

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 2014**

COMPANY INFORMATION

Chairman

Mr. Mehdi Mohammed Al Abduwani

Chief Executive Officer

Mr. Babar Ali Syed

Board of Directors

Mr. Mehdi Mohammed Al Abduwani (Chairman)
Mr. Talal Said Marhoon Al Mamari (Vice Chairman)
Mr. Aimen bin Ahmed Al Hosni
Mr. Samy Ahmed Abdulqadir Al Ghassany
Mr. Sohail Qadir
Mr. Asadullah Khawaja
Dr. Syed Salman Ali Shah

Chief Financial Officer

Mr. Muhammad Murtaza Raza

Executive Committee

Mr. Mehdi Mohammed Al Abduwani (Chairman)
Mr. Talal Said Marhoon Al Mamari (Vice Chairman)
Mr. Aimen Bin Ahmed Al Hosni (Member)
Mr. Sohail Qadir (Member)
Mr. Babar Ali Syed (CEO) (Member)
Mr. Saud Mansoor Mohammed Al Mazrooei (Secretary)

Audit Committee

Mr. Talal Said Marhoon Al Mamari (Chairman)
Mr. Asadullah Khawaja (Vice Chairman)
Mr. Aimen Bin Ahmed Al Hosni (Member)
Dr. Syed Salman Ali Shah (Member)
Mr. Mirghani Hamza Al Madani (Secretary)

**Human Resource &
Remuneration Committee**

Mr. Talal Said Marhoon Al Mamari - (Chairman)
Mr. Samy Ahmed Abdul Qadir Al Ghassany
Mr. Aimen Bin Ahmed Al Hosni
Mr. Sohail Qadir

Chief Internal Auditor

Mr. Mirghani Hamza Al Madani

Company Secretary

Mr. Saud Mansoor Mohammed Al Mazrooei

Auditors

A. F. Ferguson & Co.
Chartered Accountants

Legal Advisers

M/s Miankot & Co.
Barristers, Advocates &
Corporate Legal Consultant

Bankers

Allied Bank Limited
Askari Bank Limited
Bank Al Habib Limited
Barclays Bank Plc Pakistan
Deutsche Bank AG
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
IGI Investment Bank Limited
JS Bank Limited
KASB Bank Limited
MCB Bank Limited
National Bank of Pakistan
NIB Bank Limited
Pak Oman Investment Co. Limited
Soneri Bank Limited
Standard Chartered Bank (Pakistan) Limited
Summit Bank Limited
Tameer Microfinance Bank Limited
The Bank of Punjab
United Bank Limited

Registrar and Shares Transfer Office

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

Registered Office/Head Office

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

Webpage

www.worldcall.com.pk

NOTICE OF 15th ANNUAL GENERAL MEETING

Notice is hereby given that 15th Annual General Meeting ("AGM") of the shareholders of WorldCall Telecom Limited (the "Company" or "WTL") will be held on Thursday 30 April 2015 at 11:00 a.m. at Avari Hotel, 87 Shahrah-e-Quaid-e-Azam, Lahore to transact the following business:

ORDINARY BUSINESS:

To confirm the minutes of the 14th Annual General Meeting held on 22 April 2014;

To receive, consider and adopt financial statements of the Company for the year ended 31 December 2014 together with Director's and Auditor's report thereon;

To appoint Auditors of the Company for the year ending 31 December 2015 and to fix their remuneration.

SPECIAL BUSINESS:

Ordinary Resolution

- 1. To consider the recommendation of the Board of Directors to sell passive infrastructure of WLL Operations of the Company including towers, civil work and gensets etc at the best available market price, and to consider and, if thought fit, to pass with or without modification the following resolutions:**

WHEREAS the Board of Directors have deemed it to be in the highest interests of the Company and its shareholders that passive infrastructure which is in excess of Company's requirements relating to WLL operations of the Company (being part of the undertaking and included in the existing assets of the Company), comprised of towers, civil work and gensets etc. and such other moveable assets of the Company as are directly related thereto, be sold at the best possible market price (such towers and assets, including, if the context so requires, a sizeable part thereof, are thereafter referred to as the "Assets", and such proposed sale is hereinafter referred to as the "Assets Sale").

AND WHEREAS the Company proposes to conduct the Asset Sale after the Company's shareholders consents thereto and

NOW, It is RESOLVED that subject to compliance with provisions of all applicable laws and other mandatory / regulatory approvals, consent of the shareholders to the Asset Sale be and is hereby accorded.

RESOLVED FURTHER that, as part and parcel of the foregoing consent, Board of Directors be and are hereby authorized and empowered for Asset Sale. The Board may delegate its powers to Chief Executive Officer or any other person on such term and conditions they deem fit, to act on behalf of the Company in doing and performing all acts, matters, things and deeds to implement and / or give effect to the Asset Sale and the transaction contemplated by it, which shall include, but not be limited to:-

(a) Conducting negotiations, obtaining quotations etc, with interested parties in such manner and on such terms and conditions as are in the best interests of the Company and its shareholders and which secure the best available market price for the Assets;

(b) selling the Assets to any individual, firm / partnership, bank or private / public limited Company or organization or to any other person and, for that purpose, negotiating with financial institution for vacating lien/charges against Assets if any, entering into an agreement to sell, sale deed or any other agreement with the buyer(s) or any other person, receiving the sale consideration, executing, preparing and signing any sale deed, conveyance deed and / or transfer documents in favor of the buyer(s) or another person to effect the Asset Sale in favor of the buyer(s) or any other person by representing the same before all parties & authorities concerned and admitting execution thereof;

(c) representing before the Sub-Registrar or any other competent authority and getting any sale deed or other documents registered and collecting consideration amount in respect of the Assets sale; and

(d) Generally performing and executing in respect of the Assets all lawful deeds, agreements, acts and things as they may think fit and proper in order to implement and complete the Assets Sale.

FURTHER RESOLVED that the Company be and is hereby authorized to take all actions incidental or ancillary thereto with regard to Asset Sale.

FURTHER RESOLVED that the Board be and is hereby empowered to agree upon modification in these resolutions that may be directed/ required by the SECP without the need for any other further approval of the shareholders

FURTHER RESOLVED that certified copies of this resolution as present form or modified by CEO/Company Secretary/Officiating Company Secretary be communicated to the concerned authorities and shall remain in force until notice in writing to the contrary be given.

Special Resolution

2. Amendments in the Articles of Association of the Company:

The Company has partially adopted Table-A, of first schedule of the Companies Ordinance, 1984 herein called as "Table-A", in order to incorporate the changes brought about in the relevant Regulations of Table-A, following Special Resolutions are proposed to be passed to make it compliant to the said regulations of Table-A.

- i. "RESOLVED that , existing Article 61, "Meeting of Directors" is hereby altered by substituting by the following revised article:

"The directors may meet together for the dispatch of business, adjourn and otherwise regulate their meetings, as they think fit. The quorum of the meeting of directors shall be in accordance with the provisions of the Ordinance. Questions arising at any meeting shall be decided by a majority of votes. In case of an equality of votes, the chairman shall have and exercise a second or casting vote. A director may, and the secretary on the requisition of director shall, at any time, summon a meeting of directors. Notice sent to a director through email or other valid means of communication whether such director is in Pakistan or outside Pakistan shall be a valid notice".

- ii. "RESOLVED that, after Article 61 relating to Meeting of Directors, following new Article be inserted as Article 61-A:

Article 61-A: "Board Meeting Through Tele/Video Conferencing". "The directors may hold their meetings through tele/video conferencing in emergent situation where it is not possible for them to be physically present at the venue of the meeting, provided that the minutes of such meeting are approved/signed subsequently by all the directors who participated in such meeting, requirement of requisite quorum and other legal formalities relating to holding of such meetings have been observed, as applicable for the time being".

- iii. "RESOLVED that, existing Article 67, "Resolution in Writing" is hereby altered by substituting by the following revised article:

"A resolution in writing signed/approved by all the directors for the time being entitled to receive notice of a meeting of the directors or affirmed by them through any valid communication modes e.g. email, fax, telex or telegram etc shall be as valid and effectual as if it had been passed at a meeting of the directors duly convened and held".

- iv. "RESOLVED that, existing Article 93, "Balance Sheet and Profit and Loss Account" is hereby altered by substituting by the following revised article:

"A balance-sheet, profit and loss account and other reports required by the Ordinance shall be made out in every year and laid before the Company in the Annual General Meeting made up to a date not more than four months before such meeting. The balance-sheet and profit and loss account shall be accompanied by a report of the auditors of the Company and the report of directors".

A statement under Section 160 (1) (b) of the Companies Ordinance, 1984 pertaining to special business stated in para 1 and 2 above is annexed to this Notice of the Meeting.

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

By order of the Board


Babar Ali Syed
Chief Executive Officer

8 April 2015
Lahore:

NOTES

1. Closure of Share Transfer Books:

The Share Transfer Books of the Company will remain closed from 24 April 2015 to 30 April 2015 (both days inclusive). Transfers received at the office of the Company's Registrars, Messrs THK Associates (Pvt.) Limited, 2 Floor, State Life Building No. 3, Dr. Ziauddin Ahmed Road, Karachi, by the close of business on 23 April 2015 will be treated in time.

2. Participation in the Annual General Meeting:

All members entitled to attend and vote at the meeting, are entitled to appoint another member in writing as their proxy to attend and vote on their behalf. A corporate entity, being a member, may appoint any person, regardless they are member or not, as its proxy. In case of corporate entities, a resolution of the Board of Directors / Power of attorney with specimen signature of the person nominated to represent and vote on behalf of corporate entity shall be submitted to the Company along with completed proxy form. The proxy holders are requested to produce their CNICs or original passports at the time of meeting.

In order to be effective, duly completed and signed proxy forms must be received at the Company's Registered Office at 67-A, C/III, Gulberg-III, Lahore, Pakistan at least 48 hours before the time of the meeting.

3. Guidelines for CDC Account Holders:

CDC account holders will further have to follow the under mentioned guidelines as laid down by the Security and Exchange Commission of Pakistan (SECP).

a. For attending the meeting

- i. In case of individuals, the account holders or sub-account holders whose registration details are uploaded as per the Regulations shall authenticate his/her original valid Computerized National Identity Card (CNIC) or the original passport at the time of attending the meeting.
- ii. In case of corporate entity, the Board of Director's resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of meeting.

b. For appointing proxies

- i. In case of individuals, the account holders or sub-account holders whose registration details are uploaded as per the Regulations shall submit the proxy form as per above requirements.
- ii. Attested copies of valid CNIC or of the passport of the beneficial owner and the proxy shall be furnished with the proxy form.

- iii. The proxy shall produce original valid CNIC or original passport at the time of meeting.
- iv. In case of corporate entity, the Board of Director's resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with the proxy form to the Company.
- v. Proxy form will be witnessed by two persons whose names, addresses and valid CNIC numbers shall be mentioned on the forms.

4. **Audited Financial Statement Through Email:**

SECP through its Notification SRO 787 (I)/2014 dated 08 September 2014 has allowed circulation of Audited Financial Statements along with and notice which falls in the ambit of sections 50, 158 and 233 of the Companies Ordinance 1984. Therefore, all members who wish to receive soft copy of Annual Report and notices are requested to send their email addresses. The consent for electronic transmission to be updated on investor's information link of the Company's website: www.worldcall.com.pk

The Company shall, however, provide hard copy of the Audited Financial Statements to its shareholders, on request, free of cost, within seven days of receipt of such request. Members are requested to notify any change in their registered address if any, immediately.

The Company shall place the financial statements and reports on the Company's website: www.worldcall.com.pk at least twenty one (21) days prior to the date of the Annual General Meeting in terms of SRO 634 (I)/2014 dated 10 July 2014 issued by the SECP.

STATEMENT U/S 160(1) (b) OF THE COMPANIES ORDINANCE, 1984.

This statement sets out the material facts pertaining to the special business to be transacted at the Annual General Meeting of the Company, scheduled to be held on 30 April 2015.

Special Business

1. Sales of Passive Infrastructure of WLL Operations

The Board of Directors has resolved to sell the passive infrastructure relating to WLL operations of the Company which is in excess of Company's requirements.

The information required to be disclosed to the members under the SECP's S.R.O. 1227/2005 for effectuating the transaction under section 196 (3)(a) of the Companies Ordinance, 1984 is as follows:

- i. **Description:** Passive infrastructure relating to WLL operations of the Company (being part of the undertaking and included in the existing assets of the Company disclosed as held for sales), comprised of towers, civil work and gensets etc. and such other assets of the Company as are directly related thereto.
- ii. **Cost / revalued amount of Assets to be sold as on 31 December 2014:** Rupees 2,171 million.
- iii. **Book Value as on 31 December 2014 :** Rupees 1,356 million.
- iv. **Approximate current market price/fair value less cost to sell:** In terms of its negotiations and discussions with the prospective buyer of the Assets, the company has assessed the approximate current market value to be Rupees 1,121 million. The company has short listed the prospective buyer however finalization of the same is subject to due diligence and regulatory approvals including but not limited to the shareholder's approval.
- v. **The proposed manner of disposal:** Through sales agreement with potential buyer that is subject to due diligences by the buyer inter alia No Objection Certificate from financial institutions and all other necessary approvals.

- vi. **Reason for the disposal of assets:** Assets proposed to be sold are part of WLL Operations of the Company that include towers and related infrastructure that is in excess of Company's requirements.
- vii. **Benefits expected to accrue to the shareholders:** The proceeds from the disposal of the Assets will result in significant reduction in Company's operating costs and related overdue liabilities.
- viii. **Director's Interest:** The Directors, Chief Executive Officer and major Shareholders do not have any direct or indirect interest in this transaction.

2. Amendments in the Articles of Association of the Company:

As per Articles of Association of the Company, the Company has not adopted entire Table-A, of first schedule of the Companies Ordinance, 1984 herein called as "Table-A", accordingly those regulations of Table-A which have been adopted in the Articles of Association of the Company may be amended to make it compliant with the regulations of Table-A.

- i. Existing Article 61, "Meeting of Directors" is proposed to be altered by substituting by the following revised article to ensure serving of notice to directors for board meetings through email and other valid communication means:

"The directors may meet together for the dispatch of business, adjourn and otherwise regulate their meetings, as they think fit. The quorum of the meeting of directors shall be in accordance with the provisions of the Ordinance. Questions arising at any meeting shall be decided by a majority of votes. In case of an equality of votes, the chairman shall have and exercise a second or casting vote. A director may, and the secretary on the requisition of director shall, at any time, summon a meeting of directors. Notice sent to a director through email or other valid means of communication whether such director is in Pakistan or outside Pakistan shall be a valid notice".

- ii. After Article 61 relating to Meeting of Directors, following new Article is proposed to be inserted as Article 61-A to enable directors to conduct their meetings through tele/video conference:

Article 61-A: "Board Meeting Through Tele/Video Conferencing". "The directors may hold their meetings through tele/video conferencing in emergent situation where it is not possible for them to be physically present at the venue of the meeting, provided that the minutes of such meeting are approved/signed subsequently by all the directors who participated in such meeting, requirement of requisite quorum and other legal formalities relating to holding of such meetings have been observed, as applicable for the time being"

- iii. Existing Article 67, "Resolution in Writing" is proposed to be altered by substituting by the following revised article to obtain approval of minutes of meeting of directors through email or other valid communication means:

"A resolution in writing signed/approved by all the directors for the time being entitled to receive notice of a meeting of the directors or affirmed by them through any valid communication modes e.g. email, fax, telex or telegram etc shall be as valid and effectual as if it had been passed at a meeting of the directors duly convened and held".

- iv. Existing Article 93, "Balance Sheet and Profit and Loss Account" is proposed to be altered by substituting by the following revised article to make time period in line with the regulatory requirements:

"A balance-sheet, profit and loss account and other reports required by the Ordinance shall be made out in every year and laid before the Company in the Annual General Meeting made up to a date not more than four months before such meeting. The balance-sheet and profit and loss account shall be accompanied by a report of the auditors of the Company and the report of directors".

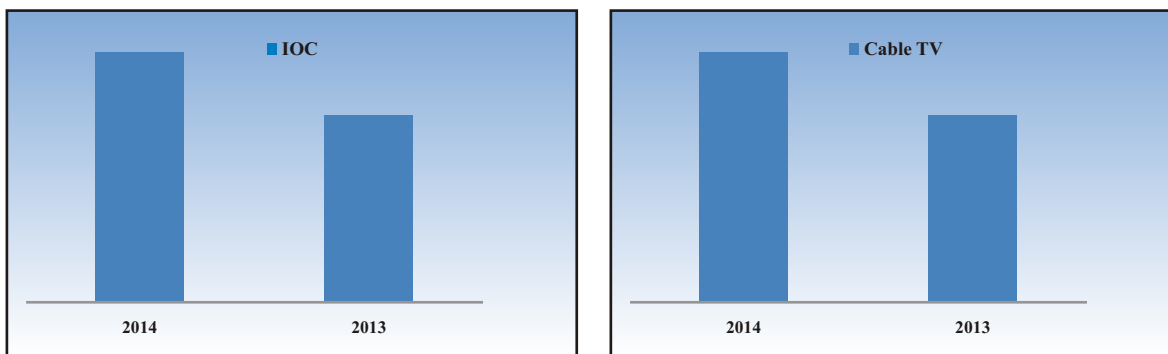
No Director of the Company has any interest of whatsoever nature, direct or indirect, in the aforesaid special resolution.

The Articles of Association of the Company shall be open to inspection to all members, in the Company's Registered Office, during office hours on all business days prior to the annual general meeting date mentioned above.

MESSAGE FROM THE CHAIRMAN

Dear shareholders,

The company has shown improvement in broadband segment as compared to last year after launching digital TV, upgrading the network and realigning the organization to deliver better service. Worldcall has successfully taken value added initiatives to enhance the image among the masses country wide and the company has won the confidence of the existing and new customer which resulted in increased subscriber's base of Internet over Cable and Cable TV as represented below:



The Company has addressed the downfall in wireless segment by taking strategic repositioning ensuring network availability, enhancing service area and offering advance technology, shifted from REV A to REV B+ and beyond, to address the customer needs and revamp its market. Service area has been extended to all telecom regions in Pakistan. WLL broadband segment cost was the major concern for the management which has been addressed by the potential sale of passive infrastructure to rationalize the cost which is subject to necessary approvals. The losses in wireless broadband segment will be reversed in upcoming years. The LDI revenue remained under stress due to less traffic under the regime of ICH but the segment still remained positive. The company is in the process of successfully restructuring existing financing facilities to better manage its cash flow for continued business. Despite all the challenges faced by Worldcall during financial year 2014, it has emerged as stronger player than the previous year.

I would take this opportunity to sincerely thank all our employees, Omantel for their continued support and especially our customers for selecting Worldcall as the preferred choice for their digital needs.

I feel convinced that the Worldcall will produce positive outcomes in times ahead.

Chairman, Board of Directors of Worldcall Telecom Limited

Muscat:
29 March 2015



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

DIRECTORS' REPORT

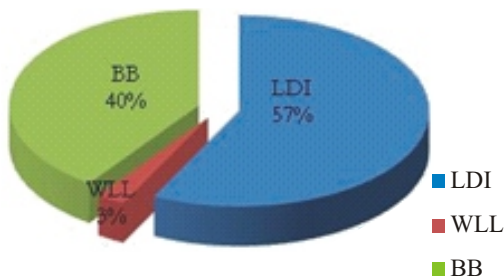
The Directors of Worldcall Telecom Limited ("Worldcall" or "the Company") are pleased to present the annual audited financial statements of the company and a review of its performance for the year ended December 31, 2014.

FINANCIAL OVERVIEW

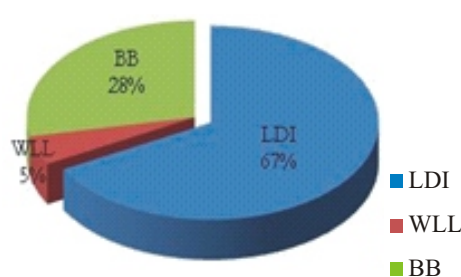
The Company performance in the year under review remained somewhat dreary. Though broadband segment has shown improvement after roll out, network improvements and infrastructure enhancements but fixed operational cost for declining wireless broadband, general macroeconomic & political instability and certain market factors resulting in lower inflow of international traffic to the country has contributed towards overall losses.

The revenue has declined from PKR 3,188 million to PKR 2,315 million. Segment wise revenue occupancy is represented below:

Revenue Mix (2014)



Revenue Mix (2013)



The revenue graph depicts that the Company has almost maintained the position in Long Distance & International (LDI) whereas broadband segment (BB) has shown improvement with better service offering and digital TV launch after desired up gradation and expansion in network. Wireless broadband segment (WLL) has again suffered due to the non availability of network and fixed rising cost of doing business. Management has taken following initiatives to address and avail the opportunities in wireless broadband:

Strategic repositioning ensuring network availability, enhancing service area and quality of service.

Sale of passive infrastructure thus resulting in major reduction in fixed operational cost. On 01 October 2014 a sale agreement has been signed in this regard which is subject to due diligence inter alia, No Objection Certificates (NOCs) from financial institutions and necessary approvals.

The current year revenue remained insufficient even to absorb the direct costs of PKR 3,375 million due to heavy depreciation charge. The operating cost as compared to last year has witnessed 19% savings thus resulting in reduction in operating loss compared with last year. The abnormal increase in finance cost is

mainly attributable to full amortization of discount of PKR 679 million on a long term liability. Favorable movements in foreign exchange rates have positively affected the Company which resulted in significant increase of other income. After accounting for taxation, the year has been closed with a net loss of PKR 2,797 million.

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

	Year 2014	Year 2013
	-----Rupees in Million-----	
Revenues	2,315	3,188
Direct cost	(3,375)	(4,043)
Gross loss	(1,060)	(855)
Operating cost	(1,269)	(1,570)
Operating loss	(2,329)	(2,425)
Finance cost	(1,408)	(636)
Other operating income	490	85
Other operating expenses	(27)	(520)
Loss after tax	(2,797)	(2,302)
 Basic loss per share - Rupees	 (3.49)	 (2.78)
Diluted loss per share - Rupees	(0.85)	(1.44)

DIVIDEND

Considering the cash flow situations and expansion plans, directors have not recommended any dividend payout or bonus shares for the year.

SALES OF PASSIVE INFRASTRUCTURE OF WLL

An active plan to sell passive infrastructure (towers, civil works and gensets etc.) relating to WLL operations that is in excess of the requirements of the Company was commenced during the year as management considers that disposal of such assets would result in major reduction in operational costs. This sales transaction has been recommended by the Board for approval of the shareholders in a meeting of Board of Directors held on 29 March 2015. All relevant details as per requirements of Section 160 (1)(b) of the Ordinance and the SECP's S.R.O. 1227/2005 for effectuating the transaction under Section 196 (3)(a) of the Companies Ordinance, 1984 has been given as an attachment to the Notice of Annual General Meeting.

REPAYMENT OF TFCs

During the year the Company could not achieve the restructuring of TFCs by the installment due date of 07 October 2014 and hence, did not pay this installment of Rs 547.91 million. Consequently, the total amount has become immediately payable. The Company is pursuing the restructuring and in October 2014, Askari Bank Limited and Pak Oman Investment Company Limited (who collectively hold 31.54% of the TFCs) agreed to act as restructuring advisors. After support from institutional investors of the TFCs, the Company has circulated the revised redemption schedule to the TFC holders for their approval. As per proposed terms, the tenure of the TFCs will be extended by seven years while principal amount of Rs 170 million will be repayable in 2015 out of which Rs 100 million is paid as a pre-condition of restructuring while the remaining

principal amount of Rs 1,473.735 million will be repayable from 2016 in 11 semiannual installments of Rs 133.976 million ending in October 2021. Profit rate shall remain the same. Management is confident that it will achieve the restructuring in the near future.

ABOLISHMENT OF ICH AGREEMENT

Subsequent to the Balance Sheet date on 24 February 2015, Supreme Court of Pakistan has ordered the cancellation of Stay Order on International Clearing House and has asked Pakistan Telecommunication Authority to ensure the restoration of two ways interconnects of LDI operators. PTA, in response, has directed all operators to withdraw from ICH and to restore their interconnect circuits for international incoming traffic. Pakistan Telecommunication Authority, through a letter to LDI operator deregulated AAR and ASR; meaning that LDI operators are free to charge whatever they want to without any flooring. Letter also said that LDI operators can negotiate with foreign operators with their best abilities to maintain a fair competition in the market.

THE FUTURE OUTLOOK AND WAY FORWARD

Keeping in view the technological and economic shift in market, the Company has revised its business plan approved by the Board of Directors in Dec 2014 to meet the prevailing economic challenges with a major focus on broadband. The five years 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. The Company is also in the process of rescheduling existing finance facilities, which would ease it to a great extent in meeting its financial obligations.

Company is pursuing the strategy of penetrating the broadband segment at a wider scale. The major portion of the resources will be channeled towards this segment in order to seize the tremendous opportunities in the arena with the launch of 3G/4G. 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. Network upgrades and expansions will ensure delivery of seamless, high quality and reliable services to end users. Simultaneously with the recovery of wireless broadband segment, the Company is expecting the downward trends being reverse. 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. Financial indicators are thus expected to improve in near future.

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

STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK

In compliance with the provisions of the listing regulations of Stock Exchanges, the Board members are pleased to place the following statements on record:

The financial statements for the year ended 31 December 2014 present fairly its state of affairs, the results of its operations, cash flow and changes in equity;
Proper books of accounts have been maintained;
Appropriate accounting policies have been consistently applied in preparation of financial

statements for the year ended 31 December 2014 and accounting estimates are based on reasonable and prudent judgment;
International Financial Reporting Standards (IFRS), as applicable in Pakistan, have been followed in preparation of financial statements;
The systems of internal control is sound in design and has been effectively implemented and monitored;
There are no significant doubts about the Company's ability to continue as a going concern;
There has been no material departure from the best practices of corporate governance, as detailed in listing regulations as on 31 December 2014;
The key operating and financial data for last six years is given in this report;
Information regarding outstanding taxes & levies / default is given in notes to the financial statements for the year ended 31 December 2014.

BOARD OF DIRECTORS

Election of directors was held on 22 April 2014 in accordance with the provisions of section 178 of the Companies Ordinance, 1984 in 14th Annual General Meeting of the Company and a seven member Board was elected unopposed.

The Board placed on record its appreciation for the valuable services rendered by outgoing director Mr. Shehryar Ali Taseer and welcomed Mr. Syed Salman Ali Shah who stands elected in his place.

The change in composition of the Board will bring new vision and spirit to WTL and the members of the Board would work cohesively as a team for the benefit of the organization and to generate new ideas for progress and improvement.

Currently the Board consists of seven non-executive directors, all of them carry a wide range of experience to the Board, thereby ensuring best interest of stakeholders and the Company. Out of them two directors are independent in accordance with the criteria mentioned in code of corporate governance.

During the year under review, seven (07) meetings of the Board of Directors were held from 01 January 2014 to 31 December 2014. The attendance of the Board members was as follows:

Name of Directors	No of Meetings Attended
Non-Executive Directors	
Mr. Mehdi Mohammed Al Abduwani (Chairman)	6
Mr. Talal Said Marhoon Al Mamari (Vice Chairman)	7
Mr. Aimen bin Ahmed Al Hosni	3
Mr. Samy Ahmed Abdulqadir Al Ghassany	5
Mr. Sohail Qadir	6
Mr. Shehryar Ali Taseer (Retiring Director)	0
Independent Director	
Mr. Asadullah Khawaja *	7
Mr. Syed Salman Ali Shah (Newly Elected Director)	5

* Mr. Asadullah Khawaja has resigned from Board from 2nd Feb 2015. Casual vacancy occurred will be filled within the period as per requirements of Code of Corporate Governance.

The leave of absence was granted to the members not attending the Board meetings.
Aggregate amount charged in the financial statements for remuneration to seven non-executive directors was Rupees Nil (2013: Nil). During the year Meeting / Advisory fee charged to the

financial statements to directors' amount to Rupees 8.6 million (2013: Rupees 6.9 million) for attending board and other meetings, which is not part of remuneration.

Five directors resident in Oman have attended workshop on Corporate Governance.

CHANGES IN MANAGEMENT

Tenure of Mr. Babar Ali Syed, Chief Executive Officer (CEO) was completed on 11 August 2014. His contract was renewed and he was re-appointed by the Board of Directors on existing remuneration & terms of employment.

Mr. Saud Mansoor Mohammed Al Mazrooei was appointed as Company Secretary to replace Mr. Rizwan Abdul Hayi, while Mr. Muhammad Murtaza Raza was appointed as Chief Financial Officer in place of Mr. Mohammad Noaman Adil. Resignations of outgoing Chief Financial Officer and Company Secretary were duly approved by the Board and the appointment, remuneration and terms and conditions of employment of the new Chief Financial Officer & Company Secretary were also approved by the Board.

BOARD COMMITTEES

The Board has constituted the following committees:

Audit Committee
Human Resource and Remuneration Committee
Executive Committee

Through its committees, the Board provides proactive oversight in some of the key areas of business and the performance of CEO. The Board regularly reviews the respective charters / terms of references (TORs) of these committees.

Audit Committee

Audit Committee comprises of four non-executive members. The Chairman of the Committee is non-executive director while vice chairman is an independent director. During the year, Audit Committee held five (05) meetings. Audit Committee meetings were held before each of the Board of Directors meeting held to review Financials. Audit Committee meetings were also held to review audit reports and compliance of the Corporate Governance requirements and other issues covered in TORs of Audit Committee. These meetings also include meetings with external auditors before and after completion of audit for the year ended 31 December 2013 and other statutory meeting as required by the CCG. Audit Committee consists of following members namely;

Audit Committee Members	Designation	No. of Meetings Attended
Non-Executive Directors		
Mr. Talal Said Marhoon Al Mamari	Chairman	5
Mr. Aimen bin Ahmed Al Hosni	Member	2
Dr. Syed Salman Ali Shah *	Member	2
Independent Director		
Mr. Asadullah Khawaja	Vice Chairman	5
Secretary		
Mr. Mirghani Hamza Al Madani	Chief Internal Auditor	4

* Became member of the Audit Committee on 22 April 2014.

The Audit Committee operates under Terms of Reference (TORs) duly approved by the Board. Terms of Reference of the Audit Committee addresses the requirement of the code of corporate governance issued by the SECP and includes the requirements of best practices. The Committee is accountable to the Board for the recommendation of appointment of external auditors, directing and monitoring the audit function and reviewing the adequacy and quality of the audit process. The Committee also monitors the performance of Internal Audit Department which adopts risk based approach for planning & execution of assurance & consulting assignments to ensure value addition and improving company's operations. Further, the Committee ensures that the Company has an effective internal control framework. Objectives of these controls include safe-guarding of assets, maintaining of proper accounting records complying with legislation, ensuring the reliability of financial information and efficiency & effectiveness of operations. The Chief Internal Auditor reports directly to the Chairman of the Audit Committee.

Human Resource and Remuneration Committee (HR & R)

Human Resource & Remuneration Committee consist of four members. As required, the Chairman of the HR&R Committee is a non-executive director. The Committee will hold meetings to discuss the matters falling under the terms of reference of the Committee. HR & R Committee consists of following members namely;

HR & R Committee Members	Designation
Mr. Talal Said Marhoon Al Mamari	Chairman
Mr. Samy Ahmed Abdulqadir Al Ghassany	Member
Mr. Aimen bin Ahmed Al Hosni	Member
Mr. Sohail Qadir	Member

The HR & R Committee is responsible to review the human resource architecture of the Company and address the requirements described in its Terms of References as per Code of Corporate Governance. The committee has been constituted to address and improve the crucial area of human resource development. Its aim is to assist the Board and guide the management in the formulation of the market driven HR policies regarding performance management, HR staffing, compensation and benefits. Selection, evaluation and compensation of CEO, COO, CFO, Company Secretary and Head of Internal Audit will also be reviewed and recommended to the Board by the Committee.

Executive Committee (EC)

Executive Committee consist of five members. The Committee holds meetings to discuss the matters falling under its Terms of Reference. Three (03) meetings were held during the year following are the details about members & their attendance in meetings;

Executive Committee Members	Designation	No. of Meetings Attended
Mr. Mehdi Mohammed Al Abduwani	Chairman	3
Mr. Talal Said Marhoon Al Mamari *	Vice Chairman	2
Mr. Aimen bin Ahmed Al Hosni	Member	2
Mr. Sohail Qadir	Member	2
Mr. Babar Ali Syed (CEO)	Member	3

*Mr. Talal appointed as EC member on 22 April 2014

The Committee is entrusted with the tasks of oversight, performance of Company to assist Board and, to review and approve the business plans and budgets, follow-up the achievements of the Company's strategic intent as approved by the Board, review and recommend investment proposals, recommend for approval both short term and long term finance options, ensure adherence to 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.

AUDITORS

As recommended by the Audit Committee, the present auditors Messer's A. F. Ferguson & Co., Chartered Accountants, retire and being eligible, offer themselves for re-appointment for the year ending 31 December 2015 on a fee to be mutually agreed. They have confirmed achieving satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan (ICAP) compliance with the International Federation of Accountants' (IFAC) Guidelines on Code of Ethics, as adopted by the Institute of Chartered Accountants of Pakistan.

HOLDING COMPANY

The Company is subsidiary of Omantel Telecommunication Company SOAG which is holding 56.8% shares of the Company. Omantel is incorporated in Sultanate of Oman and is largest communication service provider of Oman.

AUTHORIZATION OF FINANCIAL STATEMENTS

As required under listing regulations 35(xxi) of Karachi Stock Exchange, the Chief Executive Officer and Chief Financial Officer present the financial statements, duly endorsed under their respective signatures, for consideration and approval of the Board of Directors and the Board, after consideration and approval, authorize the signing of financial statements for issuance and circulation.

CONSOLIDATED FINANCIAL STATEMENTS

Audited Consolidated Financial Statements of the company for the year ended 31 December 2014 are attached. The Company's foreign subsidiary namely Worldcall Telecommunications Lanka (Private) Limited ("the Subsidiary") has been suffering losses as the demand for payphones in Sri Lanka has greatly diminished. Keeping in view the Sri Lankan market conditions and negative equity of the Subsidiary, the management decided and approved the winding up of the Subsidiary and classified the long term investment in the Subsidiary as held for sale.

CHAIRMAN'S REVIEW

The accompanied Chairman's review deals with the performance of the Company during the year and future outlook. The directors of the Company endorse the contents of the review.

PATTERN OF SHAREHOLDING

The pattern of shareholding as on 31 December 2014 and its disclosure as required by the Ordinance and Code of Corporate Governance is annexed with this report.

There was no other reported transaction of sale or purchase of shares of the Company by Directors, Chief

Executive Officer, Company Secretary, Chief Financial Officer, Chief Internal Auditor, Chief Operating Officer and their spouses or minor children during the year under review, except as given in Pattern of Shareholding.

COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

The requirements of the Code of Corporate Governance set out by the Karachi and Lahore Stock Exchanges in their Listing Regulations relevant for the year ended 31 December 2014 have been adopted by the Company and have been duly complied with. A statement of this fact is annexed to the report.

MATERIAL CHANGES

There has been no material changes since year end 31 December 2014 till date of the report 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 audited financial statements of the company for the year ended 31 December 2014.

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.

CODE OF CONDUCT

The Board has adopted a Code of Conduct as a framework to exhibit sound and ethical behavior in internal dealings and dealing with customers, suppliers, regulators and other stakeholders. The Board has taken steps to disseminate the Code throughout the company along with supporting policies and procedures while this Code is available on the employee's web portal as well.

RELATED PARTY TRANSACTIONS

All transactions with related parties are reviewed and approved by the Board as recommended by the Audit Committee. The Board approved pricing policy for related party transactions as discussed in the notes to the financial statements.

WEB PRESENCE

Updated information regarding the company can be accessed at Company website: www.worldcall.com.pk the website contains the latest financial results of the company along with company's profile. To facilitate its customers the Company also has its commercial website: www.worldcall.net.pk that contains information about product and services offered by the Company.

CORPORATE SOCIAL RESPONSIBILITY

The company believes in its social responsibility and performed the same through environmental protection measures, community investment and associates welfare scheme, consumer protection measures, industrial relations, occupational safety and health, business ethics and national cause donation.

HEALTH SAFETY & ENVIRONMENT

The Company conducts its business responsibly and in a way to make sure health, safety and protection

from environmental aspects of its associates and the society by complying with all applicable Government and internal health, safety and environmental requirements.

SPORTS EVENTS

Our associates are most valuable assets of the Company. We always strive to provide them safe, vibrant and lively working environment where they can fulfill their jobs with complete peace of mind. Further, during the year the company arranged interdepartmental sport tournaments for recreation & entertainment of employees and to provide an environment where all associates can enjoy without any stress and job pressure. The associates enthusiastically participated in the events, in a healthy and competitive environment. The winners & runner up teams were presented with Shields, along with player of the final awards. Board members were also present to honor the occasion.

EMPLOYEE OF THE MONTH AWARDS

The Company is committed to ensure that the personnel performing services for the company are treated with dignity & respect. We believe in long term relationship with the employee and duly recognize associate's efforts on successful accomplishment of their KPIs. Numbers of associates were rewarded with Employee of the Month Awards. Commemorating certificates and gift vouchers were presented to the associates.

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, Human Resource and Executive Committees in assisting the management on various governance matters.

We would also like to appreciate the positive and highly constructive role played by PTA in the success and development of the telecom sector.

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

For and on behalf of the Board of Directors



BABAR ALI SYED
CHIEF EXECUTIVE OFFICER

Muscat:

29 March 2015

SIX YEAR FINANCIAL PERFORMANCE

INCOME STATEMENTS

		Year end 31st					
		Dec 14	Dec 13	Dec 12	Dec 11	Dec 10	Dec 09
		-----Rupees in thousands-----					
Revenue - net		2,314,753	3,187,636	7,118,825	8,001,013	7,464,404	8,408,275
Direct cost		(3,374,721)	(4,042,699)	(6,606,299)	(6,012,774)	(6,615,984)	(7,036,603)
Gross (loss)/profit		(1,059,968)	(855,063)	512,526	1,988,239	848,420	1,371,672
Operating cost		(1,269,307)	(1,569,984)	(1,946,468)	(1,460,237)	(1,610,041)	(1,356,317)
Operating (loss)/profit		(2,329,275)	(2,425,047)	(1,433,942)	528,002	(761,621)	15,355
Finance cost		(1,408,248)	(636,182)	(1,245,090)	(714,654)	(743,413)	(523,025)
		(3,737,523)	(3,061,229)	(2,679,032)	(186,652)	(1,505,034)	(507,670)
Change in fair value of investment properties		(39,774)	-	-	-	1,378	-
Impairment loss on available for sale financial assets		-	(19,656)	(265,365)	(26,508)	(65,894)	(167,865)
Other income		490,489	85,145	694,172	504,213	58,097	103,993
Other expenses		(27,171)	(520,199)	(370,392)	(190,216)	-	(51,981)
(Loss)/profit before taxation		(3,313,979)	(3,515,939)	(2,620,617)	100,837	(1,511,453)	(623,523)
Taxation		516,765	1,214,359	970,975	189,413	364,447	132,704
(Loss)/profit after taxation		(2,797,214)	(2,301,580)	(1,649,642)	290,250	(1,147,006)	(490,819)
(Loss)/earning per share - basic	(Rupees)	(3.49)	(2.78)	(1.92)	0.34	(1.33)	(0.57)
(Loss)/earning per share - diluted	(Rupees)	(0.85)	(1.44)	(1.92)	0.34	(1.33)	(0.57)

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES ON TRANSFER PRICING FOR THE YEAR ENDED 31 DECEMBER 2014

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

Muscat:
29 March 2015


BABAR ALI SYED
CHIEF EXECUTIVE OFFICER

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2014

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35 of listing regulations of Karachi & Lahore Stock Exchanges 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 CCG in the following manner:

1. The company encourages representation of independent non-executive directors; at present the board includes:

Independent Directors

Mr. Asadullah Khawaja
Dr. Syed Salman Ali Shah

Non- Executive Directors

Mr. Mehdi Mohammed Al Abduwani
Mr. Talal Said Marhoon Al Mamari
Mr. Aimen bin Ahmed Al Hosni
Mr. Samy Ahmed Abdulqadir Al Ghassany
Mr. Sohail Qadir

The independent director meets the criteria of independence under clause i (b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.
3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancies occurred on the board during the year.
5. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
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 Chief Executive Officer (CEO), other non-executive directors, have been taken by the board/shareholders.
8. The meetings of the board were presided over by the Chairman and in his absence meeting is presided by Vice Chairman, 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. Five directors resident in Oman have attended workshop on Corporate Governance, One director is exempt from Director training while remaining one director would complete Director training program by 2016 as required by Code of Corporate Governance.
10. The board has approved appointment of Chief Financial Officer (CFO) and Company Secretary during the year, including their remuneration and terms and conditions of employment while there was no change in respect of Head of Internal Audit during the year.
11. The directors' report for the year ended 31 December 2014 has been prepared in compliance with the requirements of the CCG applicable as on 31 December 2014 and fully describes the salient matters required to be disclosed.
12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.
13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
14. The company has complied with all the corporate and financial reporting requirements of the CCG.
15. The board has formed an Audit Committee. It comprises four members; who are 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 financial results of the company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The board has formed an HR and Remuneration Committee. It comprises four members, who are non-executive directors including the chairman of the committee.
18. The board has set up an effective internal audit function having suitably qualified and experienced personnel for the purpose and who are conversant with the policies and procedures of the company.
19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, 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 the ICAP.
20. 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.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. We confirm that all other material principles enshrined in the CCG have been complied with.

For and on behalf of the Board



BABAR ALI SYED
CHIEF EXECUTIVE OFFICER

Muscat:
29 March 2015

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 (the 'Code') prepared by the Board of Directors of Worldcall Telecom Limited (the 'Company') to comply with the Listing Regulation No. 35 of the Karachi and Lahore Stock Exchanges where the Company is listed.

The responsibility for compliance with the Code 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 and report if it does not. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As a part of our audit of the financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code 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 and 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 this requirement to the extent of the approval of the related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended December 31, 2014.



A.F. Ferguson & Co.
Chartered Accountants

Lahore: 29 March 2015

Engagement Partner: Muhammad Masood

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Worldcall Telecom Limited ('Company') as at 31 December 2014 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- (a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2014 and of the loss, total comprehensive loss, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The financial statements of the Company for the year ended 31 December 2013 were audited by another firm of accountants, M/s KPMG Taseer Hadi and Company, Chartered Accountants, whose report dated 08 February 2014 expressed an unmodified opinion thereon.



A.F. Ferguson & Co.
Chartered Accountants

Lahore: 29 March 2015

Engagement Partner: Muhammad Masood

BALANCE SHEET

AS AT 31 DECEMBER 2014

	Note	2014 ------(Rupees in '000)-----	2013 ------(Rupees in '000)-----
NON-CURRENT ASSETS			
Property, plant and equipment	5	12,503,346	13,539,022
Intangible assets	6	5,165,776	4,775,881
Investment properties	7	23,200	160,474
Long term trade receivables	8	110,380	172,794
Deferred taxation	9	2,917,389	2,546,247
Long term loans - considered good	10	3,802	6,769
Long term deposits	11	58,566	70,846
		<u>20,782,459</u>	<u>21,272,033</u>
CURRENT ASSETS			
Stores and spares	12	223,264	186,253
Stock-in-trade	13	273,614	243,898
Trade debts	14	911,906	1,043,058
Loans and advances	15	612,608	969,604
Deposits and prepayments	16	121,710	192,786
Short term investments	17	74,767	83,193
Other receivables	18	38,894	79,665
Income tax recoverable - net		144,547	204,690
Cash and bank balances	19	749,999	2,501,852
		<u>3,151,309</u>	<u>5,504,999</u>
Non-current assets classified as held for sale	20	1,120,502	-
		<u>4,271,811</u>	<u>5,504,999</u>
CURRENT LIABILITIES			
Current maturities of non-current liabilities	21	5,001,151	1,831,247
Short term borrowings - secured	22	768,890	856,700
License fee payable	23	1,021,500	1,021,500
Trade and other payables	24	7,197,619	7,040,571
Interest and mark up accrued	25	202,051	258,311
		<u>14,191,211</u>	<u>11,008,329</u>
NET CURRENT LIABILITIES		(9,919,400)	(5,503,330)
NON-CURRENT LIABILITIES			
Term finance certificates - secured	26	-	1,095,824
Long term loans - secured	27	2,385,683	3,201,197
Retirement benefits	28	334,582	336,991
Liabilities against assets subject to finance lease	29	2,991	1,423
Long term payables	30	627,715	1,123,506
Long term deposits		35,421	42,333
		<u>3,386,392</u>	<u>5,801,274</u>
Contingencies and commitments	31	7,476,667	9,967,429
REPRESENTED BY			
EQUITY			
Share capital and reserves:			
Authorized share capital:			
1,500,000,000 (2013: 1,500,000,000) ordinary shares of Rs 10 each		15,000,000	15,000,000
500,000 (2013: 500,000) preference shares of USD 100 each		6,000,000	6,000,000
(USD 50,000,000 equivalent to Rs 6,000,000,000)			
Ordinary share capital	32	8,605,716	8,605,716
Preference share capital	33	3,537,700	3,537,700
Capital reserves:			
- Share premium	34	837,335	837,335
- Fair value reserve		3,276	11,702
- Exchange translation reserve		(16,700)	144,300
Revenue reserve: Accumulated loss		(6,373,241)	(3,527,284)
		<u>6,594,086</u>	<u>9,609,469</u>
Surplus on revaluation of fixed assets	35	882,581	357,960
		<u>7,476,667</u>	<u>9,967,429</u>

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


CHIEF EXECUTIVE OFFICER


DIRECTOR

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 ------(Rupees in '000)-----	2013
Revenue - net	36	2,314,753	3,187,636
Direct cost	37	(3,374,721)	(4,042,699)
Gross loss		(1,059,968)	(855,063)
Operating cost	38	(1,269,307)	(1,569,984)
Operating loss		(2,329,275)	(2,425,047)
Finance cost	39	(1,408,248)	(636,182)
		(3,737,523)	(3,061,229)
Change in fair value of investment properties	7	(39,774)	-
Impairment loss on available-for-sale financial assets		-	(19,656)
Other income	40	490,489	85,145
Other expenses	41	(27,171)	(520,199)
Loss before taxation		(3,313,979)	(3,515,939)
Taxation	42	516,765	1,214,359
Loss after taxation		(2,797,214)	(2,301,580)
Basic loss per share	(Rupees) 43	(3.49)	(2.78)
Diluted loss per share	(Rupees) 43	(0.85)	(1.44)

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


CHIEF EXECUTIVE OFFICER


DIRECTOR

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

	2014 ------(Rupees in '000)-----	2013
Loss for the year	(2,797,214)	(2,301,580)
Other comprehensive (loss)/income:		
<i>Items that will not be reclassified to profit or loss:</i>		
- Remeasurement of post retirement benefit obligation	(15,041)	1,665
- Impairment loss on available-for-sale financial assets	-	19,656
- Gain on revaluation of fixed assets	691,582	-
- Impairment loss on plant and equipment set off against surplus on revaluation	(153,081)	-
	523,460	21,321
<i>Item that may be subsequently reclassified to profit or loss:</i>		
- Change in fair value of available-for-sale financial assets	(8,426)	(21,789)
Other comprehensive income/(loss) - net of tax	515,034	(468)
Total comprehensive loss for the year - net of tax	<u>(2,282,180)</u>	<u>(2,302,048)</u>

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


CHIEF EXECUTIVE OFFICER

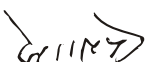

DIRECTOR

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 ------(Rupees in '000)-----	2013
Cash flows from operating activities			
Cash (used in)/generated from operations	45	(130,519)	1,673,448
<i>Decrease in non-current assets:</i>			
- Long term loans		2,967	44,459
- Long term deposits		12,280	-
- Long term trade receivables		62,414	70,089
<i>Increase/(decrease) in non-current liabilities:</i>			
- Long term deposits		250	(125)
- Deferred income		-	(65,916)
- Long term payables		27,078	(164,938)
Retirement benefits paid		(103,485)	(112,810)
Finance cost paid		(540,992)	(564,822)
Taxes paid		(82,744)	(28,280)
Net cash (outflow)/inflow from operating activities		(752,751)	851,105
Cash flows from investing activities			
Fixed capital expenditure		(856,363)	(1,021,325)
Proceeds from disposal of property, plant and equipment		25,264	36,915
Net cash outflow from investing activities		(831,099)	(984,410)
Cash flows from financing activities			
Proceeds against preference shares		-	3,537,700
Repayment of long term loans		(115,546)	-
Repayment of short term borrowings - net		(21,054)	(947,398)
Repayment of liabilities against assets subject to finance lease		(31,402)	(55,887)
Net cash (outflow)/inflow from financing activities		(168,002)	2,534,415
Net (decrease)/increase in cash and cash equivalents		(1,751,853)	2,401,110
Cash and cash equivalents at the beginning of the year		2,501,852	100,742
Cash and cash equivalents at the end of the year	19	749,999	2,501,852

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


CHIEF EXECUTIVE OFFICER


DIRECTOR

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

	Share Capital		Capital Reserves			Revenue Reserve	Surplus on revaluation of fixed assets	Total
	Ordinary share capital	Preference share capital	Share premium	Fair value reserve	Exchange translation reserve	Accumulated loss		
	----- (Rupees in '000) -----							
Balance as at 01 January 2013	8,605,716	-	837,335	13,835	-	(823,263)	348,130	8,981,753
Loss for the year	-	-	-	-	-	(2,301,580)	-	(2,301,580)
Other comprehensive (loss)/income for the year - net of tax	-	-	-	(2,133)	-	1,665	-	(468)
Total comprehensive loss for the year - net of tax	-	-	-	(2,133)	-	(2,299,915)	-	(2,302,048)
Transfer to surplus on revaluation of fixed assets	-	-	-	-	-	(4,885)	9,830	4,945
Issuance of preference shares	-	3,537,700	-	-	-	-	-	3,537,700
Cost of issuance of preference shares	-	-	-	-	-	(161,139)	-	(161,139)
Exchange translation reserve	-	-	-	-	144,300	(144,300)	-	-
Dividend on preference shares	-	-	-	-	-	(93,782)	-	(93,782)
Total transactions with owners, recognized directly in equity	-	3,537,700	-	-	144,300	(399,221)	-	3,282,779
Balance as at 31 December 2013	8,605,716	3,537,700	837,335	11,702	144,300	(3,527,284)	357,960	9,967,429
Loss for the year	-	-	-	-	-	(2,797,214)	-	(2,797,214)
Other comprehensive (loss)/income for the year - net of tax	-	-	-	(8,426)	-	(15,041)	538,501	515,034
Total comprehensive (loss)/income for the year - net of tax	-	-	-	(8,426)	-	(2,812,255)	538,501	(2,282,180)
Transfer from surplus on revaluation of fixed assets	-	-	-	-	-	8,936	(13,880)	(4,944)
Exchange translation reserve	-	-	-	-	(161,000)	161,000	-	-
Dividend on preference shares	-	-	-	-	-	(203,638)	-	(203,638)
Total transactions with owners, recognized directly in equity	-	-	-	-	(161,000)	(42,638)	-	(203,638)
Balance as at 31 December 2014	8,605,716	3,537,700	837,335	3,276	(16,700)	(6,373,241)	882,581	7,476,667

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

Balambidi
CHIEF EXECUTIVE OFFICER

GRIMY
DIRECTOR

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

1. Legal status and nature of business

Worldcall Telecom Limited ("the Company") is a public limited company incorporated in Pakistan on 15 March 2001 under the Companies Ordinance, 1984 and its shares are quoted on the Karachi and Lahore Stock Exchanges. The Company commenced its operations on 01 December 2004 and is engaged in providing Wireless Local Loop ("WLL") and Long Distance & International ("LDI") services in Pakistan, operation and maintenance of public payphones network and re-broadcasting international/national satellite/terrestrial wireless and cable television and radio signals as well as interactive communication and to establish, maintain and operate the licensed telephony services. The Company has been licensed by Pakistan Telecommunication Authority ("PTA") and Pakistan Electronic Media Regulatory Authority ("PEMRA") for these purposes. The registered office of the Company is situated at 67A, C-III, Gulberg III, Lahore.

During the year ended 30 June 2008, 56.80% ordinary shares (488,839,429 ordinary shares) were acquired by Oman Telecommunications Company SAOG ("the Parent company"). In addition to this, the Parent company also acquired 57.14% preference shares (200,000 preference shares) during the year ended 31 December 2013.

These financial statements are the separate financial statements of the Company. Consolidated financial statements are prepared separately.

2. Basis of preparation

2.1 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 ("IFRSs") 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 IFRSs, requirements of the Companies Ordinance, 1984 or requirements of the said directives prevail.

SECP through SRO 633 (I)/2014 dated 10 July 2014 has notified that IFRSs 13, 'Fair Value Measurement' will be applicable for accounting periods beginning on and after 01 January 2015. However, the Company has early adopted this IFRS from 01 January 2013.

2.2 In accordance with the requirements of IFRSs, management has carried out a going concern assessment of the Company and believes that the going concern assumption used for the preparation of these financial statements is appropriate. This assessment is based on a five years' business plan approved by the Board of Directors wherein the Company is confident that it will be able to meet its obligations and carry on business without any material curtailment, with the continued support of the Parent company.

2.3 Initial application of standards, amendments or an interpretation to existing standards

The following amendments to existing standards have been published that are applicable to the

Company's financial statements covering annual periods, beginning on or after the following dates:

2.3.1 Standards, amendments and interpretations to approved accounting standards that are effective in current year

Certain standards, amendments and interpretations to approved accounting standards are effective for accounting periods beginning on 01 January 2014 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements.

2.3.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

There are certain standards, amendments to the approved accounting standards and interpretations that are mandatory for the companies having accounting periods beginning on or after 01 January 2015 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements.

3. Basis of measurement

3.1 These financial statements have been prepared under the historical cost convention, as modified by revaluation of investment properties, plant and equipment, licenses, software and available-for-sale financial assets at fair value, and recognition of certain employee benefits and financial liabilities at present value.

3.2 Critical accounting estimates and judgments

The Company's significant accounting policies are stated in note 4. 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 are as follows:

- Useful life of property, plant and equipment and intangible assets - note 4.1, 4.2, 5 & 6
- Revaluation of plant and equipment, licenses and software - note 4.1, 4.2, 5 & 6
- Impairment testing of goodwill - note 4.2, 4.3 & 6.5
- Valuation of investment properties - note 4.4 & 7
- Taxation - note 4.6, 9 & 42
- Retirement benefits - note 4.18 & 28
- Provisions and contingencies - note 4.19 & 31

4. Summary of significant accounting policies

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

4.1 Property, plant and equipment

4.1.1 Operating fixed assets

Owned assets

Owned assets except freehold land and plant and equipment are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at cost less any identified impairment loss and plant and equipment are stated at revalued amount less accumulated depreciation and any identified impairment loss. Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from their fair value. Revalued amount has been determined by an independent professional valuer on the basis of 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. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. Cost in relation to self constructed assets includes direct cost of material, labor and other allocable expenses.

Increases in the carrying amount arising on revaluation of plant and equipment are credited to surplus on revaluation of fixed assets. Decreases that offset available surplus are charged against this surplus, all other decreases are charged to profit or loss. Each year the difference between depreciation based on revalued carrying amount of the asset (the depreciation charged to the profit or loss) and depreciation based on the asset's original cost - incremental/decremental depreciation on revalued assets is transferred to/from surplus on revaluation of fixed assets from/to retained earnings (accumulated loss). All transfers to/from surplus on revaluation are net of applicable deferred taxation.

Depreciation on owned assets is charged to profit or loss on the straight line method so as to write off the cost or revalued amount of an asset over its estimated useful life at the annual rates mentioned in note 5.1 after taking into account their residual values.

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 4.3).

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with items will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to profit or loss during the period in which they are incurred.

The gain or loss on disposal of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense. Related surplus/loss on revaluation of the asset is transferred directly to retained earnings (accumulated loss).

Leased assets

Leases in terms of which the Company has substantially all the risks and rewards of ownership are

classified as finance leases. At inception, finance leases are capitalized at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets.

The related rental obligations, net of finance charges, are included in liabilities against assets subject to finance lease as referred to in note 29. The liabilities are classified as current and long term depending upon the timing of the payment.

Each lease payment is allocated between the liability and finance cost so as to achieve a constant rate on the balance outstanding. The interest element of the rental is charged to profit or loss over the lease term.

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 5.1. Depreciation of leased assets is charged to profit or loss.

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

4.1.2 Capital work-in-progress

Capital work-in-progress is stated at cost less any identified impairment loss. All expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to operating fixed assets as and when these are available for use.

4.1.3 Major spare parts and stand-by equipment

Major spare parts and stand-by equipment qualify as property, plant and equipment when the Company expects to use them during more than one year. Transfers are made to operating fixed assets category as and when such items are available for use.

4.2 Intangible assets

4.2.1 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.

Goodwill is tested annually for impairment. Any impairment is immediately recognized as an expense and is not subsequently reversed.

4.2.2 Other intangible assets

Other intangible assets except for licenses and softwares are stated at cost less accumulated amortization and any identified impairment loss. Licenses and softwares are stated at revalued amount less accumulated amortization and any identified impairment loss. Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from their fair value. Revalued amount has been determined by an independent professional valuer on the basis of current market prices where ever available, otherwise income approach is adopted. Any accumulated amortization at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

Increases in the carrying amount arising on revaluation of licenses and softwares are credited to surplus on revaluation of fixed assets. Decreases that offset available surplus are charged against this surplus, all other decreases are charged to profit or loss. Each year the difference between amortization based on revalued carrying amount of the asset (the amortization charged to the profit or loss) and amortization based on the assets' original cost - incremental/decremental amortization on revalued assets is transferred to/from surplus on revaluation of fixed assets from/to retained earnings (accumulated loss). All transfers to/from surplus on revaluation of fixed assets are net of applicable deferred taxation.

Amortization on other intangible assets is charged to profit or loss on straight line method at the rates given in note 6.

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

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 expenditure is charged to profit or loss as and when incurred.

Gain or loss arising on disposal of intangible assets is determined as a difference between net disposal proceeds and carrying amount of the assets and is recognized as income or expense. Related surplus on revaluation of intangible assets is transferred directly to retained earnings (accumulated loss).

4.3 Impairment of non-financial assets

Assets that have an indefinite useful life - for example, goodwill or intangible assets not ready to use - are not subject to amortization and are tested annually for impairment. Assets that are subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment losses on fixed assets that offset available revaluation surplus are charged against this surplus, all other impairment losses are charged to profit or loss. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

4.4 Investment properties

Properties which are held to earn rentals or for capital appreciation or for both are classified as investment properties. Investment properties are initially recognized at cost, being the fair value of the consideration given. Subsequently these are stated at fair value. The fair value is determined annually by an independent professional 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 arm's length transaction.

Any gain or loss arising from a change in fair value is charged to profit or loss. Rental income from investment properties is accounted for as described in note 4.21.

When an item of property, plant and equipment is transferred to investment property following a change in its use, any difference 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 fixed assets. Upon disposal of the item, the related surplus on revaluation is transferred to retained earnings (accumulated loss). Any loss arising in this manner is immediately charged to profit or loss.

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 for subsequent recording.

4.5 Trade debts and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade debts and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method, less provision for doubtful debts. A provision for doubtful debts 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. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is doubtful. The provision is charged to profit or loss. Debts, considered irrecoverable, are written off as and when identified. Subsequent recoveries of amounts previously written off are credited to profit or loss.

4.6 Taxation

Income tax expense comprises current and deferred tax. Income tax is charged or credited to profit or loss except to the extent that it relates to items recognized directly in other comprehensive income or equity, in which case it is recognized in other comprehensive income or equity.

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 accounted for 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. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction neither affects accounting nor taxable profit or loss. 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 is calculated at the rates that are expected to apply to the period when the differences reverse 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 to profit or loss, except in the case of items credited or charged directly to other comprehensive income or equity in which case it is included in other comprehensive income or equity.

4.7 Stores and spares

Usable stores and spares are valued principally at weighted average cost, while items considered obsolete are carried at nil value. Items in transit are valued at cost comprising invoice value plus other charges paid thereon.

Provision is made in the financial statements for obsolete and slow moving stores and spares based on management estimate.

4.8 Stock-in-trade

All stocks except for stock in transit, are stated at lower of cost and net realizable value. Cost is determined on weighted average basis. Items in transit are valued at cost comprising invoice value plus other charges paid thereon.

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

Provision is made in the financial statements for obsolete and slow moving stock-in-trade based on management estimate.

4.9 Investments

Investments intended to be held for less than twelve months from the balance sheet date or to be sold to raise operating capital, are included in current assets, all other investments are classified as non-current. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

4.9.1 Investments in equity instruments of subsidiary

Investment in subsidiary where the Company has significant influence is measured at cost less any identified impairment loss in the Company's financial statements. Cost in relation to investment made in foreign currency is determined by translating the consideration paid in foreign currency into Pak Rupees at exchange rates prevailing on the date of transaction.

At each reporting date, the Company reviews the carrying amount of the investment and its recoverability to determine whether there is an indication that such investment has suffered an impairment loss. If any such indication exists, the carrying amount of the investment is adjusted to the extent of impairment loss. Impairment losses are charged to profit or loss. Investments in subsidiaries, that suffered an impairment, are reviewed for possible reversal of impairment at each reporting date. Impairment losses charged to profit or loss on investments in subsidiaries are reversed through the profit and loss account.

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'.

4.10 Financial assets

4.10.1 Classification

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available-for-sale and held to maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at the time of initial recognition.

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets, if expected to be settled within twelve months, otherwise they are classified as non-current assets.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the balance sheet date, which are classified as non-current assets. Loans and receivables comprise loans, advances, deposits and other receivables and cash and cash equivalents in the balance sheet.

c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investments within twelve months from the balance sheet date.

d) Held to maturity

Financial assets with fixed or determinable payments and fixed maturity, where management has the intention and ability to hold till maturity are classified as held to maturity and are stated at amortized cost.

4.10.2 Recognition and measurement

All financial assets are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of investments are recognized on trade-date – the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are charged to profit or loss. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all the risks and

rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Available-for-sale financial assets are carried at cost in case fair value cannot be measured reliably. Loans and receivables and held-to-maturity investments are carried at amortized cost using the effective interest rate method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the profit and loss account in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is credited to profit or loss as part of other income when the Company's right to receive payments is established.

Changes in the fair value of securities classified as available-for-sale are recognized in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the profit and loss account as gains and losses from investment securities.

Interest on available-for-sale securities calculated using the effective interest rate method is credited to profit or loss. Dividends on available-for-sale equity instruments are credited to profit or loss when the Company's right to receive payments is established.

The fair values of quoted investments are based on current prices. If the market for a financial asset is not active (and for unlisted securities), the Company measures the investments at cost less impairment in value, if any.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss is removed from equity and recognized in the profit and loss account. Impairment losses recognized in the profit and loss account on equity instruments are not reversed through the profit and loss account. Impairment testing of trade debts and other receivables is described in note 4.5.

4.11 Financial liabilities

All financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognized in the profit and loss account.

4.12 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 setoff the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

4.13 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

4.14 Non-current assets classified as held for sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

4.15 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost, any difference between the proceeds (net of transaction costs) and the redemption value is charged to profit or loss over the period of the borrowings using the effective interest rate method. Finance costs are accounted for on an accrual basis and are reported under 'interest and mark up accrued' to the extent of the amount remaining unpaid.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

4.16 Borrowing cost

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are charged to profit or loss in the period in which they are incurred.

4.17 Trade and other payables

Trade and other payables are initially recognized at fair value and subsequently at amortized cost using effective interest rate method. Exchange gains and losses arising on translation in respect of liabilities in foreign currency are added to the carrying amount of the respective liabilities.

4.18 Employee retirement and other benefits

Defined benefit plan

The Company operates an unfunded defined benefit gratuity plan for all permanent employees as per the Company's policy. Provisions are made in the financial statements to cover obligations on the basis of actuarial valuations carried out annually under the projected unit credit method.

All actuarial gains and losses are recognized in other comprehensive income as and when they occur.

Accumulating compensated absences

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

The un-utilized earned leave can be accumulated up to 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's service. The earned leave encashment is made on last drawn gross salary.

Provisions are made annually to cover the obligation for accumulating compensated absences on the basis of actuarial valuation and are charged to profit or loss.

4.19 Provisions

Provisions are recognized in the balance sheet when:

1. The Company has a legal or constructive obligation as a result of past events;
2. It is probable that outflow of economic benefits will be required to settle the obligation; and
3. 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.

4.20 Share capital

Ordinary and preference shares are classified as equity and recognized at their face value. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax.

4.21 Revenue recognition

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 is measured at the fair value of the consideration received or receivable for goods sold or services rendered, net of discounts and sales tax.

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.
- Capacity/media sold under Indefeasible Right to Use ("IRU") arrangement is recognized upfront if it is determined that the arrangement is a finance lease.
- 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 solutions/sale is recognized on delivery of services.
- Rental income from investment properties is credited to profit or loss 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.
- The revenue under Universal Service Fund ("USF") services and subsidy agreement is recognized under International Accounting Standards (IAS) 18, "Revenue", based on stage of completion with reference to the achievement of each milestone as provided in the agreement.

4.22 Foreign currency transactions and translation

a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the functional currency). The financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

b) Transactions and balances

Foreign currency transactions are translated into Pak Rupees using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are charged or credited to profit or loss.

4.23 Dividend

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

4.24 Fair value measurement

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

When there is no quoted price in an active market, the Company uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a transaction. The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price i.e. the fair value of the consideration given or received. If the Company determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for

an identical asset or liability nor based on a valuation technique that uses only data from observable markets, the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is credited or charged to profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is supported wholly by observable market data or the transaction is closed out.

The Company's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

		2014	2013
		----- (Rupees in '000) -----	
5. Property, plant and equipment			
Operating fixed assets	- note 5.1	11,641,345	12,520,955
Capital work-in-progress	- note 5.2	836,413	1,018,067
Major spare parts and stand-by equipment	- note 5.3	25,588	-
		<u>12,503,346</u>	<u>13,539,022</u>

5.1 Operating fixed assets

COST/REVALUED AMOUNT

19,800	-	125,771	19,274,720	99,922	158,933	24,981	90,813	21,180	19,816,120	522,883	18,443	151,175	682,511	20,508,631
Additions during the year	-	1,477	823,293	1,284	1,844	-	527	-	828,425	-	-	3,065	3,065	831,490
Transfers in from leased assets	-	-	4,379	-	-	-	9,301	-	13,680	(4,379)	-	-	(13,680)	-
Disposals during the year	-	(45)	(78,381)	(1,796)	(445)	(1,383)	(29,986)	-	(112,026)	-	-	(4,986)	(4,986)	(117,022)
Adjustments	-	-	-	-	-	-	-	-	-	-	-	(19)	(19)	-
Balance as at 31 December 2013	19,800	127,203	20,024,011	99,410	160,332	23,618	70,645	21,180	20,546,199	518,514	18,443	139,924	676,881	21,223,080
Balance as at 01 January 2014	19,800	127,203	20,024,011	99,410	160,332	23,618	70,645	21,180	20,546,199	518,514	18,443	139,924	676,881	21,223,080
Elimination of accumulated depreciation against cost on revaluation	-	-	(8,240,112)	-	-	-	-	-	(8,240,112)	-	-	-	-	(8,240,112)
Revaluation surplus during the year - note 5.1.1	-	-	455,772	-	-	-	-	-	455,772	-	-	-	-	455,772
Additions during the year	-	2,741	1,189,213	2,623	2,114	-	-	-	1,206,691	-	-	5,375	5,375	1,212,066
Transfers in from investment properties - note 7	-	97,500	-	-	-	-	-	-	97,500	-	-	-	-	97,500
Transfers in from leased assets	-	-	-	-	18,443	-	133,659	-	152,102	-	(18,443)	(133,659)	(152,102)	-
Disposals during the year	-	(2,724)	(5,020)	(2,254)	(2,912)	(23)	(30,208)	-	(43,141)	-	-	(2,458)	(2,458)	(45,599)
Transferred out to non-current assets classified as held for sale - note 20	-	-	(2,170,905)	-	-	-	-	-	(2,170,905)	-	-	-	-	(2,170,905)
Balance as at 31 December 2014	19,800	97,500	127,220	11,262,969	99,779	177,977	23,595	174,096	21,180	12,004,106	518,514	9,182	527,696	12,531,802

DEPRECIATION

Balance as at 01 January 2013	-	-	89,561	7,053,577	51,910	126,398	16,061	80,062	17,034	7,434,591	30,303	4,049	37,628	71,980	7,506,571
Depreciation for the year - note 5.1.5	-	-	8,851	1,153,170	9,379	18,855	2,186	5,183	690	1,198,314	31,104	6,147	30,309	67,560	1,265,874
Transfers in from leased assets	-	-	-	1,162	-	-	-	5,425	-	6,587	(1,162)	-	(5,425)	(6,587)	-
Depreciation on disposals	-	-	(94)	(39,123)	(1,164)	(400)	(1,090)	(27,906)	-	(69,717)	-	-	(1,215)	(1,215)	(70,932)
Adjustments	-	-	-	612	-	-	-	-	-	612	-	-	-	-	612
Balance as at December 31, 2013	-	-	98,378	8,199,398	60,125	144,841	17,157	82,764	17,724	8,570,387	60,245	10,196	61,297	131,738	8,702,125
Balance as at 01 January 2014	-	-	98,378	8,199,398	60,125	144,841	17,157	82,764	17,724	8,570,387	60,245	10,196	61,297	131,738	8,702,125
Elimination of accumulated depreciation against cost on evaluation	-	-	-	(8,240,112)	-	-	-	-	-	(8,240,112)	-	-	-	-	(8,240,112)
Depreciation for the year - note 5.1.5	-	406	7,041	1,172,523	9,202	14,717	1,970	25,973	677	1,231,509	31,104	5,123	2,089	38,316	1,269,825
Transfers in from leased assets	-	-	-	-	-	15,319	-	59,909	-	75,228	-	(15,319)	(59,909)	(75,228)	-
Depreciation on disposals	-	-	(2,724)	(700)	(1,813)	(2,644)	(17)	(17,374)	-	(25,272)	-	-	(1,215)	(1,215)	(26,487)
Transferred out to non-current assets classified as held for sale - note 20	-	-	-	(814,894)	-	-	-	-	-	(814,894)	-	-	-	-	(814,894)
Balance as at 31 December 2014	-	406	102,695	286,215	66,514	172,233	19,110	131,272	18,401	796,846	91,349	-	2,262	93,611	890,457
Book value as at 31 December 2013	19,800	-	28,825	11,854,613	39,285	15,491	6,461	7,881	3,456	11,975,812	458,269	8,247	78,827	545,143	12,520,965
Book value as at 31 December 2014	19,800	97,094	24,525	10,976,744	33,265	5,744	4,485	42,824	2,779	11,207,260	427,165	-	6,920	434,085	11,641,345

Annual rate of depreciation (%)

20

33

4 - 33.33

10 - 20

20

10

33

4 - 33.33

20 - 33

5

5.1.1 During the year, plant and equipment (owned) have been revalued by an independent professional valuer M/s Arch-E'-Decon on 01 October 2014. The resulting revaluation surplus net of deferred tax has been credited to surplus on revaluation. The table below analyses the non-financial assets carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Company's plant and equipment (owned) that are measured at fair value at 31 December 2014.

**Fair value measurements
at 31 December 2014 using
significant other observable
inputs (Level 2)**

(Rupees in '000)

Recurring fair value measurements

Plant and equipment (owned)	<u><u>10,976,744</u></u>
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The following table presents the Company's plant and equipment (owned) that are measured at fair value at 31 December 2013.

Fair value measurements at
31 December 2013 using
significant other observable
inputs (Level 2)

(Rupees in '000)

Recurring fair value measurements

Plant and equipment (owned)	<u><u>11,854,613</u></u>
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There are no level 1 and level 3 assets and no transfers between levels 1, 2 and 3 during 2014 or 2013.

Valuation techniques used to derive level 2 fair values:

Level 2 fair values of plant and equipment (owned) have been derived using respective rating and name plate data with adjustment for age and remaining useful life of the plant and equipment. The most significant input into this valuation approach is fundamental technical characteristics.

5.1.2 Had there been no revaluation, the net book value of plant and equipment (owned) would have amounted to Rs 10,511 million (2013: Rs 12,021 million).

5.1.3 Carrying value of property, plant and equipment and current assets having a charge against borrowings amounts to Rs 11,225 million (2013: Rs 11,559 million).

5.1.4 Plant and equipment includes equipment deployed in implementing the USF network which is subject to lien exercisable by USF Company ("USFC") in the event of failure by the Company to maintain service availability and quality specification.

2014 2013
----- (Rupees in '000) -----

5.1.5 Depreciation for the year has been allocated as follows:

Direct cost	- note 37	1,204,034	1,184,274
Operating cost	- note 38	65,791	81,600
		<u>1,269,825</u>	<u>1,265,874</u>

5.1.6 Disposal of operating fixed assets

Particulars	Sold to	2014			Sale proceeds	Mode of disposal
		Cost	Accumulated depreciation	Book value		
(Rupees in '000)						
Plant and equipment	Outside party					
	Shaheen Insurance Company Limited	5,020	700	4,320	4,000	Insurance Claim
Vehicles	Employees					
	Hassan Raza	1,539	795	744	744	As per Company policy
	Naveed Alam	920	292	628	628	- do -
	Waqas Aslam	1,537	743	794	794	- do -
	Saqib Idrees Taj	919	291	628	628	- do -
	Malik Salman Sadiq Awan	1,537	589	948	948	- do -
	Rana Rehan	1,537	691	845	845	- do -
	Muhammad Tauseef Zia	893	402	491	491	- do -
	Adnan Siddiqui	1,483	561	922	922	- do -
	Mazhar Haider	896	528	368	368	- do -
	Adeel Ahmed	870	379	491	491	- do -
	Burhan Ahmed	896	284	612	612	- do -
	Abu Zar	2,066	1,174	891	891	- do -
	Munir Ahmad	896	287	609	609	- do -
	Usman Masood	870	349	521	521	- do -
	Tanvir Ahmed Sheikh	1,483	817	666	666	- do -
	Mudessar Ramzan	1,483	459	1,024	1,024	- do -
	Muhammad Waseem Akber	870	245	625	625	- do -
	Mustanser Siddique	896	406	490	490	- do -
	Farrukh Ijaz	896	360	536	536	- do -
	Nauman Adil	2,458	1,215	1,243	1,243	- do -
Computers	Employees					
	Tanvir Ahmed Sheikh	73	18	54	54	- do -
Office equipment	Outside party					
	Shaheen Insurance Company Limited	89	27	63	42	Insurance claim
	Shaheen Insurance Company Limited	157	51	106	75	- do -
	Shaheen Insurance Company Limited	157	51	106	75	- do -
	Shaheen Insurance Company Limited	118	38	79	56	- do -
Items with book value less than Rs 50,000		15,040	14,735	306	6,886	
Total		45,599	26,487	19,110	25,264	

Particulars	Sold to	2013			Sale proceeds	Mode of disposal
		Cost	Accumulated depreciation	Book value		
		------(Rupees in '000)-----				
Plant and equipment	Outside party					
	Syed Traders	53,818	24,089	29,729	8,050	Negotiation
	Shaheen Insurance Company Limited	18,590	11,378	7,212	6,518	Insurance claim
	Shaheen Insurance Company Limited	5,486	3,374	2,112	2,075	- do -
	Shaheen Insurance Company Limited	487	282	205	190	- do -
Vehicles	Employees					
	Faisal Murad	5,465	4,372	1,093	1,093	As per Company policy
	Haseeb Monim	882	244	638	638	- do -
	Aamir Mehmood	2,048	248	1,800	1,800	- do -
	Outside party					
	Sarwar	525	438	88	198	Auction
	Shaheen Insurance Company Limited	2,066	723	1,343	1,803	Insurance Claim
	Technology at Work (Private) Limited	592	296	296	550	Negotiation
	Technology at Work (Private) Limited	592	296	296	460	- do -
	Technology at Work (Private) Limited	592	296	296	450	- do -
	Items with book value less than Rs 50,000	25,879	24,896	982	13,090	
		117,022	70,932	46,090	36,915	

5.2 Capital work-in-progress	Note	2014	2013
		(Rupees in '000)	(Rupees in '000)
Advances to suppliers	5.2.1	253,364	136,000
Civil works		-	2,612
Plant and equipment		583,049	774,083
Others		-	105,372
	5.2.2	<u>836,413</u>	<u>1,018,067</u>

5.2.1 This includes an advance of Rs 136 million (2013: Rs 136 million) to Pace (Pakistan) Limited, which ceased to be a related party (associated company) from 22 April 2014.

	2014	2013
	(Rupees in '000)	(Rupees in '000)

5.2.2 The reconciliation of the carrying amount is as follows:

Opening balance	1,018,067	782,635
Additions during the year	1,008,864	578,308
Transfers during the year	(1,190,517)	(342,876)
Closing balance	<u>836,413</u>	<u>1,018,067</u>

2014 2013
Note -----(Rupees in '000)-----

5.3 Major spare parts and stand-by equipment

Gross carrying value

Opening balance	-	-
Additions during the year	176,394	-
Transfers during the year	(138,646)	-
Closing balance	<u>37,748</u>	-

Provision for impairment	5.3.1 (12,160)	-
Net carrying value	<u><u>25,588</u></u>	<u><u>-</u></u>

5.3.1 Provision for impairment

Opening Provision	-	-
Transfer during the year	12 12,160	-
Closing Provision	<u><u>12,160</u></u>	<u><u>-</u></u>

6. Intangible assets

	Licenses	Patents and copyrights	IRU - media cost	Softwares	Goodwill	Total
	----- (Rupees in '000) -----					
COST/REVALUED AMOUNT						
Balance as at 01 January 2013	2,893,290	5,333	784,800	30,533	2,690,403	6,404,359
Additions/(deletions) during the year	-	-	-	-	-	-
Balance as at 31 December 2013	<u>2,893,290</u>	<u>5,333</u>	<u>784,800</u>	<u>30,533</u>	<u>2,690,403</u>	<u>6,404,359</u>
Balance as at 01 January 2014	2,893,290	5,333	784,800	30,533	2,690,403	6,404,359
Elimination of accumulated amortization against cost on revaluation	(1,427,465)	-	-	(19,253)	-	(1,446,718)
Revaluation surplus during the year - note 6.1	608,201	-	-	-	-	608,201
Balance as at 31 December 2014	<u>2,074,026</u>	<u>5,333</u>	<u>784,800</u>	<u>11,280</u>	<u>2,690,403</u>	<u>5,565,842</u>
AMORTIZATION						
Balance as at 01 January 2013	1,157,966	5,333	100,232	16,759	136,909	1,417,199
Amortization for the year - note 6.3	157,586	-	52,268	1,425	-	211,279
Balance as at 31 December 2013	<u>1,315,552</u>	<u>5,333</u>	<u>152,500</u>	<u>18,184</u>	<u>136,909</u>	<u>1,628,478</u>
Balance as at 01 January 2014	1,315,552	5,333	152,500	18,184	136,909	1,628,478
Elimination of accumulated amortization against cost on revaluation	(1,427,465)	-	-	(19,253)	-	(1,446,718)
Amortization for the year - note 6.3	163,188	-	52,268	2,850	-	218,306
Balance as at 31 December 2014	<u>51,275</u>	<u>5,333</u>	<u>204,768</u>	<u>1,781</u>	<u>136,909</u>	<u>400,066</u>
Book value as at 31 December 2013	<u>1,577,738</u>	<u>-</u>	<u>632,300</u>	<u>12,349</u>	<u>2,553,494</u>	<u>4,775,881</u>
Book value as at 31 December 2014	<u>2,022,751</u>	<u>-</u>	<u>580,032</u>	<u>9,499</u>	<u>2,553,494</u>	<u>5,165,776</u>
Annual amortization rate (%)	5 - 6.5	10	6.67	20	-	

6.1 During the year, licenses and softwares have been revalued by an independent professional valuer M/s Arch-E'-Decon on 01 October 2014. The resulting revaluation surplus net of deferred tax has been credited to surplus on revaluation. The table below analyses the non-financial assets carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Company's licenses and softwares that are measured at fair value at 31 December 2014.

**Fair value
measurements at
31 December 2014
using significant
other observable
inputs (Level 2)
(Rupees in '000)**

Recurring fair value measurements

Licenses	2,022,751
Softwares	9,499
	<u>2,032,250</u>

The following table presents the Company's licenses and softwares that are measured at fair value at 31 December 2013.

**Fair value
measurements at
31 December 2013
using significant
other observable
inputs (Level 2)
(Rupees in '000)**

Recurring fair value measurements

Licenses	1,577,738
Softwares	12,349
	<u>1,590,087</u>

There are no level 1 and level 3 assets and no transfers between levels 1, 2 and 3 during 2014 or 2013.

Valuation techniques used to derive level 2 fair values:

Level 2 fair values of intangible assets have been derived using the current market prices, wherever available, otherwise income approach adopted. The most significant input into this valuation approach is market condition along with fundamental technical characteristics.

- 6.2 Had there been no revaluation, the net book value of licenses and softwares would have amounted to Rs 655 million (2013: Rs 1,327 million).

	2014	2013
Note	-----	-----
	(Rupees in '000)	

- 6.3 Amortization for the year has been allocated as follows:

Direct cost	37	213,828	193,368
Capitalized during the year		4,478	17,911
		<u>218,306</u>	<u>211,279</u>

- 6.4 Licenses of the Company are assigned to IGI Investment Bank Limited, trustee of TFC III as disclosed in note 26.1.

6.5 Goodwill

Goodwill represents the difference between the cost of acquisition (fair value of consideration paid) and fair value of net identifiable assets acquired at the time of merger of Worldcall Telecom Limited with Worldcall Communications Limited, Worldcall Multimedia Limited and Worldcall Broadband Limited.

Impairment testing of Goodwill has been carried out at the overall business unit level. Management has assessed the recoverable amount of the Cash Generating Unit as at 31 December 2014 based on a value in use calculation and determined that, as of this date, there is no indication of impairment of Goodwill. This calculation uses cash flow projections based on a five years' financial business plan approved by the Board. 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. The cash flows beyond the five years period have been extrapolated using a steady 5% growth rate which is consistent with the long-term average growth rate for the industry, whereas for the purpose of impairment testing, no growth is considered in cash flows beyond the period of five years as per International Accounting Standard 36 'Impairment of Assets'. The key assumption and discount rate used in the value in use calculation is as follows:

Revenue (% annual growth rate)	60.38%
Discount rate	21.31%

Revenue is the average annual growth rate over the five year forecast period. The above analysis is based on the past performance, current industry trends, management's expectation of market development and includes long term inflation forecasts.

The recoverable amount calculated based on value in use exceeded carrying value by Rs. 2,985.34 million. An annual revenue growth rate of 57.87% or a rise in discount rate to 27% would, all changes taken in isolation, result in the recoverable amount being equal to the carrying amount.

Based on the above approved business plan and continued support from the Parent company, the Company will be able to meet its obligations and will be able to achieve satisfactory level of profitability in future.

		2014	2013
	Note	----- (Rupees in '000) -----	
7. Investment properties			
Opening balance		160,474	160,474
Fair value adjustment	7.1	(39,774)	-
Transfer to operating fixed assets (owned assets)	5.1	(97,500)	-
Closing balance		<u>23,200</u>	<u>160,474</u>

7.1 As of reporting date, investment properties comprise of land. Fair value of investment properties is determined by an independent professional valuer. Latest valuation of these properties was carried out on 31 December 2014 by an approved independent valuer, M/s Gandhara Consultants. The table below analyses the non-financial assets carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Company's investment properties that are measured at fair value at 31 December 2014.

**Fair value
measurements at
31 December 2014
using significant
other observable
inputs (Level 2)
(Rupees in '000)**

Recurring fair value measurements

Investment properties	<u>23,200</u>
-----------------------	---------------

The following table presents the Company's investment properties that are measured at fair value at 31 December 2013.

Fair value
measurements at
31 December 2013
using significant
other observable
inputs (Level 2)
(Rupees in '000)

Recurring fair value measurements

Investment properties 160,474

There are no level 1 and level 3 assets or transfers between levels 1, 2 and 3 during 2014 or 2013.

Valuation techniques used to derive level 2 fair values:

Level 2 fair value of investment properties has been derived using the sales comparison approach. Sale prices of comparable land and buildings in close proximity are adjusted for differences in key attributes such as location, size, nature and condition of the property. The most significant input into this valuation approach is price per square foot.

8. This represents receivable against the sale of Optical Fiber Cable stated at amortized cost using effective interest rate of 16% per annum.

	2014	2013
Note	-----	-----
9. Deferred taxation	----- (Rupees in '000) -----	

This is composed of the following:

Liability for deferred taxation comprising temporary differences related to:

Accelerated tax depreciation	2,659,743	2,592,698
Surplus on revaluation of fixed assets	592,295	168,114
Accelerated tax amortization	1,214,139	1,051,573
Transaction cost on long term loans	30,138	38,285
Long term trade receivables	73,065	-
Leasehold improvements	8,584	9,801

Asset for deferred taxation comprising temporary differences related to:

Unused tax losses	(6,469,883)	(5,486,573)
Provision for doubtful debts	(655,475)	(551,015)
Retirement benefits	(122,837)	(114,577)
Provision for stores and spares & stock-in-trade	(21,200)	(21,468)
Exchange loss	(225,958)	(233,085)
	<u>(2,917,389)</u>	<u>(2,546,247)</u>

Based on approved business plan of the Company, it is probable that sufficient taxable profits will be available for utilization of deferred tax asset. Management considers that minimum tax available for carry forward of Rs 246.58 million would not be utilized in the foreseeable future. Consequently, based on the prudence principle, deferred tax asset to the extent of Rs 246.58 million has not been recognized in these financial statements.

The gross movement in net deferred tax asset during the year is as follows:

	2014	2013
Note	------(Rupees in '000)-----	
Opening balance	(2,546,247)	(1,295,068)
Charged/(credited) directly to equity	4,944	(4,944)
Charged to other comprehensive income	281,863	-
Credited to profit and loss account	42 (657,949)	(1,246,235)
Closing balance	<u>(2,917,389)</u>	<u>(2,546,247)</u>

10. Long term loans - considered good

Loans to employees:

- Chief executive	10.1	3,361	4,853
- Executives	10.2	9,385	13,808
- Others		3,328	6,335
		<u>16,074</u>	<u>24,996</u>

Current maturity:

- Chief executive		(3,361)	(4,480)
- Executives		(3,027)	(4,530)
- Others		(5,884)	(9,217)
	15	<u>(12,272)</u>	<u>(18,227)</u>
		<u>3,802</u>	<u>6,769</u>

10.1 Chief executive

Opening balance	4,853	10,453
Disbursements during the year	-	-
	<u>4,853</u>	<u>10,453</u>
Repayments during the year	(1,492)	(5,600)
Closing balance	<u>3,361</u>	<u>4,853</u>

This represents interest free loan given for the purpose of acquisition of land and construction of house. It is secured against gratuity and is recoverable within a period of three years from the date of disbursement through monthly deductions from salary. Maximum aggregate balance due at the end of any month during the year was Rs 4.85 million (2013: Rs 10.45 million).

10.2 Executives

2014 2013
Note -----(Rupees in '000)-----

Opening balance	13,808	29,027
Disbursements during the year	<u>3,100</u>	<u>800</u>
	16,908	29,827
Repayments during the year	<u>(7,522)</u>	<u>(16,019)</u>
Closing balance	<u>9,385</u>	<u>13,808</u>

These represent interest free loans given for various purposes, such as construction of house and other personal needs as per the Company's policy. These are secured against gratuity and are recoverable within a period of three years from the date of disbursement through monthly deductions from salary. Maximum aggregate balance due at the end of any month during the year was Rs 16.91 million (2013: Rs 29.03 million).

2014 2013
Note -----(Rupees in '000)-----

11. Long term deposits

Security deposits with:

- Pakistan Telecommunication Company Limited
- Financial institutions
- Others

21,482	21,482
975	21,956
<u>36,109</u>	<u>48,880</u>
58,566	92,318
-	(21,472)
<u>58,566</u>	<u>70,846</u>

Current maturity

16

12. Stores and spares

Cost

259,472

245,195

Provision:

- Opening balance
- Addition during the year
- Reversal during the year
- Transfer during the year
- Closing balance

(58,942)	(44,900)
-	(14,042)
12.1 10,574	-
5.3.1 12,160	-
(36,208)	(58,942)
12.2 <u>223,264</u>	<u>186,253</u>

12.1 This has been included in stores and spares consumed under Direct cost. The provision was reversed since such items were consumed during the year.

12.2 This includes items which may result in fixed capital expenditure but are not distinguishable.

	2014	2013
Note	----- (Rupees in '000) -----	
13. Stock-in-trade		
Cost	281,617	243,898
Provision:		
Opening balance	-	(11,300)
Addition during the year	(8,003)	-
Written-off during the year	-	11,300
Closing balance	(8,003)	-
	<u>273,614</u>	<u>243,898</u>

14. Trade debts

Considered good - unsecured	911,906	1,043,058
Considered doubtful - unsecured	1,809,352	1,605,494
	<u>2,721,258</u>	<u>2,648,552</u>
Provision for doubtful debts	(1,809,352)	(1,605,494)
	<u>911,906</u>	<u>1,043,058</u>

14.1 This includes due from related parties (associated companies) as follows:

Pace Wood Land (Private) Limited	14.1.1	-	32,894
Pace Barka Properties Limited	14.1.1	-	47,781
Pace Gujrat (Private) Limited	14.1.1	-	12,138
		<u>-</u>	<u>92,813</u>

14.1.1 The above companies ceased to be related parties (associated companies) from 22 April 2014. Consequently, as of 31 December 2014, balances due from these companies have not been presented here, however, they are included in the total balance of trade debts.

	2014	2013
Note	----- (Rupees in '000) -----	
14.2 Provision for doubtful debts		
Opening balance	1,605,494	1,009,210
Charged during the year	203,858	596,284
Closing balance	<u>1,809,352</u>	<u>1,605,494</u>

14.2.1 This includes provision of Nil (2013: Rs 92.81 million) against receivable from Pace group of companies, which were related parties (associated companies) as referred to in note 14.1.1 above. The prior year balance was due for more than two years.

		2014	2013
	Note	------(Rupees in '000)-----	
15. Loans and advances			
Advances to employees - considered good	15.1	24,949	21,372
Current maturity of long term loans to employees	10	12,272	18,227
Advances to PTA - considered good	15.2	519,992	519,992
Advances to suppliers:			
- Considered good		55,395	410,013
- Considered doubtful		48,296	-
		103,691	410,013
		<u>660,904</u>	<u>969,604</u>
Provision for doubtful advances	15.3	(48,296)	-
		<u>612,608</u>	<u>969,604</u>

15.1 This includes advances given to executives amounting to Rs 17.69 million (2013: Rs 13.04 million).

		2014	2013
	Note	------(Rupees in '000)-----	
15.2 Advances to PTA - considered good			
Access Promotion Contribution ("APC") for USF prior to the formation of fund	15.2.1	479,992	479,992
Annual spectrum fee	15.2.2	40,000	40,000
		<u>519,992</u>	<u>519,992</u>

15.2.1 PTA vide order dated 04 December 2006 raised a demand of Rs 491 million regarding payment of APC for USF in relation to the period prior to the valid formation of USF by the Federal Government. The Company disputed such demand, however, it deposited Rs 394 million with PTA against it and booked it as a receivable from PTA while Rs 11.01 million was expensed out and the remaining Rs 85.99 million was recognized as a liability with a corresponding receivable from PTA. Against this demand, currently, the Company's appeal is pending adjudication before the Supreme Court of Pakistan. Based on the advice of the Company's legal counsel, management feels that there are reasonable grounds to defend the Company's stance and the matter would ultimately be decided in the Company's favor. Under these circumstances, management considers that the receivable amount was unimpaired at the balance sheet date.

15.2.2 This represents amount paid against demand on account of annual spectrum fee and other regulatory charges. PTA determined the demand vide its determination dated 22 February 2010. Being aggrieved, Company's management preferred an appeal bearing No. 147/2010 before the Lahore High Court (LHC) against the PTA determination. LHC granted stay against the recovery subject to payment of Rs 40 million which was complied by the Company. Since Company's management feels that there are strong grounds to defend the Company's position and the ultimate decision would be in the Company's favor, it considers that the receivable amount was unimpaired at the balance sheet date.

	2014	2013
Note	----- (Rupees in '000) -----	

15.3 Provision for doubtful advances

Opening balance		-	-
Charged during the year	38	48,296	-
Closing balance		48,296	-

16. Deposits and prepayments

Margin deposits	16.1	100,124	133,405
Prepayments	16.2	21,586	36,668
Current maturity of long term deposits	11	-	21,472
Short term deposits		-	1,241
		121,710	192,786

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

16.2 This includes annual cable license fee prepaid to PEMRA amounting to Rs 4.96 million (2013: Nil).

2014	2013
----- Rupees in '000) -----	

17. Short term investments

Investment in others:

Carrying value	- note 17.1	83,193	46,551
Fair value adjustment		(8,426)	(12,733)
		74,767	33,818

Investment in related parties:

Carrying value	- note 17.2	-	58,431
Fair value adjustment		-	(9,056)
		-	49,375
		74,767	83,193

17.1 Particulars of listed shares - Available-for-sale investments

All shares have a face value of Rs 10 each.

Name	2014	2013	2014		2013	
	No. of shares		Carrying value	Market value	Carrying value	Market value
(Rupees in '000)						
Commercial Bank						
The Bank of Punjab	10,528	10,528	118	115	113	118
Mutual Funds						
First Dawood Mutual Fund	580,750	580,750	4,065	4,065	3,717	4,065
Pak Oman Advantage Fund	1,000,000	1,000,000	7,500	9,900	9,240	7,500
Electric Appliances						
Pak Elektron Limited	9	9	-	-	-	-
Leasing						
Standard Chartered Leasing Limited	70,000	70,000	490	589	417	490
Insurance						
Shaheen Insurance Company Limited	3,136,963	3,136,963	21,645	18,822	33,064	21,645
Financial Services						
First Capital Securities Corporation Limited	3,991,754	-	11,576	8,023	-	-
Real Estate						
Pace (Pakistan) Limited	6,959,290	-	26,376	23,174	-	-
Media Group						
Media Times Limited	4,199,500	-	11,423	10,079	-	-
			83,193	74,767	46,551	33,818

17.2 Particulars of listed shares - Available-for-sale investments

All shares have a face value of Rs 10 each.

Name	2014	2013	2014		2013	
	No. of shares		Carrying value	Market value	Carrying value	Market value
(Rupees in '000)						
First Capital Securities Corporation Limited	-	3,991,754	-	-	14,610	11,576
Percentage of equity held 0% (2013: 1.27%)						
Pace (Pakistan) Limited	-	6,959,290	-	-	20,808	26,376
Percentage of equity held 0% (2013: 2.5%)						
Media Times Limited	-	4,199,500	-	-	23,013	11,423
Percentage of equity held 0% (2013: 2.35%)						
			-	-	58,431	49,375

17.2.1 The above companies ceased to be related parties (associated companies) from 22 April 2014. Consequently, the investment in these companies with effect from 22 April 2014 has been included in investment in others.

18. Other receivables

Other receivables - considered good:

- Interest receivable on bank deposits
- Others

Other receivables - considered doubtful

Sales tax refundable

Provision for doubtful receivables

	2014	2013
Note	----- (Rupees in '000) -----	
18.1	892	10,965
	4,642	25,536
	5,534	36,501
	15,139	15,139
18.2	33,360	43,164
	54,033	94,804
	(15,139)	(15,139)
	38,894	79,665

18.1 This includes an advance given to foreign subsidiary amounting to Nil (2013: Rs 9.70 million).

18.2 This includes Rs 33.4 million recovered by the tax authorities in respect of sales tax demand, facts and litigation status whereof has been discussed in note 31.3.4.

19. Cash and bank balances

Cash at bank:

- Current accounts
- Savings accounts
- Term deposit receipt

Cash in hand

Pay orders in hand

	2014	2013
Note	----- (Rupees in '000) -----	
19.1	51,146	228,300
	353,958	769,116
19.2	-	1,500,000
	405,104	2,497,416
	4,903	4,436
	339,992	-
	749,999	2,501,852

19.1 The balances in savings accounts bear mark up at the rate ranging from 5.00% to 7.00% (2013: 5.00% to 9.75%) per annum. It includes:

- Rs 340 million (2013: Rs 238 million) in an Escrow account in relation to APC payable to PTA (prior to ICH formation) as referred to in note 30.1; and

- Nil (2013: Rs 40 million) in an Escrow account in relation to dispute with PTCL for various charges.

19.2 This bears mark up at the rate of Nil (2013: 9.75% per annum)

	2014	2013
Note	----- (Rupees in '000) -----	
20. Non-current assets classified as held for sale		
Long term investment classified as held for sale	20.1 -	-
Plant and equipment classified as held for sale	20.2 1,120,502	-
	<u>1,120,502</u>	<u>-</u>

20.1 Long term investment classified as held for sale

Foreign subsidiary - unquoted

Worldcall Telecommunications Lanka (Private) Limited

Incorporated in Sri Lanka

7,221,740 (2013: 7,221,740) ordinary shares of Sri Lankan Rupees 10 each.

Equity held 70.65% (2013: 70.65%)

Share deposit money

Provision for impairment

44,406	44,406
13,671	13,671
58,077	58,077
(58,077)	(58,077)
-	-

The Company's foreign subsidiary namely Worldcall Telecommunications Lanka (Private) Limited ("the Subsidiary") has been suffering losses as the demand for payphones in Sri Lanka has greatly diminished. Keeping in view the Sri Lankan market conditions and negative equity of the Subsidiary, the management decided and approved the winding up of the Subsidiary and classified the long term investment in the Subsidiary as held for sale.

	2014	2013
Note	----- (Rupees in '000) -----	
20.2 Plant and equipment classified as held for sale		
Carrying amount of assets transferred from fixed assets	5.1 1,356,011	-
Impairment loss	(235,509)	-
Fair value less costs to sell	<u>1,120,502</u>	<u>-</u>

This represents Passive infrastructure (towers, civil works and gensets etc.) relating to WLL operations of the Company. An active plan to sell these assets was commenced during the year as management considers that disposal of such assets would result in major reduction in operational costs. On 01 October 2014, a sale agreement has been signed which is subject to due diligence inter alia, No Objection Certificates (NOCs) from financial institutions and necessary approvals. Accordingly, these assets have been classified as held for sale under International Financial Reporting Standards (IFRS) 5 - "Non-current Assets Held for Sale and Discontinued Operations". Fair value less costs to sell of these assets has been determined as per the terms of the aforementioned sale agreement. The impairment loss arising on the transaction has been set-off against the surplus on revaluation of fixed assets as per section 235 of the Companies Ordinance, 1984.

	2014	2013
Note	------(Rupees in '000)-----	

21. Current maturities of non-current liabilities

Term finance certificates	21.1&26	1,643,735	547,911
Long term loans	21.1&27	948,269	315,600
Payable to Pakistan Telecommunication Authority	30.1	1,711,254	385,517
Payable to Multinet Pakistan (Private) Limited	30.2.1	696,684	531,459
Liabilities against assets subject to finance lease	29	1,209	50,760
		<u>5,001,151</u>	<u>1,831,247</u>

21.1 Overdue principal included in current maturity is as follows:

Term finance certificates	547,910	-
Long term loan - Askari Bank Limited	201,200	-
	<u>749,110</u>	<u>-</u>

22. Short term borrowings - secured

Short term borrowings under mark up arrangements obtained as under:

Running finances	22.1	768,890	786,944
Term finances	22.2	-	69,756
		<u>768,890</u>	<u>856,700</u>

22.1 Short term running finance facilities available from commercial banks under mark up arrangements amount to Rs 798 million (2013: Rs 798 million). Running finance facilities are available at mark up rate of three month Karachi Inter Bank Offered Rate (KIBOR) plus 1.5% to 2.5% per annum, payable quarterly, on the balance outstanding. These are secured against joint pari passu hypothecation of fixed and current assets with 25% security margin over the facility amount. The mark up charged during the year on the outstanding balances ranges from 11.57% to 12.71% (2013: 9.43% to 12.03%) per annum. These facilities are being rolled over as the mark up is being serviced timely.

	2014	2013
Note	------(Rupees in '000)-----	

22.2 Term finances

Soneri Bank Limited - I	22.2.1	-	35,051
Soneri Bank Limited - II	22.2.1	-	34,705
		<u>-</u>	<u>69,756</u>

22.2.1 These have been restructured during the year into a long term loan as referred to in note 27.3.

22.3 Letters of credit and guarantees

Of the aggregate facilities of Rs 144.79 million (2013: Rs 87.60 million) for opening letters of credit and

Rs 1,178.79 million (2013: Rs 1,226.01 million) for guarantees, the amount utilized as at 31 December 2014 was Rs 4.60 million (2013: Rs 56.20 million) and Rs 1,140.22 million (2013: Rs 1,119.93 million) respectively. The facilities for opening letters of credit are secured against import documents and lien over bank accounts. The facilities for guarantees are secured against pari passu and joint pari passu charge over current and moveable fixed assets of the Company and lien over bank accounts.

23. This represents balance amount of interest free license fee payable to PTA for WLL licenses. The Company had filed an application with PTA for grant of moratorium over payment of this balance amount. However, PTA rejected the Company's application and demanded its payment. Being aggrieved by this, Company filed an appeal before Islamabad High Court (IHC) against PTA's order. Meanwhile, the Ministry of Information Technology through its letter dated 30 August 2011 allowed to the Operators, the staggering for settlement of APC and Initial Spectrum Fee (ISF) dues and required PTA to submit an installment plan for this purpose after consultations with the Operators. IHC, while taking notice of the Ministry's letter, directed PTA through its order dated 01 December 2012 not to take any coercive action against the Company. As of the reporting date, no such installment plan has been submitted by PTA. Under these circumstances, management does not expect the liability to materialize fully in the near future.

		2014	2013
24. Trade and other payables	Note	------(Rupees in '000)-----	
Trade creditors:			
Related parties	24.1	2,401,690	2,402,889
Others	24.2	2,832,803	3,003,484
		5,234,493	5,406,373
Accrued and other liabilities	24.3	1,322,672	858,730
Advances from customers		340,952	374,236
Retention money		79,064	81,117
Withholding tax payable		218,631	224,526
Dividend payable on preference shares	24.4	-	93,782
Un claimed dividend		1,807	1,807
		7,197,619	7,040,571
24.1 This represents payable to the following related parties:			
Parent company		2,397,894	2,360,970
Associated company - Worldcall Services (Private) Limited		3,796	38,758
Associated company - Media Times (Private) Limited	24.1.1	-	3,161
		2,401,690	2,402,889

24.1.1 Media Times (Private) Limited ceased to be a related party (associated company) from 22 April 2014. Consequently, as of 31 December 2014, balance due to this company has not been presented here and is included in Others.

24.2 This includes payable to PTA amounting to Rs 271.25 million (2013: Rs 236.69 million) regarding annual spectrum fee in respect of WLL licenses. PTA's determination has been challenged and contested by the Company on the grounds of preoccupation of frequency/spectrums and losses suffered by the Company due to such preoccupation for which the Company has demanded due compensation from PTA. The Company filed an appeal against PTA's determination and the Lahore

High Court granted stay against the recovery. Under these circumstances, management does not expect the liability to materialize fully in the near future.

24.3 This includes due to directors aggregating Rs 9.71 million (2013: Rs 6.88 million).

24.4 This includes dividend payable to the Parent company amounting to Nil (2013: Rs 54.76 million).

		2014	2013
	Note	----- (Rupees in '000) -----	
25. Interest and mark up accrued			
Accrued interest/mark up on:			
Long term loans	25.1	69,840	26,448
Short term borrowings		23,557	27,892
Share deposit money		351	351
Liabilities against assets subject to finance lease		-	365
Term finance certificates	25.2	108,303	203,255
		<u>202,051</u>	<u>258,311</u>

25.1 This includes overdue markup of Rs 47.74 million (2013: Nil).

25.2 This includes overdue markup of Rs 53.12 million (2013: Rs 36.05 million).

26. Term finance certificates - secured

Term finance certificates - III	26.1	1,643,735	1,643,735
Initial transaction cost		(53,994)	(53,994)
		<u>1,589,741</u>	<u>1,589,741</u>
Amortization of transaction cost		53,994	53,994
		<u>1,643,735</u>	<u>1,643,735</u>
Current maturity	21	(1,643,735)	(547,911)
		<u>-</u>	<u>1,095,824</u>

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

26.1 Term finance certificates - III

These represent listed Term Finance Certificates ("TFCs") amounting to Rs 3,838 million. Rs 3,000 million were offered Pre-IPO out of which Rs 2,838 million were subscribed by underwriters and Rs 1,000 million was received from public against subscription. It carries mark up at the rate of six month average KIBOR plus 1.60% per annum, payable semi-annually. The mark up rate charged during the year on the outstanding balance ranges from 11.12% to 11.79% (2013: 11.12% to 11.45%) per annum.

IGI Investment Bank Limited was appointed as Trustee under the Trust Deed. These TFCs are secured against pari passu charge over the Company's present and future fixed assets excluding land and building with 25% margin in addition to all rights, benefits, claims and interests procured by the Company under:

(a) LDI and WLL license issued by PTA to the Company; and

(b) Assigned frequency spectrum as per deed of assignment.

These TFCs were earlier rescheduled in December 2012 by a majority of TFC holders. The principal is repayable in three semi-annual installments ending on 07 October 2015. In July 2014, the Company initiated the process of restructuring with the TFC holders, however, it could not achieve the restructuring by the installment due date of 07 October 2014 and hence, did not pay this installment of Rs 547.91 million. Consequently, the total amount has become immediately payable. The Company is pursuing the restructuring and in October 2014, Askari Bank Limited and Pak Oman Investment Company Limited (who collectively hold 31.54% of the TFCs) agreed to act as restructuring advisors. After support from institutional investors of the TFCs, the Company has circulated the revised redemption schedule to the TFC holders for their approval. As per proposed terms, the tenure of the TFCs will be extended by seven years and principal amount of Rs 170 million will be repayable in 2015 while the remaining principal amount of Rs 1,473.735 million will be repayable in 11 semi annual installments of Rs 133.976 million ending in October 2021. Profit rate shall remain the same. Management is confident that it will achieve the restructuring in the near future.

	Note	2014 ------(Rupees in '000)-----	2013
27. Long term loans - secured			
Askari Bank Limited	27.1	2,378,458	3,201,197
Summit Bank Limited	27.2	-	-
Soneri Bank Limited	27.3	7,225	-
		<u>2,385,683</u>	<u>3,201,197</u>
27.1 Askari Bank Limited			
Receipt		2,943,855	2,943,855
Initial transaction cost		(129,365)	(129,365)
		<u>2,814,490</u>	<u>2,814,490</u>
Amortization of transaction cost		43,257	16,762
		<u>2,857,747</u>	<u>2,831,252</u>
Exchange loss		524,995	685,545
		<u>3,382,742</u>	<u>3,516,797</u>
Repaid during the year		(98,884)	-
		<u>3,283,858</u>	<u>3,516,797</u>
Current maturity	21	(905,400)	(315,600)
		<u>2,378,458</u>	<u>3,201,197</u>

This represents foreign currency syndicated loan facility amounting to USD 35 million from Askari Bank Limited Off-Shore Banking Unit, Bahrain with the lead arranger being Askari Bank Limited. During the previous year, this loan was rescheduled whereby the principal was repayable in 16 quarterly installments ending on 06 March 2018. Mark up is payable quarterly and is charged at three month average London Inter Bank Offered Rate (LIBOR) plus 1.75% per annum and monitoring fee at 1.2% per annum. The mark up rate charged during the year on the outstanding balance ranges from 3.18% to 3.19% (2013: 3.19% to 3.26%) per annum. To secure the facility, an unconditional, irrevocable, first demand stand-by letter of credit has been issued by National Bank of Oman ("NBO") favoring Askari

Bank Limited against the corporate guarantee of the Parent company. This arrangement shall remain effective until all obligations under the facility are settled.

Current maturity of this loan includes two overdue installments aggregating USD 2 million equivalent to Rs 201.20 million (2013: Nil). In September 2014, the Company in agreement with Askari Bank, arranged a financing from NBO whereby Askari Bank shall be fully repaid from the proceeds of the loan from NBO. The NBO loan shall be repayable in 16 quarterly installments commencing from the 27th month from the date of disbursement of the loan and profit shall be charged at three month average LIBOR plus 1.75% per annum and monitoring fee at 1.5% per annum, payable quarterly. To secure this facility, an unconditional and irrevocable corporate guarantee of the Parent company backed by cash cover over its account with NBO shall be issued. As of year end, the transaction could not mature as it was pending approval of State Bank of Pakistan (SBP). However, subsequently, it has been approved by SBP in January 2015 and refinancing agreements are now being finalized.

	2014	2013
Note	------(Rupees in '000)-----	
27.2 Summit Bank Limited		
Receipt during the year	250,000	-
Initial transaction cost	1,769	-
	<u>251,769</u>	<u>-</u>
Amortization of transaction cost	(1,769)	-
	<u>250,000</u>	<u>-</u>
Repaid during the year	(250,000)	-
	<u>-</u>	<u>-</u>

This loan was acquired and repaid during the year. The mark up rate charged during the year on the outstanding balance was 11.45% (2013: Nil) per annum.

	2014	2013
Note	------(Rupees in '000)-----	
27.3 Soneri Bank Limited		
Transferred from short term borrowings	66,756	-
Repaid during the year	(16,662)	-
	<u>50,094</u>	<u>-</u>
Current maturity	21 (42,869)	-
	<u>7,225</u>	<u>-</u>

This facility was previously repayable up to 23 May 2014, however it was rescheduled by the bank in April 2014 and is now repayable in 23 monthly installments ending on 28 February 2016. It carries mark up at one month KIBOR plus 3% per annum and is payable monthly. The mark up rate charged during the year on the outstanding balance ranges from 12.84% to 13.97% (2013: 13.06% to 13.36%) per annum. It is secured through joint pari passu hypothecation agreement over current and movable fixed assets of the Company.

28. Retirement benefits

	Note	2014 ------(Rupees in '000)-----	2013
Gratuity	28.1	298,790	295,694
Accumulating compensated absences	28.2	35,791	41,297
		<u>334,582</u>	<u>336,991</u>

28.1 Gratuity

The amounts recognized in the balance sheet are as follows:

Present value of defined benefit obligation	298,790	262,848
Benefits due but not paid	-	32,846
	<u>298,790</u>	<u>295,694</u>

Liability at beginning of the year	295,694	319,255
Charge for the year	28.1.1 69,696	73,778
Net remeasurements for the year	23,140	(1,665)
Transferred to trade and other payables	(14,506)	-
Paid during the year	(75,234)	(95,674)
	<u>298,790</u>	<u>295,694</u>

28.1.1 Charge for the year represents the following:

Interest cost:

- Operating cost	21,907	19,340
- Capitalized in Capital work-in-progress	6,012	7,561
- Included in Stock-in-trade	1,066	621
	<u>28,985</u>	<u>27,523</u>

Current service cost:

- Operating cost	30,770	32,504
- Capitalized in Capital work-in-progress	8,445	12,707
- Included in Stock-in-trade	1,497	1,043
	<u>40,712</u>	<u>46,255</u>
	<u>69,696</u>	<u>73,778</u>

28.1.2 The latest actuarial valuation of this plan was carried out on 31 December 2014 by Nauman Associates. Significant assumptions used for valuation of this plan are as follows:

	2014	2013
Discount rate (per annum)	11.25%	13.00%
Expected rate of salary increase (per annum)	10.25%	12.00%

Mortality rate

Mortality of active members is represented by the SLIC 2001 - 2005 Table. As at 31 December 2014, the weighted average duration of the defined benefit obligation was 12 years (2013: 11.5 years). These figures are based on the actuarial valuation as at 31 December 2014. The valuation uses the Projected Unit Credit (PUC) Actuarial Cost Method.

28.1.3 Sensitivity analysis

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

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
		----(Rupees in '000)---	
Discount rate	1%	(266,666)	336,794
Salary growth rate	1%	337,245	(265,852)

28.1.4 Historical information for gratuity

	2010	2011	2012	2013	2014
	----- (Rupees in '000) -----				
Present value of defined benefit obligation	185,500	251,878	250,207	262,848	298,790
Experience adjustment arising on plan liabilities	(21,811)	15,069	(32,564)	(1,665)	23,140

	2014	2013
Note	----- (Rupees in '000) -----	

28.2 Accumulating compensated absences

The amount recognized in the balance sheet is as follows:

Present value of defined benefit obligation	35,791	36,137
Benefits due but not paid	-	5,160
	35,791	41,297
Liability at beginning of the year	41,297	43,652
Charge for the year	8,240	14,781
Transferred to trade and other payables	(1,875)	-
Paid during the year	(11,870)	(17,136)
	35,791	41,297

28.2.1

28.2.1 Charge for the year represents the following:

	2014	2013
Note	------(Rupees in '000)-----	
Interest cost for the year	4,082	3,067
Current service cost	7,427	3,425
Net remeasurements for the year	(3,270)	8,289
	<u>8,240</u>	<u>14,781</u>

28.2.2 The latest actuarial valuation of this plan was carried out on 31 December 2014 by Nauman Associates. Significant assumptions used for valuation of this plan are as follows:

	2014	2013
Discount rate (per annum)	11.25%	13.00%
Expected rate of salary increase (per annum)	10.25%	12.00%

28.2.3 Sensitivity analysis

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

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
		-----(Rupees in '000)---	
Discount rate	1%	(32,180)	40,092
Salary growth rate	1%	40,169	(32,051)

	2014	2013
Note	------(Rupees in '000)-----	

29. Liabilities against assets subject to finance lease

Present value of minimum lease payments	4,200	52,183
Current portion shown under current liabilities	21 (1,209)	(50,760)
	<u>2,991</u>	<u>1,423</u>

Interest rate used as discounting factor ranges from 12.02 % to 16.56% per annum (2013: 12.87 % to 16.56% per annum). Under the terms of the agreements, the Company has an option to acquire the assets at the end of the respective lease terms by adjusting the deposit amount against the residual value of the assets. The Company intends to exercise the option. In case of default in payment of installments, the Company will be liable to pay additional lease rental on overdue payment at the rate of 0.10% per day.

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

	2014			2013		
	Minimum lease payments	Finance cost	Principal	Minimum lease payments	Finance cost	Principal
	(Rupees in '000)			(Rupees in '000)		
Not later than one year	1,570	361	1,209	52,085	1,325	50,760
Later than one year but not later than five years	3,200	209	2,991	1,514	91	1,423
	4,770	570	4,200	53,599	1,416	52,183

		2014	2013
	Note	(Rupees in '000)	
30. Long term payables			
Payable to Pakistan Telecommunication Authority	30.1	-	599,230
Payable to Multinet Pakistan (Private) Limited	30.2	-	58,102
Dividend payable on preference shares	30.3	297,420	-
Others		330,295	466,174
		627,715	1,123,506
30.1 Payable to Pakistan Telecommunication Authority ("PTA")			
Carrying value of liability		1,711,254	1,711,254
Present value adjustment		(744,131)	(744,131)
		967,123	967,123
Unwinding of discount on liability		744,131	17,624
		1,711,254	984,747
Current maturity	21	(1,711,254)	(385,517)
		-	599,230

This represents amount of interest free Access Promotion Contribution ("APC") charges for USF payable to PTA, prior to the formation of International Clearing House (ICH). Legality of APC charges has already been disputed by some operators in the Supreme Court of Pakistan which is pending adjudication. However, at the time of formation of ICH in August 2012, it was agreed through the ICH agreement that regular contributions for the abovementioned APC shall be made in an Escrow account by LDI operators based on each operator's share under the ICH agreement until resolution of the dispute before Supreme Court of Pakistan. Consequently, the settlement of the liability was estimated by the Company based on the volume of international termination traffic in Pakistan, in a certain number of installments which were discounted using the effective interest rate of 16% per annum.

During the current year, a policy directive was issued in June 2014 for termination of ICH by PTA which was challenged in the Sindh High Court (SHC) and Lahore High Court (LHC) by certain operators, whereby the SHC and LHC granted interim reliefs. Subsequent to year end in February 2015, the Supreme Court of Pakistan passed an order dated 24 February 2015 suspending the operation of the interim reliefs granted by SHC and LHC. Resultantly, PTA has issued a notification dated 24 February 2015 whereby its abovementioned policy directive for termination of ICH has become operative with immediate effect.

In view of the above, since ICH has been terminated subsequently, the total amount has been classified as a current liability on prudence basis. However, as referred to in note 23, the Ministry of Information Technology through its letter dated 30 August 2011 allowed to the operators, the staggering for settlement of APC and Initial Spectrum Fee dues and required PTA to submit an installment plan for this purpose after consultations with the operators. As of the reporting date, no such installment plan has been submitted by PTA and the dispute is still pending adjudication before the Supreme Court of Pakistan. Furthermore, subsequent to the termination of ICH in February 2015 as mentioned above, PTA and LDI operators have not yet agreed a revised mechanism for the settlement of APC dues. Under these circumstances, management does not expect the liability to materialize fully in the near future.

	2014	2013
Note	----- (Rupees in '000) -----	
30.2 Payable to Multinet Pakistan (Private) Limited ("MPL")		
Carrying value of liability	784,800	784,800
Present value adjustment	(103,356)	(103,356)
	<u>681,444</u>	<u>681,444</u>
Unwinding of discount on liability	103,356	61,591
	<u>784,800</u>	<u>743,035</u>
Exchange loss	120,600	162,000
	<u>905,400</u>	<u>905,035</u>
Current maturity	30.2.1 (905,400)	(846,933)
	<u>-</u>	<u>58,102</u>

This represents amount payable to MPL in respect of Indefeasible Right to Use of media. As of reporting date, negotiations with MPL for settlement of this liability through a long term payment plan are under way. Considering that the negotiations are at an advanced stage and Company's long business relationship with MPL, management expects that the liability will not materialize fully in the near future.

30.2.1 This payable has been adjusted against the receivable from MPL as given below:

	2014	2013
Note	----- (Rupees in '000) -----	
Current maturity	905,400	846,933
Receivable adjusted	(208,716)	(315,474)
Net current maturity	21 <u>696,684</u>	<u>531,459</u>

30.3 This includes dividend payable to the Parent company amounting to Rs 171.07 million (2013: Nil).

31 Contingencies and commitments

Contingencies

31.1 Billing disputes with PTCL

31.1.1 There is a dispute of Rs 72.64 million (2013: Rs 72.64 million) with PTCL in respect of non-revenue time of prepaid calling cards and Rs 44.91 million (2013: Rs 47.24 million) in respect of excess minutes billed on account of interconnect and settlement charges. Similarly, PTCL has charged the Company excess Domestic Private Lease Circuits ("DPLC") and other media charges amounting to Rs 236.30 million (2013: Rs 211.07 million) on account of difference in rates, distances and date of activations. Management has taken up both these issues with PTCL and considers that these would most likely be decided in Company's favor as there are reasonable grounds to defend the Company's stance. Hence, no provision has been made in these financial statements for the above amounts.

31.2 Disputes with PTA

31.2.1 There is a dispute with PTA on payment of research and development fund contribution amounting to Rs 5.65 million (2013: Rs 5.65 million). The legal validity of this fund has been challenged before the Supreme Court of Pakistan. Management considers that there are strong grounds to support the Company's stance and is hopeful of a favorable decision. Consequently, no provision has been made in these financial statements for this amount.

31.3 Taxation issues

31.3.1 Returns of total income for the Tax Year 2003 were filed by M/s Worldcall Communications Limited, M/s Worldcall Multimedia Limited, M/s Worldcall Broadband Limited and M/s Worldcall Phone cards Limited, now merged into the Company. Such returns of income were amended by relevant officials under section 122(5A) of the Income Tax Ordinance, 2001 ("Ordinance") through separate orders. Through such amendment orders, in addition to enhancement in aggregate tax liabilities by an amount of Rs 9.90 million, tax losses declared by the respective companies too were curtailed by an aggregate amount of Rs 66.19 million. The Company contested such amendment orders before Commissioner Inland Revenue (Appeals) ["CIR(A)"] and while amendment order for Worldcall Broadband Limited was annulled, partial relief was extended by CIR(A) in respect of appeals pertaining to other companies. The appellate orders extending partial relief were further assailed by Company before Appellate Tribunal Inland Revenue ("ATIR"), which are pending adjudication. Company's management considers that meritorious grounds exist to support the Company's stances and expects relief from ATIR in respect of all the issues being contested. Accordingly, no adjustments/ liabilities on these accounts have been incorporated/ recognized in these financial statements.

31.3.2 Through amendment order passed under section 122(5A) of the Ordinance, Company's return of total income for Tax Year 2006 was amended and declared losses were curtailed by an amount of Rs 780.461 million. The Company's appeal was not entertained by CIR(A) and the amendment order was upheld whereupon the matter was further agitated before ATIR, which is pending adjudication. Company's management expects relief from ATIR in respect of issues involved in the relevant appeal there being valid precedents available on record supporting the Company's stance. Accordingly, no adjustment on this account has been incorporated in these financial statements.

31.3.3 During the current year, a demand of Rs 1,059.595 million (including default surcharge of Rs 325.849 million) was raised against the Company under section 161/205 of the Ordinance for

the period relevant to Tax Year 2012 alleging non-compliance with various applicable withholding provisions contained in the Ordinance. The management assailed the subject order in usual appellate course before CIR(A), during the pendency whereof an aggregate recovery of Rs 50.07 million was made by the department. Company's appeal was disposed by CIR(A) through appellate order dated 16 May 2014 and while major issue forming basis of demand was principally decided in department's favor, for reappraisal of certain facts, the assessment order was remanded back for adjudication afresh. Management has preferred further appeal against CIR(A)'s order. While liability aggregating to Rs 103.673 million on this account has been recognized in these financial statements, no adjustment in respect of remaining amount of demand has been made as Company's management considers that, both on legal and factual grounds, Company's position is well founded and thus it would secure relief from ATIR.

31.3.4 A sales tax demand of Rs 167 million was raised against the Company for recovery of an allegedly inadmissible claim of sales tax refund in Tax Year 2006 filed and sanctioned under section 66 of the Sales Tax Act, 1990. The Company's appeal against such order has not been entertained up to the level of the then relevant Customs, Excise and Sales Tax Appellate Tribunal ("CESTAT"). The Company further assailed the issue before Lahore High Court where before the litigation is presently pending. While, recovery to the extent of 20% of principal demand of sales tax has been made by the tax authorities, an interim injunction by honorable Court debars the department for enforcing any further recovery. Since the management considers the refund to be legally admissible to the Company, no liability on this account has been recognized in these financial statements and the amount already recovered has been booked as being receivable from the tax authorities. It is pertinent to highlight here that adverse judgment earlier passed by CESTAT no longer holds the field as through certain subsequent judgments, controversy has been decided by ATIR (forum now holding appellate jurisdiction under the law) in favor of other taxpayers operating in telecom sector.

31.4 Others

31.4.1 Samsung claimed an amount of USD 1.4 million equivalent to Rs 140.84 million (2013: USD 1.4 million equivalent to Rs 147.28 million) against its receivables under a certain settlement and service agreement. However, the Company denies the claim on the basis that Samsung failed to fulfill its obligations under the agreement and did not provide services for which the Company reserves the right to initiate appropriate proceedings against Samsung. Based on the advice of legal counsel, management is of the view that there are meritorious grounds to defend the Company's position and it would be resolved in the Company's favor. Hence, no provision has been made in these financial statements for such amount.

	2014	2013
Note	----- (Rupees in '000) -----	
31.5 Outstanding guarantees	<u>1,140,217</u>	<u>1,119,927</u>
Commitments:		
31.6 Commitments in respect of capital expenditure	<u>1,851,011</u>	<u>2,346,433</u>
31.7 Outstanding letters of credit	<u>4,596</u>	<u>56,203</u>

	2014 -----No. of shares-----	2013	2014 ----- (Rupees in '000) -----	2013
32. Ordinary share capital				
Ordinary shares of Rs 10 each 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
	860,571,513	860,571,513	8,605,716	8,605,716

32.1 As at 31 December 2014, the Parent company holds 488,839,429 ordinary shares (2013: 488,839,429) of the Company. In addition, 75,967,741 ordinary shares (2013: 81,882,360 ordinary shares) of the Company are held by the following related parties (associated companies) as at 31 December 2014:

	Note	2014 ----- (Number of shares) -----	2013
Related parties			
First Capital Securities Corporation Limited	32.1.1	-	4,221,207
Pace (Pakistan) Limited	32.1.1	-	912
Arif Habib Limited		31,607,500	-
Arif Habib Corporation Limited		44,360,241	77,660,241
		75,967,741	81,882,360

32.1.1 These companies ceased to be related parties (associated companies) from 22 April 2014.

	2014 ----- (Rupees in '000) -----	2013
--	--------------------------------------	------

33. Preference share capital

350,000 Preference shares of USD 100 each fully paid in cash	3,537,700	3,537,700
--	------------------	------------------

	2014 ----- (Number of shares) -----	2013
--	--	------

The reconciliation of preference shares is as follows:

Opening balance	350,000	-
Shares issued during the year	-	350,000
Closing balance	350,000	350,000

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

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

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

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

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

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

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

2014 2013
----- (Rupees in '000) -----

35. Surplus on revaluation of fixed assets

Revaluation surplus on:

Plant and equipment	413,597	64,059
Intangible assets	1,038,594	430,393
	<u>1,452,191</u>	<u>494,452</u>
Related deferred tax liability	(592,295)	(168,113)

	2014	2013
	----- (Rupees in '000) -----	
Transfer to retained earnings in respect of incremental depreciation/amortization net of deferred tax	(143,620)	(116,584)
Transfer from retained earnings in respect of decremental depreciation/amortization net of deferred tax	166,305	148,205
	22,685	31,621
	<u>882,581</u>	<u>357,960</u>

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

	2014	2013
	----- (Rupees in '000) -----	
36. Revenue - net	Note	
Gross revenue		2,560,725 3,545,354
Less:		
Sales tax		129,864 73,049
Discount and commission	36.1	116,108 284,669
		<u>245,972</u> <u>357,718</u>
		<u>2,314,753</u> <u>3,187,636</u>

36.1 This includes commission of Rs 41.60 million (2013: Rs 48.56 million) for billing and collection services provided by Worldcall Services (Private) Limited, a related party (associated company) as per the Billing and Collection Services Agreement.

	2014	2013
	----- (Rupees in '000) -----	
37. Direct cost	Note	
Interconnect, settlement and other charges		747,544 1,336,722
PTCL share cost		6,126 -
Bandwidth and other PTCL charges		181,312 305,313
Depreciation	5.1.5	1,204,034 1,184,274
Amortization	6.3	213,828 193,368
Power consumption and rent	37.1	384,939 378,928
Security services		63,608 63,166
PTA charges	37.2	19,615 25,166
Cable license fee		26,387 22,652
Stock-in-trade consumed		484 1,147
Provision for stock-in-trade	13	8,003 -
Stores and spares consumed		33,385 53,568
Annual spectrum fee		30,389 35,883
Content cost	37.3	(6,812) 40,219
Network maintenance and insurance	37.4	322,259 325,106
Others		139,620 77,187
		<u>3,374,721</u> <u>4,042,699</u>

37.1 This includes operating lease rentals amounting to Rs 232.43 million (2013: Rs 180.79 million).

	Note	2014 ------(Rupees in '000)-----	2013
37.2 PTA charges			
LDI license	37.2.1	14,565	18,732
WLL license	37.2.2	68	596
Broadband license		4,216	4,017
Telephony license	37.2.3	166	242
Annual numbering charges		600	1,579
		<u>19,615</u>	<u>25,166</u>

37.2.1 LDI license

Universal service fund	8,739	11,240
Research and development fund	2,913	3,746
Annual regulatory fee	2,913	3,746
	<u>14,565</u>	<u>18,732</u>

37.2.2 This represents Royalty fee.

37.2.3 Telephony license

Universal service fund	100	146
Research and development fund	33	48
Annual regulatory fee	33	48
	<u>166</u>	<u>242</u>

37.3 This includes a reversal of Rs 57.40 million excess content cost booked in prior years.

37.4 This includes an expense of Rs 10.25 million (2013: Rs 10.25 million) for maintenance services provided by Worldcall Services (Private) Limited, a related party (associated company) as per the Gen-set Maintenance Services Agreement.

	Note	2014 ------(Rupees in '000)-----	2013
38. Operating cost			
Salaries, wages and benefits		487,271	487,675
Marketing, advertisement and selling expenses		11,065	11,914
Rent, rates and taxes	38.1	90,219	91,887
Communications		8,406	8,176
Transportation		23,406	17,193
Legal and professional		53,778	36,963
Insurance		17,433	29,860
Utilities		31,220	36,808

		2014	2013
	Note	------(Rupees in '000)-----	
Printing and stationery		3,856	5,027
Entertainment		15,506	10,628
Travel and conveyance		94,354	66,043
Repairs and maintenance		22,718	22,662
Provision for doubtful debts	14.2	203,858	596,284
Provision for doubtful advances	15.3	48,296	-
Fees and subscriptions		7,853	9,764
Directors' meeting expenses		4,435	6,879
Postage and courier		859	994
Newspapers and periodicals		433	304
Auditor's remuneration	38.2	6,270	7,404
Depreciation	5.1.5	65,791	81,600
Miscellaneous	38.3	72,280	41,919
		<u>1,269,307</u>	<u>1,569,984</u>

38.1 This includes operating lease rentals amounting to Rs 78.40 million (2013: Rs 84 million).

	2014	2013
	------(Rupees in '000)-----	
38.2 Auditor's remuneration		
Statutory audit	2,500	2,650
Half year review	1,000	1,000
International reporting	2,000	2,000
Taxation and other services	270	1,254
Out of pocket expenses	500	500
	<u>6,270</u>	<u>7,404</u>

38.3 This includes an expense of Rs 28.80 million (2013: Rs 28.80 million) for general support services provided by Worldcall Services (Private) Limited, a related party (associated company) as per the General Support Services Agreement.

38.4 The Company has 1,084 (2013: 1,114) employees at the end of year, whereas, the average number of employees during the year were 1,078 (2013: 1,162).

		2014	2013
	Note	------(Rupees in '000)-----	
39. Finance cost			
Mark up on long term loans		158,714	114,870
Mark up on short term borrowings		96,128	171,990
Financial charge on leased liabilities		1,101	6,630
Mark up on Term Finance Certificates		205,299	184,608
Management and advisory fee	39.1	126,978	57,234
Discounting charges		768,273	48,026

	2014	2013
Note	----- (Rupees in '000) -----	
Amortization of transaction cost	28,264	9,748
Bank charges and commission	23,491	43,076
	<u>1,408,248</u>	<u>636,182</u>

39.1 This includes Rs 124.24 million (2013: Rs 55.96 million) for management fee in respect of CPS to the Parent company.

	2014	2013
Note	----- (Rupees in '000) -----	

40. Other income

Income from financial assets/liabilities:

Income on deposit and savings accounts	105,655	79,600
Exchange gain	334,850	-
Amortization of receivables	10,552	10,659
	<u>451,057</u>	<u>90,259</u>

Income from non-financial assets:

Scrap sales	394	386
Profit/(loss) on sale of property, plant and equipment	6,154	(9,424)
Miscellaneous	32,884	3,924
	<u>39,432</u>	<u>(5,114)</u>
	<u>490,489</u>	<u>85,145</u>

41. Other expenses

Advances written off		14,786	-
Other receivable written off	41.1	9,700	-
Exchange loss		-	520,199
Miscellaneous		2,685	-
		<u>27,171</u>	<u>520,199</u>

41.1 This represents an advance written off relating to the Foreign subsidiary.

42. Taxation

Current tax:			
- For the year	42.1	24,309	31,876
- Prior years		116,875	-
		<u>141,184</u>	<u>31,876</u>
Deferred tax	9	(657,949)	(1,246,235)
		<u>(516,765)</u>	<u>(1,214,359)</u>

42.1 This represents minimum tax under Section 113 of the Income Tax Ordinance, 2001 on turnover.

	2014 % age	2013 % age
42.2 Tax charge reconciliation		
Numerical reconciliation between the average effective tax rate and the applicable tax rate		
Applicable tax rate	33.00	34.00
Tax effect of amounts that are: not deductible for tax purposes	(1.81)	(0.65)
Deferred tax asset not recognized on minimum tax available for carry forward	(0.73)	(0.91)
Effect of change in prior years' tax	(16.76)	1.55
Effect of change in tax rate	1.89	-
Others	-	0.55
	(17.41)	0.54
Average effective tax rate	15.59	34.54

43. Loss per share - basic and diluted

		2014	2013
43.1 Basic loss per share			
Loss attributable to ordinary shareholders	<i>Rupees in '000</i>	(3,000,852)	(2,395,362)
Weighted average number of ordinary shares	<i>Number in '000</i>	860,572	860,572
Basic loss per share	<i>Rupees</i>	(3.49)	(2.78)

43.2 Diluted loss per share

Loss attributable to ordinary shareholders	<i>Rupees in '000</i>	(2,797,214)	(2,301,580)
Weighted average number of ordinary shares	<i>Number in '000</i>	3,298,414	1,594,941
Diluted loss per share	<i>Rupees</i>	(0.85)	(1.44)

44. 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 personnel.

Significant transactions with related parties other than those disclosed elsewhere in the financial statements are as follows:

Relationship with the Company	Nature of transactions	2014	2013
		------(Rupees in '000)-----	
1. Parent company	Purchase of goods and services	-	16
	Sale of goods and services	-	6
	Dividend on preference shares	116,314	54,756
2. Key management personnel	Salaries and other employee benefits	323,947	307,104

45. Cash (used in)/generated from operations

Loss before taxation	(3,313,979)	(3,515,939)
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Adjustment for non-cash charges and other items:

- Depreciation on property, plant and equipment	1,269,825	1,265,874
- Amortization on intangible assets	213,828	193,368
- Amortization of transaction cost	28,264	9,748
- Discounting charges	768,273	48,026
- Amortization of long term trade receivables	(10,552)	(10,659)
- Provision for doubtful debts and other receivables	203,858	596,284
- Provision for stock-in-trade and stores and spares	(2,571)	14,042
- Provision for doubtful advances	48,296	-
- Gain on sale of property, plant and equipment	(6,154)	9,424
- Exchange loss on foreign currency loan	(160,550)	279,450
- Loss on re-measurement of investment property at fair value	39,774	-
- Impairment loss on available for sale financial assets	-	19,656
- Retirement benefits	58,992	63,855
- Advances written off	24,486	-
- Finance cost	611,711	578,408

Loss before working capital changes	(226,499)	(448,463)
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Effect on cash flow due to working capital changes:

(Increase)/decrease in current assets:

- Stores and spares	(26,436)	24,796
- Stock-in-trade	(37,719)	(35,758)
- Trade debts	(69,316)	996,200
- Loans and advances	124,773	471,812
- Deposits and prepayments	49,120	(249,774)
- Other receivables	31,071	(15,152)

Increase in current liabilities:

- Trade and other payables	24,486	929,787
	95,979	2,121,911
	(130,519)	1,673,448

46. Remuneration of Chief Executive Officer, Directors and Executives

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

	Chief Executive Officer		Non-executive Directors		Executives	
	2014	2013	2014	2013	2014	2013
	----- (Rupees in '000') -----					
Managerial remuneration	17,920	17,920	-	-	171,640	161,951
Retirement benefits	2,987	2,987	-	-	27,985	27,432
Housing	7,168	7,168	-	-	68,656	64,780
Utilities	1,792	1,792	-	-	17,164	16,195
Meeting fee allowance	-	-	4,435	6,879	-	-
Advisory fee	-	-	4,200	-	-	-
	29,867	29,867	8,635	6,879	285,445	270,358
Number of persons	1	1	7	7	135	112

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

46.2 There is no executive director of the Company.

47. 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 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

47.1 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 long term trade receivables, trade debts, loans and advances and deposits with banks. The Company has no significant concentration of credit risk as exposure is spread over a large number of counter parties in case of trade debts. To manage exposure to credit risk, the Company applies credit limits to its customers and obtains advances from certain customers.

47.1.1 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:

	2014	2013
Note	------(Rupees in '000)-----	
Long term trade receivables	110,380	172,794
Long term loans	3,802	6,769
Long term deposits	58,566	70,846
Trade debts	911,906	1,043,058
Loans and advances	557,213	559,591
Short term deposits	100,124	156,118
Other receivables	5,534	36,501
Short term investments	74,767	83,193
Bank balances	405,104	2,497,416
	2,227,396	4,626,286

47.1.2 Credit quality of financial assets

The credit quality of major financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

	Rating		Rating Agency	2014	2013
	Short term	Long term		-----Rupees in '000)-----	
AGCN Pakistan (Private) Limited [Formerly Getronics Pakistan (Private) Limited]	Not available			211,403	272,189
Huawei Technologies Company Limited	Not available			236,049	236,049
Al Baraka Bank (Pakistan) Limited	A-1	A	JCR-VIS	-	9
Allied Bank Limited	A1+	AA+	PACRA	192	-
Askari Bank Limited	A1+	AA	PACRA	8,102	108,132
Bank AL Habib Limited	A1+	AA+	PACRA	47,045	200,000
Barclays Bank Limited	F1	A	Fitch	1,734	5,329
Deutsche Bank AG	P-1	A3	Moody's	6	11
Habib Bank Limited	A-1+	AAA	JCR-VIS	66	1,071,865
Faysal Bank Limited	A1+	AA	PACRA	-	472
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	425	2,929
JS Bank Limited	A1	A+	PACRA	15	15
HSBC Bank Middle East Limited	F1+	AA-	Fitch	-	5
KASB Bank Limited	C	B	PACRA	1,942	99,968
MCB Bank Limited	A1+	AAA	PACRA	132	100,144
NIB Bank Limited	A1+	AA-	PACRA	1,846	289
National Bank of Pakistan	A-1+	AAA	JCR-VIS	340,312	250,028
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	410	6,865
Soneri Bank Limited	A1+	AA-	PACRA	1,847	2,845
Summit Bank Limited	A-1	A	JCR-VIS	545	200,000
The Bank of Punjab	A1+	AA-	PACRA	29	201,729
Tameer Microfinance Bank Limited	A-1	A+	PACRA	74	40
United Bank Limited	A-1+	AA+	JCR-VIS	382	246,741
				852,556	3,005,654

Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Company. Accordingly, the credit risk is minimal.

47.1.3 The age of trade debts and related impairment loss at the balance sheet date was:

	2014	2013
	----- (Rupees in '000) -----	
The age of gross trade debts and long term trade receivables		
Not past due	579,055	856,803
Past due 0 - 180 days	268,851	248,569
Past due 181 - 365 days	66,088	86,249
1 - 2 years	215,438	216,179
More than 2 years	1,702,206	1,413,546
	<u>2,831,638</u>	<u>2,821,346</u>

The age of impairment loss

Past due 0 - 180 days	1,082	61,384
Past due 181 - 365 days	5,180	15,103
1 - 2 years	100,884	115,461
More than 2 years	1,702,206	1,413,546
	<u>1,809,352</u>	<u>1,605,494</u>

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

Opening balance	1,605,494	1,009,210
Charge for the year	203,858	596,284
Closing balance	<u>1,809,352</u>	<u>1,605,494</u>

47.2 Liquidity risk

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

The following are the contractual maturities of financial liabilities as on 31 December 2014:

	Total Amount	6 months or less	6 - 12 months	1 - 2 year	More than 2 years
	----- (Rupees in '000) -----				
Term finance certificates - secured	1,643,735	1,643,735	-	-	-
Long term loans	3,333,952	522,371	425,898	919,871	1,465,812
Liabilities against assets subject to finance lease	4,200	585	625	1,382	1,608
Long term payables	3,035,653	2,407,938	-	330,295	297,420
Long term deposits	35,421	-	-	-	35,421
License fee payable	1,021,500	1,021,500	-	-	-
Short term borrowings	768,890	768,890	-	-	-
Trade and other payables	6,638,036	6,081,059	556,977	-	-
Interest and mark up accrued	202,051	202,051	-	-	-
	<u>16,683,438</u>	<u>12,648,129</u>	<u>983,500</u>	<u>1,251,548</u>	<u>1,800,261</u>

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

	Total Amount	6 months or less	6 - 12 months	1 - 2 year	More than 2 years
(Rupees in '000)					
Term finance certificates - secured	1,643,735	-	547,911	1,095,824	-
Long term loans	3,516,797	105,200	210,400	736,400	2,464,797
Liabilities against assets subject to finance lease	52,183	48,455	2,304	690	734
Long term payables	2,040,482	916,976	-	473,563	649,943
Long term deposits	42,333	-	-	-	42,333
License fee payable	1,021,500	1,021,500	-	-	-
Short term borrowings	856,700	856,700	-	-	-
Trade and other payables	6,441,809	5,910,524	437,503	-	93,782
Interest and mark up accrued	258,311	258,311	-	-	-
	15,873,850	9,117,666	1,198,118	2,306,477	3,251,589

47.3 Market risk

47.3.1 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's exposure to foreign currency risk was as follows:

	2014	2013
	----- (USD '000) -----	
Trade receivables	4,363	3,464
Trade payables	(39,095)	(44,081)
Borrowings	(33,500)	(34,500)
Net exposure	(68,232)	(75,117)

The following significant exchange rates were applied during the year

	2014	2013
	----- (Rupees) -----	
Average rate - Rupees per US Dollar (USD)	102.90	101.15
Reporting date rate - Rupees per US Dollar (USD)	100.60	105.20

If the functional currency, at reporting date, had weakened/strengthened by 5% against the USD with all other variables held constant, post-tax loss for the year would have been Rs 229.95 million (2013: Rs 260.78 million) higher / lower, mainly as a result of foreign exchange gains / losses on translation of foreign currency denominated loan and trade payables. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis.

47.3.2 Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Company has adopted appropriate policies to cover interest rate risk.

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

	2014	2013
	----- (Rupees in '000) -----	
<u>Fixed rate instruments</u>		
Financial assets		
Deposits - Term deposit receipts	58,000	-
Cash and bank balances- deposits	-	1,500,000
	58,000	1,500,000
Financial liabilities	-	-
	58,000	1,500,000
<u>Floating rate instruments</u>		
Financial assets		
Cash and bank balances- saving accounts	353,958	769,116
Financial liabilities		
Term finance certificates	(1,643,735)	(1,643,735)
Long term loans	(3,333,952)	(3,516,797)
Liabilities against assets subject to finance lease	(4,200)	(52,183)
Short term borrowings	(768,890)	(856,700)
	(5,396,819)	(5,300,299)

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 of the Company.

Cash flow sensitivity analysis for variable rate instruments

An increase of 1% in interest rate at the reporting date would have increased post tax loss by Rs 36.16 million (2013: Rs 35.51 million). Similarly a decrease of 1% in interest rate would have decreased post tax loss by similar amount. This analysis assumes that all other variables remain constant.

47.3.3 Other market price risk

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

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

47.4 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.

Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Company's financial assets and liabilities that are measured at fair value at 31 December 2014.

	Level 1	Level 2	Level 3	Total
	Rupees '000			
Assets				
Available-for-sale investments	74,767	-	-	74,767
Liabilities	-	-	-	-

The following table presents the Company's financial assets and liabilities that are measured at fair value at 31 December 2013.

	Level 1	Level 2	Level 3	Total
	Rupees '000			
Assets				
Available-for-sale investments	83,193	-	-	83,193
Liabilities	-	-	-	-

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

47.5 Capital management

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

The Company's objectives when managing capital are:

- a) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- b) to provide an adequate return to shareholders.

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

An Omantel Company

		2014	2013
	Note	----- (Rupees in ‘000) -----	
The debt-to-equity ratio is as follows:			
Total debt		5,750,777	6,069,415
Less: Cash and cash equivalents	19	749,999	2,501,852
Net debt		5,000,778	3,567,563
Total equity (includes surplus on revaluation of fixed assets)		7,476,667	9,967,429
Gearing ratio	Percentage	40%	26%

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.

47.6 Financial instruments by categories

	Available-for-sale	At fair value through profit or loss	Held to maturity	Loans and receivables	Total
	----- (Rupees in '000) -----				
As at 31 December 2014					
Assets as per balance sheet					
Long term loans	-	-	-	3,802	3,802
Long term deposits	-	-	-	58,566	58,566
Long term trade receivables	-	-	-	110,380	110,380
Trade debts	-	-	-	911,906	911,906
Loans and advances	-	-	-	557,213	557,213
Short term deposits	-	-	-	100,124	100,124
Other receivables	-	-	-	5,534	5,534
Short term investments	74,767	-	-	-	74,767
Cash and bank balances	-	-	-	749,999	749,999
	74,767	-	-	2,497,524	2,572,291

	Financial liabilities at amortized cost
	----- (Rupees in '000) -----
As at 31 December 2014	
Liabilities as per balance sheet	
Term finance certificates - secured	1,643,735
Long term loans	3,333,952
Liabilities against assets subject to finance lease	4,200
Long term payables	3,035,653
Long term deposits	35,421
License fee payable	1,021,500
Short term borrowings	768,890
Trade and other payables	6,638,036
Interest and mark up accrued	202,051
	16,683,438

Available-for-sale	At fair value through profit or loss	Held to maturity	Loans and receivables	Total
----- (Rupees in '000) -----				

As at 31 December 2013

Assets as per balance sheet

Long term advances	-	-	-	6,769	6,769
Long term deposits	-	-	-	70,846	70,846
Long term trade receivables	-	-	-	172,794	172,794
Trade debts	-	-	-	1,043,058	1,043,058
Loans and advances	-	-	-	559,591	559,591
Short term deposits	-	-	-	156,118	156,118
Other receivables	-	-	-	36,501	36,501
Short term investments	83,193	-	-	-	83,193
Cash and bank balances	-	-	-	2,501,852	2,501,852
	<u>83,193</u>	<u>-</u>	<u>-</u>	<u>4,547,529</u>	<u>4,630,722</u>

Financial liabilities at amortized cost

(Rupees in '000)

Liabilities as per balance sheet

Term finance certificates - secured	1,643,735
Long term loans	3,516,797
Liabilities against assets subject to finance lease	52,183
Long term payables	2,040,482
Long term deposits	42,333
License fee payable	1,021,500
Short term borrowings	856,700
Trade and other payables	6,441,809
Interest and mark up accrued	<u>258,311</u>
	<u>15,873,850</u>

47.7 Offsetting financial assets and financial liabilities

(a) Financial assets

The following financial assets are subject to offsetting, enforceable master netting arrangements and similar agreements:

	Gross amounts of recognized financial assets	Gross amount of recognized financial liabilities off set in the balance sheet	Net amount of financial assets presented in the balance sheet	Related amounts not off set in the balance sheet	Net amount	Financial assets not in scope of off setting disclosures
As at 31 December 2014						
	A	B	C = A + B	D	E = C + D	
Long term trade receivables	-	-	-	-	-	110,380
Long term loans	-	-	-	-	-	3,802
Long term deposits	-	-	-	-	-	58,566
Trade debts	4,493,536	(1,772,278)	2,721,258	-	2,721,258	-
Loans and advances	-	-	-	-	-	557,213
Short term deposits	-	-	-	-	-	100,124
Other receivables	-	-	-	-	-	5,534
Short term investments	-	-	-	-	-	74,767
Cash and bank balances	-	-	-	-	-	749,999
	4,493,536	(1,772,278)	2,721,258	-	2,721,258	

	Gross amounts of recognized financial assets	Gross amount of recognized financial liabilities off set in the balance sheet	Net amount of financial assets presented in the balance sheet	Related amounts not off set in the balance sheet	Net amount	Financial assets not in scope of off setting disclosures
As at 31 December 2013						
	A	B	C = A + B	D	E = C + D	
Long term trade receivables	-	-	-	-	-	172,794
Long term loans	-	-	-	-	-	6,769
Long term deposits	-	-	-	-	-	70,846
Trade debts	3,292,053	(643,501)	2,648,552	-	2,648,552	-
Loans and advances	-	-	-	-	-	559,591
Short term deposits	-	-	-	-	-	156,118
Other receivables	-	-	-	-	-	51,640
Short term investments	-	-	-	-	-	83,193
Cash and bank balances	-	-	-	-	-	2,501,852
	3,292,053	(643,501)	2,648,552	-	2,648,552	

(b) Financial liabilities

The following financial liabilities are subject to offsetting, enforceable master netting arrangements and similar agreements:

	Gross amounts of recognized financial liabilities	Gross amount of recognized financial assets off set in the balance sheet	Net amount of financial liabilities presented in the balance sheet	Related amounts not off set in the balance sheet	Net amount	Financial liabilities not in scope of off setting disclosures
As at 31 December 2014						
	A	B	C = A + B	D	E = C + D	
Short term borrowings	-	-	-	-	-	768,890
License fee payable	-	-	-	-	-	1,021,500
Trade and other payables	10,818,252	(1,772,278)	9,045,974	-	9,045,974	-
Interest and mark-up accrued	-	-	-	-	-	202,051
Term finance certificates	-	-	-	-	-	1,643,735
Long term loans	-	-	-	-	-	3,333,952
Liabilities against assets subject to finance lease	-	-	-	-	-	4,200
Long term payables	-	-	-	-	-	627,715
Long term deposits	-	-	-	-	-	35,421
	10,818,252	(1,772,278)	9,045,974	-	9,045,974	

	Gross amounts of recognized financial liabilities	Gross amount of recognized financial assets off set in the balance sheet	Net amount of financial liabilities presented in the balance sheet	Related amounts not off set in the balance sheet	Net amount	Financial liabilities not in scope of off setting disclosures
	A	B	C = A + B	D	E = C + D	
As at 31 December 2013			(Rupees in '000)			
Short term borrowings	-	-	-	-	-	856,700
License fee payable	-	-	-	-	-	1,021,500
Trade and other payables	8,002,286	(643,501)	7,358,785	-	7,358,785	-
Interest and mark-up accrued	-	-	-	-	-	258,311
Term finance certificates	-	-	-	-	-	1,643,735
Long term loans	-	-	-	-	-	3,516,797
Liabilities against assets subject to finance	-	-	-	-	-	52,183
Long term payables	-	-	-	-	-	1,123,506
Long term deposits	-	-	-	-	-	42,333
	8,002,286	(643,501)	7,358,785	-	7,358,785	

48. Date of authorization for issue

These financial statements were authorized for issue on 29 March 2015 by the Board of Directors.

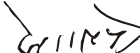
49. Corresponding figures

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

50. General

Figures have been rounded off to the nearest thousand of Pak Rupee.


CHIEF EXECUTIVE OFFICER


DIRECTOR

CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
31 DECEMBER 2014**

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Worldcall Telecom Limited ("the Holding Company") and its subsidiary company, Worldcall Telecommunications Lanka (Private) Limited (hereinafter referred to as "the Group") as at 31 December 2014 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinion on the financial statements of the Holding Company. Worldcall Telecommunications Lanka (Private) Limited, a foreign subsidiary in Sri Lanka, is consolidated on the basis of un-audited management accounts. Worldcall Telecommunications Lanka (Private) Limited is not material in relation to the Group. These consolidated financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of the Holding Company and its subsidiary company as at 31 December 2014 and the results of their operations for the year then ended.

The financial statements of the Holding Company for the year ended 31 December 2013 were audited by another firm of accountants, M/s KPMG Taseer Hadi and Company, Chartered Accountants, whose report dated 08 February 2014 expressed an unmodified opinion thereon.



A.F. Ferguson & Co.
Chartered Accountants

Lahore: 29 March 2015

Engagement Partner: Muhammad Masood

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 2014.

FINANCIAL OVERVIEW

	Year 2014	Year 2013
	Rs in Million	
Revenues	2,315	3,188
Direct cost	(3,375)	(4,043)
Gross loss	(1,060)	(855)
Operating cost	(1,269)	(1,570)
Operating loss	(2,329)	(2,425)
Finance cost	(1,408)	(636)
Loss after tax	(2,788)	(2,304)
Basic loss per share - Rupees	(3.49)	(2.78)
Diluted loss per share - Rupees	(0.85)	(1.44)

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

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

For and on behalf of the Board of Directors

Muscat:
29 March 2015


BABAR ALI SYED
CHIEF EXECUTIVE OFFICER

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2014

	Note	2014 Audited ------(Rupees in '000)-----	2013 Un-Audited
NON-CURRENT ASSETS			
Property, plant and equipment	5	12,503,346	13,539,022
Intangible assets	6	5,165,776	4,775,881
Investment properties	7	23,200	160,474
Long term trade receivables	8	110,380	172,794
Deferred taxation	9	2,917,389	2,546,247
Long term loans - considered good	10	3,802	6,769
Long term deposits	11	58,566	70,846
		<u>20,782,459</u>	<u>21,272,033</u>
CURRENT ASSETS			
Stores and spares	12	223,264	186,253
Stock-in-trade	13	273,614	243,898
Trade debts	14	911,906	1,043,058
Loans and advances	15	612,608	969,604
Deposits and prepayments	16	121,710	192,786
Short term investments	17	74,767	83,193
Other receivables	18	38,894	69,965
Income tax recoverable - net		144,547	204,690
Cash and bank balances	19	749,999	2,501,852
		<u>3,151,309</u>	<u>5,495,299</u>
Non-current assets classified as held for sale	20	1,120,504	128
		<u>4,271,813</u>	<u>5,495,427</u>
CURRENT LIABILITIES			
Current maturities of non-current liabilities	21	5,001,151	1,831,247
Short term borrowings - secured	22	768,890	856,700
License fee payable	23	1,021,500	1,021,500
Trade and other payables	24	7,197,619	7,040,571
Interest and mark up accrued	25	202,051	258,311
		<u>14,191,211</u>	<u>11,008,329</u>
Liabilities in respect of non-current assets classified as held for sale	20	5,404	8,077
		<u>14,196,615</u>	<u>11,016,406</u>
NET CURRENT LIABILITIES		(9,924,802)	(5,520,979)
NON-CURRENT LIABILITIES			
Term finance certificates - secured	26	-	1,095,824
Long term loans - secured	27	2,385,683	3,201,197
Retirement benefits	28	334,582	336,991
Liabilities against assets subject to finance lease	29	2,991	1,423
Long term payables	30	627,715	1,123,506
Long term deposits		35,421	42,333
		<u>3,386,392</u>	<u>5,801,274</u>
Contingencies and commitments	31	-	-
		<u>7,471,265</u>	<u>9,949,780</u>
REPRESENTED BY			
EQUITY			
Share capital and reserves			
Authorized share capital			
1,500,000,000 (2013: 1,500,000,000) ordinary shares of Rs 10 each		<u>15,000,000</u>	<u>15,000,000</u>
500,000 (2013: 500,000) preference shares of USD 100 each (USD 50,000,000 equivalent to Rs 6,000,000,000)		<u>6,000,000</u>	<u>6,000,000</u>
Ordinary share capital	32	8,605,716	8,605,716
Preference share capital	33	3,537,700	3,537,700
Capital reserves:			
- Share premium	34	837,335	837,335
- Fair value reserve		3,276	11,702
- Exchange translation reserve		(21,837)	136,733
Revenue reserve: Accumulated loss		(6,369,072)	(3,532,185)
		<u>6,593,118</u>	<u>9,597,001</u>
Non-controlling interest		(4,434)	(5,181)
		<u>6,588,684</u>	<u>9,591,820</u>
Surplus on revaluation of fixed assets	35	882,581	357,960
		<u>7,471,265</u>	<u>9,949,780</u>

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

Balambidi

CHIEF EXECUTIVE OFFICER

G. H. M. D.
DIRECTOR

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 Audited ------(Rupees in '000)-----	2013 Un-Audited
Continuing operations			
Revenue - net	36	2,314,753	3,187,636
Direct cost	37	(3,374,721)	(4,042,699)
Gross loss		(1,059,968)	(855,063)
Operating cost	38	(1,269,307)	(1,569,984)
Operating loss		(2,329,275)	(2,425,047)
Finance cost	39	(1,408,248)	(636,182)
		(3,737,523)	(3,061,229)
Change in fair value of investment properties	7	(39,774)	-
Impairment loss on available-for-sale financial assets		-	(19,656)
Other income	40	490,489	85,145
Other expenses	41	(17,471)	(520,199)
Loss before taxation		(3,304,279)	(3,515,939)
Taxation	42	516,765	1,214,359
Loss after taxation from continuing operations		(2,787,514)	(2,301,580)
Discontinued operations			
Loss for the year from discontinued operations	20	(892)	(2,043)
Loss for the year		(2,788,406)	(2,303,623)
Attributable to:			
Owners of the Parent Company		(2,788,144)	(2,303,024)
Non-controlling interest		(262)	(599)
Loss for the year		(2,788,406)	(2,303,623)
Basic loss per share			
From continuing operations (Rupees)	43	(3.49)	(2.78)
From discontinued operations (Rupees)	43	(0.00)	(0.00)
From loss for the year (Rupees)		(3.49)	(2.78)
Diluted loss per share			
From continuing operations (Rupees)	43	(0.85)	(1.44)
From discontinued operations (Rupees)	43	(0.00)	(0.00)
From loss for the year (Rupees)		(0.85)	(1.44)

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


CHIEF EXECUTIVE OFFICER


DIRECTOR

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014

	2014 Audited ------(Rupees in '000)-----	2013 Un-Audited
Loss for the year	(2,788,406)	(2,303,623)
Other comprehensive (loss)/income:		
<i>Items that will not be reclassified to profit or loss:</i>		
- Remeasurement of post retirement benefit obligation	(15,041)	1,665
- Impairment loss on available-for-sale financial assets	-	19,656
- Gain on revaluation of fixed assets	691,582	-
- Impairment loss on plant and equipment set off against surplus on revaluation	(153,081)	-
	523,460	21,321
<i>Items that may be subsequently reclassified to profit or loss:</i>		
- Exchange differences on translating foreign operations	3,439	(4,416)
- Net change in fair value of available-for-sale financial assets	(8,426)	(21,789)
	(4,987)	(26,205)
Other comprehensive income/(loss) - net of tax	518,473	(4,884)
Total comprehensive loss for the year - net of tax	<u>(2,269,933)</u>	<u>(2,308,507)</u>
Attributable to:		
Owners of the Parent Company	(2,270,680)	(2,306,612)
Non-controlling interest	747	(1,895)
	<u>(2,269,933)</u>	<u>(2,308,507)</u>

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


CHIEF EXECUTIVE OFFICER


DIRECTOR

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 Audited ------(Rupees in '000)-----	2013 Un-Audited
Cash flows from operating activities			
Cash (used in)/generated from operations	45	(130,645)	1,673,432
<i>Decrease in non-current assets:</i>			
- Long term loans		2,967	44,459
- Long term deposits		12,280	-
- Long term trade receivables		62,414	70,089
<i>Increase/(decrease) in non-current liabilities:</i>			
- Long term deposits		250	(125)
- Deferred income		-	(65,916)
- Long term payables		27,078	(164,938)
Retirement benefits paid		(103,485)	(112,810)
Finance cost paid		(540,992)	(564,822)
Taxes paid		(82,744)	(28,280)
Net cash (outflow)/inflow from operating activities		(752,877)	851,089
Cash flows from investing activities			
Fixed capital expenditure		(856,363)	(1,021,325)
Proceeds from disposal of property, plant and equipment		25,264	36,915
Net cash outflow from investing activities		(831,099)	(984,410)
Cash flows from financing activities			
Proceeds against preference shares		-	3,537,700
Repayment of long term loans		(115,546)	-
Repayment of short term borrowings - net		(21,054)	(947,398)
Repayment of liabilities against assets subject to finance lease		(31,402)	(55,887)
Net cash (outflow)/inflow from financing activities		(168,002)	2,534,415
Net (decrease)/increase in cash and cash equivalents		(1,751,979)	2,401,094
Cash and cash equivalents at the beginning of the year		2,501,980	100,886
Cash and cash equivalents at the end of the year		750,001	2,501,980

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


CHIEF EXECUTIVE OFFICER


DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014



Attributable to owners of the Parent Company

	Share Capital		Capital Reserve		Revenue Reserve		Surplus on revaluation of fixed assets		Sub total	Non-controlling interest	Total
	Ordinary share capital	Preference share capital	Share premium	Fair value reserve	Exchange translation	Accumulated loss					
(Rupees in '000)											
Balance as at 01 January 2013 (Audited)	8,605,716	-	837,335	13,835	(4,447)	(826,720)	348,130	8,973,849	(3,286)	8,970,563	
Loss for the year	-	-	-	-	-	(2,303,024)	-	(2,303,024)	(599)	(2,303,623)	
Other comprehensive (loss)/income for the year - net of tax	-	-	-	(2,133)	(3,120)	1,665	-	(3,588)	(1,296)	(4,884)	
Total comprehensive loss for the year - net of tax	-	-	-	(2,133)	(3,120)	(2,301,359)	-	(2,306,612)	(1,895)	(2,308,507)	
Transfer to surplus on revaluation of fixed assets	-	-	-	-	-	(4,885)	9,830	4,945	-	4,945	
Issuance of preference shares	-	3,537,700	-	-	-	-	-	3,537,700	-	3,537,700	
Cost of issuance of preference shares	-	-	-	-	-	(161,139)	-	(161,139)	-	(161,139)	
Exchange translation reserve	-	-	-	-	144,300	(144,300)	-	-	-	-	
Dividend on preference shares	-	-	-	-	-	(93,782)	-	(93,782)	-	(93,782)	
Total transactions with owners, recognized directly in equity	-	3,537,700	-	-	144,300	(399,221)	-	3,282,779	-	3,282,779	
Balance as at 31 December 2013 (Un-Audited)	8,605,716	3,537,700	837,335	11,702	136,733	(3,532,185)	357,960	9,954,961	(5,181)	9,949,780	
Loss for the year	-	-	-	-	-	(2,788,144)	-	(2,788,144)	(262)	(2,788,406)	
Other comprehensive (loss)/income for the year - net of tax	-	-	-	(8,426)	2,430	(15,041)	538,501	517,464	1,009	518,473	
Total comprehensive (loss)/income for the year - net of tax	-	-	-	(8,426)	2,430	(2,803,185)	538,501	(2,270,680)	747	(2,269,933)	
Transfer from surplus on revaluation of fixed assets	-	-	-	-	-	8,936	(13,880)	(4,944)	-	(4,944)	
Exchange translation reserve	-	-	-	-	(161,000)	161,000	-	-	-	-	
Dividend on preference shares	-	-	-	-	-	(203,638)	-	(203,638)	-	(203,638)	
Total transactions with owners, recognized directly in equity	-	-	-	-	(161,000)	(42,638)	-	(203,638)	-	(203,638)	
Balance as at 31 December 2014 (Audited)	8,605,716	3,537,700	837,335	3,276	(21,837)	(6,369,072)	882,581	7,475,699	(4,434)	7,471,265	

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

Balanda
CHIEF EXECUTIVE OFFICER

Griffin
DIRECTOR

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

1. Legal status and nature of business

1.1 The Group consists of Worldcall Telecom Limited and Worldcall Telecommunications Lanka (Private) Limited, together "the Group".

1.2 Worldcall Telecom Limited ("the Parent 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 Parent 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 and re-broadcasting international/national satellite/terrestrial wireless and cable television and radio signals as well as interactive communication and to establish, maintain and operate the licensed telephony services. The Parent Company has been licensed by Pakistan Telecommunication Authority ("PTA") and Pakistan Electronic Media Regulatory Authority ("PEMRA") for these purposes. The registered office of the Parent Company is situated at 67A, C III, Gulberg III, Lahore.

During the year ended 30 June 2008, 56.80% ordinary shares (488,839,429 ordinary shares) of the Parent Company were acquired by Oman Telecommunications Company SAOG ("the Holding Company"). In addition to this, the Holding Company also acquired 57.14% preference shares (200,000 preference shares) of the Parent Company during the year ended 31 December 2013.

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 Parent Company holds 70.65% of voting securities in the Subsidiary.

2. Basis of preparation

2.1 These consolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984 or directives issued by Securities and Exchange Commission of Pakistan ("SECP") differ with the requirements of IFRSs, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives prevail.

SECP through SRO 633 (I)/2014 dated 10 July 2014 has notified that IFRS 13, 'Fair Value Measurement' will be applicable for accounting periods beginning on and after 01 January 2015. However, the Group has early adopted this IFRS from 01 January 2013.

2.2 In accordance with the requirements of IFRSs, management has carried out a going concern assessment of the Group and believes that the going concern assumption used for the preparation of these financial statements is appropriate. This assessment is based on a five years' business plan approved by the Board of Directors wherein the Group is confident that it will be able to meet its obligations and carry on business without any material curtailment, with the continued support of the Holding Company.

2.3 Initial application of standards, amendments or an interpretation to existing standards

The following amendments to existing standards have been published that are applicable to the Group's financial statements covering annual periods, beginning on or after the following dates:

2.3.1 Standards, amendments and interpretations to approved accounting standards that are effective in current year

Certain standards, amendments and interpretations to approved accounting standards are effective for accounting periods beginning on 01 January 2014 but are considered not to be relevant or to have any significant effect on the Group's operations and are, therefore, not detailed in these financial statements.

2.3.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

There are certain standards, amendments and interpretations to the approved accounting standards that are mandatory for the companies having accounting periods beginning on or after 01 January 2015 but are considered not to be relevant or to have any significant effect on the Group's operations and are, therefore, not detailed in these financial statements.

2.4 Consolidation

These financial statements include the information of the Group. The financial statements of the Subsidiary have been consolidated on a line by line basis.

Subsidiary

Subsidiary is an entity controlled by the Parent Company. Control exists when a Company has the power, directly or indirectly, to govern the financial and operating policies of the entity so as to benefit from its activities. The financial 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

Intra-group balances and any other unrealized gains and losses or income and expenses arising from intra-group 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.

Non-controlling interest is that part of net results of operations and of net assets of the Subsidiary attributable to interest which are not owned by the Group. Non-controlling interest is presented separately in the consolidated financial statements.

3. Basis of measurement

3.1 These financial statements have been prepared under the historical cost convention, as modified by revaluation of investment properties, plant and equipment (owned), licenses, softwares and available-for-sale financial assets at fair value, and recognition of certain employee benefits and financial liabilities at present value.

3.2 Critical accounting estimates and judgments

The Group's significant accounting policies are stated in note 4. 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 is 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 Group's financial statements are as follows:

- Useful life of property, plant and equipment and intangible assets - note 4.1, 4.2, 5 & 6
- Revaluation of plant and equipment, licenses and softwares - note 4.1, 4.2, 5 & 6
- Impairment testing of goodwill - note 4.2, 4.3 & 6.5
- Valuation of investment properties - note 4.4 & 7
- Taxation - note 4.6, 9 & 42
- Retirement benefits - note 4.17 & 28
- Provisions and contingencies - note 4.18 & 31

4. Summary of significant accounting policies

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

4.1 Property, plant and equipment

4.1.1 Operating fixed assets

Owned assets

Owned assets except freehold land and plant and equipment are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at cost less any identified impairment loss and plant and equipment are stated at revalued amount less accumulated depreciation and any identified impairment loss. Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from their fair value. Revalued amount has been determined by an independent professional valuer on the basis of 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. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. Cost in relation to self constructed assets includes direct cost of material, labor and other allocable expenses.

Increases in the carrying amount arising on revaluation of plant and equipment are credited to surplus on revaluation of fixed assets. Decreases that offset available surplus are charged against this surplus, all other decreases are charged to profit or loss. Each year the difference between depreciation based on revalued carrying amount of the asset (the depreciation charged to the profit or loss) and depreciation based on the asset's original cost - incremental/decremental depreciation on revalued assets is transferred to/from surplus on revaluation of fixed assets from/to retained earnings (accumulated loss). All transfers to/from surplus on revaluation are net of applicable deferred taxation.

Depreciation on owned assets is charged to profit or loss on a straight-line basis so as to write off the cost or revalued amount of an asset over its estimated useful life at the annual rates mentioned in note 5.1 after taking into account their residual values.

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 4.3).

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with items will flow to the Group and the cost of the items can be measured reliably. All other repair and maintenance costs are charged to profit or loss during the period in which they are incurred.

The gain or loss on disposal of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense. Related surplus/loss on revaluation of the asset is transferred directly to retained earnings (accumulated loss).

Leased assets

Leases in terms of which the Group has substantially all the risks and rewards of ownership are classified as finance leases. At inception, finance leases are capitalized at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets.

The related rental obligations, net of finance charges, are included in liabilities against assets subject to finance lease as referred to in note 29. The liabilities are classified as current and long term depending upon the timing of the payment.

Each lease payment is allocated between the liability and finance cost so as to achieve a constant rate on the balance outstanding. The interest element of the rental is charged to profit or loss over the lease term.

Assets acquired under a finance lease are depreciated over the estimated useful life of the asset on a straight-line basis at the rates given in note 5.1. Depreciation of leased assets is charged to profit or loss.

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

4.1.2 Capital work-in-progress

Capital work-in-progress is stated at cost less any identified impairment loss. All expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to operating fixed assets as and when these are available for use.

4.1.3 Major spare parts and stand-by equipment

Major spare parts and stand-by equipment qualify as property, plant and equipment when the Group expects to use them during more than one year. Transfers are made to operating fixed assets category as and when such items are available for use.

4.2 Intangible assets

4.2.1 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.

Goodwill is tested annually for impairment. Any impairment is immediately recognized as an expense and is not subsequently reversed.

4.2.2 Other intangible assets

Other intangible assets except for licenses and softwares are stated at cost less accumulated amortization and any identified impairment loss. Licenses and softwares are stated at revalued amount less accumulated amortization and any identified impairment loss. Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from their fair value. Revalued amount has been determined by an independent professional valuer on the basis of current market prices where ever available, otherwise income approach has been adopted. Any accumulated amortization at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

Increases in the carrying amount arising on revaluation of licenses and softwares are credited to surplus on revaluation of fixed assets. Decreases that offset available surplus are charged against this surplus, all other decreases are charged to profit or loss. Each year the difference between amortization based on revalued carrying amount of the asset (the amortization charged to the profit or loss) and amortization based on the asset's original cost - incremental/decremental amortization on revalued assets is transferred to/from surplus on revaluation of fixed assets from/to retained earnings (accumulated loss). All transfers to/from surplus on revaluation of fixed assets are net of applicable deferred taxation.

Amortization on other intangible assets is charged to profit or loss on a straight-line basis at the rates given in note 6.

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

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 expenditure is charged to profit or loss as and when incurred.

Gain or loss arising on disposal of intangible assets is determined as the difference between net disposal proceeds and carrying amount of the assets and is recognized as income or expense. Related surplus/loss on revaluation of intangible assets is transferred directly to retained earnings (accumulated loss).

4.3 Impairment of non-financial assets

Assets that have an indefinite useful life - for example, goodwill or intangible assets not ready to use - are not subject to amortization and are tested annually for impairment. Assets that are subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment losses on fixed assets that offset available revaluation surplus are charged against this surplus, all other impairment losses are charged to profit or loss. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

4.4 Investment properties

Properties which are held to earn rentals or for capital appreciation or for both are classified as investment properties. Investment properties are initially recognized at cost, being the fair value of the consideration given. Subsequently these are stated at fair value. The fair value is determined annually by an independent professional 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 arm's length transaction.

Any gain or loss arising from a change in fair value is charged to profit or loss. Rental income from investment properties is accounted for as described in note 4.20.

When an item of property, plant and equipment is transferred to investment property following a change in its use, any difference 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 fixed assets. Upon disposal of the item, the related surplus on revaluation is transferred to retained earnings (accumulated loss). Any loss arising in this manner is immediately charged to profit or loss.

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 for subsequent recording.

4.5 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade debts and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method, less provision for doubtful debts. A provision for doubtful debts 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. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade debt is doubtful. The provision is charged to profit or loss. Debts, considered irrecoverable, are written off as and when identified. Subsequent recoveries of amounts previously written off are credited to profit or loss.

4.6 Taxation

Income tax expense comprises current and deferred tax. Income tax is charged or credited to profit or loss except to the extent that it relates to items recognized directly in other comprehensive income or equity, in which case it is recognized in other comprehensive income or equity.

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 accounted for 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. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction neither affects accounting nor taxable profit or loss. 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 is calculated at the rates that are expected to apply to the period when the differences reverse 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 to profit or loss, except in the case of items credited or charged directly to other comprehensive income or equity in which case it is included in other comprehensive income or equity.

4.7 Store and spares

Usable stores and spares are valued principally at weighted average cost, while items considered obsolete are carried at nil value. Items in transit are valued at cost comprising invoice value plus other charges paid thereon.

Provision is made in the financial statements for obsolete and slow moving stores and spares based on management estimate.

4.8 Stock-in-trade

All stocks except for stock in transit, are stated at lower of cost and net realizable value. Cost is determined on weighted average basis. Items in transit are valued at cost comprising invoice value plus other charges paid thereon.

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

Provision is made in the financial statements for obsolete and slow moving stock-in-trade based on management estimate.

4.9 Financial assets

4.9.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available-for-sale and held to maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at the time of initial recognition.

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets, if expected

to be settled within twelve months from the balance sheet date, otherwise they are classified as non-current assets.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the balance sheet date, which are classified as non-current assets. Loans and receivables comprise loans, advances, deposits and other receivables and cash and cash equivalents in the balance sheet.

c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investments within twelve months from the balance sheet date.

d) Held to maturity

Financial assets with fixed or determinable payments and fixed maturity, where management has the intention and ability to hold till maturity are classified as held to maturity and are stated at amortized cost.

4.9.2 Recognition and measurement

All financial assets are recognized at the time when the Group becomes a party to the contractual provisions of the instrument. Regular purchases and sales of investments are recognized on trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are charged to profit or loss. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Available-for-sale financial assets are carried at cost in case fair value cannot be measured reliably. Loans and receivables and held-to-maturity investments are carried at amortized cost using the effective interest rate method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the profit and loss account in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is credited to profit or loss as part of other income when the Group's right to receive payments is established.

Changes in the fair value of securities classified as available-for-sale are recognized in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the profit and loss account as gains and losses from investment securities.

Interest on available-for-sale securities calculated using the effective interest rate method is credited to profit or loss. Dividends on available-for-sale equity instruments are credited to profit or loss when the Group's right to receive payments is established.

The fair values of quoted investments are based on current prices. If the market for a financial asset is not active (and for unlisted securities), the Group measures the investments at cost less impairment in value, if any.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss is removed from equity and recognized in the profit and loss account. Impairment losses recognized in the profit and loss account on equity instruments are not reversed through the profit and loss account. Impairment testing of trade debts and other receivables is described in note 4.5.

4.10 Financial liabilities

All financial liabilities are recognized at the time when the Group becomes a party to the contractual provisions of the instrument.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognized in the profit and loss account.

4.11 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 setoff the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

4.12 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

4.13 Non-current assets classified as held for sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

4.14 Discontinued operations

A discontinued operations 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.

4.15 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost, any difference between the proceeds (net of transaction costs) and the redemption value is charged to profit or loss over the period of the borrowings using the effective interest rate method. Finance costs are accounted for on an accrual basis and are reported under 'interest and mark up accrued' to the extent of the amount remaining unpaid.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

4.16 Borrowing cost

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are charged to profit or loss in the period in which they are incurred.

4.17 Trade and other payables

Trade and other payables are initially recognized at fair value and subsequently at amortized cost using effective interest rate method. Exchange gains and losses arising on translation in respect of liabilities in foreign currency are added to the carrying amount of the respective liabilities.

4.18 Employee retirement and other benefits

Defined benefit plan

The Group operates an unfunded defined benefit gratuity plan for all permanent employees as per the Group's policy. Provisions are made in the financial statements to cover obligations on the basis of actuarial valuations carried out annually under the projected unit credit method.

All actuarial gains and losses are recognized in other comprehensive income as and when they occur.

Accumulating compensated absences

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

The un-utilized earned leaves can be accumulated up to 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 Group's service. The earned leave encashment is made on last drawn gross salary.

Provisions are made annually to cover the obligation for accumulating compensated absences on the basis of actuarial valuation and are charged to profit or loss.

4.19 Provisions

Provisions are recognized in the balance sheet when:

1. The Group has a legal or constructive obligation as a result of past events;
2. It is probable that outflow of economic benefits will be required to settle the obligation; and
3. 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.

4.20 Share capital

Ordinary and preference shares are classified as equity and recognized at their face value. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax.

4.21 Revenue recognition

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 is measured at the fair value of the consideration received or receivable for goods sold or services rendered, net of discounts and

sales tax.

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.
- Capacity/media sold under IRU arrangement is recognized upfront if it is determined that the arrangement is a finance lease.
- 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 solutions and sales is recognized on delivery of services.
- Rental income from investment properties is credited to profit or loss 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.
- The revenue under Universal Service Fund ("USF") services and subsidy agreement is recognized under International Accounting Standards (IAS) 18, "Revenue", based on stage of completion with reference to the achievement of each milestone as provided in the agreement.

4.22 Foreign currency transactions and translation

a) Functional and presentation currency

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the Group operates (the functional currency). The financial statements are presented in Pak Rupees, which is the Group's functional and presentation currency.

b) Transactions and balances

Foreign currency transactions are translated into Pak Rupees using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are charged or credited to profit or loss.

4.23 Dividend

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

4.24 Fair value measurement

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

When there is no quoted price in an active market, the Group uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a transaction. The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is credited/charged to profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is supported wholly by observable market data or the transaction is closed out.

The Group's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

		2014 Audited	2013 Un-Audited
	Note	------(Rupees in '000)-----	
5. Property, plant and equipment			
Operating fixed assets	5.1	11,641,345	12,520,955
Capital work-in-progress	5.2	836,413	1,018,067
Major spare parts and stand-by equipment	5.3	25,588	-
		12,503,346	13,539,022

5.1 Operating fixed assets

COST/REVALUED AMOUNT

COST/REVALUED AMOUNT															
Freehold land	Buildings	Leasehold improvements	Plant and equipment	Office equipment	Computers	Furniture and fixtures	Vehicles	Lab and other equipment	Sub-total	Plant and equipment	Computers	Vehicles	Sub total	Total	
(Rupees in '000)															
19,800	-	125,771	19,274,720	99,922	158,933	24,981	90,813	21,180	19,816,120	522,893	18,443	151,175	692,511	20,508,631	
	-	1,477	823,293	1,284	1,844	-	527	-	828,425	-	-	3,065	3,065	831,490	
	-	-	-	-	-	-	9,301	-	13,680	(4,379)	-	(9,301)	(13,680)	-	
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	-	-	(45)	(78,381)	(1,796)	(445)	(1,363)	(29,986)	-	(112,026)	(4,966)	(4,966)	(117,022)	(117,022)	
Adjustments															
-	-	-	-	-	-	-	-	-	-	-	-	(19)	(19)	(19)	
Balance as at 31 December 2013 (Un-Audited)															
19,800	-	127,203	20,024,011	99,410	160,332	23,618	70,645	21,180	20,546,199	518,514	18,443	139,924	676,881	21,223,080	
19,800	-	127,203	20,024,011	99,410	160,332	23,618	70,645	21,180	20,546,199	518,514	18,443	139,924	676,881	21,223,080	
	-	-	(8,240,112)	-	-	-	-	-	(8,240,112)	-	-	-	-	(8,240,112)	
	-	-	455,772	-	-	-	-	-	455,772	-	-	-	-	455,772	
	-	2,741	1,199,213	2,623	2,114	-	-	-	1,206,691	-	-	5,375	5,375	1,212,066	
	-	97,500	-	-	-	-	-	-	97,500	-	-	-	-	97,500	
-	-	-	-	-	18,443	-	133,659	-	152,102	-	(18,443)	(133,659)	(152,102)	-	
	-	-	(2,724)	(5,020)	(2,254)	(23)	(30,238)	-	(43,141)	-	-	(2,458)	(2,458)	(45,599)	
	-	-	-	(2,170,905)	-	-	-	-	(2,170,905)	-	-	-	-	(2,170,905)	
	19,800	97,500	127,220	11,262,959	99,779	177,977	23,595	174,096	21,180	12,004,106	518,514	9,182	527,696	12,531,802	
	Balance as at 31 December 2014 (Audited)														
DEPRECIATION															
-	-	89,561	7,053,577	51,910	126,386	16,061	80,062	17,034	7,434,591	30,303	4,049	37,628	71,980	7,506,571	
	-	8,851	1,153,170	9,379	18,855	2,186	5,183	680	1,198,314	31,104	6,147	30,309	67,560	1,265,874	
	-	-	-	-	5,425	-	1,162	-	6,587	(1,162)	-	(5,425)	(6,587)	-	
	-	-	(34)	(38,123)	(1,164)	(400)	(1,090)	(27,906)	(68,717)	-	-	(1,215)	(1,215)	(70,932)	
	-	-	-	612	-	-	-	-	612	-	-	-	-	612	
Adjustments															
-	-	98,378	8,169,398	60,125	144,841	17,157	62,764	17,724	8,570,387	60,245	10,196	61,297	131,738	8,702,125	
Balance as at December 31, 2013 (Un-Audited)															
-	-	98,378	8,169,398	60,125	144,841	17,157	62,764	17,724	8,570,387	60,245	10,196	61,297	131,738	8,702,125	
	-	-	(8,240,112)	-	-	-	-	-	(8,240,112)	-	-	-	-	(8,240,112)	
	-	406	7,041	1,172,523	8,202	14,717	1,970	25,973	677	1,231,509	31,104	5,123	2,089	38,316	
	-	-	-	-	15,319	-	59,909	-	75,228	-	(15,319)	(59,909)	(75,228)	-	
	-	-	(2,724)	(700)	(1,813)	(2,644)	(17)	(17,374)	-	(25,272)	-	(1,215)	(1,215)	(26,487)	
Depreciation on disposals															
-	-	-	(814,894)	-	-	-	-	-	(814,894)	-	-	-	-	(814,894)	
Transferred out to non-current assets classified as held for sale - note 20															
-	406	102,695	286,215	66,514	172,233	19,110	131,272	18,401	796,846	91,349	-	2,262	93,611	890,457	
Balance as at 31 December 2014 (Audited)															
Book value as at 31 December 2013 (Un-Audited)															
19,800	-	28,825	11,854,613	39,285	15,491	6,461	7,881	3,456	11,975,812	458,269	8,247	78,627	545,143	12,520,955	
Balance as at 31 December 2014 (Audited)															
19,800	97,094	24,525	10,976,744	33,265	5,744	4,485	42,824	2,779	11,207,260	427,165	-	6,920	434,085	11,641,345	
Annual rate of depreciation (%)															
-	5	20 - 33	4 - 33.33	10	33	10	20	10 - 20	4 - 33.33	33	20				

5.1.1 During the year, plant and equipment (owned) have been revalued by an independent professional valuer M/s Arch-E'-Decon on 01 October 2014. The resulting revaluation surplus net of deferred tax has been credited to surplus on revaluation. The table below analyses the non-financial assets carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's plant and equipment (owned) that are measured at fair value at 31 December 2014.

**Fair value measurements
at 31 December 2014 using
significant other observable
inputs (Level 2)**

(Rupees in '000)

Recurring fair value measurements

Plant and equipment (owned)	<u><u>10,976,744</u></u>
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The following table presents the Group's plant and equipment (owned) that are measured at fair value at 31 December 2013.

Fair value measurements at
31 December 2013 using
significant other observable
inputs (Level 2)

(Rupees in '000)

Recurring fair value measurements

Plant and equipment (owned)	<u><u>11,854,613</u></u>
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There are no level 1 and level 3 assets and transfers between levels 1, 2 and 3 during 2014 or 2013.

Valuation techniques used to derive level 2 fair values:

Level 2 fair values of plant and equipment (owned) have been derived using respective rating and name plate data with adjustment for age and remaining useful life of the plant and equipment. The most significant input into this valuation approach is fundamental technical characteristics.

5.1.2 Had there been no revaluation, the net book value of plant and equipment (owned) would have amounted to Rs 10,511 million (2013: Rs 12,021 million).

5.1.3 Carrying value of property, plant and equipment and current assets having a charge against borrowings amounts to Rs 11,225 million (2013: Rs 11,559 million).

5.1.4 Plant and equipment includes equipment deployed in implementing the USF network which is subject to lien exercisable by USF Company ("USFC") in the event of failure by the Group to maintain service availability and quality specification.

	2014	2013
	Audited	Un-Audited
Note	----- (Rupees in '000) -----	

5.1.5 Depreciation for the year has been allocated as follows:

Direct cost	37	1,204,034	1,184,274
Operating cost	38	65,791	81,600
		<u>1,269,825</u>	<u>1,265,874</u>

5.1.6 Disposal of operating fixed assets

		2014			
Particulars	Sold to	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal
----- (Rupees in '000) -----					
Plant and equipment	Outside party				
	Shaheen Insurance Company Limited	700	4,320	4,000	Insurance Claim
Vehicles	Employees				
	Hassan Raza	795	744	744	As per Group's policy
	Naveed Alam	292	628	628	- do -
	Waqas Aslam	743	794	794	- do -
	Saqib Idrees Taj	291	628	628	- do -
	Malik Salman Sadiq Awan	589	948	948	- do -
	Rana Rehan	691	845	845	- do -
	Muhammad Tauseef Zia	402	491	491	- do -
	Adnan Siddiqui	561	922	922	- do -
	Mazhar Haider	528	368	368	- do -
	Adeel Ahmed	379	491	491	- do -
	Burhan Ahmed	284	612	612	- do -
	Abu Zar	1,174	891	891	- do -
	Munir Ahmad	287	609	609	- do -
	Usman Masood	349	521	521	- do -
	Tanvir Ahmed Sheikh	817	666	666	- do -
	Muddessar Ramzan	459	1,024	1,024	- do -
	Muhammad Waseem Akber	245	625	625	- do -
	Mustanser Siddique	406	490	490	- do -
	Farrukh Ijaz	360	536	536	- do -
	Nauman Adil	1,215	1,243	1,243	- do -
Computers	Employees				
	Tanvir Ahmed Sheikh	18	54	54	- do -
Office equipment	Outside party				
	Shaheen Insurance Company Limited	27	63	42	Insurance claim
	Shaheen Insurance Company Limited	51	106	75	- do -
	Shaheen Insurance Company Limited	51	106	75	- do -
	Shaheen Insurance Company Limited	38	79	56	- do -
Items with book value less than Rs 50,000		14,735	306	6,886	
Total		26,487	19,110	25,264	

Particulars	Sold to	2013			Mode of disposal
		Accumulated depreciation	Book value	Sale proceeds	
		(Rupees in '000)			
Plant and equipment	Outside party				
	Syed Traders	24,089	29,729	8,050	Negotiation
	Shaheen Insurance Company Limited	11,378	7,212	6,518	Insurance claim
	Shaheen Insurance Company Limited	3,374	2,112	2,075	- do -
	Shaheen Insurance Company Limited	282	205	190	- do -
Vehicles	Employees				
	Faisal Murad	4,372	1,093	1,093	As per Group's policy
	Haseeb Monim	244	638	638	- do -
	Aamir Mehmood	248	1,800	1,800	- do -
	Outside party				
	Sarwar	438	88	198	Auction
	Shaheen Insurance Company Limited	723	1,343	1,803	Insurance Claim
	Technology at Work (Private) Limited	296	296	550	Negotiation
	Technology at Work (Private) Limited	296	296	460	- do -
	Technology at Work (Private) Limited	296	296	450	- do -
Items with book value less than Rs 50,000		24,896	982	13,090	
		70,932	46,090	36,915	

2014
Audited
 -----(Rupees in '000)-----
2013
Un-Audited

5.2 Capital work-in-progress

Advances to suppliers	5.2.1	253,364	136,000
Civil works		-	2,612
Plant and equipment		583,049	774,083
Others		-	105,372
	5.2.2	<u>836,413</u>	<u>1,018,067</u>

5.2.1 This includes an advance of Rs 136 million (2013: Rs 136 million) to Pace (Pakistan) Limited, which ceased to be a related party (associated company) from 22 April 2014.

2014
Audited
 -----(Rupees in '000)-----
2013
Un-Audited

5.2.2 The reconciliation of the carrying amount is as follows:

Opening balance	1,018,067	782,635
Additions during the year	1,008,864	578,308
Transfers during the year	(1,190,517)	(342,876)
Closing balance	<u>836,413</u>	<u>1,018,067</u>

2014
Audited
2013
Un-Audited
Note -----(Rupees in '000)-----

5.3 Major spare parts and stand-by equipment

Gross carrying value

Opening balance	-	-
Additions during the year	176,394	-
Transfers during the year	(138,646)	-
Closing balance	37,748	-
Provision for impairment	5.3.1 (12,160)	-
Net carrying value	25,588	-

5.3.1 Provision for impairment

Opening Provision	-	-
Transfer during the year	12 12,160	-
Closing Provision	12,160	-

6. Intangible assets

Licenses	Patents and copyrights	IRU - media cost	Softwares	Goodwill	Total
----- (Rupees in '000) -----					

COST/REVALUED AMOUNT

Balance as at 01 January 2013 (Audited)	2,893,290	5,333	784,800	30,533	2,690,403	6,404,359
Additions/(deletions) during the year	-	-	-	-	-	-
Balance as at 31 December 2013 (Un-Audited)	2,893,290	5,333	784,800	30,533	2,690,403	6,404,359
Balance as at 01 January 2014 (Un-Audited)	2,893,290	5,333	784,800	30,533	2,690,403	6,404,359
Elimination of accumulated amortization against cost on revaluation	(1,427,465)	-	-	(19,253)	-	(1,446,718)
Revaluation surplus during the year - note 6.1	608,201	-	-	-	-	608,201
Balance as at 31 December 2014 (Audited)	2,074,026	5,333	784,800	11,280	2,690,403	5,565,842

AMORTIZATION

Balance as at 01 January 2013 (Audited)	1,157,966	5,333	100,232	16,759	136,909	1,417,199
Amortization for the year - note 6.3	157,586	-	52,268	1,425	-	211,279
Balance as at 31 December 2013 (Un-Audited)	1,315,552	5,333	152,500	18,184	136,909	1,628,478
Balance as at 01 January 2014 (Un-Audited)	1,315,552	5,333	152,500	18,184	136,909	1,628,478
Elimination of accumulated amortization against cost on revaluation	(1,427,465)	-	-	(19,253)	-	(1,446,718)
Amortization for the year - note 6.3	163,188	-	52,268	2,850	-	218,306
Balance as at 31 December 2014 (Audited)	51,275	5,333	204,768	1,781	136,909	400,066
Book value as at 31 December 2013 (Un-Audited)	1,577,738	-	632,300	12,349	2,553,494	4,775,881
Book value as at 31 December 2014 (Audited)	2,022,751	-	580,032	9,499	2,553,494	5,165,776

Annual amortization rate (%)	5 - 6.5	10	6.67	20	-	
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6.1 During the year, licenses and softwares have been revalued by an independent professional valuer M/s Arch-E'-Decon on 01 October 2014. The resulting revaluation surplus net of deferred tax has been credited to surplus on revaluation. The table below analyses the non-financial assets carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's licenses and softwares that are measured at fair value at 31 December 2014.

**Fair value
measurements at
31 December 2014
using significant
other observable
inputs (Level 2)**

(Rupees in '000)

Recurring fair value measurements

Licenses	2,022,751
Softwares	9,499
	2,032,250

The following table presents the Company's licenses and softwares that are measured at fair value at 31 December 2013.

**Fair value
measurements at
31 December 2013
using significant
other observable
inputs (Level 2)**

(Rupees in '000)

Recurring fair value measurements

Licenses	1,577,738
Softwares	12,349
	1,590,087

There are no level 1 and level 3 assets and transfers between levels 1, 2 and 3 during 2014 or 2013.

Valuation techniques used to derive level 2 fair values:

Level 2 fair values of intangible assets have been derived using the current market prices where ever available otherwise income approach adopted. The most significant input into this valuation approach is market condition along with fundamental technical characteristics.

- 6.2 Had there been no revaluation, the net book value of licenses and softwares would have amounted to Rs 655 million (2013: 1,327 million).

		2014 Audited	2013 Un-Audited
	Note	----- (Rupees in '000) -----	
6.3 Amortization for the year has been allocated as follows:			
Direct cost	37	213,828	193,368
Capitalized during the year		4,478	17,911
		<u>218,306</u>	<u>211,279</u>

- 6.4 Licenses of the Group are assigned to IGI Investment Bank Limited, trustee of TFC III as disclosed in note 26.1.

6.5 Goodwill

Goodwill represents the difference between the cost of acquisition (fair value of consideration paid) and fair value of net identifiable assets acquired at the time of merger of the Parent Company with Worldcall Communications Limited, Worldcall Multimedia Limited and Worldcall Broadband Limited.

Impairment testing of Goodwill has been carried out at the overall business unit level. Management has assessed the recoverable amount of the Cash Generating Unit as at 31 December 2014 based on a value in use calculation and determined that, as of this date, there is no indication of impairment of Goodwill. This calculation uses cash flow projections based on a five years' financial business plan approved by the Board. The business plan also includes a comprehensive analysis of the existing operational deployments along with strategic direction of future investments and business growth. The cash flows beyond the five years period have been extrapolated using a steady 5% growth rate which is consistent with the long-term average growth rate for the industry, whereas for the purpose of impairment testing, no growth is considered in cash flows beyond the period of five years as per IAS 36 'Impairment of Assets'. The key assumption and discount rate used in the value in use calculation is as follows:

Revenue (% annual growth rate)	60.38%
Discount rate	21.31%

Revenue is the average annual growth rate over the five year forecast period. The above analysis is based on the past performance, current industry trends, management's expectation of market development and includes long term inflation forecasts.

The recoverable amount calculated based on value in use exceeded carrying value by Rs 2,985.34 million. An annual revenue growth rate of 57.87% or a rise in discount rate to 27% would, all changes taken in isolation, result in the recoverable amount being equal to the carrying amount.

Based on the above approved business plan and continued support from the Holding Company, the

Group will be able to meet its obligations and will be able to achieve satisfactory level of profitability in future.

		2014 Audited	2013 Un-Audited
	Note	----- (Rupees in '000) -----	
7. Investment properties			
Opening balance		160,474	160,474
Fair value adjustment	7.1	(39,774)	-
Transfer to operating fixed assets (owned assets)	5.1	(97,500)	-
Closing balance		23,200	160,474

7.1 As of reporting date, investment properties comprise of land. Fair value of investment properties is determined by an independent professional valuer. Latest valuation of these properties was carried out on 31 December 2014 by an approved independent valuer, M/s Gandhara Consultants. The table below analyses the non-financial assets carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's investment properties that are measured at fair value at 31 December 2014.

**Fair value
measurements at
31 December 2014
using significant
other observable
inputs (Level 2)
(Rupees in '000)**

Recurring fair value measurements

Investment properties	23,200
-----------------------	---------------

The following table presents the Group's investment properties that are measured at fair value at 31 December 2013.

Fair value
measurements at
31 December 2013
using significant
other observable
inputs (Level 2)
(Rupees in '000)

Recurring fair value measurements

Investment properties 160,474

There are no level 1 and level 3 assets or transfers between levels 1, 2 and 3 during 2014 or 2013.

Valuation techniques used to derive level 2 fair values

Level 2 fair values of investment property have been derived using the sales comparison approach. Sales prices of comparable land and buildings in close proximity are adjusted for differences in key attributes such as location, size, nature and condition of the property. The most significant input into this valuation approach is price per square foot.

8. This represents receivable against the sale of Optical Fiber Cable stated at amortized cost using effective interest rate of 16% per annum.

9. Deferred taxation

2014
Audited

2013
Un-Audited

(Rupees in '000)

This is composed of the following:

Liability for deferred taxation comprising temporary differences related to:

Accelerated tax depreciation	2,659,743	2,592,698
Surplus on revaluation of fixed assets	592,295	168,114
Accelerated tax amortization	1,214,139	1,051,573
Transaction cost on long term loans	30,138	38,285
Long term trade receivables	73,065	-
Leasehold improvements	8,584	9,801

Asset for deferred taxation comprising temporary differences related to:

Unused tax losses	(6,469,883)	(5,486,573)
Provision for doubtful debts	(655,475)	(551,015)
Retirement benefits	(122,837)	(114,577)
Provision for stores and spares & stock-in-trade	(21,200)	(21,468)
Exchange loss	(225,958)	(233,085)
	<u>(2,917,389)</u>	<u>(2,546,247)</u>

Based on approved business plan, it is probable that sufficient taxable profits will be available for utilization of deferred tax asset. Management considers that minimum tax available for carry forward of Rs 246.58 million would not be utilized in the foreseeable future. Consequently, based on the prudence principle, deferred tax asset to the extent of Rs 246.58 million has not been recognized in these financial statements.

The gross movement in net deferred tax asset during the year is as follows:

	2014 Audited	2013 Un-Audited
Note	----- (Rupees in '000) -----	
Opening balance	(2,546,247)	(1,295,068)
Charged/(credited) directly to equity	4,944	(4,944)
Charged to other comprehensive income	281,863	-
Credited to profit and loss account	42 (657,949)	(1,246,235)
Closing balance	<u>(2,917,389)</u>	<u>(2,546,247)</u>

10. Long term loans - considered good

Loans to employees:

- Chief executive	10.1 3,361	4,853
- Executives	10.2 9,385	13,808
- Others	3,328	6,335
	<u>16,074</u>	<u>24,996</u>

Current maturity:

- Chief executive	(3,361)	(4,480)
- Executives	(3,027)	(4,530)
- Others	(5,884)	(9,217)
	<u>15 (12,272)</u>	<u>(18,227)</u>
	<u>3,802</u>	<u>6,769</u>

10.1 Chief executive

Opening balance	4,853	10,453
Disbursements during the year	<u>-</u>	<u>-</u>
	<u>4,853</u>	<u>10,453</u>
Repayments during the year	(1,492)	(5,600)
Closing balance	<u>3,361</u>	<u>4,853</u>

This represents interest free loan given for the purpose of acquisition of land and construction of house. It is secured against gratuity and is recoverable within a period of three years from the date of disbursement through monthly deductions from salary. Maximum aggregate balance due at the end of any month during the year was Rs 4.85 million (2013: Rs 10.45 million).

10.2 Executives

	2014 Audited ------(Rupees in '000)-----	2013 Un-Audited
Opening balance	13,808	29,027
Disbursements during the year	<u>3,100</u>	<u>800</u>
	16,908	29,827
Repayments during the year	<u>(7,522)</u>	<u>(16,019)</u>
Closing balance	<u>9,385</u>	<u>13,808</u>

These represent interest free loans given for various purposes, such as construction of house and other personal needs as per Group's policy. These are secured against gratuity and are recoverable within a period of three years from the date of disbursement through monthly deductions from salary. Maximum aggregate balance due from executives at the end of any month during the year was Rs 16.91 million (2013: Rs 29.03 million).

11. Long term deposits

Security deposits with:

- Pakistan Telecommunication Company Limited
- Financial institutions
- Others

Current maturity

Note	2014 Audited ------(Rupees in '000)-----	2013 Un-Audited
	21,482	21,482
	975	21,956
	36,109	48,880
	58,566	92,318
16	<u>-</u>	<u>(21,472)</u>
	<u>58,566</u>	<u>70,846</u>

12. Stores and spares

Cost

Provision:

Opening balance	(58,942)	(44,900)
Addition during the year	-	(14,042)
Reversal during the year	12.1 10,574	-
Transfer during the year	5.3.1 12,160	-
Closing balance	<u>(36,208)</u>	<u>(58,942)</u>
	12.2 223,264	186,253

12.1 This has been included in stores and spares consumed under Direct cost. The provision was reversed since such items were consumed during the year.

12.2 This includes items which may result in fixed capital expenditure but are not distinguishable.

		2014 Audited	2013 Un-Audited
	Note	----- (Rupees in '000) -----	
13. Stock-in-trade			
Cost		281,617	243,898
Provision:			
Opening balance		-	(11,300)
Addition during the year	37	(8,003)	-
Written-off during the year		-	11,300
Closing balance		(8,003)	-
		273,614	243,898

14. Trade debts

Considered good - unsecured		911,906	1,043,058
Considered doubtful - unsecured	14.1	1,809,352	1,605,494
		2,721,258	2,648,552
Provision for doubtful debts	14.2	(1,809,352)	(1,605,494)
		911,906	1,043,058

14.1 This includes due from related parties (associated companies) as follows:

Pace Wood Land (Private) Limited	14.1.1	-	32,894
Pace Barka Properties Limited	14.1.1	-	47,781
Pace Gujrat (Private) Limited	14.1.1	-	12,138
		-	92,813

14.1.1 The above companies ceased to be related parties (associated companies) from 22 April 2014. Consequently, as of 31 December 2014, balances due from these companies have not been presented here, however, they are included in the total balance of trade debts.

		2014 Audited	2013 Un-Audited
	Note	----- (Rupees in '000) -----	
14.2 Provision for doubtful debts			
Opening balance		1,605,494	1,009,210
Charged during the year	38	203,858	596,284
Closing balance	14.2.1	1,809,352	1,605,494

14.2.1 This includes provision of Nil (2013: Rs 92.81 million) against receivable from Pace group of companies, which were related parties (associated companies) as referred to in note 14.1.1 above. The prior year balance was due for more than two years.

	Note	2014 Audited ------(Rupees in '000)-----	2013 Un-Audited
15. Loans and advances			
Advances to employees - considered good	15.1	24,949	21,372
Current maturity of long term loans to employees	10	12,272	18,227
Advances to PTA - considered good	15.2	519,992	519,992
Advances to suppliers:			
- Considered good		55,395	410,013
- Considered doubtful		48,296	-
		103,691	410,013
		<u>660,904</u>	<u>969,604</u>
Provision for doubtful advances	15.3	(48,296)	-
		<u>612,608</u>	<u>969,604</u>

15.1 This includes advances given to executives amounting to Rs 17.69 million (2013: Rs 13.04 million).

	Note	2014 Audited ------(Rupees in '000)-----	2013 Un-Audited
15.2 Advances to PTA - considered good			
Access Promotion Contribution ("APC") prior to the formation of fund	15.2.1	479,992	479,992
Annual spectrum fee	15.2.2	40,000	40,000
		<u>519,992</u>	<u>519,992</u>

15.2.1 PTA vide order dated 04 December 2006 raised a demand of Rs 491 million regarding payment of APC for USF in relation to the period prior to the valid formation of USF by the Federal Government. The Group disputed such demand, however, it deposited Rs 394 million with PTA against it and booked it as a receivable from PTA while Rs 11.01 million was expensed out and the remaining Rs 85.99 million was recognized as a liability with a corresponding receivable from PTA. Against this demand, currently, the Group's appeal is pending adjudication before the Supreme Court of Pakistan. Based on the advice of the Group's legal counsel, management feels that there are reasonable grounds to defend the Group's stance and the matter would ultimately be decided in the Group's favor. Under these circumstances, management considers that the receivable amount was unimpaired at the balance sheet date.

15.2.2 This represents amount paid against demand on account of annual spectrum fee and other regulatory charges. PTA determined the demand vide its determination dated 22 February 2010. Being aggrieved, Group's management preferred an appeal bearing No. 147/2010 before the Lahore High Court (LHC) against the PTA determination. LHC granted stay against the recovery subject to payment of Rs 40 million which was complied by the Group. Since Group's management feels that there are strong grounds to defend the Group's position and the ultimate decision would be in the Group's favor, it considers that the receivable amount was unimpaired at the balance sheet date.

15.3 Provision for doubtful advances

	Note	2014 Audited ------(Rupees in '000)-----	2013 Un-Audited
Opening balance		-	-
Charged during the year	38	48,296	-
Closing balance		48,296	-

16. Deposits and prepayments

Margin deposits	16.1	100,124	133,405
Prepayments	16.2	21,586	36,668
Current maturity of long term deposits	11	-	21,472
Short term deposits		-	1,241
		121,710	192,786

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

16.2 This includes annual cable license fee prepaid to PEMRA amounting to Rs 4.96 million (2013: Nil).

17. Short term investments

	Note	2014 Audited ------(Rupees in '000)-----	2013 Un-Audited
<u>Investment in others:</u>			
Carrying value	17.1	83,193	46,551
Fair value adjustment		(8,426)	(12,733)
		74,767	33,818
<u>Investment in related parties:</u>			
Carrying value	17.2	-	58,431
Fair value adjustment		-	(9,056)
		-	49,375
		74,767	83,193

17.1 Particulars of listed shares - Available-for-sale investments

All shares have a face value of Rs 10 each.

Name	2014	2013	2014		2013	
	No. of shares		Carrying value	Market value	Carrying value	Market value
	Audited	Un-Audited	Audited	Audited	Un-Audited	Un-Audited
Commercial Bank						
The Bank of Punjab	10,528	10,528	118	115	113	118
Mutual Funds						
First Dawood Mutual Fund	580,750	580,750	4,065	4,065	3,717	4,065
Pak Oman Advantage Fund	1,000,000	1,000,000	7,500	9,900	9,240	7,500
Electric Appliances						
Pak Elektron Limited	9	9	-	-	-	-
Leasing						
Standard Chartered Leasing Limited	70,000	70,000	490	589	417	490
Insurance						
Shaheen Insurance Company Limited	3,136,963	3,136,963	21,645	18,822	33,064	21,645
Financial Services						
First Capital Securities Corporation Limited	3,991,754	-	11,576	8,023	-	-
Real Estate						
Pace (Pakistan) Limited	6,959,290	-	26,376	23,174	-	-
Media Group						
Media Times Limited	4,199,500	-	11,423	10,079	-	-
			83,193	74,767	46,551	33,818

17.2 Particulars of listed shares - Available-for-sale investments

All shares have a face value of Rs 10 each.

Name	2014	2013	2014		2013	
	No. of shares		Carrying value	Market value	Carrying value	Market value
	Audited	Un-Audited	Audited	Audited	Un-Audited	Un-Audited
First Capital Securities Corporation Limited						
	-	3,991,754	-	-	14,610	11,576
<i>Percentage of equity held 0% (2013: 1.27%)</i>						
Pace (Pakistan) Limited						
	-	6,959,290	-	-	20,808	26,376
<i>Percentage of equity held 0% (2013: 2.5%)</i>						
Media Times Limited						
	-	4,199,500	-	-	23,013	11,423
<i>Percentage of equity held 0% (2013: 2.35%)</i>						
			-	-	58,431	49,375

17.2.1 The above companies ceased to be related parties (associated companies) from 22 April 2014. Consequently, the investment in these companies with effect from 22 April 2014 has been included in investment in others.

18. Other receivables

Other receivables - considered good:

- Interest receivable on bank deposits
- Others

Other receivables - considered doubtful

Sales tax refundable

	2014 Audited	2013 Un-Audited
Note	----- (Rupees in '000) -----	
	892	10,965
	4,642	15,836
	5,534	26,801
	15,139	15,139
18.1	33,360	43,164
	54,033	85,104
Provision for doubtful receivables	(15,139)	(15,139)
	38,894	69,965

- 18.1** This includes Rs 33.4 million recovered by the tax authorities in respect of sales tax demand, facts and litigation status whereof has been discussed in note 31.3.4.

19. Cash and bank balances

Cash at bank:

Current accounts

Savings accounts

Term deposit receipt

	2014 Audited	2013 Un-Audited
Note	----- (Rupees in '000) -----	
	51,146	228,300
19.1	353,958	769,116
19.2	-	1,500,000
	405,104	2,497,416
Cash in hand	4,903	4,436
Pay orders in hand	339,992	-
	749,999	2,501,852

- 19.1** The balances in savings accounts bear mark up at the rate ranging from 5.00% to 7.00% (2013: 5.00% to 9.75%) per annum. It includes:

- Rs 340 million (2013: Rs 238 million) in an Escrow account in relation to APC payable to PTA (prior to ICH formation) as referred to in note 30.1; and

- Nil (2013: Rs 40 million) in an Escrow account in relation to dispute with PTCL for various charges.

- 19.2** This bears mark up at the rate of Nil (2013: 9.75% per annum).

		2014 Audited	2013 Un-Audited
	Note	----- (Rupees in '000) -----	
20. Non-current assets and related liabilities classified as held for sale			
Assets of discontinued operations	20.1	2	128
Plant and equipment classified as held for sale	20.2	1,120,502	-
		<u>1,120,504</u>	<u>128</u>
Liabilities of discontinued operation	20.1	5,404	8,077
		<u>5,404</u>	<u>8,077</u>

20.1 Discontinued operations

The Subsidiary was suffering losses as the demand for payphones in Sri Lanka has greatly diminished. Keeping in view the Sri Lankan market conditions and negative equity of the Subsidiary, the management decided and approved the winding up of the Subsidiary. Long term investment in Subsidiary has been classified as discontinued operations.

Following are the results for the year ended 31 December 2014 and the comparative year of discontinued operations.

	2014 Audited	2013 Un-Audited
	----- (Rupees in '000) -----	
<u>Results of discontinued operations</u>		
Revenue	-	-
Expenses	(892)	(2,043)
Results from operating activities	<u>(892)</u>	<u>(2,043)</u>
Finance cost	-	-
Other income	-	-
Loss for the year	<u>(892)</u>	<u>(2,043)</u>
<u>Cash flow (outflow)/inflow from discontinued operations</u>		
Net cash outflow from operating activities	(126)	(2,956)
Net cash inflow from financing activities	-	3,100
Net cash (outflow)/inflow from discontinued operations	<u>(126)</u>	<u>144</u>
Assets		
Cash and bank balances	<u>2</u>	<u>128</u>
Liabilities		
Trade and other payables	5,397	8,070
Income tax payable	7	7
	<u>5,404</u>	<u>8,077</u>

	Note	2014 Audited ------(Rupees in '000)-----	2013 Un-Audited
20.2 Plant and equipment classified as held for sale			
Carrying amount of assets transferred from fixed assets	5.1	1,356,011	-
Impairment loss		(235,509)	-
Fair value less costs to sell		<u>1,120,502</u>	<u>-</u>

This represents Passive infrastructure (towers, civil works and gensets etc.) relating to WLL operations of the Group. An active plan to sell these assets was commenced during the year as management considers that disposal of such assets would result in major reduction in operational costs. On 01 October 2014, a sale agreement has been signed which is subject to due diligence inter alia, No Objection Certificates (NOCs) from financial institutions and necessary approvals. Accordingly, these assets have been classified as held for sale under International Financial Reporting Standards (IFRS) 5 - "Non-current Assets Held for Sale and Discontinued Operations". Fair value less costs to sell of these assets has been determined as per the terms of the aforementioned sale agreement. The impairment loss arising on the transaction has been set-off against the surplus on revaluation of fixed assets as per section 235 of the Companies Ordinance, 1984.

	Note	2014 Audited ------(Rupees in '000)-----	2013 Un-Audited
21. Current maturities of non-current liabilities			
Term finance certificates	21.1 & 26	1,643,735	547,911
Long term loans	21.1 & 27	948,269	315,600
Payable to Pakistan Telecommunication Authority	30.1	1,711,254	385,517
Payable to Multinet Pakistan (Private) Limited	30.2.1	696,684	531,459
Liabilities against assets subject to finance lease	29	1,209	50,760
		<u>5,001,151</u>	<u>1,831,247</u>

21.1 Overdue principal included in current maturity is as follows:

Term finance certificates	547,910	-
Long term loan - Askari Bank Limited	201,200	-
	<u>749,110</u>	<u>-</u>

22. Short term borrowings - secured

Running finances	22.1	768,890	786,944
Term finances	22.2	-	69,756
		<u>768,890</u>	<u>856,700</u>

22.1 Short term running finance facilities available from commercial banks under mark up arrangements amount to Rs 798 million (2013: Rs 798 million). Running finance facilities are available at mark up rate of three month Karachi Inter Bank Offered Rate (KIBOR) plus 1.5% to 2.5% per annum, payable quarterly, on the balance outstanding. These are secured against joint pari passu hypothecation of fixed and current assets with 25% security margin over the facility amount. The mark up charged during the year on the outstanding balances ranges from 11.57% to 12.71% (2013: 9.43% to 12.03%) per annum. These facilities are being rolled over as the mark up is being serviced timely.

22.2 Term finances

		2014 Audited	2013 Un-Audited
Note		----- (Rupees in '000) -----	
Soneri Bank Limited - I	22.2.1	-	35,051
Soneri Bank Limited - II	22.2.1	-	34,705
		-	69,756

22.2.1 These have been restructured during the year into a long term loan as referred to in note 27.3.

22.3 Letters of credit and guarantees

Of the aggregate facilities of Rs 144.79 million (2013: Rs 87.60 million) for opening letters of credit and Rs 1,178.79 million (2013: Rs 1,226.01 million) for guarantees, the amount utilized as at 31 December 2014 was Rs 4.60 million (2013: Rs 56.20 million) and Rs 1,140.22 million (2013: Rs 1,119.93 million) respectively. The facilities for opening letters of credit are secured against import documents and lien over bank accounts. The facilities for guarantees are secured against pari passu and joint pari passu charge over current and moveable fixed assets of the Group and lien over bank accounts.

23. This represents balance amount of interest free license fee payable to PTA for WLL licenses. The Group had filed an application with PTA for grant of moratorium over payment of this balance amount. However, PTA rejected the Group's application and demanded its payment. Being aggrieved by this, Group filed an appeal before Islamabad High Court (IHC) against PTA's order. Meanwhile, the Ministry of Information Technology through its letter dated 30 August 2011 allowed to the Operators, the staggering for settlement of APC and Initial Spectrum Fee (ISF) dues and required PTA to submit an installment plan for this purpose after consultations with the Operators. IHC, while taking notice of the Ministry's letter, directed PTA through its order dated 01 December 2012 not to take any coercive action against the Group. As of the reporting date, no such installment plan has been submitted by PTA. Under these circumstances, management does not expect the liability to materialize fully in the near future.

24. Trade and other payables

		2014 Audited	2013 Un-Audited
Note		----- (Rupees in '000) -----	
Trade creditors:			
Related parties	24.1	2,401,690	2,402,889
Others	24.2	2,832,803	3,003,484
		5,234,493	5,406,373
Accrued and other liabilities	24.3	1,322,672	858,730
Advances from customers		340,952	374,236
Retention money		79,064	81,117
Withholding tax payable		218,631	224,526
Dividend payable on preference shares	24.4	-	93,782
Unclaimed dividend		1,807	1,807
		7,197,619	7,040,571

		2014 Audited	2013 Un-Audited
Note		----- (Rupees in '000) -----	
24.1	This represents payable to the following related parties:		
	Holding Company	2,397,894	2,360,970
	Associated company - Worldcall Services (Private) Limited	3,796	38,758
	Associated company - Media Times Limited	24.1.1 -	3,161
		<u>2,401,690</u>	<u>2,402,889</u>

24.1.1 Media Times Limited ceased to be a related party (associated company) from 22 April 2014. Consequently, as of 31 December 2014, balance due to this company has not been presented here and is included in Others.

24.2 This includes payable to PTA amounting to Rs 271.25 million (2013: Rs 236.69 million) regarding annual spectrum fee in respect of WLL licenses. PTA's determination has been challenged and contested by the Group on the grounds of preoccupation of frequency/spectrum and losses suffered by the Group due to such preoccupation for which the Group has demanded due compensation from PTA. The Group filed an appeal against PTA's determination and the Lahore High Court granted stay against the recovery. Under these circumstances, management does not expect the liability to materialize fully in the near future.

24.3 This includes due to directors aggregating Rs 9.71 million (2013: Rs 6.88 million).

24.4 This includes dividend payable to the Holding Company amounting to Nil (2013: Rs 54.76 million).

		2014 Audited	2013 Un-Audited
Note		----- (Rupees in '000) -----	
25. Interest and mark up accrued			
	Accrued interest/mark up on:		
	Long term loans	25.1 69,840	26,448
	Short term borrowings	23,557	27,892
	Share deposit money	351	351
	Liabilities against assets subject to finance lease	-	365
	Term finance certificates	25.2 108,303	203,255
		<u>202,051</u>	<u>258,311</u>

25.1 This includes overdue markup of Rs 47.74 million (2013: Nil).

25.2 This includes overdue markup of Rs 53.12 million (2013: Rs 36.05 million).

26. Term finance certificates - secured

Term finance certificates - III	26.1	1,643,735	1,643,735
Initial transaction cost		(53,994)	(53,994)
		<u>1,589,741</u>	<u>1,589,741</u>
Amortization of transaction cost		53,994	53,994
		<u>1,643,735</u>	<u>1,643,735</u>
Current maturity	21	(1,643,735)	(547,911)
		<u>-</u>	<u>1,095,824</u>

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

26.1 Term finance certificates - III

These represent listed Term Finance Certificates ("TFCs") amounting to Rs 3,838 million. Rs 3,000 million were offered Pre-IPO out of which Rs 2,838 million were subscribed by underwriters and Rs 1,000 million was received from public against subscription. It carries mark up at the rate of six month average Karachi Inter Bank Offered Rate (KIBOR) plus 1.60% per annum, payable semi-annually. The mark up rate charged during the year on the outstanding balance ranges from 11.12% to 11.79% (2013: 11.12% to 11.45%) per annum.

IGI Investment Bank Limited was appointed as Trustee under the Trust Deed. These TFCs are secured against pari passu charge over the present and future fixed assets excluding land and building with 25% margin in addition to all rights, benefits, claims and interests procured by the Group under:

- (a) LDI and WLL license issued by PTA to the Group; and
- (b) Assigned frequency spectrum as per deed of assignment.

These TFCs were earlier rescheduled in December 2012 by a majority of TFC holders. The principal is repayable in three semi-annual installments ending on 07 October 2015. In July 2014, the Group initiated the process of restructuring with the TFC holders, however, it could not achieve the restructuring by the installment due date of 07 October 2014 and hence, did not pay this installment of Rs 547.91 million. Consequently, the total amount has become immediately payable. The Group is pursuing the restructuring and in October 2014, Askari Bank Limited and Pak Oman Investment Company Limited (who collectively hold 31.54% of the TFCs) agreed to act as restructuring advisors. After support from institutional investors of the TFCs, the Group has circulated the revised redemption schedule to the TFC holders for their approval. As per proposed terms, the tenure of the TFCs will be extended by seven years and principal amount of Rs 170 million will be repayable in 2015 while the remaining principal amount of Rs 1,473.735 million will be repayable in 11 semi annual installments of Rs 133.976 million ending in October 2021. Profit rate shall remain the same. Management is confident that it will achieve the restructuring in the near future.

	Note	2014 Audited ------(Rupees in '000)-----	2013 Un-Audited
27. Long term loans - secured			
Askari Bank Limited	27.1	2,378,458	3,201,197
Summit Bank Limited	27.2	-	-
Soneri Bank Limited	27.3	7,225	-
		<u>2,385,683</u>	<u>3,201,197</u>
27.1 Askari Bank Limited			
Receipt		2,943,855	2,943,855
Initial transaction cost		(129,365)	(129,365)
		<u>2,814,490</u>	<u>2,814,490</u>
Amortization of transaction cost		43,257	16,762
		<u>2,857,747</u>	<u>2,831,252</u>
Exchange loss		524,995	685,545
		<u>3,382,742</u>	<u>3,516,797</u>
Repaid during the year		(98,884)	-
		<u>3,283,858</u>	<u>3,516,797</u>
Current maturity	21	(905,400)	(315,600)
		<u>2,378,458</u>	<u>3,201,197</u>

This represents foreign currency syndicated loan facility amounting to USD 35 million from Askari Bank Limited Off-Shore Banking Unit, Bahrain, with the lead arranger being Askari Bank Limited. During the previous year, this loan was rescheduled whereby the principal was repayable in 16 quarterly installments ending on 06 March 2018. Mark up is payable quarterly and is charged at three month average London Inter Bank Offered Rate (LIBOR) plus 1.75% per annum and monitoring fee at 1.2% per annum. The mark up rate charged during the year on the outstanding balance ranges from 3.18% to 3.19% (2013: 3.19% to 3.26%) per annum. To secure the facility, an unconditional, irrevocable, first demand stand-by letter of credit has been issued by National Bank of Oman ("NBO") favoring Askari Bank Limited against the corporate guarantee of the Holding Company. This arrangement shall remain effective until all obligations under the facility are settled.

Current maturity of this loan includes two overdue installments aggregating USD 2 million equivalent to Rs 201.20 million (2013: Nil). In September 2014, the Group in agreement with Askari Bank, arranged a financing from NBO whereby Askari Bank shall be fully repaid from the proceeds of the loan from NBO. The NBO loan shall be repayable in 16 quarterly installments commencing from the 27th month from the date of disbursement of the loan and profit shall be charged at three month average LIBOR plus 1.75% per annum and monitoring fee at 1.5% per annum, payable quarterly. To secure this facility, an unconditional and irrevocable corporate guarantee of the Holding Company backed by cash cover over its account with NBO shall be issued. As of year end, the transaction could not mature as it was pending approval of State Bank of Pakistan (SBP). However, subsequently, it has been approved by SBP in January 2015 and refinancing agreements are now being finalized.

27.2 Summit Bank Limited

	2014 Audited	2013 Un-Audited
	------(Rupees in '000)-----	
Receipt during the year	250,000	-
Initial transaction cost	1,769	-
	251,769	-
Amortization of transaction cost	(1,769)	-
	250,000	-
Repaid during the year	(250,000)	-
	-	-

This represents loan acquired and repaid during the year amounting to Rs 250 million (2013: Nil). The mark up rate charged during the year on the outstanding balance was 11.45% (2013: Nil) per annum.

27.3 Soneri Bank Limited

	2014 Audited	2013 Un-Audited
Note	------(Rupees in '000)-----	
Transferred from short term borrowings	66,756	-
Repaid during the year	(16,662)	-
	50,094	-
Current maturity	(42,869)	-
	7,225	-

This facility was previously repayable up to 23 May 2014, however, it was rescheduled by the bank in April 2014 and is now repayable in 23 monthly installments ending on 28 February 2016. It carries mark up at one month KIBOR plus 3% per annum and is payable monthly. The mark up rate charged during

the year on the outstanding balance ranges from 12.84% to 13.97% (2013: 13.06% to 13.36%) per annum. It is secured through joint pari passu hypothecation agreement over current and movable fixed assets.

	Note	2014 Audited ------(Rupees in '000)-----	2013 Un-Audited
28. Retirement benefits			
Gratuity	28.1	298,790	295,694
Accumulating compensated absences	28.2	35,791	41,297
		<u>334,582</u>	<u>336,991</u>

28.1 Gratuity

The amounts recognized in the balance sheet are as follows:

Present value of defined benefit obligation		298,790	262,848
Benefits due but not paid		-	32,846
		<u>298,790</u>	<u>295,694</u>
Liability at beginning of the year		295,694	319,255
Charge for the year	28.1.1	69,696	73,778
Net remeasurements for the year		23,140	(1,665)
Transferred to trade and other payables		(14,506)	-
Paid during the year		(75,234)	(95,674)
		<u>298,790</u>	<u>295,694</u>

28.1.1 Charge for the year represents the following:

Interest cost:			
- Operating cost		21,907	19,340
- Capitalized in capital work-in-progress		6,012	7,561
- Included in stock-in-trade		1,066	621
		<u>28,985</u>	<u>27,523</u>
Current service cost:			
- Operating cost		30,770	32,504
- Capitalized in capital work-in-progress		8,445	12,707
- Included in stock-in-trade		1,497	1,043
		<u>40,712</u>	<u>46,255</u>
		<u>69,696</u>	<u>73,778</u>

28.1.2 The latest actuarial valuation of this plan was carried out on 31 December 2014 by Nauman Associates. Significant assumptions used for valuation of this plan are as follows:

	2014	2013
Discount rate (per annum)	11.25%	13.00%
Expected rate of salary increase (per annum)	10.25%	12.00%

Mortality rate

Mortality of active members is represented by the SLIC 2001 - 2005 Table. As at 31 December 2014, the weighted average duration of the defined benefit obligation was 12 years (2013: 11.5 years). These figures are based on the actuarial valuation as at 31 December 2014. The valuation uses the Projected Unit Credit (PUC) Actuarial Cost Method.

28.1.3 Sensitivity analysis

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

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
		----(Rupees in '000)---	
Discount rate	1%	(266,666)	336,794
Salary growth rate	1%	337,245	(265,852)

28.1.4 Historical information for gratuity

	2010	2011	2012	2013	2014
	----- (Rupees in '000) -----				
Present value of defined benefit obligation	185,500	251,878	250,207	262,848	298,790
Experience adjustment arising on plan liabilities	(21,811)	15,069	(32,564)	(1,665)	23,140

	2014 Audited	2013 Un-Audited
Note	----- (Rupees in '000) -----	

28.2 Accumulating compensated absences

The amount recognized in the balance sheet is as follows:

Present value of defined benefit obligation	35,791	36,137
Benefits due but not paid	-	5,160
	<u>35,791</u>	<u>41,297</u>
Liability at beginning of the year	41,297	43,652
Charge for the year	8,240	14,781
Transferred to trade and other payables	(1,875)	-
Paid during the year	(11,870)	(17,136)
	<u>35,791</u>	<u>41,297</u>

28.2.1

28.2.1 Charge for the year represents the following:

	2014 Audited	2013 Un-Audited
	----- (Rupees in '000) -----	
Interest cost for the year	4,082	3,067
Current service cost	7,427	3,425
Net remeasurements for the year	(3,270)	8,289
	8,240	14,781

28.2.2 The latest actuarial valuation of this plan was carried out on 31 December 2014 by Nauman Associates. Significant assumptions used for valuation of this plan are as follows:

	2014	2013
Discount rate (per annum)	11.25%	13.00%
Expected rate of salary increase (per annum)	10.25%	12.00%

28.2.3 Sensitivity analysis

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

Impact on defined benefit obligation			
	Change in assumption	Increase in assumption	Decrease in assumption
	---- (Rupees in '000) ---		
Discount rate	1%	(32,180)	40,092
Salary growth rate	1%	40,169	(32,051)

	2014 Audited	2013 Un-Audited
Note	----- (Rupees in '000) -----	
29. Liabilities against assets subject to finance lease		
Present value of minimum lease payments	4,200	52,183
Current portion shown under current liabilities	(1,209)	(50,760)
	2,991	1,423

Interest rate used as discounting factor ranges from 12.02 % to 16.56% per annum (2013: 12.87 % to 16.56% per annum). Under the terms of the agreements, the Group 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 Group intends to exercise the option. In case of default in payment of installments, the Group will be liable to pay additional lease rental on overdue payment at the rate of 0.10% per day.

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

	2014			2013		
	Minimum lease payments	Finance cost	Principal	Minimum lease payments	Finance cost	Principal
	Audited	Audited	Audited	Un-Audited	Un-Audited	Un-Audited
	----- (Rupees in '000) -----			----- (Rupees in '000) -----		
Not later than one year	1,570	361	1,209	52,085	1,325	50,760
Later than one year but not later than five years	3,200	209	2,991	1,514	91	1,423
	<u>4,770</u>	<u>570</u>	<u>4,200</u>	<u>53,599</u>	<u>1,416</u>	<u>52,183</u>

	Note	2014 Audited	2013 Un-Audited
		----- (Rupees in '000) -----	
30. Long term payables			
Payable to Pakistan Telecommunication Authority	30.1	-	599,230
Payable to Multinet Pakistan (Private) Limited	30.2	-	58,102
Dividend payable on preference shares	30.3	297,420	-
Others		330,295	466,174
		<u>627,715</u>	<u>1,123,506</u>

30.1 Payable to Pakistan Telecommunication Authority ("PTA")

Carrying value of liability		1,711,254	1,711,254
Present value adjustment		(744,131)	(744,131)
		<u>967,123</u>	<u>967,123</u>
Unwinding of discount on liability		744,131	17,624
		<u>1,711,254</u>	<u>984,747</u>
Current maturity	21	(1,711,254)	(385,517)
		<u>-</u>	<u>599,230</u>

This represents amount of interest free Access Promotion Contribution ("APC") charges for USF payable to PTA, prior to the formation of International Clearing House (ICH). Legality of APC charges has already been disputed by some operators in the Supreme Court of Pakistan which is pending adjudication. However, at the time of formation of ICH in August 2012, it was agreed through the ICH agreement that regular contributions for the abovementioned APC shall be made in an Escrow account by LDI operators based on each operator's share under the ICH agreement until resolution of the dispute before Supreme Court of Pakistan. Consequently, the settlement of the liability was estimated by the Group based on the volume of international termination traffic in Pakistan, in a certain number of installments which were discounted using the effective interest rate of 16% per annum.

During the current year, a policy directive was issued in June 2014 for termination of ICH by PTA which was challenged in the Sindh High Court (SHC) and Lahore High Court (LHC) by certain operators, whereby the SHC and LHC granted interim reliefs. Subsequent to year end in February 2015, the Supreme Court of Pakistan passed an order dated 24 February 2015 suspending the operation of the interim reliefs granted by SHC and LHC. Resultantly, PTA has issued a notification dated 24 February 2015 whereby its abovementioned policy directive for termination of ICH has become operative with immediate effect.

In view of the above, since ICH has been terminated subsequently, the total amount has been classified as a current liability on prudence basis. However, as referred to in note 23, the Ministry of Information Technology through its letter dated 30 August 2011 allowed to the operators, the staggering for settlement of APC and Initial Spectrum Fee dues and required PTA to submit an installment plan for this purpose after consultations with the operators. As of the reporting date, no such installment plan has been submitted by PTA and the dispute is still pending adjudication before the Supreme Court of Pakistan. Furthermore, subsequent to the termination of ICH in February 2015 as mentioned above, PTA and LDI operators have not yet agreed a revised mechanism for the settlement of APC dues. Under these circumstances, management does not expect the liability to materialize fully in the near future.

	Note	2014 Audited ----- (Rupees in '000) -----	2013 Un-Audited
30.2 Payable to Multinet Pakistan (Private) Limited ("MPL")			
Carrying value of liability		784,800	784,800
Present value adjustment		(103,356)	(103,356)
		<u>681,444</u>	<u>681,444</u>
Unwinding of discount on liability		103,356	61,591
		<u>784,800</u>	<u>743,035</u>
Exchange loss		120,600	162,000
		<u>905,400</u>	<u>905,035</u>
Current maturity	30.2.1	(905,400)	(846,933)
		<u>-</u>	<u>58,102</u>

This represents amount payable to MPL in respect of IRU of media. As of reporting date, negotiations with MPL for settlement of this liability through a long term payment plan are under way. Considering that the negotiations are at an advanced stage and Group's long business relationship with MPL, management expects that the liability will not materialize fully in the near future.

	Note	2014 Audited ----- (Rupees in '000) -----	2013 Un-Audited
30.2.1 This payable has been adjusted against the receivable from MPL as given below:			
Current maturity		905,400	846,933
Receivable adjusted		(208,716)	(315,474)
Net current maturity	21	<u>696,684</u>	<u>531,459</u>

30.3 This includes dividend payable to the Holding Company amounting to Rs. 171.07 million (2013: Nil).

31 Contingencies and commitments

Contingencies:

31.1 Billing disputes with PTCL

31.1.1 There is a dispute of Rs 72.64 million (2013: Rs 72.64 million) with PTCL in respect of non-revenue time of prepaid calling cards and Rs 44.91 million (2013: Rs 47.24 million) in respect of excess minutes billed on account of interconnect and settlement charges. Similarly, PTCL has charged the Group excess Domestic Private Lease Circuits ("DPLC") and other media charges amounting to Rs 236.30 million (2013: Rs 211.07 million) on account of difference in rates, distances and date of activations. Management has taken up both these issues with PTCL and considers that these would most likely be decided in Group's favor as there are reasonable grounds to defend the Group's stance. Hence, no provision has been made in these financial statements for the above amounts.

31.2 Disputes with Pakistan Telecommunication Authority

31.2.1 There is a dispute with PTA on payment of research and development fund contribution amounting to Rs 5.65 million (2013: Rs 5.65 million). The legal validity of this fund has been challenged before the Supreme Court of Pakistan. Management considers that there are strong grounds to support the Group's stance and is hopeful of a favorable decision. Consequently, no provision has been made in these financial statements for this amount.

31.3 Taxation issues

31.3.1 Returns of total income for the Tax Year 2003 were filed by M/s Worldcall Communications Limited, M/s Worldcall Multimedia Limited, M/s Worldcall Broadband Limited and M/s Worldcall Phone cards Limited, now merged into the Group. Such returns of income were amended by relevant officials under section 122(5A) of the Income Tax Ordinance, 2001 ("Ordinance") through separate orders. Through such amendment orders, in addition to enhancement in aggregate tax liabilities by an amount of Rs 9.90 million, tax losses declared by the respective companies too were curtailed by an aggregate amount of Rs 66.19 million. The Group contested such amendment orders before Commissioner Inland Revenue (Appeals) ["CIR(A)"] and while amendment order for Worldcall Broadband Limited was annulled, partial relief was extended by CIR(A) in respect of appeals pertaining to other companies. The appellate orders extending partial relief were further assailed by Group before Appellate Tribunal Inland Revenue ("ATIR"), which are pending adjudication. Group's management considers that meritorious grounds exist to support the Group's stances and expects relief from ATIR in respect of all the issues being contested. Accordingly, no adjustments/ liabilities on these accounts have been incorporated/ recognized in these financial statements.

31.3.2 Through amendment order passed under section 122(5A) of the Ordinance, return of total income for Tax Year 2006 was amended and declared losses were curtailed by an amount of Rs 780.461 million. The Group's appeal was not entertained by CIR(A) and the amendment order was upheld whereupon the matter was further agitated before ATIR, which is pending adjudication. Group's management expects relief from ATIR in respect of issues involved in the relevant appeal there being valid precedents available on record supporting the Group's stance. Accordingly, no adjustment on this account has been incorporated in these financial statements.

31.3.3 During the current year, a demand of Rs 1,059.595 million (including default surcharge of Rs 325.849 million) was raised against the Group under section 161/205 of the Ordinance for the period relevant to Tax Year 2012 alleging non-compliance with various applicable withholding provisions contained in the Ordinance. The management assailed the subject order in usual appellate course before CIR(A), during the pendency whereof an aggregate recovery of Rs 50.07 million was made by the department. Group's appeal was disposed by CIR(A) through appellate order dated 16 May 2014 and while major issue forming basis of demand was principally decided in department's favor, for reappraisal of certain facts, the assessment order was remanded back for adjudication afresh. Management has preferred further appeal against CIR(A)'s order. While liability aggregating to Rs 103.673 million on this account has been recognized in these financial statements, no adjustment in respect of remaining amount of demand has been made as Group's management considers that, both on legal and factual grounds, Group's position is well founded and thus it would secure relief from ATIR.

31.3.4 A sales tax demand of Rs 167 million was raised against the Group for recovery of an allegedly inadmissible claim of sales tax refund in Tax Year 2006 filed and sanctioned under section 66 of the Sales Tax Act, 1990. The Group's appeal against such order has not been entertained up to the level of the then relevant Customs, Excise and Sales Tax Appellate Tribunal ("CESTAT"). The Group further assailed the issue before Lahore High Court where before the litigation is presently pending. While, recovery to the extent of 20% of principal demand of sales tax has been made by the tax authorities, an interim injunction by honorable Court debars the department for enforcing any further recovery. Since the management considers the refund to be legally admissible to the Group, no liability on this account has been recognized in these financial statements and the amount already recovered has been booked as being receivable from the tax authorities. It is pertinent to highlight here that adverse judgment earlier passed by CESTAT no longer holds the field as through certain subsequent judgments, controversy has been decided by ATIR (forum now holding appellate jurisdiction under the law) in favor of other taxpayers operating in telecom sector.

31.4 Others

Samsung claimed an amount of USD 1.4 million equivalent to Rs 140.84 million (2013: USD 1.4 million equivalent to Rs 147.28 million) against its receivables under a certain settlement and service agreement. However, the Group denies the claim on the basis that Samsung failed to fulfill its obligations under the agreement and did not provide services for which the Group reserves the right to initiate appropriate proceedings against Samsung. Based on the advice of legal counsel, management is of the view that there are meritorious grounds to defend the Group's position and it would be resolved in the Group's favor. Hence, no provision has been made in these financial statements for such amount.

	2014 Audited	2013 Un-Audited
	----- (Rupees in '000) -----	
31.5 Outstanding guarantees	<u><u>1,140,217</u></u>	<u><u>1,119,927</u></u>
Commitments:		
31.6 Commitments in respect of capital expenditure	<u><u>1,851,011</u></u>	<u><u>2,346,433</u></u>
31.7 Outstanding letters of credit	<u><u>4,596</u></u>	<u><u>56,203</u></u>

	2014 Audited	2013 Un-Audited	2014 Audited	2013 Un-Audited
	-----No. of shares-----		----- (Rupees in '000) -----	
32. Ordinary share capital				
Ordinary shares of Rs 10 each 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
	860,571,513	860,571,513	8,605,716	8,605,716

32.1 As at 31 December 2014, the Holding Company holds 488,839,429 ordinary shares (2013: 488,839,429). In addition, 75,967,741 ordinary shares (2013: 81,882,360 ordinary shares) are held by the following related parties (associated companies) as at 31 December 2014:

		2014 Audited	2013 Un-Audited
Related parties	Note	----- (Number of shares) -----	
First Capital Securities Corporation Limited	32.1.1	-	4,221,207
Pace (Pakistan) Limited	32.1.1	-	912
Arif Habib Limited		31,607,500	-
Arif Habib Securities Limited		44,360,241	77,660,241
		75,967,741	81,882,360

32.1.1 These companies ceased to be related parties (associated companies) from 22 April 2014.

	2014 Audited	2013 Un-Audited
	----- (Rupees in '000) -----	
33. Preference share capital		
350,000 Preference shares of USD 100 each fully paid in cash	3,537,700	3,537,700
	2014 Audited	2013 Un-Audited
	----- (Number of shares) -----	
The reconciliation of preference shares is as follows:		
Opening balance	350,000	-
Shares issued during the year	-	350,000
	350,000	350,000

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

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

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

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

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

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

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

2014	2013
Audited	Un-Audited
----- (Rupees in '000) -----	

35. Surplus on revaluation of fixed assets

Revaluation surplus on:

Plant and equipment	413,597	64,059
Intangible assets	1,038,594	430,393
	1,452,191	494,452
Related deferred tax liability	(592,295)	(168,113)

	2014 Audited ------(Rupees in '000)-----	2013 Un-Audited
Transfer to retained earnings in respect of incremental depreciation/amortization net of deferred tax	(143,620)	(116,584)
Transfer from retained earnings in respect of decremental depreciation/amortization net of deferred tax	166,305	148,205
	<u>22,685</u>	<u>31,621</u>
	<u>882,581</u>	<u>357,960</u>

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

		2014 Audited ------(Rupees in '000)-----	2013 Un-Audited
36. Revenue - net	Note		
Gross revenue		2,560,725	3,545,354
Less:			
Sales tax		129,864	73,049
Discount and commission	36.1	116,108	284,669
		<u>245,972</u>	<u>357,718</u>
		<u>2,314,753</u>	<u>3,187,636</u>

36.1 This includes commission of Rs 41.60 million (2013: Rs 48.56 million) for billing and collection services provided by Worldcall Services (Private) Limited, a related party (associated company) as per the Billing and Collection Services Agreement.

		2014 Audited ------(Rupees in '000)-----	2013 Un-Audited
37. Direct cost	Note		
Interconnect, settlement and other charges		747,544	1,336,722
PTCL share cost		6,126	-
Bandwidth and other PTCL charges		181,312	305,313
Depreciation	5.1.5	1,204,034	1,184,274
Amortization	6.3	213,828	193,368
Power consumption and rent	37.1	384,939	378,928
Security services		63,608	63,166
PTA charges	37.2	19,615	25,166
Cable license fee		26,387	22,652
Stock-in-trade consumed		484	1,147
Provision for stock-in-trade	13	8,003	-
Stores and spares consumed		33,385	53,568
Annual spectrum fee		30,389	35,883
Content cost	37.3	(6,812)	40,219
Network maintenance and insurance	37.4	322,259	325,106
Others		139,620	77,187
		<u>3,374,721</u>	<u>4,042,699</u>

37.1 This includes operating lease rentals amounting to Rs 232.43 million (2013: Rs 180.79 million).

	Note	2014 Audited ------(Rupees in '000)-----	2013 Un-Audited
37.2 PTA charges			
LDI license	37.2.1	14,565	18,732
WLL license	37.2.2	68	596
Broadband license		4,216	4,017
Telephony license	37.2.3	166	242
Annual numbering charges		600	1,579
		<u>19,615</u>	<u>25,166</u>

37.2.1 LDI license

Universal service fund	8,739	11,240
Research and development fund	2,913	3,746
Annual regulatory fee	2,913	3,746
	<u>14,565</u>	<u>18,732</u>

37.2.2 This represents Royalty fee.

37.2.3 Telephony license

Universal service fund	100	146
Research and development fund	33	48
Annual regulatory fee	33	48
	<u>166</u>	<u>242</u>

37.3 This includes a reversal of Rs 57.40 million excess content cost booked in prior years.

37.4 This includes an expense of Rs 10.25 million (2013: Rs 10.25 million) for maintenance services provided by Worldcall Services (Private) Limited, a related party (associated company) as per the Gen-set Maintenance Services Agreement.

	Note	2014 Audited ------(Rupees in '000)-----	2013 Un-Audited
38. Operating cost			
Salaries, wages and benefits		487,271	487,675
Marketing, advertisement and selling expenses		11,065	11,914
Rent, rates and taxes	38.1	90,219	91,887
Communications		8,406	8,176
Transportation		23,406	17,193
Legal and professional		53,778	36,963
Insurance		17,433	29,860
Utilities		31,220	36,808

		2014 Audited	2013 Un-Audited
	Note	----- (Rupees in '000) -----	
Printing and stationery		3,856	5,027
Entertainment		15,506	10,628
Travel and conveyance		94,354	66,043
Repairs and maintenance		22,718	22,662
Provision for doubtful debts	14.2	203,858	596,284
Provision for doubtful advances	15.3	48,296	-
Fees and subscriptions		7,853	9,764
Directors' meeting expenses		4,435	6,879
Postage and courier		859	994
Newspapers and periodicals		433	304
Auditor's remuneration	38.2	6,270	7,404
Depreciation	5.1.5	65,791	81,600
Miscellaneous	38.3	72,280	41,919
		<u>1,269,307</u>	<u>1,569,984</u>

38.1 This includes operating lease rentals amounting to Rs 78.40 million (2013: Rs 84 million).

	2014 Audited	2013 Un-Audited
	----- (Rupees in '000) -----	
38.2 Auditor's remuneration		
Statutory audit	2,500	2,650
Half year review	1,000	1,000
International reporting	2,000	2,000
Taxation and other services	270	1,254
Out of pocket expenses	500	500
	<u>6,270</u>	<u>7,404</u>

38.3 This includes an expense of Rs 28.80 million (2013: Rs 28.80 million) for general support services provided by Worldcall Services (Private) Limited, a related party (associated company) as per the General Support Services Agreement.

38.4 The group has 1,084 (2013: 1,114) employees at the end of year, whereas, the average number of employees during the year were 1,078 (2013: 1,162).

		2014 Audited	2013 Un-Audited
	Note	----- (Rupees in '000) -----	
39. Finance cost			
Mark up on long term loans		158,714	114,870
Mark up on short term borrowings		96,128	171,990
Financial charge on leased liabilities		1,101	6,630
Mark up on Term Finance Certificates		205,299	184,608
Management and advisory fee	39.1	126,978	57,234
Discounting charges		768,273	48,026

	2014 Audited ----- (Rupees in '000) -----	2013 Un-Audited
Amortization of transaction cost	28,264	9,748
Bank charges and commission	23,491	43,076
	<u>1,408,248</u>	<u>636,182</u>

39.1 This includes Rs 124.24 million (2013: Rs 55.96 million) for management fee in respect of CPS to the Holding Company.

	2014 Audited ----- (Rupees in '000) -----	2013 Un-Audited
Note		

40. Other income

Income from financial assets/liabilities:

Income on deposit and savings accounts	105,655	79,600
Exchange gain	334,850	-
Amortization of receivables	10,552	10,659
	<u>451,057</u>	<u>90,259</u>

Income from non-financial assets:

Scrap sales	394	386
Profit/(loss) on sale of property, plant and equipment	6,154	(9,424)
Miscellaneous	32,884	3,924
	<u>39,432</u>	<u>(5,114)</u>
	<u>490,489</u>	<u>85,145</u>

41. Other expenses

Advances written off	14,786	-
Exchange loss	-	520,199
Miscellaneous	2,685	-
	<u>17,471</u>	<u>520,199</u>

42. Taxation

Current tax		
- For the year	42.1	24,309
- Prior years		116,875
		<u>141,184</u>
Deferred	9	(657,949)
		<u>(516,765)</u>
		<u>31,876</u>
		<u>(1,246,235)</u>
		<u>(1,214,359)</u>

42.1 This represents minimum tax under Section 113 of the Income Tax Ordinance, 2001 on turnover.

42.2 Tax charge reconciliation

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

	2014 Audited % age	2013 Un-Audited % age
Applicable tax rate	33.00	34.00
Tax effect of amounts that are:		
Not deductible for tax purposes	(1.81)	(0.65)
Deferred tax asset not recognized on minimum tax available for carry forward	(0.73)	(0.91)
Effect of change in prior years' tax	(16.76)	1.55
Effect of change in tax rate	1.94	-
Others	-	0.55
	(17.36)	0.54
Average effective tax rate	15.64	34.54

43. Loss per share

43.1 Basic loss per share

From continuing operations

Loss after taxation attributable for distribution to ordinary shareholders	<i>Rupees in '000</i>	(3,000,852)	(2,395,362)
Weighted average number of ordinary shares	<i>Number in '000</i>	860,572	860,572
Basic loss per share	<i>Rupees</i>	(3.49)	(2.78)

From discontinued operations

Loss after taxation attributable for distribution to ordinary shareholders	<i>Rupees in '000</i>	(892)	(2,043)
Weighted average number of ordinary shares	<i>Number in '000</i>	860,572	860,572
Basic loss per share	<i>Rupees</i>	(0.00)	(0.00)

43.2 Diluted loss per share

From continuing operations

Loss after taxation attributable for distribution to ordinary shareholders	<i>Rupees in '000</i>	(2,787,514)	(2,301,580)
Weighted average number of ordinary shares	<i>Number in '000</i>	3,298,414	1,594,941
Diluted loss per share	<i>Rupees</i>	(0.85)	(1.44)

From discontinued operations

Loss after taxation attributable for distribution to ordinary shareholders	<i>Rupees in '000</i>	(892)	(2,043)
Weighted average number of ordinary shares	<i>Number in '000</i>	3,298,414	1,594,941
Diluted loss per share	<i>Rupees</i>	(0.00)	(0.00)

44. Related party transactions

The related parties comprise of associated companies, related group companies, directors, companies where directors also hold directorship and key management personnel.

Significant transactions with related parties other than those disclosed elsewhere in the consolidated financial statements are as follows:

Relationship with the Group	Nature of transactions	2014 Audited	2013 Un-Audited
		----- (Rupees in '000) -----	
1. Holding Company	Purchase of goods and services	-	16
	Sale of goods and services	-	6
	Dividend on preference shares	116,314	54,756
2. Key management personnel	Salaries and other employee benefits	323,947	307,104

45. Cash (used in)/generated from operations

Loss before taxation	(3,305,171)	(3,517,982)
----------------------	-------------	-------------

Adjustment for non-cash charges and other items:

- Depreciation on property, plant and equipment	1,269,825	1,265,874
- Amortization on intangible assets	213,828	193,368
- Amortization of transaction cost	28,264	9,748
- Discounting charges	768,273	48,026
- Amortization of long term trade receivables	(10,552)	(10,659)
- Provision for doubtful debts and other receivables	203,858	596,284
- Provision for stock-in-trade and stores and spares	(2,571)	14,042
- Provision for doubtful advances	48,296	-
- Exchange translation difference	2,920	(3,743)
- Gain on sale of property, plant and equipment	(6,154)	9,424
- Exchange loss on foreign currency loan	(160,550)	279,450
- Loss on remeasurement of investment property at fair value	39,774	-
- Impairment loss on available-for-sale financial assets	-	19,656
- Advances written off	14,786	-
- Retirement benefits	58,992	63,855
- Finance costs	611,711	578,408
Loss before working capital changes	(224,471)	(454,249)

Effect on cash flow due to working capital changes:

(Increase)/decrease in current assets

- Stores and spares	(26,420)	24,776
- Stock-in-trade	(37,706)	(35,775)
- Trade debts	(69,140)	995,969
- Loans and advances	124,773	471,812
- Deposits and prepayments	49,134	(249,791)
- Other receivables	31,371	(15,546)

Increase in current liabilities

- Trade and other payables	21,813	936,236
	93,825	2,127,681
	(130,645)	1,673,432

46. Remuneration of Chief Executive Officer, Directors and Executives

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

	Chief Executive Officer		Non-executive Directors		Executives	
	2014	2013	2014	2013	2014	2013
	Audited	Un-Audited	Audited	Un-Audited	Audited	Un-Audited
	----- (Rupees in '000') -----					
Managerial remuneration	17,920	17,920	-	-	171,640	161,951
Retirement benefits	2,987	2,987	-	-	27,985	27,432
Housing	7,168	7,168	-	-	68,656	64,780
Utilities	1,792	1,792	-	-	17,164	16,195
Meeting fee allowance	-	-	4,435	6,879	-	-
Advisory fee	-	-	4,200	-	-	-
	29,867	29,867	8,635	6,879	285,445	270,358
Number of persons	1	1	7	7	135	112

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

46.2 There is no executive director.

47. Financial risk management

The Group 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 Group's financial instruments is limited as there is no significant exposure to market risk in respect of such instruments.

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

- Credit risk
- Liquidity risk
- Market risk

47.1 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 Group's credit risk is primarily attributable to its long term trade receivable, trade debts, loans and advances and deposits with banks. The Group 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 Group applies credit limits to its customers and obtains advances from certain customers.

47.1.1 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:

	2014 Audited	2013 Un-Audited
	-----Rupees in '000)-----	
Long term loans	3,802	6,769
Long term deposits	58,566	70,846
Long term trade receivable	110,380	172,794
Trade debts	911,906	1,043,058
Loans and advances	557,213	559,591
Short term deposits	100,124	156,118
Other receivables	5,534	26,801
Short term investments	74,767	83,193
Bank balances	405,104	2,497,416
	2,227,396	4,616,586

47.1.2 Credit quality of financial assets

The credit quality of major financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

	Rating		Rating Agency	2014 Audited	2013 Un-Audited
	Short term	Long term		-----Rupees in '000)-----	
AGCN Pakistan (Private) Limited [Formerly Getronics Pakistan (Private) Limited]	Not available			211,403	272,189
Huawei Technologies Company Limited	Not available			236,049	236,049
Al Baraka Bank (Pakistan) Limited	A-1	A	JCR-VIS	-	9
Allied Bank Limited	A1+	AA+	PACRA	192	-
Askari Bank Limited	A1+	AA	PACRA	8,102	108,132
Bank AL Habib Limited	A1+	AA+	PACRA	47,045	200,000
Barclays Bank Limited	F1	A	Fitch	1,734	5,329
Deutsche Bank AG	P-1	A3	Moody's	6	11
Habib Bank Limited	A-1+	AAA	JCR-VIS	66	1,071,865
Faysal Bank Limited	A1+	AA	PACRA	-	472
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	425	2,929
JS Bank Limited	A1	A+	PACRA	15	15
HSBC Bank Middle East Limited	F1+	AA-	Fitch	-	5
KASB Bank Limited	C	B	PACRA	1,942	99,968
MCB Bank Limited	A1+	AAA	PACRA	132	100,144
NIB Bank Limited	A1+	AA-	PACRA	1,846	289
National Bank of Pakistan	A-1+	AAA	JCR-VIS	340,312	250,028
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	410	6,865
Soneri Bank Limited	A1+	AA-	PACRA	1,847	2,845
Summit Bank Limited	A-1	A	JCR-VIS	545	200,000
The Bank of Punjab	A1+	AA-	PACRA	29	201,729
Tameer Microfinance Bank Limited	A-1	A+	PACRA	74	40
United Bank Limited	A-1+	AA+	JCR-VIS	382	246,741
				852,556	3,005,654

Due to the Group's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Group. Accordingly, the credit risk is minimal.

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

2014 **2013**
Audited **Un-Audited**
-----**(Rupees in '000)**-----

The age of gross trade debts and long term trade receivables

Not past due	579,055	856,803
Past due 0 - 180 days	268,851	248,569
Past due 181 - 365 days	66,088	86,249
1 - 2 years	215,438	216,179
More than 2 years	1,702,206	1,413,546
	<u>2,831,638</u>	<u>2,821,346</u>

The age of impairment loss

Past due 0 - 180 days	1,082	61,384
Past due 181 - 365 days	5,180	15,103
1 - 2 years	100,884	115,461
More than 2 years	1,702,206	1,413,546
	<u>1,809,352</u>	<u>1,605,494</u>

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

Opening balance	1,605,494	1,009,210
Charge for the year	203,858	596,284
Closing balance	<u>1,809,352</u>	<u>1,605,494</u>

47.2 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 2014:

	Total Amount	6 months or less	6-12 months	1-2 year	More than 2 years
	Audited	Audited	Audited	Audited	Audited
	----- (Rupees in '000) -----				
Term finance certificates - secured	1,643,735	1,643,735	-	-	-
Long term loan	3,333,952	522,371	425,898	919,871	1,465,812
Liabilities against assets subject to finance lease	4,200	585	625	1,382	1,608
Long term payables	3,035,653	2,407,938	-	330,295	297,420
Long term deposits	35,421	-	-	-	35,421
License fee payable	1,021,500	1,021,500	-	-	-
Short term borrowings	768,890	768,890	-	-	-
Trade and other payables	6,638,036	6,081,059	556,977	-	-
Interest and mark up accrued	202,051	202,051	-	-	-
	<u>16,683,438</u>	<u>12,648,129</u>	<u>983,500</u>	<u>1,251,548</u>	<u>1,800,261</u>

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

	Carrying Amount	6 months or less	6-12 months	1-2 year	More than 2 years
	Un-Audited	Un-Audited	Un-Audited	Un-Audited	Un-Audited
	----- (Rupees in '000) -----				
Term finance certificates - secured	1,643,735	-	547,911	1,095,824	-
Long term loan	3,516,797	105,200	210,400	736,400	2,464,797
Liabilities against assets subject to to finance lease	52,183	48,455	2,304	690	734
Long term payables	2,040,482	916,976	-	473,563	649,943
Long term deposits	42,333	-	-	-	42,333
License fee payable	1,021,500	1,021,500	-	-	-
Short term borrowings	856,700	856,700	-	-	-
Trade and other payables	6,441,809	5,910,524	437,503	-	93,782
Interest and mark up accrued	258,311	258,311	-	-	-
	<u>15,873,850</u>	<u>9,117,666</u>	<u>1,198,118</u>	<u>2,306,477</u>	<u>3,251,589</u>

47.3 Market risk

47.3.1 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 risk on sales and purchases that are entered in a currency other than Pak Rupees. The Group's foreign currency payables are substantially hedged against foreign currency receivables.

The Group exposure to foreign currency risk was as follows:

	2014 Audited	2013 Un-Audited
	----- (USD '000) -----	
Trade receivables	4,363	3,464
Trade payables	(39,095)	(44,081)
Borrowings	(33,500)	(34,500)
Net exposure	<u>(68,232)</u>	<u>(75,117)</u>
	2014	2013

The following significant exchange rates were applied during the year

Average rate - Rupees per US Dollar (USD)	102.90	101.15
Reporting date rate - Rupees per US Dollar (USD)	100.60	105.20

If the functional currency, at reporting date, had weakened/strengthened by 5% against the USD with all other variables held constant, post-tax loss for the year would have been Rs 229.95 million (2013: Rs 260.78 million) higher / lower, mainly as a result of foreign exchange gains / losses on translation of foreign currency denominated loan and trade payables. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis.

47.3.2 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 Group has adopted appropriate policies to cover interest rate risk.

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

Fixed rate instruments

2014 **2013**
Audited **Un-Audited**
-----**(Rupees in '000)**-----

Financial assets

Deposits - Term deposit receipts	58,000	-
Cash and bank balances- deposits	-	1,500,000
	58,000	1,500,000

Financial liabilities

-	-
58,000	1,500,000

Floating rate instruments

Financial assets

Cash and bank balances- saving accounts	353,958	769,116
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Financial liabilities

Term finance certificates	(1,643,735)	(1,643,735)
Long term loans	(3,333,952)	(3,516,797)
Liabilities against assets subject to finance lease	(4,200)	(52,183)
Short term borrowings	(768,890)	(856,700)
	(5,396,819)	(5,300,299)

Fair value sensitivity analysis for fixed rate instruments

The Group 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 of the Group.

Cash flow sensitivity analysis for variable rate instruments

An increase of 1% in interest rate at the reporting date would have increased post tax loss by Rs 36.16 million (2013: Rs 34.98 million). Similarly a decrease of 1% in interest rate would have decreased post tax loss by similar amount. This analysis assumes that all other variables remain constant.

47.3.3 Other market price risk

Equity price risk arises from investments at fair value through profit or loss. The primary goal of the Group's investment strategy is to maximize 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 1.00% of the Group's total assets, the performance of the investments will not have any material impact on the Group's performance.

47.4 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.

Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2014.

	Level 1 Audited	Level 2 Audited	Level 3 Audited	Total Audited
	----- (Rupees in '000) -----			
Assets				
Available-for-sale investments	74,767	-	-	74,767
Liabilities	-	-	-	-

The following table presents the Groups assets and liabilities that are measured at fair value at 31 December 2013.

	Level 1 Un-Audited	Level 2 Un-Audited	Level 3 Un-Audited	Total Un-Audited
	----- (Rupees in '000) -----			
Assets				
Available-for-sale investments	83,193	-	-	83,193
Liabilities	-	-	-	-

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

47.5 Capital management

The Group'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 Group's business. The Board of Directors monitors the return on capital employed, which the Group defines as operating income divided by total capital employed. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Group'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 debt-to-equity ratio is as follows:

	2014 Audited	2013 Un-Audited
	------(Rupees in '000)-----	
Total debt	5,750,777	6,069,415
Less: Cash and cash equivalents	750,001	2,501,980
Net debt	5,000,776	3,567,435
Total equity (includes surplus on revaluation of fixed assets)	7,471,265	9,949,780
Gearing ratio	Percentage	
	40%	26%

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

47.6 Financial instruments by categories

	Available-for- sale	At fair value through profit or loss	Held to maturity	Loans and receivables	Total
----- (Rupees in '000) -----					
As at 31 December 2014					
Assets as per balance sheet					
Long term loans	-	-	-	3,802	3,802
Long term deposits	-	-	-	58,566	58,566
Long term trade receivables	-	-	-	110,380	110,380
Trade debts	-	-	-	911,906	911,906
Loans and advances	-	-	-	557,213	557,213
Short term deposits	-	-	-	100,124	100,124
Other receivables	-	-	-	5,534	5,534
Short term investments	74,767	-	-	-	74,767
Cash and bank balances	-	-	-	750,001	750,001
	74,767	-	-	2,497,526	2,572,293
					Financial liabilities at amortized cost (Rupees in '000)
Liabilities as per balance sheet					
Term finance certificates - secured					1,643,735
Long term loans					3,333,952
Liabilities against assets subject to finance lease					4,200
Long term payables					3,035,653
Long term deposits					35,421
License fee payable					1,021,500
Short term borrowings					768,890
Trade and other payables					6,638,036
Interest and mark up accrued					202,051
					16,683,438

Available-for-sale	At fair value through profit or loss	Held to maturity	Loans and receivables	Total
----- (Rupees in '000) -----				

As at 31 December 2013

Assets as per balance sheet

Long term advances	-	-	-	6,769	6,769
Long term deposits	-	-	-	70,846	70,846
Long term trade receivables	-	-	-	172,794	172,794
Trade debts	-	-	-	1,043,058	1,043,058
Loans and advances	-	-	-	559,591	559,591
Short term deposits	-	-	-	156,118	156,118
Other receivables	-	-	-	26,801	26,801
Short term investments	83,193	-	-	-	83,193
Cash and bank balances	-	-	-	2,501,980	2,501,980
	<u>83,193</u>	<u>-</u>	<u>-</u>	<u>4,537,957</u>	<u>4,621,150</u>

Financial liabilities at amortized cost

(Rupees in '000)

Liabilities as per balance sheet

Term finance certificates - secured	1,643,735
Long term loans	3,516,797
Liabilities against assets subject to finance lease	52,183
Long term payables	2,040,482
Long term deposits	42,333
License fee payable	1,021,500
Short term borrowings	856,700
Trade and other payables	6,441,809
Interest and mark up accrued	<u>258,311</u>
	<u>15,873,850</u>

47.7 Offsetting financial assets and financial liabilities

(a) Financial assets

The following financial assets are subject to offsetting, enforceable master netting arrangements and similar agreements:

	Gross amounts of recognized financial assets	Gross amount of recognized financial liabilities off set in the balance sheet	Net amount of financial assets presented in the balance sheet	Related amounts not off set in the balance sheet	Net amount	Financial assets not in scope of off setting disclosures
As at 31 December 2014						
	A	B	C = A + B	D	E = C + D	
Long term trade receivables	-	-	-	-	-	110,380
Long term loans	-	-	-	-	-	3,802
Long term deposits	-	-	-	-	-	58,566
Trade debts	4,493,536	(1,772,278)	2,721,258	-	2,721,258	-
Loans and advances	-	-	-	-	-	557,213
Short term deposits	-	-	-	-	-	100,124
Other receivables	-	-	-	-	-	5,534
Short term investments	-	-	-	-	-	74,767
Cash and bank balances	-	-	-	-	-	749,999
	4,493,536	(1,772,278)	2,721,258	-	2,721,258	

	Gross amounts of recognized financial assets	Gross amount of recognized financial liabilities off set in the balance sheet	Net amount of financial assets presented in the balance sheet	Related amounts not off set in the balance sheet	Net amount	Financial assets not in scope of off setting disclosures
As at 31 December 2013						
	A	B	C = A + B	D	E = C + D	
Long term trade receivables	-	-	-	-	-	172,794
Long term loans	-	-	-	-	-	6,769
Long term deposits	-	-	-	-	-	70,846
Trade debts	3,292,053	(643,501)	2,648,552	-	2,648,552	-
Loans and advances	-	-	-	-	-	559,591
Short term deposits	-	-	-	-	-	156,118
Other receivables	-	-	-	-	-	26,801
Short term investments	-	-	-	-	-	83,193
Cash and bank balances	-	-	-	-	-	2,501,852
	3,292,053	(643,501)	2,648,552	-	2,648,552	

(b) Financial liabilities

The following financial liabilities are subject to offsetting, enforceable master netting arrangements and similar agreements:

	Gross amounts of recognized financial liabilities	Gross amount of recognized financial assets off set in the balance sheet	Net amount of financial liabilities presented in the balance sheet	Related amounts not off set in the balance sheet	Net amount	Financial liabilities not in scope of off setting disclosures
As at 31 December 2014						
	A	B	C = A + B	D	E = C + D	
Short term borrowings	-	-	-	-	-	768,890
License fee payable	-	-	-	-	-	1,021,500
Trade and other payables	10,818,252	(1,772,278)	9,045,974	-	9,045,974	-
Interest and mark-up accrued	-	-	-	-	-	202,051
Term finance certificates	-	-	-	-	-	1,643,735
Long term loans	-	-	-	-	-	3,333,952
Liabilities against assets subject to finance lease	-	-	-	-	-	4,200
Long term payables	-	-	-	-	-	627,715
Long term deposits	-	-	-	-	-	35,421
	10,818,252	(1,772,278)	9,045,974	-	9,045,974	

	Gross amounts of recognized financial liabilities	Gross amount of recognized financial assets off set in the balance sheet	Net amount of financial liabilities presented in the balance sheet	Related amounts not off set in the balance sheet	Net amount	Financial liabilities not in scope of off setting disclosures
	A	B	C = A + B	D	E = C + D	
As at 31 December 2013						
	(Rupees in '000)					
Short term borrowings	-	-	-	-	-	856,700
License fee payable	-	-	-	-	-	1,021,500
Trade and other payables	8,002,286	(643,501)	7,358,785	-	7,358,785	-
Interest and mark-up accrued	-	-	-	-	-	258,311
Term finance certificates	-	-	-	-	-	1,643,735
Long term loans	-	-	-	-	-	3,516,797
Liabilities against assets subject to	-	-	-	-	-	52,183
Long term payables	-	-	-	-	-	1,123,506
Long term deposits	-	-	-	-	-	42,333
	8,002,286	(643,501)	7,358,785	-	7,358,785	

48. Date of authorization for issue

These financial statements were authorized for issue on 29 March 2015 by the Board of Directors.

49. Corresponding figures

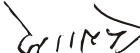
SECP had granted exemption from consolidation of the Subsidiary for the year ended 31 December 2013 only. Consequently, consolidated financial statements of the Group were not prepared for the year ended 31 December 2013. Therefore, the corresponding figures as of and for the year ended 31 December 2013 are un-audited.

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

50. General

Figures have been rounded off to the nearest thousand of Pak Rupee.


CHIEF EXECUTIVE OFFICER


DIRECTOR

PATTERN OF SHAREHOLDING AS AT 31 DECEMBER 2014

Incorporation Number : 0042200 OF 15-03-2001

No. of Shareholders	Shareholding		Total Shares Held
	From	To	
545	1	- 100	23,493
1057	101	- 500	346,721
3189	501	- 1,000	2,210,280
2178	1,001	- 5,000	6,034,417
768	5,001	- 10,000	6,509,170
1223	10,001	- 50,000	31,489,596
282	50,001	- 100,000	21,731,723
272	100,001	- 500,000	57,972,040
34	500,001	- 1,000,000	23,954,862
24	1,000,001	- 5,000,000	51,882,127
2	5,000,001	- 10,000,000	10,582,000
1	10,000,001	- 15,000,000	13,800,000
1	15,000,001	- 25,000,000	22,000,000
3	25,000,001	- 50,000,000	123,195,655
1	50,000,001	- above	488,839,429
9580	Total		860,571,513

PATTERN OF SHAREHOLDING AS AT 31 DECEMBER 2014

Categories of Shareholders	Shares held	Percentage
Directors, Chief Executive Officer and their spouses and minor children	132,150	0.02%
Associated Companies, Undertakings and Related parties	533,099,670	61.95%
NIT and ICP	-	0.00%
Banks, Development Financial Institutions, Non-Banking Financial Institutions	47,866,968	5.56%
Insurance Companies	52,912	0.01%
Modarabas and Mutual Funds	2,967,302	0.34%
* Shareholders holding 10% or more	488,839,429	56.80%
<u>General Public</u>		
a. Local	192,926,142	22.42%
b. Foreign	12,404,677	1.44%
<u>Others</u>		
- Joint Stock Companies	70,965,836	8.25%
- Foreign Companies	155,856	0.02%
Total *	860,571,513	100.00%

*** Note:-** Total is except for shareholders holding 10% or more as some of the shareholders are reflected in more than one category.

PATTERN OF SHAREHOLDING AS PER LISTING REGULATIONS AS AT 31 DECEMBER 2014

Shareholders' Categories	No. of Shares Held	Percentage
<u>Associated Companies, Undertaking and Related Parties</u>		
Arif Habib Corporation Limited	44,260,241	5.14%
Oman Telecommunications Company (S.A.O.G.)	488,839,429	56.80%
<u>Mutual Funds</u>		
Prudential Stock Fund Ltd.	302	0.00%
Golden Arrow Selected Stocks Fund Limited	2,752,000	0.32%
<u>Directors, Chief Executive Officer and their Spouse & Minor Children</u>		
Mr. Mehdi Mohammed Al Abduwani	20,500	0.00%
Mr. Talal Said Marhoon Al Mamari	500	0.00%
Mr. Aimen Bin Ahmed Al Hosni	575	0.00%
Mr. Samy Ahmed Abdulqadir Al Ghassany	500	0.00%
Mr. Sohail Qadir	500	0.00%
Mr. Asadullah Khawaja	100,000	0.01%
Dr. Syed Salman Ali Shah	9,500	0.00%
Babar Ali Syed (CEO)	75	0.00%
<u>Executives</u>	210,000	0.02%
<u>Public Sector Companies and Corporations</u>	71,121,692	8.26%
<u>Banks, Development Financial Institutions, Non-Banking, Finance Companies, Insurance Companies and Modarabas</u>	48,134,880	5.59%
<u>General Public</u>	205,120,819	23.84%
	860,571,513	100.00%
<u>Shareholders holding 5% or more voting rights in the Company</u>		
Oman Telecommunications Company (S.A.O.G.)	488,839,429	56.80%
Arif Habib Corporation Limited	44,260,241	5.14%

All trades in shares carried out by Directors, Executives and their spouses and minor children is reported as under:

Name	No. of Shares	Purchase/Sale /Transfer
Dr. Syed Salman Ali Shah	9,500	Purchased



**FORM OF PROXY**

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

Folio # 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 30 April 2015 at 11:00 a.m. and at any adjournment thereof.

Signature this _____ Day of _____ 2015.

Signature
on Rs.5/-
Revenue
Stamp

(Signature should agree with the specimen
signature registered with the Company)

1. Witness

Signature _____

Name _____

Address _____

CNIC #

						-													
--	--	--	--	--	--	---	--	--	--	--	--	--	--	--	--	--	--	--	--

or Passport No. _____

2. Witness

Signature _____

Name _____

Address _____

CNIC #

						-													
--	--	--	--	--	--	---	--	--	--	--	--	--	--	--	--	--	--	--	--

or Passport No. _____

Notes:

1. This Proxy Form, duly completed and signed, must be received at the Registered Office of the Company, 67-A, C/III, Gulberg-III, Lahore, not less 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. If a member appoints more than one proxy and more than one instruments of proxy are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.

For CDC Account Holders / Corporate Entities:

In addition to the above the following requirements have to be met:

- i. The proxy form shall be witnessed by two persons whose names, addresses and CNIC / SNIC (Computer National Identity Card / Smart National Identity Card) numbers shall be mentioned on the form.
- ii. Attested copies of CNIC / SNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- iii. The proxy shall produce his original CNIC / SNIC or original passport at the time of the meeting.
- iv. In case of corporate entity, the Board of Directors resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

