

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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FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
31 DECEMBER 2010**

COMPANY INFORMATION

Chairman	Mehdi Mohammed Al Abduwani
Chief Executive Officer	Babar Ali Syed
Board of Directors (In Alphabetic order)	Aimen bin Ahmed Al Hosni Asadullah Khawaja (Nominee Arif Habib Securities Ltd.) Bernhard Heinichen Mehdi Mohammed Al Abduwani Saud bin Ahmed Al-Nahari Shehryar Ali Taseer Samy Ahmed Abdulqadir Al Ghassany Talal Said Marhoon Al-Mamari Zafar Iqbal
Chief Financial Officer	Mohammad Noaman Adil
Executive Committee	Mehdi Mohammed Al Abduwani (Chairman) Talal Said Marhoon Al-Mamari (Member) Asadullah Khawaja (Member) Babar Ali Syed (Member) Aimen bin Ahmed Al-Hosni (Member) Saud Mansoor Al-Mazroui (Secretary)
Audit Committee	Talal Said Marhoon Al-Mamari (Chairman) Zafar Iqbal (Member) Asadullah Khawaja (Member) Rizwan Abdul Hayi (Secretary)
Chief Internal Auditor	Mirghani Hamza Al-Madani
Company Secretary	Saud Mansoor Al-Mazroui
Auditors	KPMG Taseer Hadi & Co. Chartered Accountants
Legal Advisers	M/s Khan & Partners Barristers & Solicitors
Bankers	Allied Bank Limited Albaraka Bank (Pakistan) Limited (formerly Emirates Global Islamic Bank Limited) Askari Bank Limited Barclays Bank Plc Pakistan Citi Bank N.A. Deutsche Bank AG 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 Oman International Bank S.A.O.G. Pak Oman Investment Co. Limited Soneri Bank Limited Standard Chartered Bank (Pakistan) Limited Summit Bank Limited (formerly Arif Habib Bank Limited) The Bank of Punjab
Registrar and Shares Transfer Office	THK Associates (Pvt.) Limited Ground Floor State Life Building No.3, Dr. Zia-ud-Din Ahmed Road, Karachi ☎ (021) 111-000-322
Registered Office/Head Office	67-A, C/III, Gulberg-III Lahore, Pakistan ☎ (042) 35872633-38 Fax: (042) 35755231

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 11th Annual General Meeting (“AGM”) of the Shareholders of Worldcall Telecom Limited (the “Company” or “WTL”) will be held on Thursday, 31 March 2011 at 11:00 a.m. at Avari Hotel, 87, Shahrah-e-Quaid-e-Azam, Lahore to transact the following business:

Ordinary Business

1. To confirm the minutes of the last Annual General Meeting held on 25 February 2010;
2. To receive, consider and to adopt the financial statements of the Company for the year ended 31 December 2010 together with the Directors' and Auditors' reports thereon;
3. To appoint Auditors of the Company for the year ending 31 December 2011 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 31 March 2011. Following are the retiring Directors:-
 1. Mr. Mehdi Mohammed AlAbduwani
 2. Mr. Talal Said Marhoon Al-Mamari
 3. Mr. Bernhard Heinichen
 4. Mr. Samy Ahmed Abdulqadir Al Ghassany
 5. Mr. Zafar Iqbal
 6. Mr. Aimen bin Ahmed Al Hosni
 7. Mr. Saud bin Ahmed Al-Nahari
 8. Mr. Shehryar Ali Taseer
 9. Mr. Asadullah Khawaja (nominee Arif Habib Securities Limited)

Special Business

5. To consider, and if thought fit, to pass the following special resolutions, with or without modification, regarding amendments in the Articles of Association of the Company.


RESOLVED THAT:

- A) **Article 23-Annual General Meeting.** “Period of six months” be replaced by “a period prescribed under Section 158(1) of the Companies Ordinance 1984” in 4th line after the word “calendar year within” and before the word “following the close”.
- B) **Article 28-Quorum.** “Two” be replaced by “Ten” in 2nd line after the word “business” and before the word “members” present personally”.

RESOLVED FURTHER THAT the Chief Executive Officer or any one Director and/or the Company Secretary and/or the Officiating Company Secretary of the Company be and hereby authorized singly to complete all the necessary corporate and legal formalities in respect of the above.”

6. To transact any other business with the permission of Chair.

By order of the Board


Babar Ali Syed
Chief Executive Officer

Lahore
08 March 2011

Notes:

- 1) The Register of Members will remain closed from 24 March 2011 to 31 March 2011 (both days inclusive). Transfers received at THK Associates (Pvt.) Limited, Ground Floor, State Life Building No. 3, Dr. Ziauddin Ahmed Road, Karachi, the Registrar and Shares Transfer Office of the Company, by the close of business on 22 March 2011 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) The Company reported the impediments to The Registrar, Securities & Exchange Commission of Pakistan, Lahore on 25 November 2010 under Section 177 for holding the Election of Directors on 31 March 2011 instead of 30 December 2010.

STATEMENT UNDER SECTION 160(1) (b) OF THE COMPANIES ORDINANCE, 1984

This statement is annexed as an integral part of the Notice of the 11th Annual General Meeting of Worldcall Telecom Limited (“the Company” or “WTL”) to be held on 31 March 2011 at 11:00 a.m. at Avari Hotel, 87, Shahrah-e-Quaid-e-Azam, Lahore and sets out the material facts concerning the Special Business to be transacted at the Meeting.

In order to streamline the Articles of Association of the Company with the provisions of Sections 158(1) and 160(2) of Companies Ordinance, 1984 as amended, the Board of Directors has approved the amendments in the Articles 23 and 28 of the Articles of Association of the Company and recommended the same to the members for their approval.

INSPECTION OF DOCUMENTS

Recent annual/quarterly accounts along with all published or otherwise required accounts of all prior periods of the Company, Memorandum and Articles of Association of the Company, latest available shareholding pattern of the Company, and any other related information of the Company may be inspected/procured during the business hours on any working day at the Registered Office of the Company from the date of publication of this notice till the conclusion of the General Meeting. The recent financial statements of the Company can also be reviewed/downloaded from the website: www.worldcall.com.pk under the heading “Financials”.

INTEREST OF THE DIRECTORS AND THEIR RELATIVES

The Directors of the Company including the Chief Executive and their relatives (if any) have no direct or indirect interest in the Special Business.

MESSAGE FROM THE CHAIRMAN

Respected Shareholders;

On behalf of the Board of Directors I take this opportunity to address you as we move into a new financial year. On the outside, the year that left us was characterized by challenging macro-economic environment, turbulent market situation and massive disorder due to floods across the country. Internally too, it was a difficult year as on account of financial limitations and non availability of proposed funding at the planned time, the Company could not execute several expansion plans as envisaged earlier at the start of year. The non materialization of various projects adversely influenced the scale and standard of services offered in the highly competitive market arena and consequently impacted the financial indicators of the Company.

But as I look forward to the future, I can witness many reasons supported by strong fundamentals which speak loud about a better and superior performance in coming times. Internally the patronage of Omantel in the form of corporate guarantee which has been successfully concluded towards the end of year is a definite reflection of the potential and capability that this Company possesses. All procedural requirements against the first phase of funding comprising term facility of USD 35 million against this corporate guarantee have been successfully complied subsequent to year end. This funding will positively ease the liquidity limitations being confronted by the Company. The management intends to transform this relief into growth driver by assiduously utilizing this to accomplish expansions and upgrades. Given the scale of deployed network, the market presence across all major cities of the country and the planned initiatives to increase the market share, the Company is expected to make a turnaround in the coming year.


In terms of the external environment and the market outlook the information and communication technology is all set to revolutionize the lives of people. As the broadband penetration would continue its movement, the time will observe a remarkable change in the way people lead their lives. The distances would evaporate as all the facilities from the casual retail shopping to health, banking and education will be available through a fast and secure data connection. It would be really interesting and noteworthy for this Company to be a part and facilitator of this change as a multi service operator providing services to a community at large.

The vision that I share with the other management team members illustrates the rich potential, strong ability and the enabling capacity, all favoring to take up the challenges and welcome the opportunities which transpire in the days ahead. I am hopeful that based on the factors discussed and the expected layout of the future particularly the insatiable appetite of this society for affordable, fast and reliable information and infotainment, the turnaround is not so distant.

I am also thankful to all the members of the Board's committees and the executive management for their support, dedication and commitment with this Company. The employees of this Company must also be applauded for their untiring efforts, devotion and loyalty. I also take this opportunity to express my gratitude for the regulatory bodies which provide the enabling environment for the success of this industry.

Chairman, Board of Directors of Worldcall Telecom Limited

Muscat:
08 March 2011


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

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 2010.

Financial Overview

The year remained somewhat dismal on the front of financial performance. The Company was not able to sustain the revenue levels which it achieved last year. Primarily the fall came due to decline in international termination, delay in roll outs and tariff adjustments in response to price wars. The LDI segment of the Company remained under pressure due to lower APC charges and termination rate instability. The price cuts forced due to the gravity of competition and lower traffic volumes adversely impacted the revenue lines. The depleting margins aggravated the position as the cost of operations continuously soared on account of macro-economic instability, energy crises, and inflationary trends prevailing in the economy. The decline of international segment was partly compensated as the Company strengthened its position in the data and EVDO segment. However the desired targets in these segments too could not be materialized due to delay in expansion and upgrade plans.

The Company posted revenue of Rs 7,464 million which was 11% lower than the last year total. Despite all endeavors of cost rationalization on the part of management, the direct and operating costs remained high on account of heavy depreciation charges, network maintenance expenses and rising cost of doing business. The decline in revenue together with higher cost levels translated to operating loss of Rs 762 million. The finance cost also showed 42% increase due to exposure to high cost borrowings. Fall in the overall revenue together with high levels of costs led to closure of period with net loss of Rs 1,147 million.

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

	Year 2010	Year 2009
	------(Rupees in Million)-----	
Revenue	7,464	8,408
Direct Cost	(6,600)	(7,036)
Gross Profit	864	1,372
Operating Cost	(1,626)	(1,356)
Finance Cost	(743)	(523)
Impairment Loss	(66)	(168)
Loss after tax	(1,147)	(491)
EPS - (Rupees)	(1.33)	(0.57)

Operational Performance Review

Despite the limitations that confronted, the Company nevertheless was able to show some positive achievements. Omantel, the Parent Company took keen interest in the affairs of the Company and there was a continuous exchange of information aimed at building a unified and coherent vision about the future. The major success came as towards the close of financial year the Shareholders of Omantel graciously gave approval for the corporate guarantee of USD 35 million. This not only reflects the patronage and support of Omantel but also gives a strong demonstration of the current potential and future margin of performance. The said approval is the actual realization of the vision of the long term, broad based and vibrant partnership among the two companies. The support of Omantel in financial and operational terms has a great strategic advantage and will continue to be a vital element in the overall structure of the Company.

Another success came as the Company closed TFC-III redemption worth Rs 817 million in Oct 2010. Subsequent to that, redemption of Rs. 71 million against TFC-II was also accomplished. These hefty payoffs nevertheless led to accumulation of some other liabilities on the balance sheet, but honoring of such heavy commitments to financial institutions in time can be seen as a good gesture.

The activities in the GTR and MTR under the USF award continued throughout the year. The rampant floods across the country impeded the activity but towards the close of year, major deployment work in MTR has been completed. Similarly installation work in major cities of GTR namely Sialkot and Gujranwala has also been completed.

The EVDO expansion project was also successfully conducted during the year and the presence in seven major cities across the country was effectively accomplished. To support the scale of operations and to meet the customer requirement for fast and reliable services, the Company increased number of sites and upgraded the existing sites as well.

Funding

The first phase of funding comprising term facility of USD 35 million against corporate guarantee of Omantel has been successfully accomplished subsequent to year end. All procedural requirements in this regard have been successfully complied with.

The Future Outlook and Way Forward

The Company is looking forward to next year with a vision of long term growth. The initial term facility of USD 35 million and the remaining funding of equivalent amount will be prudently allocated between network development and operational expenditure heads. On the development and network enhancement side, the capital expenditure that has been planned for the coming year aims at augmenting the strategic competitiveness of the Company across the whole market. The network outreach, standard and scale of services, diversity of products offered and the value delivered to the users, all these factors are expected to improve as the result of the planned initiatives. The footprints across the market will be strengthened and expanded. Investment will be made in the service delivery channels to ensure seamless delivery of consistent and high value services. On the other hand, the mitigation of hefty liabilities will not only ease the finance cost burden but would also spare resources for productive usage in turn leading to further enhancement in the cash generating ability of the Company. The decline in debt servicing costs will also improve the profitability in the year ahead.

As outlined in the five year plan, the Company is pursuing the strategy of maintaining its position in the voice segment and penetrating the data market at a wider scale. The five year plan effectively addresses the evolving market challenges and demonstrates clear road map to achieve the Company's objectives of long term value creation for all the stake holders. With reference to data market, the Company intends to excel the competition by adding additional cities to its service net and by provisioning of quality services at prices which remain affordable for the masses. Expansion in the service net will give advantage in demographical and geographic terms. The high level of population can be looked forward to as potential subscribers keeping in view the growing requirements of masses for the information services. The presence in diversified areas would also allow use of segmented pricing so as to adequately address the market dynamics and customer affordability in respective areas. The whole experience of the customer from the first interaction at the touch point to the consistent usage of the service will be enriched. The planned network upgrades and expansions will ensure delivery of seamless, high quality and reliable services to end users. Simultaneously with the enhancement of data segment, the Company is looking forward to reverse the downward trends in the wireless telephony. The strong system architecture and the expertise possessed by the Company will be used to offer innovative service bouquets which will enable the subscribers to enjoy multitude of services at optimum price.

One of the strategic assets of the Company is the extensive HFC network in the major metropolitan cities of Lahore and Karachi. The Company intends to go for the expedite upgrade of the network besides increasing the service area. Fifty thousand new house passes will be added to the service net to further strengthen and increase the market standing. The market appetite for high standard and modernized infotainment services is gradually increasing and the growing urbanization is also expected to continue. All these factors will keep the market size on the high and would be a good opportunity to create a long lasting customer base. The organic growth in this segment can be easily used to create a brand image carrying distinctive attributes of reliability and superior performance.

The service standard and the customer satisfaction has been a critical factor as all market participants offer highly substitutive products. The Company is mindful of the quality and value requirements of its subscriber base and has plans

to adequately address them. Further the process of creating awareness about the Company's portfolio and building an image of reliability and quality will also be addressed with a keen vision.

Business Process Re-Engineering

The Company has successfully completed a Business Process Re-Engineering project (BPR) with the support of A. F. Ferguson & Co. (a member firm of Price Waterhouse Coopers) in different areas of the Company. The initiative was taken by Board of Directors of the company which will now lead to implementation of an Enterprise Resource Planning (ERP) in the next year. Management believes that with these initiatives, the company will have better and effective controls within the organization.

Corporate Social Responsibility

In the midst of the prevailing uncertainty in the country on the economic as well as security front, it has been a big challenge to maintain large scale Corporate Social Responsibility (CSR) programmes. Company's employees voluntarily contributed one day's salary to affectees of devastating floods in most of the parts of Punjab and Sindh.

Company also contributes Rs. 100 on the sale of each EVDO device to World's Renowned and biggest private sector cancer hospital Shaukat Khanum Memorial Hospital. It is a clear expression of its commitment to serve the community through transparent and responsible business practices.

Changes in the Board of Directors

During the period Ms. Sumbul Munir and Mr. Mohamad Ahmad Ghamlouch resigned and Mr. Aimen bin Ahmed Al Hosni and Mr. Saud bin Ahmed Al-Nahari were appointed in their places.

Board Meetings During the Period

Five (5) meetings of the Board of Directors were held during the period. Attendance by each director is as under:

Name of Board Member	Meeting Attended
Mr. Mehdi Mohammed Al-Abduwani	5
Mr. Talal Said Marhoon Al-Mamari	5
Mr. Bernhard Heinichen	4
Mr. Saud bin Ahmed Al -Nahari	1
Mr. Samy Ahmed Abdulqadir Al-Ghassany	5
Mr. Salmaan Taseer	0
Mr. Aimen bin Ahmed Al-Hosni	2
Mr. Asadullah Khawaja (Nominee: Arif Habib Securities Ltd.)	5
Mr. Zafar Iqbal	5
Ms. Sumbul Munir (Resigned)	0
Mr. Mohammad Ahmad Ghamlouch (Resigned)	0

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

Subsequent to the year end, Mr. Salmaan Taseer was assassinated and the casual vacancy was filled by Mr. Shehryar Ali Taseer.

Audit Committee

The Board of Directors, in compliance with the Code of Corporate Governance has established an audit committee

consisting of the following:

Mr. Talal Said Marhoon Al-Mamari	Chairman
Mr. Asadullah Khawaja	Member
Mr. Zafar Iqbal	Member
Ms. Sumbul Munir (Resigned)	Member
Mr. Mirghani Hamza Al-Madani	Chief Internal Auditor
Mr. Rizwan Abdul Hayi	Secretary

During the year five (5) 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 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:

Mr. Mehdi Mohammed Al-Abduwani	Chairman
Mr. Talal Said Marhoon Al-Mamari	Member
Mr. Asadullah Khawaja	Member
Mr. Babar Ali Syed	Member
Mr. Aimen bin Ahmed Al-Hosni	Member
Mr. Saud Mansoor Al-Mazroui	Secretary

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 five (5) meetings of the executive committee were held.

Auditors

The present auditors M/s KPMG Taseer Hadi & Co., Chartered Accountants retire and offer themselves for re-appointment. As suggested by the audit committee, the Board of Directors has recommended their re-appointment as auditors of the Company for the year ending December 31, 2011, 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 December 31, 2010 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 December 31, 2010 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 December 31, 2010.

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 and 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 the 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 current year loss, negative cash flow and future expansion plans, the directors have not recommended any dividend / payout for the year.

Fixation of Number of Directors

The Board of Directors of the Company in their meeting held on 25 January 2011 has fixed the number of directors to be elected U/s 178 (1) of the Companies Ordinance, 1984 for further period of three years as 07 (Seven).

Pattern of Shareholding

A statement of the pattern of shareholding of different classes of shareholders as at December 31, 2010, whose disclosure is required under the reporting framework, is included in the annexed shareholders' information.

The Directors, CEO, CFO, 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.

Holding Company Information

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

Consolidated Financial Statements

Consolidated financial statements of the Company and its subsidiary, Worldcall Telecommunications Lanka (Pvt) Ltd (Incorporated in Sri Lanka) are submitted herewith.

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 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

Lahore:
08 March 2011


BABAR ALI SYED
CHIEF EXECUTIVE OFFICER

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

	Opening balance as on 31-12-2009	Purchase	Bonus	Sale	Closing balance as on 31-12-2010
Directors					
Mr. Mehdi Mohammed Al-Abduwani	500	20,000	-	-	20,500
Mr. Talal Said Marhoon Al-Mamari	500	-	-	-	500
Mr. Mohamad Ahmed Ghamlouch (Resigned)	500	-	-	500	-
Mr. Saud bin Ahmed Al-Nahari	-	500	-	-	500
Mr. Bernhard Heinichen	500	-	-	-	500
Mr. Samy Ahmed Abdulqadir Al-Ghassany	500	-	-	-	500
Mr. Salmaan Taseer	35,281	-	-	-	35,281
Ms. Sumbul Munir (Resigned)	575	-	-	575	-
Mr. Aimen bin Ahmed Al-Hosni	-	575	-	-	575
Mr. Asadullah Khawaja (Nominee: Arif Habib Securities Ltd.)	100,000	-	-	-	100,000
Mr. Zafar Iqbal	500	-	-	-	500
Mr. Babar Ali Syed (CEO)	75	-	-	-	75
Chief Financial Officer					
Mr. Mohammad Noaman Adil	-	-	-	-	-
Company Secretary					
Mr. Saud Mansoor Al Mazroui	-	390,000	-	-	390,000
Spouses / Minor Children					
Aamna Taseer	1,246	-	-	-	1,246

**FIVE YEARS FINANCIAL PERFORMANCE
INCOME STATEMENTS**

	Year ended 31 Dec 2010	Year ended 31 Dec 2009	Period ended 31 Dec 2008	Restated Year ended 30 June 2008	Year ended 30 June 2007
	------(Rupees in '000)-----				
Revenue -net	7,464,404	8,408,275	3,091,482	4,319,539	4,312,513
Direct cost	(6,600,011)	(7,036,603)	(2,260,757)	(2,854,820)	(2,628,806)
Gross profit	<u>864,393</u>	<u>1,371,672</u>	<u>830,725</u>	<u>1,464,719</u>	<u>1,683,707</u>
Operating cost	(1,626,014)	(1,356,317)	(1,133,279)	(1,210,139)	(1,057,853)
Operating (loss)/profit	<u>(761,621)</u>	<u>15,355</u>	<u>(302,554)</u>	<u>254,580</u>	<u>625,854</u>
Finance cost	(743,413)	(523,025)	(163,182)	(460,569)	(312,939)
	<u>(1,505,034)</u>	<u>(507,670)</u>	<u>(465,736)</u>	<u>(205,989)</u>	<u>312,915</u>
Gain on re-measurement of investment at fair value	-	-	-	3,844	279,183
Gain on re-measurement of investment property at fair value	1,378	-	-	4,012	15,516
Impairment loss on available for sale financial assets	(65,894)	(167,865)	-	-	-
Other operating income	58,097	103,993	98,568	93,355	138,086
Other expenses	-	(51,981)	(23,113)	(29,941)	(39,259)
(Loss)/profit before taxation	<u>(1,511,453)</u>	<u>(623,523)</u>	<u>(390,281)</u>	<u>(134,719)</u>	<u>706,441</u>
Taxation	364,447	132,704	90,993	88,365	(82,905)
(Loss)/profit after taxation	<u>(1,147,006)</u>	<u>(490,819)</u>	<u>(299,288)</u>	<u>(46,354)</u>	<u>623,536</u>
Bonus shares	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(Loss)/earning per share - basic and diluted	<u>(1.33)</u>	<u>(0.57)</u>	<u>(0.35)</u>	<u>(0.06)</u>	<u>0.83</u>

**STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES ON
TRANSFER PRICING FOR THE YEAR ENDED 31 DECEMBER 2010**

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

Lahore:
25 January 2011



BABAR ALI SYED
CHIEF EXECUTIVE OFFICER

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2010

This statement is being presented to comply with the Code of Corporate Governance contained in listing regulations of Karachi Stock Exchange (Guarantee) Limited and Lahore Stock Exchange (Guarantee) Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best 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 CEO, out of which 1 director is an independent non-executive director and 2 directors represent minority shareholders.
- 2) The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
- 3) All the resident directors of the Company are registered as taxpayers and none of them has 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) All casual vacancies occurring in the Board were filled up by the directors within 30 days thereof.
- 5) The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the Company.
- 6) The board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
- 7) All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the board.
- 8) The 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 for its directors during the year to apprise them of their duties and responsibilities.
- 10) The Board has approved appointment of Company Secretary, Chief Financial Officer and Chief Internal Auditor including remuneration and terms and conditions of employment, as determined by the CEO.
- 11) The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
- 12) The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
- 13) The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

- 14) The Company has complied with all the corporate and financial reporting requirements of the Code.
- 15) The Board has formed an audit committee. At present the committee 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) 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:
25 January 2011

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **Worldcall Telecom Limited** (“the Company”) to comply with the Listing Regulations of Karachi and Lahore Stock Exchanges.

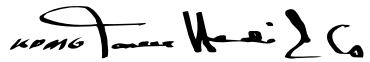
The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance 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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further, Sub- Regulation (xiii a) of Listing Regulation No. 35 (previously Regulation No. 37) notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 2009 requires 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 under taken at arm's length price.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance.

Lahore:
25 January 2011


KPMG Taseer Hadi & Co.
Chartered Accountants
(Kamran Iqbal Yousafi)

AUDITORS' REPORT TO THE MEMBERS

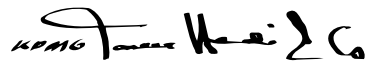
We have audited the annexed balance sheet of **Worldcall Telecom Limited** (“the Company”) as at 31 December 2010 and the related profit and loss account, cash flow statement, statement of other comprehensive income and statement of changes in equity together with the notes forming part thereof, for 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 the 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, cash flow statement, statement of other comprehensive income 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 2010 and of the loss, its cash flows, comprehensive loss 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:
25 January 2011



KPMG Taseer Hadi & Co.
Chartered Accountants
(Kamran Iqbal Yousafi)

Worldcall Telecom Limited

BALANCE SHEET AS AT 31 DECEMBER 2010

	Note	31 December 2010	31 December 2009
------(Rupees in '000)-----			
NON CURRENT ASSETS			
Tangible fixed assets			
Property, plant and equipment	3	12,795,044	12,110,704
Capital work-in-progress	4	751,378	1,650,854
		<u>13,546,422</u>	<u>13,761,558</u>
Intangible assets			
Investment properties	5	4,606,312	4,767,265
Long term trade receivable	6	89,900	76,162
Deferred taxation	7	46,805	-
Long term deposits	8	18,953	-
	9	63,439	68,801
		<u>18,371,831</u>	<u>18,673,786</u>
CURRENT ASSETS			
Stores and spares	10	192,075	317,614
Stock in trade	11	192,917	182,105
Trade debts	12	2,016,418	2,116,744
Loans and advances - considered good	13	384,116	469,790
Deposits and prepayments	14	174,051	181,918
Other receivables	15	24,999	15,890
Short term investments-available for sale	16	310,472	378,439
Income tax recoverable-net		155,433	143,111
Cash and bank balances	17	183,960	336,480
		<u>3,634,441</u>	<u>4,142,091</u>
CURRENT LIABILITIES			
Current maturities of non-current liabilities	18	2,246,171	1,858,591
Running finance under mark-up arrangements - secured	19	1,170,964	1,045,660
Short term borrowings	20	200,000	-
Trade and other payables	21	4,650,005	2,239,121
Interest and mark-up accrued	22	170,569	166,605
		<u>8,437,709</u>	<u>5,309,977</u>
		<u>(4,803,268)</u>	<u>(1,167,886)</u>
NET CURRENT LIABILITIES			
NON CURRENT LIABILITIES			
Term finance certificates - secured	23	2,166,079	3,364,861
Deferred taxation	8	-	398,122
Retirement benefits	24	226,979	175,942
Liabilities against assets subject to finance lease	25	15,962	18,542
Long term payables	26	886,361	2,125,220
Long term deposits		43,208	44,160
License fee payable	27	-	-
		<u>3,338,589</u>	<u>6,126,847</u>
Contingencies and commitments	28		
		<u>10,229,974</u>	<u>11,379,053</u>
Represented by			
Share capital and reserves			
Authorized capital 900,000,000 (31 December 2009: 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	29	8,605,716	8,605,716
Share premium	30	837,335	837,335
Fair value reserve		(72,548)	(70,475)
Accumulated profit		521,111	1,674,903
		<u>9,891,614</u>	<u>11,047,479</u>
Surplus on revaluation	31	338,360	331,574
		<u>10,229,974</u>	<u>11,379,053</u>

The annexed notes 1 to 46 form an integral part of these financial statements.

Muscat:
25 January 2011

Balambidi
CHIEF EXECUTIVE OFFICER
Annual Report 2010

G. N. S.
DIRECTOR

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2010**

	Note	31 December 2010	31 December 2009
------(Rupees in '000)-----			
Revenue -net	32	7,464,404	8,408,275
Direct cost	33	(6,600,011)	(7,036,603)
Gross profit		864,393	1,371,672
Operating cost	34	(1,626,014)	(1,356,317)
Operating (loss)/profit		(761,621)	15,355
Finance cost	35	(743,413)	(523,025)
		(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		(65,894)	(167,865)
Other operating income	36	58,097	103,993
Other expenses	37	-	(51,981)
Loss before taxation		(1,511,453)	(623,523)
Taxation	38	364,447	132,704
Loss after taxation		(1,147,006)	(490,819)
Loss per share - basic and diluted	(Rupees) 39	(1.33)	(0.57)

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

The annexed notes 1 to 46 form an integral part of these financial statements.

Muscat:
25 January 2011

Balambidi
CHIEF EXECUTIVE OFFICER
Annual Report 2010

Griffith
DIRECTOR

Worldcall Telecom Limited

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2010

	31 December 2010	31 December 2009
	------(Rupees in '000)-----	
Loss for the year	(1,147,006)	(490,819)
Other comprehensive (loss)/income-net of tax:		
Net change in fair value of available for sale financial assets	(67,967)	(7,627)
Impairment loss transferred to profit and loss account	65,894	167,865
	(2,073)	160,238
Total comprehensive loss for the year	(1,149,079)	(330,581)

The annexed notes 1 to 46 form an integral part of these financial statements.

Muscat:
25 January 2011


CHIEF EXECUTIVE OFFICER
Annual Report 2010


DIRECTOR

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2010**

	Note	31 December 2010	31 December 2009
		------(Rupees in '000)-----	
Cash flows from operating activities			
Cash generated from operations	41	3,013,732	817,354
Decrease in long term deposits receivable		5,362	7,682
Increase in long term trade receivable		(60,191)	-
Decrease in long term deposits payable		(952)	(1,951)
(Decrease)/increase in long term payables		(622,161)	1,622,546
Retirement benefits paid		(43,828)	(82,729)
Finance cost paid		(738,229)	(794,089)
Taxes paid		(64,950)	(32,995)
Net cash generated from operating activities		1,488,783	1,535,818
Cash flows from investing activities			
Fixed capital expenditure		(1,113,451)	(1,909,534)
Sale proceeds of property, plant and equipment		20,435	19,911
License fee paid		(113,500)	-
Net cash used in investing activities		(1,206,516)	(1,889,623)
Cash flows from financing activities			
Repayment of long term finances		(37,494)	(259,098)
Running finance- net		125,304	618,420
Receipts from short term borrowings		200,000	-
Repayment of term finance certificates		(665,254)	(118,109)
Repayment of finance lease liabilities		(57,343)	(115,116)
Net cash (used in)/ from financing activities		(434,787)	126,097
Net decrease in cash and cash equivalents		(152,520)	(227,708)
Cash and bank balances at the beginning of the year		336,480	564,188
Cash and bank balances at the end of the year		183,960	336,480

The annexed notes 1 to 46 form an integral part of these financial statements.

Muscat:
25 January 2011

Balambidi
CHIEF EXECUTIVE OFFICER

G. I. M. S.
DIRECTOR

Annual Report 2010

Worldcall Telecom Limited

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2010

	Share capital	Share Premium	Fair value reserve- available for sale assets	Accumulated profit	Revaluation reserve	Total
	----- (Rupees in '000) -----					
Balance as at 31 December 2008	8,605,716	837,335	(230,713)	2,172,537	324,759	11,709,634
Transfer to surplus on revaluation	-	-	-	(6,815)	6,815	-
Total comprehensive loss for the year	-	-	160,238	(490,819)	-	(330,581)
Balance as at 31 December 2009	<u>8,605,716</u>	<u>837,335</u>	<u>(70,475)</u>	<u>1,674,903</u>	<u>331,574</u>	<u>11,379,053</u>
Transfer to surplus on revaluation	-	-	-	(6,786)	6,786	-
Total comprehensive loss for the year	-	-	(2,073)	(1,147,006)	-	(1,149,079)
Balance as at 31 December 2010	<u><u>8,605,716</u></u>	<u><u>837,335</u></u>	<u><u>(72,548)</u></u>	<u><u>521,111</u></u>	<u><u>338,360</u></u>	<u><u>10,229,974</u></u>

The annexed notes 1 to 46 form an integral part of these financial statements.

Muscat:
25 January 2011

Balanda
CHIEF EXECUTIVE OFFICER
Annual Report 2010

Griffith
DIRECTOR

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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-CIII, Gulberg III, Lahore. In 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").

2 Summary of significant accounting policies

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

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. Approved accounting standards comprise of such International Financial Reporting Standards 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 (SECP) differ with the requirements of these standards, requirements of the Companies Ordinance, 1984 or requirements of the said directives take precedence.

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.

2.3 Significant accounting judgments and estimates

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the 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 2.4, 2.5, 3 & 5)
- Staff retirement benefits- (note 2.13 & 24)
- Taxation- (note 2.8 & 38)
- Provisions and contingencies- (note 2.18 & 28)
- Investment properties- (note 2.6 & 6)
- Impairment testing of Goodwill - (note 5.3)

2.4 Fixed capital expenditure and depreciation

Property, plant and equipment

Property, plant and equipment (except freehold land and plant & equipment) are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at cost and plant & 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 3.

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 (unappropriated profit).

Depreciation on additions is charged on a pro-rata basis from the month in which the asset is put to use, while for disposals, depreciation is charged up to the month of disposal. Where an impairment loss is recognized, the depreciation charge is adjusted in the future years 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 (unappropriated 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 its 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 3. Depreciation of leased assets is charged to income.

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

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

Capital work-in-progress

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

2.5 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 5. Amortization on licenses is charged to the profit and loss account from the month in which the related operations are commenced. Amortization on additions to other intangible assets is charged on a pro-rata basis from the month in which asset is put to use, while for disposals amortization is charged up to the month of disposal.

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 asset is determined as a difference between net disposal proceeds and carrying amount of the asset and is recognized as income or expense in the profit and loss account. Related surplus on revaluation of intangible asset is transferred directly to retained earnings (unappropriated profit).

2.6 Investment properties

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

Any gain or loss arising from a change in fair value is recognized in the profit and loss account. Rental income from investment property is accounted for as described in note 2.16

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

2.7 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'.”

Investments at fair value through profit or loss

Investments that are acquired principally for the purpose of generating profit from short term fluctuations in price or dealer's margin are classified as at fair value through profit and loss account.

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

Available for sale investments

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

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

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

2.8 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 recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

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

Deferred tax assets and liabilities are calculated at the rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or 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.

2.9 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:

Stores and spares

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

Stock in trade

Cost is determined on weighted average basis.

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

2.10 Trade debts and other receivables

Trade debts and other receivables are recognized 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.

2.11 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 recognized initially at fair value less attributable transaction cost. Subsequent to initial recognition, these are stated at amortized cost with any difference between cost and redemption value being recognized in the profit and loss over the period of the borrowings on an effective interest 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 recognized at fair value plus directly attributable cost, if any, and subsequently at amortized cost using effective interest rate method.

2.12 Trade and other payables

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

2.13 Retirement and other benefits

Defined benefit plan

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

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

Accumulating compensated absences

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

The unutilized 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.

2.14 Impairment losses

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

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

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

2.15 Foreign currencies

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

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

2.16 Revenue recognition

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

Revenue from different sources is recognized as follows:

- Revenue from terminating minutes is recognized at the time the call is made over the network of the Company.
- Revenue from originating minutes is recognized on the occurrence of calls both for prepaid and postpaid subscribers.
- Subscription revenue from Cable TV, EVDO, internet over cable and channels subscription fee is recognized on provision of services.
- Connection and membership fee is recognized at the time of sale of connection.
- Sale of goods is recognized on dispatch of goods to customer.
- Advertisement income is recognized on the basis of spots run when commercials are aired on the network.
- Interest income is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return.
- Revenue from metro fiber connectivity/sale is recognized on delivery of services.
- Rental income from investment property is recognized in the profit and loss account on accrual basis.
- Revenue from prepaid cards is recognized as credit is used.
- Dividend income is recognized when the right to receive payment is established.

2.17 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 markup, interest and other charges are recognized as an expense in the period in which they are incurred.

2.18 Provisions

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

2.19 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 demand deposits.

2.20 Financial instruments

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

Offsetting of financial assets and financial liabilities

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

2.21 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.

2.22 Dividend

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

3 Property, plant and equipment

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

	Cost/revalued Amount as at 01 Jan 2010	Additions/ (Disposals)	Transfers/ Adjustments	Cost/revalued amount as at 31 December 2010	Accumulated depreciation as at 01 Jan 2010	Depreciation charge for the year/ (Disposals)	Transfers/ Adjustments	Accumulated depreciation as at 31 December 2010	Net book value as at 31 December 2010	Depreciation rate %
(Rupees in '000)										
Owned assets										
Freehold Land	19,800	5,760	(5,760)	19,800	-	-	-	-	19,800	-
Leasehold improvements	115,385	1,141 (128)	-	116,398	53,968	12,874 (87)	-	66,755	49,643	20-33
Plant and equipment	15,043,417	2,128,219 (4,657)	293,741 (82,814)	17,377,906	3,402,806	1,354,643 (2,484)	93,831 (29,240)	4,819,556	12,558,350	4-33.33
Office equipment	85,623	7,635 (3,485)	4,055	93,828	20,576	10,660 (2,346)	1,735	30,625	63,203	10
Computers	91,024	8,908 (521)	-	99,411	70,726	16,544 (463)	-	86,807	12,604	33
Furniture and fixtures	24,967	552 (1,074)	-	24,445	9,081	2,889 (866)	-	11,104	13,341	10
Vehicles	111,122	35 (26,915)	69,311 (14,417)	139,136	82,053	14,272 (25,419)	47,286 (11,652)	106,540	32,596	20
Lab and other equipment	17,440	3,165	-	20,605	11,824	2,366	-	14,190	6,415	10-20
	15,508,778	2,155,415 (36,780)	361,347 (97,231)	17,891,529	3,651,034	1,414,248 (31,665)	142,852 (40,892)	5,135,577	12,755,952	
Leased assets										
Plant and equipment	279,173	3,944	(293,741)	28,292	58,931	9,162	(93,831)	2,861	25,431	5-33.33
Office equipment	-	-	38,916 (4,055)	-	-	-	28,599 (1,735)	-	-	10
Vehicles	64,896	9,300	(69,311)	19,302	34,679	6,596	(47,286)	5,641	13,661	20
	348,124	13,244	(367,107) 53,333	47,594	95,164	15,939	(142,852) 40,251	8,502	39,092	
	15,856,902	2,168,659 (36,780)	(5,760) (43,898)	17,939,123	3,746,198	1,430,187 (31,665)	- (641)	5,144,079	12,795,044	

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

	Cost/revalued Amount as at 01 Jan 2009	Additions/ (Disposals)	Transfers	Cost/revalued amount as at 31 December 2009	Accumulated depreciation as at 01 Jan 2009	Depreciation charge for the year/ (Disposals)	Transfers	Accumulated depreciation as at 31 December 2009	Net book value as at 31 December 2009	Depreciation rate %
(Rupees in '000)										
Owned assets										
Freehold Land	19,800	-	-	19,800	-	-	-	-	19,800	-
Leasehold improvements	105,200	11,570 (1,385)	-	115,385	41,230	13,061 (323)	-	53,968	61,417	20-33
Plant and equipment	11,633,513	3,345,476 (14,816)	79,244	15,043,417	2,305,647	1,087,423 (6,921)	16,657	3,402,806	11,640,611	4-33.33
Office equipment	79,858	6,617 (852)	-	85,623	12,340	8,740 (504)	-	20,576	65,047	10
Computers	80,992	10,455 (423)	-	91,024	58,362	12,608 (244)	-	70,726	20,298	33
Furniture and fixtures	19,196	6,202 (431)	-	24,967	7,332	2,154 (405)	-	9,081	15,886	10
Vehicles	100,152	3,249 (732)	8,453	111,122	64,417	13,727 (609)	4,518	82,053	29,069	20
Lab and other equipment	17,178	262	-	17,440	9,624	2,200	-	11,824	5,616	10-20
	12,055,889	3,383,831 (18,639)	87,697	15,508,778	2,498,952	1,139,913 (9,006)	21,175	3,651,034	11,857,744	
Leased assets										
Plant and equipment	334,183	24,234	(79,244)	279,173	52,937	22,651	(16,657)	58,931	220,242	5-33.33
Office equipment	4,055	-	-	4,055	574	980	-	1,554	2,501	10
Vehicles	93,358	661 (20,670)	(8,453)	64,896	33,522	22,291 (16,616)	(4,518)	34,679	30,217	20
	431,596	24,895 (20,670)	(87,697)	348,124	87,033	45,922 (16,616)	(21,175)	95,164	252,960	
	12,487,485	3,408,726 (39,309)	-	15,856,902	2,585,985	1,185,835 (25,622)	-	3,746,198	12,110,704	

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3.3 Subsequent to revaluation on 31 March 2007, which had 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 2010 would have amounted to Rs. 12,412 million (31 December 2009: Rs. 11,723million).

3.4 Carrying value of property, plant and equipment and current assets having a charge against borrowings amount to Rs. 12,268 million (31 December 2009: Rs. 12,008 million).

3.5 Finance cost amounting to Rs. 45.199 million (31 December 2009: Rs. 402.870 million) was capitalized during the year in property, plant and equipment.

Note	31 December 2010	31 December 2009
	------(Rupees in '000)-----	

3.6 Depreciation charge during the year has been allocated as follows:

Direct cost	33	1,363,805	1,110,074
Operating cost	34	66,382	75,761
		1,430,187	1,185,835

3.7 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)-----					
Plant and equipment						
Equipment	2,266	1,306	960	2,139	Insurance claim	
Computers						
Laptop	95	37	58	58	Negotiation	Hadia Zulfiqar-ex employee
Office Equipment						
Generator	342	191	151	151	Negotiation	Vendor
Air conditioners	623	432	191	191	Negotiation	Vendor
UPS 5 KVA	107	16	91	70	Insurance claim	
Attendance Machine	149	31	118	110	Insurance claim	
Generator	105	8	97	93	Insurance claim	
Vehicles						
Changan Chitral	508	323	185	267	Negotiation	Vendor
Changan Chitral	508	323	185	267	Negotiation	Vendor
Honda Civic	1,371	845	526	1,300	Negotiation	Shahid Mehmood-ex employee
Honda City	879	601	278	800	Negotiation	Salman Awan-ex employee
Items with book value less than Rs. 50,000						
	29,827	27,552	2,275	14,989		
Total	36,780	31,665	5,115	20,435		

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31 December 2010 31 December 2009
-----**(Rupees in '000)**-----

4 Capital work-in-progress

Owned

Civil works	45,229	228,837
Plant and equipment	<u>706,149</u>	<u>1,422,017</u>
	<u>751,378</u>	<u>1,650,854</u>

5 Intangible assets

	Cost/revalued amount as at		Cost/revalued amount as at	Accumulated amortization	Amortization for the year	Accumulated amortization	Net book value as at	Rate
	01 Jan 2010	Additions/ (adjustments)	31 Dec 2010	as at 01 Jan 2010		as at 31 Dec 2010	31 Dec 2010	%
----- (Rupees in '000) -----								
Licenses	2,893,290	-	2,893,290	683,496	158,352	841,848	2,051,442	5
Patents and copyrights	5,333	-	5,333	3,606	801	4,407	926	10
Softwares	16,284	-	16,284	14,034	1,800	15,834	450	20
Goodwill	2,690,403	-	2,690,403	136,909	-	136,909	2,553,494	-
	<u>5,605,310</u>	<u>-</u>	<u>5,605,310</u>	<u>838,045</u>	<u>160,953</u>	<u>998,998</u>	<u>4,606,312</u>	

	Cost/revalued amount as at		Cost/revalued amount as at	Accumulated amortization	Amortization for the year	Accumulated amortization	Net book value as at	Rate
	01 Jan 2009	Additions/ (adjustments)	31 Dec 2009	as at 01 Jan 2009		as at 31 Dec 2009	31 Dec 2009	%
----- (Rupees in '000) -----								
Licenses	2,893,290	-	2,893,290	525,192	158,304	683,496	2,209,794	5
Patents and copyrights	5,333	-	5,333	2,895	711	3,606	1,727	10
Softwares	16,284	-	16,284	12,234	1,800	14,034	2,250	20
Goodwill	2,690,403	-	2,690,403	136,909	-	136,909	2,553,494	-
	<u>5,605,310</u>	<u>-</u>	<u>5,605,310</u>	<u>677,230</u>	<u>160,815</u>	<u>838,045</u>	<u>4,767,265</u>	

5.1 The Company had revalued its licenses and software on 30 June 2008 resulting in a net surplus of Rs. 430.391 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 and software as at 31 December 2010 would have amounted to Rs. 4,257 million (31 December 2009: 4,369 million).

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

5.3 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 at 31 December 2010 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 year financial business plan which assumes substantial cash inflows from either investing or financing activities. The financing assumption is substantially covered through a resolution approved by the majority shareholders of the holding Company in their meeting held on 15 December 2010 in which the board of directors of the holding Company has been authorized to issue a written guarantee to a third party for providing funding to the Company equivalent to USD 35 million.

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 impairment calculation no growth is considered in cash flows beyond five years as per International Accounting Standard 36 - Impairment of Assets.

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	Note	31 December 2010	31 December 2009
		------(Rupees in '000)-----	
5.4 Amortization charge during the year has been allocated as follows:			
Direct cost	33	100,467	100,329
Capitalized during the year		<u>60,486</u>	<u>60,486</u>
		<u><u>160,953</u></u>	<u><u>160,815</u></u>

6 Investment properties

Opening balance		76,162	76,162
Addition during the year		6,600	-
Transferred from owned assets		5,760	-
Fair value adjustment		<u>1,378</u>	<u>-</u>
Closing balance		<u><u>89,900</u></u>	<u><u>76,162</u></u>

Investment property comprises of land and offices situated in Karachi, Pakistan.

Fair value of investment property was determined at 31 December 2010 by approved independent valuer M/s Gandhara Consultant. Fair value was determined giving due regard to recent market transactions for similar properties in the same location and condition as the Company's investment property.

During the year the Company acquired land under the arrangement of barter transaction with Legend World Advertising against the advertisement services.

7 Long term trade receivable

This represents receivable from the sale of Optical Fiber Cable stated at amortized cost by using the discount rate of 16%. This amount is receivable over a period of two years.

		31 December 2010	31 December 2009
		------(Rupees in '000)-----	
8 Deferred taxation			
This is composed of:			
Liability for deferred taxation comprising temporary differences related to:			
Accelerated tax depreciation		2,646,604	2,359,522
Surplus on revaluation of plant and equipment		173,058	173,058
Others		687,530	572,608
Asset for deferred taxation comprising temporary differences related to:			
Unused tax losses and tax credits		(3,099,464)	(2,359,599)
Provision for doubtful debts and retirement benefits		<u>(426,681)</u>	<u>(347,467)</u>
		<u><u>(18,953)</u></u>	<u><u>398,122</u></u>

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	Note	31 December 2010	31 December 2009
------(Rupees in '000)-----			
9 Long term deposits			
Security deposit with PTCL		17,509	23,556
Deposits with financial institutions		6,056	18,414
Others		41,278	41,699
		64,843	83,669
Less: Current maturity	14	(1,404)	(14,868)
		63,439	68,801
10 Stores and spares			
Cost		216,975	327,814
Less: provision			
Opening balance		(10,200)	-
Addition during the year		(14,700)	(10,200)
Closing balance		(24,900)	(10,200)
		192,075	317,614
11 Stock in trade			
Cost		208,417	189,105
Less: provision			
Opening balance		(7,000)	-
Addition during the year		(8,500)	(7,000)
Closing balance		(15,500)	(7,000)
		192,917	182,105
12 Trade debts			
Considered good - unsecured		2,016,418	2,116,744
Considered doubtful - unsecured		714,694	579,805
	12.1	2,731,112	2,696,549
Less: Provision for doubtful debts	12.2	(714,694)	(579,805)
		2,016,418	2,116,744
12.1 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
Oman Telecommunications Company SAOG		-	200,199
		92,813	293,012

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	Note	31 December 2010	31 December 2009
		------(Rupees in '000)-----	
12.2 Provision for doubtful debts			
Opening balance		579,805	486,570
Addition during the year	12.2.1	134,889	93,235
Closing balance		714,694	579,805

12.2.1 It includes provision of Rs. 92.81 million (31 December 2009: Rs.37.13 million) against receivable from Pace group companies, associated companies.

	Note	31 December 2010	31 December 2009
		------(Rupees in '000)-----	
13 Loans and advances - considered good			
Loans and advances to employees	13.1	43,543	39,144
Advances to suppliers		300,573	401,760
Advances to PTA	13.2	40,000	-
Advance to associated company	13.3	-	28,886
		384,116	469,790

13.1 These loans and advances are unsecured and interest free and include advances given to executives of Rs. 24.184 million (31 December 2009 : Rs. 13.337 million).

13.2 It represents amount 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 which was complied by the Company.

13.3 This represents unsecured advance given to Media Times Limited, carrying markup at the rate of 16.5% per annum (31 December 2009: 16.5-18% per annum). The loan has been settled during the year by the associated company.

	Note	31 December 2010	31 December 2009
		------(Rupees in '000)-----	
14 Deposits and prepayments			
Margin deposits	14.1	68,499	75,487
Prepayments		83,478	73,726
Current maturity of long term deposits	9	1,404	14,868
Short term deposits		20,670	17,837
		174,051	181,918

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

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	Note	31 December 2010	31 December 2009
------(Rupees in '000)-----			
15 Other receivables			
Receivable from PTCL - unsecured considered doubtful		196,919	196,919
Less: provision for doubtful receivables		(196,919)	(196,919)
		-	-
Other receivables - considered good		24,999	15,890
Other receivables - considered doubtful		40,096	40,096
		65,095	55,986
Less: provision for doubtful receivables		(40,096)	(40,096)
		24,999	15,890
		24,999	15,890
16 Short term investments-available for sale			
Carrying value	16.1	85,461	188,216
Fair value adjustment		(31,612)	(102,755)
		53,849	85,461
Related parties			
Carrying value		292,978	155,856
Reclassified from long term investment		-	41,995
	16.2	292,978	197,851
Fair value adjustment		(36,355)	95,127
		256,623	292,978
Total carrying value		378,439	386,067
Total fair value adjustment		(67,967)	(7,628)
		310,472	378,439

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16.1 Particulars of listed shares - At fair value

All shares have face value of Rs. 10 each.

Name	No. of shares		31 Dec 2010		31 Dec 2009	
	31 Dec 2010	31 Dec 2009	Carrying value	Market value	Carrying value	Market value
(Rupees in '000)						
Commercial Banks						
The Bank of Punjab	10,528	10,528	205	103	139	205
Mutual Fund						
First Dawood Mutual Fund	580,750	580,750	981	1,162	1,254	981
Pak Oman Advantage Fund	1,000,000	1,000,000	10,500	10,350	8,420	10,500
Electric Appliances						
Pak Elektron Limited	9	102	2	-	2	2
Leasing						
Standard Chartered Leasing Limited	70,000	70,000	180	199	123	180
Insurance						
Shaheen Insurance Company Limited	3,136,963	3,136,963	73,593	42,035	178,278	73,593
			85,461	53,849	188,216	85,461

16.2 Particulars of listed shares of related parties - At fair value

All shares have face value of Rs. 10 each

Name	No. of shares		31 Dec 2010		31 Dec 2009	
	31 Dec 2010	31 Dec 2009	Carrying value	Market value	Carrying value	Market value
(Rupees in '000)						
First Capital Securities Corporation Limited	3,991,754	3,628,867	34,438	14,211	95,728	34,438
Percentage of equity held 1.27% (31 December 2009: 1.27%)						
Pace (Pakistan) Limited	6,959,290	6,959,290	40,712	18,999	60,128	40,712
Percentage of equity held 2.5% (31 December 2009: 2.5%)						
Media Times Limited	4,199,500	4,199,500	217,828	223,413	41,995	217,828
Percentage of equity held 3.13% (31 December 2009: 3.13%)						
			292,978	256,623	197,851	292,978

16.3 Subsequent to the balance sheet date fair value of the Media Times Limited, an associated company, as on 25 January 2011 was Rs. 91.675 million.

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	Note	31 December 2010	31 December 2009
------(Rupees in '000)-----			
17 Cash and bank balances			
At banks in			
Current accounts		8,392	27,737
Saving accounts	17.1	163,065	284,962
		171,457	312,699
Cash in hand		12,503	23,781
		<u>183,960</u>	<u>336,480</u>

17.1 The balances in saving accounts bear mark up at the rate of 1.5% to 11% per annum (31 December 2009: 1.5% to 16% per annum). The balance includes Rs. 40 million (31 December 2009: Rs. 40 million) and interest accrued thereon deposited in Escrow account as stated in note 28.1.2.

	Note	31 December 2010	31 December 2009
------(Rupees in '000)-----			
18 Current maturities of non-current liabilities			
Term finance certificates	23	1,211,126	665,253
Long term finances- Habib Bank Limited	18.1	-	37,494
License fee payable	27	1,021,500	1,100,781
Liabilities against assets subject to finance lease	25	13,545	55,063
		<u>2,246,171</u>	<u>1,858,591</u>

18.1 The loan has been fully repaid during the year.

19 Running finance under markup arrangements-secured

Short term running finances available from commercial banks under mark up arrangements amount to Rs. 1,181 million (31 December 2009: Rs. 1,131 million). Mark up is charged at rates ranging from 13.73% to 19% per annum (31 December 2009: 13.14% to 19.02% per annum). These are completely secured under joint pari passu hypothecation agreement with 25% security margin over the facility amount.

20 Short term borrowings

This represents a bridge finance facility of Rs. 200 million obtained from Habib Bank Limited to retire the Letter of Credit. This carries mark up at three months KIBOR plus 3% per annum. This facility will be settled on or before 28 February 2011. This facility is secured by registered charge on current and fixed assets.

	Note	31 December 2010	31 December 2009
------(Rupees in '000)-----			
21 Trade and other payables			
Trade creditors			
Related parties - associated companies	21.1	1,145,191	1,447
Others		2,887,444	1,870,382
		4,032,635	1,871,829
Accrued and other liabilities		239,961	223,474
Advance from customers		216,180	75,444
Retention money		53,183	49,806
Sales tax payable		66,595	279
Tax deducted at source		39,644	16,482
Un claimed dividend		1,807	1,807
		<u>4,650,005</u>	<u>2,239,121</u>

21.1 This includes trade payables to the holding company.

	Note	31 December 2010	31 December 2009
		------(Rupees in '000)-----	
22 Interest and mark-up accrued			
Long term financing		-	1,670
Short term borrowings/running finance		48,005	26,362
Share deposit money		351	351
Finance lease		-	248
Term finance certificates		122,213	137,974
		170,569	166,605
23 Term finance certificates - secured			
Term Finance Certificates - II	23.1	116,572	233,146
Term Finance Certificates - III	23.2	3,287,473	3,836,153
		3,404,045	4,069,299
Less: initial transaction cost		(60,928)	(60,928)
		3,343,117	4,008,371
Amortization of transaction cost		34,088	21,743
		3,377,205	4,030,114
Less: current maturity	18	(1,211,126)	(665,253)
		2,166,079	3,364,861

Term Finance Certificates have a face value of Rs. 5,000 per certificate.

23.1 Term Finance Certificates - II

These represent listed Term Finance Certificates amounting to Rs. 350 million issued during the year ended 30 June 2007. These TFCs are redeemable in six equal semi annual installments commencing May 2009. Profit rate is charged at six months average KIBOR plus 2.75% per annum. These are secured by way of first pari passu hypothecation charge on the present and future fixed assets of the Company amounting to Rs. 467 million.

If the Company fails to redeem any TFC-II on the redemption date, the obligation shall become immediately due. Maturity date of TFC-II is 27 November 2011.

23.2 Term Finance Certificates - III

These represent listed Term Finance Certificates amounting to Rs. 4,000 million out of this Rs. 3,000 million has been received on account of Pre-IPO and Rs. 1,000 million was offered to public for subscription. These TFCs are redeemable in seven equal semi annual installments commencing October 2010. Profit rate is charged at six months average KIBOR plus 1.60% per annum. These are secured by way of first pari passu charge on the present and future fixed assets of the Company amounting to Rs. 5,333.33 million and assignment of licenses.

First Dawood Investment Bank Limited and Noman Abid Investment Management Limited ("the Underwriters") have defaulted to comply with their underwriting commitments of Rs. 162.312 million arising out of short subscription of IPO of TFC. The Securities and Exchange Commission of Pakistan (SECP) through its No Objection Certificate dated 04 November 2008 issued for 60 days had allowed the Company partial allotment to the extent of Rs 3,837.688 million out of total issue of Rs. 4,000 million. This NOC was subject to a condition that the Company recovers the remaining amount of Rs. 162.312 million from the defaulting underwriters. The Company through its letter dated 30 December 2008 issued before expiry of 60 days has requested SECP to reduce the size of TFC issue to Rs. 3,837.688 million due to the default made by above underwriters. The Company has issued legal notices to underwriters and requested SECP through its letter dated 19 March 2009 for just and equitable resolution of the matter.

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If the Company fails to redeem any TFC-III on the redemption date, the obligation shall become immediately due. TFC-III will mature on 06 October 2013.

	Note	31 December 2010	31 December 2009
------(Rupees in '000)-----			
24 Retirement benefits			
Gratuity	24.1	208,819	169,336
Accumulated compensated absences	24.2	18,160	6,606
		<u>226,979</u>	<u>175,942</u>

24.1 Gratuity

The amount recognized in the balance sheet is as follows:

Present value of defined benefit obligation		185,500	173,153
Unrecognized actuarial losses		7,293	(14,518)
Benefits due but not paid		16,026	10,701
		<u>208,819</u>	<u>169,336</u>
Liability at beginning of the year		169,336	156,956
Charge for the year	24.1.1	76,412	82,938
Paid during the year		(36,929)	(70,558)
		<u>208,819</u>	<u>169,336</u>

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

	31 December 2010	31 December 2009
------(Rupees in '000)-----		
Interest cost for the year	20,778	22,894
Current service cost	55,628	53,874
Past service cost	-	6,170
Actuarial loss recognized during the year	6	-
	<u>76,412</u>	<u>82,938</u>

24.1.2 Recent actuarial valuation of plan was carried out on 31 December 2010 by Nauman Associates.

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

	31 December 2010	31 December 2009
Discount rate (per annum)	13%	12%
Expected rate of salary increase (per annum)	12%	11%
Average expected remaining working life time of employees	13 years	12 years

24.1.3 Historical information for gratuity

	June 2007	June 2008	Dec 2008	Dec 2009	Dec 2010
------(Rupees in '000)-----					
Present value of defined benefit obligation	107,126	133,328	152,633	173,153	185,500
Experience adjustment arising on plan liabilities	(4,461)	(2,096)	5,042	(8,883)	(21,811)

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	Note	31 December 2010	31 December 2009
------(Rupees in '000)-----			
24.2 Accumulated compensated absences			
The amount recognized in the balance sheet is as follows:			
Present value of defined benefit obligation		26,603	23,633
Unrecognized actuarial losses		(11,391)	(18,468)
Benefits due but not paid		2,948	1,441
		18,160	6,606

Liability at beginning of the year		6,606	1,257
Charge for the year	24.2.1	18,452	17,519
Paid during the year		(6,898)	(12,170)
		18,160	6,606

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

Interest cost for the year		2,836	3,475
Current service cost		5,562	4,243
Past service cost		7,077	9,234
Actuarial loss recognized during the year		2,977	567
		18,452	17,519

24.2.2 Recent actuarial valuation of plan was carried out on 31 December 2010 by Nauman Associates.

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

	31 December 2010	31 December 2009
Discount rate (per annum)	13%	12%
Expected rate of salary increase (per annum)	12%	11%
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

	Note	31 December 2010	31 December 2009
------(Rupees in '000)-----			
25 Liabilities against assets subject to finance lease			
Present value of minimum lease payments		29,507	73,605
Less: Current portion shown under current liabilities	18	(13,545)	(55,063)
		15,962	18,542

Interest rate used as discounting factor is ranging from 12 % to 17.76% per annum (31 December 2009: 8% to 17.76% 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 0.1% per day.

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

	31 December 2010			31 December 2009		
	Minimum lease payment	Finance cost	Principal	Minimum lease payment	Finance cost	Principal
	----- (Rupees in '000) -----					
Not later than one year	16,399	2,854	13,545	59,769	4,706	55,063
Later than one year but not later than five years	16,932	970	15,962	20,694	2,152	18,542
	33,331	3,824	29,507	80,463	6,858	73,605

	Note	31 December 2010	31 December 2009
		----- (Rupees in '000) -----	
26 Long term payables			
Universal Service Fund	26.1	254,716	157,144
Oman Telecommunications Company SAOG-Parent Company		-	616,698
Suppliers		556,812	1,063,729
Trade Payables		-	194,339
Others		74,833	93,310
		886,361	2,125,220

26.1 It represents the amount received against contracts valuing Rs 786 million and 487 million for the deployment of network in MTR-I and GTR respectively awarded by Universal Service Fund(USF), a Company established for the purpose of increasing teledensity in Pakistan.

	Note	31 December 2010	31 December 2009
		----- (Rupees in '000) -----	
27 License fee payable			
Carrying value of license fee payable to PTA		1,206,000	1,206,000
Less: present value adjustment		(453,107)	(453,107)
		752,893	752,893
Accumulated interest charged to profit and loss		453,107	418,888
Less: payments		(184,500)	(71,000)
		1,021,500	1,100,781
Less: current maturity	18	(1,021,500)	(1,100,781)
		-	-

This represents interest free license fee payable to PTA for WLL licenses. As per the agreement with PTA, 50% of the license fee i.e. Rs. 1,135 million was payable by March 2010. The long term portion was discounted using the effective interest rate of 12.5%. During the year the Company has paid Rs. 113.5 million i.e. 10% of the outstanding balance.

28 Contingencies and commitments**28.1 Billing disputes with PTCL**

28.1.1 There is a dispute of Rs. 72.22 million (31 December 2009: Rs 70.23 million) with PTCL of non revenue time of prepaid calling cards and Rs. 32.13 million (31 December 2009: Rs 29.3 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.

28.1.2 PTCL has charged the Company excess Domestic Private Lease Circuits (DPLC) and other media charges amounting to Rs. 140.07 million (31 December 2009: Rs.153.54 million) on account of difference in rates, distances and date of activation. Further, the Company has also deposited Rs. 40 million (31 December 2009: 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.

28.2 Disputes with Pakistan Telecommunication Authority (PTA)

28.2.1 There is a dispute with PTA on payment of annual microwave and BTS registration charges amounting to Rs.13 million (31 December 2009: Rs. 10.6 million). The matter is presently pending adjudication before the Honorable Lahore High Court Lahore. The Company is hopeful of a favorable decision.

28.2.2 There is a dispute with PTA on roll out of Company's 479 MHz and 3.5 GHz frequency bands 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 favorably resolved at the level of PTA in as much as Company has now started its roll out plan.

28.2.3 There is a dispute with PTA on payment of R&D Fund contribution amounting to Rs. 11.3 million (31 December 2009: Rs. 11.3 million). The legal validity of this fund is under challenge before the Honorable Supreme Court of Pakistan. The Company has also gone into appeal against the demand before the Honorable Lahore High Court Lahore. The Company is hopeful of a favorable decision.

28.2.4 There is a dispute with PTA on payment of contribution of APC for USF for the period prior to the valid formation of USF fund by the Federal Government amounting to Rs. 491 million (31 December 2009: Rs. 491 million). Out of this amount, Rs. 223 million has been deposited with PTA. The matter is pending adjudication before the Honorable Supreme Court of Pakistan. The Company is hopeful of a favorable decision.

28.3 Taxation issues

28.3.1 Income Tax Return for the tax year ended 30 June 2006 was filed under the self assessment scheme. Subsequently, the case was reopened by invoking the provisions of section 122 (5A). Additions were made on account of brought forward losses, gratuity and goodwill of Rs. 773 million. The Company filed an appeal before the Commissioner of Income Tax (Appeals). The Commissioner of Income Tax (Appeals) dismissed the appeal of the Company and now the Company has filed appeal in Income Tax Appellate Tribunal Lahore against the order of Commissioner of Income Tax (Appeals). The management is hopeful that the matter will be decided in favour of the Company.

28.3.2 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 Phonenumber 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 management is hopeful that matter will be decided in favour of the Company.

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28.3.3 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 Honorable 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 Company is hopeful of a favorable decision.

	31 December 2010	31 December 2009
	----- (Rupees in '000) -----	
28.4 Outstanding guarantees	<u>1,012,853</u>	<u>799,755</u>
28.5 Commitments in respect of capital expenditure	<u>757,484</u>	<u>647,197</u>
28.6 Outstanding letters of credit	<u>75,800</u>	<u>12,870</u>

	31 Dec. 2010	31 Dec. 2009	31 Dec. 2010	31 Dec. 2009
	----- (No of shares) -----		----- (Rupees in '000) -----	

29 Issued, subscribed and paid up 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	108,510,856	108,510,856	1,085,109	1,085,109
	<u>860,571,513</u>	<u>860,571,513</u>	<u>8,605,716</u>	<u>8,605,716</u>

29.1 As at 31 December 2010, Oman Telecommunications Company SAOG the holding company, holds 488,839,429 ordinary shares (31 December 2009: 488,839,429) of the Company. In addition 78,541,360 ordinary shares (31 December 2009: 77,136,650 ordinary shares) are held by the following related parties as at 31 December 2010:

	31 December 2010	31 December 2009
	----- (No. of shares) -----	
Related parties		
First Capital Securities Corporation Limited	4,221,207	4,221,207
Pace (Pakistan) Limited	912	912
Arif Habib Securities Limited	<u>74,319,241</u>	<u>72,914,531</u>
	<u>78,541,360</u>	<u>77,136,650</u>

30 Share premium

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

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	31 December 2010	31 December 2009
	------(Rupees in '000)-----	
31 Surplus on revaluation		
Revaluation surplus on:		
Plant & equipment	64,059	64,059
Intangible assets	430,393	430,393
	494,452	494,452
Less: Related deferred tax liability	(173,058)	(173,058)
Less: Transfer to retained earning in respect of incremental amortization net of deferred tax	(52,993)	(31,796)
Add: Transfer from retained earning in respect of decremental depreciation net of deferred tax	69,959	41,976
	16,966	10,180
	338,360	331,574

31.1 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 2010	31 December 2009
		------(Rupees in '000)-----	
32 Revenue -net			
Gross revenue		7,937,527	8,845,485
Less:			
Sales tax		294,895	235,332
Discount and commission		178,228	201,878
		473,123	437,210
		7,464,404	8,408,275
33 Direct cost			
Interconnect, settlement and other charges		3,619,710	4,825,698
Bandwidth and other PTCL charges		537,913	364,520
Depreciation	3.6	1,363,805	1,110,074
Amortization of intangible assets	5.4	100,467	100,329
Power consumption and pole rent		434,075	305,545
Security services		37,149	30,745
PTA charges	33.1	48,935	65,131
Cable license fee		30,649	32,607
Inventory consumed		16,302	11,501
Stores and spares consumed		47,325	57,752
Annual spectrum fee		35,883	23,883
Content cost		55,785	62,152
Network maintenance and insurance		201,553	18,614
Amortization cost of receivables		18,437	-
Others		52,023	28,052
		6,600,011	7,036,603

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	Note	31 December 2010	31 December 2009
------(Rupees in '000)-----			
33.1 PTA Charges			
LDI License	33.1.1	30,977	41,411
WLL License	33.1.2	10,676	18,795
Broadband License		4,009	4,213
Telephony License	33.1.3	313	407
Annual numbering charges		2,960	12
Testing and other charges		-	293
		48,935	65,131
33.1.1 LDI License			
Universal service fund		18,587	21,000
Research and development fund		6,195	13,411
Annual regulatory fee		6,195	7,000
		30,977	41,411
33.1.2 WLL License			
Universal service fund		4,614	8,693
Research and development fund		1,538	5,642
Annual regulatory fee		1,538	2,900
Royalty fee		2,986	1,560
		10,676	18,795
33.1.3 Telephony License			
Universal service fund		187	203
Research and development fund		63	136
Annual regulatory fee		63	68
		313	407
34 Operating cost			
Salaries, wages and benefits		699,240	626,012
Marketing, advertisement and selling expenses		158,112	109,314
Rent, rates and taxes		113,519	92,374
Communications		18,595	17,459
Transportation		65,408	62,108
Legal and professional		30,885	50,075
Insurance		46,847	45,114
Utilities		66,481	45,575
Printing and stationery		9,132	10,681
Entertainment		18,942	18,350
Travel and conveyance		94,192	76,656
Repairs and maintenance		24,817	23,651
Provision for doubtful debts and other receivables		134,889	56,537
Donations	34.1	2,756	37
Fees and subscriptions		8,806	3,343
Directors meeting fee		2,529	5,624
Postage and courier		2,116	2,639
Newspapers and periodicals		809	428
Auditor's remuneration	34.2	7,750	6,675
Depreciation	3.6	66,382	75,761
Miscellaneous		53,807	27,904
		1,626,014	1,356,317

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34.1 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 during the year.

	Note	31 December 2010	31 December 2009
------(Rupees in '000)-----			
34.2 Auditor's remuneration			
Statutory audit		3,750	3,750
Half year review		1,000	1,000
International reporting		2,750	1,750
Out of pocket expenses		250	175
		<u>7,750</u>	<u>6,675</u>
35 Finance cost			
Mark-up on long term loans		965	30,346
Mark-up on short term loans/running finance		165,037	99,119
Interest on PTA license fee		34,219	128,656
Financial charge on leased liabilities		6,138	15,892
Mark up on Term Finance Certificates	35.1	523,422	242,377
Bank charges and commission		13,632	6,635
		<u>743,413</u>	<u>523,025</u>
35.1			
These include amortization of initial transaction cost of Rs. 11.431 million (31 December 2009: Rs. 9.916 million).			
	Note	31 December 2010	31 December 2009
------(Rupees in '000)-----			
36 Other operating income			
Income from financial assets			
Income on deposit and saving accounts		19,476	35,556
Dividend income		934	961
Mark-up on advance to associated company		1,698	5,090
Exchange gain/(loss)		5,052	(29,480)
		<u>27,160</u>	<u>12,127</u>
Income from non-financial assets			
Rental income from investment property		-	5,158
Scrap sales		161	577
Profit on sale of property, plant and equipment		15,320	6,224
Miscellaneous		15,456	79,907
		<u>30,937</u>	<u>91,866</u>
		<u>58,097</u>	<u>103,993</u>
37 Other expenses			
Provision for winding up cost of subsidiary		-	51,981
		<u>-</u>	<u>51,981</u>
38 Taxation			
Current	38.1	52,628	22,573
Deferred		(417,075)	(155,277)
		<u>(364,447)</u>	<u>(132,704)</u>

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

38.2 Tax charge reconciliation

Numerical reconciliation between the average effective tax rate and the applicable tax rate.

	31 December 2010 %	31 December 2009 %
Applicable tax rate	35.00	35.00
Tax effect of amounts:		
Not deductible for tax purposes	(15.53)	(23.92)
Admissible for tax purposes	1.17	6.45
Chargeable to tax at different rates	3.48	3.54
Covered under presumptive tax regime	-	0.21
Average effective tax rate (tax expense divided by profit before tax)	<u><u>24.11</u></u>	<u><u>21.28</u></u>
	31 December 2010	31 December 2009

39 Loss per share

Basic and diluted loss per share

Loss after taxation available for distribution to ordinary shareholders	Rupees in '000	<u><u>(1,147,006)</u></u>	<u><u>(490,819)</u></u>
Weighted average number of ordinary shares	Number in '000	<u><u>860,572</u></u>	<u><u>860,572</u></u>
Basic and diluted loss per share	Rupees	<u><u>(1.33)</u></u>	<u><u>(0.57)</u></u>

40 Related party 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 employees. Amounts due from and to related parties are shown under receivables and payables and remuneration of directors and key management employees is disclosed in note 42. Other significant transactions with related parties are as follows:

		31 December 2010	31 December 2009	
		----- (Rupees in '000) -----		
Relationship with the Company	Nature of transactions			
1	Parent Company	Purchase of goods and services	500,677	597,996
		Sale of goods and services	389,204	343,532
2	Other related parties	Purchase of goods and services	14,586	37,779
		Purchase of property	30,000	85,000
		Sale of goods and services	277	6,763
		Interest on loan	1,698	5,090
		Provision for doubtful debts	54,648	37,125
3	Key management personnel	Salaries and other employee benefits	290,510	263,157

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

	31 December 2010	31 December 2009
	----- (Rupees in '000) -----	
Year end balances		
Receivable from related parties	207,814	378,012
Payable to related parties	1,156,250	621,915

These are in normal course of business and are interest free.

Worldcall Telecom Limited

	31 December 2010	31 December 2009
	----- (Rupees in '000) -----	
41 Cash generated from operations		
Loss before taxation	(1,511,453)	(623,523)
Adjustment for:		
Depreciation	1,430,187	1,185,835
Amortization of intangible assets	100,467	100,329
Amortization of transaction cost	11,431	9,916
Amortization cost of receivables	18,437	-
Interest on PTA license fee	34,219	128,656
Provision for doubtful receivables	134,889	93,235
Provision for stock in trade and stores & spares	23,200	17,200
Profit on disposal of property, plant and equipment	(15,320)	(6,224)
Gain on re-measurement of investment property at fair value	(1,378)	-
Impairment loss on available for sale financial assets	65,894	167,865
Retirement benefits	94,865	100,458
Finance costs	697,763	384,453
Profit before working capital changes	1,083,201	1,558,200

Effect on cash flow due to working capital changes:

(Increase)/Decrease in the current assets

Stores and spares	110,839	90,762
Stock in trade	(19,312)	(45,854)
Trade debts	(39,614)	(1,234,091)
Loans and advances	85,674	(148,605)
Deposits and prepayments	7,867	49,732
Other receivables	(9,109)	170,508
<i>Increase in the current liabilities</i>		
Trade and other payables	1,794,186	376,702
	1,930,531	(740,846)
	3,013,732	817,354

42 Remuneration of chief executive, 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		Directors		Executives	
	31 Dec. 2010	31 Dec. 2009	31 Dec. 2010	31 Dec. 2009	31 Dec. 2010	31 Dec. 2009
------(Rupees in '000)-----						
Managerial remuneration	16,000	9,398	-	-	157,856	153,303
Retirement benefits	2,667	2,000	-	-	27,059	17,106
Housing	6,400	3,759	-	-	63,142	61,321
Utilities	1,600	940	-	-	15,786	15,330
	26,667	16,097	-	-	263,843	247,060
Number of persons	1	1			136	150

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

Meeting fee Rs. 2.529 million (31 December 2009: Rs. 5.624 million) was paid to directors during the year .

43 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

43.1 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. The Company's credit risk is primarily attributable to its trade debts and loans and advances. The Company has no significant concentration of credit risk as exposure is spread over a large number of counter parties in the case of trade debts. To manage exposure to credit risk, the Company applies credit limits to its customers and obtains advances from certain customers.

43.1.1 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:

	Note	31 December 2010	31 December 2009
----- (Rupees in '000) -----			
Long term deposits		64,843	83,669
Long term trade receivable		46,805	-
Trade debts	43.1.2	2,731,112	2,696,549
Loans and advances - considered good		83,543	68,030
Short term deposits		89,169	93,324
Other receivables		262,014	252,905
Short term investments		310,472	378,439
Cash and bank balances		183,960	336,480
		<u>3,771,918</u>	<u>3,909,396</u>

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

	31 December 2010	31 December 2009
----- (Rupees in '000) -----		
The age of trade receivables		
Not past due	359,348	848,045
Past due 0 - 180 days	1,587,137	1,109,701
Past due 181 - 365 days	119,079	117,867
Past due 1 - 2 years	119,172	218,335
More than 2 years	593,181	402,601
	<u>2,777,917</u>	<u>2,696,549</u>

The age of impairment loss against trade receivables

Not past due	-	-
Past due 0 - 180 days	30,597	11,081
Past due 181 - 365 days	37,211	21,569
Past due 1 - 2 years	53,705	144,554
More than 2 years	593,181	402,601
	<u>714,694</u>	<u>579,805</u>

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

Opening balance	579,805	486,570
Charge for the year	134,889	93,235
Closing balance	<u>714,694</u>	<u>579,805</u>

43.2 Liquidity risk

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

The following are the contractual maturities of financial liabilities as on 31 December 2010:

	Carrying Amount	6 months or less	6-12 months	1-2 year	More than 2 years
------(Rupees in '000)-----					
Term finance certificates - secured	3,377,205	606,199	604,927	1,095,825	1,070,254
Liabilities against assets subject to to finance lease	29,507	7,789	5,756	12,863	3,099
Long term payables	886,361	-	-	886,361	-
Long term deposits	43,208	-	-	-	43,208
License fee payable	1,021,500	1,021,500	-	-	-
Running finance under markup arrangements-secured	1,170,964	1,170,964	-	-	-
Short term borrowings	200,000	200,000	-	-	-
Trade and other payables	4,327,586	3,992,609	334,977	-	-
Interest and mark up accrued	170,569	170,569	-	-	-
	<u>11,226,900</u>	<u>7,169,630</u>	<u>945,660</u>	<u>1,995,049</u>	<u>1,116,561</u>

The following are the contractual maturities of financial liabilities as on 31 December 2009:

	Carrying Amount	6 months or less	6-12 months	1-2 year	More than 2 years
------(Rupees in '000)-----					
Term finance certificates - secured	4,030,114	59,054	606,199	1,209,739	2,155,122
Long term finances-secured	37,494	37,494	-	-	-
Liabilities against assets subject to finance lease	73,605	42,046	13,017	9,769	8,773
Long term payables	2,125,220	-	-	2,125,220	-
Long term deposits	44,160	-	-	-	44,160
License fee payable	1,100,781	1,100,781	-	-	-
Running finance under markup arrangements-secured	1,045,660	1,045,660	-	-	-
Trade and other payables	2,146,916	1,867,201	279,715	-	-
Interest and mark up accrued	166,605	166,605	-	-	-
	<u>10,770,555</u>	<u>4,318,841</u>	<u>898,931</u>	<u>3,344,728</u>	<u>2,208,055</u>

43.3 Market risk

43.3.1 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 2010	31 December 2009
	----- (USD '000) -----	
Trade receivables	23,283	16,843
Trade payables	(19,464)	(7,686)
Suppliers	(11,950)	(14,957)
Net exposure	(8,131)	(5,800)

The following significant exchange rates were applied during the year

	31 December 2010	31 December 2009
Average rate -Rupees per US Dollar	85.00	81.58
Reporting date rate -Rupees per US Dollar	85.80	84.20

A 5% strengthening of Pak Rupees against the above currency would have increased equity and profit and loss account by Rs. 34.882 million (31 December 2009: 24.418 million). This analysis assumes that all other variables, in particular interest rates remain constant.

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

43.3.2 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.

Worldcall Telecom Limited

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

	31 December 2010	31 December 2009
	------(Rupees in '000)-----	
Fixed rate instruments		
Financial assets		
Cash and bank balances- deposit accounts	-	-
Floating rate instruments		
Financial assets		
Loans and advances - considered good	-	28,886
Cash and bank balances- saving accounts	163,065	284,962
Financial liabilities		
Term finance certificates - secured	3,404,045	4,069,299
Long term finances-secured	-	37,494
Liabilities against assets subject to finance lease	29,507	73,605
Short term borrowings	200,000	-
Running finance under markup arrangements-secured	1,170,964	1,045,660
	(4,641,451)	(4,912,210)

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 markup by Rs. 46.415 million. Similarly a decrease of 1% in interest rate would have decreased markup by similar amount. This analysis assumes that all other variables remain constant.

43.3.3 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 2% of the Company's total assets, the performance of the investments will not have any material impact on the Company's performance.

43.4 Fair values of financial assets and liabilities

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

43.5 Capital management

The Board's policy is to maintain an efficient capital base so as to maintain investor, creditor and market confidence and to sustain the future development of 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 2010	31 December 2009
	----- (Rupees in '000) -----	
Total debt	4,577,676	5,186,873
Total equity and debt	14,469,290	16,234,352
Debt-to-equity ratio	32 : 68	32 : 68

There is no major change in debt-to-equity ratio at 31 December 2010 as compared to last year.

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.

44 Date of authorization for issue

These financial statements were authorized for issue on 25 January 2011 by the Board of Directors.

45 Standards, interpretations and amendments to published approved accounting standards that are yet not effective

The following standards, amendments and interpretations of approved accounting standards are effective from the dates specified below and are either not relevant to Company's operations or are not expected to have significant impact on the Company's financial statements other than certain increased disclosures:

- IFRS 2 (amendment)-Share-based payments and withdrawal of IFRIC 8- Scope of IFRS 2 and IFRIC 11- Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 January 2010). Amendment provides guidance on the accounting for share based payment transactions among group entities.
- International Accounting Standard (IAS) 24 (revised): Related Party Disclosures (effective for annual period beginning on or after 1 January 2011). The amendments to IAS 24 simplify the disclosure requirements for entities that are controlled, jointly controlled or significantly influenced by a government (referred to as government-related entities) and clarify the definition of a related party.
- Amendments to IAS 32: Classification of Rights Issues (effective for period beginning on or after 1 February 2010). Under the amendment to IAS 32 rights, options and warrants – otherwise meeting the definition of equity instruments in IAS 32.11 – issued to acquire a fixed number of an entity's own non-derivative equity instruments for a fixed amount in any currency are classified as equity instruments, provided the offer is made pro-rata to all existing owners of the same class of the entity's own non-derivative equity instruments.
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for period beginning on or after 1 July 2010). IFRIC 19 clarifies the accounting when an entity extinguish the liability by issuing its own equity instruments to the creditor.
- Amendments to IFRIC 14: Prepayment of a Minimum Funding Requirement (effective for period beginning on or after 1 July 2011). IFRIC 14, IAS 19 –The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction has been amended to remedy an unintended consequence of IFRIC 14 where entities are in some circumstances not permitted to recognize prepayments of minimum funding contributions, as an asset.
- The International Accounting Standards Board made certain amendments to existing standards as part of its Second and third annual improvements project. The effective dates for these amendments vary by standards.

46 General

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

46.2 Certain Comparatives amounts have been reclassified to conform to current year presentation. Material reclassification is summarized below:

- Advances to suppliers amounting to Rs. 120 million previously grouped in loans and advances have now been grouped in capital work in progress.

Muscat:
25 January 2011


CHIEF EXECUTIVE OFFICER
Annual Report 2010


DIRECTOR

CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
31 DECEMBER 2010**

AUDITORS' REPORT TO THE MEMBERS

We have audited the accompanying consolidated financial statements of **Worldcall Telecom Limited** and its subsidiary ("the Group"), which comprise the consolidated balance sheet as at **31 December 2010** and the consolidated income statement, consolidated statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the consolidated financial position of **Worldcall Telecom Limited** as of **31 December 2010**, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Lahore:
25 January 2011



KPMG Taseer Hadi & Co.
Chartered Accountants
(Kamran Iqbal Yousafi)

Worldcall Telecom Limited Group

DIRECTORS' REPORT (Consolidated Accounts)

The Directors of Worldcall Telecom Limited (“WTL” or the “Parent Company”) are pleased to present audited consolidated financial statements of the Group for the year ended 31 December 2010.

Financial Overview

	Year 2010	Year 2009
	------(Rs. in million)-----	
Revenue	7,464	8,408
Direct Cost	(6,600)	(7,036)
Gross Profit	864	1,372
Operating Cost	(1,626)	(1,356)
Finance Cost	(743)	(523)
Impairment Loss	(66)	(168)
Net Loss after tax	(1,156)	(474)
EPS-(Rupees)	(1.33)	(0.51)

Group Foreign Subsidiary

Worldcall Telecommunications Lanka (Pvt.) Limited

Winding up of the subsidiary is in process as approved in the earlier AGM of the Parent Company. In annexed consolidated financial statements, the subsidiary has been accounted for under IFRS 5 as discontinued operations.

Pattern of shareholding

The pattern of shareholding is included in the Parent Company's annual report.

There is no material change since December 2010 except already disclosed in this annual report.

For and on behalf of the Board of Directors



BABAR ALI SYED
CHIEF EXECUTIVE OFFICER

Lahore:
08 March 2011

Worldcall Telecom Limited Group

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2010

	Note	31 December 2010	31 December 2009
		----- (Rupees in '000) -----	
NON CURRENT ASSETS			
Tangible fixed assets			
Property, plant and equipment	4	12,795,044	12,110,704
Capital work-in-progress	5	751,378	1,650,854
		13,546,422	13,761,558
Intangible assets			
Investment properties	6	4,606,312	4,767,265
Long term trade receivable	7	89,900	76,162
Deferred taxation	8	46,805	-
Long term deposits	9	18,953	-
	10	63,439	68,801
		18,371,831	18,673,786
CURRENT ASSETS			
Stores and spares	11	192,075	317,614
Stock in trade	12	192,917	182,105
Trade debts	13	2,016,418	2,116,744
Loans and advances - considered good	14	384,116	469,790
Deposits and prepayments	15	174,051	181,918
Other receivables	16	24,999	15,890
Short term investments-available for sale	17	310,472	378,439
Income tax recoverable-net		155,433	143,104
Cash and bank balances	18	183,960	335,579
		3,634,441	4,141,183
Non current assets classified as held for sale	19	144	-
		3,634,585	4,141,183
CURRENT LIABILITIES			
Current maturities of non-current liabilities	20	2,246,171	1,858,591
Running finance under mark-up arrangements - secured	21	1,170,964	1,045,660
Short term borrowings	22	200,000	-
Trade and other payables	23	4,644,195	2,238,208
Interest and mark-up accrued	24	170,569	166,605
		8,431,899	5,309,064
Non current liabilities classified as held for sale	19	18,139	-
		8,450,038	5,309,064
		(4,815,453)	(1,167,881)
NET CURRENT LIABILITIES			
NON CURRENT LIABILITIES			
Term finance certificates - secured	25	2,166,079	3,364,861
Deferred taxation	9	-	398,122
Retirement benefits	26	226,979	175,942
Liabilities against assets subject to finance lease	27	15,962	18,542
Long term payables	28	886,361	2,125,220
Long term deposits		43,208	44,160
License fee payable	29	-	-
		3,338,589	6,126,847
Contingencies and commitments	30		
		10,217,789	11,379,058
REPRESENTED BY			
Share capital and reserves			
Authorized capital			
900,000,000 (31 December 2009: 900,000,000) ordinary shares of Rs. 10 each		9,000,000	9,000,000
Issued, subscribed and paid up capital	31	8,605,716	8,605,716
Share premium	32	837,335	837,335
Fair value reserve-available for sale financial assets		(72,549)	(70,476)
Currency translation reserve		(4,910)	(2,940)
Accumulated profit		517,415	1,677,849
Capital and reserves attributable to equity holders of the Company		9,883,007	11,047,484
Non controlling interest		(3,578)	-
		9,879,429	11,047,484
Surplus on revaluation	33	338,360	331,574
		10,217,789	11,379,058

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

Muscat:
25 January 2011

Balambidi
CHIEF EXECUTIVE OFFICER

G. H. M. S.
DIRECTOR

Annual Report 2010

Worldcall Telecom Limited Group

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	31 December 2010	31 December 2009
------(Rupees in '000)-----			
Continuing Operations			
Revenue -net	34	7,464,404	8,408,275
Direct cost	35	<u>(6,600,011)</u>	<u>(7,036,603)</u>
Gross profit		864,393	1,371,672
Operating cost	36	<u>(1,626,014)</u>	<u>(1,356,317)</u>
Operating (loss)/profit		(761,621)	15,355
Finance cost	37	<u>(743,413)</u>	<u>(523,025)</u>
		(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		(65,894)	(167,865)
Other operating income	38	<u>58,097</u>	<u>103,993</u>
Loss before taxation		(1,511,453)	(571,542)
Taxation	39	<u>364,447</u>	<u>132,704</u>
Loss after taxation from continuing operations		(1,147,006)	(438,838)
Discontinued operations			
Loss for the year from discontinued operations	19	<u>(9,401)</u>	<u>(35,459)</u>
		(1,156,407)	(474,297)
Attributable to:			
Equity holders of the Parent		(1,153,648)	(463,890)
Non controlling interest		(2,759)	(10,407)
		(1,156,407)	(474,297)
Loss per share - basic and diluted			
From continuing and discontinued operations	(Rupees) 40.1	<u>(1.34)</u>	<u>(0.54)</u>
From continuing operations	(Rupees) 40.2	<u>(1.33)</u>	<u>(0.51)</u>

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

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

Muscat:
25 January 2011

Balanchi
CHIEF EXECUTIVE OFFICER

G. I. K. V.
DIRECTOR

Annual Report 2010

Worldcall Telecom Limited Group

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	31 December 2010	31 December 2009
		------(Rupees in '000)-----	
Loss for the year		(1,156,407)	(474,297)
Other comprehensive (loss)/income-net of tax:			
Exchange differences on translating foreign operations		(2,789)	(2,309)
Net change in fair value of available for sale financial assets		(67,967)	(7,081)
Impairment loss transferred to profit and loss account		65,894	167,865
		(4,862)	158,475
Total comprehensive loss for the year		(1,161,269)	(315,822)
Attributable to:			
Equity holders of the Parent		(1,157,691)	(304,738)
Non controlling interest		(3,578)	(11,084)
		(1,161,269)	(315,822)

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

Muscat:
25 January 2011

Balanchi
CHIEF EXECUTIVE OFFICER

Griffey
DIRECTOR

Annual Report 2010

Worldcall Telecom Limited Group

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	31 December 2010	31 December 2009
------(Rupees in '000)-----			
Cash flows from operating activities			
Cash generated from operations	42	3,017,330	818,739
Decrease in long term deposits receivable		5,362	7,682
Increase in long term trade receivable		(60,191)	-
Decrease in long term deposits payable		(952)	(3,014)
(Decrease)/increase in long term payables		(622,161)	1,622,546
Retirement benefits paid		(43,828)	(82,729)
Finance cost paid		(740,782)	(794,141)
Taxes paid		(64,950)	(32,995)
Net cash generated from operating activities		1,489,828	1,536,088
Cash flows from investing activities			
Fixed capital expenditure		(1,113,451)	(1,911,144)
Sale proceeds of property, plant and equipment		20,435	19,911
License fee paid		(113,500)	-
Net cash used in investing activities		(1,206,516)	(1,891,233)
Cash flows from financing activities			
Repayment of long term finances		(37,494)	(259,098)
Running finance- net		125,304	618,420
Short term borrowings		200,000	-
Repayment of term finance certificates		(665,254)	(118,109)
Repayment of finance lease liabilities		(57,343)	(115,116)
Net cash (used in)/generated from financing activities		(434,787)	126,097
Net decrease in cash and cash equivalents		(151,475)	(229,048)
Cash and bank balances at the beginning of the year		335,579	564,627
Cash and bank balances at the end of the year		184,104	335,579

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

Muscat:
25 January 2011

Balanda
CHIEF EXECUTIVE OFFICER

G. H. H. H.
DIRECTOR

Annual Report 2010

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2010**

Attributable to equity holders of the Company

	Share Capital	Share premium	Fair value reserve- available for sale	Currency translation reserve	Accumulated profit/(loss)	Revaluation reserve	Sub Total	Non Controlling interest	Total
Balance as at 31 December 2008	8,605,716	837,335	(230,713)	(1,308)	2,159,091	324,759	11,694,880	-	11,694,880
Total comprehensive income/(loss) for the year	-	-	160,784	(1,632)	(463,890)	-	(304,738)	(11,084)	(315,822)
Transfer from fair value reserve	-	-	(547)	-	547	-	-	-	-
Transfer to surplus on revaluation	-	-	-	-	(6,815)	6,815	-	-	-
Non controlling interest transferred to majority share holders	-	-	-	-	(11,084)	-	(11,084)	11,084	-
Balance as at 31 December 2009	8,605,716	837,335	(70,476)	(2,940)	1,677,849	331,574	11,379,058	-	11,379,058
Transfer to surplus on revaluation	-	-	-	-	(6,786)	6,786	-	-	-
Total comprehensive loss for the year	-	-	(2,073)	(1,970)	(1,153,648)	-	(1,157,691)	(3,578)	(1,161,269)
Balance as at 31 December 2010	8,605,716	837,335	(72,549)	(4,910)	517,415	338,360	10,221,367	(3,578)	10,217,789

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

Muscat:
25 January 2011

Balawandiyah
CHIEF EXECUTIVE OFFICER

M. M. M.
DIRECTOR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

1 Legal status and nature of business

1.1 The Group consists of

Worldcall Telecom Limited; and

Worldcall Telecommunications Lanka (Private) Limited

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

Worldcall Telecommunications Lanka (Private) Limited ("the Subsidiary") was incorporated in Sri Lanka and is a joint venture with Hayleys Group to operate payphones. The principal activity of the Subsidiary is the operation and maintenance of a public payphones network. Payphones are installed at various shops/commercial outlets. The Company holds 70.65% of voting securities in the Subsidiary. The Subsidiary has accumulated losses of Rs. 161.718 million as at balance sheet date and its current liabilities exceed its current assets by Rs. 64.169 million. The net loss for the current year after tax is Rs. 9.40 million. These factors raised substantial doubt that subsidiary will be able continue as a going concern, hence the financial statements of the subsidiary are not prepared on going concern basis.

2 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its Subsidiary. The financial statements of the Subsidiary have been consolidated on a line by line basis.

Subsidiary

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

Transactions eliminated on consolidation

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

Minority interest is that part of net results of operations and of net assets of Subsidiary attributable to interest which are not owned by the Group. Minority interest is presented separately in the consolidated financial statements. In view of negative equity of the subsidiary, the complete amount of losses are being borne by the Company.

3 Summary of significant accounting policies

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

3.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. Approved accounting standards comprise of such International Financial Reporting Standards 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 (SECP) differ with the requirements of these standards, requirements of the Companies Ordinance, 1984 or requirements of the said directives take precedence.

3.2 Accounting convention and basis of preparation

These consolidated 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. As stated in note 1, subsidiary is not considered as a going concern, therefore financial statements of subsidiary have been prepared on the basis other than going concern, all assets are stated at realizable value and all liabilities at amount payable.

3.3 Significant accounting judgments and estimates

The preparation of consolidated financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The areas where various assumptions and estimates are significant to the Group'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 3.4, 3.5, 4 & 6)

Staff retirement benefits- (note 3.13 & 26)

Taxation- (note 3.8 & 39)

Provisions and contingencies- (note 3.18 & 30)

Investment properties- (note 3.6 & 7)

Impairment testing of Goodwill - (note 6.3)

3.4 Fixed capital expenditure and depreciation

Property, plant and equipment

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

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

Maintenance and repairs are charged to income as and when incurred. Renewals and improvements are capitalized when it is probable that respective future economic benefits will flow to the Group and the cost of the item can be measured reliably, and the assets so replaced, if any, are retired. Gains and losses on disposals of assets are included in income and the related surplus on revaluation of plant and equipment is transferred directly to retained earnings (unappropriated profit).

Finance leases

Leases in terms of which the Group has substantially all the risks and rewards of ownership are classified as finance leases. Assets subject to finance lease are stated at the lower of its 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 income.

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 from the month in which an asset is acquired while no depreciation is charged for the month in which the asset is disposed off.

Capital work-in-progress

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

3.5 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.

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 asset is determined as a difference between net disposal proceeds and carrying amount of the asset and is recognized as income or expense in the profit and loss account. Related surplus on revaluation of intangible asset is transferred directly to retained earnings (unappropriated profit).

3.6 Investment properties

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

Any gain or loss arising from a change in fair value is recognized in the profit and loss account. Rental income from investment property is accounted for as described in note 3.16.

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

3.7 Investments

The Group classifies its investments in following categories.

Investments at fair value through profit or loss

Investments that are acquired principally for the purpose of generating profit from short term fluctuations in price or dealer's margin are classified as fair value through profit and loss account.

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

Available for sale investments

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

All “regular way” purchase and sale of listed shares are recognized on the trade date i.e. the date that the Group commits to purchase/sell the asset.

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

3.8 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 recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

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

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

3.9 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:

Stores and spares

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

Stock in trade

Cost is determined on weighted average basis.

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

3.10 Trade debts and other receivables

Trade debts and other receivables are recognized 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 Group will not be able to collect all amounts due according to the original terms of receivables.

3.11 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 recognized initially at fair value less attributable transaction cost. Subsequent to initial recognition, these are stated at amortized cost with any difference between cost and redemption value being recognized in the profit and loss over the period of the borrowings on an effective interest 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 recognized at fair value plus directly attributable cost, if any, and subsequently at amortized cost using effective interest rate method.

3.12 Trade and other payables

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

3.13 Retirement and other benefits

Defined benefit plan

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

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

Accumulating compensated absences

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

The unutilized earned leaves 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 by the Company to cover the obligation for accumulating compensated absences and are charged to profit.

3.14 Impairment losses

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

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

Impairment losses 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.

3.15 Foreign currencies

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

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

3.16 Revenue recognition

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

Revenue from different sources is recognized as follows:

- Revenue from terminating minutes is recognized at the time the call is made over the network of the Group.
- Revenue from originating minutes is recognized on the occurrence of calls both for prepaid and postpaid subscribers.
- Subscription revenue from Cable TV, EVDO, internet over cable and channels subscription fee is recognized on provision of services.
- Connection and membership fee is recognized at the time of sale of connection.
- Sale of goods is recognized on dispatch of goods to customer.
- Advertisement income is recognized on the basis of spots run when commercials are aired on the network.
- Interest income is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return.
- Revenue from metro fiber connectivity/sale is recognized on delivery of services.
- Rental income from investment property is recognized in the profit and loss account on accrual basis.
- Revenue from prepaid cards is recognized as credit is used.
- Dividend income is recognized when the right to receive payment is established.

3.17 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 markup, interest and other charges are recognized as an expense in the period in which they are incurred.

3.18 Provisions

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

3.19 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 demand deposits.

3.20 Financial instruments

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

Offsetting of financial assets and financial liabilities

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

3.21 Related party transactions

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

3.22 Dividend

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

3.23 Discontinued operation

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed off or is held for sale or a subsidiary acquired exclusively with a view to resell. Classification as a discontinued operation occurs upon disposal or when the operations meet the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statement is re-presented as if the operation has been discontinued from the start of the comparative period.

4 Property, plant and equipment

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

	Cost/ revalued amount as at 01 Jan 2010	Exchange Adjustments	Revaluation Surplus/ (deficit)/ (impairment)	Additions/ (Disposals)	Transfers/ Adjustments	Cost/ revalued amount as at 31 Dec 2010	Accumulated depreciation as at 01 Jan 2010	Depreciation charge for the year/ (Disposals)	Exchange Adjustments	Revaluation Surplus/ (deficit)/ (impairment)	Transfers/ Adjustments	Accumulated depreciation as at 31 Dec 2010	Net book value as at 31 Dec 2010	Depreciation rate %
(Rupees in '000)														
Owned assets														
Freehold Land	19,800	-	-	5,760	(5,760)	19,800	-	-	-	-	-	-	19,800	
Leasehold improvements	115,385	-	-	1,141	-	116,398	53,968	12,874	-	-	-	66,755	49,643	20-33
Plant and equipment	15,043,598	-	-	2,128,219	293,741	17,377,906	3,402,987	1,354,643	-	-	93,831	4,819,556	12,558,350	4-33.33
Office equipment	85,623	-	-	7,635	(82,995)	93,828	20,576	(2,484)	-	-	(29,421)	30,625	63,203	10
Computers	91,032	-	-	(3,485)	-	99,411	-	(2,346)	-	-	1,735	-	63,203	10
Furniture and fixtures	24,966	-	-	8,908	-	70,734	70,734	16,544	-	-	-	86,807	12,604	33
Vehicles	111,490	-	-	(521)	(8)	24,444	9,080	(463)	-	-	(8)	11,103	13,341	10
Lab and other equipment	17,074	-	-	(1,074)	-	139,136	82,421	(866)	-	-	-	106,540	32,596	20
				(26,915)	(14,785)	20,605	11,458	(25,419)	-	-	(12,020)	14,190	6,415	10-20
	17,074	-	-	3,165	-	20,605	11,458	2,366	-	-	-	14,190	6,415	10-20
				-	366						366			
	15,508,968	-	-	2,155,415	361,347	17,891,528	3,651,224	1,414,248	-	-	142,852	5,135,576	12,755,952	
				(36,780)	(97,422)			(31,665)	-	-	(41,083)			
Leased assets														
Plant and equipment	279,173	-	-	3,944	(293,741)	28,292	58,931	9,162	-	-	(93,831)	2,861	25,431	5-33.33
Office equipment	4,055	-	-	-	38,916	-	1,554	181	-	-	28,599	-	-	10
Vehicles	64,896	-	-	9,300	(69,311)	19,302	34,679	6,596	-	-	(47,286)	5,641	13,661	20
	348,124	-	-	13,244	(367,107)	47,594	95,164	15,939	-	-	(142,852)	8,502	39,092	
				-	53,333						40,251			
	15,857,092	-	-	2,168,659	(5,760)	17,939,122	3,746,388	1,430,187	-	-	-	5,144,078	12,795,044	
				(36,780)	(44,089)			(31,665)	-	-	(832)			

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

	Cost/ revalued amount as at 01 Jan 2009	Exchange Adjustments	Revaluation Surplus/ (deficit)/ (impairment)	Additions/ (Disposals)	Transfers/ Adjustments	Cost/ revalued amount as at 31 Dec 2009	Accumulated depreciation as at 01 Jan 2009	Depreciation charge for the year/ (Disposals)	Exchange Adjustments	Revaluation Surplus/(deficit) (impairment) Adjustments	Transfers/ Adjustments	Accumulated depreciation as at 31 Dec 2009	Net book value as at 31 Dec 2009	Depreciation rate %
(Rupees in '000)														
Owned assets														
Freehold Land	19,800	-	-	-	-	19,800	-	-	-	-	-	-	19,800	-
Leasehold improvements	105,200	-	-	11,570 (1,385)	-	115,385	41,230	13,061 (323)	-	-	-	53,968	61,417	20-33
Plant and equipment	11,663,765	923	(30,994)	3,345,476 (14,816)	79,244	15,043,598	2,315,740	1,089,943 (6,921)	431	(12,863)	16,657	3,402,987	11,640,611	4-33.33
Office equipment	80,469	22	(633)	6,617 (852)	-	85,623	12,738	8,833 (504)	17	(508)	-	20,576	65,047	10
Computers	81,866	65	(931)	10,455 (423)	-	91,032	59,160	12,646 (244)	63	(891)	-	70,734	20,298	33
Furniture and fixtures	19,948	27	(780)	6,202 (431)	-	24,966	7,809	2,266 (405)	22	(612)	-	9,080	15,886	10
Vehicles	100,194	2	324	3,249 (732)	8,453	111,490	64,459	13,727 (609)	2	324	4,518	82,421	29,069	20
Lab and other equipment	19,661	69	(2,918)	262	-	17,074	10,390	2,394	28	(1,354)	-	11,458	5,616	10-20
	12,090,903	1,108	(35,932)	3,383,831 (18,639)	87,696	15,508,968	2,511,526	1,142,870 (9,006)	563	(15,904)	21,175	3,651,224	11,857,744	
Leased assets														
Plant and equipment	334,183	-	-	24,234	(79,244)	279,173	52,937	22,651	-	-	(16,657)	58,931	220,242	4-33.33
Office equipment	4,055	-	-	-	-	4,055	574	980	-	-	-	1,554	2,501	10
Vehicles	93,358	-	-	661 (20,670)	(8,453)	64,896	33,522	22,291 (16,616)	-	-	(4,518)	34,679	30,217	20
	431,596	-	-	24,895 (20,670)	(87,696)	348,124	87,033	45,922 (16,616)	-	-	(21,175)	95,164	252,960	
	12,522,499	1,108	(35,932)	3,408,726 (39,309)	-	15,857,092	2,598,559	1,188,792 (25,622)	563	(15,904)	-	3,746,388	12,110,704	

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4.3 Subsequent to revaluation on 31 March 2007, which had 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 2010 would have amounted to Rs. 12,412 million (31 December 2009: Rs. 11,732 million)

4.4 Carrying value of property, plant and equipment and current assets having charge against borrowings amount to Rs. 12,268 million (31 December 2009: Rs. 12,008 million)

4.5 Finance cost amounting to Rs. 45.345 million (31 December 2009: Rs. 402.87 million) was capitalized during the year in property, plant and equipment.

Note	31 December 2010	31 December 2009
	----- (Rupees in '000) -----	

4.6 Depreciation charge during the year has been allocated as follows:

Direct cost	35	1,363,805	1,110,074
Operating cost	36	66,382	75,761
		1,430,187	1,185,835

4.7 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) -----					
Plant and equipment						
Equipment	2,266	1,306	960	2,139	Insurance claim	
Computers						
Laptop	95	37	58	58	Negotiation	Hadia Zulfiqar-ex employee
Office Equipment						
Generator	342	191	151	151	Negotiation	Vendor
Air conditioners	623	432	191	191	Negotiation	Vendor
UPS 5 KVA	107	16	91	70	Insurance claim	
Attendance Machine	149	31	118	110	Insurance claim	
Generator	105	8	97	93	Insurance claim	
Vehicles						
Changan Chitral	508	323	185	267	Negotiation	Vendor
Changan Chitral	508	323	185	267	Negotiation	Vendor
Honda Civic	1,371	845	526	1,300	Negotiation	Shahid Mehmood-ex employee
Honda City	879	601	278	800	Negotiation	Salman Awan-ex employee
Items with book value less than Rs. 50,000						
	29,827	27,552	2,275	14,989		
Total	36,780	31,665	5,115	20,435		

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	31 December 2010	31 December 2009
5 Capital work-in-progress	----- (Rupees in '000) -----	
Owned		
Civil works	45,229	228,837
Plant and equipment	<u>706,449</u>	<u>1,422,303</u>
	751,678	1,651,140
Less: provision for impairment	<u>(300)</u>	<u>(286)</u>
	<u>751,378</u>	<u>1,650,854</u>

6 Intangible assets

	Cost/revalued amount as at		Cost/revalued amount as at	Accumulated amortization as at 01 Jan	Amortization for the year	Accumulated amortization as at 31 Dec	Net book value as at 31 Dec	Rate
	01 Jan	Additions/ (adjustments)	31 Dec	as at 01 Jan	for the year	as at 31 Dec	31 Dec	%
	2010		2010	2010		2010	2010	
----- (Rupees in '000) -----								
Licenses	2,893,290	-	2,893,290	683,496	158,352	841,848	2,051,442	5
Patents and copyrights	5,333	-	5,333	3,606	801	4,407	926	10
Softwares	16,284	-	16,284	14,034	1,800	15,834	450	20
Goodwill	2,690,403	-	2,690,403	136,909	-	136,909	2,553,494	-
	<u>5,605,310</u>	<u>-</u>	<u>5,605,310</u>	<u>838,045</u>	<u>160,953</u>	<u>998,998</u>	<u>4,606,312</u>	

	Cost/revalued amount as at		Cost/revalued amount as at	Accumulated amortization as at 01 Jan	Amortization for the year	Accumulated amortization as at 31 Dec	Net book value as at 31 Dec	Rate
	01 Jan	Additions/ (adjustments)	31 Dec	as at 01 Jan	for the year	as at 31 Dec	31 Dec	%
	2009		2009	2009		2009	2009	
----- (Rupees in '000) -----								
Licenses	2,893,290	-	2,893,290	525,192	158,304	683,496	2,209,794	5
Patents and copyrights	5,333	-	5,333	2,895	711	3,606	1,727	10
Softwares	16,284	-	16,284	12,234	1,800	14,034	2,250	20
Goodwill	2,690,403	-	2,690,403	136,909	-	136,909	2,553,494	-
	<u>5,605,310</u>	<u>-</u>	<u>5,605,310</u>	<u>677,230</u>	<u>160,815</u>	<u>838,045</u>	<u>4,767,265</u>	

6.1 The Company had revalued its licenses and software on 30 June 2008 resulting in a net surplus of Rs. 430.391 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 and software as at 31 December 2010 would have amounted to Rs. 4,257 million (31 December 2009: 4,369 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 at 31 December 2010 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 year financial business plan which assumes substantial cash inflows from either investing or financing activities. The financing assumption is substantially covered through a resolution approved by the majority shareholders of the holding Company in their meeting held on 15 December 2010 in which the board of directors of the holding Company has been authorized to issue a written guarantee to a third party for providing funding to the Company equivalent to USD 35 million.

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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 impairment calculation no growth is considered in cash flows beyond five years as per International Accounting Standard 36 - Impairment of Assets.

	Note	31 December 2010	31 December 2009
6.4		----- (Rupees in '000) -----	
Amortization charge during the year has been allocated as follows:			
Direct cost	35	100,467	100,329
Capitalized during the year		60,486	60,486
		160,953	160,815

7 Investment properties

Opening balance		76,162	76,162
Addition during the year		6,600	-
Transferred from owned assets		5,760	-
Fair value adjustment		1,378	-
Closing balance		89,900	76,162

Investment property comprises of land and offices situated in Karachi, Pakistan.

Fair value of investment property was determined at 31 December 2010 by approved independent valuer M/s Gandhara Consultant. Fair value was determined giving due regard to recent market transactions for similar properties in the same location and condition as the Company's investment property.

During the year the Company acquired land under the arrangement of barter transaction with Legend World Advertising against the advertisement services.

8 Long term trade receivable

This represents receivable from the sale of Optical Fiber Cable stated at amortized cost by using the discount rate of 16%. This amount is receivable over a period of two years.

		31 December 2010	31 December 2009
9		----- (Rupees in '000) -----	
Deferred taxation			
This is composed of:			
Liability for deferred taxation comprising temporary differences related to:			
Accelerated tax depreciation		2,646,604	2,359,522
Surplus on revaluation of plant and equipment		173,058	173,058
Others		687,530	572,608
Asset for deferred taxation comprising temporary differences related to:			
Unused tax losses and tax credits		(3,099,464)	(2,359,599)
Provision for doubtful debts and retirement benefits		(426,681)	(347,467)
		(18,953)	398,122

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	Note	31 December 2010	31 December 2009
		------(Rupees in '000)-----	
10 Long term deposits			
Security deposit with PTCL		17,509	23,556
Deposits with financial institutions		6,056	18,414
Others		41,278	41,699
		64,843	83,669
Less: Current maturity	15	(1,404)	(14,868)
		63,439	68,801
11 Stores and spares			
Cost		216,975	327,814
Less: provision			
Opening balance		(10,200)	-
Addition during the year		(14,700)	(10,200)
Closing balance		(24,900)	(10,200)
		192,075	317,614
12 Stock in trade			
Cost		208,417	189,336
Less: provision			
Opening balance		(7,231)	-
Addition during the year		(8,500)	(7,223)
Exchange adjustment		-	(8)
Adjustment-discontinued operations		231	-
Closing balance		(15,500)	(7,231)
		192,917	182,105
13 Trade debts			
Considered good - unsecured	13.1	2,016,418	2,116,744
Considered doubtful - unsecured		714,694	583,033
		2,731,112	2,699,777
Less: Provision for doubtful debts	13.2	(714,694)	(583,033)
		2,016,418	2,116,744
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
Oman Telecommunications Company SAOG		-	200,199
		92,813	293,012

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	31 December 2010	31 December 2009
	----- (Rupees in '000) -----	
13.2 Provision for doubtful debts		
Opening balance	583,033	488,512
Addition during the year	134,889	94,352
Exchange rate adjustments	-	169
Adjustment-discontinued operations	(3,228)	-
Closing balance	<u>714,694</u>	<u>583,033</u>

13.2.1 It includes provision of Rs. 92.81 million (31 December 2009: Rs.37.13 million) against receivable from Pace group companies, associated companies.

	Note	31 December 2010	31 December 2009
		----- (Rupees in '000) -----	
14 Loans and advances - considered good			
Loans and advances to employees	14.1	43,543	39,144
Advances to suppliers		300,573	401,760
Advances to PTA	14.2	40,000	-
Advance to associated company	14.3	-	28,886
		<u>384,116</u>	<u>469,790</u>

14.1 These loans and advances are unsecured and interest free and include advances given to executives of Rs. 24.184 million (31 December 2009 : Rs. 13.337 million).

14.2 It represents amount 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 which was complied by the Company.

14.3 This represents unsecured advance given to Media Times Limited, carrying markup at the rate of 16.5% per annum (31 December 2009: 16.5-18% per annum). The loan has been settled during the year by the associated company.

	Note	31 December 2010	31 December 2009
		----- (Rupees in '000) -----	
15 Deposits and prepayments			
Margin deposits	15.1	68,499	75,487
Prepayments		83,478	73,805
Current maturity of long term deposits	10	1,404	14,868
Short term deposits		20,670	17,994
Less: provision for doubtful short term deposits	15.2	-	(236)
		<u>174,051</u>	<u>181,918</u>

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

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	Note	31 December 2010	31 December 2009
		------(Rupees in '000)-----	
15.2 Provision for doubtful short term deposits			
Opening balance		236	147
Charged during the year		-	76
Exchange rate adjustments		-	13
Adjustment-discontinued operations		(236)	-
Closing balance		-	236
16 Other receivables			
Receivable from PTCL - unsecured considered doubtful		196,919	196,919
Less: provision for doubtful receivables		(196,919)	(196,919)
		-	-
Other receivables - considered good		24,999	15,890
Other receivables - considered doubtful		40,096	45,609
		65,095	61,499
Less: provision for doubtful receivables	16.1	(40,096)	(45,609)
		24,999	15,890
		24,999	15,890
16.1 Provision for doubtful other receivables			
Opening balance		45,609	42,346
Charged during the year		-	3,000
Exchange rate adjustments		-	263
Adjustment-discontinued operations		(5,513)	-
Closing balance		40,096	45,609
17 Short term investments-available for sale			
Carrying value	17.1	85,461	188,216
Fair value adjustment		(31,612)	(102,755)
		53,849	85,461
Related parties			
Carrying value	17.2	292,978	155,856
Reclassified from long term investment		-	41,448
		292,978	197,304
Fair value adjustment		(36,355)	95,674
		256,623	292,978
Total carrying value		378,439	385,520
Total fair value adjustment		(67,967)	(7,081)
		310,472	378,439

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17.1 Particulars of listed shares - At fair value

All shares have face value of Rs. 10 each.

Name	No. of shares		31 Dec 2010		31 Dec 2009	
	31 Dec 2010	31 Dec 2009	Carrying value	Market value	Carrying value	Market value
------(Rupees in '000)-----						
Commercial Banks						
The Bank of Punjab	10,528	10,528	205	103	139	205
Mutual Fund						
First Dawood Mutual Fund	580,750	580,750	981	1,162	1,254	981
Pak Oman Advantage Fund	1,000,000	1,000,000	10,500	10,350	8,420	10,500
Electric Appliances						
Pak Elektron Limited	9	102	2	-	2	2
Leasing						
Standard Chartered Leasing Limited	70,000	70,000	180	199	123	180
Insurance						
Shaheen Insurance Company Limited	3,136,963	3,136,963	73,593	42,035	178,278	73,593
			85,461	53,849	188,216	85,461

17.2 Particulars of listed shares of related parties - At fair value

All shares have face value of Rs. 10 each

Name	No. of shares		31 Dec 2010		31 Dec 2009	
	31 Dec 2010	31 Dec 2009	Carrying value	Market value	Carrying value	Market value
------(Rupees in '000)-----						
First Capital Securities Corporation Limited	3,991,754	3,628,867	34,438	14,211	95,728	34,438
Percentage of equity held 1.27% (31 December 2009: 1.27%)						
Pace (Pakistan) Limited	6,959,290	6,959,290	40,712	18,999	60,128	40,712
Percentage of equity held 2.5% (31 December 2009: 2.5%)						
Media Times Limited	4,199,500	4,199,500	217,828	223,413	41,448	217,828
Percentage of equity held 3.13% (31 December 2009: 3.13%)						
			292,978	256,623	197,304	292,978

17.3 Subsequent to the balance sheet date fair value of the Media Times Limited, an associated company, as on 25 January 2011 was Rs. 91.675 million.

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	Note	31 December 2010	31 December 2009
------(Rupees in '000)-----			
18 Cash and bank balances			
At banks in			
Current accounts		8,392	26,832
Saving accounts	18.1	163,065	284,962
		171,457	311,794
Cash in hand		12,503	23,785
		<u>183,960</u>	<u>335,579</u>

18.1 The balances in saving accounts bear mark up at the rate of 1.5% to 11% per annum (31 December 2009: 1.5% to 16% per annum). The balance includes Rs. 40 million (31 December 2009: Rs. 40 million) and interest accrued thereon deposited in Escrow account as stated in note 30.1.2.

19 Non current assets and liabilities classified as held for sale

The Group's foreign subsidiary namely Worldcall Telecommunications Lanka (Private) Limited has been suffering losses since 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 has decided and approved the winding up of the subsidiary. Long term investment in subsidiary has now been classified as discontinued operations.

The following are the results for the year ending 31 December 2010 and the comparative year of discontinued operations.

	31 December 2010	31 December 2009
------(Rupees in '000)-----		
Results of discontinued operations		
Revenue	3,528	5,420
Expenses	<u>(10,425)</u>	<u>(20,621)</u>
Results from operating activities	(6,897)	(15,201)
Finance cost	(2,553)	(52)
Impairment of fixed assets	-	(20,304)
Other income	49	98
Loss for the year	<u>(9,401)</u>	<u>(35,459)</u>
Cash flow used in discontinued operations		
Net cash used in operating activities	1,045	(1,340)
Net cash generated from investing activities	-	-
Net cash generated from financing activities	-	-
Net cash used in discontinued operations	<u>1,045</u>	<u>(1,340)</u>
Non current assets and liabilities classified as held for sale		
Assets		
Cash and bank balance	<u>144</u>	
Liabilities		
Trade and other payables	18,132	
Income tax payable	7	
	<u>18,139</u>	

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	Note	31 December 2010	31 December 2009
		------(Rupees in '000)-----	
20 Current maturities of non-current liabilities			
Term finance certificates	25	1,211,126	665,253
Long term finances- Habib Bank Limited	20.1	-	37,494
License fee payable	29	1,021,500	1,100,781
Liabilities against assets subject to finance lease	27	13,545	55,063
		2,246,171	1,858,591

20.1 The loan has been fully repaid during the period.

21 Running finance under markup arrangements-secured

Short term running finances available from commercial banks under mark up arrangements amount to Rs. 1,181 million (31 December 2009: Rs. 1,131 million). Mark up is charged at rates ranging from 13.73% to 19% per annum (31 December 2009: 13.14% to 19.02% per annum). These are completely secured under joint pari passu hypothecation agreement with 25% security margin over the facility amount.

22 Short term borrowings

This represents a bridge finance facility of Rs. 200 million obtained from Habib Bank Limited to retire the Letter of Credit. This carries mark up at three months KIBOR plus 3% per annum. This facility will be settled on or before 28 February 2011. This facility is secured by registered charge on current and fixed assets.

	Note	31 December 2010	31 December 2009
		------(Rupees in '000)-----	
23 Trade and other payables			
Trade creditors			
Related parties - associated companies	23.1	1,145,191	1,447
Others		2,887,444	1,918,367
		4,032,635	1,919,814
Accrued and other liabilities		234,151	174,317
Advances from customers		216,180	75,703
Retention money		53,183	49,806
Sales tax payable		66,595	279
Tax deducted at source		39,644	16,482
Un-claimed dividend		1,807	1,807
		4,644,195	2,238,208

23.1 This includes trade payables to the holding company.

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	Note	31 December 2010	31 December 2009
------(Rupees in '000)-----			
24 Interest and mark-up accrued			
Long term financing		-	1,670
Short term borrowings/running finance		48,005	26,362
Share deposit money		351	351
Finance lease		-	248
Term finance certificates		122,213	137,974
		<u>170,569</u>	<u>166,605</u>
25 Term finance certificates - secured			
Term Finance Certificates - II	25.1	116,572	233,146
Term Finance Certificates - III	25.2	3,287,473	3,836,153
		<u>3,404,045</u>	<u>4,069,299</u>
Less: initial transaction cost		(60,928)	(60,928)
		<u>3,343,117</u>	<u>4,008,371</u>
Amortization of transaction cost		34,088	21,743
		<u>3,377,205</u>	<u>4,030,114</u>
Less: current maturity	20	(1,211,126)	(665,253)
		<u>2,166,079</u>	<u>3,364,861</u>

Term Finance Certificates have a face value of Rs. 5,000 per certificate.

25.1 Term Finance Certificates - II

These represent listed Term Finance Certificates amounting to Rs. 350 million issued during the year ended 30 June 2007. These TFCs are redeemable in six equal semi annual installments commencing May 2009. Profit rate is charged at six months average KIBOR plus 2.75% per annum. These are secured by way of first pari passu hypothecation charge on the present and future fixed assets of the Company amounting to Rs. 467 million.

If the Company fails to redeem any TFC-II on the redemption date, the obligation shall become immediately due. Maturity date of TFC-II is 27 November 2011.

25.2 Term Finance Certificates - III

These represent listed Term Finance Certificates amounting to Rs. 4,000 million out of this Rs. 3,000 million has been received on account of Pre-IPO and Rs. 1,000 million was offered to public for subscription. These TFCs are redeemable in seven equal semi annual installments commencing October 2010. Profit rate is charged at six months average KIBOR plus 1.60% per annum. These are secured by way of first pari passu charge on the present and future fixed assets of the Company amounting to Rs. 5,333.33 million and assignment of licenses.

First Dawood Investment Bank Limited and Noman Abid Investment Management Limited ("the Underwriters") have defaulted to comply with their underwriting commitments of Rs. 162.312 million arising out of short subscription of IPO of TFC. The Securities and Exchange Commission of Pakistan (SECP) through its No Objection Certificate dated 04 November 2008 issued for 60 days had allowed the Company partial allotment to the extent of Rs 3,837.688 million out of total issue of Rs. 4,000 million. This NOC was subject to a condition that the Company recovers the remaining amount of Rs. 162.312 million from the defaulting underwriters. The Company through its letter dated 30 December 2008 issued before expiry of 60 days has requested SECP to reduce the size of TFC issue to Rs. 3,837.688 million due to the default made by above underwriters. The Company has issued legal notices to underwriters and requested SECP through its letter dated 19 March 2009 for just and equitable resolution of the matter.

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If the Company fails to redeem any TFC-III on the redemption date, the obligation shall become immediately due. TFC-III will mature on 06 October 2013.

	Note	31 December 2010	31 December 2009
------(Rupees in '000)-----			
26 Retirement benefits			
Company gratuity obligation	26.1	208,819	169,336
Subsidiary gratuity obligation		-	-
Accumulated compensated absences	26.2	18,160	6,606
		<u>226,979</u>	<u>175,942</u>

26.1 Gratuity

The amount recognized in the balance sheet is as follows:

Present value of defined benefit obligation		185,500	173,153
Unrecognized actuarial losses		7,293	(14,518)
Benefits due but not paid		16,026	10,701
		<u>208,819</u>	<u>169,336</u>
Liability at beginning of the year		169,336	156,957
Charge for the year	26.1.1	76,412	82,938
Paid during the year		(36,929)	(70,559)
		<u>208,819</u>	<u>169,336</u>

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

	31 December 2010	31 December 2009
------(Rupees in '000)-----		
Interest cost for the year	20,778	22,894
Current service cost	55,628	53,874
Past service cost	-	6,170
Actuarial loss recognized during the year	6	-
	<u>76,412</u>	<u>82,938</u>

26.1.2 Recent actuarial valuation of plan was carried out on 31 December 2010 by Nauman Associates.

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

	31 December 2010	31 December 2009
Discount rate (per annum)	13%	12%
Expected rate of salary increase (per annum)	12%	11%
Average expected remaining working life time of employees	13 years	12 years

26.1.3 Historical information for gratuity

	June 2007	June 2008	Dec 2008	Dec 2009	Dec 2010
------(Rupees in '000)-----					
Present value of defined benefit obligation	107,126	133,328	152,633	173,153	185,500
Experience adjustment arising on plan liabilities	(4,461)	(2,096)	5,042	(8,883)	(21,811)

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	Note	31 December 2010	31 December 2009
----- (Rupees in '000) -----			
26.2 Accumulated compensated absences			
The amount recognized in the balance sheet is as follows:			
Present value of defined benefit obligation		26,603	23,633
Unrecognized actuarial losses		(11,391)	(18,468)
Benefits due but not paid		2,948	1,441
		18,160	6,606
Liability at beginning of the year		6,606	1,257
Charge for the year	26.2.1	18,452	17,519
Paid during the year		(6,898)	(12,170)
		18,160	6,606
26.2.1 Salaries, wages, amenities and other benefits include the following in respect of retirement and other benefits:			
Interest cost for the year		2,836	3,475
Current service cost		5,562	4,243
Past service cost		7,077	9,234
Actuarial loss recognized during the year		2,977	567
		18,452	17,519

26.2.2 Recent actuarial valuation of plan was carried out on 31 December 2010 by Nauman Associates.

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

	31 December 2010	31 December 2009
Discount rate (per annum)	13%	12%
Expected rate of salary increase (per annum)	12%	11%
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

	Note	31 December 2010	31 December 2009
----- (Rupees in '000) -----			
27 Liabilities against assets subject to finance lease			
Present value of minimum lease payments		29,507	73,605
Less: Current portion shown under current liabilities	20	(13,545)	(55,063)
		15,962	18,542

Interest rate used as discounting factor is ranging from 12 % to 17.76% per annum (31 December 2009: 8% to 17.76% 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 0.1% per day.

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

	31 December 2010			31 December 2009		
	Minimum lease payment	Finance cost	Principal	Minimum lease payment	Finance cost	Principal
	------(Rupees in '000)-----					
Not later than one year	16,399	2,854	13,545	59,769	4,706	55,063
Later than one year but not later than five years	16,932	970	15,962	20,694	2,152	18,542
	33,331	3,824	29,507	80,463	6,858	73,605

	Note	31 December 2010	31 December 2009
		------(Rupees in '000)-----	
28 Long term payables			
Universal Service Fund	28.1	254,716	157,144
Oman Telecommunications Company SAOG		-	616,698
Suppliers		556,812	1,063,729
Trade Payables		-	194,339
Others		74,833	93,310
		886,361	2,125,220

28.1 It represents the amount received against contracts valuing Rs 786 million and 487 million for the deployment of network in MTR-I and GTR respectively awarded by Universal Service Fund(USF), a Company established for the purpose of increasing teledensity in Pakistan.

	31 December 2010	31 December 2009
	------(Rupees in '000)-----	
29 License fee payable		
Carrying value of license fee payable to PTA	1,206,000	1,206,000
Less: present value adjustment	(453,107)	(453,107)
	752,893	752,893
Accumulated interest charged to profit and loss	453,107	418,888
Less: payments	(184,500)	(71,000)
	1,021,500	1,100,781
Less: current maturity	(1,021,500)	(1,100,781)
	-	-

This represents interest free license fee payable to PTA for WLL licenses. As per the agreement with PTA, 50% of the license fee i.e. Rs. 1,135 million was payable by March 2010. The long term portion was discounted using the effective interest rate of 12.5%. During the year the Company has paid Rs. 113.5 million i.e. 10% of the outstanding balance.

30 Contingencies and commitments

The Company

30.1 Billing disputes with PTCL

30.1.1 There is a dispute of Rs. 72.22 million (31 December 2009: Rs 70.23 million) with PTCL of non revenue time of prepaid calling cards and Rs. 32.13 million (31 December 2009: Rs 29.3 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.

30.1.2 PTCL has charged the Company excess Domestic Private Lease Circuits (DPLC) and other media charges amounting to Rs. 140.07 million (31 December 2009: Rs.153.54 million) on account of difference in rates, distances and date of activation. Further, the Company has also deposited Rs. 40 million (31 December 2009: 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.

30.2 Disputes with Pakistan Telecommunication Authority (PTA)

30.2.1 There is a dispute with PTA on payment of annual microwave and BTS registration charges amounting to Rs.13 million (31 December 2009: Rs. 10.6 million). The matter is presently pending adjudication before the Honorable Lahore High Court Lahore. The Company is hopeful of a favorable decision.

30.2.2 There is a dispute with PTA on roll out of Company's 479 MHz and 3.5 GHz frequency bands 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 favorably resolved at the level of PTA in as much as Company has now started its roll out plan.

30.2.3 There is a dispute with PTA on payment of R&D Fund contribution amounting to Rs. 11.3 million (31 December 2009: Rs. 11.3 million). The legal validity of this fund is under challenge before the Honorable Supreme Court of Pakistan. The Company has also gone into appeal against the demand before the Honorable Lahore High Court Lahore. The Company is hopeful of a favorable decision.

30.2.4 There is a dispute with PTA on payment of contribution of APC for USF for the period prior to the valid formation of USF fund by the Federal Government amounting to Rs. 491 million (31 December 2009: Rs. 491 million). Out of this amount, Rs. 223 million has been deposited with PTA. The matter is pending adjudication before the Honorable Supreme Court of Pakistan. The Company is hopeful of a favorable decision.

30.3 Taxation issues

30.3.1 Income Tax Return for the tax year ended 30 June 2006 was filed under the self assessment scheme. Subsequently, the case was reopened by invoking the provisions of section 122 (5A). Additions were made on account of brought forward losses, gratuity and goodwill of Rs. 773 million. The Company filed an appeal before the Commissioner of Income Tax (Appeals). The Commissioner of Income Tax (Appeals) dismissed the appeal of the Company and now the Company has filed appeal in Income Tax Appellate Tribunal Lahore against the order of Commissioner of Income Tax (Appeals). The management is hopeful that the matter will be decided in favour of the Company.

30.3.2 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 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 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

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30.3.3 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 Honorable 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 Company is hopeful of a favorable decision.

	31 December 2010	31 December 2009
	----- (Rupees in '000) -----	
30.4 Outstanding guarantees	<u>1,012,853</u>	<u>799,755</u>
30.5 Commitments in respect of capital expenditure	<u>757,484</u>	<u>647,197</u>
30.6 Outstanding letters of credit	<u>75,800</u>	<u>12,870</u>

	31 Dec. 2010	31 Dec. 2009	31 Dec. 2010	31 Dec. 2009
	----- (No of shares) -----		----- (Rupees in '000) ----	

31 Issued, subscribed and paid up 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	108,510,856	108,510,856	1,085,109	1,085,109
	<u>860,571,513</u>	<u>860,571,513</u>	<u>8,605,716</u>	<u>8,605,716</u>

31.1 As at 31 December 2010, Oman Telecommunications Company SAOG the holding company, holds 488,839,429 ordinary shares (31 December 2009: 488,839,429) of the Company. In addition 78,541,360 ordinary shares (31 December 2009: 77,136,650 ordinary shares) are held by the following related parties as at 31 December 2010:

	31 December 2010	31 December 2009
	----- (Number of shares) -----	
Related parties		
First Capital Securities Corporation Limited	4,221,207	4,221,207
Pace (Pakistan) Limited	912	912
Arif Habib Securities Limited	<u>74,319,241</u>	<u>72,914,531</u>
	<u>78,541,360</u>	<u>77,136,650</u>

32 Share premium

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

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	31 December 2010	31 December 2009
	----- (Rupees in '000) -----	
33 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	(173,058)	(173,058)
Less: Transfer to retained earning in respect of incremental amortization net of deferred tax	(52,993)	(31,796)
Add: Transfer from retained earning in respect of decremental depreciation net of deferred tax	69,959	41,976
	16,966	10,180
	338,360	331,574

33.1 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 2010	31 December 2009
		----- (Rupees in '000) -----	
34 Revenue -net			
Gross revenue		7,937,527	8,845,485
Less:			
Sales tax		294,895	235,332
Discount and commission		178,228	201,878
		473,123	437,210
		7,464,404	8,408,275
35 Direct cost			
Interconnect, settlement and other charges		3,619,710	4,825,698
Bandwidth and other PTCL charges		537,913	364,520
Depreciation	4.6	1,363,805	1,110,074
Amortization of intangible assets	6.4	100,467	100,329
Power consumption and pole rent		434,075	305,545
Security services		37,149	30,745
PTA charges	35.1	48,935	65,131
Cable license fee		30,649	32,607
Inventory consumed		16,302	11,501
Stores and spares consumed		47,325	57,752
Annual spectrum fee		35,883	23,883
Content cost		55,785	62,152
Network maintenance and insurance		201,553	18,614
Amortization cost of receivables		18,437	-
Others		52,023	28,052
		6,600,011	7,036,603

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	Note	31 December 2010	31 December 2009
------(Rupees in '000)-----			
35.1 PTA Charges			
LDI License	35.1.1	30,977	41,411
WLL License	35.1.2	10,676	18,795
Broadband License		4,009	4,213
Telephony License	35.1.3	313	407
Annual numbering charges		2,960	12
Testing and other charges		-	293
		48,935	65,131
35.1.1 LDI License			
Universal service fund		18,587	21,000
Research and development fund		6,195	13,411
Annual regulatory fee		6,195	7,000
		30,977	41,411
35.1.2 WLL License			
Universal service fund		4,614	8,693
Research and development fund		1,538	5,642
Annual regulatory fee		1,538	2,900
Royalty fee		2,986	1,560
		10,676	18,795
35.1.3 Telephony License			
Universal service fund		187	203
Research and development fund		63	136
Annual regulatory fee		63	68
		313	407
36 Operating cost			
Salaries, wages and benefits		699,240	626,012
Marketing, advertisement and selling expenses		158,112	109,314
Rent, rates and taxes		113,519	92,374
Communications		18,595	17,459
Transportation		65,408	62,108
Legal and professional		30,885	50,075
Insurance		46,847	45,114
Utilities		66,481	45,575
Printing and stationery		9,132	10,681
Entertainment		18,942	18,350
Travel and conveyance		94,192	76,656
Repairs and maintenance		24,817	23,651
Provision for doubtful debts and other receivables		134,889	56,537
Donations	36.1	2,756	37
Fees and subscriptions		8,806	3,343
Directors meeting fee		2,529	5,624
Postage and courier		2,116	2,639
Newspapers and periodicals		809	428
Auditor's remuneration	36.2	7,750	6,675
Depreciation	4.6	66,382	75,761
Miscellaneous		53,807	27,904
		1,626,014	1,356,317

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

	Note	31 December 2010	31 December 2009
------(Rupees in '000)-----			
36.2 Auditor's remuneration			
Statutory audit		3,750	3,750
Half year review		1,000	1,000
International reporting		2,750	1,750
Out of pocket expenses		250	175
		<u>7,750</u>	<u>6,675</u>
37 Finance cost			
Mark-up on long term loans		965	30,346
Mark-up on short term loans/running finance		165,037	99,119
Interest on PTA license fee		34,219	128,656
Financial charge on leased liabilities		6,138	15,892
Mark up on Term Finance Certificates	37.1	523,422	242,377
Bank charges and commission		13,632	6,635
		<u>743,413</u>	<u>523,025</u>

37.1 These include amortization of initial transaction cost of Rs. 11.431 million (31 December 2009: Rs. 9.916 million).

	Note	31 December 2010	31 December 2009
------(Rupees in '000)-----			
38 Other operating income			
Income from financial assets			
Income on deposit and saving accounts		19,476	35,556
Dividend income		934	961
Mark-up on advance to associated company		1,698	5,090
Exchange gain/(loss)		5,052	(29,480)
		<u>27,160</u>	<u>12,127</u>
Income from non-financial assets			
Rental income from investment property		-	5,158
Scrap sales		161	577
Gain on sale of property, plant and equipment		15,320	6,224
Miscellaneous		15,456	79,907
		<u>30,937</u>	<u>91,866</u>
		<u>58,097</u>	<u>103,993</u>
39 Taxation			
Current	39.1	52,628	22,573
Deferred		(417,075)	(155,277)
		<u>(364,447)</u>	<u>(132,704)</u>

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

39.2 Tax charge reconciliation

Numerical reconciliation between the average effective tax rate and the applicable tax rate.

	31 December 2010 %	31 December 2009 %
Applicable tax rate	35.00	35.00
Tax effect of amounts:		
Not deductible for tax purposes	(15.53)	(21.58)
Admissible for tax purposes	1.17	6.63
Chargeable to tax at different rates	3.48	3.64
Covered under presumptive tax regime	-	0.22
Loss of subsidiary	-	(2.04)
Average effective tax rate (tax expense divided by profit before tax)	<u>24.11</u>	<u>21.86</u>

40 Loss per share-basic and diluted

40.1 From continuing and discontinued operations

		31 December 2010	31 December 2009
Loss after taxation available for distribution to ordinary shareholders	Rupees in '000	<u>(1,153,648)</u>	<u>(463,890)</u>
Weighted average number of ordinary shares	Number in '000	<u>860,572</u>	<u>860,572</u>
Basic and diluted loss per share	Rupees	<u>(1.34)</u>	<u>(0.54)</u>

40.2 From continuing operations

Loss after taxation available for distribution to ordinary shareholders	Rupees in '000	<u>(1,147,006)</u>	<u>(438,838)</u>
Weighted average number of ordinary shares	Number in '000	<u>860,572</u>	<u>860,572</u>
Basic and diluted loss per share	Rupees	<u>(1.33)</u>	<u>(0.51)</u>

41 Related party transactions

The related parties comprise associated companies, related group companies, directors of the Company, companies where directors also hold directorship and key management personnel. Significant transactions with related parties are summarized as follows:

		31 December 2010	31 December 2009
		----- (Rupees in '000) -----	
Relationship with the Company	Nature of transactions		
1 Parent Company	Purchase of goods and services	500,677	597,996
	Sale of goods and services	389,204	343,532
2 Other related parties	Purchase of goods and services	14,586	37,779
	Purchase of property	30,000	85,000
	Sale of goods and services	277	6,763
	Interest on advance	1,698	5,090
	Provision for doubtful debts	54,648	37,125
3 Key management personnel	Salaries and other employee benefits	290,510	263,157

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

	31 December 2010	31 December 2009
	----- (Rupees in '000) -----	
Year end balances		
Receivable from related parties	207,814	378,012
Payable to related parties	1,156,250	621,915

These are in normal course of business and are interest free.

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	31 December 2010	31 December 2009
	----- (Rupees in '000) -----	
42 Cash generated from operations		
Loss before taxation	(1,520,854)	(607,001)
Adjustment for:		
Depreciation	1,430,187	1,188,792
Amortization of intangible assets	100,467	100,329
Amortization of transaction cost	11,431	9,916
Amortization cost of receivables	18,437	-
Interest on PTA license fee	34,219	128,656
Provision for doubtful receivables	134,889	97,428
Provision for stock in trade and stores & spares	23,200	17,486
Exchange translation difference	(1,970)	(1,632)
Profit on disposal of property, plant and equipment	(15,320)	(6,224)
Impairment of assets	-	20,304
Gain on re-measurement of investment property at fair value	(1,378)	-
Impairment loss on available for sale financial assets	65,894	167,865
Retirement benefits	94,865	100,458
Finance costs	700,316	384,504
Profit before working capital changes	1,074,382	1,600,881

Effect on cash flow due to working capital changes:

(Increase)/decrease in the current assets

Stores and spares	110,826	90,761
Stock in trade	(19,323)	(45,860)
Trade debts	(39,773)	(1,232,814)
Loans and advances	85,674	(148,605)
Deposits and prepayments	7,856	49,868
Other receivables	(9,381)	165,288
<i>Increase in the current liabilities</i>		
Trade and other payables	1,807,070	339,220
	1,942,948	(782,142)
	3,017,330	818,739

43 Remuneration of chief executive, directors and executives of the Company

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		Directors		Executives	
	31 Dec. 2010	31 Dec. 2009	31 Dec. 2010	31 Dec. 2009	31 Dec. 2010	31 Dec. 2009
	------(Rupees in '000)-----					
Managerial remuneration	16,000	9,398	-	-	157,856	153,303
Retirement benefits	2,667	2,000	-	-	27,059	17,106
Housing	6,400	3,759	-	-	63,142	61,321
Utilities	1,600	940	-	-	15,786	15,330
	26,667	16,097	-	-	263,843	247,060
Number of persons	1	1	-	-	136	150

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

Meeting fee Rs. 2.529 million (31 December 2009: Rs. 5.624 million) was paid to directors during the year .

44 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

44.1 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. The Company's credit risk is primarily attributable to its trade debts and loans and advances. The Company has no significant concentration of credit risk as exposure is spread over a large number of counter parties in the case of trade debts. To manage exposure to credit risk, the Company applies credit limits to its customers and obtains advances from certain customers.

44.1.1 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 2010	31 December 2009
	----- (Rupees in '000) -----	
Long term deposits	64,843	83,669
Long term trade receivable	46,805	-
Trade debts	2,731,112	2,699,777
Loans and advances - considered good	83,543	68,030
Short term deposits	89,169	93,481
Other receivables	262,014	258,418
Short term investments	310,472	378,439
Cash and bank balances	183,960	335,579
	<u>3,771,918</u>	<u>3,917,393</u>

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

	31 December 2010	31 December 2009
	----- (Rupees in '000) -----	
The age of trade receivables		
Not past due	359,348	848,045
Past due 0 - 180 days	1,587,137	1,109,701
Past due 181 - 365 days	119,079	117,867
Past due 1 - 2 years	119,172	218,335
More than 2 years	593,181	405,829
	<u>2,777,917</u>	<u>2,699,777</u>
The age of impairment loss against trade receivables		
Not past due	-	-
Past due 0 - 180 days	30,597	11,081
Past due 181 - 365 days	37,211	21,569
Past due 1 - 2 years	53,705	144,554
More than 2 years	593,181	405,829
	<u>714,694</u>	<u>583,033</u>

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

Opening balance	583,033	488,512
Charge for the year	134,889	94,352
Exchange adjustment	-	169
Adjustment-discontinued operations	(3,228)	-
Closing balance	<u>714,694</u>	<u>583,033</u>

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44.2 Liquidity risk

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

The following are the contractual maturities of financial liabilities as on 31 December 2010:

	Carrying Amount	6 months or less	6-12 months	1-2 year	More than 2 years
------(Rupees in '000)-----					
Term finance certificates - secured	3,377,205	606,199	604,927	1,095,825	1,070,254
Liabilities against assets subject to to finance lease	29,507	7,789	5,756	12,863	3,099
Long term payables	886,361	-	-	886,361	-
Long term deposits	43,208	-	-	-	43,208
License fee payable	1,021,500	1,021,500	-	-	-
Running finance under markup arrangements-secured	1,170,964	1,170,964	-	-	-
Short term borrowings	200,000	200,000	-	-	-
Trade and other payables	4,321,776	3,986,799	334,977	-	-
Interest and mark up accrued	170,569	170,569	-	-	-
	<u>11,221,090</u>	<u>7,163,820</u>	<u>945,660</u>	<u>1,995,049</u>	<u>1,116,561</u>

The following are the contractual maturities of financial liabilities as on 31 December 2009:

	Carrying Amount	6 months or less	6-12 months	1-2 year	More than 2 years
------(Rupees in '000)-----					
Term finance certificates - secured	4,030,114	59,054	606,199	1,209,739	2,155,122
Long term finances-secured	37,494	37,494	-	-	-
Liabilities against assets subject to finance lease	73,605	42,046	13,017	9,769	8,773
Long term payables	2,125,220	-	-	2,125,220	-
Long term deposits	44,160	-	-	-	44,160
License fee payable	1,100,781	1,100,781	-	-	-
Running finance under markup arrangements-secured	1,045,660	1,045,660	-	-	-
Trade and other payables	2,145,744	1,866,029	279,715	-	-
Interest and mark up accrued	166,605	166,605	-	-	-
	<u>10,769,383</u>	<u>4,317,669</u>	<u>898,931</u>	<u>3,344,728</u>	<u>2,208,055</u>

44.3 Market risk

44.3.1 Currency risk

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

The Group exposure to foreign currency risk was as follows:

	31 December 2010	31 December 2009
	----- (USD '000) -----	
Trade receivables	23,283	16,843
Trade payables	(19,464)	(7,686)
Suppliers	(11,950)	(14,957)
Net exposure	(8,131)	(5,800)

The following significant exchange rates were applied during the year

	31 December 2010	31 December 2009
Average rate -rupees per US Dollar	85.00	81.58
Reporting date rate -Rupees per US Dollar	85.80	84.20

A 5% strengthening of Pak Rupees against the above currency would have increased equity and profit and loss account by Rs. 34.882 million (31 December 2009: 24.418 million). This analysis assumes that all other variables, in particular interest rates remain constant.

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

44.3.2 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.

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

	31 December 2010	31 December 2009
	----- (Rupees in '000) -----	
Fixed rate instruments		
Financial assets	-	-
Floating rate instruments		
Financial assets		
Loans and advances - considered good	-	28,886
Cash and bank balances- saving accounts	163,065	284,962
Financial liabilities		
Term finance certificates - secured	3,404,045	4,069,299
Long term finances-secured	-	37,494
Liabilities against assets subject to finance lease	29,507	73,605
Short term borrowings	200,000	-
Running finance under markup arrangements-secured	1,170,964	1,045,660
	(4,641,451)	(4,912,210)

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 markup by Rs. 46.415 million. Similarly a decrease of 1% in interest rate would have decreased markup by similar amount. This analysis assumes that all other variables remain constant.

44.3.3 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 investments return 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 2% of company's total assets, the performance of the investments will not have any material impact on the Group's performance.

44.4 Fair values of financial assets and liabilities

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

44.5 Capital management

The Company board's policy is to maintain an efficient capital base so as to maintain investor, creditor and market confidence and to sustain the future development of 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 2010	31 December 2009
	----- (Rupees in '000) -----	
Total debt	4,577,676	5,186,873
Total equity and debt	14,460,683	16,234,357
Debt-to-equity ratio	32 : 68	32 : 68

There is no major change in debt-to-equity ratio at 31 December 2010 as compared to last year.

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

45 Date of authorization for issue

These financial statements were authorized for issue on 25 January 2011 by the Board of Directors.

46 Standards, interpretations and amendments to published approved accounting standards that are yet not effective

The following standards, amendments and interpretations of approved accounting standards are effective from the dates specified below and are either not relevant to Company's operations or are not expected to have significant impact on the Company's financial statements other than certain increased disclosures:

- IFRS 2 (amendment)-Share-based payments and withdrawal of IFRIC 8- Scope of IFRS 2 and IFRIC 11- Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 January 2010). Amendment provides guidance on the accounting for share based payment transactions among group entities.
- International Accounting Standard (IAS) 24 (revised): Related Party Disclosures (effective for annual period beginning on or after 1 January 2011). The amendments to IAS 24 simplify the disclosure requirements for entities that are controlled, jointly controlled or significantly influenced by a government (referred to as government-related entities) and clarify the definition of a related party.
- Amendments to IAS 32: Classification of Rights Issues (effective for period beginning on or after 1 February 2010). Under the amendment to IAS 32 rights, options and warrants – otherwise meeting the definition of equity instruments in IAS 32.11 – issued to acquire a fixed number of an entity's own non-derivative equity instruments for a fixed amount in any currency are classified as equity instruments, provided the offer is made pro-rata to all existing owners of the same class of the entity's own non-derivative equity instruments.
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for period beginning on or after 1 July 2010). IFRIC 19 clarifies the accounting when an entity extinguish the liability by issuing its own equity instruments to the creditor.
- Amendments to IFRIC 14: Prepayment of a Minimum Funding Requirement (effective for period beginning on or after 1 July 2011). IFRIC 14, IAS 19 –The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction has been amended to remedy an unintended consequence of IFRIC 14 where entities are in some circumstances not permitted to recognize prepayments of minimum funding contributions, as an asset.
- The International Accounting Standards Board made certain amendments to existing standards as part of its Second and third annual improvements project. The effective dates for these amendments vary by standards.

47 General

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

47.2 Certain Comparatives amounts have been reclassified to conform to current year presentation. Material reclassification is summarized below:

- Advances to suppliers amounting to Rs. 120 million previously grouped in loans and advances have now been grouped in capital work in progress.

Muscat:
25 January 2011


CHIEF EXECUTIVE OFFICER


DIRECTOR

Annual Report 2010

Worldcall Telecom Limited

PATTERN OF SHAREHOLDING AS AT 31 DECEMBER 2010

INCORPORATION NUMBER: 0042200 of 15-03-2001

No. of Shareholders	Shareholdings			Shares Held
	From		To	
568	1	-	100	26,581
1408	101	-	500	454,552
3491	501	-	1000	2,438,611
2575	1001	-	5000	7,250,508
822	5001	-	10000	6,864,716
297	10001	-	15000	3,886,782
250	15001	-	20000	4,687,144
200	20001	-	25000	4,733,805
111	25001	-	30000	3,149,397
70	30001	-	35000	2,335,981
43	35001	-	40000	1,661,127
37	40001	-	45000	1,607,113
114	45001	-	50000	5,649,760
37	50001	-	55000	1,939,726
27	55001	-	60000	1,589,285
15	60001	-	65000	956,816
15	65001	-	70000	1,031,867
21	70001	-	75000	1,564,924
9	75001	-	80000	714,707
3	80001	-	85000	251,000
11	85001	-	90000	962,021
5	90001	-	95000	468,232
61	95001	-	100000	6,088,606
6	100001	-	105000	615,341
8	105001	-	110000	875,862
6	110001	-	115000	673,210
4	115001	-	120000	471,720
12	120001	-	125000	1,480,274
6	125001	-	130000	772,855
3	130001	-	135000	398,036
1	135001	-	140000	136,931
4	140001	-	145000	568,912
16	145001	-	150000	2,389,191
3	150001	-	155000	460,514
3	155001	-	160000	477,500
4	160001	-	165000	652,500

Worldcall Telecom Limited

No. of Shareholders	Shareholdings			Shares Held
	From		To	
2	165001	-	170000	334,740
5	170001	-	175000	866,534
1	175001	-	180000	177,500
3	180001	-	185000	547,133
4	185001	-	190000	750,657
3	190001	-	195000	579,000
23	195001	-	200000	4,595,615
6	200001	-	205000	1,217,458
4	205001	-	210000	834,110
2	210001	-	215000	428,121
2	215001	-	220000	432,904
2	220001	-	225000	450,000
3	225001	-	230000	685,359
2	230001	-	235000	463,300
1	235001	-	240000	238,899
2	240001	-	245000	486,893
5	245001	-	250000	1,238,199
1	250001	-	255000	255,000
4	255001	-	260000	1,032,053
4	260001	-	265000	1,052,576
2	265001	-	270000	540,000
3	270001	-	275000	822,656
3	275001	-	280000	835,262
2	290001	-	295000	589,000
10	295001	-	300000	2,996,100
1	300001	-	305000	301,001
1	310001	-	315000	310,591
1	320001	-	325000	321,846
1	350001	-	355000	352,000
1	360001	-	365000	363,000
1	365001	-	370000	366,041
1	370001	-	375000	372,000
2	385001	-	390000	779,632
8	395001	-	400000	3,197,506
1	400001	-	405000	400,004
1	405001	-	410000	406,926
2	410001	-	415000	824,965
1	430001	-	435000	430,100
3	445001	-	450000	1,350,000
1	470001	-	475000	475,000
4	495001	-	500000	1,997,501

Worldcall Telecom Limited

No. of Shareholders	Shareholdings			Shares Held
	From		To	
1	500001	-	505000	505,000
2	515001	-	520000	1,035,457
1	520001	-	525000	525,000
1	545001	-	550000	550,000
1	570001	-	575000	575,000
1	580001	-	585000	584,900
1	590001	-	595000	594,000
1	605001	-	610000	605,943
1	615001	-	620000	617,500
1	635001	-	640000	638,901
1	645001	-	650000	650,000
1	675001	-	680000	680,000
2	695001	-	700000	1,400,000
3	795001	-	800000	2,400,000
1	855001	-	860000	856,100
1	860001	-	865000	861,500
1	895001	-	900000	900,000
1	910001	-	915000	912,200
1	915001	-	920000	916,200
1	925001	-	930000	925,821
1	950001	-	955000	955,000
3	995001	-	1000000	3,000,000
1	1040001	-	1045000	1,043,557
1	1050001	-	1055000	1,053,686
1	1120001	-	1125000	1,123,930
1	1125001	-	1130000	1,126,362
1	1235001	-	1240000	1,237,408
1	1450001	-	1455000	1,450,129
1	1500001	-	1505000	1,500,507
1	1855001	-	1860000	1,860,000
1	1940001	-	1945000	1,942,000
1	2240001	-	2245000	2,244,779
1	2365001	-	2370000	2,365,100
1	2760001	-	2765000	2,763,268
1	2795001	-	2800000	2,800,000
1	3300001	-	3305000	3,302,000
1	3920001	-	3925000	3,925,000
1	4045001	-	4050000	4,050,000
1	4220001	-	4225000	4,220,677
1	6335001	-	6340000	6,339,901
1	7115001	-	7120000	7,120,000

Worldcall Telecom Limited

No. of Shareholders	Shareholdings			Shares Held
	From		To	
1	8935001	-	8940000	8,936,659
1	9995001	-	10000000	10,000,000
1	10045001	-	10050000	10,050,000
1	10210001	-	10215000	10,213,350
1	13495001	-	13500000	13,500,000
1	13795001	-	13800000	13,800,000
1	15845001	-	15850000	15,849,000
1	19085001	-	19090000	19,087,864
1	21595001	-	21600000	21,599,123
1	71555001	-	71560000	71,555,973
1	488835001	-	488840000	488,839,429
10453				860,571,513

**PATTERN OF SHAREHOLDING
AS AT 31 DECEMBER 2010**

Categories of Shareholders	Shares held	Percentage
Directors, Chief Executive Officer, their spouses and minor children	160,177	0.02%
Associated Companies, undertakings and related parties	567,380,789	65.93%
NIT and ICP	318,655	0.04%
Banks, Development Financial Institutions, Non-Banking Finance Companies	56,985,264	6.62%
Insurance Companies	286,124	0.03%
Modarabas and Mutual Funds	2,870,805	0.33%
Shareholders holding 10% or more	488,839,429	56.80%
<u>General Public</u>		
a. Local	164,075,047	19.07%
b. Foreign	33,236,918	3.86%
<u>Others</u>		
- Joint Stock Companies	35,101,878	4.08%
- 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 2010**

<u>Shareholders' Category</u>	<u>Number of Shares held</u>	<u>% of shareholding</u>
Associated Companies, undertaking and related parties		
Arif Habib Securities Limited	74,319,241	8.64%
First Capital Securities Corporation Limited	4,221,207	0.49%
Oman Telecommunications Company (S.A.O.G.)	488,839,429	56.80%
Pace (Pakistan) Ltd.	912	0.00%
<u>NIT and ICP</u>	318,655	0.04%
<u>Directors, Chief Executive Officer and their Spouse and Minor Children</u>		
Mr. Mehdi Mohammed Al-Abduwani	20,500	0.00%
Mr. Salmaan Taseer	35,281	0.00%
Mr. Talal Said Marhoon Al-Mamari	500	0.00%
Mr. Saud bin Ahmed Al-Nahari	500	0.00%
Mr. Bernhard Heinichen	500	0.00%
Mr. Samy Ahmed Abdulqadir Al-Ghassany	500	0.00%
Mr. Aimen bin Ahmed Al-Hosni	575	0.00%
Mr. Zafar Iqbal	500	0.00%
Mr. Asadullah Khawaja (Nominee: Arif Habib Securities Ltd.)	100,000	0.01%
Mr. Babar Ali Syed (CEO)	75	0.00%
<u>Spouse & Minor Children</u>		
Mrs. Aamna Taseer	1,246	0.00%
<u>Executives</u>		
	-	0.00%
Public Sector Companies and Corporations		
	35,101,878	4.08%
Banks, Development Financial Institutions, Non-Banking Finance Institutions		
	56,985,264	6.62%
Insurance Companies, Modarabas and Mutual Funds etc.		
	286,124	0.03%
Foreign Companies		
	2,870,805	0.33%
General Public		
	155,856	0.02%
General Public		
	197,311,965	22.93%
Shareholders holding 10% or more voting interest in the Company		
Oman Telecommunications Company (SAOG)	488,839,429	56.80%

Worldcall Telecom Limited

FORM OF PROXY

The Company Secretary
Worldcall Telecom Limited
67-A, C-III, Gulberg-III
Lahore

Folio No./CDC A/c No. _____

Shares Held: _____

I / We _____ of _____
(Name) (Address)

being the member (s) of **Worldcall Telecom Limited** hereby appoint Mr. / Mrs./

Miss _____ of _____
(Name) (Address)

or failing him / her / Mr. / Mrs. / Miss. _____ of _____
(Name) (Address)

{who is also member of the Company vide Registered Folio No. _____ (being the member of the Company)} as my / our proxy to attend at and vote for me / us and on my/our behalf at the Annual General Meeting of the Company to be held at Avari Hotel, 87, Shahrah-e-Quaid-e-Azam, Lahore on 31 March 2011 at 11:00 a.m. and at any adjournment thereof.

Signature this _____ Day of _____ 2011.

(Witnesses)

1. _____

2. _____

**Affix Revenue Stamp
of Rupees Five**

Signature _____
(Signature appended should agree with the specimen signature registered with the Company.)

Notes:

1. This Proxy Form, duly completed and signed, must be received at the Registered Office of the Company not later than 48 hours before the time of holding the meeting.
2. No person shall act as proxy unless he himself is a member of the Company, except that a corporation may appoint a person who is not a member.
3. CDC account holders will further have to follow the guidelines as laid down in Circular No. 1 dated 26 January 2000 issued by the Securities and Exchange Commission of Pakistan.

