

**Worldcall Telecom Limited**

**Worldcall Telecom Limited**

**CONDENSED INTERIM  
FINANCIAL INFORMATION  
(UN-AUDITED)  
FOR THE PERIOD ENDED**

**30 SEPTEMBER 2009**

## **VISION**

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

## **MISSION STATEMENT**

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

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

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

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

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

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## Worldcall Telecom Limited

### COMPANY INFORMATION

## Worldcall Telecom Limited

<b>Chairman</b>	Mehdi Mohammed Al Abudwani
<b>Chief Executive Officer</b>	Babar Ali Syed
<b>Board of Directors (In Alphabetic order)</b>	Abdullah Zahran Abdullah Al-Hinai Asadullah Khawaja (Nominee Arif Habib Securities Ltd.) Mehdi Mohammed Al Abudwani Saleem Jawad Jaffer Al-Khabori Salmaan Taseer Sameer Hamed Naseer Al-Siyabi Sumbul Munir Talal Said Marhoon Al-Mamari Zafar Iqbal
<b>Chief Financial Officer</b>	Ahmed Suhail Al Mur Al-Habsi
<b>Audit Committee</b>	Talal Said Marhoon Al-Mamari (Chairman) Sumbul Munir (Member) Asadullah Khawaja (Member)
<b>Company Secretary</b>	Mohammad Khamis Al-Sinaidy
<b>Auditors</b>	KPMG Taseer Hadi & Co. Chartered Accountants
<b>Legal Advisers</b>	Ebrahim Hosain & Associates Advocates
<b>Bankers</b>	Allied Bank Limited Askari Bank Limited Arif Habib Bank Limited Barclays Bank Plc Pakistan Deutsche Bank AG Emirates Global Islamic Bank Limited Faysal Bank Limited First Dawood Investment Bank Limited Habib Bank Limited Habib Metropolitan Bank Limited HSBC Bank Middle East Limited IGI Investment 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 The Bank of Punjab The Royal Bank of Scotland Limited United Bank Limited
<b>Registrar and Shares Transfer Office</b>	THK Associates (Pvt.) Limited Ground Floor State Life Building No.3, Dr. Zia-ud-Din Ahmed Road Karachi  (021) 111-000-322
<b>Registered Office/Head Office</b>	67-A, C/III, Gulberg-III Lahore, Pakistan  (042) 5872633-38 Fax: (042) 5755231

## Worldcall Telecom Limited

### DIRECTORS' REVIEW

The Directors of Worldcall Telecom Limited ("WTL" or the "Company") are pleased to present the financial statements for the third quarter and nine months ended 30 September, 2009.

### Financial Overview

With launch of innovative products and services and renewed focus on customer base, the Company was able to show a remarkable growth of 75% in its revenue for the current period that stands at Rs. 6,045 million as against Rs. 3,450 million of the corresponding period last year. This growth was pivotal in turning the operating loss of Rs. 34.2 million to an operating profit of Rs. 68.2 million for the period under review. Gross profit ratio however declined from 26.4 % to 16.5 %. Since interconnect and settlement charges remained significantly high during the current period, direct cost witnessed a sizeable increase of almost 100% which consequently affected the profit margins. The direct costs also soared on account of the depreciation charges that significantly increased due to enhancement in equipment and infrastructure. The effective budgetary and control measures helped in curtailing the unnecessary expenses and operating costs showed a positive variance of Rs. 12.8 million during the period.

The finance cost increased by 11% to stand at Rs 329 million. The increase was contributed by the interest expense on the TFCs of Rs.121 million. Further the quoted securities in which the Company had investment suffered significant decline in the market values. Consequently the Company had to recognize an impairment loss of Rs. 168 million. The heavy loss due to impairment and higher incidence of finance cost resulted in the net loss after tax of Rs. 346 million.

### Future Outlook

With increasing awareness and usage of information technology, broadband segment is going to be in limelight for days to come. The Company has already launched EVDO services in major cities like Karachi, Multan, Lahore, Gujranwala, Faisalabad and Sialkot. Preparations are under way to commence services in Peshawar in next quarter. The data services segment offers great opportunities for success and growth and therefore enjoys a central position in the overall expansion and future roll out plans of the Company. Developments have also started in six districts of MTR for which the Company won a roll out project of data services in a bidding of Universal Service Fund. The international operations are also expected to expand in lucrative directions as the Company has plans to enter into new markets by colliding with different international operators.

The Board also approved a business plan for the next years whereby WTL would expand and enhance its existing network, improve service quality and bring products in the market for the end user as well for the corporate entities as a solution provider.

Omantel as the principal sponsor of Worldcall Telecom Limited would support the business plan of the company.

### Changes in the Board of Directors

Since the last report there have been following changes in the composition of the Board during the period Mr. Mehdi Jawad Al-Abduwani and Mr. Zafar Iqbal joined in place of Dr. Mohammed Ali Mohammed Al-Wohaibi and Mr. Suleiman Ahmed Said Al-Hoqani.

Mr. Mehdi Jawad Al-Abduwani was also elected as Chairman of the Board of Directors in place of Dr. Mohammed Ali Mohammed Al-Wohaibi.

### Statement U/S 218 of the Companies Ordinance, 1984

The board of directors in their meeting held on 29 October 2009 revised the remuneration of Chief Executive Officer. He will be entitled to a salary of Rs 2 million per month along with other employee benefits as per the company policy.

### Company's staff and customers

We are indeed indebted to our valuable customers. Their ease and satisfaction have been the source of our inspiration. Our committed and dedicated employees are our most important assets. We wish to place on record here our gratitude for all their support and trust that they have placed in us.

For and on behalf of the Board of Directors

*Babar Ali Syed*  
Babar Ali Syed  
Chief Executive Officer

Lahore  
29 October 2009

## Worldcall Telecom Limited

### CONDENSED INTERIM BALANCE SHEET (Un-Audited) AS AT 30 SEPTEMBER 2009

	Note	30 September 2009	31 December 2008
		(Rupees in '000)	
<b>NON CURRENT ASSETS</b>			
<b>Tangible fixed assets</b>			
Property, plant and equipment	5	11,348,675	9,901,500
Capital work-in-progress		2,268,597	2,541,796
		<u>13,617,272</u>	<u>12,443,296</u>
<b>Intangible assets</b>			
Investment properties		4,807,469	4,928,080
Long term investment - available for sale		76,162	76,162
Long term deposits		230,763	41,995
		74,490	76,483
		<u>18,806,156</u>	<u>17,566,016</u>
<b>CURRENT ASSETS</b>			
Store and spares		399,073	418,575
Stock in trade		173,910	143,253
Trade debts		1,873,088	975,888
Loans and advances - considered good		495,128	441,185
Deposits and prepayments		265,961	231,650
Other receivables		14,103	186,398
Short term investments		194,832	344,072
Income tax recoverable-net		146,780	132,689
Cash and bank balances		283,509	564,188
		<u>3,846,384</u>	<u>3,437,898</u>
<b>CURRENT LIABILITIES</b>			
Current maturities of non-current liabilities		337,159	515,149
Running finance under mark-up arrangements - secured		680,709	427,240
Trade and other payables		2,860,042	1,863,676
Interest and mark-up accrued		314,269	175,371
		<u>4,192,179</u>	<u>2,981,436</u>
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		(345,795)	456,462
<b>NON CURRENT LIABILITIES</b>			
Term finance certificates - secured		3,967,975	4,018,133
Deferred taxation		466,689	553,400
Retirement benefits		160,080	156,957
Liabilities against assets subject to finance lease		4,508	63,444
Long term payables	6	1,178,309	502,674
Long term deposits		44,944	46,111
License fee payable		1,067,102	972,125
Contingencies and commitments	7	6,889,607	6,312,844
<b>Represented By</b>		<u>11,570,754</u>	<u>11,709,634</u>
<b>Share capital and reserves</b>			
Authorized capital		9,000,000	9,000,000
900,000,000 ( 31 December 2008: 900,000,000)			
ordinary shares of Rs. 10 each			
		<u>9,000,000</u>	<u>9,000,000</u>
Issued, subscribed and paid up capital		8,605,716	8,605,716
Share premium		837,335	837,335
Fair value reserve-available for sale financial assets		(23,320)	(230,713)
Accumulated profit		1,821,146	2,172,537
Surplus on Revaluation		11,240,877	11,384,875
		329,877	324,759
		<u>11,570,754</u>	<u>11,709,634</u>

The annexed notes 1 to 12 form an integral part of this condensed interim financial information.

Lahore

*Babar Ali Syed*  
Babar Ali Syed  
Chief Executive

*Grimm*  
Grimm  
Director

**Worldcall Telecom Limited**

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)  
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2009**

	Nine months ended 30 September 2009	Nine months ended 30 September 2008	Quarter ended 30 September 2009	Restated Quarter ended 30 September 2008
	(Rupees in '000)			
Revenue -net	<b>6,044,698</b>	3,449,762	<b>2,054,788</b>	1,344,815
Direct cost	<b>(5,045,828)</b>	(2,540,415)	<b>(1,701,371)</b>	(992,776)
<b>Gross profit</b>	<b>998,870</b>	909,347	<b>353,417</b>	352,039
Operating cost	<b>(930,658)</b>	(943,539)	<b>(337,349)</b>	(320,626)
<b>Operating profit/(loss)</b>	<b>68,212</b>	(34,192)	<b>16,068</b>	31,413
Finance cost	<b>(328,698)</b>	(297,097)	<b>(159,676)</b>	(69,792)
	<b>(260,486)</b>	(331,289)	<b>(143,608)</b>	(38,379)
Loss on re-measurement of investments at fair value	-	(99,680)	-	-
Impairment loss on available for sale financial assets	<b>(167,865)</b>	-	-	-
Gain on re-measurement of investment property at fair value	-	2,005	-	-
Other operating income	<b>36,404</b>	91,477	<b>3,179</b>	20,996
Other expenses	<b>(30,335)</b>	(36,862)	<b>(23,275)</b>	(6,921)
<b>Loss before taxation</b>	<b>(422,282)</b>	(374,349)	<b>(163,704)</b>	(24,304)
Taxation	<b>76,009</b>	84,628	<b>44,407</b>	18,314
<b>Loss after taxation</b>	<b>(346,273)</b>	(289,721)	<b>(119,297)</b>	(5,990)
<b>Loss per share - basic</b>	<b>(Rupees)</b>	<b>(0.40)</b>	<b>(0.34)</b>	<b>(0.14)</b>
				(0.01)

The appropriations have been shown in the statement of changes in equity.

The annexed notes 1 to 12 form an integral part of this condensed interim financial information.

Lahore

Balan Chidambaram  
Chief Executive

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**Worldcall Telecom Limited**

**CONDENSED INTERIM STATEMENT OF  
COMPREHENSIVE INCOME (UN-AUDITED)  
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2009**

Nine months ended 30 September 2009	Restated Nine months ended 30 September 2008	Quarter ended 30 September 2009	Restated Quarter ended 30 September 2008
(Rupees in '000)		(Rupees in '000)	
(346,273)	(289,721)	(119,297)	(5,990)
39,528	(149,755)	230,648	(149,755)
167,865	-	-	-
207,393	(149,755)	230,648	(149,755)
(138,880)	(439,476)	111,351	(155,745)

The annexed notes 1 to 12 form an integral part of this condensed interim financial information.

Lahore

*Babu*  
Chief Executive

Director

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## Worldcall Telecom Limited

### CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2009

	Note	30 September 2009	Restated 30 September 2008
		(Rupees in '000)	
<b>Cash flow from operating activities</b>			
Cash generated from operations	8	1,215,713	1,383,760
Decrease in long term deposits receivable		1,993	128,664
Decrease in long term deposits payable		(1,167)	(5,977)
Increase/(decrease) in long term payables		675,635	(57,044)
Retirement benefits paid		(45,396)	(25,121)
Finance cost paid		(449,906)	(400,858)
Taxes paid		(24,792)	(47,627)
<b>Net cash generated from operating activities</b>		<b>1,372,080</b>	<b>975,797</b>
<b>Cash flow from investing activities</b>			
Fixed capital expenditure		(1,624,243)	(2,168,882)
Intangible assets acquired		-	(1,580)
Sale proceeds of property, plant and equipment		15,183	7,580
<b>Net cash used in investing activities</b>		<b>(1,609,060)</b>	<b>(2,162,882)</b>
<b>Cash flow from financing activities</b>			
Receipt of long term finances		-	1,729,750
Repayment of long term finances		(148,299)	(3,081,247)
Receipt of term finance certificates		-	3,000,000
Repayment of term finance certificates		(59,055)	(47,827)
Repayment of short term borrowings		-	(935,000)
Repayment of finance lease liabilities		(89,814)	(131,697)
<b>Net cash (used in)/generated from financing activities</b>		<b>(297,168)</b>	<b>533,979</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(534,148)</b>	<b>(653,106)</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>136,948</b>	<b>698,744</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>(397,200)</b>	<b>45,638</b>

The annexed notes 1 to 12 form an integral part of this condensed interim financial information.

Lahore

Baloch Shah  
Chief Executive

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Grimy  
Director

## Worldcall Telecom Limited

### CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2009

	Share capital	Revenue reserves	Other component of equity				(Rupees in '000)
			Accumulated profit/ (loss)	Share premium	Fair value reserve- available for sale assets	Convertible loan reserve	
<b>Balance as at 31 December 2007 - Restated</b>	7,520,607	2,758,921	410,887	-	-	1,403,575	<b>12,093,990</b>
Liability component of convertible loan	-	-	-	-	-	107,982	<b>107,982</b>
Shares issued against convertible loan	1,085,109	-	426,448	-	(1,511,557)	-	-
Transfer from surplus on revaluation	-	5,299	-	-	-	-	5,299
Total comprehensive loss for the period as restated	-	(289,721)	-	(149,755)	-	(439,476)	-
<b>Balance as at 30 September 2008 - Restated</b>	<b>8,605,716</b>	<b>2,474,499</b>	<b>837,335</b>	<b>(149,755)</b>	<b>-</b>	<b>11,767,795</b>	
Transfer to surplus on revaluation	-	(8,664)	-	-	-	-	(8,664)
Total comprehensive loss for the period	-	(293,298)	-	(80,958)	-	-	(374,256)
<b>Balance as at 31 December 2008</b>	<b>8,605,716</b>	<b>2,172,537</b>	<b>837,335</b>	<b>(230,713)</b>	<b>-</b>	<b>11,384,875</b>	
Total comprehensive (loss)/income for the period	-	(346,273)	-	207,393	-	-	(138,880)
Transfer to surplus on revaluation	-	(5,118)	-	-	-	-	(5,118)
<b>Balance as at 30 September 2009</b>	<b>8,605,716</b>	<b>1,821,146</b>	<b>837,335</b>	<b>(23,320)</b>	<b>-</b>	<b>11,240,877</b>	

The annexed notes 1 to 12 form an integral part of this condensed interim financial information.

Lahore

Baloch Shah  
Chief Executive

Grimy  
Director

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## Worldcall Telecom Limited

### NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2009

#### 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 67 A, C-III, Gulberg III, Lahore.

#### 2 Accounting convention and basis of preparation

This condensed interim financial information has been presented in condensed form in accordance with the requirements of the "International Accounting Standard 34 - Interim Financial Reporting" as applicable in Pakistan and is unaudited. This condensed interim financial information does not include all of the information required for full annual financial statements, and should be read in conjunction with the financial statements of the Company for the period ended 31 December 2008. Further, this condensed interim financial information is being circulated to the shareholders in accordance with the requirements of Section 245 of the Companies Ordinance, 1984.

#### 3 Significant accounting judgements and estimates

The preparation of condensed interim financial information in conformity with approved accounting standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions and judgements 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 judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. In preparing this condensed interim financial information, the significant judgements made by management in applying accounting policies and the key sources of estimation were the same as those that were applied to the financial statements for the period ended 31 December 2008.

#### 4 Accounting policies

Accounting policies adopted for preparation of this condensed interim financial information are same as those applied in the preparation of the audited financial statements of the company for the period ended 31 December 2008. In accordance with revised International Accounting Standard (IAS) 1 "Presentation of Financial Statements" which is applicable for accounting years beginning on or after 01 January, 2009, now 'non-owner changes in equity' have been presented separately as "Condensed Interim Statement of Comprehensive Income" thereby separated from owner changes in equity classified under "Condensed Interim Statement of Changes in Equity".

## Worldcall Telecom Limited

	30 September 2009	31 December 2008
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(Rupees in '000)

#### 5. Property, Plant and Equipment

##### Owned and leased assets:

Opening net book value	<b>9,901,500</b>	8,903,741
Additions during the period	5.1 <b>2,307,970</b>	1,501,660
	<b>12,209,470</b>	10,405,401
Disposals for the period - NBV	5.2 <b>(8,342)</b>	(17,440)
Depreciation for the period	<b>(852,453)</b>	(486,461)
<b>Closing book value</b>	<b>11,348,675</b>	9,901,500

##### 5.1 Break-up of additions/adjustments

Leasehold improvements	4,723	17,971
Plant and equipment	2,285,717	1,427,842
Office equipment	4,509	25,025
Computers	8,740	3,112
Furniture and fixtures	2,784	979
Vehicles	1,235	25,793
Lab and other equipment	262	938
	<b>2,307,970</b>	1,501,660

##### 5.2 Break-up of disposals

Plant and equipment	(7,524)	(15,736)
Office equipment	(124)	(189)
Computers	(179)	(167)
Furniture and fixtures	(26)	(8)
Vehicles	(489)	(1,340)
	<b>(8,342)</b>	(17,440)

#### 6 Long term payables

It includes Rs 157 million received in August 09 against a contract valuing Rs 786 million for the deployment of network in MTR-I awarded by Universal Service Fund(USF), a Company established for the purpose of increasing teledensity in Pakistan.

#### 7 Contingencies and commitments

##### Contingencies

There has been no change in the contingencies since last audited financial statements for the period ended 31 December 2008 except the following:

##### 7.1 Billing disputes with PTCL

7.1.1 There is a dispute of Rs.69.96 million (31 Dec 2008: Rs 69,675 million) with PTCL of non revenue time of prepaid calling cards and Rs. 29.91 million (31 Dec 2008: Rs 16.728 million) for excess minutes billed on account of interconnect and settlement charges. The management is hopeful that matter will be decided in favour of the company.

7.1.2 PTCL has charged the Company excess Domestic Private Lease Circuits (DPLC) and other media charges amounting to Rs. 148.24 million (31 Dec 2008: Rs.78.24 million) on account of difference in rates, distances and date of activation. Further the Company has also deposited

## Worldcall Telecom Limited

Rs. 40 million (31 Dec 2008: 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 management is hopeful that matter will be decided in favour of the Company.

### 7.2 Disputes with Pakistan Telecommunication Authority (PTA)

- 7.2.1** PTA has raised a demand on the Company of Rs. 10.6 million (31 Dec 2008: Rs. 4.3 million) on account of annual microwave and BTS registration charges. The Company is not paying this amount on the grounds that earlier exemptions were given to mobile operators. In addition to this, there is no legal requirement to register BTS with PTA, therefore PTA cannot charge a fee for BTS registration. The management is hopeful that matter will be decided in favour of the Company.
- 7.2.2** PTA has issued a notice to the Company for the cancellation of the 479 MHz and 3.5 GHz frequency bands licenses, as the Company has failed to undertake the rollout of its wireless local loop ("WLL") network in the aforesaid frequencies within the time limit prescribed by PTA. The Authority has right to withdraw unused frequency spectrum and cancel the license for not meeting the said roll out requirement. The Company's stance in this respect is that the rollout in 479 MHz, a non standard frequency band, could not be carried out due to non availability of infrastructure and user terminals. Its deployment and commercial operation is not possible in the limited revised time frame. In 3.5 GHz band, the roll out is delayed due to limited customers' market and high cost of the Customer Premises Equipment. Non-firm standards, technology evolution and optimization of spectrum by PTA are also the main reasons for its delayed rollout. However, the Company has started its roll out plan and is successful in getting commencement certificate in GTR and KTR regions for 3.5 GHz frequency and 479 MHz frequency respectively. In addition to above commencement inspection has been done for 3.5 GHz frequency for the following regions: RTR, CTR, MTR, STR-I, and STR-V while for 479 MHz frequency commencement inspection has been conducted for the following regions: RTR, GTR, FTR, MTR, STR-I, and STR-V. The management is hopeful that the matter will be decided in favour of the Company and notice will be withdrawn.
- 7.2.3** There is a dispute of Rs.491 million (31 Dec 2008: Rs. 491 million) with PTA on Universal Service Fund (USF) representing contribution to USF for the period prior to the formation of USF by the Federal Government. Show cause notice was issued by the PTA which culminated into determination dated 04 April 2008 against the Company. The Company filed an appeal in Honourable Islamabad High Court Islamabad and the Honourable Court was pleased to grant stay order in favour of the Company. The Appeal was finally fixed for hearing on 16 December 2008 on which date arguments were heard and the judgment reserved by the Honourable Court. Thereafter, Honourable Court vide its judgment dated 21 January 2009 has dismissed the appeal of the Company. A Civil Petition for Leave to Appeal (CPLA) has been filed before the Honourable Supreme Court of Pakistan against the judgment of the Honourable Islamabad High Court. The CPLA was fixed for hearing before the Honourable Supreme Court on 29 April 2009. The Honourable Supreme Court after hearing the preliminary arguments has issued notices to Respondents. Next date of hearing was fixed on 28 May 2009. The Honourable Supreme court after further hearing has suspended the case till third week of July 2009 which could not be heard. The office of Honourable Supreme Court is yet to fix the matter for hearing. Based on legal advice, management of the Company is hopeful that the matter will be decided in favour of the Company.

### 7.3 Taxation issues

- 7.3.1** 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 Phonetcards Limited, now merged into the Company. The Company has received orders under section 122(5A) against the said returns filed under self

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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. 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. Other appeals are pending before the Commissioner of Income Tax (Appeals). Based on legal advice, the management is hopeful that matter will be decided in favour of the Company.

- 7.3.2** In year 2006 Sales Tax Authorities served Show Cause Notices to various payphone companies including the Company on account of alleged wrong claim of sales tax refund of Rs. 167 million under section 66 of the Sales Tax Act 1990. The matter was adjudicated and the Additional Collector (Adjudication) Sales Tax, Lahore passed an Order dated 18 September 2007 against the Company and imposed a penalty equivalent to the amount of original alleged claim on the Company and Chief Executive.

In a first appeal, against the order of Adjudicating Authority, Collector (Appeals) Customs, Federal Excise & Sales Tax, Lahore has confirmed the demand vide Order-in-Appeal dated 06 January 2009 however the Collector (Appeals) modified the order to the extent that 100% personal penalty on the Chief Executive stood waived. An appeal, against the decision of the Collector to the Customs, Federal Excise & Sales Tax (Appellate) Tribunal which is the first Forum outside departmental hierarchy has been filed. The Appeal is pending adjudication before the Honorable Tribunal.

The Order of the Additional Collector was also assailed before the Honorable Federal Tax Ombudsman ("FTO").The Honorable FTO has ruled no penalty could be imposed against the Company as there is no element of tax fraud involved in the matter and the issue pertains to a change of opinion of the Federal Board of Revenue. A representation has been filed by the Collectorate against the said Order of the FTO before the Honorable President of Pakistan on which decision is yet awaited. However, in case of another payphone company having similar case, the Honourable President has set aside the decision of FTO and has restored the potential 100% penalty on the principal amount.

During the aforesigned litigation, upon application of the Company under section 47A of the Sales Tax Act, 1990 for constitution of Alternative Dispute Resolution Committee (ADRC) the FBR constituted the Committee and referred the matter to be resolved at ADRC. However, the meeting of ADRC is yet to be convened. As per the legal advice, the Company has an arguable case and there is every likelihood of success.

30 September 2009      31 December 2008  
(Rupees in '000)

#### Commitments

7.4 Outstanding guarantees	<u>910,437</u>	<u>400,403</u>
7.5 Commitments in respect of capital expenditure	<u>659,523</u>	<u>717,104</u>
7.6 Outstanding letters of credit	<u>67,021</u>	<u>637,174</u>

## Worldcall Telecom Limited

	Restated 30 September 2009	30 September 2008
	(Rupees in '000)	
<b>8 Cash generated from operations</b>		
Loss before taxation	(422,282)	(374,349)
<b>Adjustment for non-cash charges and other items:</b>		
Depreciation	852,453	674,883
Amortization of intangible assets	75,247	71,778
Amortization of deferred cost	-	2,059
Interest on PTA license fee	94,977	83,871
Amortization of transaction cost	7,579	54,606
Provision for doubtful receivables	45,922	74,176
(Profit)/loss on disposal of property, plant and equipment	(6,841)	15,081
Provision of impairment of long term investment	-	7,298
Profit on re-measurement of investment property at fair value	-	(2,005)
Impairment loss on available for sale financial assets	167,865	-
Loss on re-measurement of investments at fair value	-	99,680
Retirement benefits	48,520	38,350
Finance cost	226,142	158,620
<b>Profit before working capital changes</b>	<b>1,089,582</b>	<b>904,048</b>

### Effect on cash flow due to working capital changes:

(Increase)/Decrease in the current assets

Stores and spares	19,502	(3,030)
Stock in trade	(30,657)	(120,786)
Trade debts	(943,122)	107,087
Loans and advances	(53,943)	(94,209)
Deposits and prepayments	(34,311)	1,959
Other receivables	172,296	(57,091)
<i>Increase/(Decrease) in current liabilities</i>		
Trade and other payables	996,366	645,782
	<b>126,131</b>	<b>479,712</b>
	<b>1,215,713</b>	<b>1,383,760</b>

### 9 Related party transactions

The related parties comprise foreign subsidiary, local associated companies, related group companies, directors of the Company, companies where directors also hold directorship and key management employees. Significant transactions with related parties are summarised as follows:

	30 September 2009	30 September 2008
	(Rupees in '000)	
<b>Purchase of goods and services</b>		
Purchase of goods and services	494,553	41,931
Sale of goods and services	241,856	9,844
Interest on advance	3,889	1,596

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

## Worldcall Telecom Limited

### 10 Correction of prior period errors

The effect of restatement made in the Company's 30 June 2008 audited financial statements on the condensed interim financial information has already been disclosed in the financial information for the period ended 30 June 2009.

### 11 Date of authorization for issue

This condensed interim financial information was authorized for issue on 29 October 2009 by the Board of Directors of the Company.

### 12 General

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

**12.2** Corresponding figures have been re-arranged wherever necessary for the purpose of comparison.

Lahore

Balochistan  
Chief Executive

Grimm  
Director

## **WORLDCALL TELECOM LIMITED AND ITS SUBSIDIARY**

**CONDENSED CONSOLIDATED INTERIM  
FINANCIAL INFORMATION  
(UN-AUDITED)  
FOR THE PERIOD ENDED**

**30 SEPTEMBER 2009**

### **DIRECTORS' REVIEW**

The Directors of Worldcall Telecom Limited ("WTL or the "Parent Company") are pleased to present the un-audited condensed consolidated financial information of the Group for the nine months ended 30 September 2009.

#### **Operating results**

Revenue for the nine months under review was Rs. 6,049 million as compared to Rs. 3,457 million in the corresponding period last year. The Company posted net loss of Rs. 352 million as compared to Rs. 299 million in the corresponding period last year. Loss per share reported for the nine months is Rs. 0.41 as compared to Rs. 0.35 in the corresponding period last year.

#### **Group Foreign Subsidiary**

##### **Worldcall Telecommunications Lanka (Pvt.) Limited (WTCL)**

Revenue for the nine months under review was SLR 6.554 million as compared to SLR 11.650 million in the corresponding period last year. Net loss for the nine months under review was SLR 8.742 million as against net loss of SLR 29.339 million during the corresponding period last year.

For and on behalf of the Board of Directors

Lahore  
29 October 2009

*Babar Ali Syed*  
**Babar Ali Syed**  
Chief Executive Officer

## Worldcall Telecom Limited Group

### CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (Un-Audited) AS AT 30 SEPTEMBER 2009

	Note	30 September 2009	31 December 2008
		Rupees in ('000)	
<b>Non current assets</b>			
Tangible fixed assets	6	11,369,901	9,923,940
Property, plant and equipment		2,268,879	2,542,065
Capital work-in-progress		13,638,780	12,466,005
Intangible assets		4,807,469	4,928,080
Investment property		76,162	76,162
Long term investment- available for sale		230,763	41,448
Long term deposits		74,490	76,483
<b>CURRENT ASSETS</b>		18,827,664	17,588,178
Store and spares		399,073	418,575
Stock in trade		174,137	143,476
Trade debts		1,873,577	976,494
Loans and advances - considered good		495,128	441,185
Deposits and prepayments		266,083	231,875
Other receivables		14,103	186,398
Short term investments		194,832	344,072
Income tax recoverable-net		146,773	132,683
Cash and bank balances		283,639	564,627
<b>CURRENT LIABILITIES</b>		3,847,345	3,439,385
Current maturities of non-current liabilities		337,159	515,149
Running finance under mark-up arrangements - secured		680,709	427,240
Trade and other payables		2,901,691	1,900,245
Interest and mark-up accrued		314,269	175,371
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		(386,483)	421,380
<b>NON CURRENT LIABILITIES</b>			
Term finance certificates		3,967,975	4,018,133
Deferred taxation		466,689	553,400
Retirement benefits		161,008	157,728
Liabilities against assets subject to finance lease		4,508	63,444
Long term payables		1,178,309	502,674
Long term deposits		46,046	47,174
License fee payable		1,067,102	972,125
Contingencies and commitments	8	6,891,637	6,314,678
<b>REPRESENTED BY</b>		11,549,544	11,694,880
<b>Share capital and reserves</b>			
Authorized capital		9,000,000	9,000,000
900,000,000 (31 December 2008: 900,000,000)			
ordinary shares of Rs. 10 each			
Issued, subscribed and paid up capital		8,605,716	8,605,716
Share premium		837,335	837,335
Fair value reserve-available for sale financial assets		(23,320)	(230,713)
Exchange translation reserve		(1,882)	(1,308)
Accumulated profit		1,801,818	2,159,091
Capital and reserves attributable to equity holders of the Company		11,219,667	11,370,121
Surplus on revaluation		329,877	324,759
		11,549,544	11,694,880

The annexed notes 1 to 13 form an integral part of this condensed consolidated interim financial information.

Lahore

*Balwinder Singh*  
Chief Executive

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*Grimsy*  
Director

## Worldcall Telecom Limited Group

### CONDENSED CONSOLIDATED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED) FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2009

	Nine months ended 30 September 2009	Restated Nine months ended 30 September 2008	Quarter ended 30 September 2009	Restated Quarter ended 30 September 2008
	(Rupees in '000)			
Revenue -Net	6,049,054	3,456,918	2,056,076	1,346,877
Direct cost	(5,051,416)	(2,546,279)	(1,703,175)	(995,077)
<b>Gross profit</b>	<b>997,638</b>	<b>910,639</b>	<b>352,901</b>	<b>351,800</b>
Operating cost	(935,488)	(953,159)	(338,653)	(323,507)
<b>Operating profit/(loss)</b>	<b>62,150</b>	<b>(42,520)</b>	<b>14,248</b>	<b>28,293</b>
Finance cost	(328,911)	(297,551)	(159,743)	(69,986)
	(266,761)	(340,071)	(145,495)	(41,693)
Loss on re-measurement of investments at fair value	-	(99,680)	-	-
Impairment loss on available for sale financial assets	(167,865)	-	-	-
Gain on re-measurement of investment property at fair value	-	2,005	-	-
Other operating income	36,488	91,594	3,202	21,027
Other expenses	(30,335)	(38,935)	(23,275)	(6,921)
<b>Loss before taxation and share from associate</b>	<b>(428,473)</b>	<b>(385,087)</b>	<b>(165,568)</b>	<b>(27,587)</b>
Share of loss from associate	-	(1,141)	-	-
<b>Loss before taxation</b>	<b>(428,473)</b>	<b>(386,228)</b>	<b>(165,568)</b>	<b>(27,587)</b>
Taxation	76,009	86,770	44,407	18,314
<b>Loss after taxation</b>	<b>(352,464)</b>	<b>(299,458)</b>	<b>(121,161)</b>	<b>(9,273)</b>
Attributable to:				
Equity holders of parent	(350,647)	(294,163)	(120,614)	(8,309)
Minority interest	(1,817)	(5,295)	(547)	(964)
	(352,464)	(299,458)	(121,161)	(9,273)
<b>Loss per share - basic</b>	<b>(Rupees)</b>	<b>(0.41)</b>	<b>(0.35)</b>	<b>(0.14)</b>

The appropriations have been shown in the statement of changes in equity.

The annexed notes 1 to 13 form an integral part of this condensed consolidated interim financial information.

Lahore

*Balwinder Singh*  
Chief Executive

[24]

*Grimsy*  
Director

## Worldcall Telecom Limited Group

### CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED) FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2009

	Nine months ended 30 September 2009	Restated Nine months ended 30 September 2008	Quarter ended 30 September 2009	Restated Quarter ended 30 September 2008
	(Rupees in '000)		(Rupees in '000)	
Loss for the period	(352,464)	(299,458)	(121,161)	(9,273)
<b>Other Comprehensive income/(loss)- net of tax:</b>				
Exchange differences on translating foreign operations	(812)	1,250	(465)	93
Net change in fair value of available for sale financial assets	40,075	(149,755)	230,648	(149,755)
Impairment loss transferred to profit and loss account	167,865	-	-	-
Other comprehensive income/(loss) for the period - net of tax	207,128	(148,505)	230,183	(149,662)
Total comprehensive (loss)/income for the period	<u>(145,336)</u>	<u>(447,963)</u>	<u>109,022</u>	<u>(158,935)</u>
Attributable to:				
Equity holders of the Parent	(143,281)	(443,033)	109,705	(157,996)
Minority interest	(2,055)	(4,930)	(683)	(939)
	<u>(145,336)</u>	<u>(447,963)</u>	<u>109,022</u>	<u>(158,935)</u>

The annexed notes 1 to 13 form an integral part of this condensed consolidated interim financial information.

Lahore

Baloch Sardar  
Chief Executive

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Grimm  
Director

## Worldcall Telecom Limited Group

### CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2009

Note	30 September 2009	Restated 30 September 2008
	(Rupees in '000)	
<b>Cash flow from operating activities</b>		
Cash generated from operations	9	1,216,724
Decrease in long term deposits receivable		1,993
Decrease in long term deposits payable		(1,128)
Decrease/(increase) in long term payables		675,635
Retirement benefits paid		(45,381)
Finance cost paid		(450,119)
Taxes paid		(24,791)
<b>Net cash generated from operating activities</b>	<u>1,372,933</u>	<u>976,194</u>
<b>Cash flow from investing activities</b>		
Fixed capital expenditure		(1,625,405)
Intangible assets		-
Sale proceeds of property, plant and equipment		15,183
<b>Net cash used in investing activities</b>	<u>(1,610,222)</u>	<u>(2,162,799)</u>
<b>Cash flow from financing activities</b>		
Receipt of long term finances		-
Repayment of long term finances		(148,299)
Receipt of term finance certificate		-
Receipt of short term borrowing		-
Repayment of term finance certificate		(59,055)
Repayment of finance lease liabilities		(89,814)
<b>Net cash (used in)/generated from financing activities</b>	<u>(297,168)</u>	<u>533,979</u>
<b>Net decrease in cash and cash equivalents</b>	<u>(534,457)</u>	<u>(652,626)</u>
<b>Cash and cash equivalents at the beginning of the period</b>	<u>137,387</u>	<u>700,182</u>
<b>Cash and cash equivalents at the end of the period</b>	<u>(397,070)</u>	<u>47,556</u>

The annexed notes 1 to 13 form an integral part of this condensed consolidated interim financial information.

Lahore

Baloch Sardar  
Chief Executive

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Grimm  
Director

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)  
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2009**

	Attributable to equity holders of the Company								
	Other components of equity								
	Share capital	Accumulated profit/(loss)	Share premium	Fair value reserve-available for sale assets	Currency translation reserve (Rupees in '000)	Convertible loan reserve	Sub Total	Minority interest	Total
<b>Balance as at 31 December 2007- Restated</b>	7,520,607	2,753,524	410,887	-	(1,761)	1,403,575	12,086,832	4,638	12,091,470
Liability component of convertible loan	-	-	-	-	-	107,982	-	-	107,982
Shares issued against convertible loan	1,085,109	-	426,448	-	-	(1,511,557)	-	-	5,299
Transfer from surplus on revaluation	-	5,299	-	-	-	5,299	-	-	-
Total comprehensive (loss)/income for the period as restated	-	(294,163)	-	(149,755)	885	-	(443,033)	(4,930)	(447,963)
Share of minority loss transferred to majority share holders	-	-	(292)	-	-	-	(292)	292	-
<b>Balance as at 30 September 2008- Restated</b>	<b>8,605,716</b>	<b>2,464,368</b>	<b>837,335</b>	<b>(149,755)</b>	<b>(876)</b>	-	<b>11,756,788</b>	-	<b>11,756,788</b>
Transfer to surplus on revaluation	-	(8,664)	-	(80,958)	(432)	-	(8,664)	(8,664)	(378,003)
Total comprehensive loss for the period	-	(292,738)	-	-	-	-	(374,128)	(3,875)	-
Share of minority loss transferred to majority shareholders	-	(3,875)	-	-	-	-	(3,875)	3,875	-
<b>Balance as at 31 December 2008</b>	<b>8,605,716</b>	<b>2,159,091</b>	<b>837,335</b>	<b>(230,713)</b>	<b>(1,308)</b>	-	<b>11,370,121</b>	-	<b>11,370,121</b>
Total comprehensive loss for the period	-	(350,647)	-	207,940	(574)	-	(143,281)	(2,065)	(145,336)
Transfer from fair value reserve	-	(5,118)	-	(547)	-	-	(5,118)	-	(5,118)
Transfer to surplus on revaluation	-	-	-	-	-	-	-	-	-
Share of minority loss transferred to majority share holders	-	-	(2,055)	-	-	-	(2,055)	2,055	-
<b>Balance as at 30 September 2009</b>	<b>8,605,716</b>	<b>1,801,818</b>	<b>837,335</b>	<b>(23,320)</b>	<b>(1,882)</b>	-	<b>11,219,667</b>	-	<b>11,219,667</b>

*Salman Ali*  
Chief Executive

Lahore

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*Arif Ali*  
Director

*Salman Ali*  
Chief Executive

Lahore

**Worldcall Telecom Limited Group**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2009**

**1 Legal status and nature of business**

**1.1 The Group consists of:**

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

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

Worldcall Telecommunications Lanka (Private) Limited ("the Subsidiary") was incorporated in Sri Lanka and is joint venture with Hayleys Group to operate payphones. The principal activity of the subsidiary is the operation and maintenance of public payphones network. Payphones are installed at various shops/commercial outlets. The Company holds 70.65 % of voting securities in the subsidiary.

The registered office of the Company is situated at 67 A, C - III, Gulberg III, Lahore.

**2 Basis of consolidation**

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

**Subsidiary**

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

**Associates**

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

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## Worldcall Telecom Limited Group

### Transactions eliminated on consolidation

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

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

### 3 Accounting convention and basis of preparation

This condensed consolidated interim financial information has been presented in condensed form in accordance with the requirements of the "International Accounting Standard 34 - Interim Financial Reporting" as applicable in Pakistan. This condensed consolidated interim financial information does not include all of the information required for full annual consolidated financial statements, and should be read in conjunction with the financial statements of the Group for the year ended 31 December 2008. Further, this condensed consolidated interim financial Information is being circulated to the shareholders in accordance with the requirements of Section 245 of the Companies Ordinance, 1984.

### 4 Significant accounting judgements and estimates

The preparation of condensed consolidated interim financial information in conformity with approved accounting standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions and judgements 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 judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying accounting policies and the key sources of estimation were the same as those that were applied to the financial statements for the period ended 31 December 2008.

### 5 Accounting policies

Accounting polices adopted for preparation of this condensed consolidated interim financial information are same as those applied in the preparation of the annual audited financial statements of the Group for the period ended 31 December 2008. In accordance with revised International Accounting Standard (IAS) 1 "Presentation of Financial Statements" which is applicable for accounting years beginning on or after 01 January, 2009, 'non-owner changes in equity' have been presented separately as "Condensed Consolidated Interim Statement of Comprehensive Income" thereby separated from owner changes in equity classified under "Condensed Consolidated Interim Statement of Changes in Equity".

## Worldcall Telecom Limited Group

	30 September Note	2009	31 December 2008
		(Rupees in '000)	(Rupees in '000)

### 6. Property, Plant and Equipment

#### Owned and leased assets:

Opening net book value	<b>9,923,940</b>	8,930,588
Exchange adjustment	2,148	4,380
Impairment	-	(4,843)
Additions during the period	6.1 <b>2,307,970</b>	1,501,660
	<b>12,234,058</b>	10,431,785
Disposals during the period - NBV	6.2      (8,342)	(17,440)
Depreciation for the period	(854,671)	(488,136)
Exchange adjustment on depreciation	(1,144)	(2,269)
<b>Closing book value</b>	<b>11,369,901</b>	9,923,940

#### 6.1 Break-up of additions/adjustments

Leasehold improvements	4,723	17,971
Plant and equipment	2,285,717	1,427,842
Office equipment	4,509	25,025
Computers	8,740	3,112
Furniture and fixtures	2,784	979
Vehicles	1,235	25,793
Lab and other equipment	262	938
	<b>2,307,970</b>	1,501,660

#### 6.2 Break-up of disposals

Plant and equipment	(7,524)	(15,736)
Office equipment	(124)	(189)
Computers	(179)	(167)
Furniture and fixtures	(26)	(8)
Vehicles	(489)	(1,340)
	<b>(8,342)</b>	(17,440)

### 7 Long term payables

It includes Rs 157 million received in August 09 against a contract valuing Rs 786 million for the deployment of network in MTR-I awarded by Universal Service Fund(USF), a Company established for the purpose of increasing teledensity in Pakistan.

### 8 Contingencies and commitments

#### Contingencies

There has been no change in the contingencies since last audited financial statements for the period ended 31 December 2008.

#### 8.1 Billing disputes with PTCL

8.1.1 There is a dispute of Rs.69.96 million (31 Dec 2008: Rs 69.675 million) with PTCL of non revenue time of prepaid calling cards and Rs. 29.91 million (31 Dec 2008: Rs 16.728 million) for excess minutes billed on account of interconnect and settlement charges. The management is hopeful that matter will be decided in favour of the company.

8.1.2 PTCL has charged the Company excess Domestic Private Lease Circuits (DPLC) and other media charges amounting to Rs. 148.24 million (31 Dec 2008: Rs.78.24 million) on account of

## Worldcall Telecom Limited Group

difference in rates, distances and date of activation. Further the Company has also deposited Rs. 40 million (31 Dec 2008: 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 management is hopeful that matter will be decided in favour of the Company.

### 8.2 Disputes with Pakistan Telecommunication Authority (PTA)

- 8.2.1** PTA has raised a demand on the Company of Rs. 10.6 million (31 Dec 2008: Rs. 4.3 million) on account of annual microwave and BTS registration charges. The Company is not paying this amount on the grounds that earlier exemptions were given to mobile operators. In addition to this, there is no legal requirement to register BTS with PTA, therefore PTA cannot charge a fee for BTS registration. The management is hopeful that matter will be decided in favour of the Company.
- 8.2.2** PTA has issued a notice to the Company for the cancellation of the 479 MHz and 3.5 GHz frequency bands licenses, as the Company has failed to undertake the rollout of its wireless local loop ("WLL") network in the aforesaid frequencies within the time limit prescribed by PTA. The Authority has right to withdraw unused frequency spectrum and cancel the license for not meeting the said roll out requirement. The Company's stance in this respect is that the rollout in 479 MHz, a non standard frequency band, could not be carried out due to non availability of infrastructure and user terminals. Its deployment and commercial operation is not possible in the limited revised time frame. In 3.5 GHz band, the roll out is delayed due to limited customers' market and high cost of the Customer Premises Equipment. Non-firm standards, technology evolution and optimization of spectrum by PTA are also the main reasons for its delayed rollout. However, the Company has started its roll out plan and is successful in getting commencement certificate in GTR and KTR regions for 3.5 GHz frequency and 479 MHz frequency respectively. In addition to above commencement inspection has been done for 3.5 GHz frequency for the following regions: RTR, CTR, MTR, STR-I, and STR-V while for 479 MHz frequency commencement inspection has been conducted for the following regions: RTR, GTR, FTR, MTR, STR-I, and STR-V. The management is hopeful that the matter will be decided in favour of the Company and notice will be withdrawn.
- 8.2.3** There is a dispute of Rs.491 million (31 Dec 2008: Rs. 491 million) with PTA on Universal Service Fund (USF) representing contribution to USF for the period prior to the formation of USF by the Federal Government. Show cause notice was issued by the PTA which culminated into determination dated 04 April 2008 against the Company. The Company filed an appeal in Honourable Islamabad High Court Islamabad and the Honourable Court was pleased to grant stay order in favour of the Company. The Appeal was finally fixed for hearing on 16 December 2008 on which date arguments were heard and the judgment reserved by the Honourable Court. Thereafter, Honourable Court vide its judgment dated 21 January 2009 has dismissed the appeal of the Company. A Civil Petition for Leave to Appeal (CPLA) has been filed before the Honourable Supreme Court of Pakistan against the judgment of the Honourable Islamabad High Court. The CPLA was fixed for hearing before the Honourable Supreme Court on 29 April 2009. The Honourable Supreme Court after hearing the preliminary arguments has issued notices to Respondents. Next date of hearing was fixed on 28 May 2009. The Honourable Supreme court after further hearing has suspended the case till third week of July 2009 which could not be heard. The office of Honourable Supreme Court is yet to fix the matter for hearing. Based on legal advice, management of the Company is hopeful that the matter will be decided in favour of the Company.

### 8.3 Taxation issues

- 8.3.1** 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 Phonecards 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

## Worldcall Telecom Limited Group

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. 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. Other appeals are pending before the Commissioner of Income Tax (Appeals). Based on legal advice, the management is hopeful that matter will be decided in favour of the Company.

- 8.3.2** In year 2006 Sales Tax Authorities served Show Cause Notices to various payphone companies including the Company on account of alleged wrong claim of sales tax refund of Rs. 167 million under section 66 of the Sales Tax Act 1990. The matter was adjudicated and the Additional Collector (Adjudication) Sales Tax, Lahore passed an Order dated 18 September 07 against the Company and imposed a penalty equivalent to the amount of original alleged claim on the Company and Chief Executive.

In a first appeal, against the order of Adjudicating Authority, Collector (Appeals) Customs, Federal Excise & Sales Tax, Lahore has confirmed the demand vide Order-in-Appeal dated 06 January 2009 however the Collector (Appeals) modified the order to the extent that 100% personal penalty on the Chief Executive stood waived. An appeal, against the decision of the Collector to the Customs, Federal Excise & Sales Tax (Appellate) Tribunal which is the first Forum outside departmental hierarchy has been filed. The Appeal is pending adjudication before the Honorable Tribunal.

The Order of the Additional Collector was also assailed before the Honorable Federal Tax Ombudsman ("FTO"). The honorable FTO has ruled no penalty could be imposed against the Company as there is no element of tax fraud involved in the matter and the issue pertains to a change of opinion of the Federal Board of Revenue. A representation has been filed by the Collectorate against the said Order of the FTO before the Honorable President of Pakistan on which decision is yet awaited. However, in case of another payphone company having similar case, the Honourable President has set aside the decision of FTO and has restored the potential 100% penalty on the principal amount.

In the meanwhile upon application of the Company under section 47A of the Sales Tax Act, 1990 for constitution of Alternative Dispute Resolution Committee (ADRC) the FBR has constituted the Committee and referred the matter to be resolved at ADRC. The meeting of ADRC is yet to be convened. The last date of hearing was fixed on 29th September 2009, the respondent department sought adjournment and was fixed for hearing on 13th October 2009. On 13th October 2009 arguments have been heard and Honorable Tribunal has been pleased to reserve the judgement. Based on the legal advice, the management is hopeful that the matter will be decided in favour of the Company.

During the aforesigned litigation, upon application of the Company under section 47A of the Sales Tax Act, 1990 for constitution of Alternative Dispute Resolution Committee (ADRC) the FBR constituted the Committee and referred the matter to be resolved at ADRC. However, the meeting of ADRC is yet to be convened. As per the legal advice, the Company has an arguable case and there is every likelihood of success.

30 September 2009      31 December 2008  
(Rupees in '000)

#### Commitments

8.4 Outstanding guarantees	910,437	401,337
8.5 Commitments in respect of capital expenditure	659,523	717,104
8.6 Outstanding letters of credit	67,021	637,174

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	30 September 2009	Restated 30 September 2008 (Rupees in '000)
<b>9 Cash generated from operations</b>		
Loss before taxation	(428,473)	(386,228)
<b>Adjustment for non-cash charges and other items:</b>		
Depreciation	854,671	675,973
Amortization of intangible assets	75,247	71,778
Amortization of deferred cost	-	2,059
Interest on PTA license fee	94,977	83,871
Amortization of transaction cost	7,579	54,606
Provision for doubtful receivables	45,922	93,489
Profit on disposal of property, plant and equipment	(6,841)	(2,935)
Impairment Loss	-	9,371
Share of profit of associate	-	1,141
Exchange translation difference	(574)	-
Loss on re-measurement of investments at fair value	-	99,680
Impairment loss on available for sale financial assets	167,865	-
Profit on re-measurement of investment property at fair value	-	(2,005)
Retirement benefits	48,661	38,488
Finance cost	226,355	159,074
<b>Profit before working capital changes</b>	<u>1,085,389</u>	<u>898,362</u>
<b>Effect on cash flow due to working capital changes:</b>		
<i>(Increase)/Decrease in the current assets</i>		
Stores and spares	19,502	(3,030)
Stock in trade	(30,661)	(120,276)
Trade debts	(943,096)	107,553
Loans and advances	(53,943)	(94,209)
Deposits and prepayments	(34,208)	1,845
Other receivables	172,295	(57,077)
<i>Increase/(Decrease) in current liabilities</i>		
Trade and other payables	-	-
	<u>1,001,446</u>	<u>642,370</u>
	<u>131,335</u>	<u>477,176</u>
	<u><u>1,216,724</u></u>	<u><u>1,375,538</u></u>
<b>10 Related party transactions</b>		

The related parties comprise foreign subsidiary, local associated companies, related group companies, directors of the Company, companies where directors also hold directorship and key management employees. Significant transactions with related parties are summarised as follows:

	30 September 2009	30 September 2008
	(Rupees in '000)	
Purchase of goods and services	494,553	41,931
Sale of goods and services	241,856	9,844
Interest on advance	3,889	1,596

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

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### 11 Correction of prior period errors

The effect of restatement made in the Company's 30 June 2008 audited financial statements on the condensed interim financial information has already been disclosed in the financial information for the period ended 30 June 2009.

### 12 Date of authorization for issue

This condensed consolidated interim financial information was authorized for issue on 29 October 2009 by the Board of Directors.

### 13 General

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

13.2 Corresponding figures have been re-arranged wherever necessary for the purpose of comparison.

Lahore

Baloch Shah  
Chief Executive

Grimm  
Director