ANNUAL REPORT 2010

WE CONNECT

WATEEN

CHANGING LIVES

CONTENTS

COMPANY REVIEW

TRUST
TEAM WORK
QUALITY

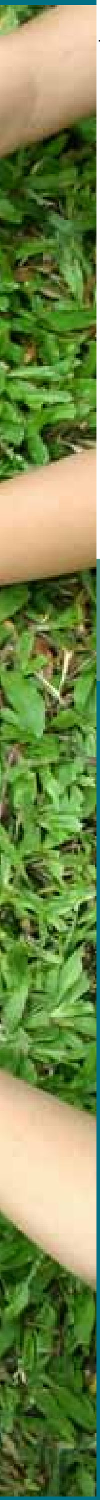
CORPORATE

VISION

Wateen's vision is to take Pakistan into the digital revolution of the 21st century by offering complete communications and media solutions such as Telephony, Internet, Data and TV / Multimedia to the public at large based on quality, affordability, availability and reliability. To make Pakistan a regional communications hub, inter-connecting the East with the West and Central Asia to the Middle East.

MISSION

- Offer affordable communication services that cater to the needs of our customers.
- Deliver high quality, flexible solutions that allow customers savings, choice and enhanced efficiency.
- Make 'Broadband Pakistan' a reality.
- Achieve maximum customer satisfaction at all levels.
- Provide innovative, efficient and creative solutions.



CORE VALUES & ETHICS

- Respect for others – We deeply value diversity in background, strengths, interests and experiences
- Integrity and honesty – We conduct our business with uncompromising integrity
- Open communication – We believe in nurturing positive changes in the organisation and the community
- Customer satisfaction – We strongly believe in our passion for customers, partners and technology
- Leadership – We practice and cultivate the will to excel and taking on big challenges
- Synergies and strategic partnerships – We value maximising growth opportunities and stimulate atmosphere of healthy competition

Our values guide our behaviours and shine through in all our interactions with each other and our stakeholders.

H.H. SHEIKH NAHAYAN MABARAK AL NAHAYAN

Chairman's Message

Dear Shareholder,

On behalf of the Board of Directors, I am pleased to announce the financial results and audited statements for Wateen Telecom. At its inception in 2005, we had envisioned a simple goal: to build a world-class, reliable communication and media network to deliver top of the line affordable service to the people of Pakistan. We have so far, by the Grace of Allah, been able to achieve part of the dream.

In spite of challenging macro economic conditions, the main focus has been to strategically capture growth opportunities while scaling capital expenditure and introducing measures for cost efficiency. Despite these concerns, Wateen has posted a Gross Profit margin of 39% and also posted a positive operative margin of Rs. 409 million.

Although the challenging conditions have brought in higher inflation and increased competition, we are confident that Wateen will continue to do well in Pakistan and we welcome an exciting environment. We are certain that Wateen is geared to meet these challenges because of our preparations and organisational restructuring that has been put in place over the past few years. These building blocks will lead us to a more strategic role in the region and improve our profitability.

I am thankful to our shareholders for their contributions and trust in Wateen and in making the IPO a success. We will continue to meet the challenges and the opportunities with passion and determination. I am confident that Wateen will continue to grow from strength to strength, paving communication revolution in Pakistan.

H.H. Sheikh Nahayan Mabarak Al Nahayan

TARIQ MALIK

CEO's Message

Dear Shareholder,

In 2005 we had set out with a vision of creating more than just a Telecom Company. Today, I am pleased to share that we have created a platform for innovation, reliability, enhanced customer-experience and technology enablement. We can rightfully claim that we are the most integrated Telecom Company in Pakistan today with a singular focus on providing customer focused connectivity solutions.

Facts supporting our claim: in a short span of time, Wateen has created the most ubiquitous platform for developing integrated communication solutions for our customers. We have deployed the nation's first and largest WiMAX network which serves more than 190,000 wireless broadband customers from more than 1100 WiMAX sites. We have successfully deployed HFC and GPON connectivity in selected geographies and we are the undisputed market leader in the wireless broadband market, which positions us to fully avail the growth in this market.

In pursuing our passion for empowering Pakistan, Wateen has been the largest technology provider to the Universal Service Fund for providing connectivity to the under-served areas, and our network reach has expanded to cover most of Pakistan. We are the largest operator of satellite services in Pakistan with 8 VSAT hub sites and Wateen's optical fibre spans more than 11,000 Km, including metro-connectivity to more than 22 metro cities. Our hosted services offering constitute a network of 78 tele-housing facilities, which are being used to provide disaster-recovery facilities and cloud computing services to the Pakistani Enterprise.

Wateen LDI is world's leading supplier of international termination offering retail and wholesale long distance services and is the largest alternative LDI operator within Pakistan. Our solutions business is one of the largest network solutions providers in Pakistan and is defining a new market for ICT solutions. During the last year, Wateen has leveraged its deep penetration into enterprise customer accounts of connectivity sales to up-sell ICT solutions. We firmly believe that the value of our network increases exponentially with the number of links we add to our network. Therefore, the ubiquity of Wateen's network creates a sustainable business model ensuring greater returns for our shareholders.

The past year was a period of challenge of sorts and marked with changes for Wateen. The outlook for the year ahead has been marred by several factors: the general economic climate of the country and the disastrous floods devastating the lives of over 20 million people is bound to have a detrimental spillover effect on our growth plans. However, our actions taken over the past year have strengthened Wateen for the long term. We are confident that our business-model will wither these risks, ensure growth to our shareholders and continue to provide best-of-class products and services to our customers.

In closing, I would like to thank the telecommunication authority of Pakistan for their constant pursuit of an enabling environment where companies like Wateen can grow. My thanks also to our Board members for their guidance and support and to the tremendous efforts of each and every member of our team for their professionalism, dedication and talent which is the root cause of our success.

Regards,
Tariq Malik

BOARD OF **DIRECTORS**

H.H. Sheikh Nahayan Mabarak Al Nahayan – Chairman of the Board

His Highness Sheikh Nahayan Mabarak Al Nahayan – Member of the Royal Family of Abu Dhabi, Minister for Higher Studies and Chancellor of the University of Al Ain.

His Highness Sheikh Nahayan Mabarak Al Nahayan is the Chairman of the Company and takes keen interest in the management of Wateen Telecom.

His Highness Sheikh Nahayan is the Federal Minister for Higher Education and Scientific Research for UAE and is also Chairman of Union National Bank, Abu Dhabi, and Chairman & Director of United Bank Limited, Pakistan.

His Highness is also Chancellor of the Al Ain University and President at the Higher Colleges of Technology, Abu Dhabi.

His Highness is also the Founder Chairman of Bank Alfalah Limited, Pakistan.

H.H. Sheikh Saif Bin Mohammed Butti Al Hamid

H.H Sheikh Saif Bin Mohammed Butti Al Hamid is the Vice Chairman and Managing Director of Al Hamid Group of Companies, UAE.

Mr. Ahmed Darwish Dagher Al Marar

Mr. Ahmed Darwish Dagher Al Marar is the Vice-Chairman and Managing Director of "Al Ain International Group", which is the holding company owned by His Highness Sheikh Hamdan bin Zayed Al Nahyan. He is a member of the Committee supervising the expenditure of Abu Dhabi International airport, and also the director of "Presidential Flight". Mr. Marar served at various key institutions including Bank of Bosnia, Sudan Emirates Bank, Abu Dhabi Islamic Bank etc. He has done his Bachelors in Business Administration from Richmond University, London.

Mr. Abdulla Khalil Mohd Samea Al Mutawa

Having sound financial background and business expertise, Mr. Mutawa holds extensive experience in the field of financial and investment management. He is on the board of Bank Alfalah Limited and also serves as Advisor to the government of United Arab Emirates. He has a substantial business interest of his own both in UAEand abroad including commercial and residential real estate assets.

Mr. Khalid Mana Saeed Ahmed Al Otaiba

Mr. Otaiba is the General Manager, Al Otaiba Group of Companies, Abu Dhabi. He also serves on the board of Bank Alfalah Limited and Alfalah Insurance Company Limited. Mr. Otaiba is a Masters in Arts from Suffolk University of Massachusetts, Boston, USA.

BOARD OF DIRECTORS

Mr. Bashir A. Tahir

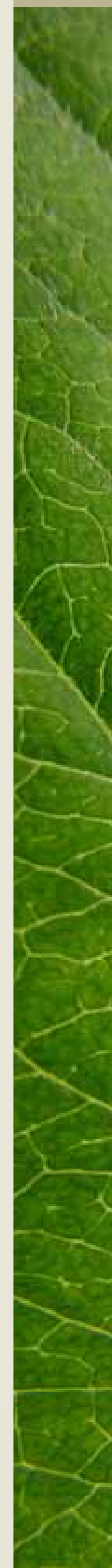
Mr. Tahir is a prominent and revered corporate figure who has added tremendous value to the banking, communication and real estate sectors of Pakistan. He is a Member of the Board of Wateen Telecom, Board Member and CEO of Warid Telecom International, LLC and CEO of the Abu Dhabi Group which has been a key proponent in attracting private investment into Pakistan.

Mr. Parvez A. Shahid

With over thirty years experience in the financial and telecommunication sectors, Mr. Shahid is a distinguished name in the corporate sector in Pakistan. He is one of the key individuals who have helped instill best practices in quality assurance, strategy and innovation in the financial, communication and real estate sectors of Pakistan. Mr. Shahid is a member of the Board of Wateen Telecom as well as Warid Telecom.

Mr. Mohamed Amersi

Mr. Mohamed Amersi is one of Europe's leading M&A and Corporate Finance lawyers. Structuring some of the largest private placements of this decade, Mr. Amersi acquired an expertise in Wireless, Data, Internet, and Content Media segments of the communications industry and has focused exclusively on this sector for the last few years, serving as a Board Member for some of the leading telecom companies. Mr. Amersi was educated in England at Merchant Taylors School, Sheffield and Cambridge.



CORPORATE INFORMATION

MANAGEMENT

Tariq Malik
Chief Executive Officer

Aamir Khan
Head of Strategy & Planning

Adnan Mahmood
Company Secretary & Head of Legal Affairs

Ali Khan
GM Products & Marketing

Amir Munsif Khan
GM Information Technology

Furqan Qureshi
GM Enterprise & Carrier Sales

Mazhar Qayyum
GM Government, Operators & Regulatory Affairs

Omar Zia
Head of Audit, Risk & Governance

Omer Shah
GM Customer Services

Saleem Akhtar
Head of Enterprise Office

Shahid Iqbal
Chief Financial Officer

Shoaib Nazir
Chief Technical Officer

Syed Jibran Ali
GM Consumer Sales & Services

Zafar Iqbal
GM HR & Administration

BANKERS

Standard Chartered Bank (Pakistan) Limited
Bank Al Habib Limited
Habib Bank Limited
Bank Alfalah Limited
National Bank of Pakistan Limited
Pak Libya Holding Company (Pvt.) Limited
Summit Bank Limited (Formerly Arif Habib Bank Limited)
Askari Bank Limited
Soneri Bank Limited
Pak Brunei Investment Company Limited
The Bank Of Khyber

AUDITORS

A.F. Ferguson & Co.
Chartered Accountants
PIA Building, 3rd Floor,
49, Blue Area, P.O. Box 3021,
Islamabad

REGISTERED OFFICE

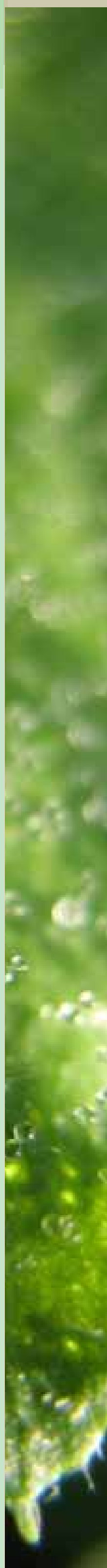
4th Floor New Auriga Complex,
Main Boulevard, Gulberg II, Lahore

SHARE REGISTRAR

THK Associates (Pvt.) Limited
Ground Floor
State Life Building No.3,
Dr. Zia-ud-Din Ahmed Road Karachi

FINANCIAL HIGHLIGHTS

Year ended June 30		2010	2009	2008	2007	2006
Key indicators						
Operating						
Gross Margin (Operating Profit Margin)	%	39.83	32.36	48.60	38.30	38.71
Net Margin/(Loss)	%	(0.25)	8.12	8.70	13.00	7.10
Performance						
Return on Operating Assets	%	(11.85)	6.60	12.04	18.27	21.28
Debtors' Turnover	Times	2.44	5.55	6.57	6.68	10.84
Return on Equity	%	(48.00)	21.53	21.37	14.37	10.26
Leverage						
Debt Equity	Times	81:19	76:24	52:48	48:52	10:90
Leverage	%	0.22	0.72	0.42	0.36	0.14
Time Interest Earned	Times	0.18	4.82	7.29	4.65	33.50
Liquidity						
Current	Times	0.34	0.75	0.59	1.05	1.27
Quick	Times	0.30	0.64	0.47	1.05	1.27
Valuation						
Earnings/(loss) per share (pre tax)	Rs	(6.77)	6.93	5.62	2.76	5.48
Earnings/(loss) per share	Rs	(4.43)	2.22	3.46	1.85	3.35
Breakup value per share	Rs	9.22	20.65	16.20	12.84	32.66
Historical Trends						
Operating Results						
Revenue	Rs.(m)	7,961	15,410	8,343	4,389	2,794
Profit/ (loss) before Tax	Rs.(m)	(3,092)	1,447	1,174	571	371
Profit/ (loss) after Tax	Rs.(m)	(2,021)	928	723	382	227
Financial Position						
Paid up Share Capital	Rs.(m)	6,175	2,087	2,087	2,087	2,020
Reserves	Rs.(m)	135	393	300	228	-
Shareholders' Equity	Rs.(m)	4,210	4,309	3,382	2,659	2,210
Current Assets	Rs.(m)	8,201	7,780	5,521	4,147	2,390
Non Current Liabilities	Rs.(m)	1,200	10,887	2,443	1,467	369



DIRECTORS' REPORT

The Directors are pleased to present the Annual Report and the audited financial statements of the Company for the year ended June 30, 2010.

Since inception, Wateen has delivered profits year after year, and has posted PKR 1 billion profit after tax for two consecutive years i.e. FY'2008 and FY'2009. In addition, profitability stands at an average Gross Profit of 40%, EBITDA of 18% and Net Profit of 8% over the last 4 years.

FY'2010 remained challenging as a result of inflationary pressures, energy crisis, and a lingering liquidity crunch. Pakistan's economy in general and the telecom industry in particular underwent a major paradigm shift in way of doing and controlling businesses.

In the wake of price wars and stiff competition; cost rationalisations, resource sharing and adjustment of cost base became norms of the trade. The management at Wateen proactively dealt with these changes and adopted a prudent growth strategy coupled with a tight control on the Company's cost structure.

In FY'2011, however, high growth is expected on the premise of a larger subscriber base in broadband and cross border deals on account of expansion of optic fibre also facilitated through subsidised USF projects.

FINANCIAL PERFORMANCE

The current year revenue of Rs 8,608 million (2009: Rs 16,185 million) saw a reduction of 47% compared to last year. This reduction was a result of the recognition of the entire IRU revenue in FY'2009 and a reduction of LDI interconnect revenue by Rs 4,000 million.

Furthermore, the management also focused more on high margin areas of Broadband rather than low margin revenue lines.

As a result of a decrease of Rs 7,576 million in revenue FY'2010, the Gross Profit also reduced by 59% compared to last year but maintained a healthy Gross Profit margin of 42% and also posted positive operating profit of Rs 409 million (2009: Rs 3,155 million) with effective cost control and monitoring. However, owing to expansion of network and its capitalisation, substantial depreciation and financial cost, the Company incurred a loss of Rs 1,965 million (2009: profit Rs 1,148 million).

Under the terms of its loan agreements, the Company cannot declare cash dividend before June 30, 2011 and thereafter dividend can be declared after compliance with financial ratios as specified in the Company's loan agreements.

The Company is in the process of rescheduling existing finance facilities, which would facilitate the Company to a great extent in meeting its obligations/covenants. In addition, on August 13, 2010 the shareholders also approved a subordinated loan of USD 25 million to be provided by the sponsors, which shall help the Company's financial outlook.

OUR ACHIEVEMENTS

- Successfully deployed the largest commercial and first nationwide 3.5 GHz WiMAX network in the world covering 22 cities and more than 1,000 sites
- Rapid customer take-up helped Wateen acquire over 190,000 wireless broadband customers representing more than 60% of the total wireless broadband market
- Successfully designed and sold the first Pakistan Lambda deal
- Strengthened position in the Financial sector by major wins, such as managing the nationwide connectivity for the Bank of Punjab
- First Pakistani ISP to bring e-pay on board and empowering customers to pay their service charges through multiple banking channels
- First Pakistani ISP to offer WiMAX services on USB dongle
- Largest operator of Satellite services in the country with 500+ MHz in commercial use and now also providing Satellite bandwidth services to telecom operators in Afghanistan. The only satellite operator with 8 VSAT hub sites in the country
- Largest alternative LDI operator in Pakistan. Wateen's Optic Fibre network spans over more than 11,000 Km (including Government of Pakistan's USF projects) across all the four provinces, including metro connectivity in 22 cities powering 3 of the 5 GSM operators in Pakistan
- Won 4 out of 6 Universal Service Fund (USF) Broadband projects worth approximately Rs.1.0 billion
- Won 3 out of 4 USF OFC projects worth approximately Rs.1.8 billion in subsidy
- Tele-housing / Co-location facilities in 76 cities

- **MAJOR CLIENTS**
  - **CARRIER:** All major GSM Operators, interconnect with all of the major international telecom operators across the globe
  - **CORPORATE**: Clients include 26 Banks, 8 Media companies, 13 Telecom & Carriers, and over 2,700 data links in other corporate entities (FMCG's, Oil and Gas, etc.)
  - **CONSUMERS**: 200,000+ subscribers over WiMAX and HFC platforms
- Fastest growing company in the telecom industry in Pakistan with a sharp sales growth rate (compared to the industry average)
- Successfully completed network deployment projects in Uganda, Congo and Bangladesh
- Largest IP Contact Centre (with a capacity of over 200 agents)
- Implemented state-of-the-art ERP system

ARCH-e'-decon a leading evaluator in the telecom industry estimated current value of Wateen's key strategic assets at Rs. 17,289 million translating into intrinsic value of Rs. 52.5 per share

PRODUCT PORTFOLIO

Wateen was launched in a fragmented and new market, leveraged by its infrastructure as the unique selling proposition. The infrastructure comprised end-to-end consumer solutions ranging from triple play for households (Voice, Internet &TV) and targeted corporate solutions across all businesses and catering to all connectivity requirements.

We offer a unique product mix allowing depth and breadth in the product portfolio to ensure that we don't just cater for customers needs but become part of the customers' life.

DARK FIBRE

Dark Fibre is our unprecedented IRU product that entails an investment by the customer, and thus creating an asset for the customer which is supported by a long term SLA, operations and maintenance (O&M) support. Dark fibre is for organisations seeking Indefeasible Right of Use (IRU) which varies from 3 years to 20 years.

Wateen only provides the customer with dark fibre and the customer is responsible for 'lighting' it up i.e. making it operational by setting up the required equipment.

LAMBDA SERVICE

Wateen Lambda Service provides 10Gbps connectivity over fibre, by 'lighting' up just a single wavelength from the full optical signal, stretching up on the nationwide fibre network. The allocation of bandwidth over the lit-up Lambda is targeted to serve as the secondary/redundant link for the carrier, ensuring high reliability and availability imposed through the Service Level Agreement (SLA).

MANAGED CAPACITY

Where customers seek lower capacities of bandwidth, Wateen offers managed capacity on its fibre and VSAT networks. Wateen's clear channel circuit or Layer 2 MPLS Virtual Private Network (VPN) is a point-to-point 'pseudo-wire' service.

It is used to replace existing physical links based on TDM circuits. This model is mostly suitable for customers who have a traditional hub and spoke network topology.

DPLC / IPLC & IP-TRANSIT

DPLC provides for domestic transport of data within Pakistan, whereas IPLC provides transport across international destinations. For (Domestic Private Leased Circuit) Wateen uses its own optical fibre network both on the nationwide and metropolitan area networks, whereas for an IPLC (International private leased circuit) various submarine cable systems are used.

IP-transit is raw Internet bandwidth which operators and large organisations acquire in order to have presence on the Internet backbone.

CO-LOCATION/TELE-HOUSING

For our strategic partners, Wateen provides state-of-the-art facilities for co-location/housing, to deploy their infrastructure. The sites have a provisioning of inter-carrier connectivity, space, security, fire detection/ suppression, backup power and bandwidth capacity.

SYSTEM INTEGRATION

This is the age of policy-based, network-intensive, speedy and high bandwidth and business-critical multimedia applications that bring together secure data, voice and video capabilities. Yet it is unlikely that companies may find suitably skilled and specialized people in their own existing set up.

Wateen has the largest team of skilled and certified staff, with international project experience in the products of Cisco Systems, Polycom, IBM, Microsoft, Oracle, Dell, EMC, Riverbed, Axis, McAfee, Globitel, Barco, Schmid and other multiple leading technology providers. This has enabled Wateen to be the leading Solution Provider in the market, offering customised, cost effective solutions generating quick ROI's with expertise in design, swift deployment and seamless integration.

This strategy has enabled Wateen to have the largest share in System Integrator market of Pakistan for the last three years, with penetration in services providers, financial, educational, and industrial sectors, hospitals, hotels, shopping centres and small and medium enterprises.

VALUE ADDED RESELLING (VAR)

In year 2009, top 500 VAR companies generated a grand total of $600b even in the face of global recession. This enormous number includes IT consultants, solution providers, traditional resellers and vendor services arms.

Wateen's Value Added Reselling (VAR) with its vision to be the number one System Integrator in the region, takes the lead in local market and excels in offering customised services for the planning, designing, implementation and optimisation of IT/Telecom Solutions, including integration of multiple next-generation technologies like:

PROFESSIONAL SERVICES (PS)

Wateen's Professional Services deliver customised services for the planning, designing, implementation, and optimisation of IT/Telecom solutions based on business requirements. Wateen provides nothing less than the very best to our clients in:

- Network Consultancy - gathering requirements
- Product/Service Selection and Procuring
- Integrating and Deploying Solutions – Implementation
- Transitioning to Support & Operations

MANAGED NETWORK SERVICES (MNS)

Wateen Solutions, with its largest number of skilled and certified resources, offers MNS in taking care of customer's key value chain elements. Wateen offers Services at rates which let clients save on a considerable amount of OPEX and CAPEX.

HOSTED SOLUTIONS

Hosted Solutions have injected life into cash flow of thousands of businesses all across the globe. Wateen is the leading Hosted Solutions Provider in Pakistan offering Hosted Data Centre and Hosted Contact Centre, which is added value for its customers in saving premise-based system cost, investment in resources and money in building in-house data and contact centres.

RETAIL PRODUCTS

BROADBAND INTERNET

Wateen has revolutionised Broadband services and is present in 22 cities across the country. The telecom industry is expanding at an explosive rate and Wateen is miles ahead of its current WiMAX players. For the premium seeking market, Broadband services through HFC and GPON are presently being offered in Multan and Karachi and will soon be offered in Lahore, Multan and Karachi in the near future, is offered.

DATA PORTFOLIO

The lack of quality enabled data services due to infrastructural issues generated a large demand-supply gap in the market, making Wateen's existing infrastructure very advantageous. For all our Enterprise customers Virtual Private Network (VPN) provides a secure clear channel circuit , which is offered in Layer 2, Layer 3 and any-to-any configuration to cater to various needs of different customers.

TELEPHONY - CONSUMER

Wateen's current Services, range from basic digital voice to enhanced Telephony.

The current tele-density now stands at 63%, a number that represents an extremely lucrative business opportunity for extending 'enhanced' Telephony Services to customers.

Owing to the scale of their long haul and metro networks the only main players in the Enterprise Telephony Segment are Wateen, PTCL and WorldCall with GSM; and other service providers operating at the fringe level.

Unlike the consumer segment, business users are highly quality conscious and require customised solutions to meet their unique needs – and Wateen, unlike its competition, can leverage its large and robust IP-based network to address these needs. Wateen's fixed line Telephony seeks to enrich the Telephony 'Lifestyle' of its subscribers by offering high quality services, user friendly Call Management features and empowering them through a self-care portal.

WATEEN AUDIO CONFERENCING

Wateen Audio conferencing Services allow home users with a hassle-free tool to communicate with anyone and everyone in their social Networks – speaking to many friends and family members in different countries simultaneously.

WATEEN VIDEO TELEPHONY

Wateen Video Telephony's visual conversations are an affordable product for the mass consumer market. Users can not only talk to one another but at the same time see each other, all with the convenience of a normal voice call.

CARRIER PRE SELECT (CPS)

Carrier pre-select (CPS) is an innovative product providing the end users of different operators with the flexibility to choose the carrier for calling international, local or nationwide numbers. Wateen provides CPS Services to various LL and GSM Service Providers. In this scenario, the end-user benefits from cheaper rates with high quality voice and the operator enjoys additional revenues and increased subscriber base.

CALLING CARD / CALLING ACCOUNT

WCard is a multi functional card that enables customers to use it as a calling card from other operators in addition to prepaid account re-charge. Calling Card Services received the brand of the year award in the first year of launch and captured a major share of the market within the first 6 months.

TELEPHONY – CORPORATE / ENTERPRISE

Business users are highly conscious of quality and require customised solutions to meet their unique needs. Wateen can leverage its large and robust IP-based Network to address these needs. Our customer-centric offerings guarantee convenience and savings, and are well-placed to help customers reduce costs. Wateen is also unique in its ability to quickly meet evolving needs of the Pakistani business community without incurring significant incremental CAPEX. Furthermore, Wateen's network allows for a reduced time-to-market in the wake of any potential changes in the regulatory environment.

TRUNKING SOLUTIONS

Wateen provides cost-effective and scalable Trunking Solutions to business users currently using a PBX (Private Branch Exchange) for communication. These trunks will terminate both inbound calls and complete external (off-site) calls that originate from 'behind' the PBX.

Unlike competitors, Wateen's strength lies in its ability to provide its services as one of many PBX interfaces such as POTS, PRI & SIP. Direct Inward Dial / Direct Outward Dial (DOD) Service adds to the Enterprise Telephony Product portfolio, by allowing Wateen to become a one-stop Solution for all the business needs of a customer.

UNIVERSAL ACCESS NUMBERS (UANS)

UAN Services were initiated to utilise Wateen's network capacity. UAN are 9 digit numbers that start with the digits 111. UAN enable customers to use a single and easy to remember number for incoming calls, while maintaining geographically dispersed locations.

HOSTED PBX

Hosted PBX is an alternative to the traditional PBX model whereby a company's telephone operations reside with and are managed by the Service Provider. Wateen's Hosted PBX Solution will be a scalable, cost-effective and feature-rich solution which allows customers to avail advanced PBX features without buying, installing, maintaining or upgrading PBX hardware.

VIDEO SOLUTIONS

Businesses can avail Wateen Video Telephony Solutions to not only conduct their business operations more effectively but also enjoy significant reductions in their travel expenses. This service leverages Wateen's Network to offer a high quality service and allows the business users to choose the end-user device of their choice – from a low cost 'soft' Video client to premium quality Video phones.

AUDIO CONFERENCING

Wateen's Audio conferencing Services enables businesses to effectively deal with their internal and external clients especially for multi-site businesses, irrespective of whether conference participants are based in Pakistan or abroad.

Wateen Audio Conferencing Services offers easy-to-use, browser-based solutions for scheduling, initiating, managing & terminating multi-party conferences. Plus, unlike traditional adhoc (3-6 persons) conferencing facility provided by Cellular or fixed Line Service Providers, Wateen Audio Conferencing Service would be accessible from a wide variety of end points including PC soft phones, IP phones, analogue phones and GSM handsets.

CONTENT & MEDIA

Wateen brings it all under one roof as a one-stop-shop for world class Entertainment. Under this umbrella, Wateen offers Analogue and Digital TV, Online Gaming, Infotainment Portal and many other first of its kind entertainment products which are mentioned below:

- **INFOTAINMENT PORTAL**
  Wateen's infotainment portal provides the most sought after information on the Internet. Users access to services and information (such as local and international entertainment and business news), weather, blogs, classified ad portal, latest local events, auto pages, snippets and much more.

- **ONLINE GAMING**
  Wateen's Online Gaming (WOG) targets avid gamers through dedicated servers, and casual market through a comprehensive web gaming portal. WOG lays the groundwork for the console market through VPN connectivity and gamer profiles. Wateen also recently launched multiplayer online gaming in partnership with Arvato, one of the world's biggest content providers and aggregators.

SURVEILLANCE SOLUTIONS

Wateen's Surveillance Solution for home users is a comprehensive live video capture, monitoring, storage and retrieval Solution designed for our customers. It allows users to view the camera footage through their internet enabled phones as well.

IVR

IVR-based Services have seen unprecedented success in their deployments in GSM Networks. Wateen plans to deploy the same Services on the fixed line platform in order to augment the Service offerings on its voice platform.

CUSTOMER SERVICE

Wateen's Customer Service operates 24/7 and consists of a front-end (Contact Centres) and back-end (Support Centre) teams supported by a quality assurance unit, a resource development team as well as a business reporting and analysis team.

Contact Center is equipped with state-of-the-art, CISCO Hosted Contact Centre offering multitude of services for consumer and enterprise customers. Communication channels available include: call, email, web chat, SMS and fax around the clock. In-house, and fully customised to meet the demands of our unique product offerings. Our Customer Service centre is quicker and allows the introduction new products and value added services without dependency on any outside resources. Wateen CRM provides complete track of customer and their account history which is then helpful in planning of loyalty and retention campaigns. The Quality Assurance Team is a crucial checkpoint and one of the most valued tools of gaining insights and performing campaign health checks.

The Business Analysis Team generates daily, weekly and monthly reports including monitoring of internal SLAs with other divisions of the company to ensure that customers are served in promised time with Quality of Service (QoS) parameters are achieved, with full compliance to corporate governance standards. This team also generates intra-division OLA/SLA reports and prepares manage-ment reports at different intervals.

TECHNOLOGY

To be the leading "carrier's carrier", to usher in the digital revolution, Wateen relies on cutting edge, futuristic technologies coupled with a time tested infrastructure. As a customer-centric company it is important for Wateen to build a network with the capability of offering flexibility, scalability and reliability to deliver what customer wants rather than what the technology features. Wateen has always selected the leading international vendors based on open RFL's to ensure the best technical solutions at the best price.

WiMAX was selected as the preferred wireless access medium. The aforementioned technology has the capability of offering higher throughput coupled with advanced features compared to other wireless technologies like EVDO, per sector throughput in WiMAX ranges up to 25Mb vs. 1Mb for EVDO and research is underway to enhance per sector capacity to over 100Mb. Smooth convergence with LTE (4G technology) is considered another advantage of WiMAX over other wireless technologies available in the market.

Motorola was selected as the vendor of choice over Ericsson, Huawei, Cisco-Navini, Alcatel-Lucent and Redline through a multi stage evaluation process. Since then, ten thousand access points and nearly one million WiMAX terminals have been sold.

Wateen holds the license to operate in 22 cities in all 14 WLL regions with wide frequency bands. In the urban regions, Wateen enjoys over 40MHz band, which is required for efficient radio frequency (RF) network design featuring minimum interference and high capacity using 7MHz - 4 sector access points.

Amongst those, approximately 1,000 sites are already operational while the remaining sites are in process of deployment. The overall capacity of the network for a typical subscriber profile with applicable contentions is beyond 1 million subscribers with a 512 Kbps profile which is the largest amongst the Wireless Broadband operators in the region. State-of-the-art, high capacity IP microwave (MW) links have been deployed to backhaul the traffic from the Access Point (AP) sites for aggregation to the hub sites which are further linked to the MPLS core network.

Wateen has the telecom industry's most comprehensive Managed Services set up. All the service segments are flexible in terms of scope and set up and can be adapted to fit customer needs. Engineering team activities include designing, building, planning, operating and managing day-to-day operations.

Managed Services partnerships with industry leaders such as Motorola, Huwaei and Cisco by transferring the responsibility of network management to experienced partners, while ensuring that Wateen remains in the driving seat, bring major business benefits including cost savings, improved Service quality, decreased time-to-market and the ability to free up valuable time and resources.

Wateen's engineering management team is highly experienced in managing multi-vendor, multi-technology networks. Extensive experience has enabled Wateen to evolve strong and mature governance models for the delivery of critical projects, network quality, revenue enhancement and improved cost-efficiency.

SERVICE DELIVERY & SUPPORT

Wateen's engineering team brings efficiency in service operations and predictability in costs. As more and more services are introduced with well managed life cycles, the desired scalability and flexibility is achieved with proven expertise in operations management.

Wateen uses best-in-class tools complemented by necessary customisations and roadmap development. Service delivery based on contractually defined Service Level Agreements (SLA) is completed with associated key performance indicators (KPIs).

Key activities of the service delivery and the support team can be categorised as follows:

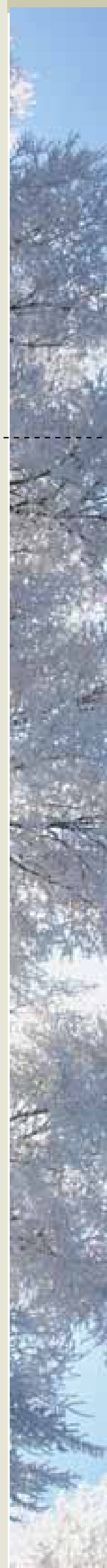
- Define, deliver and integrate a service monitoring and reporting solution
- Regular monitoring and reporting to make the service quality visible to everyone and analysis to help better understanding of issues
- Structured problem solving

HUMAN RESOURCE

One look at the business model of a service organisation will clearly demonstrate the single most vital pillar supporting the institution and its customers: its employees. That is why at Wateen our priority ahead of our plans, products, profits, is our people. It is our firm belief that together people create and sustain an organisation's growth and determine success or failure. That is why we promote the culture of a family within the company – A Wateen Family.

Given the complexity of the infrastructure, the expanse of our product lines, and diversity of our customers, we can safely stake claim to the fact that Wateen has the best ensemble of people under a single roof in the industry. Wateen has brought together individuals with international and domestic experience from world class companies like Sprint, Hutchison, IBM, British Telecom, Ericsson, CISCO Systems, Texas Instruments, General Electric, QTel, Etisalat, Orascom, etc.

Wateen is an equal opportunity employer. Our hiring philosophy and practice is to employ individuals who are competent for the specific position and have the right attitude for the job to be performed. Strong soft skills for communication, teamwork, and respect for individual makes the difference between the one employed and the one not employed. Being a people focused company, it is of immense value to Wateen that every employee strongly believes and performs with integrity, discipline and passion.



FUTURE OUTLOOK

Wateen is not only a telecommunications operator but is also a universal provider of comprehensive communication services for both residential and business customers. Wateen Telecom's corporate identity seeks to help customers keep pace with the rapidly changing technological advancements.

We plan to build a complete infrastructure (comprising of Local Loop Services (Wireless/Wireline), National Transmission Network (Optic Fiber), DWDM Network, Metro Fibre Rings) to provide end-to-end telecom services. This state-of-the-art infrastructure will allow the provisioning of 'standard' services as well as 'future' Broadband services - something which other existing operators will not be able to offer due to capacity limitations, third party dependency and legacy technology.

Wateen's Long-haul Optical Fibre Transmission Network plays a key role in overcoming bandwidth limitations of the domestic and international markets by providing quality service to its voice and data customers.

This backbone will provide an infrastructure platform for Wateen's IP/MPLS based LDI & WLL networks by providing them 10Gbps transparent channels. Moreover, the network will be capable of providing redundant media to Call Centers, DNOPs, and software houses.

Within the major cities and connecting to the long haul fibre optic backbone, Wateen has a metro fibre optic network spanning over 1,700 Km which will be extended to other cities subject to commercial viability. This provides widespread coverage and increases penetration. Wateen Metro Project is instrumental in overcoming the frequency/bandwidth limitations currently being experienced by existing operators, who in the absence of an alternative then resort to using microwave transmission of aggregated traffic. Metro area networks are thus expected to substantially improve the quality of service of the existing operators.

Wateen has and will continue to be resilient in the international and local economic arena. Key factors influencing business resilience and strengthening revenue generation are:

- Most revenues are contracted in USD denomination, thus giving a natural year-on-year increase in PKR denominated revenues
- Many contracts are framed on 1–20 year term contracts with annual year-on-year price escalations of 10% - 15%
- Organic growth and current business opportunities for natural growth of existing business lines
- Introduction of several additional product lines / revenues streams like Transit for LDI, extending VSAT services to neighbouring countries and hosted services under Solutions

Moreover, during 09 / 10 the optical fibre network of the Company grew from 5,000 Km to around 10,000 Km. This is an indicator that the financial year end of 2011 will bring with it the windfall of Rs. 2.2 billion from the deployment of this additional 5,000 km fibre optic, sale of dark fibre to neighbouring countries and some strategic customers; also influencing this is the dark fibre and Lambda deals by Wateen.

With most of the growth in infrastructure coming through a subsidy from USF, Wateen will have the second largest, if not the largest, OFC network in Pakistan. The roll-out along almost all of the national highways will make it an ideal choice for operators to shift onto dark fibre for backhauling from the comparatively less reliable, existing microwave media.

SUBSIDIARIES

WATEEN TELECOM LIMITED HAS THE FOLLOWING SUBSIDIARIES:

Wateen Solutions (Pvt.) Limited – (WSPL)

Wateen Telecom holds 51% shares in Wateen Solutions (Pvt) Limited. The Company commenced its operations on January 1, 2007, and is engaged in the business of providing system integration services. The main activities of the Company are to sell and deploy telecom equipment and provide related services. Wateen Solutions mainly focuses on three revenue streams:

- VAR (Value Added Reselling);
- Professional Services / Managed Network Services; and
- Commissions and Margins

Wateen Satellite Services (Pvt) Limited – (WSSPL)

Wateen Telecom Limited holds 100% shares of Wateen Satellite Services (Pvt) Limited. The Company was incorporated on 27 September 2005 and is involved in providing back haul and satellite data connectivity services to different operators. The company is operating under the license of Wateen Telecom Limited.

NetsOnline Services (Pvt) Limited

Wateen Telecom Limited holds 100% shares of NetsOnline Services (Pvt) Limited. The Company was incorporated on 2 November 2005 and is currently providing DSL services.

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

The Company has complied with all material requirements of the Code of Corporate Governance and Directors are pleased to confirm the following:

- The financial statements prepared by the management of the Company present fairly its state of affairs, the results of its operations, its cash flows and its changes in equity
- Proper books of accounts of the Company have been maintained
- Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment
- International Accounting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements and any departure there from has been adequately disclosed
- The system 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
- Information regarding outstanding taxes and levies is given in notes to the financial statements
- The Unaudited value of employee's retirement benefit assets as per management accounts amounted to Rs 94 million at June 30, 2010. As per audited accounts (2009: Rs 115 million)

OUR PEOPLE, OUR GOVERNANCE

Wateen values its employees and believes in investing in its people. Our employees are our biggest asset, for we depend on them to deliver quality service to our customers.

We offer a competitive and dynamic work environment, competitive packages and opportunities for employee enrichment and improvement through trainings. At Wateen, we expect our employees and our management to follow the principles and ethics defined in our company statement responsibly.

Wateen's corporate governance framework observes high standards of ethics and code of conduct and supports accountability. We believe in empowering our employees, in maintaining public and shareholder trust and observing the laws and regulations governing our business.

Our employees are an integral part of our identity. We are an equal opportunity employer with an anti-discrimination and fair outlook. Wateen is careful to observe fair treatment, working hours, wages and benefits.

Our health and safety regulations cover occupation injury prevention, chemical exposure prevention, emergency prevention, readiness and response; ergonomically planned work areas, in-house dining arrangements, and health and safety communication and standards.

Wateen welcomes employee feedback and participation; being a responsible company, we also follow accountability for actions and corrective action processes. We adhere to business integrity and disclosure of information, while also providing complaint resolution, whistleblower protection and an anonymous complaint handling.

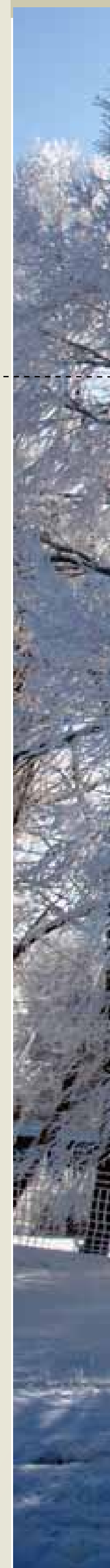
OUR COMMUNITY & CORPORATE CITIZENSHIP

Society and business health share a symbiotic relationship, and we appreciate the fact that businesses and the community in which they operate are inter-dependent on each other. As responsible corporate citizens, we are committed to community service and outreach endeavours.

Wateen offers summer internship programmes as part of its corporate citizenship. Students intern at Wateen to enrich their curriculum learning with corporate exposure and experience.

We have partnered with The Universal Service Fund, established by the Government of Pakistan, to develop the telecommunications infrastructure and promoting Internet and computer literacy with a special focus on underserved areas by offering subsidised Internet and Telephony services. Our collaboration and subsidised services are provided in Faisalabad Telecom Region, Hazara Telecom Region, Gujranwala Telecom Region and Central Telecom Region. Support and value addition is also provided with planned Education and Community Broadband Centres. Wateen mobile units and vans operate in these areas to educate and increase Internet and computer literacy.

In recent months Pakistan was hit with one of the worst natural disasters to date: with 20% land affected and an estimated 20 million people displaced. In this crisis, Wateen's employees donated their salary (on personal discretion ranging from 1 day salary and going up to 7 days), set up relief camps and carried out an aggressive drive to collect relief goods and personal donations. Some were directly affected by the floods and Wateen responded with priority attention to the respective employees.



BOARD AUDIT COMMITTEE

The Board Audit Committee at Wateen Telecom Limited (the 'Company') has been established with the purpose of assisting the Board of Directors in fulfilling their oversight responsibilities relating to internal controls, financial and accounting matters, compliance and risk management practices.

The Board Audit Committee of the Company comprises three members. The Committee functions within the scope of the Terms of Reference approved by the Board that determine the roles and responsibilities of the Committee.

The roles and responsibilities of the Board Audit Committee include, but are not limited to:

- Determining appropriate measures to safeguard the Company's assets
- Reviewing quarterly, half-yearly and annual financial statements of the Company and preliminary announcements of the results before approval by the Board
- Reviewing the Company's statement on internal control systems prior to their approval by the Board
- Making recommendations to the Board on the appointment or re-appointment of the external auditors
- Ensuring coordination between the internal and external auditors
- Reviewing the management letter issued by external auditors and management's response thereto
- Ascertaining that the system of internal controls, including financial and operational controls, accounting system and reporting structure are adequate and effective
- Considering major findings of internal audit and management's responses thereto
- Monitoring compliance with the Company's policies and procedures and the best practices of corporate governance

Additionally, the Board Audit Committee has explicit authority to investigate any matter and has full cooperation of and access to the Management. It has full discretion to invite any Director or Executive officer to attend its meetings. The Code of Corporate Governance requires the Board Audit Committee to meet at least once every quarter.

AUDIT, RISK & GOVERNANCE

The Board Audit Committee relies on Audit, Risk & Governance (ARG) Division of the Company for internal audit activities. ARG comprises a team of 4 staff members including the Head of ARG, who reports directly to the Chairman of the Board Audit Committee.

The Board Audit Committee reviews and approves the Internal Audit Charter and Plans to ensure adequacy and effectiveness of the internal audit function.

The reviews performed by ARG are aimed at assisting the Board in promoting sound risk management and good corporate governance, through assessing the design and operating effectiveness of controls that govern key business processes and risks identified in the overall risk framework of the Company. The reviews also focus on compliance with the Company's policies, procedures and regulatory responsibilities.

BOARD EXECUTIVE COMMITTEE

The Board Executive Committee at Wateen Telecom Limited (the 'Company') has been established with the purpose of assisting the Board of Directors in fulfilling their oversight responsibilities concerning the operations, organisation, planning and development of the Company.

The Board Executive Committee of the Company comprises three members. The Committee functions within the scope of the Terms of Reference approved by the Board that determine the roles and responsibilities of the Committee.

The roles and responsibilities of the Board Executive Committee include, but are not limited to:

- Determining appropriate measures to safeguard the Company's assets
- Reviewing quarterly, half-yearly and annual financial statements of the Company and preliminary announcements of the results before approval by the Board
- Reviewing statutory matters and regulations
- Monitoring and reviewing matters regarding organisation and services
- Monitoring and reviewing the performance of the Company
- Initially approving rules and regulations on all staff related matters

- Initially approving pay-scales/remuneration packages for various levels of employees and Heads of Departments
- Approving recruitment/promotion of General Managers/ Heads of Departments. The BEC will be kept posted by the CEO on similar matters related to Senior Managers
- Examining and approving all development schemes and plans
- Approving schemes for new telecommunications services and expansion of existing services when required
- Reviewing all development projects, budget estimates and policy matters of major economic nature, prior to their submission to BOD
- Initially approving the annual budget including Capital Expenditure Budget prior to submission to the BOD
- Initially reviewing and approving the year end accounts for the presentation and approval of the BOD
- Initially reviewing and approving and supplementary budgets in relation to any particular project for presentation to and subsequent approval by the BOD
- Reviewing efficiency of services provisioned by Wateen
- Approving negotiated settlement of amounts up to Rs. 10 million on outstanding amounts due to the Company Settlement amounts more than Rs. 10 million should be referred to the BOD
- Approving policies and guidelines on Loans and Investment
- Approving appointment/promotions of General Managers/Heads of Departments for the Affiliates and Subsidiaries
- Approving introduction and revision of telecommunication tariffs and charges, telecommunication services condition. etc
- Initially approving financing and any other credit facilities to be obtained by the Company or its Affiliates and Subsidiaries
- Approving credit policies for the customers
- Reviewing and approving marketing/advertising campaigns related budget
- Examining and approving tender reports for new projects/purchases. The BEC has the authority to approve each project/purchase up to 15% above the approved budget provided that accumulated value should not exceed more than 10% of overall approved budget. Any project, the value of which exceeds US$50 million will require prior approval of the Chairman
- Approving cost overrun variations within 10% of the contracted amount of the projects/purchases
- Purchases/projects which have not been previously included in the Budget for approval should be presented to the BEC by CEO and the BEC after review shall recommend to the BOD.

AUDITORS

The present Auditors M/s A.F. Ferguson & Co., Chartered Accountants have completed their assignment for the year ended June 30, 2010 and shall retire on the conclusion of the Annual General Meeting. In accordance with the Code of Corporate Governance, the Audit Committee and the Board of Directors considered and recommended the re-appointment of M/s A.F. Ferguson & Co., Chartered Accountant as Auditors for the year ending June 30, 2011.

ACKNOWLEDGEMENTS

On behalf of the Board of Directors of the Company, we would like to thank all our customers, suppliers, contractors, service providers and shareholders for their continued support.

We would like to commend the diligent and dedicated efforts of our employees across the country which has enabled the Company to successfully face the challenges of a highly competitive telecom environment.

We would also like to express our special thanks to the Government of Pakistan and the Abu Dhabi Group for their continued support and encouragement.

Tariq Malik
Chief Executive Officer

Parvez A. Shahid
Director

ATTENDANCE OF BOARD MEMBERS

(from July 01, 2009 to June 30, 2010)

Name of Board Members		Meetings Attended
1.	H.H. Nahayan Mabarak Al Nahayan	13
2.	H.E. Sheikh Saif Bin Muhammad Bin Butti Hamid Al Hamid	13
3.	Mr. Ahmed Darwish Dagher Al Marar	05
4.	Mr. Khalid Manea Saeed Ahmed Al Otaiba	06
5.	Mr. Abdulla Khalil Muhammad Samea Mutawa	06
6.	Mr. Bashir Ahmed Tahir	13
7.	Mr. Parvez Ahmed Shahid	13

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in the listing regulations of Karachi, Lahore and Islamabad Stock Exchange 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 was listed on May 27, 2010 and applied the principles contained in the Code as applicable for the period ended June 30, 2010 in the following manner:

1. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
2. 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 the stock exchange.
3. The Company has prepared a 'Statement of Ethics and Business Practices', which has been implemented.
4. The Company has developed a Mission Statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies has been maintained.
5. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and terms and conditions of employment of the CEO, have been taken by the Board.
6. The meetings of the Board were presided over by the Chairman, and the Board met at least once in every quarter except for last quarter which was held on July 11, 2010. 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.
7. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
8. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
9. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
10. 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.
11. The Company has complied with all the corporate and financial reporting requirements of the Code.
12. The Board has formed an audit committee. It comprises of three directors all of whom are non executive directors including the Chairman. The terms of reference of the committee have been formed and advised to the committee. The meeting of the audit committee was held prior to the approval of final results of the Company.
13. The Board has set-up an internal audit function.
14. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accounts (IFAC) guidelines on Code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
15. 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.
16. The related party transactions have been placed before the Audit Committee and approved by the Board of Directors along with pricing methods for such transactions.
17. We confirm that all other material principles contained in the Code have been complied with

Tariq Malik
Chief Executive Officer

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Wateen Telecom Limited (the Company) to comply with the Listing Regulations of the respective Stock Exchanges, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

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

Further, Sub - Regulation (xiii a) of Listing Regulations 35 notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the Company to place before the board of directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance, as applicable to the Company for the year ended June 30, 2010.

A.F. Ferguson & Co.,
Chartered Accountants
Islamabad

October 5, 2010

Engagement partner: Sohail M Khan

AUDITOR'S REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Wateen Telecom Limited as at June 30, 2010 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 except for the changes as stated in note 3.1 with which we concur;

(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 June 30, 2010 and of the loss, its cash flows and changes in equity for the year then ended; and

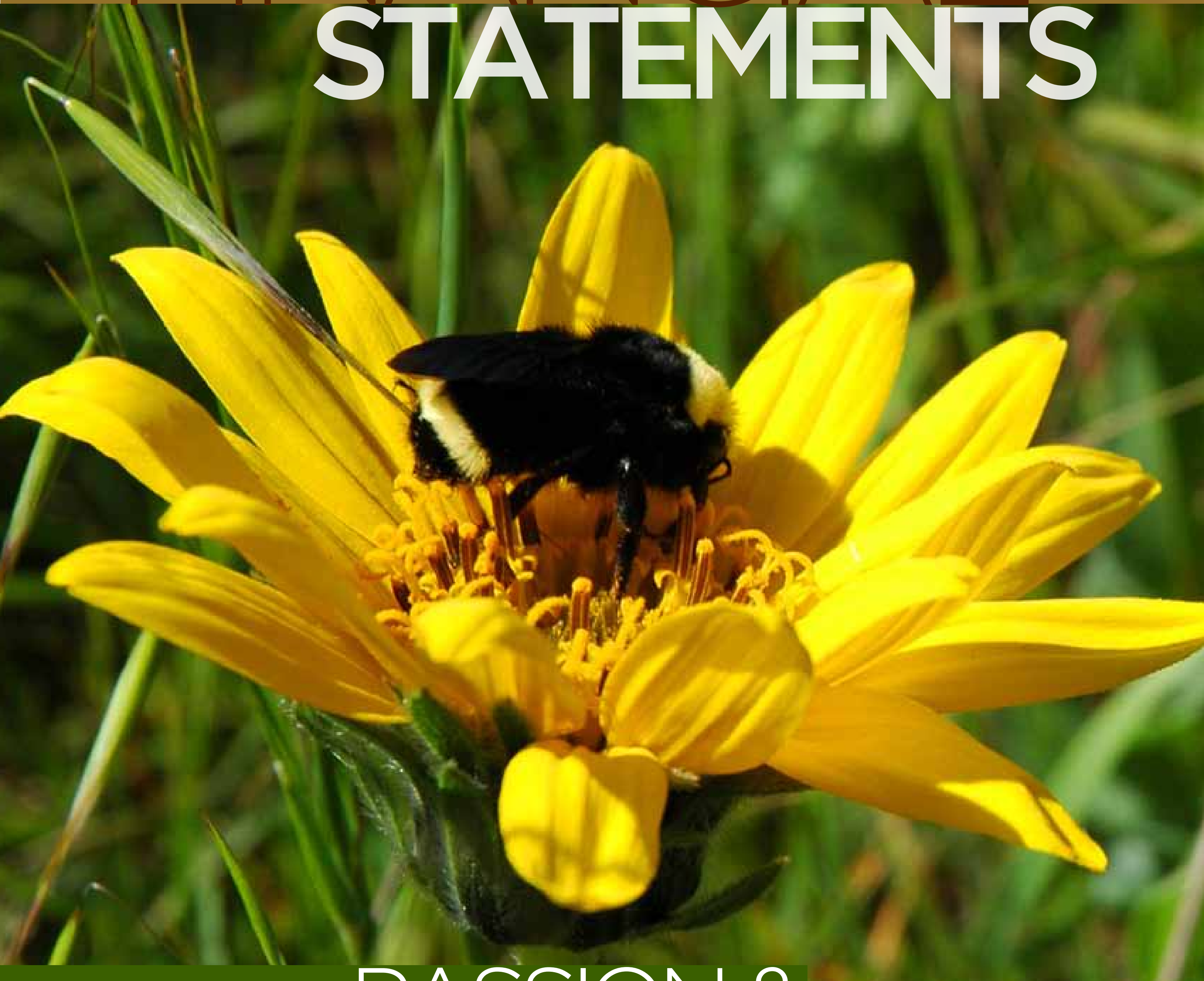
(d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that ordinance.

A.F. Ferguson & Co.,
Chartered Accountants
Islamabad

October 5, 2010

Engagement partner: Sohail M Khan

FINANCIAL STATEMENTS



PASSION & DETERMINATION

BALANCE SHEET
AS AT JUNE 30, 2010

	Note	2010	2009
		(Rupees in thousand)	
Share capital and reserves			
Authorised capital	5	10,000,000	10,000,000
Issued, subscribed and paid-up capital	5	6,174,746	2,087,373
General reserve	6	134,681	392,908
Unappropriated profit/(loss)		(2,099,760)	1,829,146
		4,209,667	4,309,427
Long term liabilities			
Long term finance- secured	7	-	6,155,733
Payable to supplier to be settled through long term finance	8	-	3,168,945
Cross currency swap - fair value	7.6	4,656	-
Interest rate swap - fair value	7.6	134,397	-
Obligations under finance leases	9	5,429	-
Long term deposits	10	110,455	125,732
		254,937	9,450,410
Deferred liabilities			
Employees' retirement benefits	11	43,690	36,063
Deferred income tax liability	12	74,593	1,188,299
Deferred government grants	13	827,159	212,428
		945,442	1,436,790
Current liabilities			
Current portion of long term finance - secured	7	12,411,659	1,466,165
Payable to supplier to be settled through long term finance	8	433,798	-
Current portion of obligations under finance leases	9	1,556	-
Finance from supplier - unsecured	14	77,668	338,530
Short term borrowings - secured	15	4,604,346	2,658,541
Trade and other payables	16	5,922,431	5,600,679
Interest / markup accrued	17	848,888	310,755
		24,300,346	10,374,670
Contingencies and commitments	18		
		29,710,392	25,571,297

The annexed notes 1-40 are an integral part of these financial statements.

BALANCE SHEET
AS AT JUNE 30, 2010

	Note	2010	2009
		(Rupees in thousand)	
Non-current assets			
Property, plant and equipment			
Operating assets	19	17,045,929	14,050,553
Capital work in progress	20	3,883,565	3,513,632
Intangible assets	21	204,726	226,790
		21,134,220	17,790,975
Long term investment in subsidiary companies	22	57,061	57,061
Long term deposits and prepayments			
Long term deposits		238,584	290,037
Long term prepayments	23	79,139	87,233
		317,723	377,270
Current assets			
Trade debts	24	3,097,982	2,982,561
Contract work in progress		18,782	18,068
Stores, spares and loose tools		847,528	797,930
Stocks		-	39,005
Advances, deposits, prepayments and other receivables	25	2,001,340	2,980,857
Income tax refundable		238,841	193,717
Cash and bank balances	26	1,996,915	333,853
		8,201,388	7,345,991
		29,710,392	25,571,297

Chief Executive

Director

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010	2009
		(Rupees in thousand)	
Revenue	27	7,961,103	15,410,115
Cost of sales (excluding depreciation and amortisation)	28	5,917,801	10,607,011
General and administration expenses	29	1,531,948	1,810,317
Advertisement and marketing expenses		183,146	198,632
Selling and distribution expenses		20,486	17,307
Other charges	30	28,936	-
Other income	31	(75,822)	(189,656)
Earnings before interest, taxation, depreciation and amortisation		354,608	2,966,504
Depreciation and amortisation		1,648,499	946,810
Finance cost	32	1,974,257	614,851
Finance income	33	(176,602)	(41,981)
Profit/(loss) before taxation		(3,091,546)	1,446,824
Income tax (charge)/credit	34	1,071,033	(519,061)
Profit/(loss) for the year		(2,020,513)	927,763
			Restated
Earnings/(loss) per share - Basic and diluted	36	Rs (4.43)	Rs 2.22

The annexed notes 1-40 are an integral part of these financial statements.

Chief Executive

Director

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2010

	2010	2009
	(Rupees in thousand)	
Profit/(loss) for the year	(2,020,513)	927,763
Other comprehensive income	-	-
Total comprehensive income for the year	(2,020,513)	927,763

The annexed notes 1-40 are an integral part of these financial statements.

Chief Executive

Director

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2010

	2010	2009
	(Rupees in thousand)	
Cash flow from operating activities		
Profit/(loss) before taxation	(3,091,546)	1,446,824
Adjustment of non cash items:		
Depreciation	1,625,835	932,101
Amortisation	22,664	14,709
Finance cost	1,974,257	614,851
(Profit) on sale of operating assets	(17,265)	(109)
Cost associated with IRU of Optic Fiber Cable	-	646,490
Deferred grant recognised during the year	(1,746)	-
Profit on sale of long term investments	-	(1,409)
Dividend income from subsidiary company	-	(175,933)
Provision for doubtful debts	60,773	2,366
Fair value remeasurement loss on cross currency swap contract	4,656	-
Fair value remeasurement loss on interest rate swap contract	134,397	-
Provision for employees' accumulated absences	28,123	4,385
	3,831,694	2,037,451
	740,148	3,484,275
Changes in working capital:		
(Increase) in trade debts	(176,194)	(1,260,491)
(Increase)/Decrease in contract work in progress	(714)	4,401
(Increase)/Decrease in stores, spares and loose tools	(49,598)	164,648
Decrease in stocks	39,005	146,912
(Increase)/Decrease in advances, deposits, prepayments and other receivables	1,174,260	(1,198,657)
Increase/(Decrease) in trade and other payables	321,752	(1,264,069)
	1,308,511	(3,407,256)
Employees' accumulated absences paid	(20,496)	(3,842)
Taxes paid	(45,124)	(69,702)
Cash flow from operating activities	1,983,039	3,475
Cash flow from investing activities		
Tangible fixed assets additions	(4,803,102)	(7,035,195)
Capital work in progress additions	(369,933)	(78,323)
Intangible assets additions	(600)	(51,887)
Proceeds from sale of operating assets	208,449	1,151
Proceeds from sale of shares of subsidiary company	-	52,000
Acquisition of shares in subsidiary companies	-	(4,405)
Long term deposits receivable - received/(paid)	51,453	(150,126)
Long term prepayments	8,094	(2,776)
Dividend income received	-	175,933
Cash flow from investing activities	(4,905,639)	(7,093,628)

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2010

	2010	2009
	(Rupees in thousand)	
Cash flow from financing activities		
Proceeds from issue of shares	2,000,000	-
Shares issue cost paid	(121,919)	-
Long term finance received	5,864,620	7,004,709
Long term finance repaid	(1,074,860)	-
Long term payable to supplier repaid	(260,862)	-
Payable to supplier to be settled through long term finance repaid	(2,735,147)	(377,477)
Deferred government grant received	421,734	212,428
Obligations under finance leases repaid	(2,308)	-
Long term deposits payable- (repaid)/received	(15,277)	36,786
Short term borrowings received	1,680,165	-
Finance cost paid	(1,436,124)	(826,091)
Cash flow from financing activities	4,320,022	6,050,355
Increase/(decrease) in cash and cash equivalents	1,397,422	(1,039,798)
Cash and cash equivalents at beginning of the year	(2,324,688)	(1,284,890)
Cash and cash equivalents at end of the year	(927,266)	(2,324,688)
Cash and cash equivalents comprise:		
Cash and bank balances	1,996,915	333,853
Short term running finance	(2,924,181)	(2,658,541)
	(927,266)	(2,324,688)

The annexed notes 1-40 are an integral part of these financial statements.

Chief Executive

Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2010

	Share capital	General reserve	Unappropriated profit/(loss)	Total
	(Rupees in thousand)			
Balance at July 1, 2008	2,087,373	300,132	994,159	3,381,664
Total comprehensive income for the year				
Profit for the year	-	-	927,763	927,763
Other comprehensive income	-	-	-	-
	-	-	927,763	927,763
Transfer from unappropriated profit to general reserve	-	92,776	(92,776)	-
Balance at June 30, 2009	2,087,373	392,908	1,829,146	4,309,427
Balance at July 1, 2009	2,087,373	392,908	1,829,146	4,309,427
Issue of 208,737,310 bonus shares	2,087,373	(258,227)	(1,829,146)	-
Issue of 200,000,000 shares for cash on April 20, 2010	2,000,000	-	-	2,000,000
Shares issue cost (net of tax benefit)	-	-	(79,247)	(79,247)
Total comprehensive income for the year				
Loss for the year	-	-	(2,020,513)	(2,020,513)
Other comprehensive income	-	-	-	-
	-	-	(2,020,513)	(2,020,513)
Balance at June 30, 2010	6,174,746	134,681	(2,099,760)	4,209,667

The annexed notes 1-40 are an integral part of these financial statements.

Chief Executive

Director

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

1. Legal status and operations

The Company was incorporated in Pakistan as a Private Limited Company under Companies Ordinance, 1984 on March 4, 2005 for providing Long Distance and International public voice telephone (LDI) services and Wireless Local Loop (WLL) service in Pakistan. The Company commenced its LDI business commercial operations from May 1, 2005. The legal status of the Company was changed from "Private Limited" to "Public Limited" with effect from October 19, 2009. The Company was listed on Karachi, Lahore and Islamabad Stock Exchanges with effect from May 27, 2010. The registered office of the Company is situated at Lahore. The Company is a subsidiary of Warid Telecom International LLC, U.A.E.

2. Basis of preparation

(i) Statement of compliance

These are separate financial statements of the Company. These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) 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. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

(ii) Accounting convention

These financial statements have been prepared on the basis of 'historical cost convention' except as otherwise stated in the respective accounting policies notes.

(iii) Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where assumptions and estimates are significant to the Company's financial statements are as follows.

(i) Fixed assets - estimated useful life of property, plant and equipment (note 19).

(ii) Fair value of derivative financial instruments relating to cross currency swap contract and interest rate swap contract with a bank - use of valuation techniques (note 4.19).

(iii) Employees' retirement benefits (note 11).

(iv) Provision for doubtful debts (note 24).

(v) Classification of long term finance as current liability (note 7.7)

(vi) Provision for income tax (note 34).

3. Adoption of new and revised standards and Interpretations

3.1 Changes in accounting policies and disclosures

(i) IAS 1 (Revised), 'Presentation of Financial Statements' - effective January 1, 2009. All 'non-owner changes in equity' are required to be presented separately in a performance statement. Companies can choose either to present one performance statement (statement of comprehensive income) or two statements (profit and loss account and statement of comprehensive income). The Company has adopted two statements approach to reflect these changes. The adoption of this standard has no impact on the financial statements except for changes in presentation and disclosures.

(ii) IFRS - 8, 'Operating Segments' - effective January 1, 2009. IFRS - 8 replaces IAS - 14, 'Segment Reporting'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions. The management has determined that the Company has a single reportable segment as Board of Directors views the Company's operations as one reportable segment. The adoption of this standard has no impact on the financial statements except for changes in presentation and disclosures.

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

		Effective for periods beginning on or after
IFRS 2	Share-based payment (Amendments)	January 1, 2010
IFRS 5	Non-current assets held-for-sale and discontinued operations (Amendments)	January 1, 2010
IFRS 8	Operating segments (Amendment)	January 1, 2010
IFRS 9	Financial instruments	January 1, 2013
IAS 1	Presentation of financial statements (Revised)	January 1, 2010
IAS 7	Statements of cash flows (Revised)	January 1, 2010
IAS 17	Leases (Revised)	January 1, 2010
IAS 24	Related party disclosures (Revised)	January 1, 2011
IAS 32	Financial Instruments: Presentation (Amendments)	January 1, 2011
IAS 36	Impairment of assets (Amendment)	January 1, 2010
IAS 39	Financial instruments: Recognition and measurement (Amendments)	January 1, 2010
IFRIC 4	Determining whether an Arrangement contains a Lease	July 1, 2010
IFRIC 14	IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction	January 1, 2011
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	July 1, 2010

The management anticipates that adoption of above standards, amendments and interpretations in future periods will have no material impact on the Company's financial statements except for changes in presentation and disclosures.

4. Summary of significant accounting policies

4.1 Employees' retirement benefits

4.1.1 The company operates funded gratuity scheme for all permanent employees. The expense is recognised on the basis of actuarial valuation. Actuarial gains and losses in excess of the 'corridor' (10% of the higher of fair value of plan assets or present value of defined benefit obligation) are recognised over the remaining working life of employees. The latest actuarial valuation was carried out as at June 30, 2010, related details of which are given in note 11 to the financial statement.

4.1.2 The Company also provides for compensated absences for all permanent employees in accordance with the rules of the Company. The latest actuarial valuation was carried out as at June 30, 2010, related details of which are given in note 11 to the financial statements.

4.1.3 Contributory provident fund for all permanent employees. Contribution for the year amounted to Rs 26,361 thousand (2009: Rs 18,589 thousand).

4.2 Taxation

Current

Provision for current taxation is based on taxable profit at the current rates of taxation.

NOTES TO AND FORMING PART OF
THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

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 taxable profit. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences and unused tax losses can be utilized. Deferred tax is calculated at the rates that are expected to apply to the period when the differences are expected to be reversed.

4.3 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

4.4 Trade and other payables

Liabilities for trade and other amounts payable including payable to related parties are carried at cost which is the fair value of the consideration to be paid in the future for goods and services.

4.5 Fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation on operating fixed assets is provided on straight line method to write off the cost of an asset over its estimated useful life at the annual rates specified in note 19. Capital work in progress is stated at cost.

License cost is capitalised and amortised on a straight line basis over the period of the license from the date of commencement of commercial operations.

Maintenance and repairs are charged to income as and when incurred. Major renewals and improvements are capitalised.

Gains and losses on disposals are recognised in profit and loss account currently.

4.6 Impairment of non-financial assets

Assets that have an indefinite useful life, for example land, are not subject to amortization or depreciation and are tested annually for impairment. Assets that are subject to depreciation/amortization are reviewed for impairment at each balance sheet date or when ever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Reversals of the impairment losses are restricted to the original cost of the asset. An impairment loss or reversal of impairment loss is recognised in the profit and loss account.

4.7 Investment in subsidiary companies

Investments in subsidiary companies are carried at cost less impairment losses, if any. The profit and loss of the subsidiary company is carried forward in the financial statements of the subsidiary and is not dealt with in or for the purpose of these financial statements except to the extent of dividend declared by the subsidiary company.

4.8 Right of way charges

Right of way charges paid to local governments and land owners for access of land are carried at cost less amortisation. Amortisation is provided to write off the cost on straight line basis over the period of right of way.

4.9 Trade and other receivables

Trade and other receivables are stated at cost less impairment losses, if any.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

4.10 Stores, spares and loose tools

Stores, spares and loose tools are carried at cost less allowance for obsolescence. Cost is determined on weighted average cost formula basis. Items in transit are valued at cost comprising invoice value plus other charges paid there on.

4.11 Stocks

Stocks are valued at lower of cost and net realiseable value. Cost is determined on weighted average cost formula basis.

4.12 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, bank balances and highly liquid short term investments less short term running finance.

4.13 Government grant

Government grants are recognised at their fair value and included in non-current liabilities as deferred income when there is reasonable assurance that grant will be received and the company will comply with the conditions associated with grant.

Grant that compensate the Company for expenses incurred are recognised in profit and loss account on a systematic basis in the same period in which the expenses are recognised. Grant that compensate the Company for the cost of an asset are recognised in the profit and loss account on a systematic basis over the expected useful life of the asset upon capitalisation.

4.14 Revenue recognition

Revenue is recognised as related services are rendered. Revenue from granting of Indefeasible Right Of Use (IRU) of dark fiber for 20 years is recognised at the time of delivery and acceptance by the customer.

Interest income is recognised using the effective yield method.

Dividend income is recognised when the right to receive payment is established.

4.15 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using effective interest method.

Borrowing costs incurred that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized upto the date of commencement of commercial operations are capitalised. All other borrowing costs are recognised as an expense in the period in which they are incurred. Qualifying assets are assets that necessarily take substantial period of time to get ready for their intended use.

4.16 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 financial statements are presented in Pakistan rupees (Rs), which is the Company's functional currency.

4.17 Foreign currency transactions

Transactions in currencies other than rupees are converted into rupees at the rates of exchange ruling on the date of the transaction. All monetary assets and liabilities in foreign currencies are translated into rupees at the rates of exchange ruling at the balance sheet date. All exchange differences are dealt with through profit and loss account.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

4.18 Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are initially recognised at cost, which is the fair value of the consideration given and received. These are subsequently measured at fair value, amortised cost or cost, as the case may be. Financial assets are derecognised when the Company loses control of the contractual right that comprise the financial assets, while financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

4.19 Derivative financial instruments

Derivates are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at fair value. Changes in fair value of derivates that are designated and qualify as fair value hedges are recorded in income statement together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

4.20 Offsetting

Financial assets and liabilities are offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set off the recognised amounts and the Company intents to settle on a net basis, or realise the asset and settle the liability simultaneously.

	June 30, 2010		June 30, 2009	
	Number of Shares	Rupees in thousand	Number of Shares	Rupees in thousand
5. Share capital				
Authorised share capital:				
Ordinary shares of Rs 10 each	1,000,000,000	10,000,000	1,000,000,000	10,000,000
Issued, subscribed and paid up share capital:				
Shares issued for cash				
Ordinary shares of Rs 10 each	408,737,310	4,087,373	208,737,310	2,087,373
Shares issued as fully paid bonus shares	208,737,310	2,087,373	-	-
	617,474,620	6,174,746	208,737,310	2,087,373
Movement in issued, subscribed and paid up capital:				
Balance at July 1	208,737,310	2,087,373	208,737,310	2,087,373
Shares issued as fully paid bonus shares during the year	208,737,310	2,087,373	-	-
Shares issued for cash during the year	200,000,000	2,000,000	-	-
Balance at June 30	617,474,620	6,174,746	208,737,310	2,087,373

6. General reserve

The company is to place atleast 10% of the profits in the general reserve account till it reaches 50% of the issued, subscribed and paid up capital of the company.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

		Note	2010	2009
			(Rupees in thousand)	
7.	**Long term finance - secured**			
	Syndicate of banks	7.1	4,766,000	2,800,000
	Export Credit Guarantee Department (ECGD)	7.2	2,450,304	1,455,003
	Standard Chartered Bank (SCB)	7.3	54,000	67,500
	Dubai Islamic Bank (DIB)	7.4	477,000	530,000
	Bank Al-Habib Limited (BAHL)	7.5	-	450,000
	Motorola Credit Corporation (MCC)	7.6	4,963,819	2,319,395
	Total		12,711,123	7,621,898
	Unamortized transaction and other ancillary cost			
	Additions during the year		400,862	-
	Amortisation for the year		(101,398)	-
			(299,464)	-
			12,411,659	7,621,898
	Less: Amount shown as current liability			
	Amount payable within next twelve months		(1,991,174)	(1,466,165)
	Amount due after June 30, 2011	7.7	(10,420,485)	-
			(12,411,659)	(1,466,165)
			-	6,155,733

7.1 During the year bridge finance facility has been replaced with syndicate term finance facility from a syndicate of banks with Standard Chartered Bank Limited (SCB), Habib Bank Limited (HBL), Bank Al-Habib Limited (BAHL) and National Bank of Pakistan (NBP), being lead arrangers to finance the capital requirements of the Company amounting to Rs 5.0 billion, of which Rs 4.8 billion has been availed till June 30, 2010. The tenor of the facility is 5 years commencing from November 4, 2009. The principal is repayable in six unequal stepped -up- semi annual installments. The first such installment shall be due on June 30, 2012 and subsequently every six months thereafter until December 31, 2014. The rate of mark-up is 6 months KIBOR+2.75% per annum for 1-2 years and KIBOR + 2.5% per annum for next 3-5 years.

The facility is secured by way of hypothecation over all present and future moveable assets (including all current assets) and present and future current/fixed assets (excluding assets under specific charge of CM Pak, CISCO, Motorola, DIB, World call and USF), a mortgage by deposit of title deeds in respect of immoveable properties of the company, lien over collection accounts and Debt Service Reserve Account, a corporate guarantee from Warid Telecom International LLC.

7.2 During the year the Company has repaid entire bridge finance facility from MCB Bank Limited (MCB) amounting to Rs 1.45 billion through long term finance facility amounting to USD 42 million from Export Credit Guarantee Department (ECGD) UK, of which US$ 35 million has been availed till June 30, 2010. The loan is repayable in 14 semi annual installments of USD 3,025 thousand each starting from October 14, 2009. The rate of mark-up is LIBOR + 1.5% per annum. Additional mark-up at 2% per annum will be payable on default payment from the due date for payment upto the date of payment. If the finance charge is not paid then additional interest rate will be payable at 1.5% per annum above CIRR rate applicable to the period during which the finance charge remained unpaid or at 5% per annum whichever is higher. The loan is secured by personal guarantees by three Sponsors of the Company.

7.3 The Company has obtained an aggregate medium term finance facility of USD 3 million from Standard Chartered Bank. The principal is repayable in 8 equal semi annual installments commencing from October 1, 2007. The rate of interest is six month average KIBOR + 1.25%.The loan is secured by first pari passu hypothecation charge over the specific assets of the Company amounting to Rs 275 million.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

7.4 The Company has obtained Ijarah finance facility of Rs 530 million from Dubai Islamic Bank (DIB). The principal is repayable in 10 semi annual installments of 53 million each commencing from February 1, 2010. The rate of mark up is 6 month KIBOR plus 1.5% per annum. Additional interest is payable on default payment at KIBOR + 4% per annum from the due date for payment upto the date of payment. The loan is secured by specific fixed assets (DWDM equipment, eltek cabinets and batteries).

7.5 During the year the term finance facility of Rs 450 million from Bank Al-Habib has been merged into syndicate term finance facility as referred in note 7.1.

7.6 The Company has obtained term finance facility of USD 65 million from MCC of which USD 64 million (June 30, 2009: USD 28.5 million) has been availed till June 30, 2010. The principal amount of outstanding facility is repayable in 12 unequal semi annual installments commencing from June 30, 2009 until and including the final maturity date which is December 31, 2014. The rate of mark-up is six month LIBOR + 1.7% per annum. Additional interest is payable on default payment at six month LIBOR + 2% per annum from the due date for payment upto the date of payment. The loan is secured through hypothecation charge over specific assets of the Company supplied under supply & services agreements with Motorola.

Repayment of principal and interest payments thereon (except for margin of 1.7% per annum) amounting to USD 25.5 million at June 30, 2010 (2009: USD Nil) are hedged through cross currency swap contract with SCB. In consideration, the Company pays the difference between interest based on LIBOR and KIBOR + 2.2% per annum to the bank. The fair value of the contract at June 30, 2010 was Rs 4.656 million in favour of the bank, as determined by an independent valuer using the 'Forward Model', which has been recognised as a liability.

The interest payments (except for margin of 1.7% per annum) upon principal amounting to USD 58.5 million at June 30, 2010 (2009: Nil) are hedged through interest rate swap contract with SCB. In consideration, the company pays 3.05% on the notional amount. The fair value of the contract at June 30, 2010 was Rs 134.397 million in favour of the bank, as determined by an independent valuer using the 'Forward Model', which has been recognised as a liability.

7.7 The Company is required to make payments of long term loans on due dates and to maintain certain ratios as specified in loan agreements. The Company was not able to make payment of MCC loan installment of Rs 428,000 thousand and interest of Rs 59,010 thousand due on June 30, 2010 and SCB loan installment of Rs 13,500 thousand and interest of Rs 3,775 thousand due on April 24, 2010. Further, certain ratios specified in the loan agreements have not been maintained at June 30, 2010. As a consequence, the lenders shall be entitled to declare all outstanding amount of the loans immediately due and payable. In terms of provisions of International Accounting Standard on Presentation of financial statements (IAS 1), since the Company does not have an unconditional right to defer settlement of liabilities for at least twelve months after the balance sheet date, all liabilities under these loan agreements are required to be classified as current liabilities. Based on above, loan instalments due as per loan agreements after June 30, 2011 amounting to Rs 10,420,485 thousand have been shown as current liability.

The Company is in the process of rescheduling of existing facilities, which would facilitate the Company to great extent in meeting its obligations/covenants under loan agreements. In addition, on August 13, 2010 the shareholders have also approved a subordinated loan of USD 25 million to be provided by Sponsors.

8. Payable to supplier to be settled through long term finance

This represents payable in respect of supply of equipment and implementation contract which will be financed through long term finance referred to in note 7.2 and 7.6, after the issuance of provisional acceptance certificate of the respective phase. This payable is interest free. For reasons stated in note 7.7, these have been classified as current liability.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

	2010	2009
	(Rupees in thousand)	
9. Obligations under finance leases		
Present value of minimum lease payments	6,985	-
Less: Current portion shown under current liabilities	(1,556)	-
	5,429	-

The Company acquired vehicles under lease from Soneri bank limited. The financing is repayable in equal monthly installments over a period of five years. The financing carries a finance charge of six months KIBOR + 3% (June 30, 2009: Nil).

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

	2010	2009
Due within one year		
Minimum lease payments	2,508	-
Less: Financial charges not yet due	(952)	-
Present value of minimum lease payments	1,556	-
Due after one year but not later than five years		
Minimum lease payments	6,791	-
Less: Financial charges not yet due	(1,362)	-
	5429	-
Present value of minimum lease payments	6,985	-

10. Long term deposits

These represent security deposits received from customers. These are interest free and refundable on termination of relationship with the Company. This includes deposit received from associated companies amounting to Rs 51 million as at June 30, 2010 (June 30, 2009: Rs 41 million).

	Note	2010	2009
		(Rupees in thousand)	
11. Employees' retirement benefits			
These comprise of :			
Liability for staff gratuity	11.1	104,041	74,520
Liability for unfunded accumulated compensated absences	11.2	43,690	36,063

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

		2010	2009
		(Rupees in thousand)	
11.1	Liability for staff gratuity		
	The amounts recognised in the balance sheet are as follows:		
	Present value of defined benefit obligation	119,576	113,009
	Fair value of plan assets	(25,958)	(43,151)
	Actuarial gain not recognised	10,423	4,662
	Net liability	104,041	74,520
	The amounts recognised in profit and loss account are as follows:		
	Current service cost	40,295	44,851
	Interest cost	13,561	7,794
	Expected return on plan assets	(5,178)	(3,190)
		48,678	49,455
	Actual return on plan assets	8,222	4,554
	Changes in the present value of defined benefit obligation:		
	Opening defined benefit obligation	113,009	64,876
	Current service cost	40,295	44,851
	Interest cost	13,561	7,794
	Actuarial loss/(gain)	(5,935)	(1,524)
	Benefits paid	(34,708)	(2,988)
	Benefits due but not paid during the year	(6,646)	-
	Closing defined benefit obligation	119,576	113,009
	Changes in fair value of plan assets:		
	Opening fair value of plan assets	43,151	26,585
	Actuarial gain	3,044	3,190
	Contributions by employer	15,939	15,000
	Benefits paid	(34,708)	(2,988)
	Benefits due but not paid during the year	(6,646)	-
	Expected return on plan assets	5,178	1,364
	Closing fair value of plan assets	25,958	43,151

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

	2010	2009
	(Rupees in thousand)	
11.2 Liability for unfunded accumulated compensated absences		
The amounts recognised in the balance sheet are as follows:		
Present value of defined benefit obligation	43,690	36,063
Current service cost	19,821	7,361
Interest cost	4,327	4,262
Actuarial loss/ (gain) recognised	3,975	(7,238)
	28,123	4,385
Changes in the present value of defined benefit obligation:		
Opening defined benefit obligation	36,063	35,520
Current service cost	19,821	7,361
Interest cost	4,327	4,262
Actuarial loss/(gain)	3,975	(7,238)
Benefits paid	(20,496)	(3,842)
Closing defined benefit obligation	43,690	36,063

Break-up of category of assets in respect of staff gratuity:

	2010		2009	
	Rupees in thousand	Percentage	Rupees in thousand	Percentage
Cash and bank	4,341	17	1,981	5
Investments	21,617	83	41,170	95
	25,958	100	43,151	100

Principal actuarial assumptions:

The Projected Unit Credit Method using the following significant assumptions was used for the valuation of these schemes:

	2010		2009	
	Staff gratuity	Accumulated compensated absences	Staff gratuity	Accumulated compensated absences
Valuation discount rate-p.a	12%	12%	12%	12%
Expected rate of increase in salaries-p.a	12%	12%	12%	12%
Expected rate of return on plan assets-p.a	12%	12%		
Average expected remaining working life time of employees	5 years		11 years	
Average number of leaves accumulated per annum by the employees		8 days		10 days
Average number of leaves utilized per annum by the employees		12 days		10 days

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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Amounts for current and previous four annual periods in respect of staff gratuity are as follows:

	2010	2009	2008	2007	2006
			(Rupees in thousand)		
As at June 30,					
Defined benefit obligation	119,576	113,009	64,876	30,049	15,606
Contributions from associated companies	-	-	(4,156)	-	-
Plan assets	(25,958)	(43,151)	(26,585)	-*	-*
Deficit	93,618	69,858	34,135	30,049	15,606
Experience adjustments on defined benefit obligation	(5,935)	(1,524)	2,987	(1,057)	-
Experience adjustments on plan assets	3,044	3,190	747	-	-

Amounts for current and previous four annual periods in respect of accumulated compensated absences are as follows:

	2010	2009	2008	2007	2006
			(Rupees in thousand)		
As at June 30,				**	**
Defined benefit obligation	43,690	36,063	35,520	16,216	-

* Gratuity was funded from 2008.

** Policy for actuarial valuation of accumulated compensated absences commenced from June 30, 2007.

	2010	2009
	(Rupees in thousand)	
12. Deferred income tax liability		
Temporary differences between accounting and tax depreciation	3,423,807	2,762,613
Unused tax losses	(3,268,671)	(1,574,314)
Unused tax benefit related to share issue cost	(34,138)	-
Provision for doubtful debts	(46,405)	-
	74,593	1,188,299
The gross movement in deferred tax liability during the year is as follows:		
Balance at July 1	1,188,299	686,831
Profit and loss account charge/(credit)	(1,071,033)	501,468
Tax benefit related to share issue cost (credited) directly to equity	(42,673)	-
Balance at June 30	74,593	1,188,299

13. Deferred government grants

This represents amount received and receivable from Universal Service Fund (USF) as subsidy to assist in meeting the cost of deployment of USF Fiber Optic Network for providing USF Fiber Optic Communication Services in Sind, Baluchistan, Punjab and broad band services in Sargodah, Hazara district Gujranwala Telecom Region and Central Telecom Region. USF Fiber Optic Network and broad band network will be owned and operated by the Company. Total amount of USF subsidy is Rs 2,872,526 thousand (June 30, 2009: Rs 1,062,140 thousand) payable by USF in five installments in accordance with project implementation milestones.

Movement during the year is as follows:

	2010	2009
	(Rupees in thousand)	
Balance at beginning of the year	212,428	-
Amount received during the year	421,734	212,428
Amount receivable at year end	194,743	-
Amount recognised as income during the year	(1,746)	-
Balance at end of the year	827,159	212,428

The above grants will be recognised in the profit and loss account over the life of the asset after completion.

14. Finance from supplier - unsecured

This represents deferred payment in respect of supply of equipment and is interest free.

15. Short term borrowings - secured

	Note	2010	2009
		(Rupees in thousand)	
Short term borrowings	15.1	1,680,165	-
Short term running finance	15.2	2,924,181	2,658,541
		4,604,346	2,658,541

15.1 Short term borrowings - secured

	Note	2010	2009
Habib Bank Limited	15.1.1	1,545,415	-
Atlas Bank Limited	15.1.2	134,750	-
		1,680,165	-

15.1.1 During the year, the company obtained a short term finance facility of Rs 2,000 million from Habib Bank Limited (HBL), of which Rs 1,545 million was utilised at June 30, 2010. Entire amount has been repaid on July 5, 2010. The rate of mark up is 1 month KIBOR plus 1.2% per annum. The facility is secured by ranking hypothecation charge over all moveable fixed assets of the Company.

15.1.2 During the year, the company obtained a short term finance facility of Rs 180 million from Atlas Bank Limited, of which Rs 45 million was unutilised at June 30, 2010. The balance is repayable in 3 equal installments due on May 1, 2010, August 1, 2010 and November 1, 2010. The balance at June 30, 2010 includes overdue instalment of Rs 45 million, which was subsequently paid in July 2010. The rate of mark up is 12 month KIBOR plus 5.25% per annum. The facility is secured by ranking hypothecation charge on the company's all present and future current assets.

15.2 Short term running finance - secured

	Note	2010	2009
		(Rupees in thousand)	
Standard Chartered Bank	15.2.1	1,498,657	1,292,861
Bank Alfalah Limited	15.2.2	1,226,783	1,365,680
Soneri Bank Limited	15.2.3	198,741	-
		2,924,181	2,658,541

15.2.1 The Company has a running finance facility of Rs 1,500 million (June 30, 2009: Rs 1,500 million), of which Rs 1 million (June 30, 2009: Rs 207 million) was unutilised at June 30, 2010. This facility will expire on September 30, 2010 and is renewable. The facility carries mark-up at three months Kibor + 2% per annum. This facility is secured by hypothecation of present and future fixed and current assets of the company ranking pari passu in all respects with the first charge holders amounting to Rs 2,000 million with a margin of 25%.

15.2.2 The Company has a running finance facility of Rs 1,800 million (June 30, 2009: Rs 1,800 million), of which Rs 573 million (June 30, 2009: Rs 434 million) was unutilised as at June 30, 2010. This facility will expire on March 31, 2011 and is renewable. The facility carries mark-up at three months Kibor + 3% per annum. This facility is secured by hypothecation of present and future current assets of the company ranking pari passu in all respects with the first charge holders amounting to Rs 2,000 million.

15.2.3 During the year, the Company obtained a running finance facility of Rs 200 million, of which Rs 1 million was unutilised as at June 30, 2010. This facility will expire on September 30, 2010 and is renewable. The facility carries mark-up at three months Kibor + 2.25% per annum. This facility is secured by hypothecation of first pari passu charge on fixed and current assets of the company with a margin of 25%.

	Note	2010	2009
		(Rupees in thousand)	
16. Trade and other payables			
Creditors		927,719	1,618,039
Due to associated companies	16.1	199,067	187,885
Due to international carriers		621,058	219,323
Fees / contribution payable to Pakistan Telecommunication Authority (PTA)		1,008,233	1,239,784
Accrued liabilities		2,394,373	1,916,701
Payable to gratuity fund		104,041	74,520
Payable to provident fund		11,569	11,144
Unearned revenue		114,434	77,101
Advance from customers	16.2	317,527	231,472
Sales tax payable		59,248	-
Income tax deducted at source		165,162	24,710
		5,922,431	5,600,679
16.1 Due to associated companies			
Wateen Satellite Services (Pvt) Limited		146,204	147,385
Warid Telecom Uganda		47,474	8,884
Warid Telecom (Pvt) Limited		5,389	31,616
		199,067	187,885

16.2 Advance from customers

This includes advance received from associated companies amounting to Rs 151 million (June 30, 2009: Rs 80 million).

	2010	2009
	(Rupees in thousand)	
17. Interest / markup accrued		
Accrued mark-up on long term finance - secured	422,367	189,062
Accrued markup on short term borrowings - secured	426,521	121,693
	848,888	310,755
18. Contingencies and commitments		
Claims against the Company not acknowledged as debt	264,038	-
Performance guarantees issued by banks in favour of the Company	1,476,816	2,374,990
Outstanding commitments for capital expenditure	1,799,824	4,550,338
Acquisition of 49% shares in subsidiary Wateen Solutions (Pvt) Limited	490,000	-

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19. Operating assets

	Freehold Land	Buildings freehold	Lease hold improvements	Line and wire	Network equipment	Tools and gears	Office equipment	Computers and accessories	Furniture and fixtures	Motor Vehicles owned	Motor Vehicles leased	Total
	(Rupees in thousand)											
At July 1, 2008												
Cost	58,659	815,658	51,019	1,201,742	3,705,753	87,638	92,107	284,164	58,891	144,040	-	6,499,671
Accumulated depreciation	-	(19,757)	(3,044)	(49,886)	(268,333)	(26,547)	(31,892)	(57,241)	(14,906)	(24,623)	-	(496,229)
Net book amount	58,659	795,901	47,975	1,151,856	3,437,420	61,091	60,215	226,923	43,985	119,417	-	6,003,442
Year ended June 30, 2009												
Opening net book amount	58,659	795,901	47,975	1,151,856	3,437,420	61,091	60,215	226,923	43,985	119,417	-	6,003,442
Additions	-	7,729	7,179	1,054,442	8,102,066	8,836	103,245	293,168	43,951	6,128	-	9,626,744
Disposals - cost	-	-	-	(646,490)	(601)	(135)	-	(1,059)	-	(1,326)	-	(648,409)
Disposals - accumulated depreciation	-	-	-	-	-	49	-	501	-	327	-	877
Disposals at net book value	-	-	-	(646,490)	(601)	(86)	-	(558)	-	(999)	-	(647,532)
Depreciation charge	-	(20,518)	(5,162)	(50,017)	(636,362)	(30,378)	(14,147)	(139,188)	(7,201)	(29,128)	-	(932,101)
Closing net book amount	58,659	783,112	49,992	1,509,791	10,903,725	39,463	149,313	380,345	80,735	95,418	-	14,050,553
At June 30, 2009												
Cost	58,659	823,387	58,198	1,609,694	11,808,420	96,388	195,352	576,774	102,842	149,169	-	15,478,883
Accumulated depreciation	-	(40,275)	(8,206)	(99,903)	(904,695)	(56,925)	(46,039)	(196,429)	(22,107)	(53,751)	-	(1,428,330)
Net book amount	58,659	783,112	49,992	1,509,791	10,903,725	39,463	149,313	380,345	80,735	95,418	-	14,050,553
Year ended June 30, 2010												
Opening net book amount	58,659	783,112	49,992	1,509,791	10,903,725	39,463	149,313	380,345	80,735	95,418	-	14,050,553
Additions	819	108,426	48,960	376,549	3,819,893	2,815	39,053	219,790	183,696	3,101	9,293	4,812,395
Disposals - cost	-	-	-	-	(195,926)	-	-	(284)	-	(12,272)	-	(208,482)
Disposals - accumulated depreciation	-	-	-	-	11,743	-	-	170	-	5,385	-	17,298
Disposals at net book value	-	-	-	-	(184,183)	-	-	(114)	-	(6,887)	-	(191,184)
Depreciation charge	-	(21,851)	(7,545)	(69,313)	(1,178,772)	(31,576)	(19,547)	(244,075)	(23,117)	(28,181)	(1,858)	(1,625,835)
Closing net book amount	59,478	869,687	91,407	1,817,027	13,360,663	10,702	168,819	355,946	241,314	63,451	7,435	17,045,929
At June 30, 2010												
Cost	59,478	931,813	107,158	1,986,243	15,432,387	99,203	234,405	796,280	286,538	139,998	9,293	20,082,796
Accumulated depreciation	-	(62,126)	(15,751)	(169,216)	(2,071,724)	(88,501)	(65,586)	(440,334)	(45,224)	(76,547)	(1,858)	(3,036,867)
Net book amount	59,478	869,687	91,407	1,817,027	13,360,663	10,702	168,819	355,946	241,314	63,451	7,435	17,045,929
Annual rate of depreciation %	-	2.5	10	4	6.67-20	33.33	10	33.33	10	20	20	

19.1 Network equipment additions include finance cost of Rs 49 million (2009: Rs 181 million) capitalised during the year.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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19.2 Disposal of property, plant and equipment

Particulars of assets	Sold to	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal
		(Rupees in thousand)				
Network equipment						
13Kva Diesel Genset	Various parties	56,883	4,793	52,090	49,220	Negotiation
Towers	CM Pak	27,741	610	27,131	24,420	Negotiation
BUC	Various parties	33,255	3,606	29,649	40,685	Negotiation
Optix Osn 3500	Alfalah Insurance Company Ltd	2,050	227	1,823	1,314	Insurance claim
Power Supply Equipment	Alfalah Insurance Company Ltd	145	16	129	93	Insurance claim
Antenna	Various parties	12,116	302	11,814	16,323	Negotiation
LNB	Various parties	13,368	163	13,205	14,010	Negotiation
Modems	Various parties	16,058	1,680	14,378	18,580	Negotiation
Satellite modem	CM Pak	34,145	328	33,817	33,551	Negotiation
	Others	165	18	147	239	
		195,926	11,743	184,183	198,435	
Computer & accessories						
	Others	284	170	114	172	Insurance claim
Motor vehicles						
	Chaudary Motors	917	802	115	407	Negotiation
	Alfalah Insurance Company Ltd	468	203	265	340	Insurance claim
	Car Markaz, Khi	889	578	311	710	Negotiation
	Tayyab Shafi Ex GM GRRA	953	754	199	675	Negotiation
	Car Markaz, Khi	934	405	529	750	Negotiation
	Konain Motors, Khi	927	355	572	755	Negotiation
	Mitisuibishi Momentum Motor, Lhr	949	269	680	1,000	Negotiation
	Raza Jawa Motors, Lhr	383	-	383	650	Negotiation
	Alfalah Cooperative Housing Society	1,639	600	1,039	1,148	Negotiation
	Mitisuibishi Momentum Motor, Lhr	1,083	306	777	915	Negotiation
	Chaudary Motors, Lhr	1,084	378	706	900	Negotiation
	Alfalah Motors, Lhr	1,134	339	795	910	Negotiation
	Alfalah Insurance Company Ltd	756	344	412	530	Insurance claim
	Others	156	52	104	152	Insurance claim
		12,272	5,385	6,887	9,842	
	Total	208,482	17,298	191,184	208,449	

20. Capital work in progress

	2010	2009
	(Rupees in thousand)	
Lease hold improvements	23,334	125,693
Line and wire	1,319,762	805,204
Network equipment	2,540,469	2,582,735
	3,883,565	3,513,632

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20.1 Capital work in progress includes finance cost of Rs 550 million (June 30, 2009: Rs 293 million) capitalised during the year.

	Note	2010	2009
		(Rupees in thousand)	
21. Intangible assets			
LDI license fee	21.1		
Cost		28,934	28,934
Amortisation			
Opening balance		7,114	5,667
Amortisation for the year		1,446	1,447
		(8,560)	(7,114)
Net book value		20,374	21,820
WLL license fee	21.2		
Cost		168,366	168,366
Amortisation			
Opening balance		15,065	5,161
Amortisation for the year		9,905	9,904
		(24,970)	(15,065)
Net book value		143,396	153,301
Software license	21.3		
Cost			
Opening balance		48,436	4,381
Additions during the year		600	44,055
Closing balance		49,036	48,436
Amortisation			
Opening balance		3,685	1,241
Amortisation for the year		9,747	2,444
		(13,432)	(3,685)
Net book value		35,604	44,751
ERP license	21.4		
Cost			
Opening balance		7,832	-
Additions during the year		-	7,832
Closing balance		7,832	7,832
Amortisation			
Opening balance		914	-
Amortisation for the year		1,566	914
		(2,480)	(914)
Net book value		5,352	6,918
Total net book value		204,726	226,790

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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21.1 Pakistan Telecommunication Authority (PTA) granted Long Distance International (LDI) license for a period of 20 years from July 26, 2004.

21.2 (i) PTA granted Wireless Local Loop (WLL) License for a period of 20 years from December 1, 2004.

(ii) PTA granted WLL license for a period of 20 years to Wateen Solutions (Pvt) Limited (WSL), (formerly: National Engineers (Pvt) Limited) from November 4, 2004. On August 31, 2006 the license was transferred by WSL to the Company.

21.3 Software license is amortised over a period of 5 years.

21.4 ERP license is amortised over a period of 5 years.

22. Long term investment in subsidiary companies - at cost

	June 30, 2010		June 30, 2009	
	Percentage Holding	Rupees in thousand	Percentage Holding	Rupees in thousand
Wateen Solutions (Pvt) Limited 413,212 fully paid ordinary shares of Rs 100 each	51	52,656	51	52,656
Wateen Satellite Services (Pvt) Limited 500 fully paid ordinary shares of Rs 10 each	100	5	100	5
Netsonline Services (Pvt) Limited 4,000 fully paid ordinary shares of Rs 100 each	100	4,400	100	4,400
		57,061		57,061

22.1 All the companies are incorporated in Pakistan.

23. Long term prepayments

These represent long term portion of right of way charges paid to local governments and various land owners for access of land.

24. Trade debts - unsecured, considered good

24.1 Trade debts are net of provision for doubtful debts of Rs 132,586 thousand (June 30, 2009: Rs 90,881 thousand).

	2010	2009
	(Rupees in thousand)	
24.2 Provision for doubtful debts		
Opening balance	90,881	88,515
Provision for the year	60,773	2,366
Amount written off during the year	(19,068)	-
Closing balance	132,586	90,881

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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		Note	2010 (Rupees in thousand)	2009 (Rupees in thousand)
24.3	Trade debts include following balances due from associated companies			
	Warid Telecom Congo		1,060,716	704,921
	Warid Telecom (Pvt) Limited		457,957	366,318
	Warid Telecom Uganda		85,816	131,230
	Warid International LLC		85,400	81,100
	Bank Alfalah Limited		12,125	39,022
	Wateen Telecom Limited - UK		105,643	20,104
			1,807,657	1,342,695

25. Advances, deposits, prepayments and other receivables

	Note	2010	2009
Advances to suppliers and contractors - considered good		500,515	1,764,435
Advances to employees - considered good		53,488	34,600
Margin held by bank against letters of guarantee		133,709	41,357
Prepayments	25.1	64,092	129,412
Sales tax refundable		-	78,637
Due from associated companies	25.2	844,238	717,251
Accrued interest		1,920	2,816
Government grant receivable		194,743	-
Others		208,635	212,349
		2,001,340	2,980,857

25.1 These include current portion of right of way charges of Rs 17,120 thousands (June 30, 2009: Rs 17,566 thousand).

		2010 (Rupees in thousand)	2009 (Rupees in thousand)
25.2	Due from associated companies		
	Wateen Solutions (Pvt) Limited	488,943	349,025
	Wateen Telecom Limited - UK	108,720	129,409
	Wateen Multi Media (Pvt) Limited	137,160	111,185
	Warid International LLC, UAE - Parent company	35,855	42,450
	Amon Media Group (Pvt) Limited	27,960	28,157
	Bank Alfalah Limited	12,379	16,330
	Warid Telecom Georgia	15,403	14,980
	Warid Telecom Congo	5,384	12,164
	Netsonline Services (Pvt) Limited	6,847	6,587
	Warid Telecom Bangladesh	5,587	5,587
	Hellios Media (Pvt) Limited	-	1,377
		844,238	717,251

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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	2010	2009
	(Rupees in thousand)	
26. Cash and bank balances		
Balance with banks on		
- current accounts	1,738,986	28,369
- collection account	18,353	14,419
- deposit accounts	238,850	290,475
Cash in hand	726	590
	1,996,915	333,853

26.1 Bank balances amounting to Rs 31,215 thousand were under lien with banks (2009: Rs 113,129 thousand).

26.2 Cash and bank balances include foreign currency balances aggregating USD 1,125 thousand (2009: USD 1,189 thousand).

26.3 Bank balances on deposit accounts carried interest at an average rate of 8 % per annum (2009: 8% per annum).

	2010	2009
	(Rupees in thousand)	
27. Revenue		
Long distance and international	3,576,237	7,752,075
Optical fiber cable		
Indefeasible Right of Use	-	4,081,441
Operation and Maintenance	683,824	733,526
Managed capacity	76,163	116,884
Broadband and voice	1,471,798	787,147
Hybrid Fiber Cable Services	31,124	34,048
Very Small Aperture Terminal Services (VSAT)	1,525,963	1,507,061
ADM sites rentals	176,149	-
Others	419,845	397,933
	7,961,103	15,410,115
28. Cost of sales		
LDI Interconnect cost	2,240,556	4,920,325
Leased circuit charges	214,579	392,969
Contribution to PTA Funds	799,805	1,927,997
PTA regulatory and spectrum fee	26,783	43,223
Cost associated with IRU of Optic Fibre Cable	-	646,490
Operational cost	1,413,339	1,125,963
Bandwith cost of VSAT services	1,078,929	1,223,569
Others	143,810	326,475
	5,917,801	10,607,011

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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		Note	2010	2009
			(Rupees in thousand)	
29.	**General and administration expenses**			
	Salaries, wages and benefits		934,765	1,157,548
	Rent		112,421	121,145
	Repairs and maintenance		54,483	74,886
	Travel and conveyance		17,466	73,716
	Postage and stationery		19,858	30,735
	Auditor's remuneration	29.1	6,406	3,391
	Legal and professional charges		66,833	113,819
	Communication expenses		78,138	43,200
	Employee training		2,866	6,022
	Customer services charges		43,051	57,583
	Fees and subscription		2,193	2,637
	Insurance		31,703	23,125
	Entertainment		15,430	9,199
	Operating lease rentals vehicles		-	4,149
	General office expenses		84,637	71,895
	Donations		-	3,036
	Provision for doubtful debts		60,773	2,366
	Others		925	11,865
			1,531,948	1,810,317
29.1	Auditor's remuneration			
	Annual audit		750	550
	Audit of consolidated accounts, review of corporate governance compliance, review and audit of half yearly accounts and special certifications		1,453	996
	Tax services		4,103	1,800
	Out of pocket expenses		100	45
			6,406	3,391

30. Other charges

This represents Workers' Welfare Fund charge relating to prior year.

		2010	2009
31.	**Other income**		
	Dividend income from subsidiary company	-	175,933
	Profit on sale of investment in a subsidiary company	-	1,409
	Early contract termination charges received from associated companies	52,918	11,399
	Profit on sale of fixed assets	17,265	109
	Rental income	3,893	-
	Government grant recognised	1,746	-
	Other income	-	806
		75,822	189,656

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

		2010	2009
		(Rupees in thousand)	
32.	**Finance cost**		
	Markup on long term finance	1,242,061	600,262
	Fair value adjustment on remeasurement of cross currency swap contract for long term finance	4,656	-
	Fair value adjustment on remeasurement of interest rate swap contract for long term finance	134,397	-
	Amortisation of ancillary cost of long term finance	101,398	-
	Mark up on short term borrowings	524,132	289,392
	Finance cost of leased assets	1,145	-
	Bank charges, commission, fees and late payment charges	179,089	116,783
	Late payment charges on royalty payable to PTA	20,847	-
	Exchange loss	365,552	82,108
		2,573,277	1,088,545
	Mark up on long term finance capitalised under property, plant and equipment	(599,020)	(473,694)
		1,974,257	614,851
33.	**Finance income**		
	Late payment charges received from associated companies	150,902	24,433
	Income on bank deposit accounts	25,700	17,548
		176,602	41,981
34.	**Income tax expense**		
	Current	-	17,593
	Deferred	(1,071,033)	501,468
		(1,071,033)	519,061
		(Percentage)	
35.	**Reconciliation of tax charge**		
	Applicable tax rate	35	35
	Tax effect of income chargeable to tax at special tax rate	-	1
	Average effective tax rate	35	36
36.	**Earnings per share - Basic and diluted**		
	Profit/(loss) for the year	(2,020,513)	927,763
	Weighted average number of shares outstanding during the year	456,379	417,475
	Earnings/(loss) per share	Rs (4.43)	Rs 2.22 *

* Basic earning per share for the year ended June 30, 2009 was Rs 4.44 per share. This has been restated on account of 208,737 thousand bonus shares issued without consideration.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

37. Financial instruments and risk management

37.1 Financial assets and liabilities

	2010	2009
	(Rupees in thousand)	
Financial assets		
Maturity upto one year		
Loans and receivables		
Contract work in progress	18,782	18,068
Trade debts	3,097,982	2,982,561
Advances, deposits and other receivables	1,436,733	1,087,010
Cash and bank balances	1,996,915	333,853
	6,550,412	4,421,492
Maturity after one year		
Loans and receivables		
Long term deposits	238,584	290,037
	6,788,996	4,711,529
Financial liabilities		
Maturity upto one year		
Other financial liabilities		
Current portion of long term finance - secured	12,411,659	1,466,165
Payable to supplier to be settled through long term finance	433,798	3,168,945
Obligation under finance leases	1,556	-
Finance from supplier - unsecured	77,668	338,530
Short term borrowings - secured	4,604,346	2,658,541
Trade and other payables	5,604,904	5,369,207
Interest / markup accrued	848,888	310,755
	23,982,819	13,312,143
Maturity after one year		
Derivatives used for hedging		
Cross currency swap - fair value	4,656	-
Interest rate swap - fair value	134,397	-
Other financial liabilities		
Long term finance - secured	-	6,155,733
Obligation under finance leases	5,429	-
Long term deposits	110,455	125,732
Employees' retirement benefits	43,690	36,063
	298,627	6,317,528
	24,281,446	19,629,671

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

37.2 Credit quality of financial assets

The credit quality of Company's financial assets assessed by reference to external credit ratings of counterparties determined by The Pakistan Credit Rating Agency Limited (PACRA), JCR - VIS Credit Rating Company Limited (JCR-VIS), Standard and Poor's and Moody's and other international credit rating agencies are as follows:

	Rating	2010 (Rupees in thousand)	2009 (Rupees in thousand)
Trade debts			
Counterparties with external credit rating	A1+	38,888	80,736
	LAA	-	88,069
	A+	78,555	366,768
	AA+	25,185	-
	A1+	3,006	-
	A1	13,443	-
	2A	157,139	-
	A2	-	26,401
	A-1	3,000	-
Counterparties without external credit rating			
Due from related parties		1,807,657	1,342,695
Others		971,109	1,077,892
		3,097,982	2,982,561
Advances, deposits and other receivables			
Counterparties with external credit rating			
	A1+	8,596	41,244
	A-2	125,000	-
Counterparties without external credit rating			
Due from related parties		844,238	717,251
Others		697,483	618,552
		1,675,317	1,377,047
Bank balances			
	A1+	1,960,880	300,670
	A1	33,576	57
	P-1	373	1,312
	A2	1,360	31,224
		1,996,189	333,263

37.3 Financial risk management

37.3.1 Credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. All financial assets are subject to credit risk. Credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

As of June 30, 2010 trade debts of Rs 1,935,005 thousand (2009: Rs 2,425,999 thousand) were past due but not impaired. The aging analysis of these trade debts is as follows:

	2010	2009
	(Rupees in thousand)	
Up to 3 months	258,826	565,597
3 to 6 months	215,481	689,568
6 to 9 months	604,755	765,991
Above 9 months	855,943	404,843
	1,935,005	2,425,999

37.3.2 Interest rate risk

Financial assets of Rs 238,850 thousand (June 30, 2009: Rs 290,475 thousand) and financial liabilities of Rs 17,022,991 thousand (June 30, 2009: Rs 10,280,439 thousand) were subject to interest rate risk.

At June 30, 2010, if interest rates had been 1% higher/lower with all other variables held constant, loss for the year would have been Rs 109,097 thousand (2009: 64,934 thousand) higher/lower.

37.3.3 Foreign exchange risk

Financial assets include Rs 2,279,519 thousand (2009: Rs 2,227,100 thousand) and financial liabilities include Rs 6,456,603 thousand (2009: Rs 6,045,870 thousand) which were subject to foreign exchange risk.

At June 30, 2010, if the currency had weakened/strengthened by 10% against US dollar with all other variables held constant, loss for the year would have been Rs 271,510 thousand (2009: Rs 248,220 thousand) higher/lower.

37.3.4 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and availability of funding to an adequate amount of committed credit facilities. The Company's treasury aims at maintaining flexibility in funding by keeping committed credit lines.

At June 30, 2010 the Company has financial assets of Rs 6,789 million and Rs 1,135 million available unavailed borrowing limit from financial institutions.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the maturity dates as per loan agreements.

	Less than 1 Year	Between 1 to 5 Years
	(Rupees in thousand)	
Long term finance - secured	1,991,174	10,719,949
Payable to supplier to be settled through long term finance	-	433,798
Obligations under finance leases	1,556	5,429
Long term deposits	-	110,455
Finance from supplier	77,668	-
Short term borrowings	4,604,346	-
Trade and other payables	5,604,904	-
Intrest/mark-up accrued	848,888	-
Cross currency swap	-	4,656
Interest rate swap	-	134,397
Employee retirement benefit	-	43,690
	13,128,536	11,452,374

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

37.3.5 Fair value of financial assets and liabilities

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair values at the balance sheet date, except for long term loans and payables which are stated at cost or amortised cost.

37.3.6 Capital risk management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern and to maintain a capital base to support the sustained development of its businesses.

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 adjust the amount of dividend to shareholders, issue new shares or sale assets to reduce debts. The Company is required to maintain certain ratios as specified in loan agreements and the shareholders are required to provide additional equity or interest free subordinated loan to maintain these financial ratios. Under the terms of loan agreements, the Company cannot declare cash dividend before June 30, 2011 and thereafter dividend can be declared after compliance with financial ratios specified in loan agreements.

38. General

38.1 Related party transactions

Aggregate transactions with related parties during the year were as follows:

	Note	2010	2009
		(Rupees in thousand)	
Parent company			
Payments made on behalf of parent company		-	21,042
Technical service fee	38.2	-	-
Subsidiary companies			
Payments made on behalf of subsidiary companies		139,918	355,994
Cost and expenses charged by subsidiary companies		32,916	331,427
Cost and expenses charged to subsidiary companies		-	47,165
Dividend income		-	175,933
Network equipment transferred from a subsidiary company		-	36,529
Associated companies			
Cost and expenses charged by associated companies		295,409	581,180
Revenue from associated companies		2,362,784	5,884,386
Finance income - Late payment charges		150,902	17,595
Other income - Early contract termination charges		52,918	-
Payments made on behalf of associated companies		-	151,129
Payments made by associated companies on behalf of the Company		38,590	-
Contribution to employees' gratuity fund		48,678	49,455
Contribution to provident fund		21,361	18,589

38.2 Technical service fee is payable @ 5% of revenue as per Technical Services Agreement between the Company and Warid Telecom International LLC, UAE approved by the Board of Directors of the Company. Warid Telecom International LLC, UAE has waived technical service fee for a period of two years from July 1, 2008 to June 30, 2010.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

38.3 Remuneration of Directors and Executive

No remuneration was paid to the directors of the company during the year ended June 30, 2010.

The aggregate amount charged in the financial statements for remuneration, including all benefits, to Chief Executive and Executives of the Company is as follows:

	Chief Executive		Executives		Total	
	2010	2009	2010	2009	2010	2009
	(Rupees in thousand)					
Managerial remuneration	10,839	10,839	271,394	297,542	282,233	308,381
Housing and utilities	5,961	5,961	149,267	163,648	155,228	169,609
Company's contribution to provident and gratuity funds	903	975	22,607	26,779	23,510	27,754
Bonus	-	-	7,796	71,240	7,796	71,240
Leave fair assistance	903	1,400	21,365	18,555	22,268	20,255
	18,606	19,175	472,429	577,764	491,035	597,239
Number of persons	1	1	282	307	283	308

In addition, the Chief Executive and 7 (2009: 14) executives were provided with use of company's cars. The Chief Executive and all executives were provided with medical and mobile phone facilities.

38.4 Capacity

Considering the nature of the Company's business, information regarding capacity has no relevance.

39. Corresponding figures

Previous year's figures have been reclassified to conform to current year's presentation as follows:

i) Offsetting of amount due from(to) associated companies Rs 433,664 thousand.

ii) Advance from customers reclassified to trade and other payables Rs 231,472 thousand.

iii) Distribution cost of cards and franchise commission reclassified from selling and distribution expenses to cost of sales Rs 82,786 thousand.

iv) Late payment charges and income on bank deposit accounts reclassified from other income to finance income Rs 41,981 thousand.

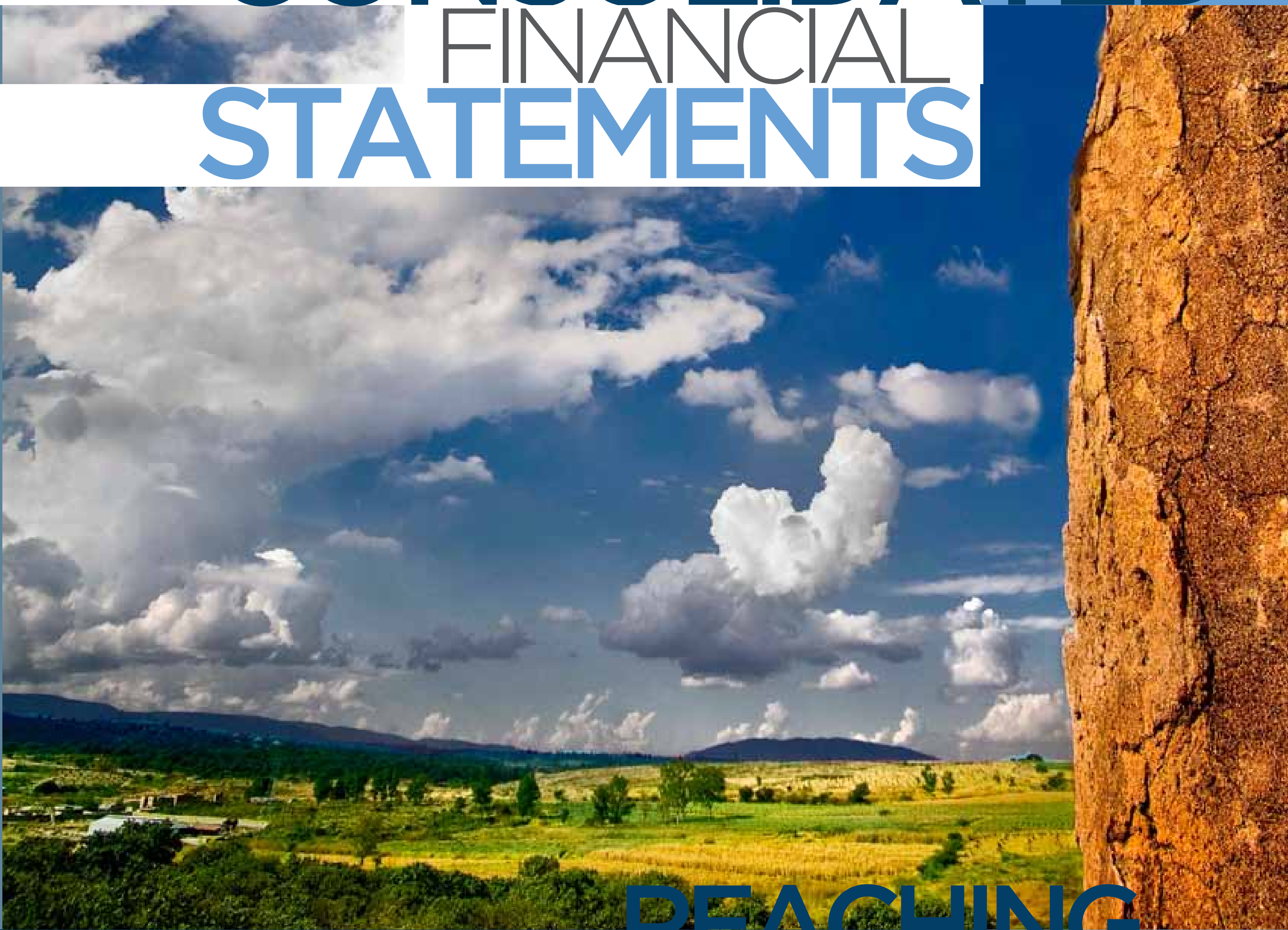
40. Date of authorisation for issue

These financial statements have been authorised for issue by the Board Of Directors of the Company on October 5, 2010.

Chief Executive

Director

CONSOLIDATED FINANCIAL STATEMENTS



REACHING NEW VISTAS

AUDITOR'S REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Wateen Telecom Limited (Wateen) and its subsidiary companies, Wateen Satellite Services (Pvt) Limited (Formerly: Wateen STM (Pvt) Limited), Wateen Solutions (Pvt) Limited (Formerly: National Engineers (Pvt) Limited) and Netsonline Services (Pvt) Limited as at June 30, 2010 and the related consolidated profit and loss account, consolidated cash flow statement, consolidated statement of comprehensive income 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 Wateen Telecom Limited and a subsidiary company Wateen Satellite Services (Pvt) Limited. Financial statements of subsidiary companies, Wateen Solutions (Pvt) Limited and Netsonline Services (Pvt) Limited have been audited by other firms of Chartered Accountants who expressed unqualified opinions on these financial statements and whose reports have been furnished to us. Our opinion in so far as it relates to the amounts included in respect of these subsidiary companies, is based solely on the reports of such other auditors. These financial statements are the responsibility of Wateen's management. Our responsibility is to express an opinion on these 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 Wateen Telecom Limited and its subsidiary companies as at June 30, 2010 and the results of their operations for the year then ended.

A.F. Ferguson & Co.,
Chartered Accountants
Islamabad

October 5, 2010

Engagement partner: Sohail M Khan

CONSOLIDATED BALANCE SHEET
AS AT JUNE 30, 2010

	Note	2010	2009
		(Rupees in thousand)	
Share capital and reserves			
Authorised capital	5	10,000,000	10,000,000
Issued, subscribed and paid-up capital	5	6,174,746	2,087,373
General reserve	6	134,681	392,908
Unappropriated profit/(loss)		(1,794,123)	2,107,630
		4,515,304	4,587,911
Non controlling interest in equity of Subsidiary Company Wateen Solutions (Pvt) Ltd		206,999	179,500
		4,722,303	4,767,411
Long term liabilities			
Long term finance- secured	7	-	6,155,733
Payable to supplier to be settled through long term finance	8	-	3,168,945
Cross currency swap - fair value	7.6	4,656	-
Interest rate swap - fair value	7.6	134,397	-
Obligations under finance leases	9	5,429	-
Long term deposits	10	110,455	125,732
		254,937	9,450,410
Deferred liabilities			
Employees' retirement benefits	11	60,059	48,592
Deferred income tax liability	12	76,807	1,187,887
Deferred government grant	13	827,159	212,428
		964,025	1,448,907
Current liabilities			
Current portion of long term finance - secured	7	12,411,659	1,466,165
Payable to supplier to be settled through long term finance	8	433,798	-
Current portion of obligations under finance leases	9	1,556	-
Finance from supplier - unsecured	14	77,668	338,530
Short term borrowings - secured	15	4,604,346	2,658,541
Trade and other payables	16	6,030,371	5,833,762
Interest / markup accrued	17	848,888	310,755
		24,408,286	10,607,753
Contingencies and commitments	18		
		30,349,551	26,274,481

The annexed notes 1-39 are an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET
AS AT JUNE 30, 2010

	Note	2010	2009
		(Rupees in thousand)	
Non-current assets			
Property, plant and equipment			
Operating assets	19	17,053,114	14,062,017
Capital work in progress	20	3,883,565	3,513,632
Intangible assets	21	310,843	336,907
		21,247,522	17,912,556
Long term deposits and prepayments			
Long term deposits		239,474	290,928
Long term prepayments	22	79,139	87,233
		318,613	378,161
Current assets			
Trade debts	23	4,060,687	3,720,786
Contract work in progress		47,394	50,012
Stores, spares and loose tools		847,528	797,930
Stocks		8,091	158,864
Advances, deposits, prepayments and other receivables	24	1,558,692	2,658,673
Income tax refundable		246,298	200,307
Cash and bank balances	25	2,014,726	397,192
		8,783,416	7,983,764
		30,349,551	26,274,481

Chief Executive

Director

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010	2009
		(Rupees in thousand)	
Revenue	26	8,608,482	16,184,766
Cost of sales (excluding depreciation and amortisation)	27	6,445,974	11,029,489
General and administration expenses	28	1,598,424	1,920,581
Advertisement and marketing expenses		183,146	199,633
Selling and distribution expenses		20,486	17,307
Other charges	29	28,998	-
Other income	30	(77,487)	(137,230)
Earnings before interest, taxation, depreciation and amortisation		408,941	3,154,986
Less: Depreciation and amortisation		1,657,488	960,003
Finance cost	31	1,951,237	568,393
Finance income	32	(177,685)	(54,151)
Profit/(loss) before taxation		(3,022,099)	1,680,741
Income tax (charge)/credit	33	1,056,238	(532,137)
Profit/(loss) after taxation		(1,965,861)	1,148,604
Non controlling interest in profit of consolidated subsidiary company		(27,499)	(129,949)
Profit/(loss) for the year		(1,993,360)	1,018,655
			Restated
Earnings/(loss) per share - Basic and diluted	35	Rs (4.37)	Rs 2.44

The annexed notes 1-39 are an integral part of these financial statements.

Chief Executive

Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2010

	2010	2009
	(Rupees in thousand)	
Profit/(loss) for the year	(1,993,360)	1,018,655
Other comprehensive income	-	-
Total comprehensive income for the year	(1,993,360)	1,018,655

The annexed notes 1-39 are an integral part of these financial statements.

Chief Executive

Director

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2010

	2010	2009
	(Rupees in thousand)	
Cash flow from operating activities		
Profit/(loss) before taxation	(3,022,099)	1,680,741
Adjustment of non cash items:		
Depreciation	1,630,824	941,294
Amortisation	26,664	18,709
Finance cost	1,951,237	568,393
(Profit) on sale of operating assets	(17,887)	(109)
Cost associated with IRU of Optic Fiber Cable	-	646,490
Deferred grant recognised during the year	(1,746)	-
Provision for doubtful debts	66,271	13,538
Fair value remeasurement loss on cross currency swap contract	4,656	-
Fair value remeasurement loss on interest rate swap contract	134,397	-
Provision for employees' retirement benefits - unfunded	32,450	8,737
	3,826,866	2,197,052
	804,767	3,877,793
Changes in working capital:		
(Increase) in trade debts	(406,172)	(1,625,041)
(Increase)/Decrease in contract work in progress	2,618	(4,636)
(Increase)/Decrease in stores, spares and loose tools	(49,598)	164,648
Decrease in stocks	150,773	33,453
(Increase)/Decrease in advances, deposits, prepayments and other receivables	1,294,724	(564,161)
Increase/(Decrease) in trade and other payables	196,609	(1,457,123)
	1,188,954	(3,452,860)
Employees' accumulated absences	(20,982)	(4,148)
Taxes paid	(58,160)	(99,657)
Cash flow from operating activities	1,914,579	321,128
Cash flow from investing activities		
Tangible fixed assets additions	(4,804,160)	(7,037,177)
Capital work in progress additions	(369,933)	(78,323)
Intangible assets additions	(600)	(53,460)
Proceeds from sale of operating assets	209,419	1,151
Acquisition of subsidiary companies, net of cash acquired	-	(4,193)
Proceeds from sale of shares of a subsidiary company	-	52,000
Long term deposits receivable - received/(paid)	51,453	(151,017)
Long term prepayments	8,094	(1,103)
Cash flow from investing activities	(4,905,727)	(7,272,122)

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2010

	2010	2009
	(Rupees in thousand)	
Cash flow from financing activities		
Proceeds from issue of shares	2,000,000	-
Shares issue cost paid	(121,919)	-
Long term finance received	5,864,620	7,004,709
Long term finance repaid	(1,074,860)	-
Long term payable to supplier repaid	(260,862)	-
Payable to supplier to be settled through long term finance repaid	(2,735,147)	(377,477)
Deferred government grant received	421,734	212,428
Obligations under finance leases repaid	(2,308)	-
Long term deposits payable - (repaid)/received	(15,277)	36,786
Dividend paid to non controlling interests	-	(169,034)
Short term borrowings received	1,680,165	-
Finance cost paid	(1,413,104)	(779,634)
Cash flow from financing activities	4,343,042	5,927,778
Increase/(decrease) in cash and cash equivalents	1,351,894	(1,023,216)
Cash and cash equivalents at beginning of the year	(2,261,349)	(1,238,133)
Cash and cash equivalents at end of the year	(909,455)	(2,261,349)
Cash and cash equivalents comprise:		
Cash and bank balances	2,014,726	397,192
Short term running finance	(2,924,181)	(2,658,541)
	(909,455)	(2,261,349)

The annexed notes 1-39 are an integral part of these financial statements.

Chief Executive

Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2010

	Atributable to owners of Wateen Telecom Limited					
	Share capital	General reserve	Unappropriated profit/(loss)	Total	Non controlling interest in equity of subsidiary	Total
	(Rupees in thousand)					
Balance at July 1, 2008	2,087,373	300,132	1,359,224	3,746,729	-	3,746,729
Loss on sale of non-controlling interest in a subsidiary company Wateen Solutions (Pvt) Limited	-	-	(177,473)	(177,473)	-	(177,473)
Non controlling interest in equity of a subsidiary company Wateen Solutions (Pvt) Limited	-	-	-	-	218,585	218,585
Dividend to non controlling interest by a subsidiary company Wateen Solutions (Pvt) Limited	-	-	-	-	(169,034)	(169,034)
Total comprehensive income for the year						
Profit for the year	-	-	1,018,655	1,018,655	129,949	1,148,604
Other comprehensive income	-	-	-	-	-	-
	-	-	1,018,655	1,018,655	129,949	1,148,604
Transfer from unappropriated profit to general reserve	-	92,776	(92,776)	-	-	-
Balance at June 30, 2009	2,087,373	392,908	2,107,630	4,587,911	179,500	4,767,411
Balance at July 1, 2009	2,087,373	392,908	2,107,630	4,587,911	179,500	4,767,411
Issue of 208,737,310 bonus shares	2,087,373	(258,227)	(1,829,146)	-	-	-
Issue of 200,000,000 shares for cash on April 20, 2010	2,000,000	-	-	2,000,000	-	2,000,000
Shares issue cost (net of tax benefit)	-	-	(79,247)	(79,247)	-	(79,247)
Total comprehensive income for the year						
Loss for the year	-	-	(1,993,360)	(1,993,360)	27,499	(1,965,861)
Other comprehensive income	-	-	-	-	-	-
	-	-	(1,993,360)	(1,993,360)	27,499	(1,965,861)
Balance at June 30, 2010	6,174,746	134,681	(1,794,123)	4,515,304	206,999	4,722,303

The annexed notes 1-39 are an integral part of these financial statements.

Chief Executive

Director

CONSOLIDATED NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

1. Legal status and operations

The consolidated financial statements include the financial statements of Wateen Telecom Limited and its subsidiary companies Wateen Solutions (Pvt) Limited (51% owned), Wateen Satellite Services (Pvt) Limited (100% owned) and Netsonline Services (Pvt) Limited (100% owned). For the purpose of these financial statements, Wateen and consolidated subsidiaries are referred to as the Company.

Wateen Telecom Limited was incorporated in Pakistan as a Private Limited Company under Companies Ordinance, 1984 on March 4, 2005 for providing Long Distance and International public voice telephone (LDI) services and Wireless Local Loop (WLL) service in Pakistan. The Company commenced its LDI business commercial operations from May 1, 2005. The legal status of the Company was changed from "Private Limited" to "Public Limited" with effect from October 19, 2009. The Company was listed on Karachi, Lahore and Islamabad Stock Exchanges with effect from May 27, 2010. The registered office of the Company is situated at Lahore. The Company is a subsidiary of Warid Telecom International LLC, U.A.E.

The subsidiary company Wateen Solutions (Pvt) Limited (formerly: National Engineers (Pvt) Limited), is incorporated under Companies Ordinance, 1984 as a private Limited company on May 17, 2004. The principal activities of the company are to sell and deploy telecom equipment and provide related services. The registered office of the company is situated at Lahore. Wateen acquired 100 % interest in Wateen Solutions (Pvt) Limited (formerly: National Engineers (Pvt) Limited) on August 2, 2006. Wateen sold 49% shares (397,027 fully paid ordinary shares of Rs 100 each) of Wateen Solutions (Pvt) Limited on July 1, 2008.

The subsidiary company Wateen Satellite (Pvt) Limited (formerly: Wateen STM (Pvt) Limited), is incorporated as a private limited company under the Companies Ordinance, 1984 and is engaged in providing back haul and satellite data connectivity services in Pakistan. On March 1, 2009, the Company transferred all contracts for providing back haul and satellite data connectivity services to Wateen Telecom Limited. Wateen acquired 100% shares of Wateen Satellite Services (Pvt) Limited on July 1, 2008.

The subsidiary company Netsonline Services (Pvt) Limited, is incorporated as a private limited company under the Companies Ordinance, 1984 and is engaged in providing internet and other technology related services in Pakistan. Wateen acquired 100% shares of Netsonline Services (Pvt) Limited on July 1, 2008.

Subsidiaries are all entities over which the parent has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the parent share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

All significant intercompany transactions and balances between group entities are eliminated on consolidation.

The group applies a policy of treating transactions with non-controlling interests as transactions with parties external to the group. Disposals to non-controlling interests result in gain and losses for the company and are recorded in the income statement if the parent losses control of the subsidiary and in the statement of changes in equity if the change in ownership of subsidiary does not result in loss of control. Purchases from minority interests results in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of the assets of the subsidiary.

2. Basis of preparation

(i) Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) 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. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

(ii) Accounting convention

These financial statements have been prepared on the basis of 'historical cost convention' except as otherwise stated in the respective accounting policies notes.

(iii) Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where assumptions and estimates are significant to the Company's financial statements are as follows.

(i) Estimated useful life of property, plant and equipment (note 19).

(ii) Fair value of derivative financial instruments relating to cross currency swap contract and interest rate swap contract with a bank - use of valuation techniques (note 4.18).

(iii) Employees' retirement benefits (note 11).

(iv) Provision for doubtful debts (note 23).

(v) Classification of long term finance as current liability (note 7.7)

(vi) Provision for income tax (note 33).

3. Adoption of new and revised standards and Interpretations

3.1 Changes in accounting policies and disclosures

(i) IAS 1 (Revised), 'Presentation of Financial Statements' - effective January 1, 2009. All 'non-owner changes in equity' are required to be presented separately in a performance statement. Companies can choose either to present one performance statement (statement of comprehensive income) or two statements (profit and loss account and statement of comprehensive income). The Company has adopted two statements approach to reflect these changes. The adoption of this standard has no impact on the financial statements except for changes in presentation and disclosures.

(ii) IFRS - 8, 'Operating Segments' - effective January 1, 2009. IFRS - 8 replaces IAS - 14, 'Segment Reporting'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions. The management has determined that the Company has a single reportable segment as Board of Directors views the Company's operations as one reportable segment. The adoption of this standard has no impact on the financial statements except for changes in presentation and disclosures.

CONSOLIDATED NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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3.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company

		Effective for periods beginning on or after
IFRS 2	Share-based payment (Amendments)	January 1, 2010
IFRS 5	Non-current assets held-for-sale and discontinued operations (Amendments)	January 1, 2010
IFRS 8	Operating segments (Amendment)	January 1, 2010
IFRS 9	Financial instruments	January 1, 2013
IAS 1	Presentation of financial statements (Revised)	January 1, 2010
IAS 7	Statements of cash flows (Revised)	January 1, 2010
IAS 17	Leases (Revised)	January 1, 2010
IAS 24	Related party disclosures (Revised)	January 1, 2011
IAS 32	Financial Instruments: Presentation (Amendments)	January 1, 2011
IAS 36	Impairment of assets (Amendment)	January 1, 2010
IAS 39	Financial instruments: Recognition and measurement	January 1, 2010
IFRIC 4	Determining whether an Arrangement contains a Lease	July 1, 2010
IFRIC 14	IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction	January 1, 2011
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	July 1, 2010

The management anticipates that adoption of above standards, amendments and interpretations in future periods will have no material impact on the Company's financial statements except for changes in presentation and disclosures.

4. Summary of significant accounting policies

4.1 Employees' retirement benefits

4.1.1 Wateen Telecom Limited operates funded gratuity scheme for all permanent employees. The expense is recognised on the basis of actuarial valuation. Actuarial gains and losses in excess of the 'corridor' (10% of the higher of fair value of plan assets or present value of defined benefit obligation) are recognised over the remaining working life of employees. The latest actuarial valuation was carried out as at June 30, 2010 ,related details of which are given in note 11 to the financial statement.

4.1.2 Wateen Solutions (Pvt) Limited operates unfunded gratuity scheme for all permanent employees. The expense is recognised on the basis of actuarial valuation. Actuarial gains and losses in excess of the 'corridor' (10% of the higher of fair value of plan assets or present value of defined benefit obligation) are recognised over the remaining working life of employees. The latest actuarial valuation was carried out as at June 30, 2010 ,related details of which are given in note 11 to the financial statement.

4.1.3 The Company also provides for compensated absences for all permanent employees in accordance with the rules of the Company. The latest actuarial valuation was carried out as at June 30, 2010, related details of which are given in note 11 to the financial statements.

4.1.4 Contributory provident fund for all permanent employees. Contribution for the year amounted to Rs 26,361 thousand (2009: Rs 22,094 thousand).

4.2 Taxation

Current

Provision for current taxation is based on taxable profit at the current rates of taxation.

CONSOLIDATED NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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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 taxable profit. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences and unused tax losses can be utilized. Deferred tax is calculated at the rates that are expected to apply to the period when the differences are expected to be reversed.

4.3 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

4.4 Trade and other payables

Liabilities for trade and other amounts payable including payable to related parties are carried at cost which is the fair value of the consideration to be paid in the future for goods and services.

4.5 Property, plant and equipment

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation on operating fixed assets is provided on straight line method to write off the cost of an asset over its estimated useful life at the annual rates specified in note 19. Capital work in progress is stated at cost.

License cost is capitalised and amortised on a straight line basis over the period of the license from the date of commencement of commercial operations.

Maintenance and repairs are charged to income as and when incurred. Major renewals and improvements are capitalised.

Gains and losses on disposals are recognised in profit and loss account.

Non compete fee is stated at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost over its estimated useful life.

On acquisition of an entity, difference between the purchase consideration and the fair value of the identifiable assets and liabilities acquired, is initially recognised as goodwill. Following initial recognition, goodwill is measured at cost less accumulated impairment , if any.

4.6 Impairment of non-financial assets

Assets that have an indefinite useful life, for example land, are not subject to amortization or depreciation and are tested annually for impairment. Assets that are subject to depreciation/amortization are reviewed for impairment at each balance sheet date or when ever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Reversals of the impairment losses are restricted to the original cost of the asset. An impairment loss or reversal of impairment loss is recognised in the profit and loss account.

4.7 Right of way charges

Right of way charges paid to local governments and land owners for access of land are carried at cost less amortisation. Amortisation is provided to write off the cost on straight line basis over the period of right of way.

4.8 Trade and other receivables

Trade and other receivables are stated at cost less impairment losses, if any.

CONSOLIDATED NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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4.9 Stores, spares and loose tools

Stores, spares and loose tools are carried at cost less allowance for obsolescence. Cost is determined on weighted average cost formula basis. Items in transit are valued at cost comprising invoice value plus other charges paid there on.

4.10 Stocks

Stocks are valued at lower of cost and net realiseable value. Cost is determined on weighted average cost formula basis.

4.11 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, bank balances and highly liquid short term investments less short term running finance.

4.12 Government grant

Government grants are recognised at their fair value and included in non-current liabilities as deferred income when there is reasonable assurance that grant will be received and the company will comply with the conditions associated with grant.

Grant that compensate the Company for expenses incurred are recognised in profit and loss account on a systematic basis in the same period in which the expenses are recognised. Grant that compensate the Company for the cost of an asset are recognised in the profit and loss account on a systematic basis over the expected useful life of the asset upon capitalisation.

4.13 Revenue recognition

Revenue is recognised as related services are rendered. Revenue from granting of Indefeasible Right Of Use (IRU) of dark fiber for 20 years is recognised at the time of delivery and acceptance by the customer.

Revenue from sale of goods is recognised upon dispatch of goods to customers.

Interest income is recognised using the effective yield method.

4.14 Borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using effective interest method.

Borrowing costs incurred that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized upto the date of commencement of commercial operations are capitalised. All other borrowing costs are recognised as an expense in the period in which they are incurred. Qualifying assets are assets that necessarily take substantial period of time to get ready for their intended use.

4.15 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 financial statements are presented in Pakistan rupees (Rs), which is the Company's functional currency.

4.16 Foreign currency transactions

Transactions in currencies other than rupees are converted into rupees at the rates of exchange ruling on the date of the transaction. All monetary assets and liabilities in foreign currencies are translated into rupees at the rates of exchange ruling at the balance sheet date. All exchange differences are dealt with through profit and loss account.

CONSOLIDATED NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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4.17 Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are initially recognised at cost, which is the fair value of the consideration given and received. These are subsequently measured at fair value, amortised cost or cost, as the case may be. Financial assets are derecognised when the Company loses control of the contractual right that comprise the financial assets, while financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

4.18 Derivative financial instruments

Derivates are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at fair value. Changes in fair value of derivates that are designated and qualify as fair value hedges are recorded in income statement together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

4.19 Offsetting

Financial assets and liabilities are offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set off the recognised amounts and the Company intents to settle on a net basis, or realise the asset and settle the liability simultaneously.

	June 30, 2010		June 30, 2009	
	Number of Shares	Rupees in thousand	Number of Shares	Rupees in thousand
5. Share capital				
Authorised share capital:				
Ordinary shares of Rs 10 each	1,000,000,000	10,000,000	1,000,000,000	10,000,000
Issued, subscribed and paid up share capital:				
Shares issued for cash				
Ordinary shares of Rs 10 each	408,737,310	4,087,373	208,737,310	2,087,373
Shares issued as fully paid bonus shares	208,737,310	2,087,373	-	-
	617,474,620	6,174,746	208,737,310	2,087,373
Movement in issued, subscribed and paid up capital as follows:				
Balance at July 1	208,737,310	2,087,373	208,737,310	2,087,373
Shares issued as fully paid bonus shares during the year	208,737,310	2,087,373	-	-
Shares issued for cash during the year	200,000,000	2,000,000	-	-
Balance at June 30	617,474,620	6,174,746	208,737,310	2,087,373

6. General reserve

The company is to place atleast 10% of the profits in the general reserve account till it reaches 50% of the issued, subscribed and paid up capital of the company.

CONSOLIDATED NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010	2009
		(Rupees in thousand)	
7. Long term finance - secured			
Syndicate of banks	7.1	4,766,000	2,800,000
Export Credit Guarantee Department - (ECGD)	7.2	2,450,304	1,455,003
Standard Chartered Bank (SCB)	7.3	54,000	67,500
Dubai Islamic Bank (DIB)	7.4	477,000	530,000
Bank Al-Habib Limited (BAHL)	7.5	-	450,000
Motorola Credit Corporation (MCC)	7.6	4,963,819	2,319,395
Total		12,711,123	7,621,898
Unamortized transaction and other ancillary cost			
Additions during the year		400,862	-
Amortisation for the year		(101,398)	-
		(299,464)	-
		12,411,659	7,621,898
Less: Amount shown as current liability			
Amount payable within next twelve months		(1,991,174)	(1,466,165)
Amount due after June 30, 2011	7.7	(10,420,485)	-
		(12,411,659)	(1,466,165)
		-	6,155,733

7.1 During the year bridge finance facility has been replaced with syndicate term finance facility from a syndicate of banks with Standard Chartered Bank Limited (SCB), Habib Bank Limited (HBL), Bank Al-Habib Limited (BAHL) and National Bank of Pakistan (NBP), being lead arrangers to finance the capital requirements of the Company amounting to Rs 5.0 billion, of which Rs 4.8 billion has been availed till June 30, 2010. The tenor of the facility is 5 years commencing from November 4, 2009. The principal is repayable in six unequal stepped -up- semi annual installments. The first such installment shall be due on June 30, 2012 and subsequently every six months thereafter until December 31, 2014. The rate of mark-up is 6 months KIBOR+2.75% per annum for 1-2 years and KIBOR + 2.5% per annum for next 3-5 years.

The facility is secured by way of hypothecation over all present and future moveable assets (including all current assets) and present and future current/fixed assets (excluding assets under specific charge of CM Pak, CISCO, Motorola, DIB, World call and USF), a mortgage by deposit of title deeds in respect of immoveable properties of the company, lien over collection accounts and Debt Service Reserve Account, a corporate guarantee from Warid Telecom International LLC.

7.2 During the year the Company has repaid entire bridge finance facility from MCB Bank Limited (MCB) amounting to Rs 1.45 billion through long term finance facility amounting to USD 42 million from Export Credit Guarantee Department (ECGD) UK, of which US$ 35 million has been availed till June 30, 2010. The loan is repayable in 14 semi annual installments of USD 3,025 thousand each starting from October 14, 2009. The rate of mark-up is LIBOR + 1.5% per annum. Additional mark-up at 2% per annum will be payable on default payment from the due date for payment upto the date of payment. If the finance charge is not paid then additional interest rate will be payable at 1.5% per annum above CIRR rate applicable to the period during which the finance charge remained unpaid or at 5% per annum whichever is higher. The loan is secured by personal guarantees by three Sponsors of the Company.

7.3 The Company has obtained an aggregate medium term finance facility of USD 3 million from Standard Chartered Bank. The principal is repayable in 8 equal semi annual installments commencing from October 1, 2007. The rate of interest is six month average KIBOR + 1.25%. The loan is secured by first pari passu hypothecation charge over the specific assets of the Company amounting to Rs 275 million.

CONSOLIDATED NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

7.4 The Company has obtained Ijarah finance facility of Rs 530 million from Dubai Islamic Bank (DIB). The principal is repayable in 10 semi annual installments of 53 million each commencing from February 1, 2010. The rate of mark up is 6 month KIBOR plus 1.5% per annum. Additional interest is payable on default payment at KIBOR + 4% per annum from the due date for payment upto the date of payment. The loan is secured by specific fixed assets (DWDM equipment, eltek cabinets and batteries).

7.5 During the year the term finance facility of Rs 450 million from Bank Al-Habib has been merged into syndicate term finance facility as referred in note 7.1.

7.6 The Company has obtained term finance facility of USD 65 million from MCC of which USD 64 million (June 30, 2009: USD 28.5 million) has been availed till June 30, 2010. The principal amount of outstanding facility is repayable in 12 unequal semi annual installments commencing from June 30, 2009 until and including the final maturity date which is December 31, 2014. The rate of mark-up is six month LIBOR + 1.7% per annum. Additional interest is payable on default payment at six month LIBOR + 2% per annum from the due date for payment upto the date of payment. The loan is secured through hypothecation charge over specific assets of the Company supplied under supply & services agreements with Motorola.

Repayment of principal and interest payments thereon (except for margin of 1.7% per annum) amounting to USD 25.5 million at June 30, 2010 (2009: USD Nil) are hedged through cross currency swap contract with SCB. In consideration, the Company pays the difference between interest based on LIBOR and KIBOR + 2.2% per annum to the bank. The fair value of the contract at June 30, 2010 was Rs 4.656 million in favour of the bank, as determined by an independent valuer using the ‘Forward Model’, which has been recognised as a liability.

The interest payments (except for margin of 1.7% per annum) upon principal amounting to USD 58.5 million at June 30, 2010 (2009: Nil) are hedged through interest rate swap contract with SCB. In consideration, the company pays 3.05% on the notional amount. The fair value of the contract at June 30, 2010 was Rs 134.397 million in favour of the bank, as determined by an independent valuer using the ‘Forward Model’, which has been recognised as a liability.

7.7 The Company is required to make payments of long term loans on due dates and to maintain certain ratios as specified in loan agreements. The Company was not able to make payment of MCC loan installment of Rs 428,000 thousand and interest of Rs 59,010 thousand due on June 30, 2010 and SCB loan installment of Rs 13,500 thousand and interest of Rs 3,775 thousand due on April 24, 2010. Further, certain ratios specified in the loan agreements have not been maintained at June 30, 2010. As a consequence, the lenders shall be entitled to declare all outstanding amount of the loans immediately due and payable. In terms of provisions of International Accounting Standard on Presentation of financial statements (IAS 1), since the Company does not have an unconditional right to defer settlement of liabilities for at least twelve months after the balance sheet date, all liabilities under these loan agreements are required to be classified as current liabilities. Based on above, loan instalments due as per loan agreements after June 30, 2011 amounting to Rs 10,420,485 thousand have been shown as current liability.

The Company is in the process of rescheduling of existing facilities, which would facilitate the Company to great extent in meeting its obligations/covenants under loan agreements. In addition, on August 13, 2010 the shareholders have also approved a subordinated loan of USD 25 million to be provided by Sponsors.

8. Payable to supplier to be settled through long term finance

This represents payable in respect of supply of equipment and implementation contract which will be financed through long term finance referred to in note 7.2 and 7.6, after the issuance of provisional acceptance certificate of the respective phase. This payable is interest free. For reasons stated in note 7.7, these have been classified as current liability.

CONSOLIDATED NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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	2010	2009
	(Rupees in thousand)	
9. Obligations under finance leases		
Present value of minimum lease payments	6,985	-
Less: Current portion shown under current liabilities	(1,556)	-
	5,429	-

The Company acquired vehicles under lease from Soneri bank limited. The financing is repayable in equal monthly installments over a period of five years. The financing carries a finance charge of six months KIBOR + 3% (June 30, 2009: Nil).

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

	2010	2009
Due within one year		
Minimum lease payments	2,508	-
Less: Financial charges not yet due	(952)	-
Present value of minimum lease payments	1,556	-
Due after one year but not later than five years		
Minimum lease payments	6,791	-
Less: Financial charges not yet due	(1,362)	-
Present value of minimum lease payments	5,429	-
	6,985	-

10. Long term deposits

These represent security deposits received from customers. These are interest free and refundable on termination of relationship with the Company. This includes deposit received from associated companies amounting to Rs 51 million as at June 30, 2010 (June 30, 2009: Rs 41 million).

	Note	2010	2009
		(Rupees in thousand)	
11. Employees' retirement benefits			
These comprise of :			
Liability for staff gratuity	11.1		
Liability for staff gratuity (funded)		104,041	74,520
Liability for staff gratuity (unfunded)		11,928	9,196
		115,969	83,716
Liability for unfunded accumulated compensated absences	11.2	48,131	39,396
These are shown in the financial statements as follows:			
Employees retirement benefits (unfunded)		60,059	48,592
Trade and other payables (funded)		104,041	74,520

CONSOLIDATED NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

		2010	2009
		(Rupees in thousand)	
11.1	Liability for staff gratuity		
	The amounts recognised in the balance sheet are as follows:		
	Present value of defined benefit obligation	130,051	120,839
	Fair value of plan assets	(25,958)	(43,151)
	Actuarial gain not recognised	11,876	6,028
	Net liability	115,969	83,716
	The amounts recognised in profit and loss account are as follows:		
	Current service cost	44,181	48,591
	Interest cost	14,501	8,304
	Expected return on plan assets	(5,178)	(3,190)
	Acturial gain charged	(73)	-
		53,430	53,705
	Actual return on plan assets	8,222	4,554
	Changes in the present value of defined benefit obligation:		
	Opening defined benefit obligation	120,839	69,122
	Current service cost	44,181	48,591
	Interest cost	14,501	8,304
	Actuarial loss/(gain)	(6,095)	(2,190)
	Benefits paid	(36,728)	(2,988)
	Benefits due but not paid during the year	(6,646)	-
	Closing defined benefit obligation	130,051	120,839
	Changes in fair value of plan assets:		
	Opening fair value of plan assets	43,151	26,585
	Actuarial gain	3,044	3,190
	Contributions by employer	15,940	15,000
	Benefits paid	(34,709)	(2,988)
	Benefits due but not paid during the year	(6,646)	-
	Expected return on plan assets	5,178	1,364
	Closing fair value of plan assets	25,958	43,151

CONSOLIDATED NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

	2010	2009
	(Rupees in thousand)	
11.2 Liability for unfunded accumulated compensated absences		
The amounts recognised in the balance sheet are as follows:		
Present value of defined benefit obligation	48,131	39,396
Current service cost	20,727	8,274
Interest cost	4,727	4,686
Actuarial loss/ (gain) recognised	4,263	(8,473)
	29,717	4,487
Changes in the present value of defined benefit obligation:		
Opening defined benefit obligation	39,396	39,057
Current service cost	20,727	8,274
Interest cost	4,727	4,686
Actuarial loss/(gain)	4,263	(8,473)
Benefits paid	(20,982)	(4,148)
Closing defined benefit obligation	48,131	39,396

Break-up of category of assets in respect of staff gratuity:

	2010		2009	
	Rupees in thousand	Percentage	Rupees in thousand	Percentage
Cash and bank	4,341	17	1,981	5
Investments	21,617	83	41,170	95
	25,958	100	43,151	100

Principal actuarial assumptions:

The Projected Unit Credit Method using the following significant assumptions was used for the valuation of these schemes:

	2010		2009	
	Staff gratuity	Accumulated compensated absences	Staff gratuity	Accumulated compensated absences
Valuation discount rate-p.a	12%	12%	12%	12%
Expected rate of increase in salaries-p.a	12%	12%	12%	12%
Expected rate of return on plan assets-p.a	12%	12%		
Average expected remaining working life time of employees	5-6 years		11 years	
Average number of leaves accumulated per annum by the employees		8 days		10-16 days
Average number of leaves utilized per annum by the employees		12 days		4-10 days

CONSOLIDATED NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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Amounts for current and previous four annual periods in respect of staff gratuity are as follows:

	2010	2009	2008	2007	2006
	(Rupees in thousand)				
As at June 30,					
Defined benefit obligation	130,051	120,839	69,122	30,049	15,606
Contributions from associated companies	-	-	(2,332)	-	-
Plan assets	(25,958)	(43,151)	(26,585)	-*	-*
Deficit	104,093	77,688	40,205	30,049	15,606
Experience adjustments on defined benefit obligation	(6,095)	(2,190)	2,987	(1,057)	-
Experience adjustments on plan assets	3,044	3,190	747	-	-

Amounts for current and previous four annual periods in respect of accumulated compensated absences are as follows:

	2010	2009	2008	2007	2006
	(Rupees in thousand)				
As at June 30,				**	**
Defined benefit obligation	48,131	39,396	39,057	16,216	-

* Gratuity of Wateen Telecom Limited was funded from 2008.

** Policy for actuarial valuation of accumulated compensated absences of Wateen Telecom Limited commenced from June 30, 2007.

12. Deferred income tax liability

	2010	2009
	(Rupees in thousand)	
Temporary differences between accounting and tax depreciation	3,423,722	2,762,201
Unused tax losses	(3,268,671)	(1,574,314)
Unused tax benefit related to share issue cost	(34,138)	-
Provision for doubtful debts	(47,102)	-
Deferred cost	(72)	-
Trade debts - exchange gain	3,068	-
	76,807	1,187,887

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

	2010	2009
Balance at July 1	1,187,887	686,342
Profit and loss account charge/(credit)	(1,068,407)	501,545
Tax benefit related to share issue cost (credited) directly to equity	(42,673)	-
Balance at June 30	76,807	1,187,887

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13. Deferred government grants

This represents amount received and receivable from Universal Service Fund (USF) as subsidy to assist in meeting the cost of deployment of USF Fiber Optic Network for providing USF Fiber Optic Communication Services in Sindh, Baluchistan, Punjab and broad band services in Sargodah, Hazara district Gujranwala Telecom Region and Central Telecom Region. USF Fiber Optic Network and broad band network will be owned and operated by the Company. Total amount of USF subsidy is Rs 2,872,526 thousand (June 30, 2009: Rs 1,062,140 thousand) payable by USF in five installments in accordance with project implementation milestones.

Movement during the year is as follows:

	2010	2009
	(Rupees in thousand)	
Balance at beginning of the year	212,428	-
Amount received during the year	421,734	212,428
Amount receivable at year end	194,743	-
Amount recognised as income during the year	(1,746)	-
Balance at end of the year	827,159	212,428

The above grants will be recognised in the profit and loss account over the life of the asset after completion.

14. Finance from supplier - unsecured

This represents deferred payment in respect of supply of equipment and is interest free.

	Note	2010	2009
		(Rupees in thousand)	
15. Short term borrowings - secured			
Short term borrowings	15.1	1,680,165	-
Short term running finance	15.2	2,924,181	2,658,541
		4,604,346	2,658,541

15.1 Short term borrowings - secured

	Note	2010	2009
Habib Bank Limited	15.1.1	1,545,415	-
Atlas Bank Limited	15.1.2	134,750	-
		1,680,165	-

15.1.1 During the year, the company obtained a short term finance facility of Rs 2,000 million from Habib Bank Limited (HBL), of which Rs 1,545 million was utilised at June 30, 2010. Entire amount has been repaid on July 5, 2010. The rate of mark up is 1 month KIBOR plus 1.2% per annum. The facility is secured by ranking hypothecation charge over all moveable fixed assets of the Company.

CONSOLIDATED NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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15.1.2 During the year, the company obtained a short term finance facility of Rs 180 million from Atlas Bank Limited, of which Rs 45 million was unutilised at June 30, 2010. The balance is repayable in 3 equal installments due on May 1, 2010, August 1, 2010 and November 1, 2010. The balance at June 30, 2010 includes overdue instalment of Rs 45 million, which was subsequently paid in July 2010. The rate of mark up is 12 month KIBOR plus 5.25% per annum. The facility is secured by ranking hypothecation charge on the company's all present and future current assets.

	Note	2010	2009
		(Rupees in thousand)	
15.2 Short term running finance - secured			
Standard Chartered Bank	15.2.1	1,498,657	1,292,861
Bank Alfalah Limited	15.2.2	1,226,783	1,365,680
Soneri Bank Limited	15.2.3	198,741	-
		2,924,181	2,658,541

15.2.1 The Company has a running finance facility of Rs 1,500 million (June 30, 2009: Rs 1,500 million), of which Rs 1 million (June 30, 2009: Rs 211 million) was unutilised at June 30, 2010. This facility will expire on September 30, 2010 and is renewable. The facility carries mark-up at three months Kibor + 2% per annum. This facility is secured by hypothecation of present and future fixed and current assets of the company ranking pari passu in all respects with the first charge holders amounting to Rs 2,000 million with a margin of 25%.

15.2.2 The Company has a running finance facility of Rs 1,800 million (June 30, 2009: Rs 1,800 million), of which Rs 573 million (June 30, 2009: Rs 434 million) was unutilised as at June 30, 2010. This facility will expire on March 31, 2011 and is renewable. The facility carries mark-up at three months Kibor + 3% per annum. This facility is secured by hypothecation of present and future current assets of the company ranking pari passu in all respects with the first charge holders amounting to Rs 2,000 million.

15.2.3 During the year, the Company obtained a running finance facility of Rs 200 million, of which Rs 1 million was unutilised as at June 30, 2010. This facility will expire on September 30, 2010 and is renewable. The facility carries mark-up at three months Kibor + 2.25% per annum. This facility is secured by hypothecation of first pari passu charge on fixed and current assets of the company with a margin of 25%.

15.2.4 Wateen Solutions (Pvt) Limited has short term finance facility from Standard Chartered Bank (SCB) available at the year end amounting to Rs 168 million (2009: Rs 144 million) to finance purchases from Cisco system International BV Amsterdam. The facility carries markup at base rate + 300 bps (2009: base rate + 300bps) where base rate is obtained on case to case basis from SCB. The mark up is charged from the expiry of 60 days from the date of invoice. The facility is secured against first pari passu hypothecation charge over stocks and book debts worth Rs 161 million of the company with 10% margin.

CONSOLIDATED NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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	Note	2010	2009
		(Rupees in thousand)	
16. Trade and other payables			
Creditors		930,956	1,817,641
Due to associated companies	16.1	52,863	40,500
Due to international carriers		621,058	219,323
Fees / contribution payable to Pakistan Telecommunication Authority (PTA)		1,018,762	1,250,313
Accrued liabilities		2,451,516	1,934,275
Payable to gratuity fund		104,041	74,520
Payable to provident fund		11,569	11,144
Unearned revenue		155,845	102,744
Advance from customers	16.2	451,010	357,294
Sales tax payable		56,168	-
Income tax deducted at source		176,583	26,008
		6,030,371	5,833,762

16.1 Due to associated companies

	2010	2009
Warid Telecom Uganda	47,474	8,884
Warid Telecom (Pvt) Limited	5,389	31,616
	52,863	40,500

16.2 Advance from customers

This includes advance received from associated companies amounting to Rs 151 million (June 30, 2009: Rs 80 million).

	2010	2009
	(Rupees in thousand)	
17. Interest / markup accrued		
Accrued mark-up on long term finance - secured	422,367	189,062
Accrued markup on short term borrowings - secured	426,521	121,693
	848,888	310,755
18. Contingencies and commitments		
Claims against the Company not acknowledged as debt	264,038	-
Performance guarantees issued by banks in favour of the Company	1,509,896	2,388,760
Outstanding commitments for capital expenditure	1,799,824	4,550,338
Acquisition of 49% shares in subsidiary Wateen Solutions (Pvt) Limited	490,000	-

CONSOLIDATED NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

19. Operating assets

	Freehold Land	Buildings freehold	Lease hold improvements	Line and wire	Network equipment	Base Station	Tools and gears	Office equipment	Computers and accessories	Furniture and fixtures	Motor Vehicles owned	Motor Vehicles leased	Total
	(Rupees in thousand)												
At July 1, 2008													
Cost	58,659	815,658	51,019	1,201,742	3,705,753	7,911	87,638	97,162	293,161	61,332	148,970	-	6,529,005
Accumulated depreciation	-	(19,757)	(3,044)	(49,886)	(268,333)	(3,956)	(26,547)	(33,221)	(60,435)	(15,747)	(25,963)	-	(506,889)
Net book amount	58,659	795,901	47,975	1,151,856	3,437,420	3,955	61,091	63,941	232,726	45,585	123,007	-	6,022,116
Year ended June 30, 2009													
Opening net book amount	58,659	795,901	47,975	1,151,856	3,437,420	3,955	61,091	63,941	232,726	45,585	123,007	-	6,022,116
Additions	-	7,729	7,179	1,054,442	8,104,049	-	8,836	103,245	293,168	43,951	6,128	-	9,628,727
Disposals - cost	-	-	-	(646,490)	(601)	-	(135)	-	(1,059)	-	(1,326)	-	(648,409)
Disposals - accumulated depreciation	-	-	-	-	-	-	49	-	501	-	327	-	877
Disposals at net book value	-	-	-	(646,490)	(601)	-	(86)	-	(558)	-	(999)	-	(647,532)
Depreciation charge	-	(20,518)	(5,162)	(50,017)	(638,345)	(2,637)	(30,378)	(14,548)	(142,197)	(7,378)	(30,114)	-	(941,294)
Closing net book amount	58,659	783,112	49,992	1,509,791	10,903,725	1,318	39,463	152,638	383,139	82,158	98,022	-	14,062,017
At June 30, 2009													
Cost	58,659	823,387	58,198	1,609,694	11,810,403	7,911	96,388	200,407	585,771	105,283	154,099	-	15,510,200
Accumulated depreciation	-	(40,275)	(8,206)	(99,903)	(906,678)	(6,593)	(56,925)	(47,769)	(202,632)	(23,125)	(56,077)	-	(1,448,183)
Net book amount	58,659	783,112	49,992	1,509,791	10,903,725	1,318	39,463	152,638	383,139	82,158	98,022	-	14,062,017
Year ended June 30, 2010													
Opening net book amount	58,659	783,112	49,992	1,509,791	10,903,725	1,318	39,463	152,638	383,139	82,158	98,022	-	14,062,017
Additions	819	108,426	48,960	376,549	3,820,938	-	2,815	39,066	219,790	183,696	3,101	9,293	4,813,453
Disposals - cost	-	-	-	-	(195,926)	-	-	-	(284)	-	(13,125)	-	(209,335)
Disposals - accumulated depreciation	-	-	-	-	11,743	-	-	-	170	-	5,890	-	17,803
Disposals at net book value	-	-	-	-	(184,183)	-	-	-	(114)	-	(7,235)	-	(191,532)
Depreciation charge	-	(21,851)	(7,545)	(69,313)	(1,178,804)	(1,318)	(31,576)	(19,950)	(246,240)	(23,294)	(29,075)	(1,858)	(1,630,824)
Closing net book amount	59,478	869,687	91,407	1,817,027	13,361,676	-	10,702	171,754	356,575	242,560	64,813	7,435	17,053,114
At June 30, 2010													
Cost	59,478	931,813	107,158	1,986,243	15,435,415	7,911	99,203	239,473	805,277	288,979	144,075	9,293	20,114,318
Accumulated depreciation	-	(62,126)	(15,751)	(169,216)	(2,073,739)	(7,911)	(88,501)	(67,719)	(448,702)	(46,419)	(79,262)	(1,858)	(3,061,204)
Net book amount	59,478	869,687	91,407	1,817,027	13,361,676	-	10,702	171,754	356,575	242,560	64,813	7,435	17,053,114
Annual rate of depreciation %	-	2.5	10	4	6.67-20	33.33	33.33	10	33.33	10	20	20	

19.1 Network equipment additions include finance cost of Rs 49 million (2009: Rs 181 million) capitalised during the year.

CONSOLIDATED NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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19.2 Disposal of property, plant and equipment

Particulars of assets	Sold to	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal
		(Rupees in thousand)				
Network equipment						
13Kva Diesel Genset	Various parties	56,883	4,793	52,090	49,220	Negotiation
Towers	CM Pak	27,741	610	27,131	24,420	Negotiation
BUC	Various parties	33,255	3,606	29,649	40,685	Negotiation
Optix Osn 3500	Alfalah Insurance Company Ltd	2,050	227	1,823	1,314	Insurance claim
Power Supply Equipment	Alfalah Insurance Company Ltd	145	16	129	93	Insurance claim
Antenna	Various parties	12,116	302	11,814	16,323	Negotiation
LNB	Various parties	13,368	163	13,205	14,010	Negotiation
Modems	Various parties	16,058	1,680	14,378	18,580	Negotiation
Satellite modem	CM Pak	34,145	328	33,817	33,551	Negotiation
	Others	165	18	147	239	
		195,926	11,743	184,183	198,435	
Computer & accessories						
	Others	284	170	114	172	Insurance claim
Motor vehicles						
	Chaudary Motors	917	802	115	407	Negotiation
	Alfalah Insurance Company Ltd	468	203	265	340	Insurance claim
	Car Markaz, Khi	889	578	311	710	Negotiation
	Tayyab Shafi Ex GM GRRA	953	754	199	675	Negotiation
	Car Markaz, Khi	934	405	529	750	Negotiation
	Konain Motors, Khi	927	355	572	755	Negotiation
	Mitsubishi Momentum Motor, Lhr	949	269	680	1,000	Negotiation
	Raza Jawa Motors, Lhr	383	-	383	650	Negotiation
	Jawad Motors, Lhr	593	336	257	630	Negotiation
	Mr. Abdul Basit, Lhr	260	169	91	340	Negotiation
	Alfalah Cooperative Housing Society	1,639	600	1,039	1,148	Negotiation
	Mitsubishi Momentum Motor, Lhr	1,083	306	777	915	Negotiation
	Chaudary Motors, Lhr	1,084	378	706	900	Negotiation
	Alfalah Motors, Lhr	1,134	339	795	910	Negotiation
	Alfalah Insurance Company Ltd	756	344	412	530	Insurance claim
	Others	156	52	104	152	Insurance claim
		13,125	5,890	7,235	10,812	
	Total	209,335	17,803	191,532	209,419	

20. Capital work in progress

	2010	2009
	(Rupees in thousand)	
Lease hold improvements	23,334	125,693
Line and wire	1,319,762	805,204
Network equipment	2,540,469	2,582,735
	3,883,565	3,513,632

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20.1 Capital work in progress includes finance cost of Rs 550 million (June 30, 2009: Rs 293 million) capitalised during the year.

	Note	2010	2009
		(Rupees in thousand)	
21. Intangible assets			
LDI license fee	21.1		
Cost		28,934	28,934
Amortisation			
Opening balance		7,114	5,667
Amortisation for the year		1,446	1,447
		(8,560)	(7,114)
Net book value		20,374	21,820
WLL license fee	21.2		
Cost		168,366	168,366
Amortisation			
Opening balance		15,065	5,161
Amortisation for the year		9,905	9,904
		(24,970)	(15,065)
Net book value		143,396	153,301
Software license	21.3		
Cost			
Opening balance		48,436	4,381
Additions during the year		600	44,055
Closing balance		49,036	48,436
Amortisation			
Opening balance		3,685	1,241
Amortisation for the year		9,747	2,444
		(13,432)	(3,685)
Net book value		35,604	44,751
ERP license	21.4		
Cost			
Opening balance		7,832	-
Additions during the year		-	7,832
Closing balance		7,832	7,832
Amortisation			
Opening balance		914	-
Amortisation for the year		1,566	914
		(2,480)	(914)
Net book value		5,352	6,918

CONSOLIDATED NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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	Note	2010	2009
		(Rupees in thousand)	
Non compete fee	21.5		
Cost		20,000	20,000
Amortisation:			
Opening balance		10,000	6,000
Amortisation for the year		4,000	4,000
		(14,000)	(10,000)
Closing balance		6,000	10,000
Goodwill			
Goodwill arising on acquisition of a subsidiary company	21.6	11,333	22,222
Less: Goodwill written off on disposal of 49% investment in subsidiary company		-	(10,889)
		11,333	11,333
Goodwill arising on acquisition of a subsidiary company	21.7	5,766	5,766
Goodwill arising on business acquisition by the subsidiary	21.8	83,018	83,018
		100,117	100,117
Total net book value		310,843	336,907

21.1 Pakistan Telecommunication Authority (PTA) granted Long Distance International (LDI) license for a period of 20 years from July 26, 2004.

21.2 (i) PTA granted Wireless Local Loop (WLL) License for a period of 20 years from December 1, 2004.

(ii) PTA granted WLL license for a period of 20 years to Wateen Solutions (Pvt) Limited (WSL), (formerly: National Engineers (Pvt) Limited) from November 4, 2004. On August 31, 2006 the license was transferred by WSL to the Company.

21.3 Software license is amortised over a period of 5 years.

21.4 ERP license is amortised over a period of 5 years.

21.5 Non compete fee is for a period of 5 years from January 1, 2007.

21.6 The goodwill resulting from acquisition of Wateen Solutions (Pvt) Limited (formerly: National Engineers (Pvt) Limited) by Wateen Telecom Limited effective August 2, 2006. The amount represents the excess of cost of acquisition over the fair value of identifiable assets and liabilities of Wateen Solutions (Pvt) Limited as at the date of acquisition.

The Company sold 49% shares (397,027 fully paid ordinary shares of Rs 100 each) of Wateen Solutions (Pvt) Limited (formerly National Engineers (Pvt) Limited) for Rs 52,000 thousand, effective July 1, 2008.

21.7 The goodwill resulting from acquisition of Netsonline Services (Pvt) Limited by Wateen Telecom Limited effective July 1, 2008. The amount represents the excess of cost of acquisition over the fair value of identifiable assets and liabilities of Netsonline Services (Pvt) Limited as at the date of acquisition.

21.8 The goodwill resulting from acquisition of National Engineers (AOP) by Wateen Solutions (Pvt) Limited (formerly: National Engineers (Pvt) Limited) as on January 1, 2007. The amount represents the excess of cost of acquisition over the fair value of identifiable assets and liabilities of National Engineers (AOP) as at the date of acquisition.

22. Long term prepayments

These represent long term portion of right of way charges paid to local governments and various land owners for access of land.

CONSOLIDATED NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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23. Trade debts - unsecured, considered good

23.1 Trade debts are net of provision for doubtful debts of Rs 157,035 thousand (June 30, 2009: Rs 110,875 thousand).

		Note	2010 (Rupees in thousand)	2009
23.2	Provision for doubtful debts			
	Opening balance		110,875	101,098
	Provision for the year		66,271	13,538
	Recovery during the year		(1,043)	(507)
	Amount written off during the year		(19,068)	(3,254)
	Closing balance		157,035	110,875
23.3	Trade debts include following balances due from associated companies			
	Warid Telecom Congo		1,191,305	796,016
	Warid Telecom (Pvt) Limited		560,627	391,054
	Warid Telecom Uganda		201,540	258,250
	Warid International LLC		85,400	81,100
	Bank Alfalah Limited		22,095	89,658
	Wateen Telecom Limited - UK		105,643	20,104
			2,166,610	1,636,182

24. Advances, deposits, prepayments and other receivables

	Note	2010	2009
Advances to suppliers and contractors - considered good		519,762	1,782,326
Advances to employees - considered good		55,616	39,652
Margin held by bank against letters of guarantee		136,541	44,699
Prepayments	24.1	64,525	129,705
Sales tax refundable		-	77,245
Due from associated companies	24.2	348,448	361,638
Accrued interest		1,920	2,816
Government grant receivable		194,743	-
Others		237,137	220,592
		1,558,692	2,658,673

24.1 These include current portion of right of way charges of Rs 17,120 thousands (June 30, 2009: Rs 17,566 thousand).

		2010 (Rupees in thousand)	2009
24.2	Due from associated companies		
	Wateen Telecom Limited - UK	108,720	129,409
	Wateen Multi Media (Pvt) Limited	137,160	111,184
	Warid International LLC, UAE - Parent company	35,855	42,450
	Amon Media Group (Pvt) Limited	27,960	28,157
	Bank Alfalah Limited	12,379	16,330
	Warid Telecom Georgia	15,403	14,980
	Warid Telecom Congo	5,384	12,164
	Warid Telecom Bangladesh	5,587	5,587
	Hellios Media (Pvt) Limited	-	1,377
		348,448	361,638

CONSOLIDATED NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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	2010	2009
	(Rupees in thousand)	
25. Cash and bank balances		
Balance with banks on		
- current accounts	1,752,691	31,719
- collection account	18,353	14,419
- deposit accounts	242,956	350,430
Cash in hand	726	624
	2,014,726	397,192

25.1 Bank balances amounting to Rs 42,224 thousand were under lien with banks (2009: Rs 125,129 thousand).

25.2 Cash and bank balances include foreign currency balances aggregating USD 1,125 thousand (2009: USD 1,189 thousand).

25.3 Bank balances on deposit accounts carried interest at an average rate of 8 % per annum (2009: 8% per annum).

	2010	2009
	(Rupees in thousand)	
26. Revenue		
Long distance and international	3,576,237	7,752,075
Optical fiber cable		
Indefeasible Right of Use	-	4,081,441
Operation and Maintenance	683,824	733,526
Managed capacity	76,163	116,884
Broadband and voice	1,471,798	880,369
Hybrid Fiber Cable Services	31,124	34,048
Very Small Aperture Terminal Services (VSAT)	1,525,963	1,604,996
ADM sites rentals	176,149	-
Others	1,067,224	981,427
	8,608,482	16,184,766
27. Cost of sales		
LDI Interconnect cost	2,240,556	4,920,325
Leased circuit charges	214,579	397,503
Contribution to PTA Funds	799,805	1,927,997
PTA regulatory and spectrum fee	26,783	45,032
Cost associated with IRU of Optic Fibre Cable	-	646,490
Operational cost	1,413,339	1,125,144
Bandwith cost of VSAT services	1,078,929	1,268,486
Others	671,983	698,512
	6,445,974	11,029,489

CONSOLIDATED NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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		Note	2010	2009
			(Rupees in thousand)	
28.	**General and administration expenses**			
	Salaries, wages and benefits		984,910	1,219,451
	Rent		112,488	127,407
	Repairs and maintenance		54,712	82,271
	Travel and conveyance		22,137	83,940
	Postage and stationery		19,858	30,806
	Auditor's remuneration	28.1	6,406	3,391
	Legal and professional charges		68,239	116,056
	Communication expenses		78,145	43,379
	Employee training		4,487	12,493
	Customer services charges		43,051	57,583
	Fees and subscription		2,329	2,704
	Insurance		32,256	23,337
	Entertainment		15,457	9,476
	Operating lease rentals vehicles		-	4,149
	General office expenses		86,753	74,968
	Donations		-	3,036
	Provision for doubtful debts		66,271	13,538
	Others		925	12,596
			1,598,424	1,920,581

		2010	2009
28.1	Auditor's remuneration		
	Annual audit	750	550
	Audit of consolidated accounts, review of corporate governance compliance, review and audit of half yearly accounts and special certifications	1,453	996
	Tax services	4,103	1,800
	Out of pocket expenses	100	45
		6,406	3,391

29. Other charges

This represents Workers' Welfare Fund charge relating to prior year.

30. Other income

	2010	2009
Negative goodwill on acquisition of a subsidiary company	-	135,810
Early contract termination charges received from associated companies	52,918	-
Profit on sale of fixed assets	17,887	109
Rental income	3,893	-
Government grant realised	1,746	-
Other income	1,043	1,311
	77,487	137,230

CONSOLIDATED NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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		2010	2009
		(Rupees in thousand)	
31.	**Finance cost**		
	Markup on long term finance	1,242,061	600,262
	Fair value adjustment on remeasurement of cross currency swap contract	4,656	-
	Fair value adjustment on remeasurement of interest rate swap contract	134,397	-
	Amortisation of ancillary cost	101,398	-
	Mark up on short term borrowings	524,132	289,392
	Finance cost of leased assets	1,145	-
	Bank charges, commission, fees and late payment charges	180,173	118,196
	Late payment charges on royalty payable to PTA	20,847	-
	Exchange loss	341,448	34,237
		2,550,257	1,042,087
	Mark up on long term finance capitalised under property, plant and equipment	(599,020)	(473,694)
		1,951,237	568,393
32.	**Finance income**		
	Late payment charges received from associated companies	150,902	35,832
	Income on bank deposit accounts	26,783	18,319
		177,685	54,151
33.	**Income tax (charge)/credit**		
	Current		
	- for the year	(11,404)	(44,139)
	- for prior year	(765)	6,947
		(12,169)	(37,192)
	Deferred		
	- for the year	1,068,407	(501,060)
	- for prior year	-	6,115
		1,068,407	(494,945)
		1,056,238	(532,137)
		(Percentage)	
34.	**Reconciliation of tax charge**		
	Applicable tax rate	35	35
	Tax effect of income chargeable to tax at special tax rate	-	1
	Tax effect of income that is taxable at reduced rate	-	(4)
	Average effective tax rate	35	32
35.	**Earnings per share - Basic and diluted**		
	Profit/(loss) for the year	(1,993,360)	1,018,655
	Weighted average number of shares outstanding during the year	456,379	417,475
	Earnings/(loss) per share	Rs (4.37)	Rs 2.44*

* Basic earning per share for the year ended June 30, 2009 was Rs 4.88 per share. This has been restated on account of 208,737 thousand bonus shares issued without consideration.

CONSOLIDATED NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

36. Financial instruments and risk management

36.1 Financial assets and liabilities

	2010	2009
	(Rupees in thousand)	
Financial assets		
Maturity upto one year		
Loans and receivables		
Contract work in progress	47,394	50,012
Trade debts	4,060,687	3,720,786
Advances, deposits and other receivables	974,405	746,642
Cash and bank balances	2,014,726	397,192
	7,097,212	4,914,632
Maturity after one year		
Loans and receivables		
Long term deposits	239,474	290,928
	7,336,686	5,205,560
Financial liabilities		
Maturity upto one year		
Other financial liabilities		
Current portion of long term finance - secured	12,411,659	1,466,165
Payable to supplier to be settled through long term finance	433,798	3,168,945
Obligation under finance lease	1,556	-
Finance from supplier - unsecured	77,668	338,530
Short term borrowings - secured	4,604,346	2,658,541
Trade and other payables	5,579,361	5,476,468
Interest / markup accrued	848,888	310,755
	23,957,276	13,419,404
Maturity after one year		
Derivatives used for hedging		
Cross currency swap - fair value	4,656	-
Interest rate swap - fair value	134,397	-
Other financial liabilities		
Long term finance - secured	-	6,155,733
Obligation under finance lease	5,429	-
Long term deposits	110,455	125,732
Employees' retirement benefits	60,059	48,592
	314,996	6,330,057
	24,272,272	19,749,461

CONSOLIDATED NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

36.2 Credit quality of financial assets

The credit quality of Company's financial assets assessed by reference to external credit ratings of counterparties determined by The Pakistan Credit Rating Agency Limited (PACRA), JCR - VIS Credit Rating Company Limited (JCR-VIS), Standard and Poor's and Moody's and other international credit rating agencies are as follows:

	Rating	2010	2009
		(Rupees in thousand)	
Trade debts			
Counterparties with external credit rating	AA+	25,185	-
	A1+	41,894	389,639
	LAA	-	88,069
	A1	16,443	-
	A+	78,555	366,768
	2A	157,139	-
	A2	-	26,401
Counterparties without external credit rating			
Due from related parties		2,166,610	1,636,182
Others		1,574,861	1,213,727
		4,060,687	3,720,786
Advances, deposits and other receivables			
Counterparties with external credit rating			
	A1+	8,596	41,244
	A-2	125,000	3,455
Counterparties without external credit rating			
Due from related parties		348,448	361,638
Others		731,835	631,233
		1,213,879	1,037,570
Bank balances			
	A1+	1,969,609	320,257
	A1	43,009	1,369
	A	-	42,284
	A2	1,382	32,658
		2,014,000	396,568

36.3 Financial risk management

36.3.1 Credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. All financial assets are subject to credit risk. Credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings.

CONSOLIDATED NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

As of June 30, 2010 trade debts of Rs 3,023,503 thousand (2009: Rs 2,908,574 thousand) were past due but not impaired. The aging analysis of these trade debts is as follows:

	2010	2009
	(Rupees in thousand)	
Up to 3 months	442,980	631,226
3 to 6 months	374,146	782,804
6 to 9 months	1,059,434	892,371
Above 9 months	1,146,943	602,173
	3,023,503	2,908,574

36.3.2 Interest rate risk

Financial assets of Rs 242,956 thousand (June 30, 2009: Rs 350,430 thousand) and financial liabilities of Rs 17,022,991 thousand (June 30, 2009: Rs 10,280,439 thousand) were subject to interest rate risk.

At June 30, 2010, if interest rates had been 1% higher/lower with all other variables held constant, profit after tax for the year would have been Rs 109,070 thousand (2009: 65,545 thousand) lower/higher.

36.3.3 Foreign exchange risk

Financial assets include Rs 3,079,025 thousand (2009: Rs 2,227,100 thousand) and financial liabilities include Rs 6,544,591 thousand (2009: Rs 6,045,870 thousand) which were subject to foreign exchange risk.

At June 30, 2010, if the currency had weakened/strengthened by 10% against US dollar with all other variables held constant, profit after tax for the year would have been Rs 225,262 thousand (2009: Rs 248,220 thousand) higher/lower.

36.3.4 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and availability of funding to an adequate amount of committed credit facilities. The Company's treasury aims at maintaining flexibility in funding by keeping committed credit lines.

At June 30, 2010 the Company has financial assets of Rs 7,337 million and Rs 1,303 million available unavailed borrowing limit from financial institutions.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the maturity dates as per loan agreements.

CONSOLIDATED NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

	Less than 1 Year	Between 1 to 5 Years
	(Rupees in thousand)	
Long term finance - secured	1,991,174	10,719,949
Payable to supplier to be settled through long term finance	-	433,798
Obligations under finance leases	1,556	5,429
Long term deposits	-	110,455
Finance from supplier	77,668	-
Short term borrowings	4,604,346	-
Trade and other payables	5,579,361	-
Interest/mark-up accrued	848,888	-
Cross currency swap	-	4,656
Interest rate swap	-	134,397
Employee retirement benefit	-	60,059
	13,102,993	11,468,743

36.3.5 Fair value of financial assets and liabilities

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair values at the balance sheet date, except for long term loans and payables which are stated at cost or amortised cost.

36.3.6 Capital risk management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern and to maintain a capital base to support the sustained development of its businesses.

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 adjust the amount of dividend to shareholders, issue new shares or sale assets to reduce debts. The Company is required to maintain certain ratios as specified in loan agreements and the shareholders are required to provide additional equity or interest free subordinated loan to maintain these financial ratios. Under the terms of loan agreements, the Company cannot declare cash dividend before June 30, 2011 and thereafter dividend can be declared after compliance with financial ratios specified in loan agreements.

CONSOLIDATED NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

37. General

37.1 Related party transactions

Aggregate transactions with related parties during the year were as follows:

	Note	2010	2009
		(Rupees in thousand)	
Parent company			
Payments made on behalf of parent company		-	21,042
Technical service fee	37.2	-	-
Associated companies			
Cost and expenses charged by associated companies		295,409	581,180
Revenue from associated companies		2,591,150	5,945,995
Other income - Late payment charges		150,902	15,426
Other income - Early contract termination charges		52,918	2,169
Provision for doubtful debt		-	354
Payments made on behalf of associated companies		-	151,129
Payments made by associated companies on behalf of the Company		38,590	-
Contribution to employees' gratuity fund		48,678	49,455
Contribution to provident fund		21,361	18,589

37.2 Technical service fee is payable @ 5% of revenue as per Technical Services Agreement between the Company and Warid Telecom International LLC, UAE approved by the Board of Directors of the Company. Warid Telecom International LLC, UAE has waived technical service fee for a period of two years from July 1, 2008 to June 30, 2010.

37.3 Remuneration of Directors and Executive

No remuneration was paid to the directors of the company during the year ended June 30, 2010.

The aggregate amount charged in the financial statements for remuneration, including all benefits, to Chief Executive and Executives of the Company is as follows:

	Chief Executive		Executives		Total	
	2010	2009	2010	2009	2010	2009
	(Rupees in thousand)					
Managerial remuneration	10,839	10,839	271,394	297,542	282,233	308,381
Housing and utilities	5,961	5,961	149,267	163,648	155,228	169,609
Company's contribution to provident and gratuity funds	903	975	22,607	26,779	23,510	27,754
Bonus	-	-	7,796	71,240	7,796	71,240
Leave fair assistance	903	1,400	21,365	18,555	22,268	20,255
	18,606	19,175	472,429	577,764	491,035	597,239
Number of persons	1	1	282	307	283	308

In addition, the Chief Executive and 7 (2009: 14) executives were provided with use of Company's cars. The Chief Executive and all executives were provided with medical and mobile phone facilities.

CONSOLIDATED NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

37.4 Capacity

Considering the nature of the Company's business, information regarding capacity has no relevance.

38. Corresponding figures

Previous year's figures have been reclassified to conform to current year's presentation as follows:

i) Amount due from(to) associated companies has been offset. As a result, trade and other payables/advances, deposits, prepayments have been reduced by Rs 14,647 thousand.

ii) Advance from customers amounting to Rs 357,294 thousand has been included in trade and other payables.

iii) Distribution cost of cards and franchise commission reclassified from selling and distribution expenses to cost of sales Rs 82,786 thousand.

iv) Late payment charges and income on bank deposit accounts reclassified from other income to finance income Rs 54,151 thousand.

39. Date of authorisation for issue

These financial statements have been authorised for issue by the Board Of Directors of the Company on October 5, 2010.

Chief Executive

Director

ANNEXURES

As On 30/06/2010

No. of Shareholders	From	To	Shares Held	%Age
64	1	100	2899	0.0005
3689	101	500	1831426	0.2966
2433	501	1000	2422575	0.3923
2244	1001	5000	8834632	1.4308
982	5001	10000	9548103	1.5463
131	10001	15000	1870035	0.3029
280	15001	20000	5568770	0.9019
64	20001	25000	1567500	0.2539
88	25001	30000	2627617	0.4255
16	30001	35000	546004	0.0884
30	35001	40000	1191906	0.1930
6	40001	45000	259362	0.0420
167	45001	50000	8344797	1.3514
4	50001	55000	210723	0.0341
12	55001	60000	712731	0.1154
2	60001	65000	126004	0.0204
3	65001	70000	210000	0.0340
1	70001	75000	74377	0.0120
4	75001	80000	317392	0.0514
2	85001	90000	180000	0.0292
1	90001	95000	95000	0.0154
96	95001	100000	9600000	1.5547
2	100001	105000	205100	0.0332
5	105001	110000	548500	0.0888
3	115001	120000	360000	0.0583
1	120001	125000	121642	0.0197
1	130001	135000	135000	0.0219
1	135001	140000	140000	0.0227
1	140001	145000	145000	0.0235
15	145001	150000	2246587	0.3638
1	165001	170000	170000	0.0275
2	175001	180000	359662	0.0582
21	195001	200000	4200000	0.6802
1	205001	210000	210000	0.0340
1	225001	230000	227626	0.0369
7	245001	250000	1750000	0.2834
1	285001	290000	290000	0.0470
7	295001	300000	2100000	0.3401

PATTERN OF SHAREHOLDING

No. of Shareholders	From	To	Shares Held	%Age
1	375001	380000	380000	0.0615
3	395001	400000	1200000	0.1943
1	480001	485000	485000	0.0785
1	485001	490000	490000	0.0794
8	495001	500000	4000000	0.6478
1	595001	600000	600000	0.0972
1	605001	610000	609000	0.0986
1	675001	680000	680000	0.1101
3	745001	750000	2250000	0.3644
1	895001	900000	900000	0.1458
1	975001	980000	980000	0.1587
10	995001	1000000	10000000	1.6195
1	1000001	1005000	1001500	0.1622
1	1095001	1100000	1099248	0.1780
1	1155001	1160000	1160000	0.1879
1	1395001	1400000	1400000	0.2267
3	1495001	1500000	4500000	0.7288
3	1995001	2000000	6000000	0.9717
1	2035001	2040000	2040000	0.3304
2	2245001	2250000	4500000	0.7288
1	2380001	2385000	2382813	0.3859
2	2495001	2500000	5000000	0.8098
1	2995001	3000000	3000000	0.4858
1	3075001	3080000	3080000	0.4988
1	3495001	3500000	3500000	0.5668
1	3995001	4000000	4000000	0.6478
1	4765001	4770000	4769148	0.7724
1	4995001	5000000	5000000	0.8098
1	5975001	5980000	5975200	0.9677
1	8995001	9000000	9000000	1.4576
1	20350001-	20355000	20354121	3.2963
1	20995001-	21000000	21000000	3.4009
1	83490001-	83495000	83494920	13.522
1	333290001-	333295000	333292700	53.976
10449	**Company Total**		**617474620**	**100**

CATEGORIES OF SHAREHOLDERS
AS ON JUNE 30, 2010

Particulars	No. of folio	Shares	Percentage
DIRECTORS, CEO & CHILDREN	7	4000	0.0006
ASSOCIATED COMPANIES	6	447276941	72.4365
NIT & ICP	1	3500000	0.5668
BANKS, DFI & NBFI	6	23951961	3.8790
INSURANCE COMPANIES	3	1620000	0.2624
MODARABAS & MUTUAL FUNDS	14	24140000	3.9095
GENERAL PUBLIC (LOCAL)	10,199	78869562	12.7729
GENERAL PUBLIC (FOREIGN)	18	423956	0.0687
EXECUTIVES	110	792105	0.1282
OTHERS	85.	36896095	5.9753
Company Total	10,449	617,474,620	100

DETAILED CATEGORIES OF SHAREHOLDERS
AS ON JUNE 30, 2010

Folio No	Name	Code	Balance Held	Percentage
DIRECTORS, CEO & CHILDREN				
000000000004	H.H. NAHAYAN MABARAK AL NAHAYAN	001	1000	0.0002
000000000005	H.E. SHEIKH SAIF BIN MUHAMMAD	001	1000	0.0002
000000000011	BASHIR AHMED TAHIR	001	900	0.0001
000000000012	PARVEZ A. SHAHID	001	100	0.0000
000000000020	KHALID MANEA SAEED AHMED AL OTAIBA	001	450	0.0001
000000000021	ABDULLA KHALIL MUHAMMAD SAMEA AL MUTAWA	001	450	0.0001
000000000022	AHMED DARWISH DAGHER AL MARAR	001	100	0.0000
			4,000	0.00
ASSOCIATED COMPANIES				
000000000018	WARID TELECOM INTERNATIONAL L.L.C.	002	333292700	53.9767
000000000019	BANK ALFALAH LIMITED	002	83494920	13.5220
000000001089	WINCOM PRIVATE LIMITED	002	3000000	0.4858
005884008920	TAAVUN (PVT.) LIMITED	002	1160000	0.1879
006452017435	TAAVUN PRIVATE LIMITED	002	20354121	3.2963
006650003323	TAAVUN (PRIVATE) LIMITED	002	5975200	0.9677
			447,276,941	72.44
NIT & ICP				
002154000027	NATIONAL BANK OF PAKISTAN-TRUSTEE DEPARTMENT NI(U)T FUND	003	3500000	0.5668
			3,500,000	0.57
BANKS, DFI & NBFI				
000000000514	ATLAS BANK LIMITED	004	2500000	0.4049
000000003005	KARAKURAM CO OPERATIVE BANNK	004	300000	0.0486
000000006619	MCB BANK LIMITED TREASURY	004	9000000	1.4575
002659000034	PAK LIBYA HOLDING COMPANY (PVT.) LIMITED	004	5000000	0.8097
005132000026	ASKARI BANK LIMITED	004	4769148	0.7724
007393000024	ARIF HABIB BANK LIMITED	004	2382813	0.3859
			23,951,961	3.88
INSURANCE COMPANIES				
000000002138	THE UNITED INSURANCE CO OF PAKISTAN LTD	005	120000	0.0194
003277002538	EFU LIFE ASSURANCE LTD	005	500000	0.0810
003277009371	NEW JUBILEE LIFE INSURANCE CO.LTD	005	1000000	0.1619
			1,620,000	0.26

DETAILED CATEGORIES OF SHAREHOLDERS
AS ON JUNE 30, 2010

Folio No	Name	Code	Balance Held	Percentage
MODARABAS & MUTUAL FUNDS				
003277014768	AL NOOR MODARABA MANAGEMENT (PVT) LTD.	006	20000	0.0032
005371000028	CDC - TRUSTEE PAKISTAN STOCK MARKET FUND	006	1000000	0.1619
005645000024	CDC - TRUSTEE PICIC INVESTMENT FUND	006	2040000	0.3304
005777000029	CDC - TRUSTEE PICIC GROWTH FUND	006	3080000	0.4988
005819000023	CDC - TRUSTEE PAK STRATEGIC ALLOC. FUND	006	2000000	0.3239
006197000029	CDC - TRUSTEE ALFALAH GHP VALUE FUND	006	1000000	0.1619
006320000022	PAKISTAN PREMIER FUND LIMITED	006	2000000	0.3239
006395000025	ASIAN STOCK FUND LIMITED	006	1000000	0.1619
006486000024	SAFEWAY MUTUAL FUND LIMITED	006	1000000	0.1619
009480000021	CDC - TRUSTEE NAFA STOCK FUND	006	1500000	0.2429
009506000026	CDC - TRUSTEE NAFA MULTI ASSET FUND	006	1000000	0.1619
011791000029	MC FSL TRUSTEE ALFALAH GHP PRINCIPAL PROTECTED FUND	006	2250000	0.3644
012120000028	CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND	006	4000000	0.6478
012302000026	MC FSL TRUSTEE ALFALAH GHP PRINCIPAL PROTECTED FUND-II	006	2250000	0.3644
			24,140,000	3.91
GENERAL PUBLIC				
GENERAL PUBLIC (LOCAL)		10199	78869562	12.7729
GENERAL PUBLIC (FOREIGN)		18	423956	0.0687
EXECUTIVES		110	792105	0.1282
			80,085,623	12.97
OTHERS				
000000000151	IHSAN COTTON PRODUCTS PVT LTD	010	1000	0.0002
000000000152	IHSAN RAIWIND MILLS PVT LTD	010	1000	0.0002
000000000513	PAKISTAN AGRO CHEMICAL	010	100000	0.0162
000000000541	INDUS JUTE MILLS LIMITED	010	100000	0.0162
000000000542	MUGHAL IRON AND STEEL IND LIMITED	010	100000	0.0162
000000001044	RYK MILLS LIMITED	010	100000	0.0162
000000001085	ORIENT ELECTRONICS PVT LTD	010	100000	0.0162
000000001086	EPCT PRIVATE LIMITED	010	50000	0.0081
000000001088	PAK ELECTRON LIMITED	010	100000	0.0162
000000001111	HASSAN CARGO SERVICES	010	100000	0.0162
000000001404	UNIFIED INSTUCTIONS PRIVATE LIMITED	010	750000	0.1215
000000001406	PEOPLE LOGIC PAKISTAN PRIVATE LIMITED	010	100000	0.0162
000000001453	PUNJAB BEVERAGE COMPANY (PVT) LIMITED	010	20000	0.0032
000000001463	BEST EXPORTS PRIVATE LIMITED	010	10000	0.0016
000000001483	HASAN CORPORATION	010	50000	0.0081
000000001486	ARZOO TEXTILE MILLS LIMITED	010	20000	0.0032

DETAILED CATEGORIES OF SHAREHOLDERS
AS ON JUNE 30, 2010

Folio No	Name	Code	Balance Held	Percentage
000000001490	PAK GRAIN RICE MILLS	010	50000	0.0081
000000001791	MS. IMAB (PVT) LTD,	010	100000	0.0162
000000003050	AFZAL COTTON GINNING AND ALLIED IND	010	30000	0.0049
000000003052	S-A COTTON GINNERS	010	30000	0.0049
000000003053	MAHAR COTTON BINNERS	010	25000	0.0040
000000005051	FINE GROUP INDUSTRIES	010	10000	0.0016
000000005205	BOSICOR OIL PAK. LTD. EMP. PROV. FUND	010	400000	0.0648
000000005206	BOSICOR CHEMICAL PAKISTAN LIMITED EMPLOYEES	010	600000	0.0972
000000005249	METRO HI TECH PVT LTD	010	25000	0.0040
000000006302	IHSAN SONS (PVT.) LIMITED	010	1000	0.0002
000000006839	PAKARAB FERTILIZER LIMITED	010	2000000	0.3239
000307000046	IGI FINEX SECURITIES LIMITED	010	609000	0.0986
000307027361	HORIZON SECURITIES (SMC-PRIVATE) LIMITED	010	10500	0.0017
000414000035	MOOSA,NOOR MOHAMMAD,SHAHZADA&CO.PVT.LTD	010	500	0.0001
000935011450	G. R. SECURITIES (SMC-PVT) LIMITED.	010	14500	0.0023
001339000034	INTERMARKET SECURITIES LIMITED	010	50000	0.0081
001990025545	MONEY LINE SECURITIES (PVT.) LTD	010	5000	0.0008
001990027277	JSK SECURITIES(SMC-PVT.) LIMITED	010	4000	0.0006
001990027301	INVEST FORUM (SMC-PVT.) LIMITED	010	31000	0.0050
003210000028	Y.S. SECURITIES & SERVICES (PVT) LTD.	010	179662	0.0291
003277004841	BULK MANAGEMENT PAKISTAN (PVT.) LTD.	010	10000	0.0016
003277010711	QUETTA TEXTILE MILLS LIMITED	010	250000	0.0405
003277017862	SITARA INTERNATIONAL (PVT) LTD	010	20000	0.0032
003277071716	TRUSTEE OF BANK ALFALAH LTD. EMPLOYEES GRATUITY FUND TRUST	010	21000000	3.4009
003525004185	CAPITAL INDUSTRIES (PVT) LTD	010	200000	0.0324
003525013181	TRUSTEES TREET CORP LTD EMP PROVIDENT FD	010	250000	0.0405
003525013182	TRUSTEES TREET CORP LTD EMP GRATUTY FUND	010	150000	0.0243
003525013183	TRUSTEES TREET CORP LTD SUPERANNUATION FD	010	100000	0.0162
003525028457	TRUSTEES NISHAT MILLS LTD.EMP.PROV.FUND	010	1000000	0.1619
003525028788	TRUSTEES D.G.KHAN CEMENT CO.LTD.EMP. P.F	010	25000	0.0040
003525063812	INTEGRATED EQUITIES (PVT) LTD.	010	25000	0.0040
003855000021	DARSON SECURITIES (PRIVATE) LIMITED	010	51223	0.0083
003939000021	PEARL SECURITIES LIMITED	010	980000	0.1587
003939000047	PEARL SECURITIES LIMITED	010	2500000	0.4049
003939011093	HIGHLINK CAPITAL (PVT) LTD	010	1001500	0.1622
003939012463	CAPITAL VISION SECURITIES PVT LIMITED	010	5495	0.0009
003939012703	EXCEL SECURITIES (PRIVATE) LIMITED	010	4000	0.0006
003939013925	PACE INVESTMENT & SECURITIES (PVT) LIMITED	010	46296	0.0075

DETAILED CATEGORIES OF SHAREHOLDERS
AS ON JUNE 30, 2010

Folio No	Name	Code	Balance Held	Percentage
004085000024	M.R.A. SECURITIES (PVT) LIMITED	010	150000	0.0243
004226010900	TRUSTEE MAYMAR HOUSING SERVICES LIMITED			
	STAFF PROVIDENT FUND	010	20000	0.0032
004234005651	FAIR EDGE SECURITIES (PVT) LTD	010	5000	0.0008
004481000026	DOSSLANI`S SECURITIES (PVT) LIMITED	010	500	0.0001
004804000025	INVEST AND FINANCE SECURITIES LIMITED	010	45000	0.0073
004820000023	STOCK VISION (PVT.) LTD.	010	5000	0.0008
004952000028	SHERMAN SECURITIES (PRIVATE) LIMITED	010	400000	0.0648
004978000042	LIVE SECURITIES LIMITED	010	500	0.0001
005116000028	TIME SECURITIES (PVT.) LTD.	010	210000	0.034
005272000020	H.S.Z. SECURITIES (PRIVATE) LIMITED	010	1000	0.0002
005405000023	GENERAL INVEST. & SECURITIES (PVT) LTD.	010	3800	0.0006
005512062961	SHUJABAD AGRO INDUSTRIES (PRIVATE) LIMITED	010	500000	0.081
005546000026	STOCK MASTER SECURITIES (PRIVATE) LTD.	010	100	0
005587021382	UNEX SECURITIES (PVT) LTD	010	2000	0.0003
005884008888	HIGHLINK CAPITAL (PVT) LIMITED	010	485000	0.0785
006288000028	UNITED CAPITAL SECURITIES PVT. LTD.	010	108500	0.0176
006445000028	DARSON SECURITIES (PVT) LIMITED	010	25478	0.0041
006452000027	ARIF HABIB LIMITED	010	1099248	0.178
006601010448	AWJ SECURITIES (SMC-PVT) LIMITED	010	10000	0.0016
006650000022	SAAO CAPITAL (PVT) LIMITED	010	2002	0.0003
006684022999	PROGRESIVE SECURITIES (PVT) LTD.	010	773	0.0001
006700014380	STOCK VISION (PVT) LTD	010	6500	0.0011
007039000026	N.U.A SECURITIES (PRIVATE) LIMITED	010	30000	0.0049
007179000020	MUHAMMAD SALIM KASMANI SECURITIES (PVT.) LTD.	010	5000	0.0008
007260000029	M.R. SECURITIES (SMC-PVT) LTD.	010	23000	0.0037
009563000020	VALUE STOCK SECURITIES PRIVATE LIMITED	010	3000	0.0005
010181000024	HORIZON SECURITIES (SMC-PVT) LIMITED.	010	18	0
010298004205	MURREE BREWERY COMPANY LIMITED	010	100000	0.0162
010629005432	KASHMIR FEEDS LIMITED	010	150000	0.0243
011668000024	DURVESH SECURITIES (PVT) LTD	010	500	0.0001
012203001752	FAIR DEAL SECURITIES (PVT.) LIMITED	010	8500	0.0014
			36,896,095	5.98
Grand Total			617,474,620	100

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting (AGM) of Wateen Telecom Limited will be held on 30-10-2010 at Hotel Sunfort, Lahore at 11 A.M, to transact the following business:

1. To confirm the minutes of the last EOGM held on 13-8-2010.
2. To receive, consider and adopt the Audited Accounts for the year ended 30th June 2010, together with the Auditor's and Directors' reports.
3. To appoint auditors of the Company for the financial year ending 30-6-2011.
4. To transact any other business with the permission of the Chair.

Dated: October 5, 2010

By order of the Board

Adnan Mahmood

Adnan Mahmood Khan
Company Secretary & Head of Legal

NOTES:

1. Any member of the Company entitled to attend and vote at this meeting may appoint any person as his/her proxy to attend and vote instead of him/her. Proxies in order to be effective must be received by the Company at the Registered Office not less than 48 hours before the time fixed for holding the meeting.
2. Any member who seeks to contest the election to the office of Director shall, file with the Company, not later than 14 days before the meeting at which elections are to be held, a notice of his/her intention to offer him/herself for election as a Director. Declaration in accordance with the Listing Regulations along with consent to act as Director under section 184 of the Companies Ordinance, 1984 may also be filed.
3. The Share Transfer Books of the Company will remain closed from 21-10-2010 to 30-10-2010 (both days inclusive).
4. Members are requested to notify any change in address immediately to our Share Registrar, THK Associates (Pvt.) Limited, Ground Floor, State Life Building No.3,Dr. Zia-ud-Din Ahmed Road Karachi.
5. Any individual Beneficial Owner of CDC, entitled to vote at this meeting, must bring his/her original CNIC with him/her to prove his/her identity, and in case of proxy, a copy of shareholder's attested CNIC must be attached with the proxy form. Representatives of corporate members should bring the usual documents required for such purpose.

WATEEN

FORM OF PROXY

WATEEN TELECOM LIMITED

THK Associates (Pvt) Limited
(Acting as Share Registrar's Office for Wateen Telecom Limited)
2nd Floor, State Life Building No. 3,
Dr. Ziauddin Ahmed Road, Karachi,
Pakistan

I/We ____ of _____________________________________ being member(s) of Wateen Telecom Limited holding __________ ordinary shares hereby appoint ________________________ of _________________________(the "Appointee") and in case of failure of the Appointee to act as my/ our proxy, I/we hereby appoint ________________________________ of ___________________ who is/are also member(s) of Wateen Telecom Limited as my/our proxy in my/our absence to attend and vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on 30-10-2010 at Hotel Sunfort, Lahore at 11 A.M at and / or any adjournment thereof.

As witness my/our hand/seal this _______ day of ________________, 2010.

Witnesses

1.____

Signature on Five Rupees Revenue Stamp.

2.____

The signature should match with the specimen registered with the Company

Shareholder Folio No. _________________________
Or
CDC Participant I.D. No. _________________________
&
Sub Account No. _________________________

NOTES

1. The proxy need not be a member of the Company.
2. The instrument appointing a proxy must be duly stamped, signed and deposited at the office of the Company Secretary Wateen Telecom Limited at 4th Floor New Auriga Complex, Gulberg II, Lahore, not less than 48 hours before the time fixed for holding the meeting.
3. Signature of the appointing member should match with his/her specimen signature registered with the Company.
4. If a proxy is granted by a member who has deposited his/her shares into Central Depository Company of Pakistan Limited, the proxy must be accompanied with participant's ID number and account / subaccount number along with attested copies of the Computerized National Identity Card (CNIC) or the Passport of the beneficial owner. Representatives of corporate members should bring the usual documents required for such purpose.

AFFIX
CORRECT
POSTAGE

The Company Secretary
WATEEN TELECOM LIMITED
4th Floor, New Auriga Complex,
Main Boulevard, Gulberg II,
Lahore, Pakistan.

WATEEN TELECOM | ANNUAL REPORT 2010

CONCEPT & EDITING BY **UZMA LATIF,** DESIGNED BY **ABDULLAH KHAN**