# VISION

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

# MISSION STATEMENT

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

- Create new standards of product offering in basic and value added telephony by being more cost effective, easily accessible and dependable. Thus ensuring real value for money to all segments of market.
- Be a leader within indigenous operators in terms of market share, gross revenues and ARPU within five years and maintain the same positioning thereafter.
- Achieve utmost customer satisfaction by setting up high standards of technical quality and service delivery.

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

# CONTENTS

# FINANCIAL STATEMENTS

# FOR THE YEAR ENDED
# 31 DECEMBER 2010

# COMPANY INFORMATION

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

# NOTICE OF ANNUAL GENERAL MEETING

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

**Ordinary Business**

1. To confirm the minutes of the last Annual General Meeting held on 25 February 2010;

2. To receive, consider and to adopt the financial statements of the Company for the year ended 31 December 2010 together with the Directors' and Auditors' reports thereon;

3. To appoint Auditors of the Company for the year ending 31 December 2011 and to fix their remuneration;

4. To elect 07 (seven) Directors of the Company as fixed by the Board of Directors in pursuant to Section 178 (1) of the Companies Ordinance, 1984 for the term of next three years commencing from 31 March 2011. Following are the retiring Directors:-

   **1.** Mr. Mehdi Mohammed Al Abduwani
   **2.** Mr. Talal Said Marhoon Al-Mamari
   **3.** Mr. Bernhard Heinichen
   **4.** Mr. Samy Ahmed Abdulqadir Al Ghassany
   **5.** Mr. Zafar Iqbal
   **6.** Mr. Aimen bin Ahmed Al Hosni
   **7.** Mr. Saud bin Ahmed Al-Nahari
   **8.** Mr. Shehryar Ali Taseer
   **9.** Mr. Asadullah Khawaja (nominee Arif Habib Securities Limited)

**Special Business**

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

   **RESOLVED THAT:**

   **A) Article 23-Annual General Meeting. "**Period of six months" be replaced by "a period prescribed under Section 158(1) of the Companies Ordinance 1984" in 4th line after the word "calendar year within" and before the word "following the close".

   **B) Article 28-Quorum**. "Two" be replaced by "Ten" in 2nd line after the word "business" and before the word "members" present personally".

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

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

**By order of the Board**

Babar Ali Syed

**Babar Ali Syed**
Chief Executive Officer

**Lahore**
08 March 2011

**Notes:**

1) The Register of Members will remain closed from 24 March 2011to 31 March 2011 (both days inclusive). Transfers received at THK Associates (Pvt.) Limited, Ground Floor, State Life Building No. 3, Dr. Ziauddin Ahmed Road, Karachi, the Registrar and Shares Transfer Office of the Company, by the close of business on 22 March 2011 will be treated in time.

2) A member eligible to attend and vote at the meeting may appoint another member as proxy to attend and vote in the meeting. In order to be effective, proxies must be received by the Company at the Registered Office, not later than 48 hours before the time for holding the meeting.

3) In order to be valid, an instrument of proxy and the power of attorney or any other authority under which it is signed, or a notarized/ certified copy of such power of attorney, must be deposited at the Registered Office of the Company, not less than 48 hours before the time of the meeting.

4) a) Individual beneficial owners of CDC entitled to attend and vote at the meeting must bring his/her participant ID and account/sub-account number along with original CNIC or passport to authenticate his/her identity. In case of Corporate entity, resolution of the Board of Directors/Power of attorney with specimen signatures of nominees shall be produced (unless provided earlier) at the time of the meeting. CDC Account holders may also refer to Circular 1 dated 26 January 2000 issued by Securities & Exchange Commission of Pakistan for further information.

b) For appointing of proxies, the individual beneficial owners of CDC shall submit the proxy form as per above requirement along with participant ID and account/sub-account number together with an attested copy of their CNIC or Passport. The proxy form shall be witnessed by two witnesses with their names, addresses and CNIC numbers. The proxy shall produce his/her original CNIC or Passport at the time of meeting. In case of Corporate entity, resolution of the Board of Directors/Power of attorney along with specimen signatures shall be submitted (unless submitted earlier) along with the proxy form.

5) Any member who seeks to contest the election to the office of Directors shall, whether he/she is retiring Director or otherwise, file with the Company, not later than fourteen (14) days before the date of the meeting at which elections are to be held, a notice of his/her intention to offer himself/herself for election as Director. Declaration in accordance with the Listing Regulations alongwith consent to act as Director under section 184 of the Companies Ordinance, 1984 is also to be filed.

6) The Company reported the impediments to The Registrar, Securities & Exchange Commission of Pakistan, Lahore on 25 November 2010 under Section 177 for holding the Election of Directors on 31 March 2011 instead of 30 December 2010.

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

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

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

**INSPECTION OF DOCUMENTS**

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

**INTEREST OF THE DIRECTORS AND THEIR RELATIVES**

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

# MESSAGE FROM THE CHAIRMAN

Respected Shareholders;

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

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

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

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

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

**Chairman, Board of Directors of Worldcall Telecom Limited**

**Muscat:**
08 March 2011

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

# DIRECTORS' REPORT

The Directors of Worldcall Telecom Limited (“Worldcall” or “the Company”), are pleased to present audited financial statements of the Company and a review of its performance for the year ended 31 December 2010.

**Financial Overview**

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

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

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

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

**Operational Performance Review**

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

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

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

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

**Funding**

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

**The Future Outlook and Way Forward**

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

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

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

The service standard and the customer satisfaction has been a critical factor as all market participants offer highly substitutive products. The Company is mindful of the quality and value requirements of its subscriber base and has plans to adequately address them. Further the process of creating awareness about the Company's portfolio and building an image of reliability and quality will also be addressed with a keen vision.

**Business Process Re-Engineering**

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

**Corporate Social Responsibility**

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

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

**Changes in the Board of Directors**

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

**Board Meetings During the Period**

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

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

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

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

**Audit Committee**

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

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

During the year five (5) meetings of the audit committee were held. The chief executive officer and the chief financial officer attend meetings of the committee on standing invitation. The chief internal auditor reports directly to the chairman of the audit committee.

The role and responsibilities of the audit committee include determining appropriate measures to safeguard the Company's assets and reviewing quarterly, half yearly and annual financial statements of the Company and preliminary announcements of results before approval by the board and their publication.

The audit committee assists the Board of Directors in monitoring the framework of managing business risks and internal controls. The committee seeks assurance on the measures taken by the management in identification, evaluation and mitigation of relevant business risks.

It also monitors the performance of the internal audit department which adopts a risk based approach for planning and conducting business process audits consistent with the Company's established work practices.

**Executive Committee**

This committee conducts its business under the chairmanship of Mr. Mehdi Al-Abduwani and has the following structure:

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

The committee is entrusted with the tasks to recommend for approval both short term and long term finance options, administrative and control policies adopted by the board and monitoring compliance thereof. The committee is also responsible for dealing on the board's behalf with matters of an urgent nature when the Board of Directors is not in session, in addition to other duties delegated by the board.

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

**Auditors**

The present auditors M/s KPMG Taseer Hadi & Co., Chartered Accountants retire and offer themselves for re-appointment. As suggested by the audit committee, the Board of Directors has recommended their re-appointment as auditors of the Company for the year ending December 31, 2011, at a fee to be mutually agreed. They have confirmed achieving satisfactory rating by the Institute of Chartered Accountants of Pakistan (ICAP) and compliance with the guide-lines on the Code of Ethics of the International Federation of Accountants (IFAC) as adopted by ICAP.

**Compliance with the Code of Corporate Governance**

The requirements of the Code of Corporate Governance set out by the Karachi and Lahore Stock Exchanges in their Listing Regulations, relevant for the year ended December 31, 2010 have been adopted by the company and have been duly complied with. A Statement to this effect is annexed to the Report.

**Material Changes**

There have been no material changes since December 31, 2010 except as disclosed in this annual report and the company has not entered into any commitment, which would affect its financial position at the date except for those mentioned in the audited financial statements of the company for the year ended December 31, 2010.

**Statutory Compliance**

During the year the company has complied with all applicable provisions, filed all returns / forms and furnished all the relevant particulars as required under the Companies Ordinance, 1984 and allied rules, the Securities and Exchange Commission of Pakistan (SECP) Regulations and the listing requirements.

**Duties and Taxes (Contribution to the National Exchequer)**

Information about taxes and levies is given in the respective notes to the accounts.

**Web Presence**

Updated information regarding the Company can be accessed at the Company website: www.worldcall.com.pk. The website contains the latest financial results of the Company together with Company's profile.

**Dividend / Payout**

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

**Fixation of Number of Directors**

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

**Pattern of Shareholding**

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

The Directors, CEO, CFO, Company Secretary and their spouses or minor children did not carry out any trade in the shares of the company during the year, except as given in Annexure I.

**Statement of Compliance in accordance with the Code of Corporate Governance ("CCG")**

1. The financial statements, prepared by the management of the Company, fairly present its state of affairs, the result of its operations, cash flows and change in the equity.
2. Proper books of accounts of the Company have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment.

4. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon the Company's ability to continue as a going concern.
7. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
8. The key financial data of five years is summarized in the report.
9. Information regarding outstanding taxes and levies is given in notes to the accounts of the financial statements.

**Holding Company Information**

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

**Consolidated Financial Statements**

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

**Acknowledgment**

The Board of Directors wishes to place on record here, appreciation and gratitude for the continued support and trust of our valuable customers, suppliers, contractors and stakeholders. We appreciate their cooperation and assistance which helped us in meeting the challenges and improving our performance.

It goes without saying that all the achievements of the Company have been possible only due to the ceaseless and untiring efforts of its dedicated employees. Their professionalism, commitment to work and ability to perform remarkably well even in certain adverse conditions helped the Company to sustain during the worst economic recession. The Company remains thankful to all of its employees for their persistent efforts and valuable contributions. The Board also appreciates the helpful role played by members of audit and executive committee in assisting the management on various governance matters. We would also like to appreciate the positive and highly constructive role played by PTA in the success and development of the telecom sector.

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

For and on behalf of the Board of Directors

**BABAR ALI SYED**
CHIEF EXECUTIVE OFFICER

**Lahore:**
08 March 2011

Annexure-I

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

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

# FIVE YEARS FINANCIAL PERFORMANCE
## INCOME STATEMENTS

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

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

The Company has fully complied with the best practices on Transfer Pricing as contained in the listing regulations of Stock Exchanges where the Company is listed.

For and on behalf of the Board

**BABAR ALI SYED**
CHIEF EXECUTIVE OFFICER

**Lahore:**
25 January 2011

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

This statement is being presented to comply with the Code of Corporate Governance contained in listing regulations of Karachi Stock Exchange (Guarantee) Limited and Lahore Stock Exchange (Guarantee) Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1) The Company encourages representation of independent non-executive directors and directors representing minority interest on its Board of Directors. At present the Board constitutes all non-executive Directors except CEO, out of which 1 director is an independent non-executive director and 2 directors represent minority shareholders.

2) The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.

3) All the resident directors of the Company are registered as taxpayers and none of them has convicted by a Court of competent jurisdiction as a defaulter in payment of any loan to a banking company, a DFI or an NBFI. No one is a member of Stock Exchange.

4) All casual vacancies occurring in the Board were filled up by the directors within 30 days thereof.

5) The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the Company.

6) The board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7) All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the board.

8) The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9) The Board arranged orientation courses for its directors during the year to apprise them of their duties and responsibilities.

10) The Board has approved appointment of Company Secretary, Chief Financial Officer and Chief Internal Auditor including remuneration and terms and conditions of employment, as determined by the CEO.

11) The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

12) The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

13) The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14) The Company has complied with all the corporate and financial reporting requirements of the Code.

15) The Board has formed an audit committee. At present the committee includes three non-executive directors including the chairman of the committee.

16) The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

17) The Board has set-up an effective internal audit function having suitable qualified and experienced personal who are conversant with the policies and procedures of the Company.

18) The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.

19) The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

20) We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board

**Lahore:**
25 January 2011

**BABAR ALI SYED**
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 **Worldcall Telecom Limited** ("the Company") to comply with the Listing Regulations of Karachi and Lahore Stock Exchanges.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code. As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further, Sub- Regulation (xiii a) of Listing Regulation No. 35 (previously Regulation No. 37) notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 2009 requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee.

We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were under taken at arm's length price.

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

KPMG Taseer Hadi & Co.

**Lahore:**
25 January 2011

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

# AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Worldcall Telecom Limited** ("the Company") as at 31 December 2010 and the related profit and loss account, cash flow statement, statement of other comprehensive income and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

b) in our opinion:

i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

ii) the expenditure incurred during the year was for the purpose of the Company's business; and

iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement, statement of other comprehensive income and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2010 and of the loss, its cash flows, comprehensive loss and changes in equity for the year then ended; and

d) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

KPMG Taseer Hadi & Co.

**Lahore:**
25 January 2011

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

# BALANCE SHEET
## AS AT 31 DECEMBER 2010

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

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

**Muscat:**
25 January 2011

**CHIEF EXECUTIVE OFFICER** **DIRECTOR**

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

| | Note | 31 December 2010 | 31 December 2009 |
|---|---|---|---|
| | | ------------(Rupees in '000)---------- | |
| Revenue -net | 32 | **7,464,404** | 8,408,275 |
| Direct cost | 33 | **(6,600,011)** | (7,036,603) |
| **Gross profit** | | **864,393** | 1,371,672 |
| Operating cost | 34 | **(1,626,014)** | (1,356,317) |
| **Operating (loss)/profit** | | **(761,621)** | 15,355 |
| Finance cost | 35 | **(743,413)** | (523,025) |
| | | **(1,505,034)** | (507,670) |
| Gain on re-measurement of investment property at fair value | | **1,378** | - |
| Impairment loss on available for sale financial assets | | **(65,894)** | (167,865) |
| Other operating income | 36 | **58,097** | 103,993 |
| Other expenses | 37 | **-** | (51,981) |
| **Loss before taxation** | | **(1,511,453)** | (623,523) |
| Taxation | 38 | **364,447** | 132,704 |
| **Loss after taxation** | | **(1,147,006)** | (490,819) |
| **Loss per share - basic and diluted** **(Rupees)** | 39 | **(1.33)** | (0.57) |

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

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

**Muscat:**
25 January 2011

**CHIEF EXECUTIVE OFFICER**

**DIRECTOR**

# STATEMENT OF COMPREHENSIVE INCOME
## FOR THE YEAR ENDED 31 DECEMBER 2010

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

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

**Muscat:**
25 January 2011

**CHIEF EXECUTIVE OFFICER**

**DIRECTOR**

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

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

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

**Muscat:**
25 January 2011

CHIEF EXECUTIVE OFFICER

DIRECTOR

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

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

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

**Muscat:**
25 January 2011

**CHIEF EXECUTIVE OFFICER** **DIRECTOR**

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

### 1 Legal status and nature of business

Worldcall Telecom Limited ("the Company") is a public limited company incorporated in Pakistan on 15 March 2001 under the Companies Ordinance, 1984 and its shares are quoted on the Karachi and Lahore Stock Exchanges. The Company commenced its operations on 01 December 2004 and is engaged in providing Wireless Local Loop ("WLL") and Long Distance & International ("LDI") services in Pakistan, operation and maintenance of public payphones network and re-broadcasting international/national satellite/terrestrial wireless and cable television and radio signals as well as interactive communication and to establish, maintain and operate the licensed telephony services. The Company has been licensed by Pakistan Telecommunication Authority ("PTA") and Pakistan Electronic Media Regulatory Authority ("PEMRA") for these purposes. The registered office of the Company is situated at 67A-CIII, Gulberg III, Lahore. In the year ended 30 June 2008, 56.80% shares (488,839,429 ordinary shares) had been acquired by Oman Telecommunications Company SAOG ("the Parent company").

### 2 Summary of significant accounting policies

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

#### 2.1 Statement of compliance

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

#### 2.2 Accounting convention and basis of preparation

These financial statements have been prepared under the historical cost convention, except for revaluation of investment properties, plant and equipment, intangible assets and certain financial assets at fair value and recognition of certain employee benefits and financial liabilities at present value.

#### 2.3 Significant accounting judgments and estimates

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgments were exercised in application of accounting policies are as follows:

- Useful life of depreciable assets and amortization of intangible assets- (note 2.4, 2.5, 3 & 5)
- Staff retirement benefits- (note 2.13 & 24)
- Taxation- (note 2.8 & 38)
- Provisions and contingencies- (note 2.18 & 28)
- Investment properties- (note 2.6 & 6)
- Impairment testing of Goodwill - (note 5.3)

## 2.4 Fixed capital expenditure and depreciation

**Property, plant and equipment**

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

Cost in relation to self constructed assets includes direct cost of material, labour and other allocable expenses.

Depreciation is charged to income on the straight line method whereby cost of an asset is written off over its estimated useful life at the rates given in note 3.

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

Incremental/decremental depreciation on revalued assets is transferred net of deferred tax from/to surplus on revaluation to/from retained earnings (unappropriated profit).

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

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

**Finance leases**

Leases in terms of which the Company has substantially all the risks and rewards of ownership are classified as finance leases. Assets subject to finance lease are stated at the lower of its revalued amount less accumulated depreciation and any identified impairment loss and present value of minimum lease payments at the date of commencement of lease.

The related rental obligations, net of finance costs are classified as current and long term depending upon the timing of the payment.

Each lease payment is allocated between the liability and finance costs so as to achieve a constant rate on the balance outstanding.

Assets acquired under a finance lease are depreciated over the estimated useful life of the asset on a straight-line method at the rates given in note 3. Depreciation of leased assets is charged to income.

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

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

**Capital work-in-progress**

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

**2.5 Intangible assets**

**Goodwill**

Goodwill represents the difference between the cost of the acquisition (fair value of consideration paid) and the fair value of the net identifiable assets acquired.

**Other intangible assets**

Other intangible assets are stated at revalued amount less accumulated amortization except for patents and copy rights, which are stated at cost less accumulated amortization.

Other intangible assets are amortized using the straight line method at the rates given in note 5. Amortization on licenses is charged to the profit and loss account from the month in which the related operations are commenced. Amortization on additions to other intangible assets is charged on a pro-rata basis from the month in which asset is put to use, while for disposals amortization is charged up to the month of disposal.

Incremental amortization on revalued intangible assets is transferred net of deferred tax from surplus on revaluation to retained earnings (unappropriated profit).

Subsequent expenditure on intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are charged to income as and when incurred.

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

**2.6 Investment properties**

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

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

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

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment and its fair value at the date of reclassification becomes its cost for accounting purposes of subsequent recording.

**2.7 Investments**

The Company classifies its investments in following categories.

**Investments in equity instruments of subsidiary**

"Investment in subsidiary where the Company has significant influence is measured at cost less impairment in the Company's financial statements. Cost in relation to investments made in foreign currency is determined by translating the consideration paid in foreign currency into rupees at exchange rates prevailing on the date of transactions.

The Company is required to issue consolidated financial statements along with its separate financial statements, in accordance with the requirements of IAS 27 'Consolidated and Separate Financial Statements'."

**Investments at fair value through profit or loss**

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

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

**Available for sale investments**

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

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

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

**2.8 Taxation**

Income tax on the profit or loss for the year comprises of current and deferred tax.

**Current**

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted after taking into account tax credits, rebates and exemptions, if any. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

**Deferred**

Deferred tax is provided using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

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

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

**2.9 Inventories**

Inventories, except for stock in transit, are stated at lower of cost and net realizable value. Items in transit are valued at cost comprising invoice value plus other charges paid thereon. Cost is determined as follows:

**Stores and spares**

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

**Stock in trade**

Cost is determined on weighted average basis.

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

**2.10 Trade debts and other receivables**

Trade debts and other receivables are recognized initially at fair value and subsequently measured at amortized cost less any identified impairment loss. A provision for impairment of trade and other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables.

**2.11 Financial liabilities**

Financial liabilities are classified according to substance and related accrued interest of the contractual arrangements entered into. Significant financial liabilities include long term payables, license fee payable, borrowings, trade and other payables.

**Interest bearing borrowings**

Interest bearing borrowings are recognized initially at fair value less attributable transaction cost. Subsequent to initial recognition, these are stated at amortized cost with any difference between cost and redemption value being recognized in the profit and loss over the period of the borrowings on an effective interest rate basis.

**Term finance certificates**

Term finance certificates are stated at amortized cost using effective interest rate.

**Other financial liabilities**

All other financial liabilities are initially recognized at fair value plus directly attributable cost, if any, and subsequently at amortized cost using effective interest rate method.

**2.12 Trade and other payables**

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

**2.13 Retirement and other benefits**

**Defined benefit plan**

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

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

**Accumulating compensated absences**

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

The unutilized earned leave can be accumulated upto a maximum of 40 days and can be utilized at any time subject to the approval. Earned leaves in excess of 40 days shall lapse. An employee will be entitled to encash the accumulated earned leaves at the time of leaving Company service. The earned leave encashment is made on last drawn gross salary.

Provisions are made annually to cover the obligation for accumulating compensated absences and are charged to profit.

**2.14 Impairment losses**

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

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

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

**2.15 Foreign currencies**

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

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

**2.16 Revenue recognition**

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

Revenue from different sources is recognized as follows:

- Revenue from terminating minutes is recognized at the time the call is made over the network of the Company.

- Revenue from originating minutes is recognized on the occurrence of calls both for prepaid and postpaid subscribers.

- Subscription revenue from Cable TV, EVDO, internet over cable and channels subscription fee is recognized on provision of services.

- Connection and membership fee is recognized at the time of sale of connection.

- Sale of goods is recognized on dispatch of goods to customer.

- Advertisement income is recognized on the basis of spots run when commercials are aired on the network.

- Interest income is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return.

- Revenue from metro fiber connectivity/sale is recognized on delivery of services.

- Rental income from investment property is recognized in the profit and loss account on accrual basis.

- Revenue from prepaid cards is recognized as credit is used.

- Dividend income is recognized when the right to receive payment is established.

**2.17 Borrowing cost**

Mark up, interest and other charges on borrowings are capitalized upto the date of commissioning of the related qualifying assets, acquired out of the proceeds of such borrowings. All other markup, interest and other charges are recognized as an expense in the period in which they are incurred.

**2.18 Provisions**

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

**2.19 Cash and bank balances**

Cash and cash equivalents are carried in the balance sheet at cost. Cash and cash equivalents comprise cash in hand and demand deposits.

**2.20 Financial instruments**

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

**Offsetting of financial assets and financial liabilities**

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

**2.21 Related party transactions**

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

**2.22 Dividend**

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

## 3 Property, plant and equipment

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

| | Cost/revalued Amount as at 01 Jan 2010 | Additions/ (Disposals) | Transfers/ Adjustments | Cost/revalued amount as at 31 December 2010 | Accumulated depreciation as at 01 Jan 2010 | Depreciation charge for the year/ (Disposals) | Transfers/ Adjustments | Accumulated depreciation as at 31 December 2010 | Net book value as at 31 December 2010 | Depreciation rate % |
|---|---|---|---|---|---|---|---|---|---|---|
| | (Rupees in '000) | | | | | | | | | |
| **Owned assets** | | | | | | | | | | |
| Freehold Land | 19,800 | 5,760 | (5,760) | 19,800 | - | - | - | - | 19,800 | - |
| | | | - | | | | | | | |
| Leasehold improvements | 115,385 | 1,141 | - | 116,398 | 53,968 | 12,874 | - | 66,755 | 49,643 | 20-33 |
| | | (128) | - | | | (87) | - | | | |
| Plant and equipment | 15,043,417 | 2,128,219 | 293,741 | 17,377,906 | 3,402,806 | 1,354,643 | 93,831 | 4,819,556 | 12,558,350 | 4-33.33 |
| | | (4,657) | (82,814) | | | (2,484) | (29,240) | | | |
| Office equipment | 85,623 | 7,635 | 4,055 | 93,828 | 20,576 | 10,660 | 1,735 | 30,625 | 63,203 | 10 |
| | | (3,485) | - | | | (2,346) | - | | | |
| Computers | 91,024 | 8,908 | - | 99,411 | 70,726 | 16,544 | - | 86,807 | 12,604 | 33 |
| | | (521) | - | | | (463) | - | | | |
| Furniture and fixtures | 24,967 | 552 | - | 24,445 | 9,081 | 2,889 | - | 11,104 | 13,341 | 10 |
| | | (1,074) | - | | | (866) | - | | | |
| Vehicles | 111,122 | 35 | 69,311 | 139,136 | 82,053 | 14,272 | 47,286 | 106,540 | 32,596 | 20 |
| | | (26,915) | (14,417) | | | (25,419) | (11,652) | | | |
| Lab and other equipment | 17,440 | 3,165 | - | 20,605 | 11,824 | 2,366 | - | 14,190 | 6,415 | 10-20 |
| | **15,508,778** | **2,155,415** | **361,347** | **17,891,529** | **3,651,034** | **1,414,248** | **142,852** | **5,135,577** | **12,755,952** | |
| | | **(36,780)** | **(97,231)** | | | **(31,665)** | **(40,892)** | | | |
| **Leased assets** | | | | | | | | | | |
| Plant and equipment | 279,173 | 3,944 | (293,741) | 28,292 | 58,931 | 9,162 | (93,831) | 2,861 | 25,431 | 5-33.33 |
| | - | - | 38,916 | - | - | - | 28,599 | - | - | |
| Office equipment | 4,055 | - | (4,055) | - | 1,554 | 181 | (1,735) | - | - | 10 |
| Vehicles | 64,896 | 9,300 | (69,311) | 19,302 | 34,679 | 6,596 | (47,286) | 5,641 | 13,661 | 20 |
| | - | - | 14,417 | - | - | - | 11,652 | - | - | |
| | **348,124** | **13,244** | **(367,107)** | **47,594** | **95,164** | **15,939** | **(142,852)** | **8,502** | **39,092** | |
| | **-** | **-** | **53,333** | **-** | **-** | **-** | **40,251** | **-** | **-** | |
| | **15,856,902** | **2,168,659** | **(5,760)** | **17,939,123** | **3,746,198** | **1,430,187** | **-** | **5,144,079** | **12,795,044** | |
| | | **(36,780)** | **(43,898)** | | | **(31,665)** | **(641)** | | | |

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

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

**3.3** Subsequent to revaluation on 31 March 2007, which had resulted in a net surplus of Rs. 304.30 million, plant and equipment were again revalued on 30 June 2008, resulting in revaluation decrease of Rs. 240.2 million. The valuation was conducted by an independent valuer, M/s. Surval. Basis of valuation for plant and equipment was the open market value of the asset based on estimated gross replacement cost, depreciated to reflect the residual service potential of the asset having paid due regard to age, condition and obsolescence.

Had there been no revaluation, the net book value of plant and equipment as at 31 December 2010 would have amounted to Rs. 12,412 million (31 December 2009: Rs. 11,723million).

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

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

| | Note | **31 December 2010** | 31 December 2009 |
|---|---|---|---|
| | | **--------(Rupees in '000)--------** | |
| **3.6** Depreciation charge during the year has been allocated as follows: | | | |
| Direct cost | 33 | **1,363,805** | 1,110,074 |
| Operating cost | 34 | **66,382** | 75,761 |
| | | **1,430,187** | 1,185,835 |

**3.7 Property, plant and equipment sold during the year are as follows:**

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

| | 31 December 2010 | 31 December 2009 |
|---|---|---|
| | ----------(Rupees in '000)--------- | |
| **4 Capital work-in-progress** | | |
| **Owned** | | |
| Civil works | **45,229** | 228,837 |
| Plant and equipment | **706,149** | 1,422,017 |
| | **751,378** | 1,650,854 |

**5 Intangible assets**

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

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

**5.1** The Company had revalued its licenses and software on 30 June 2008 resulting in a net surplus of Rs. 430.391 million. The valuation was conducted by an independent valuer, M/s. Surval. Valuation of licenses and software was based on the estimated gross replacement cost, earning potential amortized to reflect the current market value. Had there been no revaluation, the net book value of licenses and software as at 31 December 2010 would have amounted to Rs. 4,257 million (31 December 2009: 4,369 million).

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

**5.3 Goodwill**

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

The Company assessed the recoverable amount at 31 December 2010 and determined that as of this date there is no indication of impairment of Goodwill. The recoverable amount was calculated on the basis of five year financial business plan which assumes substantial cash inflows from either investing or financing activities. The financing assumption is substantially covered through a resolution approved by the majority shareholders of the holding Company in their meeting held on 15 December 2010 in which the board of directors of the holding Company has been authorized to issue a written guarantee to a third party for providing funding to the Company equivalent to USD 35 million.

The business plan also includes a comprehensive analysis of the existing operational deployments of the Company along with strategic direction of future investments and business growth. Discount rate of 16% was used for the calculation of net present value of future cash flows. The cash flows beyond the five years period have been extrapolated using a steady 5% growth rate which is consistent with the long-term average growth rate for the industry, whereas for impairment calculation no growth is considered in cash flows beyond five years as per International Accounting Standard 36 -Impairment of Assets.

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

## 6 Investment properties

| | 31 December 2010 | 31 December 2009 |
|---|---|---|
| Opening balance | **76,162** | 76,162 |
| Addition during the year | **6,600** | - |
| Transferred from owned assets | **5,760** | - |
| Fair value adjustment | **1,378** | - |
| Closing balance | **89,900** | 76,162 |

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

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

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

## 7 Long term trade receivable

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

## 8 Deferred taxation

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

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

**12.1** This includes due from associated companies as follows:

| | 31 December 2010 | 31 December 2009 |
|---|---|---|
| Pace Wood Land (Private) Limited | **32,894** | 32,894 |
| Pace Barka Properties Limited | **47,781** | 47,781 |
| Pace Gujrat (Private) Limited | **12,138** | 12,138 |
| Oman Telecommunications Company SAOG | **-** | 200,199 |
| | **92,813** | 293,012 |

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

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

## 13 Loans and advances - considered good

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

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

**13.2** It represents amount paid to Pakistan Telecommunication Authority (PTA) against demand on account of annual spectrum fee and other regulatory charges. PTA determined the demand vide its determination dated 22 February 2010. The Company filed an appeal bearing No. 147/2010 against the determination and the Honorable Lahore High Court granted stay against the recovery subject to payment of Rs. 40 million which was complied by the Company.

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

## 14 Deposits and prepayments

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

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

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

### 16.1 Particulars of listed shares - At fair value

All shares have face value of Rs. 10 each.

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

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

All shares have face value of Rs. 10 each

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

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

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

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

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

**18.1** The loan has been fully repaid during the year.

## 19 Running finance under markup arrangements-secured

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

## 20 Short term borrowings

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

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

**21.1** This includes trade payables to the holding company.

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

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

**23.1 Term Finance Certificates - II**

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

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

**23.2 Term Finance Certificates - III**

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

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

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

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

**24.1 Gratuity**

| | Note | 31 December 2010 | 31 December 2009 |
|---|---|---|---|
| The amount recognized in the balance sheet is as follows: | | | |
| Present value of defined benefit obligation | | **185,500** | 173,153 |
| Unrecognized actuarial losses | | **7,293** | (14,518) |
| Benefits due but not paid | | **16,026** | 10,701 |
| | | **208,819** | 169,336 |
| Liability at beginning of the year | | **169,336** | 156,956 |
| Charge for the year | 24.1.1 | **76,412** | 82,938 |
| Paid during the year | | **(36,929)** | (70,558) |
| | | **208,819** | 169,336 |

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

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

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

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

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

**24.1.3 Historical information for gratuity**

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

| | Note | 31 December 2010 | 31 December 2009 |
|---|---|---|---|
| | | ----------(Rupees in '000)--------- | |
| **24.2 Accumulated compensated absences** | | | |
| The amount recognized in the balance sheet is as follows: | | | |
| Present value of defined benefit obligation | | **26,603** | 23,633 |
| Unrecognized actuarial losses | | **(11,391)** | (18,468) |
| Benefits due but not paid | | **2,948** | 1,441 |
| | | **18,160** | 6,606 |
| Liability at beginning of the year | | **6,606** | 1,257 |
| Charge for the year | 24.2.1 | **18,452** | 17,519 |
| Paid during the year | | **(6,898)** | (12,170) |
| | | **18,160** | 6,606 |

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

| | 31 December 2010 | 31 December 2009 |
|---|---|---|
| Interest cost for the year | **2,836** | 3,475 |
| Current service cost | **5,562** | 4,243 |
| Past service cost | **7,077** | 9,234 |
| Actuarial loss recognized during the year | **2,977** | 567 |
| | **18,452** | 17,519 |

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

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

| | 31 December 2010 | 31 December 2009 |
|---|---|---|
| Discount rate (per annum) | 13% | 12% |
| Expected rate of salary increase (per annum) | 12% | 11% |
| Average number of leaves accumulated per annum by the employees | 10 days | 10 days |
| Average number of leaves utilized per annum by the employees | 10 days | 10 days |

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

Interest rate used as discounting factor is ranging from 12 % to 17.76% per annum (31 December 2009: 8% to 17.76% per annum). Taxes, repairs, replacements and insurance costs are to be borne by lessee. Under the terms of the agreements, the Company has an option to acquire the assets at the end of the respective lease terms by adjusting the deposit amount against the residual value of the assets. The Company intends to exercise the option. In case of default in payment of installments, the Company will be liable to pay additional lease rental on overdue payment at the rate of 0.1% per day.

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

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

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

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

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

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

## 28 Contingencies and commitments

### 28.1 Billing disputes with PTCL

**28.1.1** There is a dispute of Rs. 72.22 million (31 December 2009: Rs 70.23 million) with PTCL of non revenue time of prepaid calling cards and Rs. 32.13 million (31 December 2009: Rs 29.3 million) for excess minutes billed on account of interconnect and settlement charges. The management is hopeful that matter will be decided in favour of the company.

**28.1.2** PTCL has charged the Company excess Domestic Private Lease Circuits (DPLC) and other media charges amounting to Rs. 140.07 million (31 December 2009: Rs.153.54 million) on account of difference in rates, distances and date of activation. Further, the Company has also deposited Rs. 40 million (31 December 2009: Rs. 40 million) in Escrow Account on account of dispute of charging of bandwidth charges from the date of activation of Digital Interface Units (DIUs) for commercial operation and in proportion to activation of DIUs related to each DPLC link and excess charging in respect of Karachi-Rawalpindi link which was never activated. The management is hopeful that matter will be decided in favour of the Company.

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

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

**28.2.2** There is a dispute with PTA on roll out of Company's 479 MHz and 3.5 GHz frequency bands licenses for allegedly not completing roll out within prescribed time. The dispute is pending adjudication at PTA. The Company is hopeful that the issue will be favorably resolved at the level of PTA in as much as Company has now started it roll out plan.

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

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

### 28.3 Taxation issues

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

**28.3.2** Income Tax Returns for the tax year ended 30 June 2003 were filed under the self assessment scheme of Worldcall Communications Limited, Worldcall Multimedia Limited, Worldcall Broadband Limited and Worldcall Phonecards Limited, now merged into the Company. The Company has received orders under section 122(5A) against the said returns filed under self assessment on 02 January 2009. As per Orders, the Income Tax Department intends to amend the returns on certain issues such as depreciation, turnover tax adjustment, gratuity provision, share premium, allocation of expenses to capital gain, mark up from associates and share deposit money amounting to Rs. 29.9 million. An appeal has been filed by the Company against the orders before the Commissioner of Income Tax (Appeals). Commissioner of Income Tax (Appeals) has restored the original assessment order U/S 177 dated 17 May 2005 for Worldcall Broadband Limited. Remaining appeals were also decided and a partial relief was given by CIT (Appeals), while being aggrieved, the Company has filed appeals in Income Tax Appellate Tribunal Lahore. Based on legal advice, the management is hopeful that matter will be decided in favour of the Company.

**28.3.3** There is a dispute with sales tax authorities for payment of Rs.167 million claimed and obtained as sales tax refund in the year 2006 by the Company. The matter is presently being adjudicated by the Honorable Lahore High Court Lahore. An injunction currently holds field which precludes recovery from the Company. The Company has paid 20% of principal amount to date to the department against the said dispute. Moreover, this is an industrial issue and in case companies of other jurisdiction the Inland Revenue Tribunal has dismissed the case of sales tax authorities. It is therefore Company is hopeful of a favorable decision.

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

| | **31 Dec. 2010** | 31 Dec. 2009 | **31 Dec. 2010** | 31 Dec. 2009 |
|---|---|---|---|---|
| | **(No of shares)** | | (Rupees in '000) | |
| **29 Issued, subscribed and paid up capital** | | | | |
| Ordinary shares of Rs. 10 each as fully paid in cash | **344,000,000** | 344,000,000 | **3,440,000** | 3,440,000 |
| Ordinary shares of Rs. 10 each issued in accordance with the scheme of merger | **309,965,789** | 309,965,789 | **3,099,658** | 3,099,658 |
| Ordinary shares of Rs. 10 each issued as fully paid bonus shares | **98,094,868** | 98,094,868 | **980,949** | 980,949 |
| Ordinary shares of Rs. 10 each issued against convertible loan | **108,510,856** | 108,510,856 | **1,085,109** | 1,085,109 |
| | **860,571,513** | 860,571,513 | **8,605,716** | 8,605,716 |

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

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

## 30 Share premium

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

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

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

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

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

### 33.1 PTA Charges

| | Note | 2010 | 2009 |
|---|---|---|---|
| LDI License | 33.1.1 | **30,977** | 41,411 |
| WLL License | 33.1.2 | **10,676** | 18,795 |
| Broadband License | | **4,009** | 4,213 |
| Telephony License | 33.1.3 | **313** | 407 |
| Annual numbering charges | | **2,960** | 12 |
| Testing and other charges | | **-** | 293 |
| | | **48,935** | 65,131 |

### 33.1.1 LDI License

| | 2010 | 2009 |
|---|---|---|
| Universal service fund | **18,587** | 21,000 |
| Research and development fund | **6,195** | 13,411 |
| Annual regulatory fee | **6,195** | 7,000 |
| | **30,977** | 41,411 |

### 33.1.2 WLL License

| | 2010 | 2009 |
|---|---|---|
| Universal service fund | **4,614** | 8,693 |
| Research and development fund | **1,538** | 5,642 |
| Annual regulatory fee | **1,538** | 2,900 |
| Royalty fee | **2,986** | 1,560 |
| | **10,676** | 18,795 |

### 33.1.3 Telephony License

| | 2010 | 2009 |
|---|---|---|
| Universal service fund | **187** | 203 |
| Research and development fund | **63** | 136 |
| Annual regulatory fee | **63** | 68 |
| | **313** | **407** |

## 34 Operating cost

| | Note | 2010 | 2009 |
|---|---|---|---|
| Salaries, wages and benefits | | **699,240** | 626,012 |
| Marketing, advertisement and selling expenses | | **158,112** | 109,314 |
| Rent, rates and taxes | | **113,519** | 92,374 |
| Communications | | **18,595** | 17,459 |
| Transportation | | **65,408** | 62,108 |
| Legal and professional | | **30,885** | 50,075 |
| Insurance | | **46,847** | 45,114 |
| Utilities | | **66,481** | 45,575 |
| Printing and stationery | | **9,132** | 10,681 |
| Entertainment | | **18,942** | 18,350 |
| Travel and conveyance | | **94,192** | 76,656 |
| Repairs and maintenance | | **24,817** | 23,651 |
| Provision for doubtful debts and other receivables | | **134,889** | 56,537 |
| Donations | 34.1 | **2,756** | 37 |
| Fees and subscriptions | | **8,806** | 3,343 |
| Directors meeting fee | | **2,529** | 5,624 |
| Postage and courier | | **2,116** | 2,639 |
| Newspapers and periodicals | | **809** | 428 |
| Auditor's remuneration | 34.2 | **7,750** | 6,675 |
| Depreciation | 3.6 | **66,382** | 75,761 |
| Miscellaneous | | **53,807** | 27,904 |
| | | **1,626,014** | 1,356,317 |

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

| | Note | 31 December 2010 | 31 December 2009 |
|---|---|---|---|
| | | ----------(Rupees in '000)--------- | |
| **34.2 Auditor's remuneration** | | | |
| Statutory audit | | **3,750** | 3,750 |
| Half year review | | **1,000** | 1,000 |
| International reporting | | **2,750** | 1,750 |
| Out of pocket expenses | | **250** | 175 |
| | | **7,750** | 6,675 |

**35 Finance cost**

| | Note | 31 December 2010 | 31 December 2009 |
|---|---|---|---|
| Mark-up on long term loans | | **965** | 30,346 |
| Mark-up on short term loans/running finance | | **165,037** | 99,119 |
| Interest on PTA license fee | | **34,219** | 128,656 |
| Financial charge on leased liabilities | | **6,138** | 15,892 |
| Mark up on Term Finance Certificates | 35.1 | **523,422** | 242,377 |
| Bank charges and commission | | **13,632** | 6,635 |
| | | **743,413** | 523,025 |

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

| | Note | 31 December 2010 | 31 December 2009 |
|---|---|---|---|
| **36 Other operating income** | | ----------(Rupees in '000)--------- | |
| **Income from financial assets** | | | |
| Income on deposit and saving accounts | | **19,476** | 35,556 |
| Dividend income | | **934** | 961 |
| Mark-up on advance to associated company | | **1,698** | 5,090 |
| Exchange gain/(loss) | | **5,052** | (29,480) |
| | | **27,160** | 12,127 |
| **Income from non-financial assets** | | | |
| Rental income from investment property | | **-** | 5,158 |
| Scrap sales | | **161** | 577 |
| Profit on sale of property, plant and equipment | | **15,320** | 6,224 |
| Miscellaneous | | **15,456** | 79,907 |
| | | **30,937** | 91,866 |
| | | **58,097** | 103,993 |
| **37 Other expenses** | | | |
| Provision for winding up cost of subsidiary | | **-** | 51,981 |
| | | **-** | 51,981 |
| **38 Taxation** | | | |
| Current | 38.1 | **52,628** | 22,573 |
| Deferred | | **(417,075)** | (155,277) |
| | | **(364,447)** | (132,704) |

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

**38.2 Tax charge reconciliation**

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

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

**39 Loss per share**

Basic and diluted loss per share

| | | **31 December 2010** | 31 December 2009 |
|---|---|---|---|
| Loss after taxation available for distribution to ordinary shareholders | Rupees in '000 | **(1,147,006)** | (490,819) |
| Weighted average number of ordinary shares | Number in '000 | **860,572** | 860,572 |
| Basic and diluted loss per share | Rupees | **(1.33)** | (0.57) |

## 40 Related party transactions

The related parties comprise of shareholders, foreign subsidiary, local associated companies, related group companies, directors of the Company, companies where directors also hold directorship and key management employees. Amounts due from and to related parties are shown under receivables and payables and remuneration of directors and key management employees is disclosed in note 42. Other significant transactions with related parties are as follows:

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

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

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

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

| | 31 December 2010 | 31 December 2009 |
|---|---|---|
| | ----------(Rupees in '000)--------- | |
| **41 Cash generated from operations** | | |
| Loss before taxation | **(1,511,453)** | (623,523) |
| Adjustment for: | | |
| Depreciation | **1,430,187** | 1,185,835 |
| Amortization of intangible assets | **100,467** | 100,329 |
| Amortization of transaction cost | **11,431** | 9,916 |
| Amortization cost of receivables | **18,437** | - |
| Interest on PTA license fee | **34,219** | 128,656 |
| Provision for doubtful receivables | **134,889** | 93,235 |
| Provision for stock in trade and stores & spares | **23,200** | 17,200 |
| Profit on disposal of property, plant and equipment | **(15,320)** | (6,224) |
| Gain on re-measurement of investment property at fair value | **(1,378)** | - |
| Impairment loss on available for sale financial assets | **65,894** | 167,865 |
| Retirement benefits | **94,865** | 100,458 |
| Finance costs | **697,763** | 384,453 |
| **Profit before working capital changes** | **1,083,201** | 1,558,200 |
| Effect on cash flow due to working capital changes: | | |
| *(Increase)/Decrease in the current assets* | | |
| Stores and spares | **110,839** | 90,762 |
| Stock in trade | **(19,312)** | (45,854) |
| Trade debts | **(39,614)** | (1,234,091) |
| Loans and advances | **85,674** | (148,605) |
| Deposits and prepayments | **7,867** | 49,732 |
| Other receivables | **(9,109)** | 170,508 |
| *Increase in the current liabilities* | | |
| Trade and other payables | **1,794,186** | 376,702 |
| | **1,930,531** | (740,846) |
| | **3,013,732** | 817,354 |

## 42 Remuneration of chief executive, directors and executives

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

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

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

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

## 43 Financial risk management

The Company finances its operations through equity, borrowings and management of working capital with a view to obtain a reasonable mix between the various sources of finance to minimize the risk. Taken as a whole, risk arising from the Company's financial instruments is limited as there is no significant exposure to market risk in respect of such instruments.

The Company has exposure to the following risks from its use of financial instruments

- Credit risk
- Liquidity risk
- Market risk

### 43.1 Credit risk

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

### 43.1.1 Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the balance sheet date was:

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

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

| | 31 December 2010 | 31 December 2009 |
|---|---|---|
| | ----------(Rupees in '000)--------- | |
| **The age of trade receivables** | | |
| Not past due | **359,348** | 848,045 |
| Past due 0 - 180 days | **1,587,137** | 1,109,701 |
| Past due 181 - 365 days | **119,079** | 117,867 |
| Past due 1 - 2 years | **119,172** | 218,335 |
| More than 2 years | **593,181** | 402,601 |
| | **2,777,917** | 2,696,549 |
| **The age of impairment loss against trade receivables** | | |
| Not past due | **-** | - |
| Past due 0 - 180 days | **30,597** | 11,081 |
| Past due 181 - 365 days | **37,211** | 21,569 |
| Past due 1 - 2 years | **53,705** | 144,554 |
| More than 2 years | **593,181** | 402,601 |
| | **714,694** | 579,805 |

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

| | | |
|---|---|---|
| Opening balance | **579,805** | 486,570 |
| Charge for the year | **134,889** | 93,235 |
| Closing balance | **714,694** | 579,805 |

### 43.2 Liquidity risk

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

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

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

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

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

### 43.3 Market risk

#### 43.3.1 Currency risk

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

The Company exposure to foreign currency risk was as follows:

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

The following significant exchange rates were applied during the year

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

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

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

#### 43.3.2 Interest rate risk

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

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

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

**Fair value sensitivity analysis for fixed rate instruments**

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the balance sheet date would not affect profit or loss.

**Cash flow sensitivity analysis for variable rate instruments**

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

**43.3.3 Other market price risk**

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

Since the investment amount is less than 2% of the Company's total assets, the performance of the investments will not have any material impact on the Company's performance.

**43.4 Fair values of financial assets and liabilities**

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

**43.5 Capital management**

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

The Company's objectives when managing capital are:

a) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and

b) to provide an adequate return to shareholders.

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

The debt-to-equity ratio is as follows:

| | **31 December 2010** | 31 December 2009 |
|---|---|---|
| | **----------(Rupees in '000)---------** | |
| Total debt | **4,577,676** | 5,186,873 |
| Total equity and debt | **14,469,290** | 16,234,352 |
| Debt-to-equity ratio | **32 : 68** | 32 : 68 |

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

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

**44 Date of authorization for issue**

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

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

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

- IFRS 2 (amendment)-Share-based payments and withdrawal of IFRIC 8- Scope of IFRS 2 and IFRIC 11- Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 January 2010). Amendment provides guidance on the accounting for share based payment transactions among group entities.

- International Accounting Standard (IAS) 24 (revised): Related Party Disclosures (effective for annual period beginning on or after 1 January 2011). The amendments to IAS 24 simplify the disclosure requirements for entities that are controlled, jointly controlled or significantly influenced by a government (referred to as government-related entities) and clarify the definition of a related party.

- Amendments to IAS 32: Classification of Rights Issues (effective for period beginning on or after 1 February 2010). Under the amendment to IAS 32 rights, options and warrants – otherwise meeting the definition of equity instruments in IAS 32.11 – issued to acquire a fixed number of an entity's own non-derivative equity instruments for a fixed amount in any currency are classified as equity instruments, provided the offer is made pro-rata to all existing owners of the same class of the entity's own non-derivative equity instruments.

- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for period beginning on or after 1 July 2010). IFRIC 19 clarifies the accounting when an entity extinguish the liability by issuing its own equity instruments to the creditor.

- Amendments to IFRIC 14: Prepayment of a Minimum Funding Requirement (effective for period beginning on or after 1 July 2011). IFRIC 14, IAS 19 –The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction has been amended to remedy an unintended consequence of IFRIC 14 where entities are in some circumstances not permitted to recognize prepayments of minimum funding contributions, as an asset.

- The International Accounting Standards Board made certain amendments to existing standards as part of its Second and third annual improvements project. The effective dates for these amendments vary by standards.

## 46 General

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

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

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

**Muscat:**
25 January 2011

**CHIEF EXECUTIVE OFFICER**

**DIRECTOR**

# CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED
## 31 DECEMBER 2010

# AUDITORS' REPORT TO THE MEMBERS

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

***Management's Responsibility for the Consolidated Financial Statements***

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

***Auditor's Responsibility***

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

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

***Opinion***

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

KPMG Taseer Hadi & Co.

**Lahore:**
25 January 2011

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

## DIRECTORS' REPORT (Consolidated Accounts)

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

**Financial Overview**

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

**Group Foreign Subsidiary**

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

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

**Pattern of shareholding**

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

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

For and on behalf of the Board of Directors

**BABAR ALI SYED**
CHIEF EXECUTIVE OFFICER

**Lahore:**
08 March 2011

# CONSOLIDATED BALANCE SHEET
## AS AT 31 DECEMBER 2010

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

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

**Muscat:**
25 January 2011

**CHIEF EXECUTIVE OFFICER** **DIRECTOR**

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

| | Note | 31 December 2010 | 31 December 2009 |
|---|---|---|---|
| | | (Rupees in '000) | |
| **Continuing Operations** | | | |
| Revenue -net | 34 | **7,464,404** | 8,408,275 |
| Direct cost | 35 | **(6,600,011)** | (7,036,603) |
| **Gross profit** | | **864,393** | 1,371,672 |
| Operating cost | 36 | **(1,626,014)** | (1,356,317) |
| **Operating (loss)/profit** | | **(761,621)** | 15,355 |
| Finance cost | 37 | **(743,413)** | (523,025) |
| | | **(1,505,034)** | (507,670) |
| Gain on re-measurement of investment property at fair value | | **1,378** | - |
| Impairment loss on available for sale financial assets | | **(65,894)** | (167,865) |
| Other operating income | 38 | **58,097** | 103,993 |
| **Loss before taxation** | | **(1,511,453)** | (571,542) |
| Taxation | 39 | **364,447** | 132,704 |
| **Loss after taxation from continuing operations** | | **(1,147,006)** | (438,838) |
| **Discontinued operations** | | | |
| Loss for the year from discontinued operations | 19 | **(9,401)** | (35,459) |
| | | **(1,156,407)** | (474,297) |
| Attributable to: | | | |
| Equity holders of the Parent | | **(1,153,648)** | (463,890) |
| Non controlling interest | | **(2,759)** | (10,407) |
| | | **(1,156,407)** | (474,297) |
| **Loss per share - basic and diluted** | | | |
| From continuing and discontinued operations **(Rupees)** | 40.1 | **(1.34)** | (0.54) |
| From continuing operations **(Rupees)** | 40.2 | **(1.33)** | (0.51) |

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

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

**Muscat:**
25 January 2011

**CHIEF EXECUTIVE OFFICER** **DIRECTOR**

# STATEMENT OF COMPREHENSIVE INCOME
## FOR THE YEAR ENDED 31 DECEMBER 2010

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

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

**Muscat:**
25 January 2011

CHIEF EXECUTIVE OFFICER

DIRECTOR

# CONSOLIDATED CASH FLOW STATEMENT
## FOR THE YEAR ENDED 31 DECEMBER 2010

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

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

**Muscat:**
25 January 2011

**CHIEF EXECUTIVE OFFICER** **DIRECTOR**

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

| | Attributable to equity holders of the Company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Share Capital | Share premium | Fair value reserve- available for sale | Currency translation reserve | Accumulated profit/ (loss) | Revaluation reserve | Sub Total | Non Controlling interest | Total |
| | (Rupees in '000) | | | | | | | | |
| **Balance as at 31 December 2008** | **8,605,716** | **837,335** | **(230,713)** | **(1,308)** | **2,159,091** | **324,759** | **11,694,880** | - | **11,694,880** |
| Total comprehensive income/(loss) for the year | - | - | 160,784 | (1,632) | (463,890) | - | **(304,738)** | (11,084) | **(315,822)** |
| Transfer from fair value reserve | - | - | (547) | - | 547 | - | - | - | - |
| Transfer to surplus on revaluation | - | - | - | - | (6,815) | 6,815 | - | - | - |
| Non controlling interest transferred to majority share holders | - | - | - | - | (11,084) | - | **(11,084)** | 11,084 | - |
| **Balance as at 31 December 2009** | **8,605,716** | **837,335** | **(70,476)** | **(2,940)** | **1,677,849** | **331,574** | **11,379,058** | - | **11,379,058** |
| Transfer to surplus on revaluation | - | - | - | - | (6,786) | 6,786 | - | - | - |
| Total comprehensive loss for the year | - | - | (2,073) | (1,970) | (1,153,648) | - | **(1,157,691)** | (3,578) | **(1,161,269)** |
| **Balance as at 31 December 2010** | **8,605,716** | **837,335** | **(72,549)** | **(4,910)** | **517,415** | **338,360** | **10,221,367** | **(3,578)** | **10,217,789** |

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

**Muscat:**
25 January 2011

**CHIEF EXECUTIVE OFFICER**

**DIRECTOR**

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

**1 Legal status and nature of business**

**1.1 The Group consists of**

Worldcall Telecom Limited; and

Worldcall Telecommunications Lanka (Private) Limited

**1.2** Worldcall Telecom Limited ("the Company") is a public limited company incorporated in Pakistan on 15 March 2001 under the Companies Ordinance, 1984 and its shares are quoted on the Karachi and Lahore Stock Exchanges. The Company commenced its operations on 01 December 2004 and is engaged in providing Wireless Local Loop ("WLL") and Long Distance & International ("LDI") services in Pakistan, operation and maintenance of public payphones network and re-broadcasting international/national satellite/terrestrial wireless and cable television and radio signals as well as interactive communication and to establish, maintain and operate the licensed telephony services. The Company has been licensed by Pakistan Telecommunication Authority ("PTA") and Pakistan Electronic Media Regulatory Authority ("PEMRA") for these purposes. The registered office of the Company is situated at 67A C III, Gulberg III, Lahore. In the year ended 30 June 2008, 56.80% shares (488,839,429 ordinary shares) had been acquired by Oman Telecommunications Company SAOG ("the Parent Company").

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

**2 Basis of consolidation**

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

**Subsidiary**

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

**Transactions eliminated on consolidation**

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

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

## 3 Summary of significant accounting policies

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

### 3.1 Statement of compliance

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

### 3.2 Accounting convention and basis of preparation

These consolidated financial statements have been prepared under the historical cost convention, except for revaluation of investment properties, plant and equipment, intangible assets and certain financial assets at fair value, and recognition of certain employee benefits and financial liabilities at present value. As stated in note 1, subsidiary is not considered as a going concern, therefore financial statements of subsidiary have been prepared on the basis other than going concern, all assets are stated at realizable value and all liabilities at amount payable.

### 3.3 Significant accounting judgments and estimates

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The areas where various assumptions and estimates are significant to the Group's financial statements or where judgments were exercised in application of accounting policies are as follows:

Useful life of depreciable assets and amortization of intangible assets- (note 3.4, 3.5, 4 & 6)
Staff retirement benefits- (note 3.13 & 26)
Taxation- (note 3.8 & 39)
Provisions and contingencies- (note 3.18 & 30)
Investment properties- (note 3.6 & 7)
Impairment testing of Goodwill - (note 6.3)

**3.4 Fixed capital expenditure and depreciation**

**Property, plant and equipment**

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

Cost in relation to self constructed assets includes direct cost of material, labour and other allocable expenses.

Depreciation is charged to income on the straight line method whereby cost of an asset is written off over its estimated useful life at the rates given in note 4.

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

Incremental/decremental depreciation on revalued assets is transferred net of deferred tax from/to surplus on revaluation to/from retained earnings (unappropriated profit).

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

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

**Finance leases**

Leases in terms of which the Group has substantially all the risks and rewards of ownership are classified as finance leases. Assets subject to finance lease are stated at the lower of its revalued amount less accumulated depreciation and any identified impairment loss and present value of minimum lease payments at the date of commencement of lease.

The related rental obligations, net of finance costs are classified as current and long term depending upon the timing of the payment.

Each lease payment is allocated between the liability and finance costs so as to achieve a constant rate on the balance outstanding.

Assets acquired under a finance lease are depreciated over the estimated useful life of the asset on a straight-line method at the rates given in note 4. Depreciation of leased assets is charged to income.

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

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

**Capital work-in-progress**

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

**3.5 Intangible assets**

**Goodwill**

Goodwill represents the difference between the cost of the acquisition (fair value of consideration paid) and the fair value of the net identifiable assets acquired.

**Other intangible assets**

Other intangible assets are stated at revalued amount less accumulated amortization except for patents and copy rights, which are stated at cost less accumulated amortization.

Other intangible assets are amortized using the straight line method at the rates given in note 6. Amortization on licenses is charged to the profit and loss account from the month in which the related operations are commenced. Amortization on additions to other intangible assets is charged on a pro-rata basis from the month in which asset is put to use, while for disposals amortization is charged up to the month of disposal.

Incremental amortization on revalued intangible assets is transferred net of deferred tax from surplus on revaluation to retained earnings (unappropriated profit).

Subsequent expenditure on intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are charged to income as and when incurred.

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

**3.6 Investment properties**

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

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

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

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment and its fair value at the date of reclassification becomes its cost for accounting purposes of subsequent recording.

**3.7 Investments**

The Group classifies its investments in following categories.

**Investments at fair value through profit or loss**

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

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

**Available for sale investments**

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

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

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

**3.8 Taxation**

Income tax on the profit or loss for the year comprises of current and deferred tax.

**Current**

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted after taking into account tax credits, rebates and exemptions, if any. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

**Deferred**

Deferred tax is provided using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

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

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

**3.9 Inventories**

Inventories, except for stock in transit, are stated at lower of cost and net realizable value. Items in transit are valued at cost comprising invoice value plus other charges paid thereon. Cost is determined as follows:

**Stores and spares**

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

**Stock in trade**

Cost is determined on weighted average basis.

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

**3.10 Trade debts and other receivables**

Trade debts and other receivables are recognized initially at fair value and subsequently measured at amortized cost less any identified impairment loss. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

**3.11 Financial liabilities**

Financial liabilities are classified according to substance and related accrued interest of the contractual arrangements entered into. Significant financial liabilities include long term payables, license fee payable, borrowings, trade and other payables.

**Interest bearing borrowings**

Interest bearing borrowings are recognized initially at fair value less attributable transaction cost. Subsequent to initial recognition, these are stated at amortized cost with any difference between cost and redemption value being recognized in the profit and loss over the period of the borrowings on an effective interest rate basis.

**Term finance certificates**

Term finance certificates are stated at amortized cost using effective interest rate.

**Other financial liabilities**

All other financial liabilities are initially recognized at fair value plus directly attributable cost, if any, and subsequently at amortized cost using effective interest rate method.

### 3.12 Trade and other payables

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

### 3.13 Retirement and other benefits

**Defined benefit plan**

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

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

**Accumulating compensated absences**

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

The unutilized earned leaves can be accumulated upto a maximum of 40 days and can be utilized at any time subject to the approval. Earned leaves in excess of 40 days shall lapse. An employee will be entitled to encash the accumulated earned leaves at the time of leaving Company service. The earned leave encashment is made on last drawn gross salary.

Provisions are made annually by the Company to cover the obligation for accumulating compensated absences and are charged to profit.

### 3.14 Impairment losses

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

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

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

**3.15 Foreign currencies**

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

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

**3.16 Revenue recognition**

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

Revenue from different sources is recognized as follows:

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

**3.17 Borrowing cost**

Mark up, interest and other charges on borrowings are capitalized upto the date of commissioning of the related qualifying assets, acquired out of the proceeds of such borrowings. All other markup, interest and other charges are recognized as an expense in the period in which they are incurred.

**3.18 Provisions**

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

**3.19 Cash and bank balances**

Cash and cash equivalents are carried in the balance sheet at cost. Cash and cash equivalents comprise cash in hand and demand deposits.

**3.20 Financial instruments**

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

**Offsetting of financial assets and financial liabilities**

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

**3.21 Related party transactions**

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

**3.22 Dividend**

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

**3.23 Discontinued operation**

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

# 4 Property, plant and equipment

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

| | Cost/ revalued amount as at 01 Jan 2010 | Exchange Adjustments | Revaluation Surplus/ (deficit)/ (impairment) | Additions/ (Disposals) | Transfers/ Adjustments | Cost/ revalued amount as at 31 Dec 2010 | Accumulated depreciation as at 01 Jan 2010 | Depreciation charge for the year/ (Disposals) | Exchange Adjustments | Revaluation Surplus/ (deficit)/ (impairment) | Transfers/ Adjustments | Accumulated depreciation as at 31 Dec 2010 | Net book value as at 31 Dec 2010 | Depreciation rate % |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | (Rupees in '000) | | | | | | | | | | | | | |
| **Owned assets** | | | | | | | | | | | | | | |
| Freehold Land | 19,800 | - | - | 5,760 | (5,760) | 19,800 | - | - | - | - | - | - | 19,800 | |
| Leasehold improvements | 115,385 | - | - | 1,141 | - | 116,398 | 53,968 | 12,874 | - | - | - | 66,755 | 49,643 | 20-33 |
| | | | | (128) | - | | - | (87) | | | - | | | |
| Plant and equipment | 15,043,598 | - | - | 2,128,219 | 293,741 | 17,377,906 | 3,402,987 | 1,354,643 | - | - | 93,831 | 4,819,556 | 12,558,350 | 4-33.33 |
| | | | | (4,657) | (82,995) | | - | (2,484) | | | (29,421) | | | |
| Office equipment | 85,623 | - | - | 7,635 | 4,055 | 93,828 | 20,576 | 10,660 | - | - | 1,735 | 30,625 | 63,203 | 10 |
| | | | | (3,485) | - | | - | (2,346) | | | - | | | |
| Computers | 91,032 | - | - | 8,908 | - | 99,411 | 70,734 | 16,544 | - | - | - | 86,807 | 12,604 | 33 |
| | | | | (521) | (8) | | - | (463) | | | (8) | | | |
| Furniture and fixtures | 24,966 | - | - | 552 | - | 24,444 | 9,080 | 2,889 | - | - | - | 11,103 | 13,341 | 10 |
| | | | | (1,074) | - | | - | (866) | | | - | | | |
| Vehicles | 111,490 | - | - | 35 | 69,311 | 139,136 | 82,421 | 14,272 | - | - | 47,286 | 106,540 | 32,596 | 20 |
| | | | | (26,915) | (14,785) | | - | (25,419) | - | - | (12,020) | | | |
| Lab and other equipment | 17,074 | - | - | 3,165 | - | 20,605 | 11,458 | 2,366 | | | - | 14,190 | 6,415 | 10-20 |
| | | | | - | 366 | | - | - | | | 366 | | | |
| | **15,508,968** | **-** | **-** | **2,155,415** | **361,347** | **17,891,528** | **3,651,224** | **1,414,248** | **-** | **-** | **142,852** | **5,135,576** | **12,755,952** | |
| | | | | **(36,780)** | **(97,422)** | | **-** | **(31,665)** | **-** | **-** | **(41,083)** | | | |
| **Leased assets** | | | | | | | | | | | | | | |
| Plant and equipment | 279,173 | - | - | 3,944 | (293,741) | 28,292 | 58,931 | 9,162 | - | - | (93,831) | 2,861 | 25,431 | 5-33.33 |
| | | | | - | 38,916 | | | - | | | 28,599 | | | |
| Office equipment | 4,055 | - | - | - | (4,055) | | 1,554 | 181 | - | - | (1,735) | - | - | 10 |
| Vehicles | 64,896 | - | - | 9,300 | (69,311) | 19,302 | 34,679 | 6,596 | - | - | (47,286) | 5,641 | 13,661 | 20 |
| | | | | - | 14,417 | | | - | | | 11,652 | | | |
| | **348,124** | **-** | **-** | **13,244** | **(367,107)** | **47,594** | **95,164** | **15,939** | **-** | **-** | **(142,852)** | **8,502** | **39,092** | |
| | | **-** | **-** | **-** | **53,333** | | | **-** | | | **40,251** | **-** | **-** | |
| | **15,857,092** | **-** | **-** | **2,168,659** | **(5,760)** | **17,939,122** | **3,746,388** | **1,430,187** | **-** | **-** | **-** | **5,144,078** | **12,795,044** | |
| | | | | **(36,780)** | **(44,089)** | | | **(31,665)** | **-** | **-** | **(832)** | **-** | **-** | |

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

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

**4.3** Subsequent to revaluation on 31 March 2007, which had resulted in a net surplus of Rs. 304.30 million, Plant and equipment were again revalued on 30 June 2008, resulting in revaluation decrease of Rs. 240.2 million. The valuation was conducted by an independent valuer, M/s. Surval. Basis of valuation for plant and equipment was the open market value of the asset based on estimated gross replacement cost, depreciated to reflect the residual service potential of the asset having paid due regard to age, condition and obsolescence.

Had there been no revaluation, the net book value of plant and equipment as at 31 December 2010 would have amounted to Rs. 12,412 million (31 December 2009: Rs. 11,732 million)

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

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

| | Note | **31 December 2010** | 31 December 2009 |
|---|---|---|---|
| | | **---------(Rupees in '000)---------** | |
| **4.6** Depreciation charge during the year has been allocated as follows: | | | |
| Direct cost | 35 | **1,363,805** | 1,110,074 |
| Operating cost | 36 | **66,382** | 75,761 |
| | | **1,430,187** | 1,185,835 |

**4.7 Property, plant and equipment sold during the year are as follows:**

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

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

**6 Intangible assets**

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

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

**6.1** The Company had revalued its licenses and software on 30 June 2008 resulting in a net surplus of Rs. 430.391 million. The valuation was conducted by an independent valuer, M/s. Surval. Valuation of licenses and software was based on the estimated gross replacement cost, earning potential amortized to reflect the current market value. Had there been no revaluation, the net book value of licenses and software as at 31 December 2010 would have amounted to Rs. 4,257 million (31 December 2009: 4,369 million).

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

**6.3 Goodwill**

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

The Company assessed the recoverable amount at 31 December 2010 and determined that as of this date there is no indication of impairment of Goodwill. The recoverable amount was calculated on the basis of five year financial business plan which assumes substantial cash inflows from either investing or financing activities. The financing assumption is substantially covered through a resolution approved by the majority shareholders of the holding Company in their meeting held on 15 December 2010 in which the board of directors of the holding Company has been authorized to issue a written guarantee to a third party for providing funding to the Company equivalent to USD 35 million.

The business plan also includes a comprehensive analysis of the existing operational deployments of the Company along with strategic direction of future investments and business growth. Discount rate of 16% was used for the calculation of net present value of future cash flows. The cash flows beyond the five years period have been extrapolated using a steady 5% growth rate which is consistent with the long-term average growth rate for the industry, whereas for impairment calculation no growth is considered in cash flows beyond five years as per International Accounting Standard 36 -Impairment of Assets.

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

**7 Investment properties**

| | **31 December 2010** | 31 December 2009 |
|---|---|---|
| Opening balance | **76,162** | 76,162 |
| Addition during the year | **6,600** | - |
| Transferred from owned assets | **5,760** | - |
| Fair value adjustment | **1,378** | - |
| Closing balance | **89,900** | 76,162 |

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

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

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

**8 Long term trade receivable**

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

**9 Deferred taxation**

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

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

**13.1** This includes due from associated companies as follows:

| | 31 December 2010 | 31 December 2009 |
|---|---|---|
| Pace Wood Land (Private) Limited | **32,894** | 32,894 |
| Pace Barka Properties Limited | **47,781** | 47,781 |
| Pace Gujrat (Private) Limited | **12,138** | 12,138 |
| Oman Telecommunications Company SAOG | **-** | 200,199 |
| | **92,813** | 293,012 |

**13.2 Provision for doubtful debts**

| | 31 December 2010 | 31 December 2009 |
|---|---|---|
| | ----------(Rupees in '000)--------- | |
| Opening balance | **583,033** | 488,512 |
| Addition during the year | **134,889** | 94,352 |
| Exchange rate adjustments | **-** | 169 |
| Adjustment-discontinued operations | **(3,228)** | - |
| Closing balance | **714,694** | 583,033 |

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

## 14 Loans and advances - considered good

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

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

**14.2** It represents amount paid to Pakistan Telecommunication Authority (PTA) against demand on account of annual spectrum fee and other regulatory charges. PTA determined the demand vide its determination dated 22 February 2010. The Company filed an appeal bearing No. 147/2010 against the determination and the Honorable Lahore High Court granted stay against the recovery subject to payment of Rs. 40 million which was complied by the Company.

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

## 15 Deposits and prepayments

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

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

| | Note | 31 December 2010 | 31 December 2009 |
|---|---|---|---|
| | | ----------(Rupees in '000)--------- | |
| **15.2** Provision for doubtful short term deposits | | | |
| Opening balance | | **236** | 147 |
| Charged during the year | | **-** | 76 |
| Exchange rate adjustments | | **-** | 13 |
| Adjustment-discontinued operations | | **(236)** | - |
| Closing balance | | **-** | 236 |

**16 Other receivables**

| | Note | 31 December 2010 | 31 December 2009 |
|---|---|---|---|
| Receivable from PTCL - unsecured considered doubtful | | **196,919** | 196,919 |
| Less: provision for doubtful receivables | | **(196,919)** | (196,919) |
| | | **-** | - |
| Other receivables - considered good | | **24,999** | 15,890 |
| Other receivables - considered doubtful | | **40,096** | 45,609 |
| | | **65,095** | 61,499 |
| Less: provision for doubtful receivables | 16.1 | **(40,096)** | (45,609) |
| | | **24,999** | 15,890 |
| | | **24,999** | 15,890 |

| | | 31 December 2010 | 31 December 2009 |
|---|---|---|---|
| **16.1** Provision for doubtful other receivables | | | |
| Opening balance | | **45,609** | 42,346 |
| Charged during the year | | **-** | 3,000 |
| Exchange rate adjustments | | **-** | 263 |
| Adjustment-discontinued operations | | **(5,513)** | - |
| Closing balance | | **40,096** | 45,609 |

**17 Short term investments-available for sale**

| | Note | 31 December 2010 | 31 December 2009 |
|---|---|---|---|
| Carrying value | 17.1 | **85,461** | 188,216 |
| Fair value adjustment | | **(31,612)** | (102,755) |
| | | **53,849** | 85,461 |
| **Related parties** | | | |
| Carrying value | 17.2 | **292,978** | 155,856 |
| Reclassified from long term investment | | **-** | 41,448 |
| | | **292,978** | 197,304 |
| Fair value adjustment | | **(36,355)** | 95,674 |
| | | **256,623** | 292,978 |
| Total carrying value | | **378,439** | 385,520 |
| Total fair value adjustment | | **(67,967)** | (7,081) |
| | | **310,472** | 378,439 |

### 17.1 Particulars of listed shares - At fair value

All shares have face value of Rs. 10 each.

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

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

All shares have face value of Rs. 10 each

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

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

## 18 Cash and bank balances

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

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

## 19 Non current assets and liabilities classified as held for sale

The Group's foreign subsidiary namely Worldcall Telecommunications Lanka (Private) Limited has been suffering losses since many years as the demand for payphones in Sri Lanka has greatly diminished. Keeping in view the Sri Lankan market conditions and negative equity of the subsidiary, the management has decided and approved the winding up of the subsidiary. Long term investment in subsidiary has now been classified as discontinued operations.

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

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

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

**20.1** The loan has been fully repaid during the period.

## 21 Running finance under markup arrangements-secured

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

## 22 Short term borrowings

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

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

**23.1** This includes trade payables to the holding company.

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

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

**25.1 Term Finance Certificates - II**

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

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

**25.2 Term Finance Certificates - III**

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

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

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

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

**26.1 Gratuity**

| | Note | 31 December 2010 | 31 December 2009 |
|---|---|---|---|
| The amount recognized in the balance sheet is as follows: | | | |
| Present value of defined benefit obligation | | **185,500** | 173,153 |
| Unrecognized actuarial losses | | **7,293** | (14,518) |
| Benefits due but not paid | | **16,026** | 10,701 |
| | | **208,819** | 169,336 |
| Liability at beginning of the year | | **169,336** | 156,957 |
| Charge for the year | 26.1.1 | **76,412** | 82,938 |
| Paid during the year | | **(36,929)** | (70,559) |
| | | **208,819** | 169,336 |

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

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

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

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

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

**26.1.3 Historical information for gratuity**

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

| | Note | 31 December 2010 | 31 December 2009 |
|---|---|---|---|
| | | ----------(Rupees in '000)--------- | |
| **26.2 Accumulated compensated absences** | | | |
| The amount recognized in the balance sheet is as follows: | | | |
| Present value of defined benefit obligation | | **26,603** | 23,633 |
| Unrecognized actuarial losses | | **(11,391)** | (18,468) |
| Benefits due but not paid | | **2,948** | 1,441 |
| | | **18,160** | 6,606 |
| Liability at beginning of the year | | **6,606** | 1,257 |
| Charge for the year | 26.2.1 | **18,452** | 17,519 |
| Paid during the year | | **(6,898)** | (12,170) |
| | | **18,160** | 6,606 |

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

| | 31 December 2010 | 31 December 2009 |
|---|---|---|
| Interest cost for the year | **2,836** | 3,475 |
| Current service cost | **5,562** | 4,243 |
| Past service cost | **7,077** | 9,234 |
| Actuarial loss recognized during the year | **2,977** | 567 |
| | **18,452** | 17,519 |

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

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

| | 31 December 2010 | 31 December 2009 |
|---|---|---|
| Discount rate (per annum) | 13% | 12% |
| Expected rate of salary increase (per annum) | 12% | 11% |
| Average number of leaves accumulated per annum by the employees | 10 days | 10 days |
| Average number of leaves utilized per annum by the employees | 10 days | 10 days |

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

Interest rate used as discounting factor is ranging from 12 % to 17.76% per annum (31 December 2009: 8% to 17.76% per annum). Taxes, repairs, replacements and insurance costs are to be borne by lessee. Under the terms of the agreements, the Company has an option to acquire the assets at the end of the respective lease terms by adjusting the deposit amount against the residual value of the assets. The Company intends to exercise the option. In case of default in payment of installments, the Company will be liable to pay additional lease rental on overdue payment at the rate of 0.1% per day.

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

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

## 28 Long term payables

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

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

## 29 License fee payable

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

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

## 30 Contingencies and commitments

### The Company

### 30.1 Billing disputes with PTCL

**30.1.1** There is a dispute of Rs. 72.22 million (31 December 2009: Rs 70.23 million) with PTCL of non revenue time of prepaid calling cards and Rs. 32.13 million (31 December 2009: Rs 29.3 million) for excess minutes billed on account of interconnect and settlement charges. The management is hopeful that matter will be decided in favour of the company.

**30.1.2** PTCL has charged the Company excess Domestic Private Lease Circuits (DPLC) and other media charges amounting to Rs. 140.07 million (31 December 2009: Rs.153.54 million) on account of difference in rates, distances and date of activation. Further, the Company has also deposited Rs. 40 million (31 December 2009: Rs. 40 million) in Escrow Account on account of dispute of charging of bandwidth charges from the date of activation of Digital Interface Units (DIUs) for commercial operation and in proportion to activation of DIUs related to each DPLC link and excess charging in respect of Karachi-Rawalpindi link which was never activated. The management is hopeful that matter will be decided in favour of the Company.

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

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

**30.2.2** There is a dispute with PTA on roll out of Company's 479 MHz and 3.5 GHz frequency bands licenses for allegedly not completing roll out within prescribed time. The dispute is pending adjudication at PTA. The Company is hopeful that the issue will be favorably resolved at the level of PTA in as much as Company has now started it roll out plan.

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

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

### 30.3 Taxation issues

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

**30.3.2** Income Tax Returns for the tax year ended 30 June 2003 were filed under the self assessment scheme of Worldcall Communications Limited, Worldcall Multimedia Limited, Worldcall Broadband Limited and Worldcall Phonecards Limited, now merged into the Company. The Company has received orders under section 122(5A) against the said returns filed under self assessment on 02 January 2009. As per Orders, the Income Tax Department intends to amend the returns on certain issues such as depreciation, turnover tax adjustment, gratuity provision, share premium, allocation of expenses to capital gain, mark up from associates and share deposit money amounting to Rs. 29.9 million. An appeal has been filed by the Company against the orders before the Commissioner of Income Tax (Appeals). Commissioner of Income Tax (Appeals) has restored the original assessment order U/S 177 dated 17 May 2005 for Worldcall Broadband Limited. Remaining appeals were also decided and a partial relief was given by CIT (Appeals), while being aggrieved, the Company has filed appeals in Income Tax Appellate Tribunal Lahore. Based on

**30.3.3** There is a dispute with sales tax authorities for payment of Rs.167 million claimed and obtained as sales tax refund in the year 2006 by the Company. The matter is presently being adjudicated by the Honorable Lahore High Court Lahore. An injunction currently holds field which precludes recovery from the Company. The Company has paid 20% of principal amount to date to the department against the said dispute. Moreover, this is an industrial issue and in case companies of other jurisdiction the Inland Revenue Tribunal has dismissed the case of sales tax authorities. It is therefore Company is hopeful of a favorable decision.

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

| | **31 Dec. 2010** | 31 Dec. 2009 | **31 Dec. 2010** | 31 Dec. 2009 |
|---|---|---|---|---|
| | **-----(No of shares)-----** | | -----(Rupees in '000)---- | |
| **31 Issued, subscribed and paid up capital** | | | | |
| Ordinary shares of Rs. 10 each as fully paid in cash | **344,000,000** | 344,000,000 | **3,440,000** | 3,440,000 |
| Ordinary shares of Rs. 10 each issued in accordance with the scheme of merger | **309,965,789** | 309,965,789 | **3,099,658** | 3,099,658 |
| Ordinary shares of Rs. 10 each issued as fully paid bonus shares | **98,094,868** | 98,094,868 | **980,949** | 980,949 |
| Ordinary shares of Rs. 10 each issued against convertible loan | **108,510,856** | 108,510,856 | **1,085,109** | 1,085,109 |
| | **860,571,513** | 860,571,513 | **8,605,716** | 8,605,716 |

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

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

**32 Share premium**

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

| | | 31 December 2010 | 31 December 2009 |
|---|---|---|---|
| | | ----------(Rupees in '000)--------- | |
| **33** | **Surplus on revaluation** | | |
| | Revaluation surplus on: | | |
| | Plant and equipment | **64,059** | 64,059 |
| | Intangible assets | **430,393** | 430,393 |
| | | **494,452** | 494,452 |
| | Less: Related deferred tax liability | **(173,058)** | (173,058) |
| | Less: Transfer to retained earning in respect of incremental amortization net of deferred tax | **(52,993)** | (31,796) |
| | Add: Transfer from retained earning in respect of decremental depreciation net of deferred tax | **69,959** | 41,976 |
| | | **16,966** | 10,180 |
| | | **338,360** | 331,574 |

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

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

| | | Note | 31 December 2010 | 31 December 2009 |
|---|---|---|---|---|
| | | | ----------(Rupees in '000)--------- | |
| **35.1** | **PTA Charges** | | | |
| | LDI License | 35.1.1 | **30,977** | 41,411 |
| | WLL License | 35.1.2 | **10,676** | 18,795 |
| | Broadband License | | **4,009** | 4,213 |
| | Telephony License | 35.1.3 | **313** | 407 |
| | Annual numbering charges | | **2,960** | 12 |
| | Testing and other charges | | **-** | 293 |
| | | | **48,935** | 65,131 |
| **35.1.1** | **LDI License** | | | |
| | Universal service fund | | **18,587** | 21,000 |
| | Research and development fund | | **6,195** | 13,411 |
| | Annual regulatory fee | | **6,195** | 7,000 |
| | | | **30,977** | 41,411 |
| **35.1.2** | **WLL License** | | | |
| | Universal service fund | | **4,614** | 8,693 |
| | Research and development fund | | **1,538** | 5,642 |
| | Annual regulatory fee | | **1,538** | 2,900 |
| | Royalty fee | | **2,986** | 1,560 |
| | | | **10,676** | 18,795 |
| **35.1.3** | **Telephony License** | | | |
| | Universal service fund | | **187** | 203 |
| | Research and development fund | | **63** | 136 |
| | Annual regulatory fee | | **63** | 68 |
| | | | **313** | **407** |

| | | Note | 31 December 2010 | 31 December 2009 |
|---|---|---|---|---|
| **36** | **Operating cost** | | | |
| | Salaries, wages and benefits | | **699,240** | 626,012 |
| | Marketing, advertisement and selling expenses | | **158,112** | 109,314 |
| | Rent, rates and taxes | | **113,519** | 92,374 |
| | Communications | | **18,595** | 17,459 |
| | Transportation | | **65,408** | 62,108 |
| | Legal and professional | | **30,885** | 50,075 |
| | Insurance | | **46,847** | 45,114 |
| | Utilities | | **66,481** | 45,575 |
| | Printing and stationery | | **9,132** | 10,681 |
| | Entertainment | | **18,942** | 18,350 |
| | Travel and conveyance | | **94,192** | 76,656 |
| | Repairs and maintenance | | **24,817** | 23,651 |
| | Provision for doubtful debts and other receivables | | **134,889** | 56,537 |
| | Donations | 36.1 | **2,756** | 37 |
| | Fees and subscriptions | | **8,806** | 3,343 |
| | Directors meeting fee | | **2,529** | 5,624 |
| | Postage and courier | | **2,116** | 2,639 |
| | Newspapers and periodicals | | **809** | 428 |
| | Auditor's remuneration | 36.2 | **7,750** | 6,675 |
| | Depreciation | 4.6 | **66,382** | 75,761 |
| | Miscellaneous | | **53,807** | 27,904 |
| | | | **1,626,014** | 1,356,317 |

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

| | Note | 31 December 2010 | 31 December 2009 |
|---|---|---|---|
| | | ----------(Rupees in '000)--------- | |
| **36.2 Auditor's remuneration** | | | |
| Statutory audit | | **3,750** | 3,750 |
| Half year review | | **1,000** | 1,000 |
| International reporting | | **2,750** | 1,750 |
| Out of pocket expenses | | **250** | 175 |
| | | **7,750** | 6,675 |

## 37 Finance cost

| | Note | 31 December 2010 | 31 December 2009 |
|---|---|---|---|
| Mark-up on long term loans | | **965** | 30,346 |
| Mark-up on short term loans/running finance | | **165,037** | 99,119 |
| Interest on PTA license fee | | **34,219** | 128,656 |
| Financial charge on leased liabilities | | **6,138** | 15,892 |
| Mark up on Term Finance Certificates | 37.1 | **523,422** | 242,377 |
| Bank charges and commission | | **13,632** | 6,635 |
| | | **743,413** | 523,025 |

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

## 38 Other operating income

| | Note | 31 December 2010 | 31 December 2009 |
|---|---|---|---|
| | | ----------(Rupees in '000)--------- | |
| **Income from financial assets** | | | |
| Income on deposit and saving accounts | | **19,476** | 35,556 |
| Dividend income | | **934** | 961 |
| Mark-up on advance to associated company | | **1,698** | 5,090 |
| Exchange gain/(loss) | | **5,052** | (29,480) |
| | | **27,160** | 12,127 |
| **Income from non-financial assets** | | | |
| Rental income from investment property | | **-** | 5,158 |
| Scrap sales | | **161** | 577 |
| Gain on sale of property, plant and equipment | | **15,320** | 6,224 |
| Miscellaneous | | **15,456** | 79,907 |
| | | **30,937** | 91,866 |
| | | **58,097** | 103,993 |

## 39 Taxation

| | Note | 31 December 2010 | 31 December 2009 |
|---|---|---|---|
| Current | 39.1 | **52,628** | 22,573 |
| Deferred | | **(417,075)** | (155,277) |
| | | **(364,447)** | (132,704) |

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

**39.2 Tax charge reconciliation**

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

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

**40 Loss per share-basic and diluted**

| | | **31 December 2010** | 31 December 2009 |
|---|---|---|---|
| **40.1 From continuing and discontinued operations** | | | |
| Loss after taxation available for distribution to ordinary shareholders | Rupees in '000 | **(1,153,648)** | (463,890) |
| Weighted average number of ordinary shares | Number in '000 | **860,572** | 860,572 |
| Basic and diluted loss per share | Rupees | **(1.34)** | (0.54) |
| **40.2 From continuing operations** | | | |
| Loss after taxation available for distribution to ordinary shareholders | Rupees in '000 | **(1,147,006)** | (438,838) |
| Weighted average number of ordinary shares | Number in '000 | **860,572** | 860,572 |
| Basic and diluted loss per share | Rupees | **(1.33)** | (0.51) |

## 41 Related party transactions

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

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

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

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

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

| | | 31 December 2010 | 31 December 2009 |
|---|---|---|---|
| | | ----------(Rupees in '000)--------- | |
| **42** | **Cash generated from operations** | | |
| | Loss before taxation | **(1,520,854)** | (607,001) |
| | Adjustment for: | | |
| | Depreciation | **1,430,187** | 1,188,792 |
| | Amortization of intangible assets | **100,467** | 100,329 |
| | Amortization of transaction cost | **11,431** | 9,916 |
| | Amortization cost of receivables | **18,437** | - |
| | Interest on PTA license fee | **34,219** | 128,656 |
| | Provision for doubtful receivables | **134,889** | 97,428 |
| | Provision for stock in trade and stores & spares | **23,200** | 17,486 |
| | Exchange translation difference | **(1,970)** | (1,632) |
| | Profit on disposal of property, plant and equipment | **(15,320)** | (6,224) |
| | Impairment of assets | **-** | 20,304 |
| | Gain on re-measurement of investment property at fair value | **(1,378)** | - |
| | Impairment loss on available for sale financial assets | **65,894** | 167,865 |
| | Retirement benefits | **94,865** | 100,458 |
| | Finance costs | **700,316** | 384,504 |
| | **Profit before working capital changes** | **1,074,382** | 1,600,881 |
| | Effect on cash flow due to working capital changes: | | |
| | *(Increase)/decrease in the current assets* | | |
| | Stores and spares | **110,826** | 90,761 |
| | Stock in trade | **(19,323)** | (45,860) |
| | Trade debts | **(39,773)** | (1,232,814) |
| | Loans and advances | **85,674** | (148,605) |
| | Deposits and prepayments | **7,856** | 49,868 |
| | Other receivables | **(9,381)** | 165,288 |
| | *Increase in the current liabilities* | | |
| | Trade and other payables | **1,807,070** | 339,220 |
| | | **1,942,948** | (782,142) |
| | | **3,017,330** | 818,739 |

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

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

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

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

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

## 44 Financial risk management

The Company finances its operations through equity, borrowings and management of working capital with a view to obtain a reasonable mix between the various sources of finance to minimize the risk. Taken as a whole, risk arising from the Company's financial instruments is limited as there is no significant exposure to market risk in respect of such instruments.

The Company has exposure to the following risks from its use of financial instruments

- Credit risk
- Liquidity risk
- Market risk

### 44.1 Credit risk

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

**44.1.1 Exposure to credit risk**

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the balance sheet date was:

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

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

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

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

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

**44.2 Liquidity risk**

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

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

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

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

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

**44.3 Market risk**

**44.3.1 Currency risk**

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

The Group exposure to foreign currency risk was as follows:

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

The following significant exchange rates were applied during the year

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

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

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

**44.3.2 Interest rate risk**

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

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

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

**Fair value sensitivity analysis for fixed rate instruments**

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the balance sheet date would not affect profit or loss.

**Cash flow sensitivity analysis for variable rate instruments**

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

**44.3.3 Other market price risk**

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

Since the investment amount is less than 2% of company's total assets, the performance of the investments will not have any material impact on the Group's performance.

### 44.4 Fair values of financial assets and liabilities

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

### 44.5 Capital management

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

The Company's objectives when managing capital are:

a) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and

b) to provide an adequate return to shareholders.

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

The debt-to-equity ratio is as follows:

| | **31 December 2010** | 31 December 2009 |
|---|---|---|
| | **----------(Rupees in '000)---------** | |
| Total debt | **4,577,676** | 5,186,873 |
| Total equity and debt | **14,460,683** | 16,234,357 |
| Debt-to-equity ratio | **32 : 68** | 32 : 68 |

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

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

**45 Date of authorization for issue**

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

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

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

- IFRS 2 (amendment)-Share-based payments and withdrawal of IFRIC 8- Scope of IFRS 2 and IFRIC 11- Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 January 2010). Amendment provides guidance on the accounting for share based payment transactions among group entities.

- International Accounting Standard (IAS) 24 (revised): Related Party Disclosures (effective for annual period beginning on or after 1 January 2011). The amendments to IAS 24 simplify the disclosure requirements for entities that are controlled, jointly controlled or significantly influenced by a government (referred to as government-related entities) and clarify the definition of a related party.

- Amendments to IAS 32: Classification of Rights Issues (effective for period beginning on or after 1 February 2010). Under the amendment to IAS 32 rights, options and warrants – otherwise meeting the definition of equity instruments in IAS 32.11 – issued to acquire a fixed number of an entity's own non-derivative equity instruments for a fixed amount in any currency are classified as equity instruments, provided the offer is made pro-rata to all existing owners of the same class of the entity's own non-derivative equity instruments.

- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for period beginning on or after 1 July 2010). IFRIC 19 clarifies the accounting when an entity extinguish the liability by issuing its own equity instruments to the creditor.

- Amendments to IFRIC 14: Prepayment of a Minimum Funding Requirement (effective for period beginning on or after 1 July 2011). IFRIC 14, IAS 19 –The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction has been amended to remedy an unintended consequence of IFRIC 14 where entities are in some circumstances not permitted to recognize prepayments of minimum funding contributions, as an asset.

- The International Accounting Standards Board made certain amendments to existing standards as part of its Second and third annual improvements project. The effective dates for these amendments vary by standards.

**47 General**

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

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

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

**Muscat:**
25 January 2011

**CHIEF EXECUTIVE OFFICER** **DIRECTOR**

# PATTERN OF SHAREHOLDING AS AT 31 DECEMBER 2010

***INCORPORATION NUMBER: 0042200 of 15-03-2001***

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

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

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

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

# PATTERN OF SHAREHOLDING
# AS AT 31 DECEMBER 2010

| Categories of Shareholders | Shares held | Percentage |
|---|---|---|
| Directors, Chief Executive Officer, their spouses and minor children | 160,177 | 0.02% |
| Associated Companies, undertakings and related parties | 567,380,789 | 65.93% |
| NIT and ICP | 318,655 | 0.04% |
| Banks, Development Financial Institutions, Non-Banking Finance Companies | 56,985,264 | 6.62% |
| Insurance Companies | 286,124 | 0.03% |
| Modarabas and Mutual Funds | 2,870,805 | 0.33% |
| Shareholders holding 10% or more | 488,839,429 | 56.80% |
| General Public | | |
| a. Local | 164,075,047 | 19.07% |
| b. Foreign | 33,236,918 | 3.86% |
| Others | | |
| - Joint Stock Companies | 35,101,878 | 4.08% |
| - Foreign Companies | 155,856 | 0.02% |

**Note:-** Some of the shareholders are reflected in more than one category.

# PATTERN OF SHAREHOLDING AS PER LISTING REGULATIONS AS AT 31 DECEMBER 2010

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

# FORM OF PROXY

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

Folio No./CDC A/c No. ___________

Shares Held: ___________

I / We ______________________________ of ______________________________
*(Name)* *(Address)*

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

Miss ______________________________ of ______________________________
*(Name)* *(Address)*

or failing him / her / Mr. / Mrs. / Miss. ______________________ of ____________________
*(Name)* *(Address)*

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

Signature this ______________ Day of ______________ 2011.

**Affix Revenue Stamp of Rupees Five**

(Witnesses)

1. ________________

2. ________________

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

**Notes:**

1. This Proxy Form, duly completed and signed, must be received at the Registered Office of the Company not later than 48 hours before the time of holding the meeting.

2. No person shall act as proxy unless he himself is a member of the Company, except that a corporation may appoint a person who is not a member.

3. CDC account holders will further have to follow the guidelines as laid down in Circular No. 1 dated 26 January 2000 issued by the Securities and Exchange Commission of Pakistan.