, their spouses and minor children | 123,150 | 0.01% |
| Associated Companies, undertakings and related parties | 570,721,789 | 66.32% |
| NIT and ICP | - | 0.00% |
| Banks, Development Financial Institutions, Non-Banking Finance Companies | 51,931,968 | 6.03% |
| Insurance Companies | 52,912 | 0.01% |
| Modarabas and Mutual Funds | 2,967,302 | 0.34% |
| Shareholders holding 5% or more | 613,935,584 | 71.34% |
| <u>General Public</u> | | |
| a. Local | 183,765,524 | 21.35% |
| b. Foreign | 10,584,347 | 1.23% |
| <u>Others</u> | | |
| - Joint Stock Companies | 40,268,665 | 4.68% |
| - Foreign Companies | 155,856 | 0.02% |

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

PATTERN OF SHAREHOLDING AS PER LISTING REGULATIONS AS AT 31 DECEMBER 2013

| Shareholders' Category | Number of Shares held | % of shareholding |
|--|----------------------------------|------------------------------|
| <u>Associated Companies, undertaking and related parties</u> | | |
| Arif Habib Corporation Limited | 77,660,241 | 9.02% |
| First Capital Securities Corp. Ltd. | 4,221,207 | 0.49% |
| Oman Telecommunications Company (S.A.O.G.) | 488,839,429 | 56.80% |
| Pace (Pakistan) Limited | 912 | 0.00% |
| <u>NIT and ICP</u> | - | 0.00% |
| <u>Directors, Chief Executive Officer and their Spouse & Minor Children</u> | | |
| Mr. Mehdi Mohammed Al Abduwani | 20,500 | 0.00% |
| Mr. Talal Said Marhoon Al Mamari | 500 | 0.00% |
| Mr. Aimen Bin Ahmed Al Hosni | 575 | 0.00% |
| Mr. Samy Ahmed Abdulqadir Al Ghassany | 500 | 0.00% |
| Mr. Shehryar Ali Taseer | 500 | 0.00% |
| Mr. Sohail Qadir | 500 | 0.00% |
| Mr. Asadullah Khawaja | 100,000 | 0.01% |
| Mr. Babar Ali Syed (CEO) | 75 | 0.00% |
| <u>Spouse & Minor Children</u> | - | 0.00% |
| <u>Executives</u> | - | 0.00% |
| Public Sector Companies and Corporations | 40,268,665 | 4.68% |
| Banks, Development Financial Institutions, Non-Banking | | |
| Finance Institutions | 51,931,968 | 6.03% |
| Insurance Companies, | 52,912 | 0.01% |
| Modarabas and Mutual Funds etc. | 2,967,302 | 0.34% |
| Foreign Companies | 155,856 | 0.02% |
| General Public | 194,349,871 | 22.58% |
| Shareholders holding 5% or more voting interest in the Company | | |
| Oman Telecommunications Company (S.A.O.G.) | 488,839,429 | 56.80% |
| Arif Habib Corporation Limited | 77,660,241 | 9.02% |
| National Bank of Pakistan | 47,435,914 | 5.51% |



An Omantel Company





An Omantel Company

