wateen

1st Quarter Report Sep '11

Setting the future in motion

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CORPORATE INFORMATION

Management Team

Naeem Zamindar
Chief Executive Officer

Sajjeed Aslam
Chief Financial Officer

Sajid Farooq Hashmi
Company Secretary & Head of Legal

Syed Jibran Ali
Chief Commercial Officer

Faisal Sattar
Chief Technology Officer

Asad Rezzvi
Chief Transformation Officer

Zafar Iqbal Ch.
GM HR, Admin & Infrastructure

Zeeshan Hasan
GM Customer Care

Ali Khan
GM Enterprise & Carrier Sales

Adnan Kareem
Head of Product Development

Brig (R) Mazhar Qayyum Butt
GM Corporate Affairs

Saleem Akhtar
Head of Project Management Office

Naila Bhatti
GM Media

Auditors

A.F. Ferguson & Co.
Chartered Accountants

PIA Building, 3rd Floor,
49 - Blue Area, P.O. Box 3021,
Islamabad.

Registered Office

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

Share Registrar

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

Bankers

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

DIRECTORS' REPORT

The Directors of Wateen Telecom Limited are pleased to present the unaudited financial accounts for the first quarter ended September 30, 2011.

Wateen is in the process of implementing key initiatives envisioned in FY'11 to stabilize the broadband business and for the revival of long distance international minute trading business.

The Company posted consolidated revenues of Rs1,763 million for the first quarter ended September 30, 2011. Recurring revenues have grown by 4% whereas overall decline stands at 9% compared to the same period last year. Long distance international inbound termination business remained major revenue and cash contributor with the revenue growth at 44% compared to the same period last year despite the material downward revision in access promotion charges (APC). Initiative for network optimization continued during the period with relocation of wireless broadband network in high growth commercial areas. Site rentals have been renegotiated to rationalize the same to market levels and ensure stable services. These one off costs have resulted in lower profitability in the current quarter but have built the basis to a stable network with 99.5% availability. Sponsors have injected Rs 1,738 million during the period compared to Rs 1,206 million in the same period last year showing continued support and commitment. Wateen has made significant progress in negotiating extended credit periods and reduction in financial charges with its lenders. The financial cost will be adjusted once the formal agreements are signed off.

The ever rising demand of data in Pakistan and neighboring countries from carriers, businesses and consumers complimented with value added services like mobile banking and cloud computing will be the key drivers for growth in the years to come. Your company is well placed and prepared to claim a fair share in the growth and profitability with the capacity to provide services in the region.

The Board would like to thank our valued customers for their continued support and regulatory authorities for their guidance and patronage.

On behalf of the Board,

Naeem Zamindar
Chief Executive Officer &
Member Board of Directors

CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)

AS AT SEPTEMBER 30, 2011

	Note	(Un-Audited) September 30, 2011	(Audited) June 30, 2011
		(Rupees in thousand)	
SHARE CAPITAL AND RESERVES			
Authorised capital		10,000,000	10,000,000
Issued, subscribed and paid–up capital (617,474,620 ordinary shares of 10 each)		6,174,746	6,174,746
General reserve		134,681	134,681
Accumulated loss		(8,437,793)	(7,081,589)
		(2,128,366)	(772,162)
NON – CURRENT LIABILITIES			
Long term finance – secured	5	–	–
Medium term finance from an associated company – unsecured	6	–	–
Long term finance from share holder – unsecured	7	6,656,452	4,918,227
Obligations under finance leases		3,783	4,406
Long term deposits		62,705	61,588
		6,722,940	4,984,221
DEFERRED LIABILITIES			
Deferred USF grant		1,517,443	1,136,310
CURRENT LIABILITIES			
Current portion of long term finance – secured	5	12,439,967	12,347,893
Current portion of medium term finance from an associated company – unsecured	6	600,000	600,000
Cross currency and interest rate swap liability	5.5		
Current portion of obligations under finance leases		3,607	3,607
Finance from supplier – unsecured		40,542	59,112
Short term borrowings – secured	9	4,147,736	4,107,540
Trade and other payables	10	5,103,839	5,006,345
Interest / markup accrued		927,513	799,568
		23,263,204	22,924,065
CONTINGENCIES AND COMMITMENTS	11		
		29,375,221	28,272,434

The annexed notes 1-19 are an integral part of this condensed interim financial information.

	Note	(Un-Audited) September 30, 2011	(Audited) June 30, 2011
		(Rupees in thousand)	
NON-CURRENT ASSETS			
Property, plant and equipment			
Operating assets	12	18,542,764	18,750,491
Capital work in progress	13	2,393,751	2,304,106
Intangible assets		204,330	203,424
		21,140,845	21,258,021
LONG TERM INVESTMENT IN SUBSIDIARY COMPANIES		137,661	137,661
DEFERRED INCOME TAX ASSET	8	2,097,132	1,718,574
LONG TERM DEPOSITS AND PREPAYMENTS			
Long term deposits		293,043	293,043
Long term prepayments		60,569	64,094
		353,612	357,137
CURRENT ASSETS			
Trade debts	14	1,726,304	1,768,046
Contract work in progress		35,570	15,178
Stores, spares and loose tools		558,221	531,431
Advances, deposits, prepayments and other receivables	15	2,186,816	1,615,515
Income tax refundable		250,469	248,826
Cash and bank balances		888,591	622,045
		5,645,971	4,801,041
		29,375,221	28,272,434

Chief Executive

Director

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)

FOR THE THREE MONTHS PERIOD ENDED SEPTEMBER 30, 2011

	Note	3 months to September 30, 2011	3 months to September 30, 2010
		(Rupees in thousand)	
Revenue		1,620,483	1,825,527
Cost of sales (excluding depreciation and amortisation)		1,538,915	1,230,518
General and administration expenses		376,754	287,172
Provisions	16	84,808	–
Advertisement and marketing expenses		15,045	30,607
Selling and distribution expenses		1,414	7,352
Other income		(13,419)	(305,442)
		2,003,517	1,250,207
Loss before interest, taxation, depreciation and amortisation		(383,034)	575,320
Less: Depreciation and amortisation		521,827	469,116
Finance cost	17	848,364	483,223
Finance income		(29,280)	(3,410)
Loss before taxation		(1,723,946)	(373,609)
Income tax credit		367,742	56,339
Loss for the period		(1,356,204)	(317,270)
Loss per share		Rs (2.20)	Rs (0.51)

The annexed notes 1-19 are an integral part of this condensed interim financial information.

Chief Executive

Director

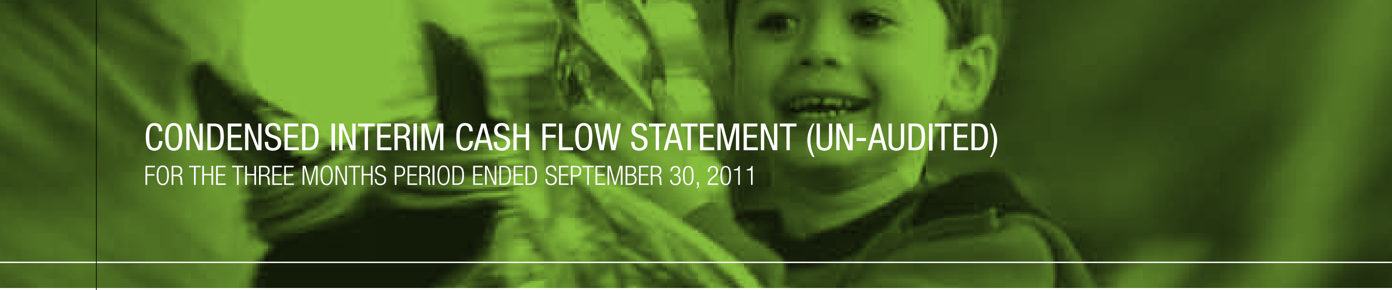
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE THREE MONTHS PERIOD ENDED SEPTEMBER 30, 2011

	3 months to	
	September 30, 2011	September 30, 2010
	(Rupees in thousand)	
Loss for the period	(1,356,204)	(317,270)
Other comprehensive income	–	–
Total comprehensive loss for the period	(1,356,204)	(317,270)

The annexed notes 1-19 are an integral part of this condensed interim financial information.

Chief Executive

Director



CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

FOR THE THREE MONTHS PERIOD ENDED SEPTEMBER 30, 2011

	Note	3 months to September 30, 2011	3 months to September 30, 2010
		(Rupees in thousand)	
CASH FLOW FROM OPERATING ACTIVITIES			
Loss before taxation		(1,723,946)	(373,609)
Adjustment of non cash items:			
Depreciation and amortisation		521,827	469,116
Finance cost		662,459	483,223
Deferred grant recognised during the period		(13,867)	(110,754)
Dividend income from subsidiary company		–	(156,395)
Provisions	16	84,808	–
Amortization of ancillary cost		20,950	–
Exchange loss		164,955	–
Provision for employees' accumulated absences		–	17,161
		1,441,133	702,351
		(282,813)	328,742
Changes in working capital:			
(Increase) in trade debts		(43,066)	(587,371)
(Increase) in contract work in progress		(20,392)	(36,424)
(Increase) in stores, spares and loose tools		(26,790)	(76,131)
(Increase) in advances, deposits, prepayments and other receivables		(571,301)	(462,819)
Increase/(Decrease) in trade and other payables		44,526	(1,151,669)
		(617,024)	(2,314,414)
Employees' accumulated absences paid		(47,032)	(19,546)
Taxes (paid)		(12,460)	(32,777)
Cash flows from operating activities		(959,328)	(2,037,995)
CASH FLOW FROM INVESTING ACTIVITIES			
Property, plant and equipment additions (including finance cost)		(397,850)	(585,434)
Intangible assets additions		(6,802)	–
Long term deposits receivable		–	32,058
Long term prepayments		3,525	–
Dividend income received		–	156,395
Cash flows from investing activities		(401,127)	(396,981)

	3 months to	
	September 30, 2011	September 30, 2010
	(Rupees in thousand)	
CASH FLOW FROM FINANCING ACTIVITIES		
Long term finance repaid	(13,500)	1,776,400
Medium term finance received from associated company	–	550,000
Long term finance received from shareholder	1,657,895	–
Payable to supplier to be settled through long term finance (repaid)	–	(433,798)
Long term payable to supplier (repaid)	(18,570)	–
Deferred USF grant received	395,000	–
Obligations under finance leases repaid	(623)	(333)
Long term deposits payable received	1,117	7,379
Short term borrowings repaid	–	(1,680,165)
Finance cost paid	(434,515)	(692,185)
Cash flows from financing activities	1,586,805	(472,702)
(DECREASE) IN CASH AND CASH EQUIVALENTS	226,349	(2,907,678)
Cash and cash equivalents at beginning of the period	(3,350,745)	(927,266)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	(3,124,396)	(3,834,943)
CASH AND CASH EQUIVALENTS COMPRISE:		
Cash and bank balances	888,591	231,180
Short term running finance	(4,012,986)	(4,066,123)
	(3,124,396)	(3,834,943)

The annexed notes 1-19 are an integral part of this condensed interim financial information.

Chief Executive

Director

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)

FOR THE THREE MONTHS PERIOD ENDED SEPTEMBER 30, 2011

	Share capital	General reserve	Accumulated loss	Total
	(Rupees in thousand)			
Balance at July 1, 2010	6,174,746	134,681	(2,099,760)	4,209,667
Loss for the period	–	–	(317,270)	(317,270)
Other comprehensive income	–	–	–	–
	–	–	(317,270)	(317,270)
Balance at September 30, 2010	6,174,746	134,681	(2,417,030)	3,892,397
Loss for the period	–	–	(4,664,559)	(4,664,559)
Other comprehensive income	–	–	–	–
Total comprehensive loss for the period	–	–	(4,664,559)	(4,664,559)
Balance at June 30, 2011	6,174,746	134,681	(7,081,589)	(772,162)
Loss for the period	–	–	(1,356,204)	(1,356,204)
Other comprehensive income	–	–	–	–
Total comprehensive loss for the period	–	–	(1,356,204)	(1,356,204)
Balance at September 30, 2011	6,174,746	134,681	(8,437,793)	(2,128,366)

The annexed notes 1-19 are an integral part of this condensed interim financial information.

Chief Executive

Director

1. LEGAL STATUS AND OPERATIONS

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

2. STATEMENT OF COMPLIANCE

This condensed interim financial information of the Company for the three months period ended September 30, 2011 has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

3. ACCOUNTING POLICIES

The accounting policies and methods of computation adopted for the preparation of this condensed interim financial information are the same as those applied in preparation of the financial statements for the year ended June 30, 2011.

4. NET CURRENT LIABILITIES

Net current liabilities as at September 30, 2011 were Rs 17.617 billion of which Rs 9.815 billion relate to loan installments due for repayment after September 30, 2012 and Rs 5.006 billion relates to current portion of long term finance and short term finance. A shareholder of the Company has provided financial support in the form of long term finance amounting to Rs 6.656 billion to meet the requirements of the Company and this arrangement is expected to continue. Subsequent to the period end, the Company has negotiated with the lenders to restructure long term finance and convert short term finance, except for short term running finance from Bank Alfalah Limited amounting to Rs 1.781 billion, into long term finance facilities. The tenure of the restructured facilities is eight years w.e.f January 1, 2011 (inclusive of grace period of three years). The principal of restructured facilities will be repayable in 10 semiannual installments commencing July 1, 2014. Compliance with financial covenants is required after the grace period except for the Long Term Debt to Equity Ratio of 80:20, which should not be breached during the grace period. The Company is in the phase of finalizing addendum agreements to restructure term finance facilities with lenders.

The Company has also negotiated with associated company Taavun (Pvt) Limited to reschedule its medium term finance facility. The associated company has agreed to reschedule its facility. Principal will be repayable in semi-annual equal installments within two years after the expiry of grace period (from January 01, 2011 to December 31, 2019). The rate of markup will be 6 months KIBOR, subject to the approval of the Board of Directors of Taavun (Pvt) Limited, the Company will finalize addendum agreement to restructure the term finance facility with lender.

	Note	September 30, 2011	June 30, 2011
		(Rupees in thousand)	
5. LONG TERM FINANCE - SECURED			
Syndicate of banks	5.1	4,766,000	4,766,000
Export Credit Guarantee Department – (ECGD)	5.2	2,232,328	2,202,888
Dubai Islamic Bank (DIB)	5.3	424,000	424,000
Motorola Credit Corporation (MCC)	5.4	4,184,515	4,129,330
Standard Chartered Bank (SCB)	5.5	1,029,530	1,043,030
Total		12,636,373	12,565,248
Unamortized transaction and other ancillary cost			
Opening balance		217,355	299,464
Additions during the period/year		–	–
Amortisation for the period/year		(20,950)	(82,109)
		(196,405)	(217,355)
		12,439,967	12,347,893
Less: Amount shown as current liability			
Amount payable within next twelve months		(3,225,026)	(3,225,026)
Amount due after September 30, 2012	5.6	(9,214,941)	(9,122,867)
		(12,439,967)	(12,347,893)
		–	–

5.1 The Company has obtained syndicate term finance facility from a syndicate of banks with Standard Chartered Bank Limited (SCB), Habib Bank Limited (HBL), Bank Al-Habib Limited (BAHL) and National Bank of Pakistan (NBP), being lead arrangers to finance the capital requirements of the Company amounting to Rs 5.0 billion, of which Rs 4.8 billion has been availed till September 30, 2011. The tenure of the facility is 5 years commencing from November 4, 2009. The principal is repayable in six unequal stepped -up- semi annual instalments. The first such instalment shall be due on June 30, 2012 and subsequently every six months thereafter until December 31, 2014. The rate of mark-up is 6 months KIBOR+2.75% per annum for 1-2 years and KIBOR + 2.5% per annum for next 3-5 years.

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

5.2 The Company has obtained long term finance facility amounting to USD 42 million from Export Credit Guarantee Department (ECGD) UK, of which US$ 35 million has been availed till September 30, 2011. Amount outstanding at September 30, 2011 was USD 25.600 million. The loan is repayable in 14 semi annual installments of USD 3,025 thousand each starting from October 14, 2009. The rate of mark-up is LIBOR + 1.5% per annum. Additional mark-up at 2% per annum will be payable on default payment from the due date for payment upto the date of payment. If the finance charge is not paid then additional interest rate will be payable at 1.5% per annum above CIRR rate applicable to the period during which the finance charge remained unpaid or at 5% per annum whichever is higher. The loan is secured by personal guarantees by three Sponsors of the Company.

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

5.4 The Company has obtained term finance facility of USD 65 million from MCC of which USD 64 million (June 30, 2011: USD 64 million) has been availed till September 30, 2011. Amount outstanding at September 30, 2011 was USD 47.989 million. The principal amount of outstanding facility is repayable in 12 unequal semi annual installments commencing from June 30, 2009 until and including the final maturity date which is December 31, 2014. The rate of mark-up is six month LIBOR + 1.7% per annum. Additional interest is payable on default payment at six month LIBOR + 2% per annum from the due date for payment upto the date of payment. The loan is secured through hypothecation charge over specific assets of the Company supplied under supply & services agreements with Motorola.

Subsequent to period end MCC has transferred all of its rights, title benefits and interests in the original facility agreement to the Deutsche Bank AG as lender, effective August 19, 2011.

5.5 The Company has obtained term finance facility from Standard Chartered bank amounting to Rs 291 million against letter of credit facilities availed till June 30, 2010. The principal is repayable in five installments commencing from June 30, 2011. The rate of mark-up is six months KIBOR + 2.5%. The facility is secured by way of hypothecation over all of its current and fixed assets (excluding cellular license and CM Pak, CISCO & Motorola financed assets) for a sum of Rs 1,000 million, which charge shall no later than thirty days from the execution of this agreement be enhanced to a first pari passu charge inter se, SCB and the existing creditors of the customer.

The Company has obtained term finance facility from Standard Chartered bank amounting to Rs 217 million. The principal is repayable in five installments commencing from June 30, 2011. The rate of mark-up is six months KIBOR + 2.5%. The facility is secured by way of hypothecation over all of its current and fixed assets (excluding cellular license and CM Pak, CISCO & Motorola financed assets) for a sum of Rs 500 million, which charge shall no later than thirty days from the execution of this agreement be enhanced to a first pari passu charge inter se, SCB and the existing creditors of the customer.

The Company has obtained a term finance facility from SCB amounting to Rs 507.200 million. The principal is repayable in thirty six months in eight unequal installments. The first such installment is due on September 30, 2011 and last installment will be due on December 31, 2013. The rate of mark-up is six months KIBOR+2.5% per annum. The facility is secured by way of ranking charge over all current and fixed assets (excluding assets under specific charge of CM Pak, CISCO, Motorola, DIB, assets procured from World call and USF) for a sum of Rs 625 million.

5.6 The Company is required to make certain payments of long term loans on due dates and to maintain certain ratios as specified in loan agreements. Further, certain ratios specified in the loan agreements have not been maintained at September 30, 2011. As a consequence, the lenders shall be entitled to declare all outstanding amount of the loans immediately due and payable. In terms of provisions of International Accounting Standard on Presentation of financial statements (IAS 1), since the Company does not have an unconditional right to defer settlement of liabilities for at least twelve months after the balance sheet date, all liabilities under these loan agreements are required to be classified as current liabilities. Based on above, loan instalments due as per loan agreements after September 30, 2012 amounting to Rs 9,814,941 thousand have been shown as current liability.

Subsequent to period end, the Company has negotiated with the lenders to restructure its existing long term finance facilities as explained in note 4.

6. MEDIUM TERM FINANCE FROM AN ASSOCIATED COMPANY - UNSECURED

The Company has obtained an aggregate medium term finance facility of Rs 600 million from an associated company Taavun (Pvt) Limited. This loan is subordinated to all secured finance facilities availed by the Company. The principal is repayable within 30 days of the expiry of twenty four months from the effective date i.e September 30, 2010. The rate of mark-up is six month KIBOR + 2.5% with 24 months grace period payable quarterly. As explained in note 5.6, loan installments due as per loan agreement after September 30 , 2012 amounting to Rs 600 million have been shown as current liability.

Subsequent to the period end the Company has negotiated with associated Company Taavun (Pvt) Limited to reschedule its finance facility. The associated Company has agreed to restructure its facility as explained in note 4.

7. LONG TERM FINANCE FROM A SHAREHOLDER - UNSECURED

During the period, the Company has obtained loan from a sponsor amounting to USD 90 million (June 30, 2011: Rs 76 million) .This loan is subordinated to all secured finance facilities availed by the Company. The loan is repayable within 30 days of the expiry of a period of five years from the date of disbursement of loan instalments. The rate of mark-up is LIBOR + 1.5%. Alternatively the loan may be converted into equity by way of issuance of the Company's ordinary shares at the option of the lender at any time after the repayment date on the best possible terms but subject to fulfillment of all legal requirements at the cost of the Company. The said conversion of loan shall be at the higher of par value i.e Rs 10/ ordinary share or 10% below prevailing market value, which value shall be calculated after taking into account the average share price of the last 30 calendar days, counted backwards from the repayment date, provided that such conversion is permissible under the applicable laws of Pakistan.

	Note	September 30, 2011	June 30, 2011
		(Rupees in thousand)	
8. DEFERRED INCOME TAX ASSET			
Temporary differences between accounting and tax depreciation		(3,995,613)	(3,835,305)
Unused tax losses	8.1	5,456,986	4,945,800
Unused tax benefit related to share issue cost		37,329	37,329
Deductible temporary differences on account of provisions		598,430	570,750
		2,097,132	1,718,574

8.1 Unused tax losses for which no deferred tax asset has been recognised amounts to Rs 478,585 thousand representing business losses of Rs 1,367,386 thousand which will expire in tax year 2016.

	September 30, 2011	June 30, 2011
	(Rupees in thousand)	
9. SHORT TERM BORROWINGS - SECURED		
Short term borrowings	134,750	134,750
Short term running finance	4,012,986	3,972,790
	4,147,736	4,107,540
10. TRADE AND OTHER PAYABLES		
These include payable to related parties as follows:		
Wateen Solutions (Pvt) Limited	239,183	210,135
Warid Telecom (Pvt) Limited	129,727	–
Wateen Satellite Services (Pvt) Limited	146,204	146,204
Bank Alfalah Limited	3,950	3,950
Payable to gratuity fund	112,132	120,013
Payable to provident fund	36,465	35,926
	667,661	516,228
11. CONTINGENCIES AND COMMITMENTS		
(i) Claims against the Company not acknowledged as debt	295,767	295,767
(ii) Performance guarantees issued by banks in favour of the Company	2,083,040	1,267,812
(iii) Outstanding commitments for capital expenditure	1,094,300	938,734

(iv) Acquisition of 49% shares in subsidiary Wateen Solutions (Pvt) Limited

49% of the shareholding of Wateen Solutions is held by Mr. Jahangir Ahmed. The Board of Directors of the Company in their meetings held on November 15, 2009 and November 19, 2009 approved the acquisition of 49% shareholding of Wateen Solutions from Mr. Jahangir Ahmed for a total sale consideration of Rs 490,000 thousand. On the basis of the approval of the Board of Directors of the Company, the Company entered into a Share Purchase Agreement dated April 1, 2010 (SPA) with Mr. Jahangir Ahmed for the acquisition of the 49% shareholding of Wateen Solutions.

However, in light of the dividend payment of Rs 150,000 thousand by Wateen Solutions to Mr. Jahangir Ahmed, the Company entered into negotiations with Mr. Jahangir Ahmed for the purposes of negotiating a downward revision to the purchase price as agreed in the SPA from Rs 490,000 thousand to Rs 340,000 thousand. This reduction in the purchase price and the resultant change in utilization of the IPO proceeds was approved by the shareholders of the Company in the Extra Ordinary General Meeting dated August 13, 2010.

Under the terms of the SPA, the Company has paid an advance of Rs 85,000 thousand as partial payment of the purchase price and the balance of Rs 255,000 thousand is payable

by the Company to Mr. Jahangir Ahmed. In light of the current business dynamics of Wateen Solutions and the resultant devaluation of its share price, the new management entered into negotiations as a result of which Mr. Jahangir Ahmad has agreed to transfer the shares of Wateen Solutions to the Company without requiring payment of the balance of Rs 255,000 thousand, however the finalization of renegotiated agreement is in process.

Same have been approved by shareholders in EOGM dated December 31, 2011.

	Note	Three months to September 30, 2011	Year ended June 30, 2011
		(Rupees in thousand)	
12. OPERATING ASSETS			
Opening net book value		18,750,491	17,045,929
Additions – owned		308,204	3,847,427
– leased		–	8,265
Disposals at net book value		–	(107,062)
Depreciation charge		(515,931)	(2,044,068)
		18,542,764	18,750,491
13. CAPITAL WORK IN PROGRESS			
Leasehold improvements		8,111	21,233
Line and wire		1,295,738	1,288,678
Network equipment	13.1	1,089,902	994,195
		2,393,751	2,304,106

13.1 Network equipment is net of provision for discontinued project of Rs 353 million (June 30, 2011: Rs 353 million).

	September 30, 2011	June 30, 2011
	(Rupees in thousand)	
14. TRADE DEBTS		
Trade debts include due from related parties as follows:		
Warid Telecom (Pvt) Limited	802,107	543,051
Warid International LLC, UAE - Parent company	41,298	41,298
Wateen Telecom UK Limited	45,793	24,284
Bank Alfalah Limited	43,068	19,241
	932,267	627,874

		September 30, 2011	June 30, 2011
		(Rupees in thousand)	
14.1	Provision for doubtful debts		
	Opening balance	542,220	132,586
	Provision made during the period/year - other parties	84,808	409,634
	Closing balance	627,028	542,220

- Balances 181 - 360 days past due - 50 %
- Balances over 360 days past due - 100 %

15. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

15.1 These includes receivable from associated companies amounting to Rs 916 million (June 30, 2011: Rs 639 million) net of provisions amounting to Rs 475 million (June 30, 2011: Rs 475 million).

15.2 This includes investment in 100% shares of Wateen Telecom UK Limited of par value GBP 10,000 (June 30, 2011: 100% shares of par value of GBP 10,000). This company was incorporated in UK in 2008 for wholesale and retail voice business. Approval from State Bank Of Pakistan as per investment in foreign equity abroad is in process and shares of Wateen Telecom UK Limited will be issued to Wateen Telecom Limited after receipt of such approval. In absence of this specific approval holding company cannot control the financial and operating policies of Wateen Telecom UK Limited to obtain the benefit in term of dividend, repatriation of investment, advance or receive any loan or interest thereon. Hence despite of the 100% ownership Wateen Telecom UK Limited is not treated as subsidiary of the Company.

	3 months to	
	September 30, 2011	September 30, 2010
	(Rupees in thousand)	
16. PROVISIONS		
Provision for doubtful debts	84,808	–

17. FINANCE COST

These includes exchange loss amounting to Rs 165 million (Three months ended September 30, 2010: Rs 57 million).

SELECTED NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)

FOR THE THREE MONTHS PERIOD ENDED SEPTEMBER 30, 2011

	3 months to	
	September 30, 2011	September 30, 2010
	(Rupees in thousand)	
18. AGGREGATE TRANSACTIONS WITH RELATED PARTIES DURING THE PERIOD WERE AS FOLLOWS:		
Subsidiary Companies		
Cost and expenses charged by subsidiary companies	21,171	439
Dividend income	–	156,395
Markup charged to subsidiary companies	24,953	31,271
Payments made by subsidiary companies	277,956	304,272
Associated Companies/sponsor		
Revenue from associated companies	366,787	479,594
Cost and expenses charged by associated companies	248,524	209,151
Markup charged to associated companies	24,953	38,330
Markup on short term running finance from an associated company	74,557	63,611
Markup on medium term finance from an associated company	24,651	–
Markup on long term finance from sponsor	32,526	–
Long term finance received from an associated company	–	550,000
Long term finance received from sponsor	1,657,895	1,206,800
Payments made on behalf of associated companies	10,171	7,787
Other related parties		
Contribution to employees' retirement funds	17,482	21,293

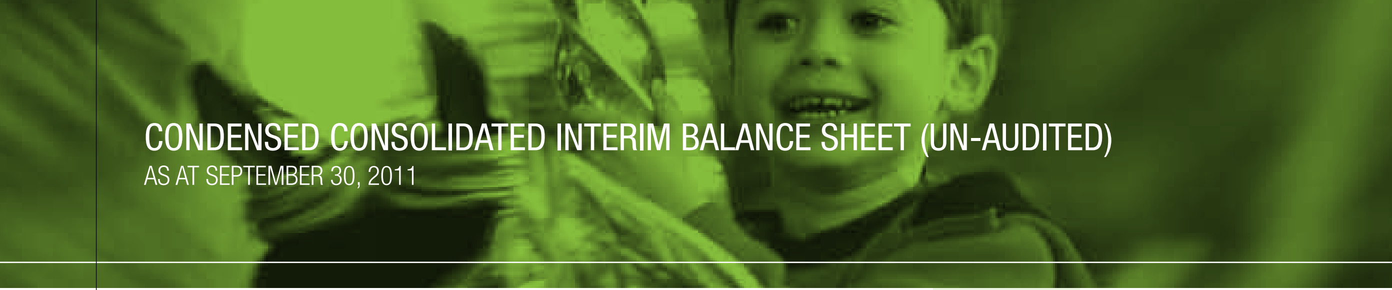
19. GENERAL

This condensed interim financial information has been authorised for circulation to the shareholders by the Board Of Directors of the Company on January 20, 2012.

Chief Executive

Director

CONDENSED CONSOLIDATED FINANCIAL INFORMATION



CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (UN-AUDITED)

AS AT SEPTEMBER 30, 2011

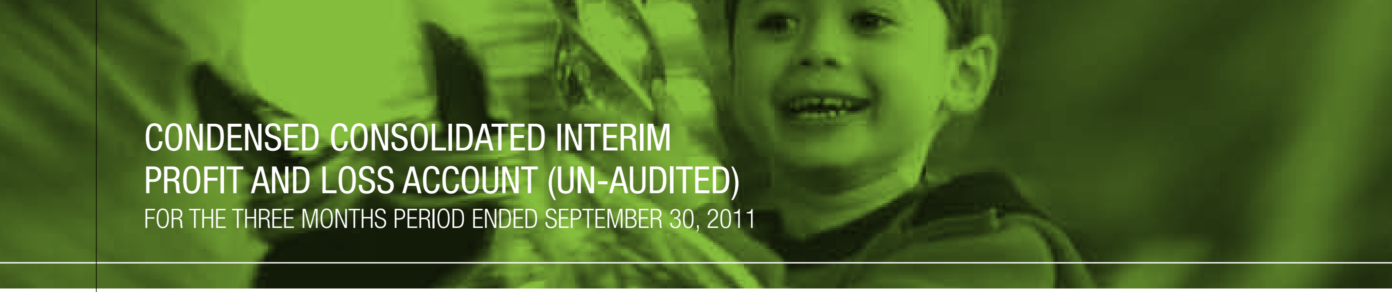
	Note	(Un-Audited) September 30, 2011	(Audited) June 30, 2011
		(Rupees in thousand)	
SHARE CAPITAL AND RESERVES			
Authorised capital		10,000,000	10,000,000
Issued, subscribed and paid-up capital (617,474,620 ordinary shares of 10 each)		6,174,746	6,174,746
General reserve		134,681	134,681
Accumulated loss		(8,382,421)	(7,015,267)
		(2,072,994)	(705,840)
Non controlling interest in equity of Subsidiary Company Wateen Solutions (Pvt) Ltd		(33,338)	(26,567)
		(2,106,332)	(732,407)
NON – CURRENT LIABILITIES			
Long term finance – secured	5	–	–
Medium term finance from an associated company – unsecured	6	–	–
Long term finance from shareholder – unsecured	7	6,656,452	4,918,227
Obligations under finance leases		3,783	4,406
Long term deposits		62,705	61,588
		6,722,940	4,984,221
DEFERRED LIABILITIES			
Employees' retirement benefits		10,061	10,752
Deferred USF grant		1,517,443	1,136,310
		1,527,504	1,147,062
CURRENT LIABILITIES			
Current portion of long term finance – secured	5	12,439,967	12,347,893
Current portion of medium term finance from an associated company – unsecured	6	600,000	600,000
Current portion of obligations under finance leases		3,607	3,607
Finance from supplier – unsecured		40,542	59,112
Short term borrowings – secured	9	4,147,736	4,107,540
Trade and other payables	10	4,943,369	4,847,664
Interest / markup accrued		927,568	799,568
		23,102,790	22,765,384
CONTINGENCIES AND COMMITMENTS	11		
		29,246,902	28,164,260

The annexed notes 1-19 are an integral part of this condensed interim financial information.

	Note	(Un-Audited) September 30, 2011	(Audited) June 30, 2011
		(Rupees in thousand)	
NON-CURRENT ASSETS			
Property, plant and equipment			
Operating assets	12	18,547,488	18,755,581
Capital work in progress	13	2,393,751	2,304,106
Intangible assets		299,681	299,775
		21,240,920	21,359,462
Advance against purchase of shares in subsidiary Company		85,000	85,000
DEFERRED INCOME TAX ASSET	8	2,097,132	1,718,574
LONG TERM DEPOSITS AND PREPAYMENTS			
Long term deposits		293,043	293,043
Long term prepayments		60,569	64,094
		353,612	357,137
CURRENT ASSETS			
Trade debts	14	2,112,788	2,041,152
Contract work in progress		94,472	30,219
Stores, spares and loose tools	15	576,479	538,772
Advances, deposits, prepayments and other receivables	16	1,489,955	1,141,732
Income tax refundable		254,893	259,545
Cash and bank balances		941,650	632,667
		5,470,237	4,644,087
		29,246,902	28,164,260

Chief Executive

Director



CONDENSED CONSOLIDATED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)

FOR THE THREE MONTHS PERIOD ENDED SEPTEMBER 30, 2011

	Note	3 months to	
		September 30, 2011	September 30, 2010
		(Rupees in thousand)	
Revenue		1,763,903	1,930,966
Cost of sales (excluding depreciation and amortisation)		1,659,244	1,332,459
General and administration expenses		381,516	296,182
Provisions	16	84,808	–
Advertisement and marketing expenses		15,045	30,607
Selling and distribution expenses		1,414	7,352
Other income		(14,440)	(118,523)
		2,127,586	1,548,077
Loss before interest, taxation, depreciation and amortisation		(363,683)	382,889
Less: Depreciation and amortisation		523,194	470,690
Finance cost	17	849,484	476,422
Finance income		(4,572)	(3,414)
Loss before taxation		(1,731,789)	(560,809)
Income tax credit		357,864	56,795
Loss for the period before Non controlling interest		(1,373,925)	(504,014)
Non controlling interest in profit of consolidated subsidiary company		(6,771)	(17,546)
Loss for the period		(1,367,154)	(486,468)
Loss per share		Rs (2.21)	Rs (0.79)

The annexed notes 1-19 are an integral part of this condensed interim financial information.

Chief Executive

Director

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)

FOR THE THREE MONTHS PERIOD ENDED SEPTEMBER 30, 2011

	3 months to	
	September 30, 2011	September 30, 2010
	(Rupees in thousand)	
Loss for the period	(1,367,154)	(486,468)
Other comprehensive income	–	–
Total comprehensive loss for the period	(1,367,154)	(486,468)

The annexed notes 1-19 are an integral part of this condensed interim financial information.

Chief Executive

Director

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

FOR THE THREE MONTHS PERIOD ENDED SEPTEMBER 30, 2011

	Note	3 months to September 30, 2011	3 months to September 30, 2010
		(Rupees in thousand)	
CASH FLOW FROM OPERATING ACTIVITIES			
Loss before taxation		(1,731,789)	(560,809)
Adjustment of non cash items:			
Depreciation and amortisation		523,194	470,690
Finance cost		663,578	476,422
Deferred USF grant recognised during the period		(13,867)	(110,754)
Provision	16	84,808	–
Amortization of ancillary cost		20,950	–
Exchange loss		164,956	–
Provision for employees' accumulated absences		–	18,481
		1,443,619	854,839
		(288,170)	294,030
Changes in working capital:			
(Increase) in trade debts		(156,444)	(541,895)
(Increase) in contract work in progress		(64,253)	(34,594)
(Increase) in stores, spares and loose tools		(37,707)	(78,082)
(Increase) in advances, deposits, prepayments and other receivables		(348,223)	(145,568)
Increase/(Decrease) in trade and other payables		46,548	(1,176,594)
		(560,079)	(1,976,733)
Employees' accumulated absences paid		(51,534)	(20,868)
Taxes (paid)		(16,044)	(39,002)
Cash flows from operating activities		(915,827)	(1,742,573)
CASH FLOW FROM INVESTING ACTIVITIES			
Property, plant and equipment additions (including finance cost)		(397,850)	(585,434)
Intangible assets additions		(6,802)	–
Long term deposits		–	32,057
Long term prepayments		3,525	–
Dividend paid to non controlling shareholders		–	(149,940)
Cash flows from investing activities		(401,127)	(703,317)

	3 months to	
	September 30, 2011	September 30, 2010
	(Rupees in thousand)	
CASH FLOW FROM FINANCING ACTIVITIES		
Long term finance repaid	(13,500)	1,776,400
Medium term finance received from associated company	–	550,000
Long term finance received from sponsor	1,657,895	–
Payable to supplier to be settled through long term finance	–	(433,798)
Long term payable to supplier	(18,570)	–
Deferred USF grant received	395,000	–
Obligations under finance leases repaid	(623)	(333)
Long term deposits payable	1,117	7,379
Short term borrowings repaid	–	(1,680,165)
Finance cost paid	(435,578)	(685,384)
Cash flows from financing activities	1,585,741	(465,901)
(DECREASE) IN CASH AND CASH EQUIVALENTS	268,787	(2,911,791)
Cash and cash equivalents at beginning of the period	(3,340,123)	(909,455)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	(3,071,336)	(3,821,246)
CASH AND CASH EQUIVALENTS COMPRISE:		
Cash and bank balances	941,650	244,877
Short term running finance	(4,012,986)	(4,066,123)
	(3,071,336)	(3,821,246)

The annexed notes 1-19 are an integral part of this condensed interim financial information.

Chief Executive

Director

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)

FOR THE THREE MONTHS PERIOD ENDED SEPTEMBER 30, 2011

	Share capital	General reserve	Accumulated loss	Total	Non controlling interest in equity of subsidiary	Total
	(Rupees in thousand)					
Balance at July 1, 2010	6,174,746	134,681	(1,794,123)	4,515,304	206,999	4,722,303
Total comprehensive loss for the period						
Loss for the period	–	–	(486,468)	(486,468)	(17,546)	(504,014)
Dividend paid to non controlling interest by a subsidiary company	–	–	–	–	(149,940)	(149,940)
Other comprehensive income	–	–	–	–	–	–
	–	–	(486,468)	(486,468)	(167,486)	(653,954)
Balance at September 30, 2010	6,174,746	134,681	(2,280,591)	4,028,836	39,513	4,068,349
Loss for the period	–	–	(4,734,676)	(4,734,676)	(66,080)	(4,800,756)
Other comprehensive income	–	–	–	–	–	–
Total comprehensive loss for the period	–	–	(4,734,676)	(4,734,676)	(66,080)	(4,800,756)
Balance at June 30, 2011	6,174,746	134,681	(7,015,267)	(705,840)	(26,567)	(732,407)
Balance at July 1, 2011	6,174,746	134,681	(7,015,267)	(705,840)	(26,567)	(732,407)
Loss for the period	–	–	(1,367,154)	(1,367,154)	(6,771)	(1,373,925)
Other comprehensive income	–	–	–	–	–	–
Total comprehensive loss for the period	–	–	(1,367,154)	(1,367,154)	(6,771)	(1,373,925)
Balance at September 30, 2011	6,174,746	134,681	(8,382,421)	(2,072,994)	(33,338)	(2,106,332)

The annexed notes 1-19 are an integral part of this condensed interim financial information.

Chief Executive

Director

1. LEGAL STATUS AND OPERATIONS

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

Further, subsequent to the period end the Board of Directors of the Parent Company in their meeting held on November 22, 2011 has decided to voluntary winding up the WSS and NSPL. Accordingly, the financial statements of WSS and NSPL has not been prepared on going concern basis.

2. STATEMENT OF COMPLIANCE

These condensed consolidated interim financial information of the Company for the three months period ended September 30, 2011 has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed. These condensed consolidated interim financial information do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the published financial statements of the Company for the year ended June 30, 2011.

3. ACCOUNTING POLICIES

The accounting policies and methods of computation adopted for the preparation of this condensed consolidated interim financial information are the same as those applied in preparation of the annual financial statements for the year ended June 30, 2011.

4. NET CURRENT LIABILITIES

Net current liabilities as at September 30, 2011 were Rs 17.632 billion of which Rs 9.815 billion relate to loan installments due for repayment after September 30, 2012 and Rs 5.006 billion relate to current portion of long term finance and short term finance. A shareholder of the Company has provided financial support in the form of long term finance amounting to Rs 6.656 billion to meet the requirements of the Company and this arrangement is expected to continue. Subsequent to the year end, the Company has negotiated with the lenders to restructure long term finance and convert short term finance, except for short term running finance from Bank Alfalah Limited amounting to Rs 1.781 billion, into long term finance facilities. The tenure of the restructured facilities is eight years w.e.f January 1, 2011 (inclusive of grace period of three years). The principal of restructured facilities will be repayable in 10 semiannual installments commencing July 1, 2014. Compliance with financial covenants is required after the grace period except for the Long Term Debt to Equity Ratio of 80:20, which should not be breached during the grace period. The Company is in the phase of finalizing addendum agreements to restructure term finance facilities with lenders.

The Company has also negotiated with associated company Taavun (Pvt) Limited to reschedule its medium term finance facility. The associated company has agreed to reschedule its facility. Principal will be repayable in semi-annual equal installments within two years after the expiry of grace period (from January 01, 2011 to December 31, 2019). The rate of markup will be 6 months KIBOR, subject to the approval of the Board of Directors of Taavun (Pvt) Limited, the Company will finalize addendum agreement to restructure the term finance facility with lender.

	Note	September 30, 2011	June 30, 2011
		(Rupees in thousand)	
5. LONG TERM FINANCE - SECURED			
Syndicate of banks	5.1	4,766,000	4,766,000
Export Credit Guarantee Department - (ECGD)	5.2	2,232,328	2,202,888
Dubai Islamic Bank (DIB)	5.3	424,000	424,000
Motorola Credit Corporation (MCC)	5.4	4,184,515	4,129,330
Standard Chartered Bank (SCB)	5.5	1,029,530	1,043,030
Total		12,636,373	12,565,248
Unamortized transaction and other ancillary cost			
Opening balance		217,355	299,464
Additions during the period/year		–	–
Amortisation for the period/year		(20,950)	(82,109)
		(196,405)	(217,355)
		12,439,967	12,347,893
Less: Amount shown as current liability			
Amount payable within next twelve months		(3,225,026)	(3,225,026)
Amount due after September 30, 2012	5.6	(9,214,941)	(9,122,867)
		(12,439,967)	(12,347,893)
		–	–

5.1 The Company has obtained syndicate term finance facility from a syndicate of banks with Standard Chartered Bank Limited (SCB), Habib Bank Limited (HBL), Bank Al-Habib Limited (BAHL) and National Bank of Pakistan (NBP), being lead arrangers to finance the capital requirements of the Company amounting to Rs 5.0 billion, of which Rs 4.8 billion has been availed till September 30, 2011. The tenure of the facility is 5 years commencing from November 4, 2009. The principal is repayable in six unequal stepped -up- semi annual instalments. The first such instalment shall be due on June 30, 2012 and subsequently every six months thereafter until December 31, 2014. The rate of mark-up is 6 months KIBOR+2.75% per annum for 1-2 years and KIBOR + 2.5% per annum for next 3-5 years.

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

5.2 The Company has obtained long term finance facility amounting to USD 42 million from Export Credit Guarantee Department (ECGD) UK, of which US$ 35 million has been availed till September 30, 2011. Amount outstanding at September 30, 2011 was USD 25.600 million. The loan is repayable in 14 semi annual installments of USD 3,025 thousand each starting from October 14, 2009. The rate of mark-up is LIBOR + 1.5% per annum. Additional mark-up at 2% per annum will be payable on default payment from the due date for payment upto the date of payment. If the finance charge is not paid then additional interest rate will be payable at 1.5% per annum above CIRR rate applicable to the period during which the finance charge remained unpaid or at 5% per annum whichever is higher. The loan is secured by personal guarantees by three Sponsors of the Company.

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

5.4 The Company has obtained term finance facility of USD 65 million from MCC of which USD 64 million (June 30, 2010: USD 64 million) has been availed till March 31, 2011. Amount outstanding at March 31, 2011 was USD 47.989 million. The principal amount of outstanding facility is repayable in 12 unequal semi annual installments commencing from June 30, 2009 until and including the final maturity date which is December 31, 2014. The rate of mark-up is six month LIBOR + 1.7% per annum. Additional interest is payable on default payment at six month LIBOR + 2% per annum from the due date for payment upto the date of payment. The loan is secured through hypothecation charge over specific assets of the Company supplied under supply & services agreements with Motorola.

Subsequent to period end MCC has transferred all of its rights, title benefits and interests in the original facility agreement to the Deutsche Bank AG as lender, effective August 19, 2011.

5.5 The Company has obtained term finance facility from Standard Chartered bank amounting to Rs 291 million against letter of credit facilities availed till June 30, 2010. The principal is repayable in five installments commencing from June 30, 2011. The rate of mark-up is six months KIBOR + 2.5%. The facility is secured by way of hypothecation over all of its current and fixed assets (excluding cellular license and CM Pak, CISCO & Motorola financed assets) for a sum of Rs 1,000 million, which charge shall no later than thirty days from the execution of this agreement be enhanced to a first pari passu charge inter se, SCB and the existing creditors of the customer.

The Company has obtained term finance facility from Standard Chartered bank amounting to Rs 217 million. The principal is repayable in five installments commencing from June 30, 2011. The rate of mark-up is six months KIBOR + 2.5%. The facility is secured by way of hypothecation over all of its current and fixed assets (excluding cellular license and CM Pak, CISCO & Motorola financed assets) for a sum of Rs 500 million, which charge shall no later than thirty days from the execution of this agreement be enhanced to a first pari passu charge inter se, SCB and the existing creditors of the customer.

The Company has obtained a term finance facility from SCB amounting to Rs 507.200 million. The principal is repayable in thirty six months in eight unequal installments. The first such installment is due on September 30, 2011 and last installment will be due on December 31, 2013. The rate of mark-up is six months KIBOR+2.5% per annum. The facility is secured by way of ranking charge over all current and fixed assets (excluding assets under specific charge of CM Pak, CISCO, Motorola, DIB, assets procured from World call and USF) for a sum of Rs 625 million.

SELECTED NOTES TO AND FORMING PART OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (UN-AUDITED)

FOR THE THREE MONTHS PERIOD ENDED SEPTEMBER 30, 2011

5.6 The Company is required to make certain payments of long term loans on due dates and to maintain certain ratios as specified in loan agreements. Further, certain ratios specified in the loan agreements have not been maintained at September 30, 2011. As a consequence, the lenders shall be entitled to declare all outstanding amount of the loans immediately due and payable. In terms of provisions of International Accounting Standard on Presentation of financial statements (IAS 1), since the Company does not have an unconditional right to defer settlement of liabilities for at least twelve months after the balance sheet date, all liabilities under these loan agreements are required to be classified as current liabilities. Based on above, loan instalments due as per loan agreements after September 30, 2012 amounting to Rs 9,814,941 thousand have been shown as current liability.

Subsequent to period end, the Company has negotiated with the lenders to restructure its existing long term finance facilities as explained in note 4.

6. MEDIUM TERM FINANCE FROM AN ASSOCIATED COMPANY - UNSECURED

The Company has obtained an aggregate medium term finance facility of Rs 600 million from an associated company Taavun (Pvt) Limited. This loan is subordinated to all secured finance facilities availed by the Company. The principal is repayable within 30 days of the expiry of twenty four months from the effective date i.e September 30, 2010. The rate of mark-up is six month KIBOR + 2.5% with 24 months grace period payable quarterly. As explained in note 5.6, loan installments due as per loan agreement after September 30 , 2012 amounting to Rs 600 million have been shown as current liability.

Subsequent to the period end the Company has negotiated with associated Company Taavun (Pvt) Limited to reschedule its finance facility. The associated Company has agreed to restructure its facility as explained in note 4.

7. LONG TERM FINANCE FROM A SHAREHOLDER - UNSECURED

During the period, the Company has obtained loan from a sponsor amounting to USD 90 million (June 30, 2011: Rs 76 million) .This loan is subordinated to all secured finance facilities availed by the Company. The loan is repayable within 30 days of the expiry of a period of five years from the date of disbursement of loan instalments. The rate of mark-up is LIBOR + 1.5%. Alternatively the loan may be converted into equity by way of issuance of the Company's ordinary shares at the option of the lender at any time after the repayment date on the best possible terms but subject to fulfillment of all legal requirements at the cost of the Company. The said conversion of loan shall be at the higher of par value i.e Rs 10/ ordinary share or 10% below prevailing market value, which value shall be calculated after taking into account the average share price of the last 30 calendar days, counted backwards from the repayment date, provided that such conversion is permissible under the applicable laws of Pakistan.

	Note	September 30, 2011	June 30, 2011
		(Rupees in thousand)	

8. DEFERRED INCOME TAX ASSET

	Note	September 30, 2011	June 30, 2011
Temporary differences between accounting and tax depreciation		(3,995,613)	(3,835,305)
Unused tax losses	8.1	5,456,986	4,945,800
Unused tax benefit related to share issue cost		37,329	37,329
Deductible temporary differences on account of provisions		598,430	570,750
		2,097,132	1,718,574

8.1 Unused tax losses for which no deferred tax asset has been recognised amounts to Rs 504,982 thousand representing business losses of Rs 1,442,805 thousand which will expire in tax year 2016 and 2017.

	September 30, 2011	June 30, 2011
	(Rupees in thousand)	

9. SHORT TERM BORROWINGS - SECURED

	September 30, 2011	June 30, 2011
Short term borrowings	134,750	134,750
Short term running finance	4,012,986	3,972,790
	4,147,736	4,107,540

10. TRADE AND OTHER PAYABLES

These include payable to related parties as follows:

	September 30, 2011	June 30, 2011
Warid Telecom (Pvt) Limited	129,727	–
Payable to gratuity fund	112,132	120,013
Payable to provident fund	36,465	35,926
	278,324	155,939

11. CONTINGENCIES AND COMMITMENTS

	September 30, 2011	June 30, 2011
(i) Claims against the Company not acknowledged as debt	295,767	295,767
(ii) Performance guarantees issued by banks in favour of the Company	2,083,040	1,267,812
(iii) Outstanding commitments for capital expenditure	1,094,300	938,734

(iv) Acquisition of 49% shares in subsidiary Wateen Solutions (Pvt) Limited

49% of the shareholding of Wateen Solutions is held by Mr. Jahangir Ahmed. The Board of Directors of the Company in their meetings held on November 15, 2009 and November 19, 2009 approved the acquisition of 49% shareholding of Wateen Solutions from Mr. Jahangir Ahmed for a total sale consideration of Rs 490,000 thousand. On the basis of the approval of the Board of Directors of the Company, the Company entered into a Share Purchase Agreement dated April 1, 2010 (SPA) with Mr. Jahangir Ahmed for the acquisition of the 49% shareholding of Wateen Solutions.

However, in light of the dividend payment of Rs 150,000 thousand by Wateen Solutions to Mr. Jahangir Ahmed, the Company entered into negotiations with Mr. Jahangir Ahmed for the purposes of negotiating a downward revision to the purchase price as agreed in the SPA from Rs 490,000 thousand to Rs 340,000 thousand. This reduction in the purchase price and the resultant change in utilization of the IPO proceeds was approved by the shareholders of the Company in the Extra Ordinary General Meeting dated August 13, 2010.

Under the terms of the SPA, the Company has paid an advance of Rs 85,000 thousand as partial payment of the purchase price and the balance of Rs 255,000 thousand is payable by the Company to Mr. Jahangir Ahmed. In light of the current business dynamics of Wateen Solutions and the resultant devaluation of its share price, the new management entered into negotiations as a result of which Mr. Jahangir Ahmad has agreed to transfer the shares of Wateen Solutions to the Company without requiring payment of the balance of Rs 255,000 thousand, however the finalization of renegotiated agreement is in process.

	Note	Three months to September 30, 2011	Year ended June 30, 2011
		(Rupees in thousand)	
12. OPERATING ASSETS			
Opening net book value		18,755,581	17,053,114
Additions – owned		308,205	3,847,427
– leased		–	8,265
Disposals at net book value		–	(107,062)
Depreciation charge		(516,298)	(2,046,163)
		18,547,488	18,755,581
13. CAPITAL WORK IN PROGRESS			
Leasehold improvements		8,111	21,233
Line and wire		1,295,738	1,288,678
Network equipment	13.1	1,089,902	994,195
		2,393,751	2,304,106

13.1 Network equipment is net of provision for discontinued project of Rs 353 million (June 30, 2011: 353 million).

	September 30, 2011	June 30, 2011
	(Rupees in thousand)	
14. TRADE DEBTS		
Trade debts include due from related parties as follows:		
Warid Telecom (Pvt) Limited	878,452	543,051
Warid International LLC, UAE - Parent company	41,298	41,298
Wateen Telecom UK Limited	45,793	24,284
Bank Alfalah Limited	45,974	19,241
	1,011,517	627,874
14.1 Provision for doubtful debts - other parties		
Opening balance	618,470	157,035
Provision made during the period/year	84,808	461,435
Closing balance	703,278	618,470

– Balances 181 - 360 days past due - 50 %
– Balances over 360 days past due - 100 %15.

15. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

15.1 These includes receivable from associated companies amounting to Rs 120 million (June 30, 2011: Rs 96 million) net of provisions amounting to Rs 475 million (June 30, 2011: Rs 475 million).

15.2 This includes investment in 100% shares of Wateen Telecom UK Limited of par value GBP 10,000 (June 30, 2011: 100% shares of par value of GBP 10,000). This company was incorporated in UK in 2008 for wholesale and retail voice business. Approval from State Bank Of Pakistan as per investment in foreign equity abroad is in process and shares of Wateen Telecom UK Limited will be issued to Wateen Telecom Limited after receipt of such approval. In absence of this specific approval holding company cannot control the financial and operating policies of Wateen Telecom UK Limited to obtain the benefit in term of dividend, repatriation of investment, advance or receive any loan or interest thereon. Hence despite of the 100% ownership Wateen Telecom UK Limited is not treated as subsidiary of the Company.

	3 months to	
	September 30, 2011	September 30, 2010
	(Rupees in thousand)	
16. PROVISIONS		
Provision for doubtful debts	84,808	–

17. FINANCE COST

These includes exchange loss amounting to Rs 165 million (Three months ended September 30, 2010: Rs 57 million)

	3 months to	
	September 30, 2011	September 30, 2010
	(Rupees in thousand)	
18. AGGREGATE TRANSACTIONS WITH RELATED PARTIES DURING THE PERIOD WERE AS FOLLOWS:		
Associated Companies/sponsor		
Revenue from associated companies	438,327	479,594
Cost and expenses charged by associated companies	248,524	209,151
Markup charged to associated companies	24,953	38,330
Markup on short term running finance from an associated company	74,557	63,611
Markup on medium term finance from an associated company	24,651	–
Markup on long term finance from sponsor	32,526	–
Long term finance received from an associated company	–	550,000
Long term finance received from sponsor	1,657,895	1,206,800
Payments made on behalf of associated companies	10,171	7,787
Other related parties		
Contribution to employees' retirement funds	17,482	21,293

19. GENERAL

This condensed interim financial information has been authorised for circulation to the shareholders by the Board Of Directors of the Company on January 20, 2012.

Chief Executive

Director

NOTES

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