

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

**30 JUNE 2009**

## VISION

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

## MISSION STATEMENT

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

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

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

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

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

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**COMPANY INFORMATION**

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

**DIRECTORS' REVIEW**

The Directors of Worldcall Telecom Limited ("WTL" or the "Company") are pleased to present the financial information for the second quarter and six months ended 30 June, 2009.

**Financial Overview**

The Company posted revenue of Rs. 3,990 million for the period which is nearly twice the revenue of the same period last year. This rise was mainly contributed by higher volumes of international traffic. The launch of services in new areas also led to significant improvement in revenue as compared to last period. GP ratio however declined from 26.48 % to 16.18 % as direct cost registered an increase of 116%. Higher interconnect and settlement cost led to such huge increase in direct cost. Apart from this, increase in depreciation charges on the significant enhancement in equipment and infrastructure also contributed to higher volume of direct cost. Despite expansion of service areas, the Company exercised a stringent control on operating expenses and was able to reduce the operating expenses by Rs 30 million as compared to last period. The performance for quarter ended June 30, 2009 if analyzed separately, depicts a promising trend as the Company was able to record an operating profit of Rs. 90.316 million. However the quoted securities in which the Company has investment remained under pressure during the period and suffered significant decline in the market values. Consequently the Company had to recognize an impairment loss of Rs. 168 million. The heavy loss due to impairment resulted in the net loss after tax of Rs. 227 million.

**Future Outlook**

The Company is currently focusing on strengthening its operations in its current services regime while following the roll out strategy as chalked out earlier. The launch of different value added services in new areas has been greatly welcomed by the public. The EVDO service that was launched in Lahore, Sialkot and Gujranwala during the quarter has attracted good response from the users. Preparations have been completed for the launch of this service in two more cities namely Faisalabad and Multan. The data services segment offers great potential for development and growth and is central to the Company's strategy of future roll out and expansions. The Company has won a major project for roll out of data services in MTR. In bidding that was held under Universal Service Fund, the Company won the project amounting to Rs 785 million for 6 districts of the said region.

**Company's staff and customers**

We wish to place on record here our appreciation and thanks for our valuable employees. Their dedication to the work and loyalty to the organization is praiseworthy. We are also thankful to our customers who have trusted our products and our contractors who have supported us in our journey.

For and on behalf of the Board of Directors

Dubai  
14 August 2009

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

**Independent Auditors Report on Review of Condensed Interim Financial Information to the Members**

**Introduction**

We have reviewed the accompanying condensed interim balance sheet of **Worldcall Telecom Limited**. ("the Company") as at 30 June 2009 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim cash flow statement together with the notes forming part thereof for the six months period then ended there-in-after referred to as ("the condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

**Scope of Review**

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

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the six months ended 30 June 2009 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan relating to interim financial reporting.

The figures for the quarter ended 30 June 2009 in the condensed interim profit and loss account have not been reviewed and we do not express a conclusion on them.

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

Lahore  
14 August 2009

**CONDENSED INTERIM BALANCE SHEET (Un-Audited) AS AT 30 JUNE 2009**

	Note	30 June 2009	31 December 2008
(Rupees in '000')			
<b>NON CURRENT ASSETS</b>			
<b>Tangible fixed assets</b>			
Property, plant and equipment	5	11,375,795	9,901,500
Capital work-in-progress		2,067,722	2,541,796
		<u>13,443,517</u>	<u>12,443,296</u>
<b>Intangible assets</b>			
Investment properties		4,847,675	4,928,080
Long term investments - at cost less impairment		76,162	76,162
Long term deposits		41,995	41,995
		<u>69,642</u>	<u>76,483</u>
		<u>18,478,991</u>	<u>17,566,016</u>
<b>CURRENT ASSETS</b>			
Store and spares		411,657	418,575
Stock in trade		168,907	143,253
Trade debts		1,526,272	977,845
Loans and advances - considered good		506,429	441,185
Deposits and prepayments		304,551	231,650
Other receivables		129,501	184,441
Short term investments		152,952	344,072
Income tax recoverable-net		150,474	132,689
Cash and bank balances		278,552	564,188
		<u>3,629,295</u>	<u>3,437,898</u>
<b>CURRENT LIABILITIES</b>			
Current maturities of non-current liabilities		398,521	515,149
Running finance under mark-up arrangements - secured		632,591	427,240
Trade and other payables		2,772,780	1,863,676
Interest and mark-up accrued		166,155	175,371
		<u>3,970,047</u>	<u>2,981,436</u>
		<u>(340,752)</u>	<u>456,462</u>
<b>NET CURRENT (LIABILITIES)/ASSETS</b>			
<b>NON CURRENT LIABILITIES</b>			
Term finance certificates - secured		3,964,889	4,018,133
Deferred taxation		521,584	553,400
Retirement benefits		154,642	156,957
Liabilities against assets subject to finance lease		13,111	63,444
Long term payables		943,987	502,674
Long term deposits		46,169	46,111
License fee payable		1,034,454	972,125
		<u>6,678,836</u>	<u>6,312,844</u>
Contingencies and commitments	6	<u>11,459,403</u>	<u>11,709,634</u>
<b>Represented By</b>			
<b>Share capital and reserves</b>			
Authorized capital 900,000,000 ( 31 December 2008: 900,000,000) ordinary shares of Rs. 10 each		9,000,000	9,000,000
Issued, subscribed and paid up capital		8,605,716	8,605,716
Share premium		837,335	837,335
Fair value reserve		(253,968)	(230,713)
Accumulated profit		1,942,140	2,172,537
		<u>11,131,223</u>	<u>11,384,875</u>
Surplus on Revaluation		328,180	324,759
		<u>11,459,403</u>	<u>11,709,634</u>

The annexed notes 1 to 11 form an integral part of this condensed interim financial information.

Dubai

Chief Executive

Director

## Worldcall Telecom Limited

### CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED) FOR THE HALF YEAR ENDED 30 JUNE 2009

	Half year ended 30 June 2009	Restated Half year ended 30 June 2008	Quarter ended 30 June 2009	Restated Quarter ended 30 June 2008
	(Rupees in '000)		(Rupees in '000)	
Revenue -net	3,989,910	2,104,947	2,185,056	1,163,231
Direct cost	(3,344,457)	(1,547,639)	(1,792,034)	(875,634)
<b>Gross profit</b>	<u>645,453</u>	<u>557,308</u>	<u>393,022</u>	<u>287,597</u>
Operating cost	(593,309)	(622,913)	(302,706)	(392,262)
<b>Operating profit/(loss)</b>	<u>52,144</u>	<u>(65,605)</u>	<u>90,316</u>	<u>(104,665)</u>
Finance cost	(169,022)	(227,305)	(86,690)	(150,094)
	<u>(116,878)</u>	<u>(292,910)</u>	<u>3,626</u>	<u>(254,759)</u>
Loss on re-measurement of investments at fair value	-	(99,680)	-	(43,859)
Impairment loss on available for sale financial assets	(167,865)	-	(167,865)	-
Gain on re-measurement of investment property at fair value	-	2,005	-	2,005
Other operating income	33,225	70,481	17,129	57,231
Other expenses	(7,060)	(29,941)	221	(27,457)
<b>Loss before taxation</b>	<u>(258,578)</u>	<u>(350,045)</u>	<u>(146,889)</u>	<u>(266,839)</u>
Taxation	31,602	66,314	(8,696)	51,330
<b>Loss after taxation</b>	<u><u>(226,976)</u></u>	<u><u>(283,731)</u></u>	<u><u>(155,585)</u></u>	<u><u>(215,509)</u></u>
<b>Loss per share - basic</b> (Rupees)	<u><u>(0.26)</u></u>	<u><u>(0.37)</u></u>	<u><u>(0.18)</u></u>	<u><u>(0.28)</u></u>

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

The annexed notes 1 to 11 form an integral part of this condensed interim financial information.

Dubai

*Balambidip*  
Chief Executive

*GRIMY*  
Director

## Worldcall Telecom Limited

### CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED) FOR THE HALF YEAR ENDED 30 JUNE 2009

	Half year ended 30 June 2009	Restated Half year ended 30 June 2008
	(Rupees in '000)	
Loss for the period	(226,976)	(283,731)
<b>Other comprehensive loss-net of tax:</b>		
Net change in fair value of available for sale financial assets	(191,120)	-
Less: Impairment loss transferred to profit and loss account	167,865	-
	<u>(23,255)</u>	-
<b>Total comprehensive loss for the period</b>	<u><u>(250,231)</u></u>	<u><u>(283,731)</u></u>

The annexed notes 1 to 11 form an integral part of this condensed interim financial information.

Dubai

*Balambidip*  
Chief Executive

*GRIMY*  
Director

## Worldcall Telecom Limited

### CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE HALF YEAR ENDED 30 JUNE 2009

Note	30 June 2009	Restated 30 June 2008
(Rupees in '000')		
<b>Cash flows from operating activities</b>		
Cash generated from operations	7	962,426
Decrease in long term deposits receivable	6,841	113,755
Increase in long term deposits payable	58	2,412
Increase/(decrease) in long term payables	441,313	(16,291)
Retirement benefits paid	(34,661)	(13,819)
Finance cost paid	(411,385)	(219,562)
Taxes paid	(17,999)	(31,754)
<b>Net cash generated from operating activities</b>	<b>946,593</b>	<b>551,489</b>
<b>Cash flow from investing activities</b>		
Fixed capital expenditure	(1,219,799)	(1,125,240)
Intangible assets acquired	-	(1,580)
Sale proceeds of property, plant and equipment	9,349	5,352
Short term investments-net	-	11,124
<b>Net cash used in investing activities</b>	<b>(1,210,450)</b>	<b>(1,110,344)</b>
<b>Cash flow from financing activities</b>		
Receipt of long term finances	-	1,729,750
Repayment of long term finances	(110,799)	(3,007,949)
Receipt of term finance certificates	-	3,000,000
Repayment of term finance certificates	(59,055)	(47,827)
Repayment of short term borrowings	-	(935,000)
Repayment of finance lease liabilities	(57,276)	(96,717)
<b>Net cash (used in)/generated from financing activities</b>	<b>(227,130)</b>	<b>642,257</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(490,987)</b>	<b>83,402</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>136,948</b>	<b>698,744</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>(354,039)</b>	<b>782,146</b>

The annexed notes 1 to 11 form an integral part of this condensed interim financial information.

Dubai

  
Chief Executive

  
Director

## Worldcall Telecom Limited

### CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE HALF YEAR ENDED 30 JUNE 2009

	Revenue reserves		Other component of equity			Total
	Share capital	Accumulate profit/(loss)	Share premium	Fair value reserve-Available for sale assets	Convertible loan reserve	
(Rupees in '000')						
<b>Balance as at 31 December 2007</b>						
- Restated	7,520,607	2,758,921	410,887	-	1,403,575	12,093,990
Liability component of convertible loan	-	-	-	-	107,982	107,982
Shares issued against convertible loan	1,085,109	-	426,448	-	(1,511,557)	-
Total comprehensive loss for the period as restated	-	(283,731)	-	-	-	(283,731)
<b>Balance as at 30 June 2008</b>	<b>8,605,716</b>	<b>2,475,190</b>	<b>837,335</b>	<b>-</b>	<b>-</b>	<b>11,918,241</b>
- Restated						
Transfer to surplus on revaluation	-	(3,365)	-	-	-	(3,365)
Total comprehensive loss for the period	-	(299,288)	-	(230,713)	-	(530,001)
<b>Balance as at 31 December 2008</b>	<b>8,605,716</b>	<b>2,172,537</b>	<b>837,335</b>	<b>(230,713)</b>	<b>-</b>	<b>11,384,875</b>
Total comprehensive loss for the period	-	(226,976)	-	(23,255)	-	(250,231)
Transfer to surplus on revaluation	-	(3,421)	-	-	-	(3,421)
<b>Balance as at 30 June 2009</b>	<b>8,605,716</b>	<b>1,942,140</b>	<b>837,335</b>	<b>(253,968)</b>	<b>-</b>	<b>11,131,223</b>

The annexed notes 1 to 11 form an integral part of this condensed interim financial information.

Dubai

  
Chief Executive

  
Director

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION  
(UN-AUDITED)  
FOR THE HALF YEAR ENDED 30 JUNE 2009**

**1 Legal status and nature of business**

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

**2 Accounting convention and basis of preparation**

This condensed interim financial information has been presented in condensed form in accordance with the requirements of the "International Accounting Standard 34 - Interim Financial Reporting" as applicable in Pakistan and is unaudited but subject to limited scope review performed by the external auditors of the Company in accordance with the requirements of clause (xxi) of the Code of Corporate Governance. This condensed interim financial information does not include all of the information required for full annual financial statements, and should be read in conjunction with the financial statements of the Company for the period ended 31 December 2008. Further, this condensed interim financial information is being circulated to the shareholders in accordance with the requirements of Section 245 of the Companies Ordinance, 1984.

**3. Significant accounting judgments and estimates**

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

**4 Accounting policies**

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

	Note	30 June 2009	31 December 2008
(Rupees in '000')			
<b>5. Property, Plant and Equipment</b>			
<b>Owned and leased assets:</b>			
Opening net book value		<b>9,901,500</b>	8,903,741
Additions during the period	5.1	<b>2,026,512</b>	1,501,660
		<b>11,928,012</b>	10,405,401
Disposals for the period - NBV	5.2	<b>(5,390)</b>	(17,440)
Depreciation for the period		<b>(546,827)</b>	(486,461)
<b>Closing book value</b>		<b>11,375,795</b>	9,901,500
<b>5.1 Break-up of additions/adjustments</b>			
Leasehold improvements		<b>4,196</b>	17,971
Plant and equipment		<b>2,013,143</b>	1,427,842
Office equipment		<b>2,457</b>	25,025
Computers		<b>4,398</b>	3,112
Furniture and fixtures		<b>1,117</b>	979
Vehicles		<b>1,164</b>	25,793
Lab and other equipment		<b>37</b>	938
		<b>2,026,512</b>	1,501,660
<b>5.2 Break-up of disposals</b>			
Plant and equipment		<b>(4,584)</b>	(15,736)
Office equipment		<b>(112)</b>	(189)
Computers		<b>(179)</b>	(167)
Furniture and fixtures		<b>(26)</b>	(8)
Vehicles		<b>(489)</b>	(1,340)
		<b>(5,390)</b>	(17,440)
<b>6 Contingencies and commitments</b>			
<b>Contingencies</b>			
<b>6.1 Billing disputes with PTCL</b>			
<b>6.1.1</b>	There is a dispute of Rs.69.883 million (31 Dec 2008: Rs 69.675 million) with PTCL of non revenue time of prepaid calling cards and Rs. 30.282 million (31 Dec 2008: Rs 16.728 million) for excess minutes billed on account of interconnect and settlement charges. The management is hopeful that matter will be decided in favour of the company.		
<b>6.1.2</b>	PTCL has charged the Company excess Domestic Private Lease Circuits (DPLC) and other media charges amounting to Rs. 137.90 million (31 Dec 2008: Rs.78.24 million) on account of difference in rates, distances and date of activation. Further the Company has also deposited Rs. 40 million (31 Dec 2008: Rs. 40 million) in Escrow Account on account of dispute of charging of bandwidth charges from the date of activation of Digital Interface Units (DIUs) for commercial operation and in proportion to activation of DIUs related to each DPLC link and excess charging in respect of Karachi-Rawalpindi link which was never activated. The management is hopeful that matter will be decided in favor of the Company.		
<b>6.2 Disputes with Pakistan Telecommunication Authority (PTA)</b>			
<b>6.2.1</b>	PTA has raised a demand on the Company of Rs. 10.6 million (31 Dec 2008: Rs. 4.3 million) on account of annual microwave and BTS registration charges. The Company is not paying this amount on the grounds that earlier exemptions were given to mobile operators. In addition to this, there is no legal requirement to register BTS with PTA, therefore PTA cannot charge a fee		



## Worldcall Telecom Limited

for BTS registration. The management is hopeful that matter will be decided in favour of the Company.

- 6.2.2** PTA has issued a notice to the Company for the cancellation of the 479 MHz and 3.5 GHz frequency bands licenses, as the Company has failed to undertake the rollout of its wireless local loop ("WLL") network in the aforesaid frequencies within the time limit prescribed by PTA. The Authority has right to withdraw unused frequency spectrum and cancel the license for not meeting the said roll out requirement. The Company's stance in this respect is that the rollout in 479 MHz, a non standard frequency band, could not be carried out due to non availability of infrastructure and user terminals. Its deployment and commercial operation is not possible in the limited revised time frame. In 3.5 GHz band, the roll out is delayed due to limited customers' market and high cost of the Customer Premises Equipment. Non-firm standards, technology evolution and optimization of spectrum by PTA are also the main reasons for its delayed rollout. However, the Company has started its roll out plan and is successful in getting commencement certificate in GTR and KTR regions for 3.5 GHz frequency and 479 MHz frequency respectively. The management is hopeful that the matter will be decided in favour of the Company and notice will be withdrawn.
- 6.2.3** There is a dispute of Rs. 11.3 million (31 Dec 2008: Rs. 11.3 million) with PTA on account of contribution to the Research and Development Fund ("R&D Fund") for the period prior to the formation of R&D Fund by the Federal Government. Based on legal advice, the management is hopeful that the matter will be decided in favour of the Company.
- 6.2.4** There is a dispute of Rs. 491 million (31 Dec 2008: Rs. 491 million) with PTA on Universal Service Fund (USF) representing contribution to USF for the period prior to the formation of USF by the Federal Government. Show cause notice was issued by the PTA which culminated into determination dated 4 April 2008 against the Company. The Company filed an appeal in Honourable Islamabad High Court Islamabad and the Honourable Court was pleased to grant stay order in favour of the Company. The Appeal was finally fixed for hearing on 16 December 2008 on which date arguments were heard and the judgment reserved by the Honourable Court. Thereafter, Honourable Court vide its judgment dated 21 January 2009 has dismissed the appeal of the Company. A Civil Petition for Leave to Appeal (CPLA) has been filed before the Honourable Supreme Court of Pakistan against the judgment of Honourable Islamabad High Court. The CPLA was fixed for hearing before the Honourable Supreme Court on 29 April 2009. The Honourable Supreme Court after hearing the preliminary arguments has issued notices to Respondents. Next date of hearing was fixed on 28 May 2009. The Honourable Supreme court after further hearing has suspended the case till third week of July 2009. which could not be heard. The office of Honourable Supreme Court is yet to fix the matter for hearing. Based on legal advice, management of the Company is hopeful that the matter will be decided in favour of the Company.

### 6.3 Taxation issues

- 6.3.1** Income Tax Return for the tax year ended 30 June 2006 was filed under the self assessment scheme, subsequently the case was reopened by invoking the provisions of section 122 (5A). Additions were made on account of brought forward losses, gratuity and goodwill of Rs. 773 million. The Company filed an appeal before the Commissioner of Income Tax (Appeals). The Commissioner of Income Tax (Appeals) dismissed the appeal of the Company and now the Company has filed appeal in Income Tax Appellate Tribunal Lahore against the order of Commissioner of Income Tax (Appeals). The management is hopeful that the matter will be decided in favour of the Company.
- 6.3.2** Taxation Officer passed an order in 2007 under section 161/205 of the Income Tax Ordinance, 2001 for the tax year 2004 and 2005 on account of sales of Payphone services and calling cards creating a tax demand of Rs. 173 million by treating the Company as an assessee in default for non-deduction of tax under section 236 of the Income Tax Ordinance, 2001. A penalty of Rs. 8.67 million was also imposed for non payment of the demand mentioned above. The Company filed an appeal against this order before Commissioner of Income Tax (Appeals). The Commissioner of Income Tax (Appeals) dismissed the appeal of the Company and subsequently the Company filed an appeal in Income Tax Appellate Tribunal ("ITAT"), Lahore against the order of Commissioner of Income Tax (Appeals). ITAT, Lahore decided the case in favour of the Company and resultantly the demand of Rs 181.67 million was reversed.

## Worldcall Telecom Limited

The department has now filed reference in the Honourable Lahore High Court against the decision of ITAT, Lahore on 08 September 2008 which is pending adjudication.

- 6.3.3** Income Tax Returns for the tax year ended 30 June 2003 were filed under the self assessment scheme of Worldcall Communications Limited, Worldcall Multimedia Limited, Worldcall Broadband Limited and Worldcall Phonecards Limited, now merged into the Company. The Company has received orders under section 122(5A) against the said returns filed under self assessment on 02 January 2009. As per Orders, the Income Tax Department intends to amend the returns on certain issues such as depreciation, turnover tax adjustment, gratuity provision, share premium, allocation of expenses to capital gain, mark up from associates and share deposit money. An appeal has been filed by the Company against the orders before the Commissioner of Income Tax (Appeals). Commissioner of Income Tax (Appeals) has restored the original assessment order U/S 177 dated 17 May 2005 for Worldcall Broadband Limited. Other appeals are pending before the Commissioner of Income Tax (Appeals). Based on legal advice, the management is hopeful that matter will be decided in favour of the Company.
- 6.3.4** In 2006 Sales Tax Authorities served Show Cause Notices to various payphone companies, including the Company, on account of alleged wrong claim of refund of Rs. 167 million under section 66 of the Sales Tax Act 1990. The matter was adjudicated and the Additional Collector (Adjudication) Sales Tax, Lahore passed an Order dated 18 September 2007 against the Company and imposed a penalty equivalent to the amount of original alleged claim on the Company and Chief Executive. Later on, the Sales Tax Department has issued a notice under Section 48 of the Sales Tax Act, 1990 to the bankers of the Company and Customs Authorities for recovery of refund along with penalty. Moreover, a notice for stoppage of clearance of imported goods has also been issued by the Sales Tax Department to Custom Authorities.

Order of the Additional Collector to the extent of imposing penalty on the Chief Executive of the Company has been stayed by the Honourable High Court Lahore. An appeal has been filed before the Collector (Appeals) Customs, Federal Excise & Sales Tax, Lahore against the order of Additional Collector (Adjudication). The said Order of the Additional Collector was also assailed before the Honorable Federal Tax Ombudsman ("FTO"). The FTO has issued an order that no penalty can be imposed against the Company as there is no element of tax fraud involved in the matter and the issue pertains to a change of opinion of the Federal Board of Revenue. In a first appeal against the order of adjudicating authority, Collector (Appeals) Customs, Federal Excise & Sales Tax has confirmed the demand vide Order-in-Appeal no. 04-10/ST/2009 dated 06 January 2009, however the Collector has waived the 100% personal penalty on the Chief Executive. An appeal against the decision of the Collector (Appellate) Customs, Federal Excise & Sales Tax has been filed with Customs, Federal Excise and Sales Tax (Appellate) Tribunal Lahore, which is pending in adjudication. The Honorable Tribunal vide its order dated 04 February 2009 has suspended the recovery proceedings subject to deposit of ten percent of principal amount. The Company has paid ten percent of principal amount as per order of the Honorable Tribunal.

In the meanwhile upon application of the Company under section 47A of the Sales Tax Act, 1990 for constitution of Alternative Dispute Resolution Committee (ADRC) the FBR has constituted the Committee and referred the matter to be resolved at ADRC. The meeting of ADRC is yet to be convened. Based on the legal advice, the management is hopeful that the matter will be decided in favour of the Company.

Commitments	30 June	31 December
	2009	2008
	(Rupees in '000')	
6.4 Outstanding guarantees	914,903	400,403
6.5 Commitments in respect of capital expenditure	675,085	717,104
6.6 Outstanding letters of credit	36,111	637,174

## Worldcall Telecom Limited

	30 June 2009	Restated 30 June 2008
(Rupees in '000')		
<b>7 Cash generated from operations</b>		
Loss before taxation	(258,578)	(350,045)
<b>Adjustment for non-cash charges and other items:</b>		
Depreciation	546,827	449,646
Amortization of intangible assets	50,165	46,621
Amortization of deferred cost	-	2,059
Interest on PTA license fee	62,329	55,041
Amortization of transaction cost	5,698	50,231
Profit on sale of investments	-	(11,124)
Provision for doubtful receivables	34,341	74,953
Profit on disposal of property, plant and equipment	(3,959)	(2,159)
Provision of impairment of long term investment	-	7,298
Profit on re-measurement of investment property at fair value	-	(2,005)
Impairment loss on available for sale financial assets	167,865	-
Loss on re-measurement of investments at fair value	-	99,680
Retirement benefits	32,347	24,708
Finance cost	100,995	122,033
<b>Profit before working capital changes</b>	<b>738,030</b>	<b>566,937</b>

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

(Increase)/Decrease in the current assets

Stores and spares	6,918	(13,180)
Stock in trade	(25,654)	(59,388)
Trade debts	(584,725)	206,430
Loans and advances	(65,244)	(86,585)
Deposits and prepayments	(72,901)	(18,638)
Other receivables	56,898	(52,936)
<i>Increase/(Decrease) in current liabilities</i>		
Trade and other payables	909,104	174,108
	<b>224,396</b>	<b>149,811</b>
	<b>962,426</b>	<b>716,748</b>

### 8 Related party transactions

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

	30 June 2009	30 June 2008
(Rupees in '000')		
Purchase of goods and services	298,319	18,472
Sale of goods and services	160,046	7,992
Interest on advance	2,578	577

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

## Worldcall Telecom Limited

### 9 Correction of prior period errors

The effect of restatement made in the Company's 30 June 2008 audited financial statements on the condensed interim financial information is as follows:

	Effect on Half year ended 31 December 2007 Rupees ('000')	Effect on Half year ended 30 June 2008 Rupees ('000')	Effect on year ended 30 June 2008 Rupees ('000')
<b>Profit &amp; Loss Account line items affected</b>			
(Decrease) in revenue	(107,544)	(81,028)	(188,572)
Decrease in deferred Tax	37,640	28,360	66,000
(Decrease) in profit	(69,904)	(52,668)	(122,572)
<b>Balance Sheet line items affected</b>			
(Increase) in trade and other payables			(273,572)
Increase in other receivables			85,000
(Decrease) in trade debts			(188,572)
Increase in trade debts			188,572
Decrease in deferred tax liability			66,000
(Decrease) in equity			(122,572)
<b>Decrease in EPS</b>			<b>(0.16)</b>

### 10 Date of authorization for issue

This condensed interim financial information was authorized for issue on 14 August 2009 by the Board of Directors of the Company.

### 11 General

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

11.2 Corresponding figures have been re-arranged wherever necessary for the purpose of comparison. Material rearrangements are summarized below:

- Store and spares amounting to Rs.362.39 million previously grouped in capital work in progress, have now been grouped in stores and spares due to change in the nature of their usage.
- Advances to suppliers amounting to Rs. 325.51 million previously grouped in capital work in progress, have now been grouped in loans and advances

Dubai

*Balaram*  
Chief Executive

*G. N. M. S.*  
Director

**WORLDCALL TELECOM LIMITED  
AND ITS SUBSIDIARY**

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

**30 JUNE 2009**

**DIRECTORS' REVIEW**

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

**Operating results**

Revenue for the six months under review was Rs. 3,993 million as compared to Rs. 2,110 million in the corresponding period last year. The Company posted net loss of Rs. 231 million as compared to Rs. 290 million in the corresponding period last year. Loss per share reported for the half year is Rs. 0.27 as compared to Rs. 0.38 in the corresponding period last year.


**Group Foreign Subsidiary**

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

Revenue for the six months under review was SLR 4.640 million as compared to SLR 8.218 million in the corresponding period last year. Net loss for the six months under review was SLR 6.189 million as against net loss of SLR 24.490 million during the corresponding period last year.

For and on behalf of the Board of Directors

**Dubai**  
14 August 2009

  
**Babar Ali Syed**  
Chief Executive Officer

## Worldcall Telecom Limited Group

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

	Note	30 June 2009	31 December 2008
Rupees in ('000)			
<b>NON CURRENT ASSETS</b>			
<b>Tangible fixed assets</b>			
Property, plant and equipment	6	11,397,240	9,923,940
Capital work-in-progress		2,067,997	2,542,065
		<u>13,465,237</u>	<u>12,466,005</u>
<b>Intangible assets</b>			
Investment property		4,847,675	4,928,080
Long term investments		76,162	76,162
Long term deposits		41,448	41,448
		<u>69,642</u>	<u>76,483</u>
		<u>18,500,164</u>	<u>17,588,178</u>
<b>CURRENT ASSETS</b>			
Store and spares		411,657	418,575
Stock in trade		169,129	143,476
Trade debts		1,526,755	978,451
Loans and advances - considered good		506,429	441,185
Deposits and prepayments		304,715	231,875
Other receivables		129,501	184,441
Short term investments		152,952	344,072
Income tax recoverable-net		150,468	132,683
Cash and bank balances		279,384	564,627
		<u>3,630,990</u>	<u>3,439,385</u>
<b>CURRENT LIABILITIES</b>			
Current maturities of non-current liabilities		398,521	515,149
Running finance under mark-up arrangements - secured		632,591	427,240
Trade and other payables		2,813,073	1,900,245
Interest and mark-up accrued		166,155	175,371
		<u>4,010,340</u>	<u>3,018,005</u>
		<u>(379,350)</u>	<u>421,380</u>
<b>NET CURRENT (LIABILITIES)/ASSETS</b>			
<b>NON CURRENT LIABILITIES</b>			
Term finance certificates		3,964,889	4,018,133
Deferred taxation		521,584	553,400
Retirement benefits		155,570	157,728
Liabilities against assets subject to finance lease		13,111	63,444
Long term payables		943,987	502,674
Long term deposits		47,244	47,174
License fee payable		1,034,454	972,125
		<u>6,680,839</u>	<u>6,314,678</u>
Contingencies and commitments	7		
		<u>11,439,975</u>	<u>11,694,880</u>
<b>REPRESENTED BY</b>			
<b>Share capital and reserves</b>			
Authorized capital 900,000,000 (31 December 2008: 900,000,000) ordinary shares of Rs. 10 each		<u>9,000,000</u>	<u>9,000,000</u>
Issued, subscribed and paid up capital		8,605,716	8,605,716
Share premium		837,335	837,335
Fair value reserve		(253,968)	(230,713)
Exchange translation reserve		(1,553)	(1,308)
Accumulated profit		1,924,265	2,159,091
Capital and reserves attributable to equity holders of the Company		11,111,795	11,370,121
Surplus on revaluation		328,180	324,759
		<u>11,439,975</u>	<u>11,694,880</u>

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

Dubai

*Balavandity*  
Chief Executive

*Director*  
Director

## Worldcall Telecom Limited Group

### CONDENSED CONSOLIDATED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED) FOR THE HALF YEAR ENDED 30 JUNE 2009

	Half year ended 30 June 2009	Restated Half year ended 30 June 2008	Quarter ended 30 June 2009	Restated Quarter ended 30 June 2008
(Rupees in '000')				
Revenue -Net	3,992,978	2,110,041	2,186,422	1,165,472
Direct cost	<u>(3,348,241)</u>	<u>(1,551,202)</u>	<u>(1,793,799)</u>	<u>(875,198)</u>
<b>Gross profit</b>	<b>644,737</b>	<b>558,839</b>	<b>392,623</b>	<b>290,274</b>
Operating cost	<u>(596,835)</u>	<u>(629,652)</u>	<u>(304,239)</u>	<u>(396,497)</u>
<b>Operating profit/(loss)</b>	<b>47,902</b>	<b>(70,813)</b>	<b>88,384</b>	<b>(106,223)</b>
Finance cost	<u>(169,168)</u>	<u>(227,565)</u>	<u>(86,763)</u>	<u>(150,246)</u>
	<u>(121,266)</u>	<u>(298,378)</u>	<u>1,621</u>	<u>(256,469)</u>
Loss on re-measurement of investments at fair value	-	(99,680)	-	(43,859)
Impairment loss on available for sale financial assets	<u>(167,865)</u>	-	<u>(167,865)</u>	-
Gain on re-measurement of investment property at fair value	-	2,005	-	2,005
Other operating income	<b>33,286</b>	70,567	<b>17,152</b>	57,317
Other expenses	<u>(7,060)</u>	<u>(32,014)</u>	<u>221</u>	<u>(29,530)</u>
<b>Loss before taxation and share from associate</b>	<b>(262,905)</b>	<b>(357,500)</b>	<b>(148,871)</b>	<b>(270,536)</b>
Share of loss from associate	-	(1,141)	-	(2,142)
<b>Loss before taxation</b>	<b>(262,905)</b>	<b>(358,641)</b>	<b>(148,871)</b>	<b>(272,678)</b>
Taxation	<b>31,602</b>	68,456	<b>(8,696)</b>	53,472
<b>Loss after taxation</b>	<b>(231,303)</b>	<b>(290,185)</b>	<b>(157,567)</b>	<b>(219,206)</b>
Attributable to:				
Equity holders of parent	<u>(230,033)</u>	<u>(285,854)</u>	<u>(156,985)</u>	<u>(215,978)</u>
Minority interest	<u>(1,270)</u>	<u>(4,331)</u>	<u>(582)</u>	<u>(3,228)</u>
	<u>(231,303)</u>	<u>(290,185)</u>	<u>(157,567)</u>	<u>(219,206)</u>
<b>Loss per share - basic (Rupees)</b>	<b>(0.27)</b>	<b>(0.38)</b>	<b>(0.18)</b>	<b>(0.28)</b>

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

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

Dubai

*Balavandity*  
Chief Executive

*Director*  
Director

## Worldcall Telecom Limited Group

### CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED) FOR THE HALF YEAR ENDED 30 JUNE 2009

	Half year ended 30 June 2009	Restated Half year ended 30 June 2008
<b>(Rupees in '000')</b>		
Loss for the period	(231,303)	(290,185)
<b>Other Comprehensive loss- net of tax:</b>		
Exchange differences on translating foreign operations	(347)	1,157
Net change in fair value of available for sale financial assets	(191,120)	-
Less: Impairment loss transferred to profit and loss account	167,865	-
	(23,602)	1,157
<b>Total comprehensive loss for the period</b>	<b>(254,905)</b>	<b>(289,028)</b>
<b>Attributable to:</b>		
Equity holders of the Company	(253,533)	(285,037)
Minority interest	(1,372)	(3,991)
<b>Equity holders of the parent</b>	<b>(254,905)</b>	<b>(289,028)</b>

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

Dubai

*Balambidip*  
Chief Executive

*G. I. M. D.*  
Director

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## Worldcall Telecom Limited Group

### CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE HALF YEAR ENDED 30 JUNE 2009

		30 June 2009	Restated 30 June 2008
		<b>(Rupees in '000')</b>	
<b>Cash flows from operating activities</b>			
Cash generated from operations	8	963,466	710,933
Decrease in long term deposits receivable		6,841	113,755
Increase in long term deposits payable		70	2,405
Decrease/(increase) in long term payables		441,313	(10,670)
Retirement benefits paid		(34,644)	(13,846)
Finance cost paid		(411,531)	(219,218)
Taxes paid		(17,999)	(31,754)
<b>Net cash generated from operating activities</b>		<b>947,516</b>	<b>551,605</b>
<b>Cash flow from investing activities</b>			
Fixed capital expenditure		(1,220,329)	(1,125,318)
Intangible assets		-	(1,580)
Sale proceeds of property, plant and equipment		9,349	5,352
Short term investments - net		-	11,124
<b>Net cash used in investing activities</b>		<b>(1,210,980)</b>	<b>(1,110,422)</b>
<b>Cash flow from financing activities</b>			
Receipt of long term finances		-	1,729,750
Repayment of long term finances		(110,799)	(3,007,949)
Receipt of term finance certificate		-	3,000,000
Receipt of short term borrowing		-	(935,000)
Repayment of term finance certificate		(59,055)	(47,827)
Repayment of finance lease liabilities		(57,276)	(96,717)
<b>Net cash (used in)/generated from in financing activities</b>		<b>(227,130)</b>	<b>642,257</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(490,594)</b>	<b>83,440</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>137,387</b>	<b>700,182</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>(353,207)</b>	<b>783,622</b>

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

Dubai

*Balambidip*  
Chief Executive

*G. I. M. D.*  
Director

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## Worldcall Telecom Limited Group

### Transactions eliminated on consolidation

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

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

### 3 Accounting convention and basis of preparation

This condensed consolidated interim financial information has been presented in condensed form in accordance with the requirements of the "International Accounting Standard 34 - Interim Financial Reporting" as applicable in Pakistan and is unaudited but subject to limited scope review performed by the external auditors of the Company in accordance with the requirements of clause (xxi) of the Code of Corporate Governance. This condensed consolidated interim financial information does not include all of the information required for full annual consolidated financial statements, and should be read in conjunction with the financial statements of the Group for the period ended 31 December 2008. Further, this condensed consolidated interim financial information is being circulated to the shareholders in accordance with the requirements of Section 245 of the Companies Ordinance, 1984.

### 4. Significant accounting judgments and estimates

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

### 5 Accounting policies

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

## Worldcall Telecom Limited Group

	Note	30 June 2009	31 December 2008
(Rupees in '000')			
<b>6. Property, Plant and Equipment</b>			
<b>Owned and leased assets:</b>			
Opening net book value		9,923,940	8,930,588
Exchange adjustment		971	4,380
Impairment		-	(4,843)
Additions during the period	6.1	2,026,512	1,501,660
		<u>11,951,423</u>	<u>10,431,785</u>
Disposals during the period - NBV	6.2	(5,390)	(17,440)
Depreciation for the period		(548,286)	(488,136)
Exchange adjustment on depreciation		(507)	(2,269)
<b>Closing book value</b>		<u><u>11,397,240</u></u>	<u><u>9,923,940</u></u>
<b>6.1 Break-up of additions/adjustments</b>			
Leasehold improvements		4,196	17,971
Plant and equipment		2,013,143	1,427,842
Office equipment		2,457	25,025
Computers		4,398	3,112
Furniture and fixtures		1,117	979
Vehicles		1,164	25,793
Lab and other equipment		37	938
		<u><u>2,026,512</u></u>	<u><u>1,501,660</u></u>
<b>6.2 Break-up of disposals</b>			
Plant and equipment		(4,584)	(15,736)
Office equipment		(112)	(189)
Computers		(179)	(167)
Furniture and fixtures		(26)	(8)
Vehicles		(489)	(1,340)
		<u><u>(5,390)</u></u>	<u><u>(17,440)</u></u>
<b>7 Contingencies and commitments</b>			
<b>Contingencies</b>			
<b>7.1 Billing disputes with PTCL</b>			
<b>7.1.1</b>	There is a dispute of Rs.69.883 million (31 Dec 2008: Rs 69.675 million) with PTCL of non revenue time of prepaid calling cards and Rs. 30.282 million (31 Dec 2008: Rs 16.728 million) for excess minutes billed on account of interconnect and settlement charges. The management is hopeful that matter will be decided in favour of the Company.		
<b>7.1.2</b>	PTCL has charged the Company excess Domestic Private Lease Circuits (DPLC) and other media charges amounting to Rs. 137.90 million (31 Dec 2008: Rs.78.24 million) on account of difference in rates, distances and date of activation. Further the Company has also deposited Rs. 40 million (31 Dec 2008: Rs. 40 million) in Escrow Account on account of dispute of charging of bandwidth charges from the date of activation of Digital Interface Units (DIUs) for commercial operation and in proportion to activation of DIUs related to each DPLC link and excess charging in respect of Karachi-Rawalpindi link which was never activated. The management is hopeful that matter will be decided in favor of the Company.		

## Worldcall Telecom Limited Group

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

- 7.2.1** PTA has raised a demand on the Company of Rs. 10.6 million (31 Dec 2008: Rs. 4.3 million) on account of annual microwave and BTS registration charges. The Company is not paying this amount on the grounds that earlier exemptions were given to mobile operators. In addition to this, there is no legal requirement to register BTS with PTA, therefore PTA cannot charge a fee for BTS registration. The management is hopeful that matter will be decided in favour of the Company.
- 7.2.2** PTA has issued a notice to the Company for the cancellation of the 479 MHz and 3.5 GHz frequency bands licenses, as the Company has failed to undertake the rollout of its wireless local loop ("WLL") network in the aforesaid frequencies within the time limit prescribed by PTA. The Authority has right to withdraw unused frequency spectrum and cancel the license for not meeting the said roll out requirement. The Company's stance in this respect is that the rollout in 479 MHz, a non standard frequency band, could not be carried out due to non availability of infrastructure and user terminals. Its deployment and commercial operation is not possible in the limited revised time frame. In 3.5 GHz band, the roll out is delayed due to limited customers' market and high cost of the Customer Premises Equipment. Non-firm standards, technology evolution and optimization of spectrum by PTA are also the main reasons for its delayed rollout. However, the Company has started its roll out plan and is successful in getting commencement certificate in GTR and KTR regions for 3.5 GHz frequency and 479 MHz frequency respectively. The management is hopeful that the matter will be decided in favour of the Company and notice will be withdrawn.
- 7.2.3** There is a dispute of Rs. 11.3 million (31 Dec 2008: Rs. 11.3 million) with PTA on account of contribution to the Research and Development Fund ("R&D Fund") for the period prior to the formation of R&D Fund by the Federal Government. Based on legal advice, the management is hopeful that the matter will be decided in favour of the Company.
- 7.2.4** There is a dispute of Rs. 491 million (31 Dec 2008: Rs. 491 million) with PTA on Universal Service Fund (USF) representing contribution to USF for the period prior to the formation of USF by the Federal Government. Show cause notice was issued by the PTA which culminated into determination dated 4 April 2008 against the Company. The Company filed an appeal in Honourable Islamabad High Court Islamabad and the Honourable Court was pleased to grant stay order in favour of the Company. The Appeal was finally fixed for hearing on 16 December 2008 on which date arguments were heard and the judgment reserved by the Honourable Court. Thereafter, Honourable Court vide its judgment dated 21 January 2009 has dismissed the appeal of the Company. A Civil Petition for Leave to Appeal (CPLA) has been filed before the Honourable Supreme Court of Pakistan against the judgment of Honourable Islamabad High Court. The CPLA was fixed for hearing before the Honourable Supreme Court on 29 April 2009. The Honourable Supreme Court after hearing the preliminary arguments has issued notices to Respondents. Next date of hearing was fixed on 28 May 2009. The Honourable Supreme court after further hearing has suspended the case till third week of July 2009 which could not be heard. The office of Honourable Supreme Court is yet to fix the matter for hearing. Based on legal advice, management of the Company is hopeful that the matter will be decided in favour of the Company.

### 7.3 Taxation issues

- 7.3.1** Income Tax Return for the tax year ended 30 June 2006 was filed under the self assessment scheme, subsequently the case was reopened by invoking the provisions of section 122 (5A). Additions were made on account of brought forward losses, gratuity and goodwill of Rs. 773 million. The Company filed an appeal before the Commissioner of Income Tax (Appeals). The Commissioner of Income Tax (Appeals) dismissed the appeal of the Company and now the Company has filed appeal in Income Tax Appellate Tribunal Lahore against the order of Commissioner of Income Tax (Appeals). The management is hopeful that the matter will be decided in favour of the Company.
- 7.3.2** Taxation Officer passed an order in 2007 under section 161/205 of the Income Tax Ordinance, 2001 for the tax year 2004 and 2005 on account of sales of Payphone services and calling cards creating a tax demand of Rs. 173 million by treating the Company as an assessee in default for non-deduction of tax under section 236 of the Income Tax Ordinance, 2001. A penalty of Rs. 8.67 million was also imposed for non payment of the demand mentioned above. The Company filed an appeal against this order before Commissioner of Income Tax (Appeals). The Commissioner of Income Tax (Appeals) dismissed the appeal of the Company

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and subsequently the Company filed an appeal in Income Tax Appellate Tribunal ("ITAT"), Lahore against the order of Commissioner of Income Tax (Appeals). ITAT, Lahore decided the case in favour of the Company and resultantly the demand of Rs 181.67 million was reversed. The department has now filed reference in the Honourable Lahore High Court against the decision of ITAT, Lahore on 08 September 2008 which is pending adjudication.

- 7.3.3** Income Tax Returns for the tax year ended 30 June 2003 were filed under the self assessment scheme of Worldcall Communications Limited, Worldcall Multimedia Limited, Worldcall Broadband Limited and Worldcall Phonecards Limited, now merged into the Company. The Company has received orders under section 122(5A) against the said returns filed under self assessment on 02 January 2009. As per Orders, the Income Tax Department intends to amend the returns on certain issues such as depreciation, turnover tax adjustment, gratuity provision, share premium, allocation of expenses to capital gain, mark up from associates and share deposit money. An appeal has been filed by the Company against the orders before the Commissioner of Income Tax (Appeals). Commissioner of Income Tax (Appeals) has restored the original assessment order U/S 177 dated 17 May 2005 for Worldcall Broadband Limited. Other appeals are pending before the Commissioner of Income Tax (Appeals). Based on legal advice, the management is hopeful that matter will be decided in favour of the Company.
- 7.3.4** In 2006 Sales Tax Authorities served Show Cause Notices to various payphone companies, including the Company, on account of alleged wrong claim of refund of Rs. 167 million under section 66 of the Sales Tax Act 1990. The matter was adjudicated and the Additional Collector (Adjudication) Sales Tax, Lahore passed an Order dated 18 September 2007 against the Company and imposed a penalty equivalent to the amount of original alleged claim on the Company and Chief Executive. Later on, the Sales Tax Department has issued a notice under Section 48 of the Sales Tax Act, 1990 to the bankers of the Company and Customs Authorities for recovery of refund along with penalty. Moreover, a notice for stoppage of clearance of imported goods has also been issued by the Sales Tax Department to Custom Authorities.

Order of the Additional Collector to the extent of imposing penalty on the Chief Executive of the Company has been stayed by the Honourable High Court Lahore. An appeal has been filed before the Collector (Appeals) Customs, Federal Excise & Sales Tax, Lahore against the order of Additional Collector (Adjudication). The said Order of the Additional Collector was also assailed before the Honorable Federal Tax Ombudsman ("FTO"). The FTO has issued an order that no penalty can be imposed against the Company as there is no element of tax fraud involved in the matter and the issue pertains to a change of opinion of the Federal Board of Revenue. In a first appeal against the order of adjudicating authority, Collector (Appeals) Customs, Federal Excise & Sales Tax has confirmed the demand vide Order-in-Appeal no. 04-10/ST/2009 dated 06 January 2009, however the Collector has waived the 100% personal penalty on the Chief Executive. An appeal against the decision of the Collector (Appellate) Customs, Federal Excise & Sales Tax has been filed with Customs, Federal Excise and Sales Tax (Appellate) Tribunal Lahore, which is pending in adjudication. The Honorable Tribunal vide its order dated 04 February 2009 has suspended the recovery proceedings subject to deposit of ten percent of principal amount. The Company has paid ten percent of principal amount as per order of the Honorable Tribunal.

In the meanwhile upon application of the Company under section 47A of the Sales Tax Act, 1990 for constitution of Alternative Dispute Resolution Committee (ADRC) the FBR has constituted the Committee and referred the matter to be resolved at ADRC. The meeting of ADRC is yet to be convened. Based on the legal advice, the management is hopeful that the matter will be decided in favour of the Company.

	30 June 2009	31 December 2008
	(Rupees in '000')	
<b>Commitments</b>		
7.4 Outstanding guarantees	914,903	401,337
7.5 Commitments in respect of capital expenditure	675,085	717,104
7.6 Outstanding letters of credit	36,111	637,174



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	30 June 2009	Restated 30 June 2008
(Rupees in '000')		
<b>8 Cash generated from operations</b>		
Loss before taxation	(262,905)	(358,641)
<b>Adjustment for non-cash charges and other items:</b>		
Depreciation	548,286	450,665
Amortization of intangible assets	50,165	46,621
Amortization of deferred cost	-	2,059
Interest on PTA license fee	62,329	55,041
Amortization of transaction cost	5,698	50,231
Profit on sale of investments	-	(11,123)
Provision for doubtful receivables	34,341	76,249
Profit on disposal of property, plant and equipment	(3,959)	(2,158)
Impairment Loss	-	9,371
Share of profit of associate	-	1,141
Exchange translation difference	(245)	-
Loss on re-measurement of investments at fair value	-	99,680
Impairment loss on available for sale financial assets	167,865	-
Profit on re-measurement of investment property at fair value	-	(2,005)
Retirement benefits	32,486	24,846
Finance cost	101,141	121,689
<b>Profit before working capital changes</b>	<b>735,202</b>	<b>563,666</b>

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

*(Increase)/Decrease in the current assets*

Stores and spares	6,918	(13,180)
Stock in trade	(25,653)	(58,901)
Trade debts	(584,642)	206,950
Loans and advances	(65,244)	(86,585)
Deposits and prepayments	(72,840)	(18,800)
Other receivables	56,897	(52,922)
<i>Increase/(Decrease) in current liabilities</i>		
Trade and other payables	912,828	170,705
	<b>228,264</b>	<b>147,267</b>
	<b>963,466</b>	<b>710,933</b>

### 9 Related party transactions

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

	30 June 2009	30 June 2008
(Rupees in '000')		
Purchase of goods and services	298,319	18,472
Sale of goods and services	160,046	7,992
Interest on advance	2,578	577

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

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### 10 Correction of prior period errors

The effect of restatement made in the Company's 30 June 2008 audited financial statements on the condensed interim financial information is as follows:

	Effect on Half year ended 31 December 2007 Rupees ('000')	Effect on Half year ended 30 June 2008 Rupees ('000')	Effect on year ended 30 June 2008 Rupees ('000')
<b>Profit &amp; Loss Account line items affected</b>			
(Decrease) in revenue	(107,544)	(81,028)	(188,572)
Decrease in deferred Tax	37,640	28,360	66,000
(Decrease) in profit	(69,904)	(52,668)	(122,572)
<b>Balance Sheet line items affected</b>			
(Increase) in trade and other payables			(273,572)
Increase in other receivables			85,000
(Decrease) in trade debts			(188,572)
Increase in trade debts			188,572
Decrease in deferred tax liability			66,000
(Decrease) in equity			(122,572)
<b>Decrease in EPS</b>			<b>(0.16)</b>

### 11 Date of authorization for issue

This condensed consolidated interim financial information was authorized for issue on 14 August 2009 by the Board of Directors.

### 12 General

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

12.2 Corresponding figures have been re-arranged wherever necessary for the purpose of comparison. Material rearrangements are summarized below:

- Store and spares amounting to Rs.362.39 million previously grouped in capital work in progress, have now been grouped in stores and spares due to change in the nature of their usage.
- Advances to suppliers amounting to Rs. 325.51 million previously grouped in capital work in progress, have now been grouped in loans and advances

Dubai

*Balambidi*  
Chief Executive

*Griffin*  
Director