

## *VISION*

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

## *MISSION STATEMENT*

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

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

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

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## **FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
31 DECEMBER 2011**



An Omantel Company





## COMPANY INFORMATION

<b>Chairman</b>	Mehdi Mohammed Al Abduwani
<b>Chief Executive Officer</b>	Babar Ali Syed
<b>Board of Directors <i>(In Alphabetic order)</i></b>	Aimen bin Ahmed Al Hosni Asadullah Khawaja Mehdi Mohammed Al Abduwani (Chairman) Samy Ahmed Abdulqadir Al Ghassany Sohail Qadir Shehryar Ali Taseer Talal Said Marhoon Al-Mamari (Vice Chairman)
<b>Chief Financial Officer</b>	Mohammad Noaman Adil
<b>Executive Committee</b>	Mehdi Mohammed Al Abduwani (Chairman) Aimen bin Ahmed Al Hosni (Member) Sohail Qadir (Member) Babar Ali Syed (Member) Rizwan Abdul Hayi (Secretary)
<b>Audit Committee</b>	Talal Said Marhoon Al-Mamari (Chairman) Asadullah Khawaja (Member) Aimen bin Ahmed Al Hosni (Member) Rizwan Abdul Hayi (Secretary)
<b>Chief Internal Auditor</b>	Mirghani Hamza Al-Madani
<b>Company Secretary</b>	Rizwan Abdul Hayi
<b>Auditors</b>	KPMG Taseer Hadi & Co. Chartered Accountants
<b>Legal Advisers</b>	M/s Khan & Partners Barristers & Solicitors
<b>Bankers <i>(In Alphabetic Order)</i></b>	Allied Bank Limited Albaraka Bank (Pakistan) Limited (formerly Emirates Global Islamic Bank Limited) Askari Bank Limited Barclays Bank Plc Pakistan Burj Bank Limited (formerly Dawood Islamic Bank Limited) Citi Bank N.A. Deutsche Bank AG Faysal Bank Limited First Dawood Investment Bank Limited Habib Bank Limited Habib Metropolitan Bank Limited HSBC Bank Middle East Limited IGI Investment Bank Limited J S Bank Limited KASB Bank Limited MCB Bank Limited National Bank of Pakistan NIB Bank Limited Oman International Bank S.A.O.G. Pak Oman Investment Co. Limited Soneri Bank Limited Standard Chartered Bank (Pakistan) Limited Summit Bank Limited (formerly Arif Habib Bank Limited) Tameer Micro Finance Bank Limited The Bank of Punjab
<b>Registrar and Shares Transfer Office</b>	THK Associates (Pvt.) Limited Ground Floor, State Life Building No.3, Dr. Zia-ud-Din Ahmed Road, Karachi. Tel: (021) 111-000-322
<b>Registered Office/Head Office</b>	67-A, C/III, Gulberg-III, Lahore, Pakistan Tel: (042) 3587 2633-38 Fax: (042) 3575 5231



An Omantel Company





## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 12<sup>th</sup> Annual General Meeting (“AGM”) of the Shareholders of Worldcall Telecom Limited (the “Company” or “WTL”) will be held on Monday, 30 April 2012 at 11:00 a.m. at Avari Hotel, 87, Shahrah-e-Quaid-e-Azam, Lahore to transact the following business:

1. To confirm the minutes of the 11<sup>th</sup> Annual General Meeting held on 31 March 2011;
2. To receive, consider and to adopt the financial statements of the Company for the year ended 31 December 2011 together with the Directors' and Auditors' reports thereon;
3. To appoint Auditors of the Company for the year ending 31 December 2012 and to fix their remuneration;
4. To transact any other business with the permission of Chair.

**By order of the Board**

  
**Babar Ali Syed**  
Chief Executive Officer

**Lahore**  
09 April 2012

### Notes:

- 1) The Register of Members will remain closed from 24 April 2012 to 30 April 2012 (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 21 April 2012 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) Members are requested to notify any change in their registered address immediately.

## MESSAGE FROM THE CHAIRMAN

Dear shareholders,

On behalf of the Board of Directors I would like to share my consideration of the performance of the Company in recent past and my vision for the future. The point of time where we stand now also holds immense importance in my eyes. We have successfully concluded a year where despite a slow commencement we have been able to achieve promising results. This achievement re-affirms my hopes and my trust in the potential of this Company and I hope that the future likely to unfold will also stand true to our positive expectations.

The Company has managed to turn the loss figures of the previous year into profits this year. The turnaround is remarkable in the sense that management stewardship has been able to achieve a sizeable operating profit despite plenty of challenges. The overall business environment also remained testing due to macro-economic variables and the competitive playing field continued to offer challenges.

The management remained focused on the areas where performance margin can be reaped. Besides finding new opportunities for business development, management took many initiatives to curtail the costs and improve the margins. In addition to all this, injection of USD 35 million, through corporate guarantee of Omantel also provided a sizeable impetus for managing this turnaround. The overall outcome can be judged in the positive movement of the financial indicators as appearing in the financial statements.

It is evident that telecommunication sector was the leading beneficiary of the foreign investment that flew in the country over the past decade. Obviously this investment envisaged certain level of margins and market growth. The current market size and the potential of broad band market are proving true these expectations. The current initiative from the Government side to launch 3G technology licenses and the reciprocal enthusiasm from the market players also confirms the tremendous market size and opportunities available. WTL, I believe, shall be a long term beneficiary as the broad band market will experience growth in size and products offered.

Subsequent to year end the Company has received firm letter of commitment from Investors with respect to USD 35million funding. This shall be adding strength to the Company fiscal structure. In addition to this it would also help the Company in expeditiously completing various network upgrade projects currently in progress.

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

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

Lahore:  
27 January 2012



**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 2011.

### Financial Overview

The year under review can be considered as eventful, highly challenging and remarkable. The management came up with a concerted effort and was able to put up a healthy operating profit of Rs 528 million. The success came from rigorous effort on different dimensions particularly from successful delivery of ongoing projects, optimization of operational costs and effective curtailing of non productive expenditures. As featured across the whole telecom sector, the Company also faced the complications of working with diminishing margins coupled with escalating costs of doing business. General macro economic factors also impacted the whole sector. Speaking of market segments, the LDI stream remained under pressure due to price uncertainties and falling termination rate. The voice and WLL business also kept a low profile due to stagnant network outreach, severe competition from cellular sector and slower penetration in masses. However, broad band segment showed growth in the number of subscribers as the Company realigned its strategies to confront new market entrants.

The Company posted revenue of Rs 8,001 million which reflects an increase of 7% as compared with the last year figure. Direct costs registered a 9% saving as the result of Initiatives taken by management. The Company keenly pursued various supply side arrangements so as to create financial leverage and to maintain margins despite falling ARPUs. The operating costs also witnessed saving as a result of continuous efforts of management to limit operational and non-productive expenses. Other operating expenses mainly represent exchange losses on foreign currency denominated long term loans. After accounting for taxation, the year is being closed on a positive note with a net profit of Rs 290 million. The management considers the appearance of positive figures at the bottom line as a promising sign especially in the backdrop of a net loss of Rs 1,147 million last year.

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

	Year 2011	Year 2010
	----- (Rupees in Million) -----	
<b>Revenues</b>	8,001	7,464
<b>Direct Cost</b>	(6,013)	(6,616)
<b>Gross Profit</b>	1,988	848
<b>Operating Cost</b>	(1,460)	(1,610)
<b>Operating Profit/(Loss)</b>	528	(762)
<b>Finance Cost</b>	(715)	(743)
<b>Other operating income</b>	504	58
<b>Other operating expenses</b>	(190)	-
<b>Profit/(Loss) after tax</b>	290	(1,147)
<b>EPS</b>	0.34	(1.33)

### Operational Performance Review

The Company successfully completed all in hand projects with respect to USF. The achievement is noteworthy as the progress work was seriously hampered in these areas due to widespread floods. Nevertheless the Company with a concentrated effort pursued the targets and was able to accomplish it during the year.



The Company has completely paid off TFC II while two installments of TFC III were also paid off during the period. Total principal payments made to service the TFCs during the year amounts to Rs. 1,212 million. The honoring of liabilities can be considered as a good indicator for the future.

Despite the excessive power outages and overdue network upgrade the Company kept on providing smooth and continuous services to its subscribers. The same was also witnessed in the recent report of PTA where it announced the results of the second nationwide WLL quality of service survey. As per the results of survey, the service standards of the Company were satisfactory in terms of all the tested KPIs and rated among the best in the industry.

The expansion of the market share on the broad band during the year is also a promising sign. The latent potential of this segment has been widely heard and debated at all forums. The current growth trends bear testimony to the claims. The Company has the sizeable presence in this segment as it accounts for 10% of the market share. During the year the market saw active operations of new participants to which the Company responded in a proactive manner.

Due to stress on operational costs, the management pursued a cautious approach to create maximum supply side economy, that led to maximum capacity utilizations with least cost. The results of these endeavors led to favorable movements in direct costs during the year.

### **Funding Update**

The first phase of funding comprising term facility of USD 35 million has been successfully accomplished in the first quarter of the year. The funding was primarily used to pay off high cost liabilities to financial institutions and to settle long outstanding vendor payments. A portion was also channeled to some necessary capital expenditure.

The Company, is now in the process of negotiating the second phase of funding of another USD 35 million. Due diligence exercise in respect of this has been successfully concluded subsequent to year end and the Company has received firm letter of commitment from investors. The management has planned to utilize the major portion of this funding to upgrade the network and infrastructure.

### **The future outlook and way forward**

The management of the Company is looking forward to the new challenges with dynamic vision and vigorous approach. The management is currently pursuing different policy initiatives all aimed to address the emerging market dynamics. The management intends to bring its corporate and general selling practices in line with the latest practices suited to the ongoing market. The management is well aware of the need to create an image of reliability and quality with respect to all of its products particularly the EVDO and cable services. Enthusiastic sales force is being developed to promote the brand awareness and customer loyalty. The service delivery channels and the after sale service points are also being reshaped. New sales and services centers are being set up which are expected to reflect fresh ambiance and renewed image of the Company.

Besides revamp of commercial strategy the management has extensive plans for network upgrade and infrastructure enhancement once the second tranche funding of USD 35 million is released. These upgrades will not only lead to better coverage but would also ensure improved service quality. The future vision of the market depicts that success will be dependent on network coverage and subscribers volumes. ARPUS are expected to decline further consequently the volume growth will become the sole factor for determining the long term success. Agreements for the upgrade with various service providers are in place and management intends to expedite the process as soon as the funding is available.

In terms of developing new business opportunities, the management is currently in the process of negotiating various contracts for P2P connectivity. Management is aiming to utilize its network resources and expertise in offering unique solutions to cater for the specialized needs of the market.

### **Changes in the Board of Directors**

Election of Directors was held on 31 March 2011 and the following Directors were elected in the Annual General meeting of the Company:

Mr. Mehdi Mohammed Al Abduwani	Chairman
Mr. Talal Said Marhoon Al-Mamari	Vice Chairman
Mr. Aimen bin Ahmed Al Hosni	Director
Mr. Samy Ahmed Abdulqadir Al Ghassany	Director
Mr. Sohail Qadir	Director
Mr. Shehryar Ali Taseer	Director
Mr. Asadullah Khawaja	Director

The Board of Directors appointed Mr. Mehdi Mohammed Al Abduwani as Chairman and Mr. Talal Said Marhoon Al-Mamari as Vice Chairman of the Board.

### **Re-appointment of Chief Executive Officer**

Tenure of Mr. Babar Ali Syed, Chief Executive Officer completed on 12 August 2011. He was re-appointed for the next term by the Board of Directors on the same date. His remuneration package also remained the same.

### **Appointment of Company Secretary**

The Board of Directors of the Company appointed Mr. Rizwan Abdul Hayi as Company Secretary in place of Mr. Saud Mansoor Al-Mazroui in the meeting held on 28 April 2011. The Board of Directors placed on record their appreciation for the commendable job done by Mr. Saud Mansoor Al-Mazroui during his tenure. The Board of Directors also wished him success in his role in the parent Company (Omantel).

### **Board Meetings during the period**

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

<b>Name of Board Member</b>	<b>Meeting Attended</b>
Mr. Mehdi Mohammed Al Abduwani	5
Mr. Talal Said Marhoon Al-Mamari	5
Mr. Aimen bin Ahmed Al Hosni	4
Mr. Samy Ahmed Abdulqadir Al Ghassany	3
Mr. Sohail Qadir	5
Mr. Shehryar Ali Taseer	3
Mr. Asadullah Khawaja	5

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

### **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  
Mr. Asadullah Khawaja  
Mr. Aimen bin Ahmed Al Hosni  
Mr. Mirghani Hamza Al-Madani  
Mr. Rizwan Abdul Hayi

Chairman  
Member  
Member  
Chief Internal Auditor  
Secretary

During the year 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 of Directors 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 Mohammed Al-Abduwani and has the following structure:

Mr. Mehdi Mohammed Al-Abduwani	Chairman
Mr. Aimen bin Ahmed Al Hosni	Member
Mr. Sohail Qadir	Member
Mr. Babar Ali Syed	Member
Mr. Rizwan Abdul Hayi	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 10 meetings of the Executive Committee were held.

### **HR Committee**

Subsequent to the year end, the Board of Directors, in compliance with the Code of Corporate Governance has established HR Committee consisting of the following:

Mr. Talal Said Marhoon Al-Mamari	Member
Mr. Aimen bin Ahmed Al Hosni	Member
Mr. Sohail Qadir	Member

**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, 2012, 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, 2011 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, 2011 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, 2011.

**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 & 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 Company website: [www.worldcall.com.pk](http://www.worldcall.com.pk). The website contains the latest financial results of the company together with company's profile.

**Dividend / Payout**

Considering the cash flow situation and future expansion plans, the Directors have not recommended any dividend / payout for the year.

**Pattern of Shareholding**

A statement of the Pattern of Shareholding of different classes of shareholders as at December 31, 2011, 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.
10. The Company has followed the best practices of corporate governance, as detailed in the Listing Regulations of Stock Exchanges.

### **Holding Company information**

The Company is a subsidiary of Omantel 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:**  
27 January 2012

**Annexure-1**

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

<b>Directors</b>	<b>Opening Balance as on 31-Dec-2010</b>	<b>Purchase</b>	<b>Bonus</b>	<b>Sale</b>	<b>Closing Balance as of 31-Dec-2011</b>
Mr. Mehdi Mohammed Al Abduwani	20,500	-	-	-	20,500
Mr. Talal Said Marhoon Al-Mamari	500	-	-	-	500
Mr. Saud bin Ahmed al Nahari (Resigned)	500	-	-	500	-
Mr. Bernhard Heinichen Van Der Merwe (Resigned)	500	-	-	500	-
Mr. Shehryar Ali Taseer	-	500	-	-	500
Mr. Samy Ahmed Abdulqadir Al Ghassany	500	-	-	-	500
Mr. Salmaan Taseer (Deceased)	35,281	-	-	-	35,281
Mr. Aimen bin Ahmed Al Hosni	575	-	-	-	575
Mr. Asadullah Khawaja	100,000	-	-	-	100,000
Mr. Zafar Iqbal (Resigned)	500	-	-	500	-
Mr. Sohail Qadir	-	500	-	-	500
Mr. Babar Ali Syed (CEO)	75	-	-	-	75
<b>Chief Financial Officer</b>					
Mr. Mohamad Noaman Adil	-	-	-	-	-
<b>Company Secretary</b>					
Mr. Rizwan Abdul Hayi	-	20,000	-	-	20,000
<b>Spouses / Minor Children</b>					
	-	-	-	-	-

## FIVE YEAR FINANCIAL PERFORMANCE INCOME STATEMENTS

	Year ended 31 December 2011	Year ended 31 December 2010	Year ended 31 December 2009	Period ended 31 December 2008	Restated Year ended 30 June 2008
------(Rupees in '000)-----					
Revenue -net	8,001,013	7,464,404	8,408,275	3,091,482	4,319,539
Direct cost	(6,012,774)	(6,615,984)	(7,036,603)	(2,260,757)	(2,854,820)
<b>Gross profit</b>	<b>1,988,239</b>	<b>848,420</b>	<b>1,371,672</b>	<b>830,725</b>	<b>1,464,719</b>
Operating cost	(1,460,237)	(1,610,041)	(1,356,317)	(1,133,279)	(1,210,139)
<b>Operating (loss)/profit</b>	<b>528,002</b>	<b>(761,621)</b>	<b>15,355</b>	<b>(302,554)</b>	<b>254,580</b>
Finance cost	(714,654)	(743,413)	(523,025)	(163,182)	(460,569)
	<b>(186,652)</b>	<b>(1,505,034)</b>	<b>(507,670)</b>	<b>(465,736)</b>	<b>(205,989)</b>
Gain on re-measurement of investment at fair value	-	-	-	-	3,844
Gain on re-measurement of investment property at fair value	-	1,378	-	-	4,012
Impairment loss on available for sale financial assets	(26,508)	(65,894)	(167,865)	-	-
Other operating income	504,213	58,097	103,993	98,568	93,355
Other expenses	(190,216)	-	(51,981)	(23,113)	(29,941)
<b>(Loss)/Profit before taxation</b>	<b>100,837</b>	<b>(1,511,453)</b>	<b>(623,523)</b>	<b>(390,281)</b>	<b>(134,719)</b>
Taxation	189,413	364,447	132,704	90,993	88,365
<b>(Loss)/Profit after taxation</b>	<b>290,250</b>	<b>(1,147,006)</b>	<b>(490,819)</b>	<b>(299,288)</b>	<b>(46,354)</b>
<b>Bonus Shares</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>(Loss)/earning per share - basic and diluted</b>	<b>0.34</b>	<b>(1.33)</b>	<b>(0.57)</b>	<b>(0.35)</b>	<b>(0.06)</b>





## STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES ON TRANSFER PRICING FOR THE YEAR ENDED 31 DECEMBER 2011

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

Lahore:  
27 January 2012

  
**BABAR ALI SYED**  
CHIEF EXECUTIVE OFFICER

## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2011

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 NBFIs. 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) The related party transactions have been placed before the Audit Committee and approved by the Board of Directors with necessary justifications for non arm's length transactions and pricing methods for transactions that were made on terms equivalent to those that prevail in the arm's length transactions only if such terms can be sustained.
- 21) The Management of the Company is committed to good corporate governance, and appropriate steps are taken to comply with the best practices.
- 22) We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board

**BABAR ALI SYED**  
CHIEF EXECUTIVE OFFICER

**Lahore:**  
27 January 2012

## **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 where the company is listed.


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

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

Further, listing Regulations of the Karachi and Lahore stock exchanges require 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 or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 31 December 2011.

**Lahore:**  
27 January 2012



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

## **AUDITORS' REPORT TO THE MEMBERS**

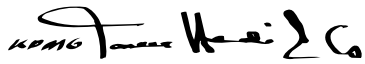
We have audited the annexed balance sheet of **Worldcall Telecom Limited ("the Company")** as at 31 December 2011 and the related profit and loss account, statement of other comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by 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, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2011 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and
- d) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

**Lahore:**  
27 January 2012



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



**BALANCE SHEET  
AS AT 31 DECEMBER 2011**

	Note	31 December 2011	31 December 2010
------(Rupees in '000)-----			
<b>NON CURRENT ASSETS</b>			
<b>Tangible fixed assets</b>			
Property, plant and equipment	3	13,527,048	12,795,044
Capital work-in-progress	4	650,986	751,378
		<u>14,178,034</u>	<u>13,546,422</u>
<b>Intangible assets</b>			
Investment properties	5	5,183,628	4,606,312
Long term investment- classified as held for sale	6	146,074	89,900
Long term trade receivable	7	-	-
Deferred taxation	8	18,092	46,805
Long term advances and deposits	9	288,499	18,953
	10	<u>132,323</u>	<u>63,439</u>
		<u>19,946,650</u>	<u>18,371,831</u>
<b>CURRENT ASSETS</b>			
Stores and spares	11	235,415	192,075
Stock in trade	12	201,901	192,917
Trade debts	13	3,252,683	2,016,418
Loans and advances - considered good	14	1,058,229	778,826
Deposits and prepayments	15	142,945	174,051
Other receivables	16	86,212	24,999
Short term investments-available for sale	17	114,489	310,472
Income tax recoverable-net		163,943	155,433
Cash and bank balances	18	327,028	183,960
		<u>5,582,845</u>	<u>4,029,151</u>
<b>CURRENT LIABILITIES</b>			
Current maturities of non-current liabilities	19	2,095,116	1,224,671
Running finance under mark-up arrangements - secured	20	979,373	1,170,964
Short term borrowings	21	118,503	200,000
License fee payable	22	1,021,500	1,021,500
Trade and other payables	23	4,589,727	5,044,715
Interest and mark-up accrued	24	140,183	170,569
		<u>8,944,402</u>	<u>8,832,419</u>
		<u>(3,361,557)</u>	<u>(4,803,268)</u>
<b>NET CURRENT LIABILITIES</b>			
<b>NON CURRENT LIABILITIES</b>			
Term finance certificates - secured	25	1,081,213	2,166,079
Long term loan	26	3,060,004	-
Deferred Income	27	166,300	254,716
Retirement benefits	28	300,075	226,979
Liabilities against assets subject to finance lease	29	89,471	15,962
Long term payables	30	1,494,620	631,645
Long term deposits		42,661	43,208
		<u>6,234,344</u>	<u>3,338,589</u>
Contingencies and commitments	31		
		<u>10,350,749</u>	<u>10,229,974</u>
<b>Represented by</b>			
<b>Share capital and reserves</b>			
Authorized capital			
900,000,000 (31 December 2010: 900,000,000) ordinary shares of Rs. 10 each		<u>9,000,000</u>	<u>9,000,000</u>
Issued, subscribed and paid up capital	32	8,605,716	8,605,716
Share premium	33	837,335	837,335
Fair value reserve		(242,023)	(72,548)
Accumulated profit		806,476	521,111
		<u>10,007,504</u>	<u>9,891,614</u>
Surplus on revaluation	34	343,245	338,360
		<u>10,350,749</u>	<u>10,229,974</u>

The annexed notes 1 to 48 form an integral part of these financial statements.

**Lahore:**  
27 January 2012

*Balawandity*  
**CHIEF EXECUTIVE OFFICER**

*Ghulam*  
**DIRECTOR**

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	31 December 2011	31 December 2010
------(Rupees in '000)-----			
Revenue -net	35	8,001,013	7,464,404
Direct cost	36	(6,012,774)	(6,615,984)
<b>Gross profit</b>		<b>1,988,239</b>	848,420
Operating cost	37	(1,460,237)	(1,610,041)
<b>Operating profit/(loss)</b>		<b>528,002</b>	(761,621)
Finance cost	38	(714,654)	(743,413)
		<b>(186,652)</b>	(1,505,034)
Gain on re-measurement of investment property at fair value		-	1,378
Impairment loss on available for sale financial assets		(26,508)	(65,894)
Other operating income	39	504,213	58,097
Other operating expenses		(190,216)	-
<b>Profit/(loss) before taxation</b>		<b>100,837</b>	(1,511,453)
Taxation	40	189,413	364,447
<b>Profit/(loss) after taxation</b>		<b>290,250</b>	(1,147,006)
<b>Earning/(loss) per share - basic and diluted (Rupees)</b>	41	<b>0.34</b>	(1.33)

The annexed notes 1 to 48 form an integral part of these financial statements.

Lahore:  
27 January 2012

*Balawandip*  
CHIEF EXECUTIVE OFFICER

*Griffith*  
DIRECTOR



## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2011

	31 December 2011	31 December 2010
	----- (Rupees in '000) -----	
Profit/(loss) for the year	290,250	(1,147,006)
<b>Other comprehensive income/(loss)-net of tax:</b>		
Net change in fair value of available for sale financial assets	(195,983)	(67,967)
Impairment loss transferred to profit and loss account	26,508	65,894
	(169,475)	(2,073)
<b>Total comprehensive income/(loss) for the year</b>	<u>120,775</u>	<u>(1,149,079)</u>

The annexed notes 1 to 48 form an integral part of these financial statements.

Lahore:  
27 January 2012

*Balawanditya*  
CHIEF EXECUTIVE OFFICER

*Griffith*  
DIRECTOR



## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	31 December 2011	31 December 2010
------(Rupees in '000)-----			
<b>Cash flows from operating activities</b>			
Cash generated from operations	43	484,505	3,013,732
(Increase)/decrease in long term deposits receivable		(68,884)	5,362
Decrease/(Increase) in long term trade receivable		28,713	(60,191)
Decrease in long term deposits payable		(547)	(952)
Decrease in deferred income		(88,416)	-
Increase/(decrease) in long term payables		1,163,889	(622,161)
Retirement benefits paid		(21,717)	(43,828)
Finance cost paid		(753,786)	(738,229)
Taxes paid		(88,643)	(64,950)
<b>Net cash generated from operating activities</b>		<b>655,114</b>	<b>1,488,783</b>
<b>Cash flows from investing activities</b>			
Fixed capital expenditure		(1,228,347)	(1,113,451)
Acquisition of intangible asset		(784,800)	-
Proceeds from property, plant and equipment		85,990	20,435
License fee paid		-	(113,500)
<b>Net cash used in investing activities</b>		<b>(1,927,157)</b>	<b>(1,206,516)</b>
<b>Cash flows from financing activities</b>			
Repayment of long term finances		-	(37,494)
Receipts of long term finances		2,943,855	-
Running finance- net		(191,591)	125,304
(Repayment)/receipt of short term borrowings- net		(81,497)	200,000
Repayment of term finance certificates		(1,212,397)	(665,254)
Repayment of finance lease liabilities		(43,259)	(57,343)
<b>Net cash generated from/(used in) financing activities</b>		<b>1,415,111</b>	<b>(434,787)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>143,068</b>	<b>(152,520)</b>
<b>Cash and bank balances at the beginning of the year</b>		<b>183,960</b>	<b>336,480</b>
<b>Cash and bank balances at the end of the year</b>		<b>327,028</b>	<b>183,960</b>

The annexed notes 1 to 48 form an integral part of these financial statements.

Lahore:  
27 January 2012

*Sabandily*  
CHIEF EXECUTIVE OFFICER

*Griffin*  
DIRECTOR

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2011

	Share capital	Share Premium	Fair value reserve- available for sale assets	Accumulated profit	Revaluation reserve	Total
	(Rupees in '000)					
<b>Balance as at 31 December 2009</b>	<b>8,605,716</b>	<b>837,335</b>	<b>(70,475)</b>	<b>1,674,903</b>	<b>331,574</b>	<b>11,379,053</b>
Transfer to surplus on revaluation	-	-	-	(6,786)	6,786	-
Total comprehensive loss for the year	-	-	(2,073)	(1,147,006)	-	(1,149,079)
<b>Balance as at 31 December 2010</b>	<b>8,605,716</b>	<b>837,335</b>	<b>(72,548)</b>	<b>521,111</b>	<b>338,360</b>	<b>10,229,974</b>
Transfer to surplus on revaluation	-	-	-	(4,885)	4,885	-
Total comprehensive loss/(profit) for the year	-	-	(169,475)	290,250	-	120,775
<b>Balance as at 31 December 2011</b>	<b>8,605,716</b>	<b>837,335</b>	<b>(242,023)</b>	<b>806,476</b>	<b>343,245</b>	<b>10,350,749</b>

The annexed notes 1 to 48 form an integral part of these financial statements.

Lahore:  
27 January 2012

*Balanda*  
CHIEF EXECUTIVE OFFICER

*Griffith*  
DIRECTOR

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

### 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 & 28)
- Taxation- (note 2.8 & 40)
- Provisions and contingencies- (note 2.18 & 31)
- Investment properties- (note 2.6 & 6)
- Impairment testing of Goodwill - (note 5.4)

## 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.

During the year the Company has changed the accounting estimates. Please refer note 3.3 of the financial statements.

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.

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

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'.

### **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.

The revenue under Universal Service Fund (USF) services and subsidy agreement is recognized under IAS-18 based on stage of completion with reference to the achievement of each milestone as provided in the agreement.

### **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		Additions/ (Disposals)		Transfers/ Adjustments		Cost/revalued amount as at 31 December 2011	Accumulated depreciation as at 01 Jan 2011		Depreciation charge for the year/ (Disposals) Adjustments		Accumulated depreciation as at 31 December 2011	Net book value as at 31 December 2011	Depreciation rate %
	01 Jan 2011		(Disposals)		Adjustments		at 01 Jan 2011	(Disposals)	Adjustments	at 31 December 2011	at 31 December 2011			
(Rupees in '000)														
<b>Owned assets</b>														
Freehold Land	19,800	-	-	-	-	-	19,800	-	-	-	-	-	19,800	-
Leasehold improvements	116,398	5,983	-	-	-	-	122,381	66,755	12,298	-	-	79,053	43,328	20-33
Plant and equipment	17,377,906	1,248,551	(10,173)	-	-	-	18,616,284	4,819,556	1,172,023	(4,636)	-	5,986,943	12,629,341	4-33.33
Office equipment	93,828	6,437	(1,076)	-	(187)	-	99,002	30,625	11,272	(309)	-	41,588	57,414	10
Computers	99,411	61,561	(1,824)	-	-	-	159,148	86,807	18,892	(1,534)	-	104,165	54,983	33
Furniture and fixtures	24,445	280	(11)	-	-	-	24,714	11,104	2,613	(7)	-	13,710	11,004	10
Vehicles	139,136	528	(125,306)	-	-	-	90,892	106,540	6,333	(108,773)	21,986	73,950	16,942	20
Lab and other equipment	20,605	575	-	-	-	-	21,180	14,190	1,523	-	-	15,713	5,467	10-20
	<b>17,891,529</b>	<b>1,323,915</b>	<b>(138,390)</b>	<b>28,670</b>	<b>47,677</b>	<b>19,153,401</b>	<b>5,135,577</b>	<b>1,224,954</b>	<b>(115,259)</b>	<b>21,986</b>	<b>47,864</b>	<b>6,315,122</b>	<b>12,838,279</b>	
<b>Leased assets</b>														
Plant and equipment	28,292	518,835	-	-	-	-	547,127	2,861	2,558	-	-	5,419	541,708	4-33.33
Office equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	10
Vehicles	19,302	155,041	(1,537)	(28,670)	4,251	148,387	5,641	13,574	(154)	(21,986)	4,251	1,326	147,061	20
	<b>47,594</b>	<b>673,876</b>	<b>(1,537)</b>	<b>(28,670)</b>	<b>4,251</b>	<b>695,514</b>	<b>8,502</b>	<b>16,132</b>	<b>(154)</b>	<b>(21,986)</b>	<b>4,251</b>	<b>6,745</b>	<b>688,769</b>	
	<b>17,939,123</b>	<b>1,997,791</b>	<b>(139,927)</b>	<b>51,928</b>	<b>51,928</b>	<b>19,848,915</b>	<b>5,144,079</b>	<b>1,241,086</b>	<b>(115,413)</b>	<b>-</b>	<b>52,115</b>	<b>6,321,867</b>	<b>13,527,048</b>	

3.2 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).....										
<b>Owned assets</b>										
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
Plant and equipment	15,043,417	2,128,219	(4,657)	17,377,906	3,402,806	1,354,643	93,831	4,819,556	12,558,350	4-33.33
Office equipment	85,623	7,635	(3,485)	93,828	20,576	10,660	1,735	30,625	63,203	10
Computers	91,024	8,908	(521)	99,411	70,726	16,544	-	86,807	12,604	33
Furniture and fixtures	24,967	552	(1,074)	24,445	9,081	2,889	-	11,104	13,341	10
Vehicles	111,122	35	(26,915)	139,136	82,053	14,272	47,286	106,540	32,596	20
Lab and other equipment	17,440	3,165	-	20,605	11,824	2,366	-	14,190	6,415	10-20
	<b>15,508,778</b>	<b>2,155,415</b>	<b>(36,780)</b>	<b>17,891,529</b>	<b>3,651,034</b>	<b>1,414,248</b>	<b>142,852</b>	<b>5,135,577</b>	<b>12,755,952</b>	
<b>Leased assets</b>										
Plant and equipment	279,173	3,944	(293,741)	28,292	58,931	9,162	(93,831)	2,861	25,431	4-33.33
Office equipment	4,055	-	(38,916)	-	-	-	28,599	-	-	10
Vehicles	64,896	9,300	(4,055)	19,302	34,679	6,596	(47,286)	5,641	13,661	20
	<b>348,124</b>	<b>13,244</b>	<b>(367,107)</b>	<b>47,594</b>	<b>95,164</b>	<b>15,939</b>	<b>(142,852)</b>	<b>8,502</b>	<b>39,092</b>	
	<b>15,856,902</b>	<b>2,168,659</b>	<b>(5,760)</b>	<b>17,939,123</b>	<b>3,746,198</b>	<b>1,430,187</b>	<b>(31,665)</b>	<b>5,144,079</b>	<b>12,795,044</b>	



- 3.3** During the year the Company has reviewed the accounting estimates relating to the useful lives and residual values of items of property, plant and equipment. The change in accounting estimate has been applied as per IAS 8- Accounting policies, changes in accounting estimates and errors and the effect of this change in accounting estimate on the current and future years is Rs 204.122 million per annum
- 3.4** 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 2011 would have amounted to Rs. 12,959 million (31 December 2010: Rs. 12,412 million).
- 3.5** Carrying value of property, plant and equipment and current assets having a charge against borrowings amount to Rs. 12,208 million (31 December 2010: Rs. 12,268 million).
- 3.6** Finance cost amounting to Rs. 7.4 million (31 December 2010: Rs. 45.199 million) was capitalized during the year in property, plant and equipment.
- 3.7** Property, plant and equipment includes equipment deployed in implementing the USF network which is subject to lien exercisable by USF Company in the event of failure by the Company to maintain service availability and quality specification.
- 3.8** During the year the Company acquired 200 km of metro fiber amounting to Rs 518.4 million under IRU arrangement from Multinet Pakistan (Pvt.) Limited for a period of 18 years.

	<b>Note</b>	<b>31 December 2011</b>	31 December 2010
		----- <b>(Rupees in '000)</b> -----	
<b>3.9</b> Depreciation charge during the year has been allocated as follows:			
Direct cost	36	1,175,664	1,363,805
Operating cost	37	65,422	66,382
		<u>1,241,086</u>	<u>1,430,187</u>

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

Description	Accumulated Book		Sale	Mode of	Sold to
	Cost	depreciation Value			
	------(Rupees in '000)-----				
<b>Plant and equipment</b>					
FOC network	2,435	1,091	1,344	2,172	Insurance claim
Gateways	4,765	2,848	1,917	5,000	Insurance claim
<b>Computers</b>					
Laptop	102	37	65	50	Negotiation Ehtasham-ex employee
Laptop	150	62	88	100	Negotiation Salman-ex employee
<b>Office Equipment</b>					
LG LCD TV 26"	94	5	89	30	Negotiation Irfan Zaki- ex employee
<b>Vehicles</b>	62,685	44,052	18,633	44,570	Negotiation Employees
<b>Items with book value less than Rs. 50,000</b>	69,696	67,318	2,378	34,068	
<b>Total</b>	<b>139,927</b>	<b>115,413</b>	<b>24,514</b>	<b>85,990</b>	

31 December 31 December  
2011 2010  
------(Rupees in '000)-----

**4 Capital work-in-progress**

**Owned**

Civil works	<b>34,596</b>	45,229
Plant and equipment	<b>616,390</b>	706,149
	<b>650,986</b>	<b>751,378</b>

**5 Intangible assets**

	Cost/revalued amount as at		Cost/revalued amount as at	Accumulated amortization	Amortization for the year	Accumulated amortization	Net book value as at	Rate
	01 Jan	Additions/ (adjustments)	31 Dec	as at 01 Jan		as at 31 Dec	31 Dec	%
	2011	(adjustments)	2011	2011		2011	2011	
------(Rupees in '000)-----								
Licenses	2,893,290	-	2,893,290	841,848	158,269	1,000,117	1,893,173	5
Patents and copyrights	5,333	-	5,333	4,407	801	5,208	125	10
Indefeasible right of use - Media cost	-	784,800	784,800	-	47,964	47,964	736,836	6.67
Softwares	16,284	-	16,284	15,834	450	16,284	-	20
Goodwill	2,690,403	-	2,690,403	136,909	-	136,909	2,553,494	-
	<b>5,605,310</b>	<b>784,800</b>	<b>6,390,110</b>	<b>998,998</b>	<b>207,484</b>	<b>1,206,482</b>	<b>5,183,628</b>	
------(Rupees in '000)-----								
	Cost/revalued amount as at		Cost/revalued amount as at	Accumulated amortization	Amortization for the year	Accumulated amortization	Net book value as at	Rate
	01 Jan	Additions/ (adjustments)	31 Dec	as at 01 Jan		as at 31 Dec	31 Dec	%
	2010	(adjustments)	2010	2010		2010	2010	
------(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	-
	<b>5,605,310</b>	<b>-</b>	<b>5,605,310</b>	<b>838,045</b>	<b>160,953</b>	<b>998,998</b>	<b>4,606,312</b>	

**5.1** The Company had revalued its licenses and software on 30 June 2008 resulting in a net surplus of Rs. 430.393 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 2011 would have amounted to Rs. 4,827 million (31 December 2010: 4,257 million).

**5.2** During the year the Company has acquired an indefeasible right of use in respect of capacity procured from Multinet Pakistan (Pvt) Limited valuing Rs. 784.8 million for a period of 15 years.

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

**5.4 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 2011 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 cash inflows of USD 70 million from investing and financing activities. As assumed in the five year financial plan, the Company during the year obtained a long term loan facility of USD 35 million and is in advance stage of arranging funding of equivalent amount.

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 2011	31 December 2010
----- (Rupees in '000) -----			
<b>5.5</b>	Amortization charge during the year has been allocated as follows:		
	Direct cost	36 <b>163,758</b>	100,467
	Capitalized during the year	<b>43,726</b>	60,486
		<u><b>207,484</b></u>	<u>160,953</u>

**6 Investment properties**

Opening balance		<b>89,900</b>	76,162
Addition during the year	6.2	<b>56,174</b>	6,600
Transferred from owned assets		-	5,760
Fair value adjustment		-	1,378
Closing balance		<u><b>146,074</b></u>	<u>89,900</u>

**6.1** Investment properties comprise of land and building. Fair value of investment property was determined by approved independent valuers.

**6.2** During the year the Company acquired various properties under barter arrangement.

**7 Long term investment - classified as held for sale**

**Foreign subsidiary - Unquoted**

**Worldcall Telecommunications Lanka (Pvt) Limited  
Incorporated in Sri Lanka**

7,221,740 ( 31 December 2010: 7,221,740) ordinary shares of Sri Lankan Rupees 10/-each. Equity held 70.65% (31 December 2010: 70.65%)

Share deposit money

Less: Provision for impairment

	31 December 2011	31 December 2010
----- (Rupees in '000) -----		
<b>44,406</b>	44,406	
<b>13,671</b>	13,671	
<b>58,077</b>	58,077	
<b>(58,077)</b>	(58,077)	
<u>-</u>	<u>-</u>	

**7.1** The Company's foreign subsidiary namely Worldcall Telecommunications Lanka (Private) Limited has been suffering losses since last 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 decided and approved the winding up of the subsidiary. Long term investment in subsidiary was classified as discontinued operations.

## 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 five years.

**Note**    **31 December**    31 December  
                   **2011**                    2010  
                   -----**(Rupees in '000)**-----

## 9 Deferred taxation

This is composed of:

Liability for deferred taxation comprising temporary differences related to:

Accelerated tax depreciation	2,755,778	2,646,604
Surplus on revaluation of plant and equipment	173,058	173,058
Others	784,122	687,530

Asset for deferred taxation comprising temporary differences related to:

Unused tax losses and tax credits	(3,797,540)	(3,099,464)
Provision for doubtful debts and retirement benefits	(203,917)	(426,681)
	(288,499)	(18,953)

## 10 Long term advances and deposits

Security deposit with PTCL		17,509
Deposits with financial institutions		6,056
Advances to employees	10.1	-
Others		41,278
		64,843

Less: Current maturity

Deposits	15	(21)	(1,404)
Advances to employees	14	(21,042)	-
		(21,063)	(1,404)
		132,323	63,439

**10.1** These loans and advances are unsecured and interest free and include advances given to executives of Rs. 30.218 million (31 December 2010: Rs. Nil million) and chief executive officer of Rs. 12.366 million (31 December 2010: Nil) against gratuity.

	Note	31 December 2011 ------(Rupees in '000)-----	31 December 2010
<b>11 Stores and spares</b>			
Cost		266,315	216,975
Less: provision			
Opening balance		(24,900)	(10,200)
Addition during the year		(6,000)	(14,700)
Closing balance		(30,900)	(24,900)
		235,415	192,075
<b>12 Stock in trade</b>			
Cost		217,401	208,417
Less: provision			
Opening balance		(15,500)	(7,000)
Addition during the year		-	(8,500)
Closing balance		(15,500)	(15,500)
		201,901	192,917
<b>13 Trade debts</b>			
Considered good - Unsecured		3,252,683	2,016,418
Considered doubtful - Unsecured		221,006	714,694
	13.1	3,473,689	2,731,112
Less: Provision for doubtful debts	13.2	(221,006)	(714,694)
		3,252,683	2,016,418
<b>13.1 This includes due from associated companies as follows:</b>			
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
		92,813	92,813
<b>13.2 Provision for doubtful debts</b>			
Opening balance		714,694	579,805
Charged during the year		119,683	134,889
Written off during the year		(613,371)	-
Closing balance	13.2.1	221,006	714,694

**13.2.1** It includes provision of Rs. 92.81 million (31 December 2010: Rs.92.81 million) against receivable from Pace group companies, associated companies.

	Note	31 December 2011	31 December 2010
----- (Rupees in '000) -----			

#### 14 Loans and advances - considered good

Loans and advances to employees		25,480	43,543
Current maturity of longterm loans to employees		21,042	-
Advances to suppliers		491,715	300,573
Advances to PTA	14.1	519,992	434,710
		1,058,229	778,826

**14.1** This mainly represents APC for USF in relation to the period prior to the valid formation of USF fund by the Federal Government. It also includes Rs 40 million 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 22nd 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 (31 December 2010 Rs. 40 million) which was complied by the Company.

	Note	31 December 2011	31 December 2010
----- (Rupees in '000) -----			

#### 15 Deposits and prepayments

Margin deposits	15.1	60,164	68,499
Prepayments		73,374	83,478
Current maturity of long term deposits	10	21	1,404
Short term deposits		9,386	20,670
		142,945	174,051

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

	Note	31 December 2011	31 December 2010
		----- (Rupees in '000) -----	
<b>16 Other receivables</b>			
Receivable from PTCL - unsecured considered doubtful		-	196,919
Less: provision for doubtful receivables	16.1	-	(196,919)
		-	-
Other receivables - considered good		<b>31,989</b>	24,999
Other receivables - considered doubtful		<b>15,139</b>	40,096
		<b>47,128</b>	65,095
Less: provision for doubtful receivables	16.2	<b>(15,139)</b>	(40,096)
		<b>31,989</b>	24,999
Sales tax refundable		<b>54,223</b>	-
		<b>86,212</b>	24,999
<b>16.1 Provision for doubtful receivables-PTCL</b>			
Opening balance		<b>196,919</b>	196,919
Written off during the year		<b>(196,919)</b>	-
Closing balance		-	196,919
<b>16.2 Provision for doubtful receivables</b>			
Opening balance		<b>40,096</b>	40,096
Written off during the year		<b>(24,957)</b>	-
Closing balance		<b>15,139</b>	40,096
<b>17 Short term investments-available for sale</b>			
Carrying value	17.1	<b>53,849</b>	85,461
Fair value adjustment		<b>(12,105)</b>	(31,612)
		<b>41,744</b>	53,849
<b>Related parties</b>			
Carrying value	17.2	<b>256,623</b>	292,978
Fair value adjustment		<b>(183,878)</b>	(36,355)
		<b>72,745</b>	256,623
		<b>114,489</b>	310,472

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

All shares have face value of Rs. 10 each.

Name	No. of shares		31 Dec 2011		31 Dec 2010	
	31 Dec 2011	31 Dec 2010	Carrying value	Market value	Carrying value	Market value
------(Rupees in '000)-----						
<b>Commercial Banks</b>						
The Bank of Punjab	10,528	10,528	103	57	205	103
<b>Mutual Fund</b>						
First Dawood Mutual Fund	580,750	580,750	1,162	987	981	1,162
Pak Oman Advantage Fund	1,000,000	1,000,000	10,350	9,120	10,500	10,350
<b>Electric Appliances</b>						
Pak Elektron Limited	9	9	-	-	2	-
<b>Leasing</b>						
Standard Chartered Leasing Limited	70,000	70,000	199	210	180	199
<b>Insurance</b>						
Shaheen Insurance Company Limited	3,136,963	3,136,963	42,035	31,370	73,593	42,035
			<b>53,849</b>	<b>41,744</b>	<b>85,461</b>	<b>53,849</b>

### 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 2011		31 Dec 2010	
	31 Dec 2011	31 Dec 2010	Carrying value	Market value	Carrying value	Market value
------(Rupees in '000)-----						
First Capital Securities Corporation Limited	3,991,754	3,991,754	14,211	7,425	34,438	14,211
<b>Percentage of equity held 1.27%</b> (31 Dec 2010: 1.27%)						
Pace (Pakistan) Limited	6,959,290	6,959,290	18,999	9,047	40,712	18,999
<b>Percentage of equity held 2.5%</b> (31 Dec 2010: 2.5%)						
Media Times Limited						
<b>Percentage of equity held 3.13%</b> (31 Dec 2010: 3.13%)						
	4,199,500	4,199,500	223,413	56,273	217,828	223,413
			<b>256,623</b>	<b>72,745</b>	<b>292,978</b>	<b>256,623</b>

**18 Cash and bank balances**

	Note	31 December 2011	31 December 2010
----- (Rupees in '000) -----			
At banks in			
Current accounts		7,728	8,392
Saving accounts	18.1	310,082	163,065
		<b>317,810</b>	171,457
Cash in hand		9,218	12,503
		<b>327,028</b>	<b>183,960</b>

**18.1** The balances in saving accounts bear mark up at the rate of 5% to 11.5% per annum (31 December 2010: 1.5% to 11% per annum). The balance includes Rs. 40 million (31 December 2010: Rs. 40 million) and interest accrued thereon deposited in Escrow account as stated in note 31.1.2. It also includes Rs. 180 million under lien.

**19 Current maturities of non-current liabilities**

	Note	31 December 2011	31 December 2010
----- (Rupees in '000) -----			
Term finance certificates	25	1,095,825	1,211,126
Payable to Pakistan Telecommunication Authority		404,140	-
Payable to Multinet Pakistan (pvt) Limited	30.2	539,608	-
Liabilities against assets subject to finance lease	29	55,543	13,545
		<b>2,095,116</b>	<b>1,224,671</b>

**20 Running finance under markup arrangements-Secured**

Short term running finances available from commercial banks under mark up arrangements amount to Rs. 998 million (31 December 2010: Rs. 1,181 million). Mark up is charged at rates ranging from 14.72% to 18.42% per annum (31 December 2010: 13.73% to 19% per annum). These are completely secured under joint pari passu hypothecation agreement with 25% security margin over the facility amount.

**21 Short term borrowings**

	Note	31 December 2011	31 December 2010
----- (Rupees in '000) -----			
Bridge finance facility	21.1	-	200,000
Other short term borrowings	21.2	118,503	-
		<b>118,503</b>	<b>200,000</b>

**21.1** 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 bridge finance facility has been settled during the year.

**21.2** These represent short term facilities carry markup 21-24% per annum. These are secured by hypothecation charge on assets and lien over import documents.

	Note	31 December 2011	31 December 2010
		----- (Rupees in '000) -----	
<b>22 License fee payable</b>			
Opening balance		1,021,500	1,100,781
Interest charged to profit and loss		-	34,219
Less: payments		-	(113,500)
		1,021,500	1,021,500

This represents interest free license fee payable to PTA for WLL licenses.

**23 Trade and other payables**

Trade creditors			
Related parties - associated companies	23.1	1,487,304	1,145,191
Others		2,551,952	3,282,154
		4,039,256	4,427,345
Accrued and other liabilities		295,789	239,961
Advance from customers		108,427	216,180
Retention money		40,775	53,183
Sales tax		-	66,595
Tax deducted at source		103,673	39,644
Un claimed dividend		1,807	1,807
		4,589,727	5,044,715

23.1 This includes payable to the holding company.

**24 Interest and mark-up accrued**

Long term financing		7,209	-
Short term borrowings/running finance		32,989	48,005
Share deposit money		351	351
Term finance certificates		99,634	122,213
		140,183	170,569

**25 Term finance certificates - Secured**

Term Finance Certificates - II	25.1	-	116,572
Term Finance Certificates - III	25.2	2,191,648	3,287,473
		2,191,648	3,404,045
Less: initial transaction cost		(53,994)	(60,928)
		2,137,654	3,343,117
Amortization of transaction cost		39,384	34,088
		2,177,038	3,377,205
Less: current maturity	19	(1,095,825)	(1,211,126)
		1,081,213	2,166,079

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



### 25.1 Term Finance Certificates - II

These represented listed term finance certificates amounting to Rs. 350 million issued during the year ended 30 June 2007. These TFCs were redeemable in six equal semi annual installments commencing May 2009. Profit rate charged at six months average KIBOR plus 2.75% per annum. These were secured by way of first pari passu hypothecation charge on the present and future fixed assets of the Company amounting to Rs. 467 million. TFC-II has been fully redeemed on 28 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 was 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.

	<b>31 December 2011</b>	31 December 2010
	----- <b>(Rupees in '000)</b> -----	
<b>26 Long term loan</b>		
Received during the year	<b>2,943,855</b>	-
Less: Initial transaction cost	<b>(42,668)</b>	-
	<b>2,901,187</b>	-
Add: Amortization of transaction cost	<b>4,572</b>	-
	<b>2,905,759</b>	-
Add: Exchange loss during the period	<b>154,245</b>	-
	<b>3,060,004</b>	-

This represents foreign currency syndicated loan facility amounting to USD 35 million from Askari Bank Limited OFF-Shore Banking Unit, Bahrain with the lead arranger being Askari Bank Limited. During the year USD 34.5 million have been drawn from this facility. This loan is re-payable in 20 equal quarterly installments with 2 years grace period commencing 06 June 2013. Profit is charged at three months average LIBOR plus 1.75% per annum and monitoring fee at 1.2% per annum. To secure the facility an unconditional, irrevocable, first demand stand-by letter of credit has been issued by National Bank of Oman favoring Askari Bank Limited against the corporate guarantee of Oman Telecommunication Company SAOG. This arrangement shall remain effective until all obligations under the facility are settled.

**27 Deferred income**

	Note	31 December 2011	31 December 2010
----- (Rupees in '000) -----			
Opening balance		254,716	157,144
Addition during the year		-	97,572
Adjusted during the year	27.1	(88,416)	-
		<u>166,300</u>	<u>254,716</u>

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 Company (USFC), a Company established for the purpose of increasing teledensity in Pakistan.

**27.1** This represents amount adjusted against receipts from USF Company on account of achievement of milestone.

**28 Retirement benefits**

	Note	31 December 2011	31 December 2010
----- (Rupees in '000) -----			
Gratuity	28.1	262,701	208,819
Accumulated compensated absences	28.2	37,374	18,160
		<u>300,075</u>	<u>226,979</u>

**28.1 Gratuity**

The amount recognized in the balance sheet is as follows:

Present value of defined benefit obligation		251,878	185,500
Unrecognized actuarial (gain)/losses		(7,776)	7,293
Benefits due but not paid		18,599	16,026
		<u>262,701</u>	<u>208,819</u>
Liability at beginning of the year		208,819	169,336
Charge for the year	28.1.1	72,386	76,412
Paid during the year		(18,504)	(36,929)
		<u>262,701</u>	<u>208,819</u>

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

	31 December 2011	31 December 2010
----- (Rupees in '000) -----		
Interest cost for the year	24,115	20,778
Current service cost	48,271	55,628
Actuarial loss recognized during the year	-	6
	<u>72,386</u>	<u>76,412</u>

**28.1.2** Recent actuarial valuation of plan was carried out on 31 December 2011 by Nauman Associates.

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

	<b>31 December 2011</b>	31 December 2010
Discount rate (per annum)	12.5%	13%
Expected rate of salary increase (per annum)	11.5%	12%
Average expected remaining working life time of employees	12 years	13 years

**28.1.3 Historical information for gratuity**

	<b>June 2008</b>	<b>Dec 2008</b>	<b>Dec 2009</b>	<b>Dec 2010</b>	<b>Dec 2011</b>
	------(Rupees in '000)-----				
Present value of defined benefit obligation	<u>133,328</u>	<u>152,633</u>	<u>173,153</u>	<u>185,500</u>	<u><b>251,878</b></u>
Experience adjustment arising on plan liabilities	<u>(2,096)</u>	<u>5,042</u>	<u>(8,883)</u>	<u>(21,811)</u>	<u><b>15,069</b></u>

<b>Note</b>	<b>31 December 2011</b>	31 December 2010
	------(Rupees in '000)-----	

**28.2 Accumulated compensated absences**

The amount recognized in the balance sheet is as follows:

Present value of defined benefit obligation		<b>35,716</b>	26,603
Unrecognized actuarial losses		<b>(2,156)</b>	(11,391)
Benefits due but not paid		<b>3,814</b>	2,948
		<u><b>37,374</b></u>	<u>18,160</u>
Liability at beginning of the year		<b>18,160</b>	6,606
Charge for the year	28.2.1	<b>22,426</b>	18,452
Paid during the year		<b>(3,212)</b>	(6,898)
		<u><b>37,374</b></u>	<u>18,160</u>

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

Interest cost for the year		<b>3,458</b>	2,836
Current service cost		<b>5,495</b>	5,562
Past service cost		-	7,077
Additional liability charge for the year		<b>9,235</b>	-
Actuarial loss recognized during the year		<b>4,238</b>	2,977
		<u><b>22,426</b></u>	<u>18,452</u>

**28.2.2** Recent actuarial valuation of plan was carried out on 31 December 2011 by Nauman Associates.

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

	<b>31 December 2011</b>	31 December 2010
	----- <b>(Rupees in '000)</b> -----	
Discount rate (per annum)	12.5%	13%
Expected rate of salary increase (per annum)	11.5%	12%
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

<b>Note</b>	<b>31 December 2011</b>	31 December 2010
	----- <b>(Rupees in '000)</b> -----	

**29 Liabilities against assets subject to finance lease**

Present value of minimum lease payments		<b>145,014</b>	29,507
Less: Current portion shown under current liabilities	19	<b>(55,543)</b>	(13,545)
		<u><b>89,471</b></u>	<u>15,962</u>

Interest rate used as discounting factor is ranging from 14.97 % to 17.15% per annum (31 December 2010: 12% 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:

	<b>31 December 2011</b>			31 December 2010		
	<b>Minimum lease payment</b>	<b>Finance cost</b>	<b>Principal</b>	Minimum lease payment	Finance cost	Principal
	----- <b>(Rupees in '000)</b> -----					
<b>Not later than one year</b>	<b>71,209</b>	<b>15,666</b>	<b>55,543</b>	16,399	2,854	13,545
<b>Later than one year but not later than five years</b>	<b>97,514</b>	<b>8,043</b>	<b>89,471</b>	16,932	970	15,962
	<u><b>168,723</b></u>	<u><b>23,709</b></u>	<u><b>145,014</b></u>	<u>33,331</u>	<u>3,824</u>	<u>29,507</u>

**30 Long term payables**

	Note	31 December 2011	31 December 2010
------(Rupees in '000)-----			
Payable to Pakistan Telecommunication Authority	30.1	545,955	-
Payable to Multinet Pakistan (Pvt) Limited	30.2	173,863	-
Others		774,802	631,645
		<u>1,494,620</u>	<u>631,645</u>

**30.1 Payable to Pakistan Telecommunication Authority**

Carrying value of payable to PTA	1,373,557	-
Less: present value adjustment	(273,831)	-
	<u>1,099,726</u>	-
Add: unwinding of discount on liability	2,986	-
	<u>1,102,712</u>	-
Less: payments during the year	(152,617)	-
	<u>950,095</u>	-
Less: current maturity	(404,140)	-
	<u>545,955</u>	-

This represents interest free access promotion contribution charges (APC) for USF payable to PTA. PTA has allowed payment of outstanding amount in 36 equal installments, commencing from 01 September 2011. The liability is discounted using the effective interest rate of 16% per annum.

	Note	31 December 2011	31 December 2010
------(Rupees in '000)-----			
<b>30.2 Payable to Multinet Pakistan (Pvt) Limited</b>			
Carrying value of liability		784,800	-
Less: present value adjustment		(103,356)	-
		<u>681,444</u>	-
Add: unwinding of discount on liability		8,627	-
		<u>690,071</u>	-
Add: exchange loss		23,400	-
		<u>713,471</u>	-
Less: current maturity	19	(539,608)	-
		<u>173,863</u>	-

This represents amount payable to Multinet Pakistan (Pvt) Limited ("MPL") in respect of indefeasible right to use of media. Subsequent to initial recognition, the consideration that was immediately payable was deferred for period of five years by MPL. Gain on remeasurement has been calculated using the effective interest rate of 16% per annum.

## **31 Contingencies and commitments**

### **31.1 Billing disputes with PTCL**

**31.1.1** There is a dispute of Rs. 72.64 million (31 December 2010: Rs 72.22 million) with PTCL of non revenue time of prepaid calling cards and Rs. 38.84 million (31 December 2010: Rs 32.13 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.

**31.1.2** PTCL has charged the Company excess Domestic Private Lease Circuits (DPLC) and other media charges amounting to Rs. 168.8 million (31 December 2010: Rs.140.07 million) on account of difference in rates, distances and date of activations. The Company has deposited Rs. 40 million (31 December 2010: 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.

### **31.2 Disputes with Pakistan Telecommunication Authority (PTA)**

**31.2.1** 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 the Company has now started its roll out plan.

**31.2.2** There is a dispute with PTA on payment of R&D Fund contribution amounting to Rs. 11.3 million (31 December 2010: Rs. 11.3 million). The legal validity of this fund is under challenge before the Honorable Supreme Court of Pakistan. The Company is hopeful of a favorable decision.

**31.2.3** There is a dispute with PTA on payment of contribution of APC for USF amounting to Rs. 491 million (31 December 2010: Rs. 491 million). Out of this amount, Rs. 394 million has been deposited with PTA in relation to the period prior to the valid formation of USF fund by the Federal Government. The matter is pending adjudication before the Honorable Supreme Court of Pakistan. The Company is hopeful of a favorable decision.

### **31.3 Taxation issues**

**31.3.1** 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 appeal of the Company is pending in Income Tax Appellate Tribunal Lahore. The management is hopeful that the matter will be decided in favour of the Company.

**31.3.2** 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.

**31.3.3** 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, the Company is hopeful of a favorable decision.

**31.3.4** The department of Inland Revenue, Sales Tax, LTU has issued a show cause notice under section 11(2) and 36(1) of the Sales Tax Act 1990 demanding Rs. 232.35 million allegedly claimed wrongly as input tax during the period 2005 to 2009 on LDI services. It is the case of the department that LDI services are exempt under Federal Excise Act therefore input tax cannot be claimed for exempt services. The case is at first stage i.e. adjudication and based on legal advice Company is hopeful of a favorable decision.

**31.3.5** The Deputy Commissioner Inland Revenue finalized the assessment under section 161/205 of the Ordinance for tax year 2006 and create a demand of Rs.113.39 million. The Company is in process to file Appeal before CIT (Appeals). The management is hopeful that the matter will be decided in favour of the Company.

	<b>31 December 2011</b>	31 December 2010
	----- (Rupees in '000) -----	
<b>31.4</b> Outstanding guarantees	<b>963,482</b>	1,012,853
<b>31.5</b> Commitments in respect of capital expenditure	<b>2,185,760</b>	757,484
<b>31.6</b> Outstanding letters of credit	<b>55,697</b>	75,800

	<b>31 Dec. 2011</b>	31 Dec. 2010	<b>31 Dec. 2011</b>	31 Dec. 2010
	----- (No of shares) -----		----- (Rupees in '000) -----	

## **32 Issued, subscribed and paid up capital**

Ordinary shares of Rs. 10 each as fully paid in cash	<b>344,000,000</b>	344,000,000	<b>3,440,000</b>	3,440,000
Ordinary shares of Rs. 10 each issued in accordance with the scheme of merger	<b>309,965,789</b>	309,965,789	<b>3,099,658</b>	3,099,658
Ordinary shares of Rs. 10 each issued as fully paid bonus shares	<b>98,094,868</b>	98,094,868	<b>980,949</b>	980,949
Ordinary shares of Rs. 10 each issued against convertible loan	<b>108,510,856</b>	108,510,856	<b>1,085,109</b>	1,085,109
	<b>860,571,513</b>	860,571,513	<b>8,605,716</b>	8,605,716



**32.1** As at 31 December 2011, Oman Telecommunications Company SAOG the holding company, holds 488,839,429 ordinary shares (31 December 2010: 488,839,429) of the Company. In addition 78,541,360 ordinary shares (31 December 2010: 78,541,360 ordinary shares) are held by the following related parties as at 31 December 2011:

	<b>31 December 2011</b>	31 December 2010
	----- <b>(Rupees in '000)</b> -----	
<b>Related parties</b>		
First Capital Securities Corporation Limited	<b>4,221,207</b>	4,221,207
Pace (Pakistan) Limited	<b>912</b>	912
Arif Habib Securities Limited	<b>74,319,241</b>	74,319,241
	<u><b>78,541,360</b></u>	<u>78,541,360</u>

**33 Share premium**

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

<b>31 December 2011</b>	31 December 2010
----- <b>(Rupees in '000)</b> -----	

**34 Surplus on revaluation**

Revaluation surplus on:

Plant & equipment	<b>64,059</b>	64,059
Intangible assets	<b>430,393</b>	430,393
	<u><b>494,452</b></u>	<u>494,452</u>
Less: Related deferred tax liability	<b>(173,058)</b>	(173,058)
Less: Transfer to retained earning in respect of incremental amortization net of deferred tax	<b>(74,190)</b>	(52,993)
Add: Transfer from retained earning in respect of decremental depreciation net of deferred tax	<b>96,041</b>	69,959
	<u><b>21,851</b></u>	<u>16,966</u>
	<u><b>343,245</b></u>	<u>338,360</u>

**34.1** 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 2011	31 December 2010
----- (Rupees in '000) -----			
<b>35 Revenue -Net</b>			
Gross revenue		<b>8,686,042</b>	7,937,527
Less:			
Sales tax		<b>156,397</b>	294,895
Discount and commission		<b>528,632</b>	178,228
		<b>685,029</b>	473,123
		<b>8,001,013</b>	7,464,404
<b>36 Direct cost</b>			
Interconnect, settlement and other charges		<b>3,284,867</b>	3,619,710
Bandwidth and other PTCL charges		<b>455,597</b>	537,913
Depreciation	3.9	<b>1,175,664</b>	1,363,805
Amortization of intangible assets	5.5	<b>163,758</b>	100,467
Power consumption and pole rent		<b>445,961</b>	450,048
Security services		<b>48,563</b>	37,149
PTA charges	36.1	<b>30,234</b>	48,935
Cable license fee		<b>30,999</b>	30,649
Inventory consumed		<b>2,653</b>	16,302
Stores and spares consumed		<b>43,899</b>	47,325
Annual spectrum fee		<b>35,883</b>	35,883
Content cost		<b>53,230</b>	55,785
Network maintenance and insurance		<b>165,536</b>	201,553
Amortization cost of receivables		-	18,437
Others		<b>75,930</b>	52,023
		<b>6,012,774</b>	6,615,984
<b>36.1 PTA Charges</b>			
LDI License	36.1.1	<b>15,743</b>	30,977
WLL License	36.1.2	<b>9,615</b>	10,676
Broadband License		<b>4,157</b>	4,009
Telephony License	36.1.3	<b>303</b>	313
Annual numbering charges		<b>416</b>	2,960
		<b>30,234</b>	48,935
<b>36.1.1 LDI License</b>			
Universal service fund		<b>9,445</b>	18,587
Research and development fund		<b>3,149</b>	6,195
Annual regulatory fee		<b>3,149</b>	6,195
		<b>15,743</b>	30,977

**Note**      **31 December**      31 December  
                         **2011**                      2010  
                         -----(Rupees in '000)-----

**36.1.2 WLL License**

Universal service fund	<b>3,207</b>	4,614
Research and development fund	<b>1,069</b>	1,538
Annual regulatory fee	<b>1,069</b>	1,538
Royalty fee	<b>4,270</b>	2,986
	<u><b>9,615</b></u>	<u>10,676</u>

**36.1.3 Telephony License**

Universal service fund	<b>181</b>	187
Research and development fund	<b>61</b>	63
Annual regulatory fee	<b>61</b>	63
	<u><b>303</b></u>	<u>313</u>

**37 Operating cost**

Salaries, wages and benefits		<b>717,296</b>	699,240
Marketing, advertisement and selling expenses		<b>50,940</b>	158,112
Rent, rates and taxes		<b>93,982</b>	97,546
Communications		<b>17,778</b>	18,595
Transportation		<b>27,021</b>	33,379
Legal and professional		<b>14,841</b>	30,885
Insurance		<b>31,438</b>	46,847
Utilities		<b>60,982</b>	66,481
Printing and stationery		<b>11,234</b>	9,132
Entertainment		<b>24,835</b>	18,942
Travel and conveyance		<b>142,550</b>	126,221
Repairs and maintenance		<b>19,613</b>	24,817
Provision for doubtful debts and other receivables		<b>119,683</b>	134,889
Donations	37.1	<b>3,129</b>	2,756
Fees and subscriptions		<b>4,022</b>	8,806
Directors meeting fee		<b>2,161</b>	2,529
Postage and courier		<b>1,708</b>	2,116
Newspapers and periodicals		<b>382</b>	809
Auditor's remuneration	37.2	<b>9,950</b>	7,750
Depreciation	3.9	<b>65,422</b>	66,382
Miscellaneous		<b>41,270</b>	53,807
		<u><b>1,460,237</b></u>	<u>1,610,041</u>

**37.1** 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 2011	31 December 2010
		----- (Rupees in '000) -----	
<b>37.2 Auditor's remuneration</b>			
Statutory audit		3,750	3,750
Half year review		1,000	1,000
International reporting		2,750	2,750
Taxation and other services		1,975	-
Out of pocket expenses		475	250
		<u>9,950</u>	<u>7,750</u>
<b>38 Finance cost</b>			
Mark-up on long term loans		70,583	965
Mark-up on short term loans/running finance		113,084	165,037
Interest on PTA license fee		-	34,219
Financial charge on leased liabilities		15,521	6,138
Mark up on Term Finance Certificates		426,675	511,991
Discounting charges		24,556	-
Amortization of transaction cost		16,801	11,431
Bank charges and commission		47,434	13,632
		<u>714,654</u>	<u>743,413</u>
<b>39 Other operating income</b>			
<b>Income from financial assets/liabilities</b>			
Income on deposit and saving accounts		23,835	19,476
Dividend income		1,225	934
Mark-up on advance to associated company		-	1,698
Gain on remeasurement of financial liabilities		377,188	-
Liabilities written off		31,327	-
Amortization of receivable		5,071	-
Exchange gain		-	5,052
		<u>438,646</u>	<u>27,160</u>
<b>Income from non-financial assets</b>			
Scrap sales		84	161
Profit on sale of property, plant and equipment		61,476	15,320
Miscellaneous		4,007	15,456
		<u>65,567</u>	<u>30,937</u>
		<u>504,213</u>	<u>58,097</u>
<b>40 Taxation</b>			
Current tax	40.1	80,133	52,628
Deferred tax		(269,546)	(417,075)
		<u>(189,413)</u>	<u>(364,447)</u>



- 40.1** It includes tax on income covered under presumptive tax regime under Section 113 of the Income Tax Ordinance, 2001 and minimum turnover tax.
- 40.2** Since the Company is subject to minimum tax under section 113 of Income tax Ordinance 2001, therefore tax charge reconciliation has not been prepared.

		<b>31 December 2011</b>	31 December 2010
<b>41 Earning/(loss) per share</b>			
<b>41.1 Basic and diluted earning/(loss) per share</b>			
Profit/(loss) after taxation available for distribution to ordinary shareholders	Rupees in '000	<u><b>290,250</b></u>	<u>(1,147,006)</u>
Weighted average number of ordinary shares	Number in '000	<u><b>860,572</b></u>	<u>860,572</u>
Basic and diluted earning/(loss) per share	Rupees	<u><b>0.34</b></u>	<u>(1.33)</u>

**42 Related party transactions**

The related parties comprise of shareholders, foreign subsidiary, local associated companies, related group companies, directors of the Company, companies where directors also hold directorship and key management personnel.

		<b>31 December 2011</b>	31 December 2010
		----- <b>(Rupees in '000)</b> -----	
<b>Relationship with the Company</b>	<b>Nature of transactions</b>		
<b>1</b> Parent Company	Purchase of goods and services	<b>373,957</b>	500,677
	Sale of goods and services	<b>154,035</b>	389,204
<b>2</b> Other related parties	Purchase of goods and services	<b>12,332</b>	14,586
	Purchase of property	<b>21,000</b>	30,000
	Sale of goods and services	<b>813</b>	277
	Interest on loan	-	1,698
	Provision for doubtful debts	-	54,648
<b>3</b> Key management personnel	Salaries and other employee benefits	<b>352,489</b>	290,510

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

**Year end balances**

Receivable from related parties	<b>232,281</b>	207,814
Payable to related parties	<b>1,487,304</b>	1,156,250

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

**43 Cash generated from operations**

	31 December 2011	31 December 2010
	----- (Rupees in '000) -----	

Profit/(loss) before taxation	100,837	(1,511,453)
Adjustment for:		
Depreciation	1,241,086	1,430,187
Amortization of intangible assets	163,758	100,467
Amortization of transaction cost	16,801	11,431
Discounting charges-net	19,485	18,437
Interest on PTA license fee	-	34,219
Provision for doubtful receivables	119,683	134,889
Provision for stock in trade and stores & spares	6,000	23,200
Gain on disposal of property, plant and equipment	(61,476)	(15,320)
Gain on re-measurement of investment property at fair value	-	(1,378)
Gain on remeasurement of liabilities	(377,188)	-
Liabilities written off	(31,327)	-
Exchange loss on foreign currency loan	154,245	-
Impairment loss on available for sale financial assets	26,508	65,894
Retirement benefits	94,812	94,865
Finance costs	673,297	697,763
<b>Profit before working capital changes</b>	<b>2,146,521</b>	<b>1,083,201</b>

Effect on cash flow due to working capital changes:

*(Increase)/Decrease in the current assets*

Stores and spares	(49,340)	110,839
Stock in trade	(8,984)	(19,312)
Trade debts	(1,186,334)	(39,614)
Loans and advances	(276,113)	85,674
Deposits and prepayments	31,106	7,867
Other receivables	(127,808)	(9,109)
 <i>Increase in the current liabilities</i>		
Trade and other payables	(44,543)	1,794,186
	(1,662,016)	1,930,531
	<b>484,505</b>	<b>3,013,732</b>

#### 44 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:

	<u>Chief Executive</u>		<u>Directors</u>		<u>Executives</u>	
	<u>31 Dec.</u> <u>2011</u>	<u>31 Dec.</u> <u>2010</u>	<u>31 Dec.</u> <u>2011</u>	<u>31 Dec.</u> <u>2010</u>	<u>31 Dec.</u> <u>2011</u>	<u>31 Dec.</u> <u>2010</u>
	------(Rupees in '000)-----					
Managerial remuneration	<b>17,920</b>	16,000	-	-	<b>194,414</b>	157,856
Retirement benefits	<b>2,987</b>	2,667	-	-	<b>31,001</b>	27,059
Housing	<b>7,168</b>	6,400	-	-	<b>77,766</b>	63,142
Utilities	<b>1,792</b>	1,600	-	-	<b>19,441</b>	15,786
	<b>29,867</b>	26,667	-	-	<b>322,622</b>	263,843
<b>Number of persons</b>	<b>1</b>	<b>1</b>			<b>174</b>	<b>136</b>

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

Meeting fee Rs. 2.161 million (31 December 2010: Rs. 2.529) was paid to directors during the year .

#### 45 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

##### 45.1 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.

#### 45.1.1 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:

	<b>31 December 2011</b>	31 December 2010
	----- (Rupees in '000) -----	
Long term advances and deposits	<b>153,386</b>	64,843
Long term trade receivable	<b>18,092</b>	46,805
Trade debts	<b>3,473,689</b>	2,731,112
Loans and advances - considered good	<b>545,472</b>	478,253
Short term deposits	<b>69,550</b>	89,169
Other receivables	<b>47,128</b>	262,014
Short term investments	<b>114,489</b>	310,472
Cash and bank balances	<b>327,028</b>	183,960
	<b><u>4,748,834</u></b>	<u>4,166,628</u>

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

	<b>31 December 2011</b>	31 December 2010
	----- (Rupees in '000) -----	
<b>The age of trade receivables</b>		
Not past due	<b>1,876,999</b>	359,348
Past due 0 - 180 days	<b>1,221,035</b>	1,587,137
Past due 181 - 365 days	<b>164,296</b>	119,079
1 - 2 years	<b>115,752</b>	119,172
More than 2 years	<b>113,699</b>	593,181
	<b><u>3,491,781</u></b>	<u>2,777,917</u>

#### The age of impairment loss against trade receivables

Not past due	-	-
Past due 0 - 180 days	<b>24,685</b>	30,597
Past due 181 - 365 days	<b>30,174</b>	37,211
1 - 2 years	<b>52,448</b>	53,705
More than 2 years	<b>113,699</b>	593,181
	<b><u>221,006</u></b>	<u>714,694</u>

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

Opening balance	<b>714,694</b>	579,805
Charge for the year	<b>119,683</b>	134,889
Written off for the year	<b>(613,371)</b>	-
Closing balance	<b><u>221,006</u></b>	<u>714,694</u>

## 45.2 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 2011:

	<b>Carrying Amount</b>	<b>6 months or less</b>	<b>6-12 months</b>	<b>1-2 year</b>	<b>More than 2 years</b>
	------(Rupees in '000)-----				
Term finance certificates - secured	2,177,038	547,912	547,913	1,081,213	-
Long term loan	3,060,004	-	-	464,715	2,595,289
Liabilities against assets subject to finance lease	145,014	26,414	29,129	53,540	35,931
Long term payables	1,494,620	-	-	1,089,961	404,659
Long term deposits	42,661	-	-	-	42,661
License fee payable	1,021,500	1,021,500	-	-	-
Running finance under markup					
Arrangements-secured	979,373	979,373	-	-	-
Short term borrowings	118,503	118,503	-	-	-
Trade and other payables	5,321,375	4,874,658	446,717	-	-
Interest and mark up accrued	140,183	140,183	-	-	-
	<b>14,500,271</b>	<b>7,708,543</b>	<b>1,023,759</b>	<b>2,689,429</b>	<b>3,078,540</b>

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

	<b>Carrying Amount</b>	<b>6 months or less</b>	<b>6-12 months</b>	<b>1-2 year</b>	<b>More than 2 years</b>
	------(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	-	-	-
	<b>11,226,900</b>	<b>7,169,630</b>	<b>945,660</b>	<b>1,995,049</b>	<b>1,116,561</b>





**45.3 Market risk**

**45.3.1 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:

	<b>31 December 2011 USD ('000)</b>	31 December 2010 USD ('000)
Trade receivables	<b>17,143</b>	23,283
Trade payables	<b>(17,513)</b>	(19,464)
Suppliers	<b>(17,981)</b>	(11,950)
Borrowings	<b>(34,500)</b>	-
Net exposure	<b><u>(52,851)</u></b>	<u>(8,131)</u>
	<b>31 December 2011</b>	31 December 2010

The Following significant exchange rates were applied during the year

Average Rate -Rupees per US Dollar	<b>87.78</b>	85.00
Reporting Date Rate -Rupees per US Dollar	<b>89.75</b>	85.80

A 5% strengthening of Pak Rupees against the above currency would have decreased equity and profit and loss account by Rs. 237.17 million (31 December 2010: 34.882 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.

### 45.3.2 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:

	<b>31 December 2011</b>	<b>31 December 2010</b>
	----- <b>(Rupees in '000)</b> -----	

#### **Fixed rate instruments**

##### **Financial assets**

Cash and bank balances- deposit accounts	-	-
--	---	---

#### **Floating rate instruments**

##### **Financial assets**

Cash and bank balances- saving accounts	<b>310,082</b>	163,065
---	----------------	---------

##### **Financial liabilities**

Term finance certificates - secured	<b>2,191,648</b>	3,404,045
Long term finances-secured	<b>2,943,855</b>	-
Liabilities against assets subject to finance lease	<b>145,014</b>	29,507
Short term borrowings	<b>118,503</b>	200,000
Running finance under markup arrangements-secured	<b>979,373</b>	1,170,964
	<b><u>(6,068,311)</u></b>	<u>(4,641,451)</u>

#### **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. 30.919 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.

### 45.3.3 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 1% of the Company's total assets, the performance of the investments will not have any material impact on the Company's performance.

### 45.4 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.

### 45.5 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:

	<b>31 December 2011</b>	31 December 2010
	----- (Rupees in '000) -----	
Total debt	<b>6,479,932</b>	4,577,676
Total equity and debt	<b>16,487,436</b>	14,469,290
Debt-to-equity ratio	<b>39 : 61</b>	32 : 68

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.

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.

#### **46 Date of authorization for issue**

These financial statements were authorized for issue on 27 January 2012 by the Board of Directors.

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

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 January 2012:

- Amendments to IAS 12 – deferred tax on investment property (effective for annual periods beginning on or after 1 January 2012). The 2010 amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. The measurement of deferred tax assets and liabilities, in this limited circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. The amendment has no impact on financial statements of the Company.
- IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on financial statements of the Company.
- IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on financial statements of the Company.
- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the

expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation.

- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) - (effective for annual periods beginning on or after 1 July 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard. The amendments have no impact on financial statements of the Company.
- Disclosures – Transfers of Financial Assets (Amendments to IFRS 7) - (effective for annual periods beginning on or after 1 July 2011). The amendments introduce new disclosure requirements about transfers of financial assets, including disclosures for financial assets that are not derecognised in their entirety; and financial assets that are derecognised in their entirety but for which the entity retains continuing involvement. The amendments have no impact on financial statements of the Company.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of ‘currently has a legally enforceable right of set-off’; and that some gross settlement systems may be considered equivalent to net settlement.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after 1 January 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement.
- IFRIC 20 - Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after 1 January 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The amendments have no impact on financial statements of the Company.

## 48 General

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

**48.2** Certain comparatives amounts have been reclassified to conform to current year presentation. material reclassification is in respect of advance to Pakistan Telecommunication Authority amounting to Rs. 394.7 million which was previously grouped in Trade and Other Payables and has now been grouped in Loans and Advances.

Lahore:  
27 January 2012

  
CHIEF EXECUTIVE OFFICER

  
DIRECTOR





# **CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
31 DECEMBER 2011**

## AUDITORS' REPORT TO THE MEMBERS


We have audited the annexed consolidated financial statements of **Worldcall Telecom Limited** (“the Holding company”) and its subsidiary company Worldcall Telecommunications Lanka (Private) Limited (“the Subsidiary”) comprising consolidated balance sheet as at 31 December 2011 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinion on the financial statements of the Holding company. The financial statements of the subsidiary company, Worldcall Telecommunications Lanka (Private) Limited were audited by another firm of auditors, whose report has been furnished to us and our opinion in so far as it relates to the amounts included for such company, is based solely on the report of such other auditor.

These consolidated financial statements are the responsibility of the Holding Company's management. Our responsibility is to express our opinion on these consolidated financial statements based on our audit.

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

In our opinion the consolidated financial statements present fairly the consolidated financial position of Worldcall Telecom Limited and its subsidiary company, Worldcall Telecommunications Lanka (Private) Limited, as at 31 December 2011 and the consolidated results of their operations, consolidated cash flows and consolidated changes in equity for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

Lahore:  
27 January 2012

  
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 2011.

### Financial Overview

	Year 2011	Year 2010
	----- (Rs. in million) -----	
Revenue	8,001	7,464
Direct Cost	(6,013)	(6,616)
Gross Profit	1,988	848
Operating Cost	(1,460)	(1,610)
Finance Cost	(715)	(743)
Net Profit/(Loss) after tax	292	(1,156)

### Group Foreign Subsidiary

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

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.

For and on behalf of the Board of Directors

Lahore:  
27 January 2012

  
**BABAR ALI SYED**  
CHIEF EXECUTIVE OFFICER



# CONSOLIDATE BALANCE SHEET AS AT 31 DECEMBER 2011

	Note	31 December 2011	31 December 2010
------(Rupees in '000)-----			
<b>NON CURRENT ASSETS</b>			
<b>Tangible fixed assets</b>			
Property, plant and equipment	4	13,527,048	12,795,044
Capital work-in-progress	5	650,986	751,378
		<u>14,178,034</u>	<u>13,546,422</u>
<b>Intangible assets</b>			
Investment property	6	5,183,628	4,606,312
Long term trade receivable	7	146,074	89,900
Deferred taxation	8	18,092	46,805
Long term advances and deposits	9	288,499	18,953
	10	132,323	63,439
		<u>19,946,650</u>	<u>18,371,831</u>
<b>CURRENT ASSETS</b>			
Stores and spares	11	235,415	192,075
Stock in trade	12	201,901	192,917
Trade debts	13	3,252,683	2,016,418
Loans and advances - considered good	14	1,058,229	778,826
Deposits and prepayments	15	142,945	174,052
Other receivables	16	81,995	24,998
Short term investments	17	114,489	310,472
Income tax recoverable-net		163,943	155,433
Cash and bank balances	18	327,028	183,960
		5,578,628	4,029,151
Non current assets classified as held for sale	19	23	144
		<u>5,578,651</u>	<u>4,029,295</u>
<b>CURRENT LIABILITIES</b>			
Current maturities of non-current liabilities	20	2,095,116	1,224,671
Running finance under mark-up arrangements - secured	21	979,373	1,170,964
Short term borrowings	22	118,503	200,000
License fee payable	23	1,021,500	1,021,500
Trade and other payables	24	4,589,727	5,038,904
Interest and mark-up accrued	25	140,183	170,569
		8,944,402	8,826,608
Non current liabilities classified as held for sale	19	7,278	18,139
		<u>8,951,680</u>	<u>8,844,747</u>
		(3,373,029)	(4,815,452)
<b>NET CURRENT LIABILITIES</b>			
<b>NON CURRENT LIABILITIES</b>			
Term finance certificates - secured	26	1,081,213	2,166,079
Long term loan	27	3,060,004	-
Deferred income	28	166,300	254,716
Retirement benefits	29	300,075	226,979
Liabilities against assets subject to finance lease	30	89,471	15,962
Long term payables	31	1,494,620	631,645
Long term deposits		42,661	43,208
		6,234,344	3,338,589
Contingencies and commitments	32		
		<u>10,339,277</u>	<u>10,217,790</u>
<b>REPRESENTED BY</b>			
<b>Share capital and reserves</b>			
Authorized capital			
900,000,000 (31 December 2010: 900,000,000) ordinary shares of Rs. 10 each		9,000,000	9,000,000
Issued, subscribed and paid up capital	33	8,605,716	8,605,716
Share premium	34	837,335	837,335
Fair value reserve-available for sale financial assets		(242,023)	(72,548)
Currency translation reserve		(5,868)	(4,910)
Accumulated profit		804,241	517,415
Capital and reserves attributable to equity holders of the Company		9,999,401	9,883,008
Non controlling interest		(3,369)	(3,578)
		9,996,032	9,879,430
Surplus on revaluation	35	343,245	338,360
		<u>10,339,277</u>	<u>10,217,790</u>

The annexed notes 1 to 49 form an integral part of these consolidated financial statements.

**Lahore:**  
27 January 2012

*Balanda*  
**CHIEF EXECUTIVE OFFICER**

*Wahid*  
**DIRECTOR**

## CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	31 December 2011	31 December 2010
------(Rupees in '000)-----			
<b>Continuing Operations</b>			
Revenue -net	36	8,001,013	7,464,404
Direct cost	37	(6,012,774)	(6,615,984)
<b>Gross profit</b>		<b>1,988,239</b>	<b>848,420</b>
Operating cost	38	(1,460,237)	(1,610,041)
<b>Operating profit/(loss)</b>		<b>528,002</b>	<b>(761,621)</b>
Finance cost	39	(714,654)	(743,413)
		<b>(186,652)</b>	<b>(1,505,034)</b>
Gain on re-measurement of investment property at fair value		-	1,378
Impairment loss on available for sale financial assets		(26,508)	(65,894)
Other operating income	40	504,213	58,097
Other operating expenses		(190,216)	-
<b>Profit/(loss) before taxation</b>		<b>100,837</b>	<b>(1,511,453)</b>
Taxation	41	189,413	364,447
<b>Profit/(loss) after taxation from continuing operations</b>		<b>290,250</b>	<b>(1,147,006)</b>
<b>Discontinued operations</b>			
Profit/(loss) for the year from discontinued operations	19	2,067	(9,401)
		<b>292,317</b>	<b>(1,156,407)</b>
Attributable to:			
Equity holders of parent		291,711	(1,153,648)
Non controlling interest		606	(2,759)
		<b>292,317</b>	<b>(1,156,407)</b>
<b>Earning/(loss) per share - basic and diluted</b>			
From continuing and discontinued operations	<b>(Rupees)</b> 42.1	<b>0.34</b>	<b>(1.34)</b>
From continuing operations	<b>(Rupees)</b> 42.2	<b>0.34</b>	<b>(1.33)</b>

The annexed notes 1 to 49 form an integral part of these consolidated financial statements.

Lahore:  
27 January 2012

*Balanda*  
CHIEF EXECUTIVE OFFICER

*Griffin*  
DIRECTOR

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	31 December 2011	31 December 2010
------(Rupees in '000)-----			
Profit/(loss) for the year		292,317	(1,156,407)
<b>Other comprehensive income/(loss)-net of tax:</b>			
Exchange differences on translating foreign operations		(1,355)	(2,789)
Net change in fair value of available for sale financial assets		(195,983)	(67,967)
Impairment loss transferred to profit and loss account		26,508	65,894
		(170,830)	(4,862)
<b>Total comprehensive income/(loss) for the year</b>		<b>121,487</b>	<b>(1,161,269)</b>
Attributable to:			
Equity holders of the Parent		121,278	(1,157,691)
Non controlling interest		209	(3,578)
		<b>121,487</b>	<b>(1,161,269)</b>

The annexed notes 1 to 49 form an integral part of these consolidated financial statements.

Lahore:  
27 January 2012

*Balawati*  
CHIEF EXECUTIVE OFFICER

*Griffith*  
DIRECTOR

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	31 December 2011	31 December 2010
------(Rupees in '000)-----			
<b>Cash flows from operating activities</b>			
Cash generated from operations	44	484,449	3,017,330
(Increase)/decrease in long term deposits receivable		(68,884)	5,362
Decrease/(increase) in long term trade receivable		28,713	(60,191)
Decrease in long term deposits payable		(547)	(952)
Decrease in deferred income		(88,416)	-
Increase/(decrease) in long term payables		1,163,889	(622,161)
Retirement benefits paid		(21,717)	(43,828)
Finance cost paid		(753,851)	(740,782)
Taxes paid		(88,643)	(64,950)
<b>Net cash generated from operating activities</b>		<b>654,993</b>	<b>1,489,828</b>
<b>Cash flows from investing activities</b>			
Fixed capital expenditure		(1,228,347)	(1,113,451)
Acquisition of intangible asset		(784,800)	-
Proceeds from property, plant and equipment		85,990	20,435
License fee paid		-	(113,500)
<b>Net cash used in investing activities</b>		<b>(1,927,157)</b>	<b>(1,206,516)</b>
<b>Cash flows from financing activities</b>			
Repayment of long term finances		-	(37,494)
Receipts of long term finances		2,943,855	-
Running finance- net		(191,591)	125,304
(Repayment)/receipt of short term borrowings		(81,497)	200,000
Repayment of term finance certificates		(1,212,397)	(665,254)
Repayment of finance lease liabilities		(43,259)	(57,343)
<b>Net cash generated from/(used in) financing activities</b>		<b>1,415,111</b>	<b>(434,787)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>142,947</b>	<b>(151,475)</b>
<b>Cash and bank balances at the beginning of the year</b>		<b>184,104</b>	<b>335,579</b>
<b>Cash and bank balances at the end of the year</b>		<b>327,051</b>	<b>184,104</b>

The annexed notes 1 to 49 form an integral part of these consolidated financial statements.

Lahore:  
27 January 2012

*Sabandily*  
CHIEF EXECUTIVE OFFICER

*Griffith*  
DIRECTOR

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2011



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
Balance as at 31 December 2009	8,605,716	837,335	(70,475)	(2,940)	1,677,849	331,574	11,379,059	-	11,379,059
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)
<b>Balance as at 31 December 2010</b>	<b>8,605,716</b>	<b>837,335</b>	<b>(72,548)</b>	<b>(4,910)</b>	<b>517,415</b>	<b>338,360</b>	<b>10,221,368</b>	<b>(3,578)</b>	<b>10,217,790</b>
Transfer to surplus on revaluation	-	-	-	-	(4,885)	4,885	-	-	-
Total comprehensive loss for the year	-	-	(169,475)	(958)	291,711	-	121,278	209	121,487
<b>Balance as at 31 December 2011</b>	<b>8,605,716</b>	<b>837,335</b>	<b>(242,023)</b>	<b>(5,868)</b>	<b>804,241</b>	<b>343,245</b>	<b>10,342,646</b>	<b>(3,369)</b>	<b>10,339,277</b>

The annexed notes 1 to 49 form an integral part of these consolidated financial statements.

Lahore:  
27 January 2012

*Balwandi*  
CHIEF EXECUTIVE OFFICER

*[Signature]*  
DIRECTOR

## NOTES TO THE COSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

### 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. 163.103 million (31 December 2010: 161.718 million) as at balance sheet date and its current liabilities exceed its current assets by Rs. 63.459 million (31 December 2010: 64.149 million). The net profit for the current year after tax is Rs. 2.067 million (31 December 2010: 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 & 29)
- Taxation- (note 3.8 & 41)
- Provisions and contingencies- (note 3.18 & 32)
- Investment properties- (note 3.6 & 7)
- Impairment testing of Goodwill - (note 6.4)

### 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.

During the year the Company has changed the accounting estimates. Please refer note 4.3 of the financial statements.

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.

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

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.

#### **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:

### **Store 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 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.
- The revenue under Universal Service Fund (USF) services and subsidy agreement is recognized under IAS-18 based on stage of completion with reference to the achievement of each milestone as provided in the agreement.

### 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		Additions/ (Disposals)		Transfers/ Adjustments		Cost/revalued amount as at 31 December 2011	Accumulated depreciation as at 01 Jan 2011		Depreciation charge for the year/ (Disposals) Adjustments		Accumulated depreciation as at 31 December 2011	Net book value as at 31 December 2011	Depreciation rate %
	01 Jan 2011	31 December 2011	(Disposals)	Transfers/ Adjustments	(Disposals)	Transfers/ Adjustments	31 December 2011	at 01 Jan 2011	at 31 December 2011	(Disposals)	Adjustments	at 31 December 2011	at 31 December 2011	
(Rupees in '000)														
<b>Owned assets</b>														
Freehold Land	19,800	-	-	-	-	-	19,800	-	-	-	-	-	19,800	-
Leasehold improvements	116,398	5,983	-	-	-	-	122,381	66,755	12,298	-	-	79,053	43,328	20-33
Plant and equipment	17,377,906	1,248,551	(10,173)	-	-	-	18,616,284	4,819,556	1,172,023	(4,636)	-	5,986,943	12,629,341	4-33.33
Office equipment	93,828	6,437	(1,076)	-	-	-	99,002	30,625	11,272	(309)	-	41,588	57,414	10
Computers	99,411	61,561	(1,824)	-	-	-	159,148	86,807	18,892	(1,534)	-	104,165	54,983	33
Furniture and fixtures	24,444	280	(11)	-	-	-	24,713	11,103	2,613	(7)	-	13,709	11,004	10
Vehicles	139,136	528	(125,306)	28,670	47,864	-	90,892	106,540	6,333	(108,773)	21,986	73,950	16,942	20
Lab and other equipment	20,605	575	-	-	-	-	21,180	14,190	1,523	-	-	15,713	5,467	10-20
	<b>17,891,528</b>	<b>1,323,915</b>	<b>(138,390)</b>	<b>28,670</b>	<b>47,677</b>	<b>19,153,400</b>	<b>5,135,576</b>	<b>1,224,954</b>	<b>(115,259)</b>	<b>21,986</b>	<b>47,864</b>	<b>6,315,121</b>	<b>12,838,279</b>	
<b>Leased assets</b>														
Plant and equipment	28,292	518,835	-	-	-	-	547,127	2,861	2,558	-	-	5,419	541,708	4-33.33
Office equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	10
Vehicles	19,302	155,041	(1,537)	(28,670)	4,251	148,387	5,641	13,574	(154)	(21,986)	4,251	1,326	147,061	20
	<b>47,594</b>	<b>673,876</b>	<b>(1,537)</b>	<b>(28,670)</b>	<b>4,251</b>	<b>695,514</b>	<b>8,502</b>	<b>16,132</b>	<b>(154)</b>	<b>(21,986)</b>	<b>4,251</b>	<b>6,745</b>	<b>688,769</b>	
	<b>17,939,122</b>	<b>1,997,791</b>	<b>(139,927)</b>	<b>51,928</b>	<b>51,928</b>	<b>19,848,914</b>	<b>5,144,078</b>	<b>1,241,086</b>	<b>(115,413)</b>	<b>-</b>	<b>52,115</b>	<b>6,321,866</b>	<b>13,527,048</b>	

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

	Cost/revalued Amount as at		Transfers/ Adjustments		Cost/revalued amount as at	Accumulated depreciation as at 01 Jan 2010		Depreciation charge for the year/ (Disposals) Adjustments		Accumulated depreciation as at 31 December 2010	Net book value as at 31 December 2010	Depreciation rate %
	01 Jan 2010	Additions/ (Disposals)	Transfers/ Adjustments	31 December 2010	at 01 Jan 2010	year/ (Disposals) Adjustments	Transfers/ Adjustments	at 31 December 2010	Net book value as at 31 December 2010			
(Rupees in '000)												
<b>Owned assets</b>												
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		
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		
Office equipment	85,623	7,635	(4,657)	93,828	20,576	10,660	1,735	30,625	63,203	10		
Computers	91,032	8,908	(3,485)	99,411	70,734	16,544	-	86,807	12,604	33		
Furniture and fixtures	24,966	552	(521)	24,444	9,080	2,889	-	11,103	13,341	10		
Vehicles	111,490	35	(1,074)	139,136	82,421	14,272	47,286	106,540	32,596	20		
Lab and other equipment	17,074	3,165	(26,915)	20,605	11,458	2,366	-	14,190	6,415	10-20		
	<b>15,508,968</b>	<b>2,155,415</b>	<b>361,346</b>	<b>17,891,528</b>	<b>3,651,224</b>	<b>1,414,248</b>	<b>142,852</b>	<b>5,135,576</b>	<b>12,755,952</b>			
		<b>(36,780)</b>	<b>(97,422)</b>			<b>(31,665)</b>	<b>(41,083)</b>					
<b>Leased assets</b>												
Plant and equipment	279,173	3,944	(293,741)	28,292	58,931	9,162	(93,831)	2,861	25,431	4-33.33		
Office equipment	4,055	-	38,916	-	-	-	28,599	-	-			
Vehicles	64,896	9,300	(4,055)	19,302	34,679	6,596	(1,735)	5,641	13,661	10		
	<b>348,124</b>	<b>13,244</b>	<b>(367,106)</b>	<b>47,594</b>	<b>95,164</b>	<b>15,939</b>	<b>(142,852)</b>	<b>8,502</b>	<b>39,092</b>			
			<b>53,333</b>				<b>40,251</b>					
	<b>15,857,092</b>	<b>2,168,659</b>	<b>(5,760)</b>	<b>17,939,122</b>	<b>3,746,388</b>	<b>1,430,187</b>	<b>(832)</b>	<b>5,144,078</b>	<b>12,795,044</b>			
		<b>(36,780)</b>	<b>(44,089)</b>			<b>(31,665)</b>						

- 4.3** During the year the Company has reviewed the accounting estimates relating to the useful lives and residual values of items of property, plant and equipment. The change in accounting estimate has been applied as per IAS 8- Accounting policies, changes in accounting estimates and errors and the effect of this change in accounting estimate on the current and future years is Rs 204.122 million per annum
- 4.4** 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 2011 would have amounted to Rs. 12,959 million (31 December 2010: Rs. 12,412 million).
- 4.5** Carrying value of property, plant and equipment and current assets having a charge against borrowings amount to Rs. 12,208 million (31 December 2010: Rs. 12,268 million).
- 4.6** Finance cost amounting to Rs. 7.4 million (31 December 2010: Rs. 45.199 million) was capitalized during the year in property, plant and equipment.
- 4.7** Property, plant and equipment includes equipment deployed in implementing the USF network which is subject to lien exercisable by USF Company in the event of failure by the Company to maintain service availability and quality specification.
- 4.8** During the year the Company acquired 200 km of metro fiber amounting to Rs 518.4 million under IRU arrangement from Multinet Pakistan (Private) Limited for a period of 18 years.

	<b>Note</b>	<b>31 December 2011</b>	31 December 2010
		----- <b>(Rupees in '000)</b> -----	
<b>4.9</b> Depreciation charge during the year has been allocated as follows:			
Direct cost	37	<b>1,175,664</b>	1,363,805
Operating cost	38	<b>65,422</b>	66,382
		<b><u>1,241,086</u></b>	<u>1,430,187</u>

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

Description	Accumulated Book		Sale	Mode of	Sold to
	Cost	depreciation Value			
	------(Rupees in '000)-----				
<b>Plant and equipment</b>					
FOC network	2,435	1,091	1,344	2,172	Insurance claim
Gateways	4,765	2,848	1,917	5,000	Insurance claim
<b>Computers</b>					
Laptop	102	37	65	50	Negotiation Ehtasham-ex employee
Laptop	150	62	88	100	Negotiation Salman-ex employee
<b>Office Equipment</b>					
LG LCD TV 26"	94	5	89	30	Negotiation Irfan Zaki- ex employee
<b>Vehicles</b>	62,685	44,052	18,633	44,570	Negotiation Employees
<b>Items with book value less than Rs. 50,000</b>	69,696	67,318	2,378	34,068	
<b>Total</b>	<b>139,927</b>	<b>115,413</b>	<b>24,514</b>	<b>85,990</b>	

**31 December 31 December**  
**2011 2010**  
 ------(Rupees in '000)-----

**5 Capital work-in-progress**
**Owned**

Civil works	<b>34,596</b>	45,229
Plant and equipment	<b>616,390</b>	706,449
	<b>650,986</b>	751,678
Less: provision for impairment	-	(300)
	<b>650,986</b>	751,378

**6 Intangible assets**

	Cost/revalued amount as at		Cost/revalued amount as at	Accumulated amortization	Amortization for the year	Accumulated amortization	Net book value as at	Rate
	01 Jan	Additions/ (adjustments)	31 Dec	as at 01 Jan		as at 31 Dec	31 Dec	%
	2011	(adjustments)	2011	2011		2011	2011	
----- (Rupees in '000) -----								
Licenses	2,893,290	-	2,893,290	841,848	158,269	1,000,117	1,893,173	5
Patents and copyrights	5,333	-	5,333	4,407	801	5,208	125	10
Indefeasible right of use - Media cost	-	784,800	784,800	-	47,964	47,964	736,836	6.67
Softwares	16,284	-	16,284	15,834	450	16,284	-	20
Goodwill	2,690,403	-	2,690,403	136,909	-	136,909	2,553,494	-
	<b>5,605,310</b>	<b>784,800</b>	<b>6,390,110</b>	<b>998,998</b>	<b>159,520</b>	<b>1,206,482</b>	<b>5,183,628</b>	
----- (Rupees in '000) -----								
	Cost/revalued amount as at		Cost/revalued amount as at	Accumulated amortization	Amortization for the year	Accumulated amortization	Net book value as at	Rate
	01 Jan	Additions/ (adjustments)	31 Dec	as at 01 Jan		as at 31 Dec	31 Dec	%
	2010	(adjustments)	2010	2010		2010	2010	
----- (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	-
	<b>5,605,310</b>	<b>-</b>	<b>5,605,310</b>	<b>838,045</b>	<b>160,953</b>	<b>998,998</b>	<b>4,606,312</b>	

**6.1** The Company had revalued its licenses and software on 30 June 2008 resulting in a net surplus of Rs. 430.393 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 2011 would have amounted to Rs. 4,827 million (31 December 2010: 4,257 million).

**6.2** During the year the Company has acquired an indefeasible right of use in respect of capacity procured from Multinet Pakistan (Pvt) Limited valuing Rs. 784.8 million for a period of 15 years.

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

**6.4 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 2011 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 cash inflows of USD 70 million from investing and financing activities. As assumed in the five year financial plan, the Company during the year obtained a long term loan facility of USD 35 million and is in advance stage of arranging funding of equivalent amount.

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 2011	31 December 2010
	----- (Rupees in '000) -----	

**6.5** Amortization charge during the year has been allocated as follows:

Direct cost	37	<b>163,758</b>	100,467
Capitalized during the year		<b>43,726</b>	60,486
		<u><b>207,484</b></u>	<u>160,953</u>

## 7 Investment properties

Opening balance		<b>89,900</b>	76,162
Addition during the year	6.2	<b>56,174</b>	6,600
Transferred from owned assets		-	5,760
Fair value adjustment		-	1,378
Closing balance		<u><b>146,074</b></u>	<u>89,900</u>

**7.1** Investment properties comprise of land and building. Fair value of investment property was determined by approved independent valuers.

**7.2** During the year the Company acquired various land and properties under barter arrangement.

## 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 five years.



**Note**      **31 December**      31 December  
                          **2011**                      2010  
                          -----(Rupees in '000)-----

## 9 Deferred taxation

This is composed of:

Liability for deferred taxation comprising temporary differences related to:

Accelerated tax depreciation	<b>2,755,778</b>	2,646,604
Surplus on revaluation of plant and equipment	<b>173,058</b>	173,058
Others	<b>784,122</b>	687,530

Asset for deferred taxation comprising temporary differences related to:

Unused tax losses and tax credits	<b>(3,797,540)</b>	(3,099,464)
Provision for doubtful debts and retirement benefits	<b>(203,917)</b>	(426,681)
	<u><b>(288,499)</b></u>	<u>(18,953)</u>

## 10 Long term advances and deposits

Security deposit with PTCL		17,509
Deposits with financial institutions		6,056
Advances to employees	10.1	-
Others		41,278
		<u>64,843</u>

Less: Current maturity

Deposits	15	(21)	(1,404)
Advances to employees		<b>(21,042)</b>	-
		<u><b>(21,063)</b></u>	<u>(1,404)</u>
		<u><b>132,323</b></u>	<u>63,439</u>

**10.1** These loans and advances are unsecured and interest free and include advances given to executives of Rs. 30.218 million (31 December 2010 : Rs. Nil million) and chief executive officer of Rs. 12.366 million (31 December 2010: Nil) against gratuity.

	Note	31 December 2011	31 December 2010
		----- (Rupees in '000) -----	
<b>11 Stores and spares</b>			
Cost		266,315	216,975
Less: provision			
Opening balance		(24,900)	(10,200)
Addition during the year		(6,000)	(14,700)
Closing balance		(30,900)	(24,900)
		235,415	192,075
<b>12 Stock in trade</b>			
Cost		217,401	208,417
Less: provision			
Opening balance		(15,500)	(7,000)
Addition during the year		-	(8,500)
Closing balance		(15,500)	(15,500)
		201,901	192,917
<b>13 Trade debts</b>			
Considered good - Unsecured		3,252,683	2,016,418
Considered doubtful - Unsecured		221,006	714,694
	13.1	3,473,689	2,731,112
Less: Provision for doubtful debts	13.2	(221,006)	(714,694)
		3,252,683	2,016,418
<b>13.1 This includes due from associated companies as follows:</b>			
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
		92,813	92,813
<b>13.2 Provision for doubtful debts</b>			
Opening balance		714,694	583,033
Charged during the year		119,683	134,889
Written off during the year		(613,371)	-
Adjustment - discontinued operations		-	(3,228)
Closing balance	13.2.1	221,006	714,694

**13.2.1** It includes provision of Rs. 92.81 million (31 December 2010: Rs.92.81 million) against receivable from Pace group companies, associated companies.

	Note	31 December 2011	31 December 2010
----- (Rupees in '000) -----			

#### 14 Loans and advances - considered good

Loans and advances to employees		25,480	43,543
Current maturity of longterm loans to employees	10	21,042	-
Advances to suppliers		491,715	300,573
Advances to PTA	14.1	519,992	434,710
		1,058,229	778,826

**14.1** This mainly represents APC for USF in relation to the period prior to the valid formation of USF fund by the Federal Government. It also includes Rs 40 million 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 22nd 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 (31 December 2010 Rs. 40 million) which was complied by the Company.

	Note	31 December 2011	31 December 2010
----- (Rupees in '000) -----			

#### 15 Deposits and prepayments

Margin deposits	15.1	60,164	68,499
Prepayments		73,374	83,479
Current maturity of long term deposits	10	21	1,404
Short term deposits		9,386	20,670
		142,945	174,052

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

	Note	31 December 2011	31 December 2010
		----- (Rupees in '000) -----	
<b>16 Other receivables</b>			
Receivable from PTCL - unsecured considered doubtful		-	196,919
Less: provision for doubtful receivables	16.1	-	(196,919)
		-	-
Other receivables - considered good		27,772	24,998
Other receivables - considered doubtful		15,139	40,096
		42,911	65,094
Less: provision for doubtful receivables	16.2	(15,139)	(40,096)
		27,772	24,998
Sales tax refundable		54,223	-
		81,995	24,998
<b>16.1 Provision for doubtful receivables-PTCL</b>			
Opening balance		196,919	196,919
Written off during the year		(196,919)	-
Closing balance		-	196,919
<b>16.2 Provision for doubtful receivables</b>			
Opening balance		40,096	45,609
Written off during the year		(24,957)	-
Adjustment discontinued operations		-	(5,513)
Closing balance		15,139	40,096
<b>17 Short term investments-available for sale</b>			
Carrying value	17.1	53,849	85,461
Fair value adjustment		(12,105)	(31,612)
		41,744	53,849
<b>Related parties</b>			
Carrying value	17.2	256,623	292,978
Fair value adjustment		(183,878)	(36,355)
		72,745	256,623
		114,489	310,472

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

All shares have face value of Rs. 10 each.

Name	No. of shares		31 Dec 2011		31 Dec 2010	
	31 Dec 2011	31 Dec 2010	Carrying value	Market value	Carrying value	Market value
------(Rupees in '000)-----						
<b>Commercial Banks</b>						
The Bank of Punjab	10,528	10,528	103	57	205	103
<b>Mutual Fund</b>						
First Dawood Mutual Fund	580,750	580,750	1,162	987	981	1,162
Pak Oman Advantage Fund	1,000,000	1,000,000	10,350	9,120	10,500	10,350
<b>Electric Appliances</b>						
Pak Elektron Limited	9	9	-	-	2	-
<b>Leasing</b>						
Standard Chartered Leasing Limited	70,000	70,000	199	210	180	199
<b>Insurance</b>						
Shaheen Insurance Company Limited	3,136,963	3,136,963	42,035	31,370	73,593	42,035
			<b>53,849</b>	<b>41,744</b>	<b>85,461</b>	<b>53,849</b>

### 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 2011		31 Dec 2010	
	31 Dec 2011	31 Dec 2010	Carrying value	Market value	Carrying value	Market value
------(Rupees in '000)-----						
First Capital Securities Corporation Limited	3,991,754	3,991,754	14,211	7,425	34,438	14,211
<b>Percentage of equity held 1.27%</b> (31 Dec 2010: 1.27%)						
Pace (Pakistan) Limited	6,959,290	6,959,290	18,999	9,047	40,712	18,999
<b>Percentage of equity held 2.5%</b> (31 Dec 2010: 2.5%)						
Media Times Limited						
<b>Percentage of equity held 3.13%</b> (31 Dec 2010: 3.13%)						
	4,199,500	4,199,500	223,413	56,273	217,828	223,413
			<b>256,623</b>	<b>72,745</b>	<b>292,978</b>	<b>256,623</b>

**18 Cash and bank balances**

	Note	31 December 2011	31 December 2010
----- (Rupees in '000) -----			
At banks in			
Current accounts		7,728	8,392
Saving accounts	18.1	310,082	163,065
		<b>317,810</b>	171,457
Cash in hand		9,218	12,503
		<b>327,028</b>	183,960

**18.1** The balances in saving accounts bear mark up at the rate of 5% to 11.5% per annum (31 December 2010: 1.5% to 11% per annum). The balance includes Rs. 40 million (31 December 2010: Rs. 40 million) and interest accrued thereon deposited in Escrow account as stated in note 32.1.2. It also includes Rs. 180 million under lien.

**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 been classified as discontinued operations.

The following are the results for the year ending 31 December 2011 and the comparative year of discontinued operations.

	31 December 2011	31 December 2010
----- (Rupees in '000) -----		
<b>Results of discontinued operations</b>		
Revenue	1,234	3,528
Expenses	(10,794)	(10,425)
Results from operating activities	(9,560)	(6,897)
Finance cost	(64)	(2,553)
Other income	11,691	49
Profit/(loss) for the year	<b>2,067</b>	(9,401)
<b>Cash flow used in discontinued operations</b>		
Net cash (used in)/generated from operating activities	(10,151)	1,045
Net cash generated from investing activities	-	-
Net cash generated from financing activities	10,030	-
Net cash used in discontinued operations	<b>(121)</b>	1,045
<b>Non current assets and liabilities classified as held for sale</b>		
<b>Assets</b>		
Cash and bank balance	23	144
<b>Liabilities</b>		
Trade and other payables	7,271	18,132
Income tax payable	7	7
	<b>7,278</b>	18,139

	Note	31 December 2011	31 December 2010
----- (Rupees in '000) -----			
<b>20 Current maturities of non-current liabilities</b>			
Term finance certificates	26	1,095,825	1,211,126
Payable to Pakistan Telecommunication Authority		404,140	-
Payable to Multinet Pakistan (pvt) Limited	31.1	539,608	-
Liabilities against assets subject to finance lease	30	55,543	13,545
		<u>2,095,116</u>	<u>1,224,671</u>

**21 Running finance under markup arrangements-Secured**

Short term running finances available from commercial banks under mark up arrangements amount to Rs. 998 million (31 December 2010: Rs. 1,181 million). Mark up is charged at rates ranging from 14.72% to 18.42% per annum (31 December 2010: 13.73% to 19% per annum). These are completely secured under joint pari passu hypothecation agreement with 25% security margin over the facility amount.

	Note	31 December 2011	31 December 2010
----- (Rupees in '000) -----			
<b>22 Short term borrowings</b>			
Bridge finance facility	22.1	-	200,000
Other short term borrowings	22.2	118,503	-
		<u>118,503</u>	<u>200,000</u>

**22.1** 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 bridge finance facility has been settled during the year.

**22.2** These represent short term facilities carry markup 21-24% per annum. These are secured by hypothecation charge on assets and lien over import documents.

	31 December 2011	31 December 2010
----- (Rupees in '000) -----		
<b>23 License fee payable</b>		
Opening balance	1,021,500	1,100,781
Interest charged to profit and loss	-	34,219
Less: payments	-	(113,500)
	<u>1,021,500</u>	<u>1,021,500</u>

This represents interest free license fee payable to PTA for WLL licenses.

	Note	31 December 2011	31 December 2010
----- (Rupees in '000) -----			
<b>24 Trade and other payables</b>			
Trade creditors			
Related parties - associated companies	24.1	1,487,304	1,145,191
Others		2,551,952	3,282,154
		<b>4,039,256</b>	4,427,345
Accrued and other liabilities		<b>295,789</b>	234,150
Advance from customers		<b>108,427</b>	216,180
Retention money		<b>40,775</b>	53,183
Sales tax		-	66,595
Tax deducted at source		<b>103,673</b>	39,644
Un claimed dividend		<b>1,807</b>	1,807
		<b>4,589,727</b>	5,038,904
<b>24</b>		This includes payable to the holding company.	
<b>25 Interest and mark-up accrued</b>			
Long term financing		<b>7,209</b>	-
Short term borrowings/running finance		<b>32,989</b>	48,005
Share deposit money		<b>351</b>	351
Term finance certificates		<b>99,634</b>	122,213
		<b>140,183</b>	170,569
<b>26 Term finance certificates - Secured</b>			
Term Finance Certificates - II	26.1	-	116,572
Term Finance Certificates - III	26.2	<b>2,191,648</b>	3,287,473
		<b>2,191,648</b>	3,404,045
Less: initial transaction cost		<b>(53,994)</b>	(60,928)
		<b>2,137,654</b>	3,343,117
Amortization of transaction cost		<b>39,384</b>	34,088
		<b>2,177,038</b>	3,377,205
Less: current maturity	20	<b>(1,095,825)</b>	(1,211,126)
		<b>1,081,213</b>	2,166,079

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



### 26.1 Term Finance Certificates - II

These represented listed term finance certificates amounting to Rs. 350 million issued during the year ended 30 June 2007. These TFCs were redeemable in six equal semi annual installments commencing May 2009. Profit rate charged at six months average KIBOR plus 2.75% per annum. These were secured by way of first pari passu hypothecation charge on the present and future fixed assets of the Company amounting to Rs. 467 million. TFC-II has been fully redeemed on 28 November, 2011

### 26.2 Term Finance Certificates - III

These represent listed Term Finance Certificates amounting to Rs. 4,000 million out of this Rs. 3,000 million was 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.

	<b>31 December 2011</b>	31 December 2010
	----- (Rupees in '000) -----	
<b>27 Long term loan</b>		
Received during the year	<b>2,943,855</b>	-
Less: Initial transaction cost	<b>(42,668)</b>	-
	<b>2,901,187</b>	-
Add: Amortization of transaction cost	<b>4,572</b>	-
	<b>2,905,759</b>	-
Add: Exchange loss during the period	<b>154,245</b>	-
	<b>3,060,004</b>	-

This represents foreign currency syndicated loan facility amounting to USD 35 million from Askari Bank Limited OFF-Shore Banking Unit, Bahrain with the lead arranger being Askari Bank Limited. During the year USD 34.5 million have been drawn from this facility. This loan is re-payable in 20 equal quarterly installments with 2 years grace period commencing 06 June 2013. Profit is charged at three months average LIBOR plus 1.75% per annum and monitoring fee at 1.2% per annum. To secure the facility an unconditional, irrevocable, first demand stand-by letter of credit has been issued by National Bank of Oman favoring Askari Bank Limited against the corporate guarantee of Oman Telecommunication Company SAOG. This arrangement shall remain effective until all obligations under the facility are settled.

**28 Deferred income**

	Note	31 December 2011	31 December 2010
----- (Rupees in '000) -----			
Opening balance		254,716	157,144
Addition during the year		-	97,572
Adjusted during the year	28.1	<u>(88,416)</u>	-
		<u><u>166,300</u></u>	<u><u>254,716</u></u>

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 Company (USFC), a Company established for the purpose of increasing teledensity in Pakistan.

**28.1** This represents amount adjusted against receipts from USF Company on account of achievement of milestone.

**29 Retirement benefits**

	Note	31 December 2011	31 December 2010
----- (Rupees in '000) -----			
Gratuity	29.1	262,701	208,819
Accumulated compensated absences	29.2	<u>37,374</u>	<u>18,160</u>
		<u><u>300,075</u></u>	<u><u>226,979</u></u>

**29.1 Gratuity**

The amount recognized in the balance sheet is as follows:

Present value of defined benefit obligation		251,878	185,500
Unrecognized actuarial (gain)/losses		(7,776)	7,293
Benefits due but not paid		<u>18,599</u>	<u>16,026</u>
		<u><u>262,701</u></u>	<u><u>208,819</u></u>
Liability at beginning of the year		208,819	169,336
Charge for the year	29.1.1	72,386	76,412
Paid during the year		<u>(18,504)</u>	<u>(36,929)</u>
		<u><u>262,701</u></u>	<u><u>208,819</u></u>

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

	31 December 2011	31 December 2010
----- (Rupees in '000) -----		
Interest cost for the year	24,115	20,778
Current service cost	48,271	55,628
Actuarial loss recognized during the year	-	6
	<u><u>72,386</u></u>	<u><u>76,412</u></u>

29.1.2 Recent actuarial valuation of plan was carried out on 31 December 2011 by Nauman Associates.

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

	<b>31 December 2011</b>	31 December 2010
Discount rate (per annum)	12.5%	13%
Expected rate of salary increase (per annum)	11.5%	12%
Average expected remaining working life time of employees	12 years	13 years

### 29.1.3 Historical information for gratuity

	<b>June 2008</b>	<b>Dec 2008</b>	<b>Dec 2009</b>	<b>Dec 2010</b>	<b>Dec 2011</b>
	------(Rupees in '000)-----				
Present value of defined benefit obligation	<u>133,328</u>	<u>152,633</u>	<u>173,153</u>	<u>185,500</u>	<u><b>251,878</b></u>
Experience adjustment arising on plan liabilities	<u>(2,096)</u>	<u>5,042</u>	<u>(8,883)</u>	<u>(21,811)</u>	<u><b>15,069</b></u>

<b>Note</b>	<b>31 December 2011</b>	31 December 2010
	------(Rupees in '000)-----	

### 29.2 Accumulated compensated absences

The amount recognized in the balance sheet is as follows:

Present value of defined benefit obligation		<b>35,716</b>	26,603
Unrecognized actuarial losses		<b>(2,156)</b>	(11,391)
Benefits due but not paid		<u><b>3,814</b></u>	<u>2,948</u>
		<u><b>37,374</b></u>	<u>18,160</u>
Liability at beginning of the year		<b>18,160</b>	6,606
Charge for the year	29.2.1	<b>22,426</b>	18,452
Paid during the year		<u><b>(3,212)</b></u>	<u>(6,898)</u>
		<u><b>37,374</b></u>	<u>18,160</u>

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

Interest cost for the year		<b>3,458</b>	2,836
Current service cost		<b>5,495</b>	5,562
Past service cost		-	7,077
Additional liability charge for the year		<b>9,235</b>	-
Actuarial loss recognized during the year		<u><b>4,238</b></u>	<u>2,977</u>
		<u><b>22,426</b></u>	<u>18,452</u>

**29.2.2** Recent actuarial valuation of plan was carried out on 31 December 2011 by Nauman Associates.

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

	<b>31 December 2011</b>	31 December 2010
	----- <b>(Rupees in '000)</b> -----	
Discount rate (per annum)	12.5%	13%
Expected rate of salary increase (per annum)	11.5%	12%
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

<b>Note</b>	<b>31 December 2011</b>	31 December 2010
	----- <b>(Rupees in '000)</b> -----	

**30 Liabilities against assets subject to finance lease**

Present value of minimum lease payments		<b>145,014</b>	29,507
Less: Current portion shown under current liabilities	20	<b>(55,543)</b>	(13,545)
		<b>89,471</b>	15,962

Interest rate used as discounting factor is ranging from 14.97 % to 17.15% per annum (31 December 2010: 12% 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:

	<b>31 December 2011</b>			31 December 2010		
	<b>Minimum lease payment</b>	<b>Finance cost</b>	<b>Principal</b>	Minimum lease payment	Finance cost	Principal
	----- <b>(Rupees in '000)</b> -----					
<b>Not later than one year</b>	<b>71,209</b>	<b>15,666</b>	<b>55,543</b>	16,399	2,854	13,545
<b>Later than one year but not later than five years</b>	<b>97,514</b>	<b>8,043</b>	<b>89,471</b>	16,932	970	15,962
	<b>168,723</b>	<b>23,709</b>	<b>145,014</b>	33,331	3,824	29,507

	Note	31 December 2011	31 December 2010
----- (Rupees in '000) -----			
<b>31 Long term payables</b>			
Payable to Pakistan Telecommunication Authority	31.1	545,955	-
Payable to Multinet Pakistan (Pvt) Limited	31.2	173,863	-
Others		774,802	631,645
		<u>1,494,620</u>	<u>631,645</u>

**31.1 Payable to Pakistan Telecommunication Authority**

Carrying value of payable to PTA	1,373,557	-
Less: present value adjustment	(273,831)	-
	<u>1,099,726</u>	-
Add: unwinding of discount on liability	2,986	-
	<u>1,102,712</u>	-
Less: payments during the year	(152,617)	-
	<u>950,095</u>	-
Less: current maturity	(404,140)	-
	<u>545,955</u>	-

This represents interest free access promotion contribution charges (APC) for USF payable to PTA. PTA has allowed payment of outstanding amount in 36 equal installments, commencing from 01 September 2011. The liability is discounted using the effective interest rate of 16% per annum.

	Note	31 December 2011	31 December 2010
----- (Rupees in '000) -----			
<b>31.2 Payable to Multinet Pakistan (Pvt) Limited</b>			
Carrying value of liability		784,800	-
Less: present value adjustment		(103,356)	-
		<u>681,444</u>	-
Add: unwinding of discount on liability		8,627	-
		<u>690,071</u>	-
Add: exchange loss		23,400	-
		<u>713,471</u>	-
Less: current maturity	20	(539,608)	-
		<u>173,863</u>	-

This represents amount payable to Multinet Pakistan (Pvt) Limited ("MPL") in respect of indefeasible right to use of media. Subsequent to initial recognition, the consideration that was immediately payable was deferred for period of five years by MPL. Gain on remeasurement has been calculated using the effective interest rate of 16% per annum.

## **32 Contingencies and commitments - The Company**

### **32.1 Billing disputes with PTCL**

**32.1.1** There is a dispute of Rs. 72.64 million (31 December 2010: Rs 72.22 million) with PTCL of non revenue time of prepaid calling cards and Rs. 38.84 million (31 December 2010: Rs 32.13 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.

**32.1.2** PTCL has charged the Company excess Domestic Private Lease Circuits (DPLC) and other media charges amounting to Rs. 168.8 million (31 December 2010: Rs.140.07 million) on account of difference in rates, distances and date of activations. The Company has deposited Rs. 40 million (31 December 2010: 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.

### **32.2 Disputes with Pakistan Telecommunication Authority (PTA)**

**32.2.1** 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 the Company has now started its roll out plan.

**32.2.2** There is a dispute with PTA on payment of R&D Fund contribution amounting to Rs. 11.3 million (31 December 2010: Rs. 11.3 million). The legal validity of this fund is under challenge before the Honorable Supreme Court of Pakistan. The Company is hopeful of a favorable decision.

**32.2.3** There is a dispute with PTA on payment of contribution of APC for USF amounting to Rs. 491 million (31 December 2010: Rs. 491 million). Out of this amount, Rs. 394 million has been deposited with PTA in relation to the period prior to the valid formation of USF fund by the Federal Government. The matter is pending adjudication before the Honorable Supreme Court of Pakistan. The Company is hopeful of a favorable decision.

### **32.3 Taxation issues**

**32.3.1** 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 appeal of the Company is pending in Income Tax Appellate Tribunal Lahore. The management is hopeful that the matter will be decided in favour of the Company.

**32.3.2** 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.

**32.3.3** 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, the Company is hopeful of a favorable decision.

**32.3.4** The department of Inland Revenue, Sales Tax, LTU has issued a show cause notice under section 11(2) and 36(1) of the Sales Tax Act 1990 demanding Rs. 232.35 million allegedly claimed wrongly as input tax during the period 2005 to 2009 on LDI services. It is the case of the department that LDI services are exempt under Federal Excise Act therefore input tax cannot be claimed for exempt services. The case is at first stage i.e. adjudication and based on legal advice Company is hopeful of a favourable decision.

**32.3.5** The Deputy Commissioner Inland Revenue finalized the assessment under section 161/205 of the Ordinance for tax year 2006 and create a demand of Rs.113.39 million. The Company is in process to file Appeal before CIT(Appeals). The management is hopeful that the matter will be decided in favour of the Company.

	<b>31 December 2011</b>	31 December 2010
	------(Rupees in '000)-----	
<b>32.4</b> Outstanding guarantees	<b>963,482</b>	1,012,853
<b>32.5</b> Commitments in respect of capital expenditure	<b>2,185,760</b>	757,484
<b>32.6</b> Outstanding letters of credit	<b>55,697</b>	75,800

	<b>31 Dec. 2011</b>	31 Dec. 2010	<b>31 Dec. 2011</b>	31 Dec. 2010
	------(No of shares)-----		------(Rupees in '000)----	

**33 Issued, subscribed and paid up capital**

Ordinary shares of Rs. 10 each as fully paid in cash	<b>344,000,000</b>	344,000,000	<b>3,440,000</b>	3,440,000
Ordinary shares of Rs. 10 each issued in accordance with the scheme of merger	<b>309,965,789</b>	309,965,789	<b>3,099,658</b>	3,099,658
Ordinary shares of Rs. 10 each issued as fully paid bonus shares	<b>98,094,868</b>	98,094,868	<b>980,949</b>	980,949
Ordinary shares of Rs. 10 each issued against convertible loan	<b>108,510,856</b>	108,510,856	<b>1,085,109</b>	1,085,109
	<b>860,571,513</b>	860,571,513	<b>8,605,716</b>	8,605,716



**33.1** As at 31 December 2011, Oman Telecommunications Company SAOG the holding company, holds 488,839,429 ordinary shares (31 December 2010: 488,839,429) of the Company. In addition 78,541,360 ordinary shares (31 December 2010: 78,541,360 ordinary shares) are held by the following related parties as at 31 December 2011:

**31 December**      31 December  
**2011**              2010  
-----**(Rupees in '000)**-----

**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	74,319,241
	<b>78,541,360</b>	<b>78,541,360</b>

**34 Share premium**

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

**31 December**      31 December  
**2011**              2010  
-----**(Rupees in '000)**-----

**35 Surplus on revaluation**

Revaluation surplus on:

Plant & equipment	64,059	64,059
Intangible assets	430,393	430,393
	<b>494,452</b>	<b>494,452</b>
Less: Related deferred tax liability	(173,058)	(173,058)
Less: Transfer to retained earning in respect of incremental amortization net of deferred tax	(74,190)	(52,993)
Add: Transfer from retained earning in respect of decremental depreciation net of deferred tax	96,041	69,959
	<b>21,851</b>	<b>16,966</b>
	<b>343,245</b>	<b>338,360</b>

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



	Note	31 December 2011	31 December 2010
----- (Rupees in '000) -----			
<b>36 Revenue -Net</b>			
Gross revenue		<b>8,686,042</b>	7,937,527
Less:			
Sales tax		<b>156,397</b>	294,895
Discount and commission		<b>528,632</b>	178,228
		<b>685,029</b>	473,123
		<b>8,001,013</b>	7,464,404
<b>37 Direct cost</b>			
Interconnect, settlement and other charges		<b>3,284,867</b>	3,619,710
Bandwidth and other PTCL charges		<b>455,597</b>	537,913
Depreciation	4.7	<b>1,175,664</b>	1,363,805
Amortization of intangible assets	6.5	<b>163,758</b>	100,467
Power consumption and pole rent		<b>445,961</b>	450,048
Security services		<b>48,563</b>	37,149
PTA charges	37.1	<b>30,234</b>	48,935
Cable license fee		<b>30,999</b>	30,649
Inventory consumed		<b>2,653</b>	16,302
Stores and spares consumed		<b>43,899</b>	47,325
Annual spectrum fee		<b>35,883</b>	35,883
Content cost		<b>53,230</b>	55,785
Network maintenance and insurance		<b>165,536</b>	201,553
Amortization cost of receivables		-	18,437
Others		<b>75,930</b>	52,023
		<b>6,012,774</b>	6,615,984
<b>37.1 PTA Charges</b>			
LDI License	37.1.1	<b>15,743</b>	30,977
WLL License	37.1.2	<b>9,615</b>	10,676
Broadband License		<b>4,157</b>	4,009
Telephony License	37.1.3	<b>303</b>	313
Annual numbering charges		<b>416</b>	2,960
		<b>30,234</b>	48,935
<b>37.1.1 LDI License</b>			
Universal service fund		<b>9,445</b>	18,587
Research and development fund		<b>3,149</b>	6,195
Annual regulatory fee		<b>3,149</b>	6,195
		<b>15,743</b>	30,977

**Note**      **31 December**      31 December  
                         **2011**                      2010  
                         -----(Rupees in '000)-----

**37.1.2 WLL License**

Universal service fund	<b>3,207</b>	4,614
Research and development fund	<b>1,069</b>	1,538
Annual regulatory fee	<b>1,069</b>	1,538
Royalty fee	<b>4,270</b>	2,986
	<u><b>9,615</b></u>	<u>10,676</u>

**37.1.3 Telephony License**

Universal service fund	<b>181</b>	187
Research and development fund	<b>61</b>	63
Annual regulatory fee	<b>61</b>	63
	<u><b>303</b></u>	<u>313</u>

**38 Operating cost**

Salaries, wages and benefits		<b>717,296</b>	699,240
Marketing, advertisement and selling expenses		<b>50,940</b>	158,112
Rent, rates and taxes		<b>93,982</b>	97,546
Communications		<b>17,778</b>	18,595
Transportation		<b>27,021</b>	33,379
Legal and professional		<b>14,841</b>	30,885
Insurance		<b>31,438</b>	46,847
Utilities		<b>60,982</b>	66,481
Printing and stationery		<b>11,234</b>	9,132
Entertainment		<b>24,835</b>	18,942
Travel and conveyance		<b>142,550</b>	126,221
Repairs and maintenance		<b>19,613</b>	24,817
Provision for doubtful debts and other receivables		<b>119,683</b>	134,889
Donations	37.1	<b>3,129</b>	2,756
Fees and subscriptions		<b>4,022</b>	8,806
Directors meeting fee		<b>2,161</b>	2,529
Postage and courier		<b>1,708</b>	2,116
Newspapers and periodicals		<b>382</b>	809
Auditor's remuneration	37.2	<b>9,950</b>	7,750
Depreciation	3.9	<b>65,422</b>	66,382
Miscellaneous		<b>41,270</b>	53,807
		<u><b>1,460,237</b></u>	<u>1,610,041</u>

**37.1** 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 2011	31 December 2010
		----- (Rupees in '000) -----	
<b>38.2 Auditor's remuneration</b>			
Statutory audit		3,750	3,750
Half year review		1,000	1,000
International reporting		2,750	2,750
Taxation and other services		1,975	-
Out of pocket expenses		475	250
		<u>9,950</u>	<u>7,750</u>
<b>39 Finance cost</b>			
Mark-up on long term loans		70,583	965
Mark-up on short term loans/running finance		113,084	165,037
Interest on PTA license fee		-	34,219
Financial charge on leased liabilities		15,521	6,138
Mark up on Term Finance Certificates		426,675	511,991
Discounting charges		24,556	-
Amortization of transaction cost		16,801	11,431
Bank charges and commission		47,434	13,632
		<u>714,654</u>	<u>743,413</u>
<b>40 Other operating income</b>			
<b>Income from financial assets/liabilities</b>			
Income on deposit and saving accounts		23,835	19,476
Dividend income		1,225	934
Mark-up on advance to associated company		-	1,698
Gain on remeasurement of financial liabilities		377,188	-
Liabilities written off		31,327	-
Amortization of receivable		5,071	-
Exchange gain		-	5,052
		<u>438,646</u>	<u>27,160</u>
<b>Income from non-financial assets</b>			
Scrap sales		84	161
Profit on sale of property, plant and equipment		61,476	15,320
Miscellaneous		4,007	15,456
		<u>65,567</u>	<u>30,937</u>
		<u>504,213</u>	<u>58,097</u>
<b>41 Taxation</b>			
Current tax	41.1	80,133	52,628
Deferred tax		(269,546)	(417,075)
		<u>(189,413)</u>	<u>(364,447)</u>



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

41.2 Since the Company is subject to minimum tax under section 113 of Income tax Ordinance, therefore tax charge reconciliation has not been prepared.

		31 December 2011	31 December 2010
<b>42 Earning/(loss) per share</b>			
<b>42.1 Basic and diluted earning/(loss) per share</b>			
Profit/(loss) after taxation available for distribution to ordinary shareholders	Rupees in '000	<u><u>291,711</u></u>	<u><u>(1,153,648)</u></u>
Weighted average number of ordinary shares	Number in '000	<u><u>860,572</u></u>	<u><u>860,572</u></u>
Basic and diluted earning/(loss) per share	Rupees	<u><u>0.34</u></u>	<u><u>(1.34)</u></u>
<b>42.2 From continuing operations</b>			
Profit/(loss) after taxation available for distribution to ordinary shareholders	<i>Rupees in '000</i>	<u><u>290,250</u></u>	<u><u>(1,147,006)</u></u>
Weighted average number of ordinary shares	<i>Number in '000</i>	<u><u>860,572</u></u>	<u><u>860,572</u></u>
Basic and diluted earning/(loss) per share	<i>Rupees</i>	<u><u>0.34</u></u>	<u><u>(1.33)</u></u>

### 43 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:

		<b>31 December 2011</b>	<b>31 December 2010</b>
		----- <b>(Rupees in '000)</b> -----	
<b>Relationship with the Company</b>	<b>Nature of transactions</b>		
<b>1</b> Parent Company	Purchase of goods and services	<b>373,957</b>	500,677
	Sale of goods and services	<b>154,035</b>	389,204
<b>2</b> Other related parties	Purchase of goods and services	<b>12,332</b>	14,586
	Purchase of property	<b>21,000</b>	30,000
	Sale of goods and services	<b>813</b>	277
	Interest on loan	-	1,698
	Provision for doubtful debts	-	54,648
<b>3</b> Key management personnel	Salaries and other employee benefits	<b>352,489</b>	290,510

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

#### Year end balances

Receivable from related parties	<b>232,281</b>	207,814
Payable to related parties	<b>1,487,304</b>	1,156,250

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

	31 December 2011	31 December 2010
	----- (Rupees in '000) -----	
<b>44 Cash generated from operations</b>		
Profit/(loss) before taxation	102,904	(1,520,854)
Adjustment for:		
Depreciation	1,241,086	1,430,187
Amortization of intangible assets	163,758	100,467
Amortization of transaction cost	16,801	11,431
Discounting charges-net	19,485	18,437
Interest on PTA license fee	-	34,219
Provision for doubtful receivables	119,683	134,889
Provision for stock in trade and stores & spares	6,000	23,200
Exchange translation difference	(958)	(1,970)
Gain on disposal of property, plant and equipment	(61,476)	(15,320)
Gain on re-measurement of investment property at fair value	-	(1,378)
Gain on remeasurement of liabilities	(377,188)	-
Liabilities written off	(31,327)	-
Exchange loss on foreign currency loan	154,245	-
Impairment loss on available for sale financial assets	26,508	65,894
Retirement benefits	95,194	94,865
Finance costs	673,361	700,316
<b>Profit before working capital changes</b>	<b>2,148,076</b>	<b>1,074,382</b>
Effect on cash flow due to working capital changes:		
<i>(Increase)/Decrease in the current assets</i>		
Stores and spares	(49,347)	110,826
Stock in trade	(8,989)	(19,323)
Trade debts	(1,186,407)	(39,773)
Loans and advances	(276,113)	85,674
Deposits and prepayments	31,100	7,856
Other receivables	(127,932)	(9,381)
<i>Increase in the current liabilities</i>		
Trade and other payables	(44,939)	1,807,070
	<b>(1,663,627)</b>	<b>1,942,948</b>
	<b>484,449</b>	<b>3,017,330</b>

#### 45 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:

	<u>Chief Executive</u>		<u>Directors</u>		<u>Executives</u>	
	<u>31 Dec.</u> <u>2011</u>	<u>31 Dec.</u> <u>2010</u>	<u>31 Dec.</u> <u>2011</u>	<u>31 Dec.</u> <u>2010</u>	<u>31 Dec.</u> <u>2011</u>	<u>31 Dec.</u> <u>2010</u>
	------(Rupees in '000)-----					
Managerial remuneration	<b>17,920</b>	16,000	-	-	<b>194,414</b>	157,856
Retirement benefits	<b>2,987</b>	2,667	-	-	<b>31,001</b>	27,059
Housing	<b>7,168</b>	6,400	-	-	<b>77,766</b>	63,142
Utilities	<b>1,792</b>	1,600	-	-	<b>19,441</b>	15,786
	<b>29,867</b>	26,667	-	-	<b>322,622</b>	263,843
<b>Number of persons</b>	<b>1</b>	1	-	-	<b>174</b>	136

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

Meeting fee Rs. 2.161 million (31 December 2010: Rs. 2.529) was paid to directors during the year .

#### 46 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

##### 46.1 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.

#### 46.1.1 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:

	<b>31 December 2011</b>	31 December 2010
	----- (Rupees in '000) -----	
Long term advances and deposits	<b>153,386</b>	64,843
Long term trade receivable	<b>18,092</b>	46,805
Trade debts	<b>3,473,689</b>	2,731,112
Loans and advances - considered good	<b>545,472</b>	478,253
Short term deposits	<b>69,550</b>	89,169
Other receivables	<b>42,911</b>	262,014
Short term investments	<b>114,489</b>	310,472
Cash and bank balances	<b>327,028</b>	183,960
	<b><u>4,744,617</u></b>	<u>4,166,628</u>

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

	<b>31 December 2011</b>	31 December 2010
	----- (Rupees in '000) -----	
<b>The age of trade receivables</b>		
Not past due	<b>1,876,999</b>	359,348
Past due 0 - 180 days	<b>1,221,035</b>	1,587,137
Past due 181 - 365 days	<b>164,296</b>	119,079
1 - 2 years	<b>115,752</b>	119,172
More than 2 years	<b>113,699</b>	593,181
	<b><u>3,491,781</u></b>	<u>2,777,917</u>

#### The age of impairment loss against trade receivables

Not past due	-	-
Past due 0 - 180 days	<b>24,685</b>	30,597
Past due 181 - 365 days	<b>30,174</b>	37,211
1 - 2 years	<b>52,448</b>	53,705
More than 2 years	<b>113,699</b>	593,181
	<b><u>221,006</u></b>	<u>714,694</u>

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

Opening balance	<b>714,694</b>	583,033
Charge for the year	<b>119,683</b>	134,889
Written off for the year	<b>(613,371)</b>	-
Exchange adjustment	-	(3,228)
Closing balance	<b><u>221,006</u></b>	<u>714,694</u>



## 46.2 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 2011:

	<b>Carrying Amount</b>	<b>6 months or less</b>	<b>6-12 months</b>	<b>1-2 year</b>	<b>More than 2 years</b>
	------(Rupees in '000)-----				
Term finance certificates - secured	2,177,038	547,912	547,913	1,081,213	-
Long term loan	3,060,004	-	-	464,715	2,595,289
Liabilities against assets subject to finance lease	145,014	26,414	29,129	53,540	35,931
Long term payables	1,494,620	-	-	1,089,961	404,659
Long term deposits	42,661	-	-	-	42,661
License fee payable	1,021,500	1,021,500	-	-	-
Running finance under markup					
Arrangements-secured	979,373	979,373	-	-	-
Short term borrowings	118,503	118,503	-	-	-
Trade and other payables	5,321,375	4,874,658	446,717	-	-
Interest and mark up accrued	140,183	140,183	-	-	-
	<b>14,500,271</b>	<b>7,708,543</b>	<b>1,023,759</b>	<b>2,689,429</b>	<b>3,078,540</b>

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

	<b>Carrying Amount</b>	<b>6 months or less</b>	<b>6-12 months</b>	<b>1-2 year</b>	<b>More than 2 years</b>
	------(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	-	-	-
	<b>11,221,090</b>	<b>7,163,820</b>	<b>945,660</b>	<b>1,995,049</b>	<b>1,116,561</b>

### 46.3 Market risk

#### 46.3.1 Currency risk

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

	<b>31 December 2011 USD ('000)</b>	31 December 2010 USD ('000)
Trade receivables	<b>17,143</b>	23,283
Trade payables	<b>(17,513)</b>	(19,464)
Suppliers	<b>(17,981)</b>	(11,950)
Borrowings	<b>(34,500)</b>	-
Net exposure	<b><u>(52,851)</u></b>	<u>(8,131)</u>
	<b>31 December 2011</b>	31 December 2010

The Following significant exchange rates were applied during the year

Average Rate -Rupees per US Dollar	<b>87.78</b>	85.00
Reporting Date Rate -Rupees per US Dollar	<b>89.75</b>	85.80

A 5% strengthening of Pak Rupees against the above currency would have decreased equity and profit and loss account by Rs. 169.86 million (31 December 2010: 34.882 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.

### 46.3.2 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 2011	31 December 2010
	----- (Rupees in '000) -----	
<b>Fixed rate instruments</b>		
<b><i>Financial assets</i></b>		
Cash and bank balances- deposit accounts	-	-
<b>Floating rate instruments</b>		
<b><i>Financial assets</i></b>		
Cash and bank balances- saving accounts	<b>310,082</b>	163,065
<b><i>Financial liabilities</i></b>		
Term finance certificates - secured	<b>2,191,648</b>	3,404,045
Long term finances-secured	<b>2,943,855</b>	-
Liabilities against assets subject to finance lease	<b>145,014</b>	29,507
Short term borrowings	<b>118,503</b>	200,000
Running finance under markup arrangements-secured	<b>979,373</b>	1,170,964
	<b><u>(6,068,311)</u></b>	<b><u>(4,641,451)</u></b>

#### **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. 30.919 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.

### 46.3.3 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 1% of company's total assets, the performance of the investments will not have any material impact on the group's performance.

### 46.4 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.

### 46.5 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:

	<b>31 December 2011</b>	31 December 2010
	----- (Rupees in '000) -----	
Total debt	<b>6,479,932</b>	4,577,676
Total equity and debt	<b>16,479,333</b>	14,460,684
Debt-to-equity ratio	<b>39 : 61</b>	32 : 68

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.

#### **47 Date of authorization for issue**

These financial statements were authorized for issue on 27 January 2012 by the Board of Directors.

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

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 January 2012:

- Amendments to IAS 12 – deferred tax on investment property (effective for annual periods beginning on or after 1 January 2012). The 2010 amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. The measurement of deferred tax assets and liabilities, in this limited circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. The amendment has no impact on financial statements of the Company.
- IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on financial statements of the Company.
- IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on financial statements of the Company.
- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation.



- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) - (effective for annual periods beginning on or after 1 July 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard. The amendments have no impact on financial statements of the Company.
- Disclosures – Transfers of Financial Assets (Amendments to IFRS 7) - (effective for annual periods beginning on or after 1 July 2011). The amendments introduce new disclosure requirements about transfers of financial assets, including disclosures for financial assets that are not derecognised in their entirety; and financial assets that are derecognised in their entirety but for which the entity retains continuing involvement. The amendments have no impact on financial statements of the Company.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after 1 January 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement.
- IFRIC 20 - Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after 1 January 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The amendments have no impact on financial statements of the Company.

## 49 General

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

**49.2** Certain comparatives amounts have been reclassified to conform to current year presentation. material reclassification is in respect of advance to Pakistan Telecommunication Authority amounting to Rs. 394.7 million which was previously grouped in Trade and Other Payables and has now been grouped in Loans and Advances.

Lahore:  
27 January 2012

  
CHIEF EXECUTIVE OFFICER

  
DIRECTOR

## PATTERN OF SHAREHOLDING AS AT 31 DECEMBER 2011

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

No. of Shareholders	Shareholdings			Shares Held
	From		To	
549	1	-	100	25,240
1274	101	-	500	402,782
3320	501	-	1000	2,282,558
2337	1001	-	5000	6,390,178
731	5001	-	10000	6,100,879
279	10001	-	15000	3,643,697
232	15001	-	20000	4,366,863
158	20001	-	25000	3,697,853
99	25001	-	30000	2,794,557
75	30001	-	35000	2,493,612
52	35001	-	40000	2,018,788
26	40001	-	45000	1,136,733
103	45001	-	50000	5,094,379
34	50001	-	55000	1,775,890
33	55001	-	60000	1,959,075
14	60001	-	65000	882,594
12	65001	-	70000	830,293
17	70001	-	75000	1,261,038
14	75001	-	80000	1,100,977
7	80001	-	85000	578,004
8	85001	-	90000	708,463
7	90001	-	95000	654,882
51	95001	-	100000	5,088,365
8	100001	-	105000	813,479
10	105001	-	110000	1,089,213
7	110001	-	115000	788,289
5	115001	-	120000	593,696
11	120001	-	125000	1,365,179
8	125001	-	130000	1,030,794
2	130001	-	135000	262,276
8	135001	-	140000	1,106,581
2	140001	-	145000	282,400
8	145001	-	150000	1,200,000
4	150001	-	155000	607,175
1	155001	-	160000	160,000
4	160001	-	165000	657,298

No. of Shareholders	Shareholdings			Shares Held
	From		To	
5	165001	-	170000	839,739
5	170001	-	175000	871,009
2	175001	-	180000	355,499
1	180001	-	185000	184,633
4	185001	-	190000	753,303
2	190001	-	195000	388,952
20	195001	-	200000	3,995,616
3	200001	-	205000	606,999
3	205001	-	210000	629,000
2	210001	-	215000	427,599
1	215001	-	220000	218,500
1	220001	-	225000	225,000
2	225001	-	230000	460,000
3	230001	-	235000	694,934
3	235001	-	240000	712,488
2	240001	-	245000	486,000
8	245001	-	250000	1,998,975
1	250001	-	255000	252,116
3	255001	-	260000	770,053
3	260001	-	265000	793,202
1	265001	-	270000	270,000
4	270001	-	275000	1,096,046
3	275001	-	280000	830,075
2	280001	-	285000	566,000
3	285001	-	290000	864,000
5	295001	-	300000	1,500,000
1	300001	-	305000	305,000
1	310001	-	315000	310,591
1	315001	-	320000	317,598
1	320001	-	325000	321,846
2	345001	-	350000	695,274
1	350001	-	355000	355,000
1	355001	-	360000	356,000
2	370001	-	375000	746,491
1	385001	-	390000	390,000
8	395001	-	400000	3,199,070
1	400001	-	405000	400,021
1	410001	-	415000	412,294
1	425001	-	430000	430,000
2	430001	-	435000	864,098
1	440001	-	445000	441,498



No. of Shareholders	Shareholdings			Shares Held
	From		To	
3	445001	-	450000	1,350,000
1	450001	-	455000	455,000
2	490001	-	495000	985,821
2	495001	-	500000	1,000,000
1	510001	-	515000	511,848
1	515001	-	520000	516,437
1	520001	-	525000	523,545
1	580001	-	585000	584,900
2	595001	-	600000	1,200,000
1	605001	-	610000	605,943
2	650001	-	655000	1,304,973
1	675001	-	680000	680,000
1	725001	-	730000	725,758
1	745001	-	750000	750,000
1	795001	-	800000	800,000
1	845001	-	850000	850,000
1	850001	-	855000	852,200
1	855001	-	860000	860,000
1	860001	-	865000	861,500
1	870001	-	875000	875,000
1	880001	-	885000	885,000
1	895001	-	900000	900,000
1	910001	-	915000	910,878
1	915001	-	920000	916,200
1	920001	-	925000	922,901
1	950001	-	955000	954,000
1	995001	-	1000000	1,000,000
1	1050001	-	1055000	1,053,686
1	1150001	-	1155000	1,153,024
1	1195001	-	1200000	1,200,000
1	1200001	-	1205000	1,200,022
1	1235001	-	1240000	1,237,408
1	1345001	-	1350000	1,350,000
1	1500001	-	1505000	1,500,059
1	1505001	-	1510000	1,508,403
1	1645001	-	1650000	1,650,000
1	2100001	-	2105000	2,101,164
1	2210001	-	2215000	2,213,613
1	2285001	-	2290000	2,286,689
1	2760001	-	2765000	2,763,268
1	2795001	-	2800000	2,800,000

No. of Shareholders	Shareholdings		Shares Held
	From	To	
1	2800001 -	2805000	2,804,627
1	3295001 -	3300000	3,300,000
1	3385001 -	3390000	3,387,629
1	3455001 -	3460000	3,455,008
1	4220001 -	4225000	4,220,677
1	4560001 -	4565000	4,561,611
1	4610001 -	4615000	4,610,988
1	6045001 -	6050000	6,050,000
1	8155001 -	8160000	8,159,524
1	8935001 -	8940000	8,936,659
1	9995001 -	10000000	10,000,000
1	10210001 -	10215000	10,213,350
2	13795001 -	13800000	27,600,000
1	19245001 -	19250000	19,247,414
1	19650001 -	19655000	19,651,662
1	21595001 -	21600000	21,599,123
1	71555001 -	71560000	71,555,973
1	488835001 -	488840000	488,839,429
<b>9693</b>			<b>860,571,513</b>

## PATTERN OF SHAREHOLDING AS AT 31 DECEMBER 2011

Categories of Shareholders	Shares held	Percentage
Directors, Chief Executive Officer, their spouses and minor children	123,150	0.01%
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	38,623,952	4.49%
Insurance Companies	269,365	0.03%
Modarabas and Mutual Funds	2,852,710	0.33%
Shareholders holding 10% or more	488,839,429	56.80%
<u>General Public</u>		
a. Local	179,397,339	20.85%
b. Foreign	25,811,799	3.00%
<u>Others</u>		
- Joint Stock Companies	45,617,898	5.30%
- Foreign Companies	175,856	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 2011

<u>Shareholders' Category</u>	<u>Number of Shares held</u>	<u>% of shareholding</u>
<b>Associated Companies, undertaking and related parties</b>		
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) Limited	912	0.00%
<b><u>NIT and ICP</u></b>		
National Bank of Pakistan - Trustee Department NI(U)T Fund	310,591	0.04%
National Investment Trust Limited	8,064	0.00%
<b><u>Directors, Chief Executive Officer and their Spouse &amp; Minor Children</u></b>		
Mr. Mehdi Mohammed Al Abduwani	20,500	0.00%
Mr. Talal Said Marhoon Al Mamari	500	0.00%
Mr. Aimen Bin Ahmed Al Hosni	575	0.00%
Mr. Samy Ahmed Abdulqadir Al Ghassany	500	0.00%
Mr. Shehryar Ali Taseer	500	0.00%
Mr. Sohail Qadir	500	0.00%
Mr. Asadullah Khawaja	100,000	0.01%
Mr. Babar Ali Syed (CEO)	75	0.00%
<b><u>Spouse &amp; Minor Children</u></b>	-	0.00%
<b><u>Executives</u></b>	-	0.00%
<b>Public Sector Companies and Corporations</b>	45,617,898	5.30%
<b>Banks, Development Financial Institutions, Non-Banking Finance Institutions</b>		
	38,623,952	4.49%
<b>Insurance Companies, Modarabas and Mutual Funds etc.</b>	269,365	0.03%
	2,852,710	0.33%
<b>Foreign Companies</b>	175,856	0.02%
<b>General Public</b>	205,209,138	23.85%
<b>Shareholders holding 10% or more voting interest in the Company</b>		
Oman Telecommunications Company (S.A.O.G.)	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 30 April 2012 at 11:00 a.m. and at any adjournment thereof.

Signature this \_\_\_\_\_ Day of \_\_\_\_\_ 2012.

(Witnesses)

1. \_\_\_\_\_

2. \_\_\_\_\_

**Affix Revenue Stamp  
of Rupees Five**

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.

