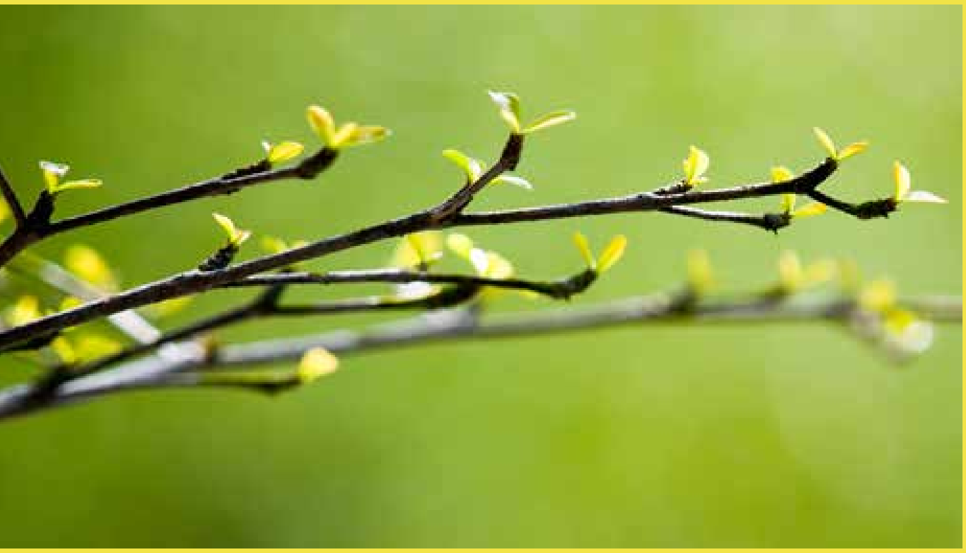
Annual Report
2012

RESILIENCE
IN CHANGE

wateen



The world is forever spinning on the axis of change; where ideas evolve, needs alter and aspirations resurface.

In order to persist within this labyrinth of transition, the question to survive can only be answered by those who are strong enough to adapt.

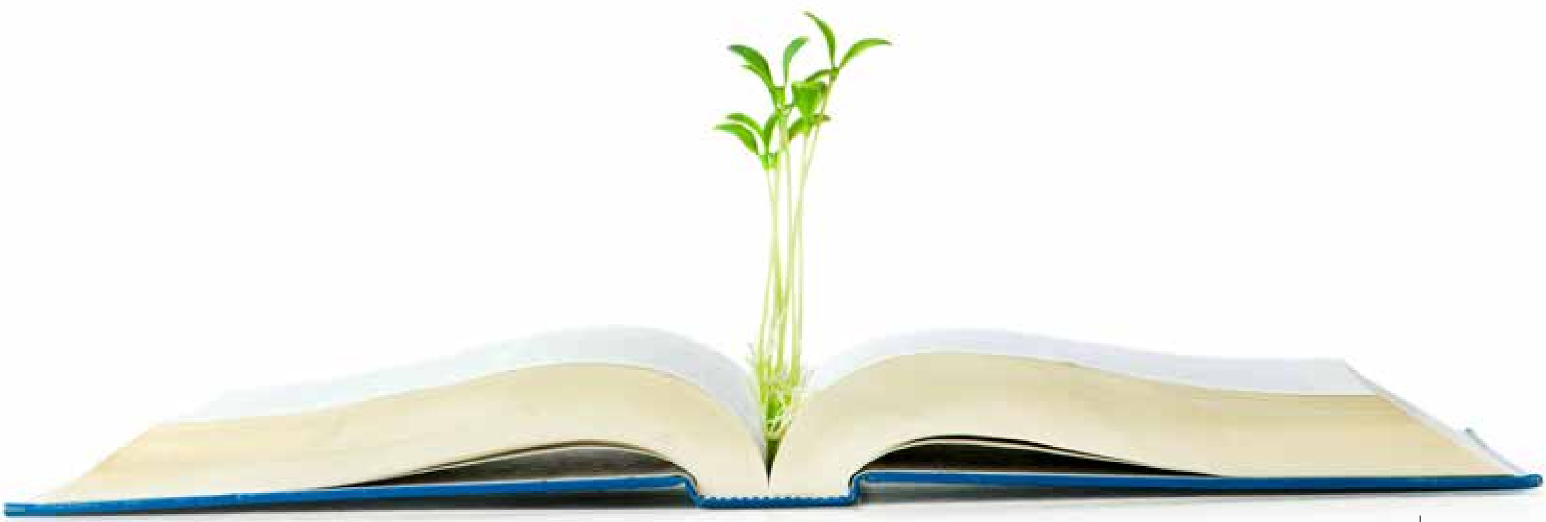
We, at Wateen, have adopted a culture of resilience to counter such developments. Our belief, much like our cover this year, is about staying resolved in the face of adversity. We aim to create ample choices for our clients – enabling them to make right decisions and empowering their lives to help become a part of a promising future.

Contents

Financial Statements

Consolidated Financial Statements

Annexures



Vision

Enable and empower every man, woman and child in Pakistan through leading edge technology and services thereby transforming their lives.

Mission

A winning team that delivers outstanding customer value through world class ICT solutions, systems and innovation.

Values

- Serve & Enable the world around us (Internal & External)
- Passion, Energy & Fun
- Teamwork & Respect
- Ownership & Accountability of Results and Company
- Innovation & Creativity

Awards & Achievements 2011-12

No. 1 Wireless Broadband QoS for Consumers
Pakistan Telecommunication Authority

Customer Service Excellence Award
Cisco

Best Broadband Service Provider
Consumer Choice Awards

Best Marketing Campaign in Internet Category
Pakistan Advertisers Society

Message from the CEO

In FY12, with the new Management Team in place, Wateen's initial strategy was to turn around the company by re-launching its brand after upgrading the network and realigning the organization to deliver innovative products/ services, best in class network performance and responsive customer service.

Wateen successfully re-launched in November 2011, winning the Pakistan Advertisers' Society Award for best new launch in the internet category. We improved the performance and availability of our network to the extent that we won the Best Wireless Broadband Operator Award from Pakistan Telecommunications Authority. We made our customer service responsive enabling us to win the Consumer Choice Award. We restructured our debt with our lenders to reduce our interest expenses and manage our cash flow by pushing out the repayments to 2014.

On 10th February 2012, three months after our re-launch, we had a fire incident that significantly burned down our head office that seated over six hundred staff members and hosted our call center and network operations hub. Wateen managed the situation with no loss of human life and minimum disruption to overall business. Certain critical financial records for the period FY12, damaged/destroyed in the incident have also been reconstructed with the help of external consultants. The fire significantly affected our growth momentum and it took us the whole of the second half of this financial year to recover from the situation.

In addition, our plan to scale up our triple play fiber to the business and home segment was deferred due to a non-conducive, competitive landscape and suppressed economic environment. However, during the year we won USF-Balochistan Package-4 fiber deployment project worth PKR 1,975 million subsidy connecting Quetta to northern Balochistan. However, cash inflows pertaining to USF subsidies for our other fiber optic projects were delayed due to law and order situation in Balochistan and floods in other parts of the country. These projects are now moving forward and are on track for completion.

Despite all the challenges faced by Wateen during FY12, the year ended June 30, 2012 witnessed Wateen emerging as a stronger player than the previous year.

- Wateen enhanced its fiber footprint by additional deployment of 1700km fiber. We signed major contracts with Higher Education Commission (HEC) to provide dark optic fiber connectivity to 73 universities of Pakistan. We signed up major new customers including Allied Bank, Bank of Sind and Telenor Pakistan for enterprise fiber and LDI connectivity. Most importantly we connected Pakistan with Afghanistan through Chaman and Torkham border offering new opportunities for growth.

- Wateen acquired a leading position in the Long Distance & International (LDI) market, rising from being the number eight player to become the second largest operator.

- Wateen re-energized its brand by unveiling a corporate brand identity inspired with the vision to "Enable and empower every man, woman and child in Pakistan through leading edge technology and services thereby transforming their lives" and a clear positioning of "Jo Chaho" i.e. "enabler".

- Wateen also received “Customer Service Excellence Award” from CISCO for unparalleled service quality.

- Wateen successfully rolled out WiFi hotspots covering all major airports, restaurants & hospitals nationwide. Contract for WiFi service provisioning in major educational institutions was awarded to Wateen by the Government of Punjab.

- In addition, we signed a technical services and license agreement with Inov8 Limited to enable mobile financial services in Pakistan, an opportunity to provide managed services in a very high growth potential area. This relationship has already started providing results with our platform and technology solution enabling the launch of “Time Pey” by Zong and Askari Bank. This gives Wateen an entry into offering cloud based computing services, which is the future of the new economy and IT industry.

Although all the efforts outlined above were successful in varying degrees and in FY12 Wateen has been able to improve revenue by 11% and reduce operating losses by 21% as compared to FY11, Wateen has declared a loss for FY12 of PKR 18,557 million, of which PKR 1,995 million is an operating loss (71% of which relates to WiMAX business) and the remaining PKR 16,562 million relates to a one time unusual item which is the impairment of its WiMAX assets (PKR 9,623 million), financial costs (PKR 3,071 million), amortization and depreciation (PKR 2,148 million) and reversal of tax credits (PKR 1,719 million).

The sponsors have showed their continued commitment by injecting PKR 3,715 million in FY12 to finance the cash burn and interest expenses, as well as stabilize the balance sheet of the Company.

The major contributor to the losses has been the WiMAX business, which due to a very lacklustre economic landscape, lack of scale, aggressive competition and high operational costs has not been able to produce the expected results. Therefore, the management is in discussion with third parties to consolidate operations, with a view to reducing costs through sharing of network resources and synergizing technical and marketing operations to make this business profitable. The remaining Wateen businesses have the capacity to generate positive operating cash flow and Wateen, going forward, will focus its efforts on the Enterprise and Carrier marketplace, providing world class connectivity, services and solutions.

Subsequently, in view of overall economic conditions, business environment and WiMAX related challenges; Wateen’s Board guided the management to prepare a ‘Containment Plan’ focused on a realignment of the business. Execution of Containment Plan has resulted in a positive outcome and despite the ongoing energy crisis and depressed economic situation, Wateen has successfully rationalized overall cost structures and is thereby now moving to an EBITDA positive.

I would take this opportunity to thank Pakistan Telecommunications Authority in providing an environment of enablement, the Abu Dhabi Group for their continued support, and especially our customers for selecting Wateen as the preferred choice for their digital needs. A promising future awaits Pakistan and Wateen is ready to lead the digital enablement required for our economy.

Naeem Zamindar
CEO
Dated: June 13, 2013

Board of Directors

As of June 30, 2012

H.H. Nahayan Mabarak Al Nahayan
H.E. Sheikh Sultan Khalfan Sultan Hudairem Al Ktebi
Abdulla Khalil Muhammad Samea Al Mutawa
Zouhair Abdul Khaliq
Jinah Hajali
Adeel Khalid Bajwa
Naeem Zamindar

As Presently Constituted

H.H. Nahayan Mabarak Al Nahayan
Zouhair Abdul Khaliq
Jinah Hajali
Adeel Khalid Bajwa
Naeem Zamindar
Abid Hasan - Independent Director
Khwaja Ahmad Hosain - Independent Director

Financial Highlights

		2012	2011	2010	2009	2008	2007
Operating							
Gross Margin	%	35.08	35.69	39.83	32.36	48.60	38.30
Net Margin/(Loss)	%	(2.47)	(0.73)	(0.25)	8.12	8.70	13.00
Performance							
Return on Operating Assets	%	(204.26)	(26.57)	(11.85)	6.60	12.04	18.27
Debtors' Turnover	Times	4.09	5.55	2.44	5.55	6.57	6.68
Return on Equity	%	-	(120.16)	(48.00)	21.53	21.37	14.37
Leverage							
Debt Equity	Times	-	76:24	81:19	76:24	52:48	48:52
Leverage	%	(1.76)	2.80	0.22	0.72	0.42	0.36
Time Interest Earned	Times	(0.62)	(1.08)	0.18	4.82	7.29	4.65
Liquidity							
Current	Times	0.22	0.21	0.34	0.75	0.59	1.05
Quick	Times	0.20	0.19	0.30	0.64	0.47	1.05
Valuation							
Earnings/(Loss) per share (pre tax)	Rs	(27.27)	(10.97)	(6.77)	6.93	5.62	2.76
Earnings/(Loss) per share	Rs	(30.05)	(8.07)	(4.43)	2.22	3.46	1.85
Breakup value per share	Rs	(31.30)	(1.25)	9.22	20.65	16.20	12.84
Historical Trends							
Operating Results							
Revenue	Rs.(m)	7,502	6,779	7,961	15,410	8,343	4,389
Profit/ (loss) before Tax	Rs.(m)	(16,838)	(6,775)	(3,092)	1,447	1,174	571
Profit/ (loss) after Tax	Rs.(m)	(18,557)	(4,982)	(2,021)	928	723	382
Financial Position							
Paid up Share Capital	Rs.(m)	6,175	6,175	6,175	2,087	2,087	2,087
Reserves	Rs.(m)	135	135	135	393	300	228
Shareholders' Equity	Rs.(m)	(9,952)	4,146	4,210	4,309	3,382	2,659
Current Assets	Rs.(m)	5,635	4,801	8,201	7,780	5,521	4,147
Non Current Liabilities	Rs.(m)	1,816	1,202	1,200	10,887	2,443	1,467

Corporate Information

Management Team

Naeem Zamindar
Chief Executive Officer

Murtaza Raza
Chief Financial Officer

Sajid Farooq Hashmi
Company Secretary & Head of Legal

Faisal Sattar
Chief Technology Officer

Asad Rezzvi
Chief Transformation Officer

Junaid Sheikh
General Manager LDI Business Unit

Hamid Mohyuddin
General Manager Enterprise Business Unit

Anwar Khan
General Manager Consumer Business Unit

Naila Bhatti
General Manager Media

Saleem Akhtar
General Manager Business Development

Brig (Retd.) Mazhar Qayyum Butt
General Manager Corporate Affairs

Zafar Iqbal
General Manager HR, Admin & Infrastructure

Sohaib Sheikh
Head of Marketing

Omar Zia
Head of Audit, Risk & Governance

Auditors

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

Registered Office

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

Present Place of Business

2-E-II, Oberoi House, Gulberg III, Lahore

Share Registrar

THK Associates (Pvt.) Limited
2nd Floor, State Life Building No. 3,
Dr. Zia-ud-Din Ahmed Road, Karachi

Bankers

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

Legal Advisors

Ijaz Ahmed & Associates
(Advocates & Legal Consultants)
Suite No. 425, 4th Floor, Siddique Trade Centre,
72 Main Boulevard, Gulberg, Lahore,
Pakistan
Phone: 042-35817200
Email: iaa.lhr@iaa.com.pk

Directors' Report

The Directors of the Company hereby present the annual report along with the audited financial statements of the Company for the year ended June 30, 2012.

Significant Matters

On account of the loss of data caused by the incident of fire at the head office of Wateen located at New Auriga Complex, Lahore, the Company was unable to prepare and submit the financial statements for the year ended June 30, 2012 within the stipulated time. As a result of this fire, critical financial and accounting records and data pertaining to the period July 1, 2008 to February 10, 2012 were lost. The management of the Company commenced a comprehensive exercise to recreate necessary accounting records, documentation, agreements and other information. Thus far, we have managed to reconstruct records for the period July 1, 2011 to February 10, 2012, enabling us to present FY12 financial statements. Work related to the period July 1, 2008 to June 30, 2011 is currently in progress with the support of external consultants.

Wateen has declared a loss of PKR 18,557 million for FY12 mainly on account of impairment of its WiMAX assets (PKR 9,623 million). WiMAX also accounted for 71% of the operating loss out of total loss of PKR 1,995 million. The following are our observations regarding the Company's WiMAX business:

- The WiMAX business has continued to incur heavy losses despite a successful re-launch in 2011, which resulted in the business winning PTA's award for best broadband service provider as well as Pakistan Advertisers Society Award and Consumer Choice Award.

- The losses have primarily been driven by high churn rates within the Industry driven by price competition, which has meant that customer acquisition costs are not covered by subsequent revenue from that customer.

- In view of overall economic conditions, business environment and WiMAX related challenges; Wateen's Board guided the management to prepare a 'Containment Plan' focused on a realignment of the business. Execution of Containment Plan has resulted in a positive outcome despite the ongoing energy crisis and depressed economic situation, Wateen has successfully rationalized overall cost structures and is there by now moving to an EBITDA positive situation.

- This position has also forced the Board to consider other options for the Business, and there are discussions currently taking place with third parties to consolidate the WiMAX business.

- The Board believes this initiative, if achieved, would benefit all stakeholders, providing efficient cost structures and economies of scale, which would be favorable for consumers. This initiative would avoid Wateen having to incur substantial closure costs, and it would provide value which would ultimately flow to the Company's stakeholders.

For the purpose of determining the value in use, WiMAX operations have been considered as a separate Cash Generating Unit (CGU); the value in use has been determined using discounted cash flow method. The financial projections of the CGU for five years have been derived from a latest business plan which is approved by the Board of Directors (BOD) of the Company based on containment strategy. The value in use of WiMAX assets accordingly determined by an independent consultant is negative Rs 1,036 million using discount rate of 20%.

The net loss discussed above resulted in a negative equity (PKR 19,329 million) on Balance Sheet for FY12. The Board has carefully assessed number of factors covering the trading performance of the business, the ability to implement significant restructuring of the Company's existing debts, and the

Directors' Report

appetite of majority shareholders to continue the financial support. Based on the analysis of these factors, we are comfortable that the Company will be able to continue as a going concern in the foreseeable future. Wateen's sponsors remain committed to Pakistan and the Company and have injected PKR 3,715 million in FY12 as a subordinated loan directly.

Industry Outlook

The global recessionary mood continued impacting Pakistan's economy as numerous challenges in terms of rising oil and fuel prices, increasing energy crisis, floods in the southern region of the country and an aggressive price competition in the industry led to high customer churn impacting the business. Pakistan's economy saw a real GDP growth of 3.7% in FY12 (compared to India's 6.2% for the same period). In FY12, US$ 240 million were invested in telecom industry with cellular mobile sector being the major contributor compared to US$ 493 million in FY11. Auction of 3G licenses was expected to bring more Foreign Direct Investment in the country however due to procedural delays this was not achieved resulting in reduced opportunity for data market.

Broadband industry has been very competitive and the drive to expand market share and size has been driven by price wars. Telecom players are also challenged by high customer churn and higher cost of doing business. However this also presents an opportunity in the enterprise business segment as telecom companies can provide equipment and services to utility companies and business firms targeted at optimizing their operating costs.

Pakistan Telecommunication Authority and State Bank of Pakistan signed a Memorandum of Understanding (MoU) and both institutions showed their interest and commitment in stimulating mobile banking services in the country. This could prove to be a space for growth in future. The most urgent need, however, is the provisioning of a telecom policy by the Government of Pakistan, which expired in 2009, in order to provide a roadmap for telecom operators in future. The fiber and wireless infrastructure developed with the support of Universal Service Fund also presents new avenues of telecom sector growth through provisioning of new services such as e-health, e-market and e-government in underserved areas of the country.

Financial Performance

Wateen's revenue at PKR 7,502 million in FY12 was 11% higher as compared to PKR 6,779 million for FY11. During the period, Wateen incurred a loss of PKR 18,557 million compared to PKR 4,982 million in FY11. The following non-recurring events contributed to this loss:

– Provision for impairment of WiMAX assets amounting to PKR 9,623 million
– Reversal of deferred tax asset amounting to PKR 1,719 million

Additionally in 2011, net deferred tax asset of PKR 1,793 million was booked which resulted in decreasing the loss for the year from PKR 6,775 million to 4,982 million.

After adding back the charges on account of the above non-recurring items, the loss for the year comes to PKR 7,214 million which includes operating loss of PKR 1,995 million, depreciation amounting to PKR 2,148 million and financial cost amounting to PKR 3,071 million.

At the operating level, two more factors contributed to the losses. Firstly, driven by changing market dynamics, Wateen re-negotiated its business contracts with Warid Telecom (Pvt.) Ltd. in FY11, subsequently approved by the shareholders. These changes, in FY12, resulted in significantly reducing our revenue from provisioning of satellite backhauling services, operations and maintenance of the fiber optic network and lease of space at our locations, while simultaneously increasing the site rental costs for the WiMAX network as the agreement envisioned raising prices over 3 years to bring them at parity to the market pricing. Secondly Wateen and the LDI industry at large have challenged the Access Promotion Contribution (APC) regime in the courts. For FY12, PKR 728 million of expenses related to APC

have been contested by Wateen but to be prudent, we have accounted for it in our accounts. If we win the case, it will have significant positive impact for Wateen.

An analysis of revenue demonstrates that Broadband, including data and voice services, grew to PKR 2,061 million, driven by WiMAX sales, showing 15% growth compared to PKR 1,799 million for FY11. Total revenue from the optic fiber cable business was PKR 534 million compared to PKR 839 million in FY11 (which included PKR 224 million IRU deal with CMPak in FY11).

On other fronts, the Company has been able to revive its leading position in the LDI space. LDI revenue increased to PKR 3,799 million from PKR 2,856 million, exhibiting an increase of 33%, driven by high inbound traffic. VSAT revenue grew to PKR 919 million, showing 15% growth compared to PKR 801 million for FY11.

Operational costs increased by 62% (FY12: 2,131 million, FY11: 1,313 million). This increase is mainly on account of escalation in WiMAX support and co-location charges, WiMAX sites dismantling and relocation expenses as well as customer acquisition costs.

Debt Restructuring

The debt amortization profile, higher interest costs and associated liquidity problems have forced the Company to consider restructuring of its debt obligation to ensure continued timely discharge of its commitments to its lenders. The Company successfully completed the debt restructuring process with the help of the key lending institutions by deferring payments of principal and mark-up of PKR 11,310 million and PKR 1,398 million respectively over 5 year period starting from June 2014. Moreover rates of mark-up have also been rationalized and now being charged at 6 months KIBOR. This rationalization of mark-up rates has resulted in approximate interest savings of PKR 975 million for 3 years.

Although debt restructuring agreements have been signed, due to non-compliance of certain conditions precedent particularly maintenance of debt equity covenant, all outstanding amounts due after June 30, 2013 have been classified as current liabilities to comply with the requirements of International Accounting Standards. The Company is in process of completing the remaining conditions precedent.

Due to substantial impairment of Wateen's WiMAX business and other factors explained in this report, the Company has again decided to undergo restructuring of its entire debt and initiated second round of restructuring in 2013. Based on constructive discussions with the lenders and information that is currently available, there is a high likelihood of a successful outcome.

Earnings Per Share

Earnings Per Share (EPS) stands at PKR (30.05) during the period compared to PKR (8.07) in FY'2011.

Dividend

Due to net loss, the Company has been unable to declare any dividends.

The Board of Directors has taken a prudent view of the business, evaluating each business line thoroughly and recommended a containment strategy aimed at reducing the Company's losses through optimization of cost structures and ensuring sustained revenue streams. The sponsors are also committed to Pakistan and the Company and have injected PKR 3,715 million in FY12 as a subordinated loan.

Products & Services

During the year, Wateen continued to offer bespoke services for data and voice over state-of-the-art infrastructure to consumers as well as the enterprise segment. Along with fulfilling its objectives of developing a

Directors' Report

land-route of connectivity for its fiber optic network, the management of the Company focused on reviewing and reviving the Company's existing lines of business.

Wireless

According to PTA, the year saw significant growth in broadband penetration in the country as overall growth of subscribers amounted to almost 29%. The major share of growth of industry subscribers came through PTCL's EvDO services, which saw a growth of 44.37% compared to 27.36% in WiMAX. Wateen's WiMAX strategy was characterized by network stabilization followed by sales to new customers, introduction of new customer-end devices and introduction of high bandwidth packages. However, this did not turn out to be sustainable owing to aggressive price competition and high churn prevalent in the market. In view of the above, a containment plan aiming at optimized technical and commercial operations as well as customer service was envisaged.

Wateen also initiated pilot deployment of over 100 WiFi hotspots in metro cities and signed a contract with the Government of Punjab to provide WiFi services in educational institutions. This product could become a lifestyle enabler for consumers and an opportunity for mobile operators to offload their mobile GPRS/ EDGE customers to high speed data network at select locations. Wateen's satellite business also remained steady during the period with renewal of business with Roshan Telecom Afghanistan.

Fiber

Wateen secured major contracts for provisioning of data services to the telecom and banking sectors, which are key drivers of growth in the industry. Wateen saw over 300 corporate customer locations connected through optical fiber all over Pakistan during this period. An order for connecting Allied Bank Limited's 480 locations in the country was received. Wateen started introducing GPON technology instead of Metro fiber deployments, ensuring lower cost and faster deployment time for the customers. Revenue collection for a small consumer segment of Hybrid Fiber Coax (HFC) improved by over 25%.

Wateen maintained a consistent revenue stream in the long-haul fiber segment however no new IRU dark fiber deal could materialize. Wateen however won Universal Service Fund (USF) BP-4 project, worth PKR 1,975 million which will not only provide fiber connectivity to underserved areas of Balochistan province but also provide us the opportunity to connect Pakistan to its neighbors through optical fiber. 1700 km of new fiber was rolled out in underserved areas of Sindh and Balochistan. Wateen has also sought USF's support in terms of extending contract timelines in areas marred by floods and law and order challenges. During the period, one milestone of USF Sindh projects was successfully completed enabling Wateen to secure PKR 89 million of USF subsidy.

In the enterprise segment, Wateen was awarded "Customer Satisfaction Award" by Cisco for maintaining a high satisfaction score. In addition, for improving business viability, Collections, Recovery & Credit policies were put in place which resulted in a recovery of an outstanding PKR 1,300 million approximately.

Long Distance International (LDI)

During the period, Wateen managed a revival of its LDI business which had not been performing up to its potential. Wateen's total traffic on the network aggregated 145 million minutes in October 2011 and grew to an all-time high of 335 million minutes in June 2012 accounting for over USD 4.0 million of monthly revenue. Telenor Pakistan started routing its international outgoing traffic through Wateen in March 2012 increasing Wateen's international outbound traffic customer base to 4 GSM operators in Pakistan.

Wateen also worked on the policy front with Government and Regulatory Authorities for improving the telecom policy for provisioning of data and transit traffic on international links. Original policy letter of MoIT permits only Voice Traffic and that too for termination to Pakistan only. Since bulk of traffic from across the border is for internet usage, including transit traffic, this is a much needed requirement for developing overall telecom landscape in the future.

Operations

Technical

To reduce WiMAX coverage gaps and enhance existing capacity, over 200 network sites were relocated to areas of promise. A major network revamp activity was performed on over 900 network sites before WiMAX re-launch in November 2011 to improve service quality. Wateen's core network was relocated from Warid's premises to its own facility equipped with enhanced air-conditioning, firefighting and power backup systems. Overall network performance was improved recording a network uptime of 99.5% by December 2011. For providing outstanding quality on its wireless network, PTA recognized Wateen by declaring it the number one Wireless Broadband Service Provider in the country.

All network services affected by the incident of fire were restored within 24 hours. In addition Wateen received customer admiration for providing resilient optical fiber services in flood affected areas. During the period, long haul capacity expansion was done to meet current and upcoming bandwidth requirement of enterprise and carrier segments. Wateen now has 30 Gigabit across the nation, being used to serve Wateen's own and customer requirements. Long-haul fiber network availability was improved to achieve 99.9% mark. Technical teams also introduced new optimization techniques successfully resulting in Internet Bandwidth savings of about 50% and considerable improvement in user browsing experience. Similarly, IT teams developed business intelligence reports and worked actively with Finance team to re-deploy ERP tools and reconstruct damaged financial records.

Human Resources

In order to improve overall ownership and accountability in the Company, the Company was restructured as LDI, consumer and enterprise business units targeting specific market segments. This structure ensured complete P&L responsibility for each business unit head and created a distinct alignment and clarity of roles of each employee in the business unit.

Emphasis was placed on keeping employee morale high through active employee engagement by the senior management with staff, regular town halls, performance evaluation and feedback and salary review to remove past inconsistencies. Groundwork was done to right-size the organization in line with containment strategy and employee separations were handled in a dignified and judicious manner. Efforts were made to develop an open culture and transforming the organization to a customer centric unit. Staff trainings were conducted regarding fire-fighting, goal-setting and leadership capabilities.

Marketing

In line with the Company's re-launch strategy, an extensive 360 degree marketing campaign was undertaken in which the entire product portfolio was highlighted through corporate profiles, revamped website, press conferences, articles and interviews in media. A social media presence on Facebook and Twitter was also established for the first time to connect with businesses and consumers and to help provide customer care through these mediums. Wateen also promoted its existing business lines and new products for the WiMAX market through advertising and on-ground promotions in areas of low utilization in the USF regions.

An effective internal and external communication campaign was launched with limited budgets after the fire incident building employee morale and reinforcing Wateen's commitment to enterprise, carrier and consumer segments. To develop synergies among stakeholders and support broadband proliferation in Pakistan Wateen hosted the first WiMAX Forum meeting in Islamabad under the patronage of the regulator, PTA. Wateen re-energized its brand by unveiling a corporate brand identity inspired with the vision to "Enable and empower every man, woman and child in Pakistan through leading edge technology and services thereby transforming their lives" and a clear positioning of "Jo Chaho" i.e. "enabler". For its re-launch campaign, the Company was recognized by the

Directors' Report

Pakistan Advertisers' Society and the Consumer Association of Pakistan during this period.

Marketing team continued a passive-aggressive promotional strategy as business curtailed costs and focused on improving efficiency in the sector in FY'12.

Future Outlook

In the wake of tough market competition as well as a forecast of depressed economic environment and continuing energy crisis in the country, Wateen will adopt a containment strategy aimed at reducing its losses and securing profitability by rationalizing its cost structure, maintaining its current revenue streams, and improving corporate governance while working on possible upsides in parallel.

While ARPUs continue to decline in the fiber domain, Wateen is confident of securing additional enterprise business from its existing customers to sustain its revenue levels. With more and more enterprises using bandwidth hungry applications, demand for fiber services is on the rise, specifically in the major cities, which may result in a significant demand for FTTx business in the long run. The existing fiber footprint in metropolitan cities will enable Wateen to get ahead of the competition as a key service provider for possible launch of 3G services by Mobile Operators. This will also set the stage for a consumer data, multimedia and cable TV play where small local loop operators are currently dominating.

Aggressive efforts will be made in parallel to mobilize resources on the Universal Service Fund (USF) fiber projects and realize outstanding subsidies. This will enhance Wateen's fiber footprint to remote areas of Sindh and Balochistan, presenting new revenue opportunities in future.

Wateen will also target to enhance the performance in the Long Distance & International (LDI) business by improving margins. Wateen believes that overall profitability of this business could be increased by improving on-going relationships with international and local partners.

Wateen plans to focus on reducing cash burn in WiMAX space while attempting to improve ARPU levels in parallel. Focus will be to keep reducing operational expenses in the areas which are not bringing in sufficient revenue. Operating model will be improved to engage our sales channel more and reduce customer churn. Wateen will also look into possible strategic collaborations with other market players to bring stability to the market.

While Wateen has continuously faced a challenging situation due to the prevalent political volatility, natural calamities, and the security situation, coupled with sub-optimal GDP growth and competitive pressures in the telecom sector, it remains cautiously optimistic about tackling these challenges going forward, and about improvement in performance in the years to come. The demand for ICT services is expected to stay strong even in turbulent times and Wateen is poised to cater for the business needs arising from it despite all challenges. Wateen plans to work with all stakeholders to develop the ICT space in Pakistan. Renewed government focus of IT and Telecom sector and early announcement of long-awaited cohesive telecom policy will help sustain the telecom businesses and ensure their future growth.

Proposed Delisting

On March 28, 2013, the majority shareholder of the Company, Warid Telecom International LLC, U.A.E. (WTI), which presently holds 54% of the total ordinary share capital of the Company, has conveyed its intention to acquire all of the outstanding issued ordinary shares held by the other shareholders of the Company at a proposed purchase price of Rs 4.5 per ordinary share and to seek delisting of the shares of the Company from Karachi, Lahore and Islamabad Stock Exchanges in accordance with the voluntary de-listing provisions of their respective Listing Regulations. The Board approved the delisting in their meeting held on April 11th, 2013, and formal application for delisting has been submitted to all stock exchanges where the Company is listed. The Company is currently in the process of fulfilling the requirements of stock exchanges and regulatory authorities.

Subsidiaries

Financial statements of the Company and its subsidiaries (Group) show a loss of PKR 18,612 million (FY11: PKR 5,191million). Group revenue was recorded at PKR 7,736 million as compared to PKR 6,964 million for the year ended June 30, 2011.

Wateen Telecom Limited has the following subsidiaries:

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

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

During the year Wateen Solutions (Private) Limited incurred loss of PKR 51.7 million (FY11: PKR 170.6 million)

Wateen Satellite Services (Private) Limited – (WSSPL)
Wateen Telecom Limited holds 100% shares of WSSPL. WSSPL was incorporated on September 27, 2005 and is involved in providing back haul and satellite data connectivity services to different operators. WSSPL's operations have been consolidated in Wateen Telecom Limited and this entity is in the process of being wound up accordingly.

During the year Wateen Satellite Services (Private) Limited incurred loss of PKR 0.15 million (FY11: PKR 1.9 million)

NetsOnline Services (Private) Limited – (NOSPL)
Wateen Telecom Limited holds 100% shares of NOSPL. NOSPL was incorporated on November 02, 2005 and is providing DSL services. Wateen has discontinued DSL operation and this entity is in the process of being wound up accordingly.

During the year NetsOnline Services (Private) Limited incurred loss of PKR 0.04 million (FY11: PKR 1.2 million)

Wateen Telecom UK Limited – (WTUL)
Wateen Telecom Limited has investment in 100% shares of Wateen Telecom UK Limited of par value GBP 10,000 (FY11: 100% shares of par value of GBP 10,000). WTUL was incorporated in UK in 2008 for wholesale and retail voice business.

During the year Wateen Telecom UK Limited incurred loss of PKR 166.2million (FY11: 19.1million)

Corporate and Financial Reporting Framework

To the extent already disclosed otherwise in the Statement of Compliance with the Code of Corporate Governance, the Company has complied with all material requirements of the Code of Corporate Governance and the Directors are pleased to confirm the following:

- The financial statements prepared by the management of the Company present fairly its state of affairs, the results of its operations, its cash flows and its changes in equity

DIRECTORS' REPORT

- Proper books of accounts of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment

- International Accounting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements and any departure therefrom has been adequately disclosed

- The system of internal control is sound in design and has been effectively implemented and monitored

- There are no significant doubts about the Company's ability to continue as a going concern

- There has been no material departure from the best practices of corporate governance, as detailed in listing regulations

- Information regarding outstanding taxes and levies is given in notes to the financial statements

- The un-audited value of employees' retirement benefit assets as per management accounts amounted to PKR 292 million at June 30, 2012.

BOARD AUDIT COMMITTEE

The Board Audit Committee of the Company has been established under the requirements of the Code of Corporate Governance with the purpose of assisting the Board of Directors in fulfilling their oversight responsibilities relating to internal controls, financial and accounting matters, compliance and risk management practices.

Composition as of June 30, 2012

Mr. Zouhair A. Khaliq (Director)	Chairman
Mr. Adeel Bajwa (Director)	Member
Jinah Hajali (Director)	Member
Mr. Sajid Farooq Hashmi (Company Secretary)	Secretary

Composition at Present

Abid Hasan
(Chairman-Independent Director)

Jinah Hajali
(Member)

Khwaja Ahmad Hosain
(Member-Independent Director)

Attendance of Board Members

One (1) meeting of the Board Audit Committee was held during the financial year 2011-12:

Name of Board Member	Meetings attended
Mr. Zouhair A. Khaliq	1
Mr. Atif Bajwa	1
Mr. Adeel Bajwa	1

Terms of Reference

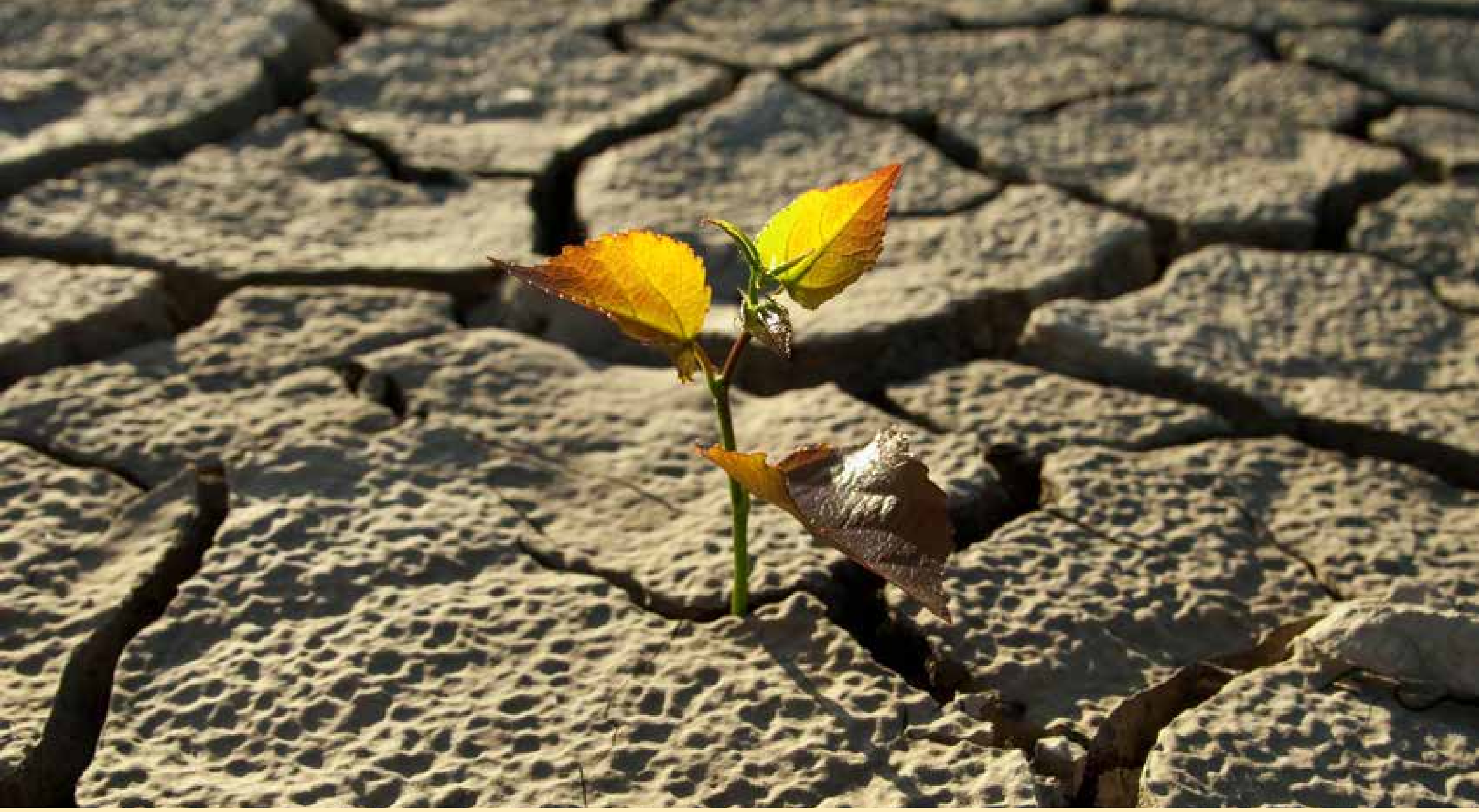
The Committee operates within the scope of the Terms of Reference approved by the Board of Directors in accordance with the guidelines provided in the Listing Regulations.

The Board Audit Committee, among other matters, is responsible for recommending to the Board of Directors the appointment of external auditors by the Company's shareholders, matters pertaining to resignation or removal of external auditors, audit fees and provision by external auditors of any service to the Company in addition to audit of its financial statements.

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

- Determining appropriate measures to safeguard the Company's assets;

- Reviewing quarterly, half-yearly and annual financial statements of the Company and preliminary announcements of the results before approval by the Board particularly;
  - major judgmental areas;
  - significant adjustments resulting from the audit;
  - the going-concern assumption;
  - any changes in accounting policies and practices;
  - compliance with applicable accounting standards;
  - compliance with listing regulations and other statutory and regulatory requirements; and
  - significant related party transactions



- Reviewing the Company's statement on internal control systems prior to its approval by the Board;
- Ensuring coordination between the internal and external auditors;
- Reviewing the management letter issued by external auditors and management's response thereto;
- Ascertaining that the system of internal controls, including financial and operational controls, accounting systems for timely and appropriate recording of purchases and sales, receipts and payments, assets and liabilities as well as reporting structure are adequate and effective;
- Considering major findings of internal investigations of activities characterized by fraud, corruption and abuse of power and management's responses thereto; and
- Monitoring compliance with the Company's policies and procedures, the best practices of corporate governance along with identification of significant violations thereof

Additionally, the Board Audit Committee has explicit authority to investigate any matter and has full cooperation of and access to the Management. It has full discretion to invite any Director or Executive officer to attend its meetings.

Audit, Risk & Governance Division

The Company has established an Audit, Risk & Governance (ARG) Division for internal audit activities. ARG comprises a team of 5 members including the Head of ARG, who reports directly to the Board Audit Committee.

The Board Audit Committee reviews and approves the Internal Audit Charter and Plans to ensure adequacy and effectiveness of the internal audit function. ARG reports all audit findings to the Board Audit Committee for consideration and appropriate actions.

Consolidated financial statements

Consolidated financial statements of the Company are also included as part of this annual report.

Auditors' Observations

The auditor's observations regarding loss of records due to the fire at the Company's Head Office, impairment of WiMAX assets and continuation of the Company as going concern are addressed in section titled "Significant Matters" of this report.

Directors' Report

Auditors

The present Auditors M/s A.F. Ferguson & Co., Chartered Accountants have completed their assignment for the year ended June 30, 2012 and shall retire on the conclusion of the Annual General Meeting. In accordance with the Code of Corporate Governance, the Audit Committee and the Board of Directors considered and recommended the re-appointment of M/s A.F. Ferguson & Co., Chartered Accountant as Auditors for the year ending June 30, 2013.

Shareholding pattern

The shareholding pattern as at June 30, 2012 is annexed.

Web Presence

Annual and periodical financial statements of the Company are also available on the Wateen website www.wateen.com for information of the shareholders and others.

Acknowledgements

On behalf of the Board of Directors of the Company, we would like to thank all our customers, suppliers, contractors, service providers, sponsors and shareholders for their continued support. We would like to commend the diligent and dedicated efforts of our employees across the country which has enabled the Company to successfully face the challenges of a highly competitive telecom environment. We would also like to express our special thanks to the Government of Pakistan and the Abu Dhabi Group for their continued support and encouragement.

Naeem Zamindar
Chief Executive Officer

Abid Hasan
Director

Lahore
Date: June 13, 2013

Attendance of the Board Members
(From July 01, 2011 To June 30, 2012)

S. No.	Name Of Directors	Meetings Attended	Status
1	H.H. Nahayan Mabarak Al Nahayan	NIL	Present Director
2	Abdulla Khalil Muhammad Samea Al Mutawa	NIL	Outgoing Director
3	H.E. Sultan Khalfan Sultan Hudairem Al Ktebi	NIL	Outgoing Director
4	Adeel Khalid Bajwa	02	Present Director
5	Zouhair Abdul Khaliq	02	Present Director
6	Naeem Zamindar	02	Present Director
7	Atif Aslam Bajwa	02	Outgoing Director
8	Jinah Hajali	NIL	Present Director
9	Abid Hasan	NIL	Present Director
10	Khwaja Ahmad Hosain	NIL	Present Director

Statement of Compliance

With the Code of Corporate Governance for the year ended June 30, 2012

This Statement is being presented to comply with the Code of Corporate Governance ('Code') contained in the Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges 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.

Wateen Telecom Limited ("Company") has applied the principles contained in the Code in the following manner:

1. For the year ended June 30, 2012, the Board of Directors ('Board') comprised of seven directors, of whom six were non-executive directors and one was an executive director, being the Chief Executive Officer, with no independent directors. The requirement of at least one independent Director is applicable to the Company from next election of Directors. As of October 31, 2012, two independent directors were appointed to the Board since the Company wishes to encourage the representation of independent directors on its Board.
   The independent directors meet the criteria of independence under clause i(b) of the Code.

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

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to either banking company, a Development Financial Institution (DFI) or a Non-Banking Financial Institution (NBFI), being a member of a stock exchange, has been declared as a defaulter by the stock exchange.

4. A casual vacancy occurred on the Board on May 31, 2012 and was filled up by the directors immediately thereof.

5. The Company has prepared a 'Code of Conduct' and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

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 have been approved / regularized 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 during the second and third quarter, whereas no board meeting was conducted during first and fourth 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. Board Meetings could not be held during the first and fourth quarters due to delay in finalization of financial statements and as a result of the fire which erupted at the head office of the Company on February 10, 2012.

9. The Company could not arrange training programs for its Directors during the financial year to apprise them of their duties, however the CEO attended the Corporate Governance Leadership Skills Program, conducted by PICG, in December, 2012.

10. The Board has approved appointment of CFO including the remuneration and terms and conditions of employment.

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 except for submission of half year, third quarter and annual financial statements with the regulatory authorities, stock exchanges and members of the

Company on a timely basis as a result of the fire which erupted at the head office of the Company on February 10, 2012.

15. The Board has formed an Audit Committee. It comprises of three directors all of whom are non-executive directors including the Chairman of Audit Committee. However, at present Chairman of Audit Committee is an independent director. The terms of reference of the Audit Committee have been formed and advised to the Audit Committee for compliance.

16. One meeting of the Audit Committee was held during the third quarter. Meetings of the Audit Committee could not be held during the first, second and fourth quarters due to delay in finalization of financial statements and as a result of the fire which erupted at the head office of the Company on February 10, 2012.

17. The HR and Remuneration Committee ('HR&R Committee') was not established during the year ended June 30, 2012; however the same was duly formed on October 31, 2012. It comprises of three members of whom all three are non-executive directors including the Chairman of the committee.

18. The Board has set-up an internal audit function that is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company.

19. 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 Accounts (IFAC) guidelines on Code of Ethics as adopted by Institute of Chartered Accountants of Pakistan.

20. 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.

21. The "closed period", prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchanges.

22. Material/price sensitive information has been disseminated among all the market participants at once through stock exchanges.

23. We confirm that all other material principles contained in the Code have been substantially complied with except as provided hereinabove.

Naeem Zamindar
Chief Executive Officer

Date: June 13, 2013

Auditors' Review Report to the Members
on Statement of Compliance with the Best Practices of Code of Corporate Governance

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

The responsibility for compliance with the Code is that of the Board of Directors (the Board) 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 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, the Code requires the Company to place before the audit committee and upon recommendation of the audit committee, before the Board for their review and approval of 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. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board upon recommendation of the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2012. We draw attention to the following non-compliances with the Code of Corporate Governance reported in the Statement:

i. Board meetings were not held during the first and fourth quarter (Paragraph 8 of the Statement);
ii. Training programs for its Directors were not arranged during the year (Paragraph 9 of the Statement);
iii. Half yearly, third quarterly and annual financial statements were not submitted on timely basis (Paragraph 14 of the Statement);
iv. Audit Committee meetings were not held during the first, second and fourth quarter (Paragraph 16 of the Statement); and
v. HR and Remuneration Committee was not established during the year (Paragraph 17 of the Statement).

A.F.Ferguson & Co.

Chartered Accountants
Islamabad

Date: June 13, 2013
Engagement partner: JehanZeb Amin

Auditors' Report to the Members

We have audited the annexed statement of financial position of Wateen Telecom Limited (the Company) as at June 30, 2012 and the related income statement, statement of comprehensive income, statement of cash flows and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

(a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984 except as explained in note 2 to the financial statements that the Company is in the process of reconstructing its records for the period July 1, 2008 to June 30, 2011, which were lost by fire incident on February 10, 2012.

(b) in our opinion:
   (i) the statement of financial position and income statement 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) As explained in note 20.2 to the financial statements, the Company has recognised an impairment loss of Rs 9,623 million representing excess of carrying amount of operating assets related to its WiMAX operations over the recoverable amount. The value in use of these assets based on a business plan prepared by the Company on containment strategy basis is negative Rs 1,036 million. The Board of Directors is currently considering other options for WiMAX operations and there are certain discussions taking place with third parties to merge the WiMAX business. The management estimates that in case of any possible business consolidation, the fair value less costs to sell of these assets would amount to Rs 2,049 million, which has been used as the recoverable amount. The conclusive selling price of these assets will be confirmed on the possible consolidation of WiMAX business, if successful, and any consequential difference from the recoverable amount estimated above will be recognised in the financial statements of the subsequent period. In the absence of a binding agreement or active market for these assets to assess the recoverable amount estimated by management, we were unable to form our opinion on the recoverable amount of these assets.

In our opinion and to the best of our information and according to the explanations given to us, except for the possible effect of the matter described in the preceding paragraph, the statement of financial position, income statement, statement of comprehensive income, statement of cash flows and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2012 and of the loss, total comprehensive loss, 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.

We draw attention to note 3 (iii) to the financial statements related to management's assessment of going concern. Our opinion is not qualified in respect of this matter.

A.F.Ferguson & Co.

Chartered Accountants
Islamabad

Date: June 13, 2013
Engagement Partner: JehanZeb Amin

Financial Statements

Statement of Financial Position
as at June 30, 2012

	Note	2012	2011
		(Rupees in thousand)	
SHARE CAPITAL AND RESERVES			
Authorised capital	6	10,000,000	10,000,000
Issued, subscribed and paid-up capital	6	6,174,746	6,174,746
General reserve	7	134,681	134,681
Accumulated loss		(25,638,154)	(7,081,625)
		(19,328,727)	(772,198)
NON-CURRENT LIABILITIES			
Long term finance- secured	8	-	-
Long term portion of deferred mark up	9	-	-
Long term finance from shareholders - unsecured	10	9,376,247	4,918,227
Medium term finance from an associated company - unsecured	11	600,000	-
Obligations under finance leases	12	2,144	4,406
Long term deposits	13	65,672	61,588
		10,044,063	4,984,221
DEFERRED LIABILITIES			
Deferred USF grants	14	1,748,500	1,136,310
CURRENT LIABILITIES			
Current portion of long term finance - secured	8	15,318,243	12,347,893
Current portion of deferred mark up	9	790,743	-
Current portion of medium term finance from an associated company - unsecured	11	-	600,000
Current portion of obligations under finance leases	12	2,616	3,607
Finance from supplier - unsecured	15	40,542	59,112
Short term borrowings - secured	16	1,503,656	4,107,540
Trade and other payables	17	6,548,324	5,006,345
Interest / markup accrued	18	892,862	799,568
		25,096,986	22,924,065
CONTINGENCIES AND COMMITMENTS	19		
		17,560,822	28,272,398

The annexed notes 1 to 45 form an integral part of these financial statements.

Statement of Financial Position
as at June 30, 2012

	Note	2012	2011
		(Rupees in thousand)	
NON-CURRENT ASSETS			
Property, plant and equipment			
Operating assets	20	9,084,897	18,750,491
Capital work in progress	21	2,190,030	2,304,106
Intangible assets	22	186,286	203,424
		11,461,213	21,258,021
LONG TERM INVESTMENT IN SUBSIDIARY COMPANIES	23	137,661	137,661
DEFERRED INCOME TAX ASSET	24	-	1,718,574
LONG TERM DEPOSITS AND PREPAYMENTS			
Long term deposits	25	257,040	293,043
Long term prepayments	26	69,447	64,094
		326,487	357,137
CURRENT ASSETS			
Trade debts	27	1,892,362	1,768,046
Contract work in progress		15,876	15,178
Stores, spares and loose tools	28	503,221	531,431
Advances, deposits, prepayments and other receivables	29	2,413,693	1,615,479
Income tax refundable		349,875	248,826
Cash and bank balances	30	460,434	622,045
		5,635,461	4,801,005
		17,560,822	28,272,398

Chief Executive

Director

Income Statement

for the year ended June 30, 2012

	Note	2012	2011
		(Rupees in thousand)	
Revenue	31	7,501,669	6,778,628
Cost of sales (excluding depreciation and amortisation)	32	7,001,763	5,672,673
General and administration expenses	33	1,731,337	1,734,364
Advertisement and marketing expenses		290,758	243,011
Selling and distribution expenses		45,273	13,935
Provisions and write off	34	351,660	1,741,185
Other (income)/ expenses	35	76,081	(110,192)
Loss before interest, taxation, impairment depreciation and amortisation		(1,995,203)	(2,516,348)
Less: Depreciation and amortisation		2,148,382	2,067,457
Provision for impairment of WIMAX assets	20	9,622,973	-
Finance cost	36	3,211,610	2,337,949
Finance income	37	(140,213)	(146,722)
Loss before taxation		(16,837,955)	(6,775,032)
Deferred income tax (expense)/ credit		(1,718,574)	1,793,167
Loss for the year		(18,556,529)	(4,981,865)
Loss per share - Basic and diluted (Rs)	39	(30.05)	(8.07)

The annexed notes 1 to 45 form an integral part of these financial statements.

Chief Executive

Director

Statement of Comprehensive Income
for the year ended June 30, 2012

	Note	2012	2011
		(Rupees in thousand)	
Loss for the year		(18,556,529)	(4,981,865)
Other comprehensive income		-	-
Total comprehensive loss for the year		(18,556,529)	(4,981,865)

The annexed notes 1 to 45 form an integral part of these financial statements.

Chief Executive

Director

Statement of Cash Flows

for the year ended June 30, 2012

	Note	2012	2011
		(Rupees in thousand)	
CASH FLOW FROM OPERATING ACTIVITIES			
Loss before taxation		(16,837,955)	(6,775,032)
Adjustment of non cash items:			
Depreciation and amortisation		2,148,382	2,067,457
Finance cost		3,211,610	2,337,949
Loss/ (profit) on sale of operating assets		(2,811)	57,183
Loss on assets destroyed in fire		93,425	-
Provision for impairment of property, plant and equipment		9,622,973	-
Loss on sale of inventories		-	40,878
Cost associated with IRU of Optic Fiber Cable		-	27,477
Deferred USF grant recognised during the year		(67,144)	(50,605)
Dividend income from subsidiary company		-	(156,060)
Provisions and write off		351,660	1,741,185
Provision for employees' accumulated absences		-	28,940
		15,358,095	6,094,404
		(1,479,860)	(680,628)
Changes in working capital:			
(Increase)/ decrease in trade debts		(456,569)	677,246
(Increase)/ decrease in contract work in progress		(698)	3,604
(Increase)/ decrease in stores, spares and loose tools		28,210	103,831
(Increase)/ decrease in advances, deposits, prepayments and other receivables		(592,725)	(327,196)
Increase/ (decrease) in cross currency and interest rate swap liability		-	(139,053)
Increase/ (decrease) in trade and other payables		1,589,011	(963,118)
		567,229	(644,686)
Employees' accumulated absences paid		(47,032)	(25,598)
Income taxes paid		(101,049)	(9,985)
Cash flow from operating activities		(1,060,712)	(1,360,897)
CASH FLOW FROM INVESTING ACTIVITIES			
Property, plant and equipment additions (including finance cost)		(2,259,212)	(2,626,244)
Intangible assets additions		(9,498)	(22,087)
Proceeds from sale of property, plant and equipment		3,558	22,402
Proceeds from insurance claim		200,000	-
Proceeds from sale of inventories		-	18,602
Advance against purchase of shares in subsidiary companies		-	(85,000)
Long term deposits receivable- (paid)/ received		36,003	(54,459)
Long term prepayments		(5,353)	15,045
Dividend income received		-	156,060
Cash flow from investing activities		(2,034,502)	(2,575,681)

Statement of Cash Flows
for the year ended June 30, 2012

	Note	2012	2011
		(Rupees in thousand)	
CASH FLOW FROM FINANCING ACTIVITIES			
Long term finance from shareholders - unsecured		4,458,020	4,918,228
Long term finance received		-	989,030
Long term finance repaid		(27,000)	(917,570)
Increase in long term finance - secured		2,862,591	-
Finance from supplier - unsecured		(18,570)	(18,556)
Medium term finance from an associated company - unsecured		-	600,000
Payable to supplier to be settled through long term finance repaid		-	(433,798)
Deferred USF grant received		454,438	359,756
Obligations under finance leases repaid		(3,253)	(2,476)
Long term deposits payable- (repaid)		4,084	(48,867)
Short term borrowings (paid)/ received		-	(1,545,415)
Finance cost paid		(2,327,573)	(2,387,233)
Cash flow from financing activities		5,402,737	1,513,099
INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS		2,307,523	(2,423,479)
Cash and cash equivalents at beginning of the year		(3,350,745)	(927,266)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		(1,043,222)	(3,350,745)
CASH AND CASH EQUIVALENTS COMPRISE:			
Cash and bank balances		460,434	622,045
Short term running finance		(1,503,656)	(3,972,790)
		(1,043,222)	(3,350,745)

The annexed notes 1 to 45 form an integral part of these financial statements.

Chief Executive

Director

Statement of Changes in Equity
for the year ended June 30, 2012

	Share capital	General reserve	Accumulated loss	Total
		(Rupees in thousand)		
Balance at July 1, 2010	6,174,746	134,681	(2,099,760)	4,209,667
Total comprehensive loss for the year				
Loss for the year	-	-	(4,981,865)	(4,981,865)
Other comprehensive income	-	-	-	-
	-	-	(4,981,865)	(4,981,865)
Balance at June 30, 2011	6,174,746	134,681	(7,081,625)	(772,198)
Total comprehensive loss for the year				
Loss for the year	-	-	(18,556,529)	(18,556,529)
Other comprehensive income	-	-	-	-
	-	-	(18,556,529)	(18,556,529)
Balance at June 30, 2012	6,174,746	134,681	(25,638,154)	(19,328,727)

The annexed notes 1 to 45 form an integral part of these financial statements.

Chief Executive

Director

Notes to and Forming Part of the Financial Statements
for the year ended June 30, 2012

1. Legal status and operations

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

2. Reconstruction of accounting records destroyed in fire incident during the year

On February 10, 2012, a fire broke out at the New Auriga Complex, Lahore where the Head Office of the Company is situated. Besides the loss of furniture and fixtures, computers, telecom and other office equipment, the fire incident also resulted in the destruction of documents, records and other historical information of the Company.

Financial and accounting records and data (including computerized soft data) were lost pertaining to the period July 1, 2008 to February 10, 2012. The management of the Company commenced a comprehensive exercise to recreate necessary accounting records, documents, supports, agreements and other information. The Company has managed to rearrange records for the period July 1, 2011 to February 10, 2012 till the date of issuance of these financial statements. The exercise related to the period July 1, 2008 to June 30, 2011 is in progress.

3. Basis of preparation

(i) Statement of compliance

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

These financial statements are the separate financial statements of the Company. In addition to these separate financial statements, the Company also prepares consolidated financial statements.

(ii) Accounting convention

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

(iii) Management’s assessment of going concern

In assessing the going concern status of the Company, management has carefully assessed a number of factors covering the trading performance of the business, the ability to implement a significant debt restructuring of the Company’s existing debt’s and the appetite of our majority shareholder to continue financial support. Based on the analysis of these, management is comfortable that the Company will be able to continue as a going concern in the foreseeable future. Set out below are the key areas of evidence that management has considered.

Operational performance

During 2012, the Company incurred losses of Rs 18,556 million and had net current liabilities as at June 30, 2012 of Rs 19,462 million, of which Rs 15,318 million relates to loan installments classified as current liabilities as mentioned in note 8.6, and that is due for repayment after June 30, 2013. It is important to note that during this period of losses the Majority Shareholders of the Company have continued to provide financial support in the form of long term finance amounting to Rs 9,376 million to meet the requirements of the Company.

Following continuing losses during the financial year 2012, the Board directed management to implement a 'Containment plan' that would stem the losses of the Company and provide stability. This containment plan included a cost cutting exercise, assessment of options for the WiMAX business, and continued support of the other business lines. With regards to the WiMAX business there are discussions underway with third parties to consolidate the WiMAX business which if successful, would benefit the Company and it's stakeholders.

The Company has incurred capital expenditures on different Universal Service Fund (USF) Projects awarded by USF Company, (total contract values Rs 4,848 million contracts awarded to date) of which Rs 1,643 million have been received by the Company to date. Furthermore milestones have been achieved and the Company is in the process of offering the project milestone notice(s) for audit to the USF Company during the ensuing year. Upon successful completion of audit the Company will be entitled to claim the balance from USF Company related to completed milestones, and collect further material receipts from the USF Company which will benefit the cash flow.

Debt restructuring

Discussions have commenced with the local Syndicate lenders, our foreign debt lenders and our Majority Shareholders, constructive discussions are taking place and there is a willingness on all sides to find a solution, including a willingness from our Majority Shareholder to provide further financial support. Given this management is of the view that based on these constructive discussions and information that is currently available there is a high likelihood of a successful outcome.

Ongoing Shareholder Support

Our majority shareholder Warid Telecom International LLC (WTI) continues to provide management with comfort with regards to it's ongoing support, key requirements of which are the delisting of the Company from all stock exchanges of Pakistan where the Company is listed, and the successful restructuring of the debt. Both of these initiatives are progressing well.

This message was also reiterated in the letter WTI provided to the Board of Directors with regards to the buy-back and de-listing of shares, which was subsequently made available to the public by the stock exchanges. In this WTI stated 'WTI's buy-back of the shares reflects its strong commitment to Wateen and its local operations and enables a restructuring to take place that provides Wateen with the best possible chance to repay the current debts that are outstanding'.

In addition to this WTI guarantees the local Syndicate Finance Facility, and certain personal guarantees are provided to the foreign debt holders. Based on the provision of these Guarantees WTI are providing strong support to the management through the restructuring discussions.

(iv) Critical accounting estimates and judgments

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

(i) Operating assets - estimated useful life of property, plant and equipment (note 20)
(ii) Impairment of WiMAX assets (note 20.2)
(iii) Impairment of DSL assets (note 21)
(iv) Provision for doubtful debts (note 27)

(v) Provision for obsolete stores (note 28)
(vi) Provision for doubtful advances and other receivables (note 29)
(vii) Provision for current and deferred income tax (note 24)
(viii) Employees' retirement benefits (note 41)

4. Adoption of new and revised standards and Interpretations

a) The following amendments, revisions and interpretations to published accounting standards were not effective during the year and have not been early adopted by the Company:

		Effective for periods beginning on or after
IFRS 7	Financial instruments: Disclosures (Amendments)	January 01, 2013 & January 01, 2015
IAS 1	Presentation of financial statements (Amendments)	July 01, 2012 & January 01, 2013
IAS 12	Income taxes (Amendments)	January 01, 2012
IAS 16	Property, Plant and Equipment (Amendments)	January 01, 2013
IAS 19	Employee benefits (Amendments)	January 01, 2013
IAS 27	Separate Financial Statements (Revised)	January 01, 2013
IAS 28	Investments in Associates (Revised)	January 01, 2013
IAS 32	Financial Instruments Presentation (Amendments)	January 01, 2013 & January 01, 2014
IAS 34	Interim Financial Reporting (Amendments)	January 01, 2013
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	January 01, 2013

The management anticipates that, except for the effects on the financial statements of amendments to IAS 19 "Employee Benefits", the adoption of the above standards, amendments and interpretations in future periods, will have no material impact on the Company's financial statements other than in presentation / disclosures. The amendments to IAS 19 require immediate recognition of actuarial gains / losses in other comprehensive income in the period of initial recognition, this change will remove the corridor method and eliminate the ability for entities to recognize 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 recognized in profit or loss is calculated based on the rate used to discount the defined benefit obligation. Following this change accumulated losses will be recorded immediately in other comprehensive income.

b) The following new standards have been issued by the International Accounting Standards Board (IASB), which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP) for the purpose of their applicability in Pakistan:

		Effective for periods beginning on or after
IFRS 1	First-time adoption of international financial reporting standards (Amendments)	July 1, 2009
IFRS 9	Financial instruments	January 1, 2015
IFRS 10	Consolidated financial statements	January 1, 2013
IFRS 11	Joint arrangements	January 1, 2013
IFRS 12	Disclosure of interests in other entities	January 1, 2013
IFRS 13	Fair value measurement	January 1, 2013

Notes to and Forming Part of the Financial Statements
for the year ended June 30, 2012

c) The following interpretations issued by the IASB have been waived off by the SECP, effective January 16, 2012:

IFRIC 4	Determining Whether an Arrangement Contains a Lease
IFRIC 12	Service Concession Arrangements

5. Summary of significant accounting policies

5.1 Employees' retirement benefits

5.1.1 The Company operates funded gratuity scheme for all permanent employees. The expense is recognised on the basis of actuarial valuation. Actuarial gains and losses in excess of the 'corridor' (10% of the higher of fair value of plan assets or present value of defined benefit obligation) are recognised over the remaining working life of employees. The latest actuarial valuation was carried out as at June 30, 2012, related details of which are given in note 41 to the financial statement.

5.1.2 Upto June 30, 2011 the Company provided compensated absences for all permanent employees in accordance with the rules of the Company. Effective July 1, 2011, the policy has been curtailed and amount due to employees as at June 30, 2011 has been settled.

5.1.3 Contributory provident fund for all permanent employees of the Company is in place. Contribution for the year amounted to Rs 31.452 million (2011: Rs 28.816 million).

5.2 Taxation

The tax expense for the year comprises of current and deferred income tax, and is recognized in income for the year, except to the extent that it relates to items recognized directly in other comprehensive income, in which case the related tax is also recognized in other comprehensive income.

Current

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the date of the statement of financial position. Management periodically evaluates positions taken in tax returns, with respect to situations in which applicable tax regulation is subject to interpretation, and establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred

Deferred income tax is accounted for using the balance sheet liability method in respect of all temporary differences arising between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred income tax liabilities are 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.

Deferred income tax is calculated at the rates that are expected to apply to the period when the differences reverse, and the tax rates that have been enacted, or substantively enacted, at the date of the statement of financial position.

5.3 Government grant

Government grants are recognized at their fair values and included in non-current liabilities, as deferred income, when there is reasonable assurance that the grants will be received and the Company will be able to comply with the conditions associated with the grants.

Grants that compensate the Company for expenses incurred, are recognized on a systematic basis in the income for the year in which the related expenses are recognized. Grants that compensate the Company for the cost of an asset are recognized in income on a systematic basis over the expected useful life of the related asset.

5.4 Borrowings and borrowing costs

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

Borrowing costs incurred that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of the cost of that asset. All other borrowing costs are charged to income for the year. Qualifying assets are assets that necessarily takes substantial period of time to get ready for their extended use.

5.5 Trade and other payables

Liabilities for creditors and other amounts payable including payable to related parties are carried at cost, which is the fair value of the consideration to be paid in the future for the goods and / or services received, whether or not billed to the Company.

5.6 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each statement of financial position date and are adjusted to reflect the current best estimate.

5.7 Contingent liabilities

A contingent liability is disclosed when the Company has a possible obligation as a result of past events, the existence of which will be confirmed only by the occurrence or non-occurrence, of one or more uncertain future events, not wholly within the control of the Company; or when the Company has a present legal or constructive obligation, that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

5.8 Dividend distribution

The distribution of the final dividend, to the Company's shareholders, is recognized as a liability in the financial statements in the period in which the dividend is approved by the Company's shareholders; the distribution of the interim dividend is recognized in the period in which it is declared by the Board of Directors.

5.9 Property, plant and equipment

Property, plant and equipment, except freehold land and capital work-in-progress, is stated at cost less accumulated depreciation and any identified impairment losses; freehold land is stated at cost less identified impairment losses, if any. Cost includes expenditure, related overheads, mark-up and borrowing costs (note 5.4) that are directly attributable to the acquisition of the asset.

Subsequent costs, if reliably measurable, are included in the asset's carrying amount, or recognized as a separate asset as appropriate, only when it is probable that future economic benefits associated with the cost will flow to the Company. The carrying amount of any replaced parts as well as other repair and maintenance costs, are charged to income during the period in which they are incurred.

Depreciation on operating assets is calculated, using the straight line method, to allocate their cost over their estimated useful lives, at the rates mentioned in note 20.

Depreciation on additions to property, plant and equipment, is charged from the month in which the relevant asset is acquired or capitalized, while no depreciation is charged for the month in which the asset is disposed off. Impairment loss, if any, or its reversal, is also charged to income for the year. Where an impairment loss is recognized, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value, over its estimated useful life.

The gain or loss on disposal of an asset, calculated as the difference between the sale proceeds and the carrying amount of the asset, is recognized in income for the year.

5.10 Intangible assets

(i) Licences

These are carried at cost less accumulated amortization and any identified impairment losses. Amortization is calculated using the straight line method from the date of commencement of commercial operations, to allocate the cost of the license over its estimated useful life specified in note 22, and is charged to income for the year.

The amortization on licenses acquired during the year, is charged from the month in which a license is acquired / capitalized, while no amortization is charged in the month of expiry / disposal of the license.

(ii) Computer software

These are carried at cost less accumulated amortisation and any identified impairment losses. Amortisation is calculated using the straight line method, to allocate the cost of the software over its estimated useful life, and is charged in profit and loss account. Costs associated with maintaining computer software, are recognised as an expense as and when incurred.

The amortization on computer software acquired during the year is charged from the month in which the software is acquired or capitalized, while no amortization is charged for the month in which the software is disposed off.

5.11 Impairment of non-financial assets

Assets that have an indefinite useful life, for example freehold land, are not subject to depreciation and are tested annually for impairment. Assets that are subject to depreciation are reviewed for impairment on the date of the statement of financial position, or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized, equal to the amount by which the asset's carrying amount exceeds its recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non financial assets that suffered an impairment, are reviewed for possible reversal of the impairment at each statement of financial position date. Reversals of the impairment loss are restricted to the extent that asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss has been recognized. An impairment loss, or the reversal of an impairment loss, are both recognized in the income statement.

5.12 Investment in subsidiaries

Investments in subsidiaries, where the Company has control or significant influence, are measured at cost in the Company's financial statements. The profits and losses of subsidiaries are carried in the financial statements of the respective subsidiaries and associates, and are not dealt within the financial statements of the Company, except to the extent of dividends declared by these subsidiaries.

5.13 Right of way charges

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

5.14 Trade debts and other receivables

Trade debts and other receivables are carried at their original invoice amounts, less any estimates made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

5.15 Stores, spares and loose tools

Stores, spares and loose tools are carried at cost less allowance for obsolescence. Cost is determined on weighted average cost formula basis. Items in transit are valued at cost, comprising invoice values and other related charges incurred up to the date of the statement of financial position.

5.16 Stocks

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

5.17 Cash and cash equivalents

Cash and cash equivalents are carried at cost. For the purpose of the statement of cash flows, cash and cash equivalents comprise cash in hand and bank and short term highly liquid investments with original maturities of three months or less, and that are readily convertible to known amounts of cash, and subject to an insignificant risk of changes in value.

5.18 Revenue recognition

Revenue is recognised as related services are rendered.

Revenue from granting of Indefeasible Right of Use (IRU) of dark fiber for 20 years or more is recognised at the time of delivery and acceptance by the customer.

Revenue from prepaid cards is recognised as credit is used, unutilised credit is carried in balance sheet as unearned revenue in trade and other payables.

Interest income is recognised using the effective yield method.

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

5.19 Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the functional currency). These financial statements are presented in Pakistan Rupees (Rs), which is the Company's functional currency.

5.20 Foreign currency transactions and translations

Foreign currency transactions are translated into the functional currency, using the exchange rates prevailing on the date of the transaction. Monetary assets and liabilities, denominated in foreign currencies, are translated into the functional currency using the exchange rate prevailing on the date of the statement of financial position. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary items at year end exchange rates, are charged to income for the year.

5.21 Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument and derecognized when the Company loses control of the contractual rights that comprise the financial assets and in case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expires. All financial assets and liabilities are initially recognized at fair value plus transaction costs other than financial assets and liabilities carried at fair value through profit or loss. Financial assets and liabilities carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are charged to income for the year. These are subsequently measured at fair value, amortized cost or cost, as the case may be. Any gain or loss on derecognition of financial assets and financial liabilities is included in income for the year.

(a) Financial assets

Classification and subsequent measurement

The Company classifies its financial assets in the following categories: fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. Regular purchases and sales of financial assets are recognized on the trade date - the date on which the Company commits to purchase or sell the asset.

(i) Fair value through profit and loss

Financial assets at fair value through profit or loss, include financial assets held for trading and financial assets, designated upon initial recognition, at fair value through profit or loss.

Financial assets at fair value through profit or loss are carried in the statement of financial position at their fair value, with changes therein recognized in the income for the year. Assets in this category are classified as current assets.

(ii) Held to maturity

Non derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Company has the positive intention and ability to hold these assets to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment, if any.

(iii) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments, that are not quoted in an active market. After initial measurement, these financial assets are measured at amortized cost, using the effective interest rate method, less impairment, if any.

The Company's loans and receivables comprise 'Long term deposits', 'Trade debts', 'Contract work in progress', 'Advances, deposits, prepayments and other receivables,' 'Income tax refundable' and 'Cash and bank balances'.

(iv) Available for sale

Available-for-sale financial assets are non-derivatives, that are either designated in this category, or not classified in any of the other categories. These are included in non current assets, unless management intends to dispose them off within twelve months of the date of the statement of financial position.

After initial measurement, available-for-sale financial assets are measured at fair value, with unrealized gains or losses recognized as other comprehensive income, until the investment is derecognized, at which time the cumulative gain or loss is recognized in income for the year.

Impairment

The Company assesses at the end of each reporting period whether there is an objective evidence that a financial asset or group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event'), and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

(b) Financial liabilities

Initial recognition and measurement

The Company classifies its financial liabilities in the following categories: fair value through profit or loss and other financial liabilities. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of other financial liabilities, also include directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

(i) Fair value through profit or loss

Financial liabilities at fair value through profit or loss, include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as being at fair value through profit or loss. Financial liabilities at fair value through profit or loss are carried in the statement of financial position at their fair value, with changes therein recognized in the income for the year.

(ii) Other financial liabilities

After initial recognition, other financial liabilities which are interest bearing are subsequently measured at amortized cost, using the effective interest rate method.

(c) Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position, if the Company has a legally enforceable right to set off the recognized amounts, and the Company either intends to settle on a net basis, or realize the asset and settle the liability simultaneously.

5.22 Derivative financial instruments

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

	June 30, 2012		June 30, 2011	
	Number of Shares	Rs ('000)	Number of Shares	Rs ('000)
6. Share capital				
Authorised share capital:				
Ordinary shares of Rs 10 each	1,000,000,000	10,000,000	1,000,000,000	10,000,000
Issued, subscribed and paid up share capital:				
Shares issued for cash				
Ordinary shares of Rs 10 each	408,737,310	4,087,373	408,737,310	4,087,373
Shares issued as fully paid				
bonus shares of Rs 10 each	208,737,310	2,087,373	208,737,310	2,087,373
	617,474,620	6,174,746	617,474,620	6,174,746

6.1 The parent company, Warid Telecom International LLC, U.A.E held 333,295,350 (2011: 333,292,700) ordinary shares, the associated companies Bank Alfalah Limited held 83,494,920 (2011: 83,494,920) ordinary shares, Taavun (Private) Limited held 28,034,821 (2011: 28,034,821) ordinary shares, Wincom (Private) Limited held 3,000,000 (2011: 3,000,000) ordinary shares and Bank Alfalah Limited - Employees Gratuity Fund held 21,000,000 (2011: Nil) ordinary shares at year end.

7. General reserve

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

	Note	2012	2011
		(Rupees in thousand)	
8. Long term finance - secured			
Syndicate of banks	8.1	8,142,335	4,766,000
Export Credit Guarantee Department (ECGD)	8.2	2,411,528	2,202,888
Dubai Islamic Bank (DIB)	8.3	424,000	424,000
Deutsche Bank AG	8.4	4,520,428	4,129,330
Standard Chartered Bank (SCB)	8.5	-	1,043,030
Total		15,498,291	12,565,248
Unamortised transaction and other ancillary cost			
Opening balance		217,355	299,464
Amortisation for the year		(37,307)	(82,109)
		(180,048)	(217,355)
		15,318,243	12,347,893
Less: Amount shown as current liability			
Amount payable within next twelve months		-	(3,225,026)
Amount due after June 30, 2013		(15,318,243)	(9,122,867)
	8.6	(15,318,243)	(12,347,893)
		-	-

8.1 The company has obtained syndicate term finance facility from a syndicate of banks with Standard Chartered Bank Limited (SCB), Habib Bank Limited (HBL), Bank Al-Habib Limited (BAHL) and National Bank of Pakistan (NBP), being lead arrangers to finance the capital requirements of the Company. During the year, the Company and the Syndicate of Banks signed an agreement to restructure Syndicate term finance facility and the short term running finance from SCB of Rs 1,497 million, term finance facility from SCB of Rs 1,016 million, running finance facility of Rs 529 million from BAHL, running finance facility of Rs 200 million from Soneri Bank Limited and finance facility of Rs 135 million from Summit Bank Limited effective from January 1, 2011. All the finance facilities have been fully availed by the Company till June 30, 2012. The principal is repayable in ten unequal semi annual instalments . The first such instalment shall be due on July 1, 2014 and subsequently every six months thereafter until January 1, 2019. The rate of mark-up is 6 months KIBOR per annum till December 31, 2013 and 6 months KIBOR + 2.5% per annum for the remaining period. The Company shall pay the mark up at 8% per annum from January 1, 2011 to December 31, 2013 (deferment period). The remaining amount of all instalments falling due in the deferment period shall be paid in ten equal six-monthly instalments on each January 1 and July 1 commencing from July 1, 2014 and ending January 1, 2019. Initially the tenor of the facility was 5 years commencing from November 4, 2009 and it carried a mark up of 6 months KIBOR + 2.75% per annum for 1-2 years and KIBOR + 2.5% per annum for next 3-5 years.

Certain conditions precedent to the restructured agreements are not yet fulfilled, management of the Company has taken steps to fulfill those conditions. Once conditions precedent to resructured agreements are fulfilled bank will formally issue letter to the Company which will complete the restructuring process.

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

8.2 The Company has obtained long term finance facility amounting to USD 42 million (2011: USD 42 million) from ECGD UK, of which USD 35 million (2011: USD 35 million) has been availed till June 30, 2012. During the year, the Company and ECGD UK signed an agreement to restructure the terms of loan agreement including repayment schedule. Amount outstanding at June 30, 2012 was USD 25.600 million. The principal is repayable in ten semi annual instalments. The first such instalment shall be due on July 1, 2014 and subsequently every six months thereafter until January 1, 2019. The rate of mark-up is six month LIBOR + 1.5% (interest rate) per annum till June 30, 2011 and six month LIBOR + 1.9% (interest rate) for the remaining period. If the amount of instalment payable and/or interest payable is not paid on the due date, the Company shall pay interest on such amount the interest rate + 2% per annum. Initially the loan was repayable in 14 semi annual instalments of USD 3.025 million each started from October 14, 2009 and rate of mark-up was LIBOR + 1.5% per annum.

Certain conditions precedent to the restructured agreement are not yet fulfilled, management of the Company has taken steps to fulfill those conditions. Once conditions precedent to resructured agreement are fulfilled ECGD will formally issue letter to the Company which will complete the restructuring process.

The facility is secured by way of hypothecation over all present and future moveable assets (including all current assets) and present and future current/ fixed assets (excluding assets under specific charge of CM Pak, Motorola, CISCO, assets which are subject to lien in favour of USF), a mortgage by deposit of title deeds in respect of immoveable properties of the company, lien over collection accounts and Debt Service Reserve Account and personal guarantees by three Sponsors of the Company.

8.3 The Company has obtained Ijarah finance facility of Rs 530 million (2011: Rs 530 million) from DIB. During the year, the Company and DIB signed an agreement to restructure the terms of the Ijarah finance facility. The principal is repayable in ten unequal semi annual instalments. The first such instalment shall be due on July 1, 2014 and subsequently every six months thereafter until January 1, 2019. The rate of mark-up is 6 months KIBOR per annum till December 31, 2013 and KIBOR + 2.5% per annum for the remaining period. The Company shall pay the mark up at 8% per annum from January 1, 2011 to December 31, 2013 (deferment period). The remaining amount of all instalments falling due in the deferment period shall be paid in ten equal six-monthly instalments on each January 1 and July 1 commencing from July 1, 2014 and ending January 1, 2019. Initially the principal was repayable in 10 semi annual instalments of Rs 53 million each commencing from February 1, 2010 and rate of mark up was 6 month KIBOR plus 1.5% per annum.

Certain conditions precedent to the restructured agreement are not yet fulfilled, management of the Company has taken steps to fulfill those conditions. Once conditions precedent to resructured agreement are fulfilled bank will formally issue letter to the Company which will complete the restructuring process.

The facility is secured by way of hypothecation over all present and future moveable assets (including all current assets) and present and future current/ fixed assets (movable and immoveable) and a corporate guarantee from Warid Telecom International LLC.

8.4 The Company has obtained term finance facility of USD 65 million (2011: USD 65 million) from MCC of which USD 64 million (2011: USD 64 million) has been availed till June 30, 2012. On August 19, 2011, MCC has transferred all of its rights, title benefits and interests in the original facility agreement to Deutsche Bank AG as lender, effective August 19, 2011. During the year, the Company and Deutsche Bank AG signed an agreement to restructure the terms of loan agreement. Amount outstanding at June 30, 2012 was USD 48 million. The principal is repayable in ten semi annual instalments commencing from July 1, 2014 until and including the final maturity date which is December 31, 2019. The rate of mark-up is six month LIBOR + 1% per annum provided that rate shall be capped at 2.5% per annum. If the Company fails to pay any amount payable on its due date, interest shall accrue on the unpaid sum from the due date up to the date of actual payment at a rate which is 2% higher than the rate of interest in effect thereon at the time of such default until the end of the then current interest period. Thereafter, for each successive interest period, 2% above the six-month LIBOR plus margin provided the Company is in breach of its payment obligations hereof. Initially the principal amount of outstanding facility was repayable in 12 unequal semi annual instalments commencing from June 30, 2009 until and including the final maturity date which was December 31, 2014 and rate of mark-up was six month LIBOR + 1.7% per annum.

Certain conditions precedent to the restructured agreement are not yet fulfilled, management of the Company has taken steps to fulfill those conditions. Once conditions precedent to resructured agreement are fulfilled bank will formally issue letter to the Company which will complete the restructuring process. The loan is secured through personal guarantee by one Sponsor of the Company and is ranked pari passu with unsecured and unsubordinated creditors.

		Note	2012	2011
			(Rupees in thousand)	
8.5	**Standard Chartered Bank (SCB)**			
	Medium term finance facility	8.5.1	-	27,000
	Term finance facility	8.5.2	-	291,433
	Term finance facility	8.5.2	-	217,397
	Term finance facility	8.5.2	-	507,200
			-	1,043,030

8.5.1 The entire amount of the outstanding facility has been repaid during the year.

8.5.2 During the year, the Company and Syndicate of banks signed an agreement to restructure the term finance facilities from SCB of Rs 1,016 million and consolidated these with Syndicate Finance facility as referred to in note 8.1 above.

8.6 The Company has not complied with the requirements of the loan agreements to maintain Long Term Debt to Equity Ratio of 80:20 at June 30, 2012. Further the restructured loan agreements have not yet become effective as certain conditions precedent to the restructured arrangements are not yet fulfilled. Accordingly, the lenders shall be entitled to declare all outstanding amount of the loans immediately due and payable. In terms of provisions of International Accounting Standard on Presentation of financial statements (IAS 1), since the Company does not have an unconditional right to defer settlement of liabilities for at least twelve months after the statement of financial position date, all liabilities under these loan agreements are required to be classified as current liabilities. Based on above, loan installments for an amount of Rs 15,318 million due after June 30, 2013 have been shown as current liability.

		Note	2012	2011
			(Rupees in thousand)	
9.	**Long term portion of deferred mark up**			
	Syndicate of banks	9.1	626,567	-
	Dubai Islamic Bank (DIB)	9.1	30,610	-
	Bank Alfalah Limited	9.1	133,566	-
	Total		790,743	-
	Less: Amount shown as current liability			
	Amount payable within next twelve months		-	-
	Amount due after June 30, 2013		(790,743)	-
			(790,743)	-
			-	-

9.1 These amounts are payable in ten equal six-monthly instalments on each January 1 and July 1 commencing from July 1, 2014 and ending January 1, 2019. As explained in note 8.6, amount has been shown as current liability.

		Note	2012	2011
			(Rupees in thousand)	
10.	**Long term finance from shareholders - unsecured**			
	Facility 1	10.1	2,263,155	2,067,351
	Facility 2	10.2	7,113,092	2,850,876
			9,376,247	4,918,227

10.1 The Company has obtained long term finance from a shareholder amounting to USD 24 million (2011: USD 24 million). This loan is subordinated to all secured finance facilities availed by the Company. This loans is repayable within 30 days of the expiry of a period of five years from the last date the lender has disbursed the loans, which shall be on or about January 29, 2015. The rate of mark-up is 6 months LIBOR + 1.5% with 24 months payment grace period payable half yearly. Alternatively loans may be converted into equity by way of issuance of the Company's ordinary shares at the option of the lender at any time prior to, at or after the repayment date on the best possible terms but subject to fulfillment of all legal requirements at the cost of the Company. The said conversion of loan shall be affected at such price per ordinary share of the Company as shall be calculated after taking into account the average share price of the last 30 calendar days, counted backwards from the conversion request date, provided that such conversion is permissible under the applicable laws of Pakistan.

This loan together with accrued interest will have at all times priority over all unsecured debts of the Company except as provided under Law. In the event the Company defaults on its financial loans or in case Warid Telecom International LLC, Abu Dhabi, UAE, no longer remains the holding company of the Company and sells its 100 % shares to any other person or party or relinquishes the control of its management then, unless otherwise agreed in writing by the lender, the entire loan together with the accrued interest will become due and payable for with and shall be paid within 15 working days of the event of default or decision of the Board of Directors of the Company accepting such a change in the shareholding as the case may be, and until repaid in full, the loan shall immediately become part of financial loans, ranking pari passu therewith subject to the consent of the Company's existing financial loan providers.

10.2 The Company has obtained long term finance from a shareholder amounting to USD 185 million (2011: USD 52 million) of which USD 75 million (2011: USD 33 million) has been availed at June 30, 2012. The rate of mark-up is 6 months LIBOR + 1.5% payable half yearly. The Company shall repay the loan in full in five equal annual instalments beginning on June 30, 2014 with final maturity date of June 30, 2018. Alternatively the lender shall also have the option to instruct the Company any time during the term of this agreement to convert the remaining unpaid amount of the loan and the interest in part or in its entirety into equity by way of issuance of ordinary shares of the Company in favour of the lender in compliance with all applicable laws of Pakistan.

Upon the request of the Company for conversion of the loan and the interest into equity, the lender and the Company shall, with mutual consent, appoint an independent auditor to determine the fair market value per share of the borrower prevailing at the time of such request. If the lender agrees to the price per share as determined by the independent auditor then the loan and the interest shall be converted into equity at the rate per share decided by the independent auditor. In case the lender, in its sole discretion, disagrees with the price per share as determined by the independent auditor then the request for conversion shall stand revoked and the loan shall subsist.

The loan together with the interest shall have priority over all other unsecured debts of the Company. Further, after the execution of this agreement, the Company shall not avail any other loan or funding facility from any other source without prior written consent of the lender. The Company undertakes that it shall not declare dividends, make any distributions or pay any other amount to its shareholders unless the repayment of the loan and the interest in full to the lender. The rights of the lender in respect of the loan are subordinated to any indebtedness of the Company to any secured lending by any financial institution in any way, both present and future notwithstanding whether such indebtedness is recoverable by process of law or is conditional or unconditional. Furthermore, in the event that insolvency proceedings are initiated against the Company or that it is unable to pay its Financial Loans as they fall due or if the Company has proposed any composition, assignment or arrangement with respect to its Financial Loans, the obligation to repay the outstanding amount of the loan shall be subordinated to the Financial Loans but will have priority over all other unsecured debts of the Company.

11. Medium term finance from an associated company - unsecured

The Company has obtained an aggregate medium term finance facility of Rs 600 million from an associated company Taavun (Pvt) Limited. As per the terms of loan agreement, this loan is subordinated to all secured finance facilities availed by the Company. The principal is repayable within 30 days of the expiry of twenty four months from the effective date i.e. September 30, 2010, which is further extendable to twelve months. The rate of mark-up is six month KIBOR + 2.5% with 24 months grace period payable quarterly. As the loan is subordinated to all secured finance facilities availed by the Company, the entire amount of loan has been classified as non current liability.

	Note	2012	2011
		(Rupees in thousand)	
12. Obligations under finance leases			
Present value of minimum lease payments		4,760	8,013
Less: Current portion shown under current liabilities		(2,616)	(3,607)
		2,144	4,406

The Company acquired vehicles under lease from commercial banks. The financing is repayable in equal monthly installments over a period of three to five years and carries a finance charge of six months KIBOR+3% to 3.5% (2011: KIBOR+3% to 3.5%).

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

	Note	2012	2011
		(Rupees in thousand)	
Due within one year			
Minimum lease payments		3,160	4,858
Less: Financial charges not yet due		(544)	(1,251)
Present value of minimum lease payments		2,616	3,607
Due after one year but not later than five years			
Minimum lease payments		2,294	5,259
Less: Financial charges not yet due		(150)	(853)
Present value of minimum lease payments		2,144	4,406
		4,760	8,013

13. Long term deposits

These represent security deposits received from customers. These are interest free and refundable on termination of relationship with the Company.

14. Deferred Universal Service Fund (USF) grants

This represents amount received and receivable from USF as subsidy to assist in meeting the cost of deployment of USF Fiber Optic Network for providing USF Fiber Optic Communication Services in Sind, Baluchistan, Punjab and broad band services in Sargodah, Hazara district, Gujranwala Telecom Region and Central Telecom Region. USF Fiber Optic Network and broad band network will be owned and operated by the Company. Total amount of USF subsidy is Rs 4,848 million (2011: Rs 2,873 million) payable by USF in five installments in accordance with project implementation milestones.

Movement during the year is as follows:

	Note	2012	2011
		(Rupees in thousand)	
Balance at beginning of the year		1,136,310	827,159
Amount received during the year		454,438	359,756
Amount receivable at year end		224,896	-
Amount recognised as income during the year	35	(67,144)	(50,605)
Balance at end of the year		1,748,500	1,136,310

15. Finance from supplier - unsecured

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

16. Short term borrowings - secured

	Note	2012	2011
Short term borrowings	16.1	-	134,750
Short term running finance	16.2	1,503,656	3,972,790
		1,503,656	4,107,540

16.1 During the year, the Company and Syndicate of banks signed an agreement to restructure the short term running finance from Summit Bank and to consolidate this with Syndicate Finance facility as referred in note 8.1 above.

	Note	2012	2011
		(Rupees in thousand)	
16.2 Short term running finance - secured			
Standard Chartered Bank	16.2.1	-	1,497,005
Bank Alfalah Limited	16.2.2	1,503,656	1,765,127
Soneri Bank Limited	16.2.3	-	199,220
Bank Al Habib Limited	16.2.4	-	511,438
		1,503,656	3,972,790

Notes to and Forming Part of the Financial Statements
for the year ended June 30, 2012

16.2.1 During the year, the Company and syndicate of banks signed an agreement to restructure the short term running finance from SCB and to consolidate this with Syndicate Finance Facility as referred in note 8.1 above.

16.2.2 The Company has a running finance facility of Rs 1,800 million (2011: Rs 1,800 million), of which Rs 296 million (2011: Rs 35 million) was unutilised as at June 30, 2012. The facility is available till December 31, 2019. The principal is payable on expiry/on demand. The rate of mark-up is 6 months KIBOR per annum till December 31, 2013 and KIBOR + 1.5% per annum for the remaining period. Mark up at 8% is payable on bi-annual basis and remaining amount is deferred which is payable in 10 bi-annual instalments with the first instalment becoming payable on July 1, 2014. Initially the facility carried mark-up at three months KIBOR + 2.5 % per annum.

This facility is secured by hypothecation of first pari passu charge on all fixed assets(movable and immoveable) plus current assets of the company with a margin of 25 %.

16.2.3 During the year, the Company and syndicate of banks signed an agreement to restructure the short term running finance from Soneri Bank Limited and to consolidate this with Syndicate Finance Facility as referred in note 8.1 above.

16.2.4 During the year, the Company and Syndicate of Banks signed an agreement to restructure the short term running finance from Bank Al Habib Limited and to consolidate this with Syndicate Finance Facility as referred in note 8.1 above.

		Note	2012	2011
			(Rupees in thousand)	
17.	**Trade and other payables**			
	Creditors	17.1	818,249	1,096,328
	Due to associated companies	17.2	150,154	150,154
	Due to international carriers	17.3	407,079	624,125
	Fees/ contribution payable to Pakistan Telecommunication Authority (PTA)		885,795	564,370
	Accrued liabilities		3,577,082	2,058,475
	Payable to gratuity fund	41	128,049	120,013
	Payable to employees on account of accumulated compensated absences	41	-	47,032
	Payable to provident fund		22,856	35,926
	Unearned revenue		117,696	72,706
	Advance from customers	17.4	344,753	103,689
	Income tax deducted at source		96,611	133,527
			6,548,324	5,006,345
17.1	**Trade creditors include following amounts due to related parties:**			
	Wateen Solutions (Pvt) Limited		210,135	210,135
	Warid Telecom (Pvt) Limited		61,016	-
			271,151	210,135

		Note	2012 (Rupees in thousand)	2011
17.2	**Due to associated companies**			
	Wateen Satellite Services (Pvt) Limited		146,204	146,204
	Bank Alfalah Limited		3,950	3,950
			150,154	150,154

17.3 Due to international carriers includes Rs 18.311 million (2011: Rs Nil) due to a related party Wateen Telecom UK Limited;

17.4 Advance from customers

This includes advance of Rs 48.983 million (2011: Rs 48.983 million) received from associated companies.

		Note	2012 (Rupees in thousand)	2011
18.	**Interest / markup accrued**			
	Accrued mark up on long term finance from shareholders		168,634	-
	Accrued mark-up on long term finance - secured		450,201	539,638
	Accrued mark-up on medium term finance - unsecured	18.1	164,554	71,811
	Accrued markup on short term borrowings - secured	18.2	109,473	188,119
			892,862	799,568

18.1 This represents markup payable to an associated company Taavun (Private) Limited.

18.2 This includes markup payable to an associated company Bank Alfalah Limited and to the employee's provident fund amounting to Rs 64.554 million and Rs 3.683 million (2011: Rs 71.384 million and Rs 3.863 million) respectively.

		Note	2012 (Rupees in thousand)	2011
19.	**Contingencies and Commitments**			
19.1	Claims against the Company not acknowledged as debt		319,338	295,767
19.2	Performance guarantees issued by banks in favour of the Company		1,749,452	1,264,217

19.3 Under the Access Promotion Regulations, 2005, the Company is liable to make payments of Access Promotion Charges (APC) for Universal Service Fund (USF) within 90 days of close of the month to which such payment relates. The Company has disputed the APC Regulations, 2005 and the case is currently pending with High Court. The Company has not recorded the penalty on delayed payment of APC for USF amounting to Rs 77 million as required by the Access Promotion Regulations, 2005 as the management and legal advisor of the Company are of the view, that the Company has a strong case and chances of success are very high.

19.4 The Deputy Commissioner Inland Revenue (DCIR) had issued Order in Original based on the observations that Company had not paid Federal Excise Duty (FED) on fee paid to WTI and created demand of Rs 31.830 million payable along with the penalty and default surcharge and had also issued recovery notices. The Commissioner Inland Revenue – Appeals and the Appellate Tribunal Inland Revenue upheld the order of the DCIR. The Company and its advisor are of the view that by considering judicial precedence and the technical grounds encompassing Company's case, the Company has a strong chance of success and they intend to contest the case at superior appellate forum.

19.5 The Assistant Commissioner Inland Revenue (AC), had issued show cause notices based on the observation that Company has not furnished Sales Tax and Federal Excise returns for the period from August 2009 to March 2010, November 2010 and December 2011. In this respect, AC issued Order - in - Original and assessed demand of Rs 249.471 million (calculated on the basis of alleged minimum liability) payable along with penalty and default surcharge and also issued recovery note. The Company deposited principal amount of Rs 138.709 million and default surcharge of Rs 26.231 million based on the FED liability due as per own working of the Company. The Appellate Tribunal Inland Revenue, has remanded back the case to the assessing officer. The related proceedings are not yet finalized by the assessing officer. The management and the Company's advisors believe that Company has high chances to amicably settle the issue of disputed amount.

19.6 The Assistant Commissioner Inland Revenue has alleged that Company has not withheld tax on payments made to foreign telecom operators during the tax years 2008, 2009, 2010 and 2011. Further the ACIR has ordered the Company to pay alleged demand of Rs 477.767 million representing principal amount and default surcharge for the aforesaid tax years. The Company and its advisors are of the view that Company has fair chance to succeed in appeal and accordingly Company intends to contest the related orders before appellate authorities.

No provision on account of contingencies disclosed in note 19.4-19.6 above has been made in these financial statements as the management and the tax advisors of the Company are of the view, that these matters will eventually be settled in favour of the Company.

		Note	2012	2011
			(Rupees in thousand)	
19.7	Outstanding commitments for capital expenditure		891,566	938,734

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

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

However, in light of the dividend payment of Rs 149.94 million by Wateen Solutions (Private) Limited to Mr. Jahangir Ahmed, the Company entered into negotiations with Mr. Jahangir Ahmed for the purposes of negotiating a downward revision to the purchase price as agreed in the SPA from Rs 490 million to Rs 340 million. This reduction in the purchase price and the resultant change in utilization of the IPO proceeds was approved by the shareholders of the Company in the Extra Ordinary General Meeting dated August 13, 2010.

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

Same has been approved by shareholders in Extra Ordinary General Meeting dated December 31, 2011.

20. Operating assets

	Freehold Land	Buildings freehold	Lease hold improvements	Line and wire	Network equipment	Tools and gears	Office equipment	Computers & accessories	Furniture & fixtures	Motor Vehicles owned	Motor Vehicles leased	Total
	(Rupees in thousand)											
At July 1, 2010												
Cost	59,478	931,813	107,158	1,986,243	15,432,387	99,203	234,405	796,280	286,538	139,998	9,293	20,082,796
Accumulated depreciation	-	(62,126)	(15,751)	(169,216)	(2,071,724)	(88,501)	(65,586)	(440,334)	(45,224)	(76,547)	(1,858)	(3,036,867)
Net book amount	59,478	869,687	91,407	1,817,027	13,360,663	10,702	168,819	355,946	241,314	63,451	7,435	17,045,929
Year ended June 30, 2011												
Opening net book amount	59,478	869,687	91,407	1,817,027	13,360,663	10,702	168,819	355,946	241,314	63,451	7,435	17,045,929
Additions	486	2,325	4,761	648,510	3,162,797	6,977	4,403	19,445	2,001	483	3,504	3,855,692
Disposals/transfer												
- Cost	-	-	(11,845)	(28,739)	(81,595)	-	(973)	(1,408)	(3,176)	(279)	(1,858)	(129,873)
- Accumulated depreciation	-	-	1,262	1,262	17,244	-	129	894	1,180	158	682	22,811
- Net book value	-	-	(10,583)	(27,477)	(64,351)	-	(844)	(514)	(1,996)	(121)	(1,176)	(107,062)
Depreciation charge	-	(23,398)	(10,585)	(95,970)	(1,601,459)	(9,866)	(21,006)	(225,182)	(27,483)	(27,113)	(2,006)	(2,044,068)
Closing net book amount	59,964	848,614	75,000	2,342,090	14,857,650	7,813	151,372	149,695	213,836	36,700	7,757	18,750,491
At June 30, 2011												
Cost	59,964	934,138	100,074	2,606,014	18,513,589	106,180	237,835	814,317	285,363	140,202	10,939	23,808,615
Accumulated depreciation	-	(85,524)	(25,074)	(263,924)	(3,655,939)	(98,367)	(86,463)	(664,622)	(71,527)	(103,502)	(3,182)	(5,058,124)
Net book amount	59,964	848,614	75,000	2,342,090	14,857,650	7,813	151,372	149,695	213,836	36,700	7,757	18,750,491
Year ended June 30, 2012												
Opening net book amount	59,964	848,614	75,000	2,342,090	14,857,650	7,813	151,372	149,695	213,836	36,700	7,757	18,750,491
Additions	430	-	2,213	437,022	1,884,810	8,690	5,287	24,304	6,447	4,085	-	2,373,288
Disposals/ transfer (note 20.3)												
- Cost	-	-	-	-	-	(1,506)	-	(802)	-	(2,113)	-	(4,421)
- Accumulated depreciation	-	-	-	-	-	1,156	-	775	-	1,743	-	3,674
- Net book value	-	-	-	-	-	(350)	-	(27)	-	(370)	-	(747)
Destroyed due to fire (note 20.4)												
- Cost	-	-	(25,314)	(2,754)	(166,828)	(1,688)	(144,264)	(114,791)	(98,467)	-	-	(554,106)
- Accumulated depreciation	-	-	11,724	294	33,273	1,688	66,545	108,198	38,971	-	-	260,693
- Net book value	-	-	(13,590)	(2,460)	(133,555)	-	(77,719)	(6,593)	(59,496)	-	-	(293,413)
Depreciation charge	-	(23,387)	(8,966)	(107,371)	(1,781,432)	(6,218)	(16,035)	(127,280)	(24,394)	(24,478)	(2,188)	(2,121,749)
Impairment (note 20.2)	-	-	-	-	(9,605,819)	-	(125)	(14,047)	-	(2,982)	-	(9,622,973)
Closing net book amount	60,394	825,227	54,657	2,669,281	5,221,654	9,935	62,780	26,052	136,393	12,955	5,569	9,084,897
At June 30, 2012												
Cost	60,394	934,138	76,973	3,040,282	20,231,571	111,676	98,858	723,028	193,343	142,174	10,939	25,623,376
Accumulated depreciation	-	(108,911)	(22,316)	(371,001)	(5,404,098)	(101,741)	(35,953)	(682,929)	(56,950)	(126,237)	(5,370)	(6,915,506)
Accumulated impairment	-	-	-	-	(9,605,819)	-	(125)	(14,047)	-	(2,982)	-	(9,622,973)
Net book amount	60,394	825,227	54,657	2,669,281	5,221,654	9,935	62,780	26,052	136,393	12,955	5,569	9,084,897
Annual rate of depreciation %	-	2.5	10	4	6.67-20	33.33	10	33.33	10	20	20	

20.1 Network equipment additions include finance cost of Rs Nil (2011: Rs 169 million) capitalised during the year.

Notes to and Forming Part of the Financial Statements
for the year ended June 30, 2012

20.2 Impairment

Management has reviewed the business performance of WiMAX operations during the year and an assessment has been made in respect of triggering events as specified by IAS 36 applicable to the non-current assets relating to WiMAX operations. Based on the following indicators applicable to WiMAX, an impairment test has been carried out by a consultant to determine the impairment of non-current assets relating to WiMAX operations:

- Decline in the market value of WiMAX operations assets
- Significant change in the technological and economic conditions
- Decrease in the economic performance of WiMAX business
- Indications suggest that WiMAX business is likely to become idle and management plans to restructure the WiMAX operations

For the purpose of determining the value in use, the WiMAX operations has been considered as separate Cash Generating Unit (CGU), the value in use has been determined using discounted cash flow method. The financial projections of the CGU for five years have been derived from a latest business plan which is approved by the Board of Directors (BOD) of the Company based on containment strategy. The value in use of WiMAX assets determined by a consultant is negative Rs 1,036 million using discount rate of 20%.

The Board of Directors is currently considering other options for the WiMAX business and there are certain discussions taking place with third parties to merge the WiMAX business. Based on the information available the management estimates that in case of any possible business consolidation, the fair value of these assets, (positive net present value of future cash flows of consolidated business) using discount rate of 20% amounts to Rs 2,049 million. The fair value estimate has been used as recoverable amount to determine impairment. The management has recognized an impairment loss of Rs 9,623 million (difference between carrying value and fair value as determined above). The conclusive recoverable amount of these assets can only be determined on the possible merger of WiMAX business, if successful, and any consequential difference from recoverable amount estimated above will be recognized in the financial statements of ensuing periods.

20.3 Disposal of property, plant and equipment

Particulars of assets	Sold to	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal
		(Rupees in thousand)				
Tools and gears						
Splicing Machinery	Alfalah Insurance Company	592	246	346	531	Insurance Claim
	Others (note 20.3.1)	914	910	4	826	Insurance Claim
		1,506	1,156	350	1,357	
Computers and accessories						
Computers	Others (note 20.3.1)	802	775	27	336	Insurance Claim
Motor vehicles						
Motor Car Suzuki Bolan	Alfalah Insurance Company	483	378	105	435	Insurance Claim
Suzuki Cultus	Alfalah Insurance Company	635	477	158	576	Insurance Claim
	Others (note 20.3.1)	995	888	107	854	Insurance Claim
		2,113	1,743	370	1,865	
		4,421	3,674	747	3,558	

20.3.1 Aggregate of others having individual net book values not exceeding Rs fifty thousand.

20.4 The Company has lodged an insurance claim of Rs 508 million in respect of items destroyed due to fire. The Company has received Rs 200 million from the insurer and remaining claim is under verification.

		Note	2012	2011
			(Rupees in thousand)	
21.	**Capital work in progress**			
	Lease hold improvements		33,978	21,233
	Line and wire		1,405,356	1,288,678
	Network equipment (net of impairment of Rs 353.515 million)		750,696	994,195
			2,190,030	2,304,106
21.1	**Movement during the year**			
	Balance as at July 01		2,304,106	3,883,565
	Additions during the year		1,537,900	1,094,212
	Capitalised during the year		(1,651,976)	(2,320,156)
	Provision for impairment		-	(353,515)
	Balance as at June 30		2,190,030	2,304,106

21.2 Capital work in progress includes finance cost of Rs nil (2011: Rs 234.392 million) capitalised during the year using capitalisation rate of nil (2011: 15.02%).

		Note	2012	2011
			(Rupees in thousand)	
22.	**Intangible assets**			
	LDI license fee	22.1		
	Cost		28,934	28,934
	Amortisation			
	Opening balance		10,007	8,560
	Amortisation for the year		1,447	1,447
			(11,454)	(10,007)
	Net book value		17,480	18,927
	WLL license fee	22.2		
	Cost		176,366	168,366
	Additions during the year		-	8,000
	Closing balance		176,366	176,366
	Amortisation			
	Opening balance		34,874	24,970
	Amortisation for the year		9,904	9,904
			(44,778)	(34,874)
	Net book value		131,588	141,492
	Software license	22.3		
	Cost			
	Opening balance		63,123	49,036
	Additions during the year		9,498	14,087
	Closing balance		72,621	63,123
	Amortisation			
	Opening balance		23,904	13,432
	Amortisation for the year		13,719	10,472
			(37,623)	(23,904)
	Net book value		34,998	39,219

	Note	2012	2011
		(Rupees in thousand)	
ERP license	22.4		
Cost		7,832	7,832
Amortisation			
Opening balance		4,046	2,480
Amortisation for the year		1,566	1,566
		(5,612)	(4,046)
Net book value		2,220	3,786
Total net book value		186,286	203,424

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

22.2 **(i)** PTA granted Wireless Local Loop (WLL) License for a period of 20 years from December 1, 2004 covering twelve telecom regions. This includes license granted by PTA for WLL for a period of 20 years for Azad Jammu and Kashmir (AJK) region. Commercial operations of AJK region have not yet commenced.

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

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

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

23. Long term investment in subsidiary companies - at cost

	June 30, 2012		June 30, 2011	
Unquoted	**%age Holding**	**Rs (000)**	**%age Holding**	**Rs (000)**
Wateen Solutions (Pvt) Limited				
413,212 fully paid ordinary shares of Rs 100 each	51	52,656	51	52,656
Advance against purchase of shares		85,000	-	85,000
		137,656		137,656
Wateen Satellite Services (Pvt) Limited	100	5	100	5
500 fully paid ordinary shares of Rs 10 each				
Netsonline Services (Pvt) Limited	100	4,400	100	4,400
4,000 fully paid ordinary shares of Rs 100 each				
Wateen Telecom UK Limited				
10,000 fully paid ordinary shares of GBP 1 each (note 23.2)	100	1,390		1,390
		143,451		143,451
Provision for impairment of investment in				
Netsonline Services (Pvt) Limited		(4,400)		(4,400)
Wateen Telecom UK Limited		(1,390)		(1,390)
		(5,790)		(5,790)
		137,661		137,661

23.1 All the companies are incorporated in Pakistan except for Wateen Telecom UK Limited which is incorporated in United Kingdom (UK).

23.2 Approval of State Bank of Pakistan for foreign equity abroad is in process and shares of Wateen Telecom UK Limited will be issued to the Company after receipt of such approval.

	Note	2012	2011
		(Rupees in thousand)	
24. Deferred income tax asset			
Taxable temporary differences between accounting and tax depreciation		(615,343)	(3,835,305)
Unused tax losses - recognised to extent of taxable temporary differences		615,343	4,945,800
Unused tax benefit related to share issue cost		-	37,329
Deductible temporary differences on account of provisions		-	570,750
		-	1,718,574
The gross movement in deferred tax liability during the year is as follows:			
Balance at July 1		1,718,574	(74,593)
Deferred tax (expense) / credit for the year		(1,718,574)	1,793,167
Balance at June 30		-	1,718,574

The aggregate tax losses available to the Company for set off against future taxable profits at June 30, 2012 amounted to Rs 21,775 million. Of these, losses aggregating Rs 1,758 million have been recognised in the financial statements against taxable temporary differences at June 30, 2012.

Deferred tax asset, the potential tax benefit of which amounts to Rs 11,059 million has not been recognized on balance representing business losses aggregating to Rs 6,372 million, tax depreciation losses aggregating Rs 13,645 million and deductible temporary differences on account of provisions and share issue cost aggregating Rs 11,580 million as at June 30, 2012. Business losses expire as follows:

Tax Year	Rs in million
2017	2,949
2018	3,423

During the year, the management of the Company has prepared business plan based on containment strategy duly approved by the Board of Directors of the Company as compared to last year's approved business plan which was based on growth model. Management of the Company has taken a conservative view regarding recognition of deferred tax asset amounting to Rs 11,059 million during the year, therefore deferred tax asset has been recognised only to the extent of taxable temporary differences.

25. Long term deposits

These represents the security deposits paid to government authorities on account of utilities and suppliers on account of rent, DPLC and satellite bandwidth.

26. Long term prepayments

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

		Note	2012	2011
			(Rupees in thousand)	
27.	**Trade debts - unsecured**			
	Considered good	27.1	1,892,362	1,768,046
	Considered doubtful		755,547	542,220
			2,647,909	2,310,266
	Provision for doubtful debts	27.2	(755,547)	(542,220)
			1,892,362	1,768,046
27.1	**Trade debts include following balances due from associated companies:**			
	Warid Telecom (Pvt) Limited		469,671	543,051
	Warid International LLC, UAE - Parent company		93,200	41,298
	Wateen Telecom UK Limited		-	24,284
	Bank Alfalah Limited		33,202	19,241
			596,073	627,874
27.2	**Provision for doubtful debts**			
	Opening balance		542,220	132,586
	Provision made during the year - other than related parties		258,049	409,634
	Write off against provisions		(44,722)	-
	Closing balance	27.2.1	755,547	542,220

27.2.1 These include Rs 683 million (2011: Rs 489 million) based on age analysis of the debts as follows:
- Balances 181 - 360 days past due - 50 %
- Balances over 360 days past due - 100 %

		Note	2012	2011
			(Rupees in thousand)	
28.	**Stores, spares and loose tools**			
	Cost		715,487	743,697
	Less: Provision for obselete stores		212,266	212,266
			503,221	531,431
29.	**Advances, deposits, prepayments and other receivables**			
	Advances to suppliers and contractors - considered good		759,040	507,814
	Advances to employees - considered good		27,408	10,537
	Margin held by bank against letters of guarantee		141,913	126,018
	Prepayments	29.1	102,732	82,329
	Sales tax refundable		75,990	87,996
	Due from associated companies	29.2	1,400,765	1,115,069
	Accrued interest		6,101	3,098
	Government grant receivable		224,896	-
	Others		211,179	199,542
			2,950,024	2,132,403

	Note	2012	2011
		(Rupees in thousand)	
Less:			
Provision for doubtful receivables - related parties	29.3	475,567	475,567
Provision for doubtful receivables - other parties			
Opening balance		41,357	-
Provision for the year		19,407	41,357
Closing balance		60,764	41,357
		2,413,693	1,615,479

29.1 These include current portion of right of way charges of Rs 19.074 million (2011: Rs 21.117 million).

29.2 Due from associated companies

	2012	2011
Wateen Solutions (Pvt) Limited	750,423	543,340
Wateen Telecom UK Limited	318,887	288,889
Wateen Multi Media (Pvt) Limited	144,660	96,162
Advance for construction of Warid Tower	68,916	68,916
Warid International LLC, UAE - Parent company	42,019	42,019
Amoon Media Group (Pvt) Limited	27,960	27,960
Raseen Technologies (Pvt) Limited	18,482	18,482
Warid Telecom Georgia Limited	15,403	15,403
Netsonline services (Pvt) Limited	8,311	8,311
Warid Telecom International - Bangladesh	5,587	5,587
Bank Alfalah Limited	117	-
	1,400,765	1,115,069

29.3 Provision for doubtful receivables includes provision for doubtful receivables from following related parties:

	2012	2011
Wateen Telecom UK Limited	288,889	288,889
Advance for construction of Warid Tower	68,916	68,916
Warid International LLC, UAE - Parent company	42,019	42,019
Amoon Media Group (Pvt) Limited	27,960	27,960
Raseen Technologies (Pvt) Limited	18,482	18,482
Warid Telecom Georgia Limited	15,403	15,403
Netsonline Services (Pvt) Limited	8,311	8,311
Warid Telecom International Bangladesh	5,587	5,587
	475,567	475,567

Provision for doubtful receivables other than Netsonline Services (Pvt) Limited was approved by shareholders of the Company in Extra Ordinary General Meeting held on December 31, 2011.

		Note	2012	2011
			(Rupees in thousand)	
30.	**Cash and bank balances**			
	Balance with banks on			
	- current accounts		114,122	209,760
	- collection accounts		7,329	199,595
	- deposit accounts		338,696	212,136
	Cash in hand		287	554
			460,434	622,045

30.1 Bank balances amounting to Rs 323.180 million were under lien with banks (2011: Rs 46.938 million).

30.2 Cash and bank balances include foreign currency balances aggregating USD 0.842 million (2011: USD 0.367 million).

30.3 Bank balances on deposit accounts carried interest at an average rate of 5% - 7 % per annum (2011: 7% per annum).

		Note	2012	2011
			(Rupees in thousand)	
31.	**Revenue**			
	Long distance and international		3,798,862	2,856,157
	Optical fiber cable			
	Indefeasible Right of Use (IRU)		-	223,823
	Operation and Maintenance		466,885	559,553
	Managed capacity		66,748	56,104
	Broadband and voice		2,061,209	1,799,240
	Hybrid Fiber Cable Services		42,752	34,544
	Very Small Aperture Terminal services (VSAT)		919,404	801,408
	ADM sites rentals		54,702	110,683
	Others		91,107	337,116
			7,501,669	6,778,628
32.	**Cost of sales**			
	LDI Interconnect cost		2,998,665	2,056,685
	Leased circuit charges		377,074	381,390
	Contribution to PTA Funds		689,457	970,156
	PTA regulatory and spectrum fee		24,029	27,021
	Cost associated with IRU of Optic Fibre Cable		-	27,477
	Operational cost		2,131,346	1,313,055
	Bandwidth cost of VSAT services		615,630	768,623
	Others		165,562	128,266
			7,001,763	5,672,673

Notes to and Forming Part of the Financial Statements
for the year ended June 30, 2012

		Note	2012	2011
			(Rupees in thousand)	
33.	**General and administration expenses**			
	Salaries, wages and benefits	33.1	1,157,370	1,074,058
	Rent		118,757	111,035
	Repairs and maintenance		20,111	28,234
	Vehicle repairs and maintenance		14,887	43,678
	Travel and conveyance		35,514	26,113
	Postage and stationery		26,371	25,681
	Auditor's remuneration	33.2	9,300	6,324
	Legal and professional charges		102,433	133,061
	Communication expenses		78,235	109,273
	Employee training		9,990	4,509
	Customer services charges		44,475	41,018
	Fees and subscription		662	3,734
	Insurance		26,180	25,626
	Entertainment		17,523	14,702
	General office expenses		69,529	87,318
			1,731,337	1,734,364

33.1 These include charge against employee retirement benefits of Rs 72.335 million (2011: Rs 103.886 million).

		Note	2012	2011
			(Rupees in thousand)	
33.2	**Auditor's remuneration**			
	Annual audit (including additional audit fee for 2012 of Rs 3,500 thousand)		5,000	1,000
	Audit of consolidated accounts, review of corporate governance compliance, review and audit of half yearly accounts and special certifications		1,500	1,450
	Tax services		2,410	3,764
	Out of pocket expenses		390	110
			9,300	6,324
34.	**Provisions and write off**			
	Provision for doubtful trade debts			
	- related parties		-	206,227
	- other parties		258,049	446,463
	Trade debts written off		74,204	-
	Provision for doubtful advances and other receivables - related parties		-	475,567
	Provision for doubtful advances and other receivables - other parties		19,407	41,357
	Provision for impairment of capital work in progress		-	353,515
	Provision for obsolete stores and spares		-	212,266
	Provision for impairment of long term investment in subsidiary companies		-	5,790
			351,660	1,741,185

		Note	2012	2011
			(Rupees in thousand)	
35.	**Other (income)/ expenses**			
	(Income) / expense from non-financial assets:			
	Dividend income from subsidiary company		-	(156,060)
	Loss/ (Profit) on sale of operating assets		(2,811)	57,183
	Loss on assets destroyed in fire		93,425	-
	Loss on sale of inventories		-	40,878
	Government grant recognised		(67,144)	(50,605)
	Other (income) / expenses		241	(1,588)
	Sales tax receivable written off		52,370	-
			76,081	(110,192)
36.	**Finance cost**			
	Markup on long term and medium term finance	36.1	1,416,908	1,204,948
	Cross currency and interest rate swap contract costs		-	377,948
	Amortization of ancillary cost of long term finance		37,307	82,109
	Mark up on short term borrowings	36.2	228,137	642,033
	Finance cost of leased assets		1,155	1,332
	Bank charges, commission, fees and other charges		190,680	67,547
	Late payment charges on other payables		15,954	148,093
	Exchange loss		1,321,469	48,331
			3,211,610	2,572,341
	Mark up on long term finance capitalised under property, plant and equipment		-	(234,392)
			3,211,610	2,337,949

36.1 This includes markup related to long term finance from a shareholder of Rs 168.634 million (2011: Rs 38.902 million) and medium term finance from an associated company of Rs 92.743 million (2011: Rs 71.811 million).

36.2 This includes markup related to an associated company of Rs 200.163 million (2011: Rs 272.802 million).

		Note	2012	2011
			(Rupees in thousand)	
37.	**Finance income**			
	Markup on advance to associated companies		108,213	131,678
	Income on bank deposit accounts		32,000	15,044
			140,213	146,722
38.	**Reconciliation of tax charge**		%	%
	Applicable tax rate		35	35
	Tax effect of income chargeable to tax at reduced rate		-	(1)
	Deferred tax asset on unused tax loss not recognised		(45)	(7)
	Average effective tax rate		(10)	27

		Note	2012	2011
			(Rupees in thousand)	
39.	**(Loss) per share - Basic and diluted**			
	(Loss) for the year - Rs in thousand		(18,556,529)	(4,981,865)
	Weighted average number of shares outstanding during the year in thousand		617,475	617,475
	(Loss) per share in Rs		(30.05)	(8.07)

There is no dilutive effect on the basic loss per share of the Company.

40. Financial instruments and risk management

40.1 Financial assets and liabilities

	2012	2011
FINANCIAL ASSETS		
Maturity upto one year		
Loans and receivables		
Trade debts	1,892,362	1,768,046
Contract work in progress	15,876	15,178
Advances, deposits and other receivables	1,551,921	1,025,336
Cash and bank balances	460,434	622,045
	3,920,593	3,430,605
Maturity after one year to five years		
Loans and receivables		
Long term deposits	257,040	293,043
	4,177,633	3,723,648
FINANCIAL LIABILITIES		
Maturity upto one year		
Other financial liabilities		
Current portion of long term finance - secured	15,318,243	12,347,893
Current portion of deferred mark up	790,743	-
Current portion of medium term finance from an associated company - secured	-	600,000
Current portion of obligation under finance leases	2,616	3,607
Finance from supplier - unsecured	40,542	59,112
Short term borrowings - secured	1,503,656	4,107,540
Trade and other payables	6,085,875	4,829,950
Interest / markup accrued	892,862	799,568
	24,634,537	22,747,670
Maturity after one year to five years		
Other financial liabilities		
Long term finance from sponsor - unsecured	9,376,247	4,918,227
Medium term finance from an associated company - secured	600,000	-
Obligation under finance leases	2,144	4,406
Long term deposits	65,672	61,588
	10,044,063	4,984,221
	34,678,600	27,731,891

40.2 Credit quality of financial assets

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

	Rating	2012	2011
		(Rupees in thousand)	
Trade debts			
Counterparties with external credit rating	A1+	105,020	19,241
	A1	31,517	-
	A2	75,611	-
	A-1	135	57,066
Counterparties without external credit rating			
Due from related parties		491,053	627,874
Others		1,189,026	1,063,865
		1,892,362	1,768,046
Advances, deposits and other receivables			
Counterparties with external credit rating			
	A1+	2,306	1,861
	A +	-	20,292
	A-2	125,000	125,000
	BBB	-	68,728
Counterparties without external credit rating			
Due from related parties		925,198	639,502
Others		499,417	169,953
		1,551,921	1,025,336
Long term deposits			
Others		257,040	293,043
Bank balances			
	A1+	367,037	580,100
	A1	88,322	31,359
	P-1	3,769	8,988
	A2	1,019	1,044
		460,147	621,491

40.3 Financial risk management

40.3.1 Credit risk

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

As of June 30, 2012 trade debts of Rs 1,614 million (2011: Rs 1,184 million) were past due but not impaired. The aging analysis of these trade debts is as follows:

	2012	2011
	(Rupees in thousand)	
Up to 3 months	424,048	730,287
3 to 6 months	276,319	198,554
6 to 9 months	346,182	18,040
Above 9 months	568,331	237,244
	1,614,880	1,184,125

40.3.2 Interest rate risk

Financial assets of Rs 1,051 million (2011: Rs 852 million) and financial liabilities of Rs 26,983 million (2011: Rs 22,191 million) were subject to interest rate risk.

At June 30, 2012, if interest rates had been 1% higher/lower with all other variables held constant, loss for the year would have been Rs 168.558 million (2011: Rs 138.706 million) higher/lower.

40.3.3 Foreign exchange risk

Financial assets include Rs 1,209 million (2011: Rs 1,047 million) and financial liabilities include Rs 16,753 million (2011: Rs 11,959 million) which were subject to foreign exchange risk.

At June 30, 2012, if the currency had weakened/strengthened by 10% against US dollar with all other variables held constant, loss for the year would have been Rs 1,010 million (2011: Rs 709 million) higher/lower.

40.3.4 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and availability of funding to an adequate amount of committed credit facilities. The Company's treasury aims at maintaining flexibility in funding by keeping committed credit lines. Further shareholders of the Company has provided financial support in the form of long term finance to meet capital requirements of the Company. Management believes the same support will continue in future. Further, the Company has restructured the long term finance and short term borrowings which would facilitate the Company to greater extent to meet its obligations / covenants under loan agreements.

At June 30, 2012 the Company has financial assets of Rs 4,178 million (2011: Rs 3,723 million) and Rs 296 million (2011: Rs 2,678 million) available unavailed borrowing limit from financial institutions.

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

	Less than Year	Between 1 to 5 years
	(Rupees in thousand)	
2012		
Long term finance - secured	-	15,318,243
Long term portion of deferred mark up	-	790,743
Medium term finance from an associated company - unsecured	-	600,000
Long term finance from sponsor - unsecured	-	9,376,247
Obligations under finance leases	2,616	2,144
Long term deposits	-	65,672
Finance from supplier - unsecured	40,542	-
Short term borrowings	1,503,656	-
Trade and other payables	6,085,875	-
Interest/mark-up accrued	892,862	-
	8,525,551	26,153,049
2011		
Long term finance - secured	3,225,026	9,122,867
Medium term finance from an associated company - unsecured	-	600,000
Long term finance from sponsor - unsecured	-	4,918,227
Obligations under finance leases	3,607	4,406
Long term deposits	-	61,588
Finance from supplier - unsecured	59,112	-
Short term borrowings - secured	4,107,540	-
Trade and other payables	4,829,950	-
Interest/mark-up accrued	799,568	-
	13,024,803	14,707,088

40.3.5 Fair value of financial assets and liabilities

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

40.3.6 Capital risk management

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

The Company manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend to shareholders, issue new shares or sale assets to reduce debts. The Company is required to maintain debt equity ratio as specified in loan agreements and continuation of support from majority shareholder is vital for the Company's operations . Under the terms of loan agreements, the Company can not declare dividends, make any distributions or pay any other amount to its shareholders until the repayment of loan and the Interest in full to the lenders.

Notes to and Forming Part of the Financial Statements
for the year ended June 30, 2012

		Note	2012	2011
			(Rupees in thousand)	
41.	**Employees' retirement benefits**			
	These comprise of :			
	Liability for funded staff gratuity	41.1	128,049	120,013
	Liability for unfunded accumulated compensated absences	41.2	-	47,032
41.1	**Liability for staff gratuity**			
	The amounts recognised in the balance sheet are as follows:			
	Present value of defined benefit obligation		138,147	98,620
	Benefits due but not paid		4,626	28,045
	Fair value of plan assets		(20,433)	(27,557)
	Actuarial gain not recognised		5,709	20,905
	Net liability		128,049	120,013
	The amounts recognised in profit and loss account are as follows:			
	Current service cost		32,737	29,138
	Interest cost		13,807	14,349
	Expected return on plan assets		(3,858)	(3,115)
	Actuarial (gain)/ loss		(2,209)	-
			40,477	40,372
	Actual return on plan assets		2,365	(271)
	Changes in the present value of defined benefit obligation:			
	Opening defined benefit obligation		98,620	119,576
	Current service cost		32,737	29,138
	Interest cost		13,807	14,349
	Actuarial gain		11,494	(13,867)
	Benefits paid		(18,511)	(22,531)
	Benefits due but not paid		-	(28,045)
	Closing defined benefit obligation		138,147	98,620
	Changes in fair value of plan assets:			
	Opening fair value of plan assets		27,557	25,958
	Actuarial gain/ (loss)		(1,493)	(3,386)
	Contributions by employer		32,440	24,401
	Benefits paid		(41,929)	(22,531)
	Expected return on plan assets		3,858	3,115
	Closing fair value of plan assets		20,433	27,557

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

	2012		2011	
	Rupees in thousand	%age	Rupees in thousand	%age
Cash and bank	7,157	35	14,473	53
Investments	13,276	65	13,084	47
	20,433	100	27,557	100

Principal actuarial assumptions:

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

	2012	2011
Valuation discount rate-p.a	13%	14%
Expected rate of increase in salaries-p.a	13%	14%
Expected rate of return on plan assets-p.a	14%	14%
Average expected remaining working life time of employees	5 years	5 years

Amounts for current and previous four annual periods in respect of staff gratuity are as follows:

	2012	2011	2010	2009	2008
	(Rupees in thousand)				
As at June 30,					
Defined benefit obligation	138,147	98,620	119,576	113,009	64,876
Contributions from associated companies	-	-	-	-	(4,156)
Fair value of plan assets	(20,433)	(27,557)	(25,598)	(43,151)	(26,585)
Deficit	117,714	71,063	93,978	69,858	34,135
Experience adjustments on defined benefit obligation	11,494	(13,867)	(5,935)	(1,524)	2,987
Experience adjustments on plan assets	(1,493)	(3,386)	3,044	3,190	747

During the next financial year, the expected contribution to be paid to the funded gratuity fund by the Company is Rs 40 million (2011: Rs 35 million).

41.2 Liability for unfunded accumulated compensated absences

Upto June 30, 2011 the Company provided compensated absences for all permanent employees in accordance with the rules of the Company. Effective July 1, 2011, the policy has been curtailed and all amounts due to employees as at June 30, 2011 has been settled.

42. General

42.1 Related party transactions

The Company's related parties comprise its subsidiaries, associated undertakings, employees' retirement benefit plans and key management personnel. Amounts due from / (to) related parties, are shown under receivables and payables. Remuneration of key management personnel is disclosed in note 42.2.

Notes to and Forming Part of the Financial Statements
for the year ended June 30, 2012

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

	2012	2011
	(Rupees in thousand)	
Parent Company		
Warid Telecom International LLC, UAE (WTI)		
Markup charged to WTI	-	6,186
Provision for doubtful advances	-	42,019
Shareholders		
Long term finance received from shareholders	4,458,020	4,918,227
Markup on long term finance from shareholders	168,634	38,902
Subsidiary companies		
Wateen Solutions (Pvt) Limited (WSPL)		
Cost and expenses charged by WSPL	24,680	50,989
Dividend income received	-	156,060
Markup charged to WSPL	98,067	87,690
Purchase of intangible assets	-	4,300
Payments made by WSPL on behalf of the Company	-	33,097
Payments made by the Company on behalf of WSPL	87,382	-
Netsonline Services (Pvt) Limited (NOSPL)		
Provision for doubtful advances	-	8,311
Provision for impairment of investment	-	4,400
Wateen Telecom UK Limited (Wateen UK)		
Sale of services	174,060	213,960
Expenses charged by Wateen UK	127,944	341,522
Provision for doubtful advances	-	288,889
Provision for impairment of investment in Wateen Telecom Limited - UK	-	1,390
Associated Companies:		
Warid Telecom (Pvt) Limited (WTL)		
Sale of services	1,249,682	1,619,128
Cost and expenses charged by WTL	883,208	489,511
Trade debts written off	-	76,834
Unearned revenue reversed	-	147,315
Wateen Multimedia (Pvt) Limited (WMM)		
Cost and expenses charged by WMM	8,004	45,423
Markup charged to WMM	10,029	-

	2012	2011
	(Rupees in thousand)	
Bank Alfalah Limited (BAL)		
Sale of services	82,916	80,388
Markup charged by BAL on short term borrowings	200,163	272,802
Markup charged to BAL	117	-
Taavun (Pvt) Limited		
Long term finance received	-	600,000
Markup on long term finance	92,743	71,811
Amoon Media Group (Pvt) Limited		
Provision for doubtful advances	-	27,960
Warid Telecom Congo S.A (Warid Congo)		
Trade debts written off	-	125,127
Warid Telecom Uganda Limited (Warid Uganda)		
Trade debts written off	-	4,266
Warid Telecom Georgia Limited		
Provision for doubtful advances	-	15,403
Warid Telecom International - Bangladesh		
Provision for doubtful advances	-	5,587
Raseen Technology (Pvt) Limited		
Provision for doubtful advances	-	18,482
Advance for construction of Warid Tower		
Advance paid during the year	-	3,200
Provision for doubtful advances	-	68,916
Provident Fund Trust		
Employer contribution to trust	31,452	28,816
Gratuity Fund		
Employer contribution to fund	40,477	40,372

Notes to and Forming Part of the Financial Statements
for the year ended June 30, 2012

42.2 Remuneration of Directors and Executive

No remuneration was paid to the directors of the company during the year ended June 30, 2012.

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

	Chief Executive		Executives		Total	
	2012	2011	2012	2011	2012	2011
			(Rupees in thousand)			
Managerial remuneration	12,194	18,061	275,205	298,697	287,399	316,758
Housing and utilities	6,706	6,580	151,363	134,812	158,069	141,392
Company's contribution to provident and gratuity funds	1,016	1,179	23,068	20,085	24,084	21,264
Leave fair assistance	1,587	213	31,908	18,909	33,495	19,122
	21,503	26,033	481,544	472,503	503,047	498,536
Number of persons	1	1	304	286	305	287

In addition, the Chief Executive and 10 (2011: 13) executives were provided with use of company's cars. The Chief Executive and all executives were provided with medical and mobile phone facilities.

42.3 Capacity

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

43. Subsequent events after the reporting period

On March 28, 2013, the majority shareholder of the Company, Warid Telecom International LLC, U.A.E, which presently holds 54% of the total ordinary share capital of the Company, has conveyed its intention to acquire all of the issued ordinary shares held by the other shareholders of the Company at a proposed purchase price of Rs 4.5 per ordinary share and to seek delisting of the shares of the Company from Karachi, Lahore and Islamabad Stock Exchanges in accordance with the voluntary de-listing provisions of their respective Listing Regulations. The Board approved the delisting in their meeting held on April 22, 2013, and formal application for delisting has been applied to all stock exchanges where the Company is listed. The Karachi Stock exchange has requested the Company to submit intrinsic value per share determined on the basis of revaluation of assets, copy of latest revaluation report of assets carried out by evaluator as required under listing regulation and some other information.

44. Corresponding figures

Comparative figures related to Wateen Telecom UK Limited representing cost of investment of Rs 1.390 million and provision for impairment of Rs 1.390 million have been reclassified from advances, deposits, prepayments and other receivables to long term investment in subsidiary companies as Wateen Telecom UK Limited has been treated as subsidiary company of Wateen Telecom Limited in the current year on the basis of ownership and common directorship.

45. Date of authorisation for issue

These financial statements have been authorised for issue by the Board Of Directors of the Company on June 13, 2013.

Chief Executive

Director

Consolidated Financial Statements

Auditors' Report To The Members

We have audited the annexed consolidated financial statements comprising consolidated statement of financial position of Wateen Telecom Limited (Wateen) and its subsidiary companies, Wateen Satellite Services (Pvt) Limited, Wateen Solutions (Pvt) Limited, Netsonline Services (Pvt) Limited and Wateen Telecom UK Limited as at June 30, 2012 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of Wateen Telecom Limited and a subsidiary company Wateen Satellite Services (Pvt) Limited. Financial statements of subsidiary companies, Wateen Solutions (Pvt) Limited, Netsonline Services (Pvt) Limited and Wateen Telecom UK Limited have been audited by other firms of Chartered Accountants and whose reports have been furnished to us. Our opinion in so far as it relates to the amounts included in respect of these subsidiary companies, is based solely on the reports of such other auditors. These financial statements are the responsibility of Wateen's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing as applicable in Pakistan and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

As explained in note 20.2 to the consolidated financial statements, the Company has recognised an impairment loss of Rs 9,623 million representing excess of carrying amount of operating assets related to its WiMAX operations over the recoverable amount. The value in use of these assets based on a business plan prepared by the Company on containment strategy basis is negative Rs 1,036 million. The Board of Directors is currently considering other options for WiMAX operations and there are certain discussions taking place with third parties to merge the WiMAX business. The management estimates that in case of any possible business consolidation, the fair value less costs to sell of these assets would amount to Rs 2,049 million, which has been used as the recoverable amount. The conclusive selling price of these assets will be confirmed on the possible consolidation of WiMAX business, if successful, and any consequential difference from the recoverable amount estimated above will be recognised in the financial statements of the subsequent period. In the absence of a binding agreement or active market for these assets to assess the recoverable amount estimated by management, we were unable to form our opinion on the recoverable amount of these assets.

In our opinion, except for the possible effect of the matter described in the preceding paragraph, the consolidated financial statements present fairly the financial position of Wateen Telecom Limited and its subsidiary companies as at June 30, 2012 and the results of their operations for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

We draw attention to note 3 (iii) to the financial statements related to management's assessment of going concern. Our opinion is not qualified in respect of this matter.

As explained in note 2 to the financial statement, the Company is in the process of reconstructing its records for the period July 1, 2008 to June 30, 2011, which were lost by fire incident on February 10, 2012.

A.F.Ferguson & Co.

Chartered Accountants
Islamabad
Dated: June 13, 2013

Engagement partner: JehanZeb Amin

Consolidated Statement of Financial Position
as at June 30, 2012

	Note	2012	(Restated) 2011	(Restated) 2010
		(Rupees in thousand)		
SHARE CAPITAL AND RESERVES				
Authorised capital	6	10,000,000	10,000,000	10,000,000
Issued, subscribed and paid-up capital	6	6,174,746	6,174,746	6,174,746
General reserve	7	134,681	134,681	134,681
Accumulated loss		(25,591,114)	(7,004,834)	(1,846,679)
Currency translation differences		(32,212)	(11,652)	(326)
		(19,313,899)	(707,059)	4,462,422
Non-controlling interests		(51,901)	(26,567)	156,748
		(19,365,800)	(733,626)	4,619,170
NON CURRENT LIABILITIES				
Long term finance - secured	8	-	-	-
Long term portion of deferred mark up	9	-	-	-
Long term finance from shareholders - unsecured	10	9,376,247	4,918,227	-
Medium term finance from an associated company - unsecured	11	600,000	-	-
Cross currency and interest rate swap - fair value		-	-	139,053
Obligations under finance leases	12	2,144	4,406	5,429
Long term deposits	13	65,672	61,588	110,455
		10,044,063	4,984,221	254,937
DEFERRED LIABILITIES				
Employees' retirement benefits	42	11,291	10,752	60,059
Deferred income tax liability		-	-	76,807
Deferred USF grants	14	1,748,500	1,136,310	827,159
		1,759,791	1,147,062	964,025
CURRENT LIABILITIES				
Current portion of long term finance - secured	8	15,318,243	12,347,893	12,411,659
Current portion of Deferred mark up	9	790,743	-	-
Current portion of medium term finance from an associated company - unsecured	11	-	600,000	-
Payable to supplier to be settled through long term finance		-	-	433,796
Current portion of obligations under finance leases	12	2,616	3,607	1,556
Finance from supplier - unsecured	15	40,542	59,112	77,668
Short term borrowings - secured	16	1,503,656	4,107,540	4,604,346
Trade and other payables	17	6,440,558	4,897,790	6,211,400
Interest / markup accrued	18	892,862	799,568	848,888
		24,989,220	22,815,510	24,589,313
CONTINGENCIES AND COMMITMENTS	19			
		17,427,274	28,213,167	30,427,445

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

Consolidated Statement of Financial Position
as at June 30, 2012

	Note	2012	(Restated) 2011	(Restated) 2010
		(Rupees in thousand)		
NON-CURRENT ASSETS				
Property, plant and equipment				
Operating assets	20	9,089,468	18,766,578	17,224,136
Capital work in progress	21	2,190,030	2,304,106	3,883,565
Intangible assets	22	280,637	299,775	310,843
		11,560,135	21,370,459	21,418,544
ADVANCE AGAINST PURCHASE OF SHARES OF WATEEN SOLUTIONS (PVT) LTD		85,000	85,000	-
DEFERRED INCOME TAX ASSET	23	-	1,718,574	-
LONG TERM DEPOSITS AND PREPAYMENTS				
Long term deposits	24	257,040	293,043	239,474
Long term prepayments	25	69,447	64,094	79,139
		326,487	357,137	318,613
CURRENT ASSETS				
Trade debts	26	2,138,862	2,069,795	4,073,090
Contract work in progress		136,388	30,219	47,394
Stores, spares and loose tools	27	503,221	531,431	847,528
Stocks	28	13,386	7,341	8,091
Advances, deposits, prepayments and other receivables	29	1,811,196	1,141,732	1,449,970
Income tax refundable		359,761	262,285	247,724
Cash and bank balances	30	492,838	639,194	2,016,491
		5,455,652	4,681,997	8,690,288
		17,427,274	28,213,167	30,427,445

Chief Executive

Director

Consolidated Income Statement
for the year ended June 30, 2012

	Note	2012	(Restated) 2011
		(Rupees in thousand)	
Revenue	31	7,735,746	6,964,138
Cost of sales (excluding depreciation and amortisation)	32	7,172,146	5,811,009
General and administration expenses	33	1,763,420	1,794,601
Advertisement and marketing expenses		290,758	243,011
Selling and distribution expenses		45,273	13,935
Provisions and write off	34	403,007	1,531,334
Other expenses/ (income)	35	10,972	17,387
Loss before interest, taxation, impairment depreciation and amortisation		(1,949,830)	(2,447,139)
Less: Depreciation and amortisation		2,158,416	2,086,453
Provision for impairment of property, plant and equipment	20.2	9,622,973	156,928
Finance cost	36	3,193,790	2,348,358
Finance income	37	(42,758)	(59,361)
Loss before taxation		(16,882,251)	(6,979,517)
Income tax (expense)/credit	38	(1,729,363)	1,788,973
Loss for the year		(18,611,614)	(5,190,544)
Loss attributable to:			
-owners of Wateen Telecom Limited		(18,586,280)	(5,022,236)
-non-controlling interests		(25,334)	(168,308)
		(18,611,614)	(5,190,544)
Loss per share attributable to owners of Wateen Telecom Limited - Basic and diluted	40	(30.10)	(8.13)

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

Chief Executive

Director

Consolidated Statement of Comprehensive Income

for the year ended June 30, 2012

	Note	2012	(Restated) 2011
		(Rupees in thousand)	
Loss for the year		(18,611,614)	(5,190,544)
Other comprehensive income		-	-
Currency translation differences		(20,560)	(11,630)
Total comprehensive loss for the year		(18,632,174)	(5,202,174)
Total comprehensive loss attributable to:			
-owners of Wateen Telecom Limited		(18,606,840)	(5,030,914)
-non-controlling interests		(25,334)	(171,260)
		(18,632,174)	(5,202,174)

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

Chief Executive

Director

Consolidated Statement of Cash Flows
for the year ended June 30, 2012

	Note	2012	(Restated) 2011
		(Rupees in thousand)	
CASH FLOW FROM OPERATING ACTIVITIES			
Loss before taxation		(16,882,251)	(6,979,517)
Adjustment of non cash items:			
Depreciation and amortisation		2,158,416	2,086,453
Finance cost		3,193,790	2,348,358
Loss/ (profit) on sale of operating assets		(2,811)	57,183
Loss on sale of assets destroyed in fire		93,425	-
Provision for impairment of property, plant and equipment		9,622,973	156,928
Loss on sale of inventories		-	40,878
Cost associated with IRU of Optic Fiber Cable		-	27,477
Deferred USF grant recognised during the year		(67,144)	(50,605)
Provisions and write off		403,007	1,531,334
Provision for employees' retirement benefits		-	31,877
		15,401,656	6,229,883
		(1,480,595)	(749,634)
Changes in working capital:			
(Increase)/ decrease in trade debts		(442,553)	1,354,203
(Increase)/ decrease in contract work in progress		(114,138)	17,175
(Increase)/ decrease in stores, spares and loose tools		28,210	103,831
(Increase)/ decrease in stocks		(9,734)	(836)
(Increase)/ decrease in advances, deposits, prepayments and other receivables		(466,554)	(289,293)
Increase/ (decrease) in cross currency and interest rate swap liability		-	(139,053)
Increase/ (decrease) in trade and other payables		1,570,506	(1,295,177)
		565,737	(249,150)
Employees' accumulated absences paid		(51,896)	(28,749)
Income taxes paid		(97,476)	(19,655)
Cash flow from operating activities		(1,064,230)	(1,047,188)
CASH FLOW FROM INVESTING ACTIVITIES			
Property, plant and equipment additions (including finance cost)		(2,259,212)	(2,626,375)
Intangible assets additions		(9,498)	(22,087)
Proceeds from sale of property, plant and equipment		3,558	22,402
Proceeds from insurance claim		200,000	-
Proceeds from sale of inventories		-	18,602
Advance against purchase of shares		-	(85,000)
Long term deposits receivable - (paid)/ received		36,003	(53,569)
Purchase of non controlling interests		-	(682)
Long term prepayments		(5,353)	15,045
Cash flow from investing activities		(2,034,502)	(2,731,664)

Consolidated Statement of Cash Flows

for the year ended June 30, 2012

	Note	2012	(Restated) 2011
		(Rupees in thousand)	
CASH FLOW FROM FINANCING ACTIVITIES			
Long term finance from shareholder - unsecured		4,458,020	4,918,228
Long term finance received		-	989,030
Long term finance repaid		(27,000)	(917,570)
Increase in long term finance - secured		2,862,591	-
Finance from supplier - unsecured		(18,570)	(18,556)
Medium term finance from an associated company - unsecured		-	600,000
Payable to supplier to be settled through long term finance repaid		-	(433,798)
Deferred USF grant received		454,438	359,756
Obligations under finance leases repaid		(3,253)	(2,476)
Long term deposits payable - (repaid)		4,084	(48,867)
Dividend paid to non controlling interests		-	(149,940)
Short term borrowings (paid)/ received		-	(1,545,415)
Finance cost paid		(2,309,753)	(2,397,678)
Cash flow from financing activities		5,420,557	1,352,714
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		2,321,825	(2,426,138)
Effects of exchange rates on cash and cash equivalents		953	232
Cash and cash equivalents at beginning of the year		(3,333,596)	(907,690)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		(1,010,818)	(3,333,596)
CASH AND CASH EQUIVALENTS COMPRISE:			
Cash and bank balances		492,838	639,194
Short term running finance		(1,503,656)	(3,972,790)
		(1,010,818)	(3,333,596)

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

Chief Executive

Director

Consolidated Statement of Changes in Equity
for the year ended June 30, 2012

	Attributable to owners of Wateen Telecom Limited						
	Share capital	General reserve	Accumulated loss	Currency translation differences	Total	Non controlling interests	Total
	(Rupees in thousand)						
Balance at July 1, 2010 - as originally stated	6,174,746	134,681	(1,794,123)	-	4,515,304	206,999	4,722,303
Effect of retrospective restatement due to consolidation of Wateen Telecom UK Limited (note 43)	-	-	(52,556)	(326)	(52,882)	(50,251)	(103,133)
Balance at July 1, 2010 - restated	6,174,746	134,681	(1,846,679)	(326)	4,462,422	156,748	4,619,170
Dividend to non-controlling interest by a subsidiary company Wateen Solutions (Pvt) Ltd	-	-	-	-	-	(149,940)	(149,940)
Acquisition of non controlloing interest (49%) in Wateen Telecom UK Limited on March 31, 2011	-	-	(135,919)	(2,648)	(138,567)	137,885	(682)
Total comprehensive income for the year							
Loss for the year - as restated	-	-	(5,022,236)	-	(5,022,236)	(168,308)	(5,190,544)
Other comprehensive income - as restated	-	-	-	(8,678)	(8,678)	(2,952)	(11,630)
	-	-	(5,022,236)	(8,678)	(5,030,914)	(171,260)	(5,202,174)
Balance at June 30, 2011 - as restated	6,174,746	134,681	(7,004,834)	(11,652)	(707,059)	(26,567)	(733,626)
Total comprehensive income for the year							
Loss for the year	-	-	(18,586,280)	-	(18,586,280)	(25,334)	(18,611,614)
Other comprehensive income	-	-	-	(20,560)	(20,560)	-	(20,560)
	-	-	(18,586,280)	(20,560)	(18,606,840)	(25,334)	(18,632,174)
Balance at June 30, 2012	6,174,746	134,681	(25,591,114)	(32,212)	(19,313,899)	(51,901)	(19,365,800)

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

Chief Executive

Director

Notes to and Forming Part of the Consolidated Financial Statements
for the year ended June 30, 2012

1. Legal status and operations

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

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

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

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

The subsidiary company, Wateen Telecom UK Limited, is incorporated as a private Limited Company under the UK Companies Act, 2006 and is engaged in providing internet and other technology related services in United Kingdom. Wateen held 51% shares in Wateen Telecom UK Limited since its incorporation. Wateen acquired remaining shares of Wateen Telcom UK Limited on March 31, 2011.

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

Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. The Company also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise in circumstances where the size of the Company's voting rights relative to the size and dispersion of holdings of other shareholders give the Company the power to govern the financial and operating policies, etc.

Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

The Company applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Company recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Company is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

All significant inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Company ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2. Reconstruction of accounting records destroyed in fire incident during the year

On February 10, 2012, a fire broke out at the New Auriga Centre, Lahore where the Head Office of the Company is situated. Besides the loss of furniture and fixtures, computers, telecom and other office equipment, the fire incident also resulted in the destruction of documents, records and other historical information of the Company.

Financial and accounting records and data (including computerized soft data) were lost pertaining to the period July 1, 2008 to February 10, 2012. The management of the Company commenced a comprehensive exercise to recreate necessary accounting records, documents, supports, agreements and other information. The Company has managed to rearrange records for the period July 1, 2011 to February 10, 2012 till the date of issuance of these financial statements. The exercise related to the period July 1, 2008 to June 30, 2011 is in progress.

Notes to and Forming Part of the Consolidated Financial Statements
for the year ended June 30, 2012

3. Basis of preparation

(i) Statement of compliance

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

(ii) Accounting convention

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

(iii) Management's assessment of going concern

In assessing the going concern status of the Company, management has carefully assessed a number of factors covering the trading performance of the business, the ability to implement a significant debt restructuring of the Company's existing debt's and the appetite of our majority shareholder to continue financial support. Based on the analysis of these, management is comfortable that the Company will be able to continue as a going concern in the foreseeable future. Set out below are the key areas of evidence that management have considered.

Operational Performance

During 2012, the Company incurred losses of Rs 18,612 million and had net current liabilities as at June 30, 2012 of Rs 19,534 million, of which Rs 15,318 million relates to loan installments classified as current liabilities as mentioned in note 8.6, and that is due for repayment after June 30, 2013. It is important to note that during this period of losses the Majority Shareholders of the Company have continued to provide financial support in the form of long term finance amounting to Rs 9,376 million to meet the requirements of the Company.

Following continuing losses during the financial year 2012, the Board directed management to implement a 'Containment plan' that would stem the losses of the Company and provide stability. This containment plan included a cost cutting exercise, assessment of options for the WiMAX business, and continued support of the other business lines. With regards to the WiMAX business there are discussions underway with third parties to consolidate the WiMAX business which if successful, would benefit the Company and it's stakeholders.

The Company has incurred capital expenditures on different Universal Service Fund (USF) Projects awarded by USF Company, (total contract values Rs 4,848 million contracts awarded to date) of which Rs 1,643 million have been received by the Company to date. Furthermore milestones have been achieved and the Company is in the process of offering the project milestone notice(s) for audit to the USF Company during the ensuing year. Upon successful completion of audit, the Company will be entitled to claim the balance from USF Company related to completed milestones and collect further material receipts from the USF Company which will benefit the cash flow.

Debt restructuring

Discussions have commenced with the local Syndicate lenders, our foreign debt lenders and our Majority Shareholders, constructive discussions are taking place and there is a willingness on all sides to find a solution, including a willingness from our Majority Shareholder to provide further financial support. Given this management are of the view that based on these constructive discussions and information that is currently available there is a high likelihood of a successful outcome.

Ongoing Shareholder Support

Our majority shareholder Warid Telecom International LLC (WTI) continues to provide management with comfort with regards to it's ongoing support, key requirements of which are the delisting of the Company from all stock exchanges of Pakistan where the Company is listed, and the successful restructuring of the debt. Both of these initiatives are progressing well.

This message was also reiterated in the letter WTI provided to the Board of Directors with regards to the buy-back and de-listing of shares, which was subsequently made available to the public by the stock exchanges. In this WTI stated 'WTI's buy-back of the shares reflects its strong commitment to Wateen and its local operations and enables a restructuring to take place that provides Wateen with the best possible chance to repay the current debts that are outstanding'.

In addition to this WTI guarantees the local Syndicate Finance Facility, and certain personal guarantees are provided to the foreign debt holders. Based on the provision of these Guarantees WTI are providing strong support to the management through the restructuring discussions.

The Board of Directors of the parent Company in their meeting held on November 22, 2011 decided to voluntary wind up of subsidiary companies Wateen Satellite Services (Pvt) Limited and Netsonline Services (Pvt) Limited. Accordingly, the financial statements of these companies have not been prepared on a going concern basis.

(iv) Critical accounting estimates and judgments

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

(i) Operating assets - estimated useful life of property, plant and equipment (note 20)
(ii) Impairment of WiMAX assets (note 20.2)
(iii) Provision for impairment of DSL (note 21)
(iv) Provision for doubtful debts (note 26)
(v) Provision for obsolete stores and spares (note 27)
(vi) Provision for doubtful advances and other receivables (note 29)
(vii) Provision for current and deferred income tax (note 23)
(viii) Employees' retirement benefits (note 42)

4. Adoption of new and revised standards and Interpretations

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

		Effective for periods beginning on or after
IFRS 7	Financial instruments: Disclosures (Amendments)	January 01, 2013 & January 01, 2015
IAS 1	Presentation of financial statements (Amendments)	July 01, 2012 & January 01, 2013
IAS 12	Income taxes (Amendments)	January 01, 2012

IAS 16	Property, Plant and Equipment (Amendments)	January 01, 2013
IAS 19	Employee benefits (Amendments)	January 01, 2013
IAS 27	Separate Financial Statements (Revised)	January 01, 2013
IAS 28	Investments in Associates (Revised)	January 01, 2013
IAS 32	Financial Instruments Presentation (Amendments)	January 01, 2013 & January 01, 2014
IAS 34	Interim Financial Reporting (Amendments)	January 01, 2013
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	January 01, 2013

The management anticipates that, except for the effects on the financial statements of amendments to IAS 19 "Employee Benefits", the adoption of the above standards, amendments and interpretations in future periods, will have no material impact on the Company's financial statements other than in presentation / disclosures. The amendments to IAS 19 require immediate recognition of actuarial gains / losses in other comprehensive income in the period of initial recognition, this change will remove the corridor method and eliminate the ability for entities to recognize 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 recognized in profit or loss is calculated based on the rate used to discount the defined benefit obligation. Following this change accumulated losses will be recorded immediately in other comprehensive income.

b) The following new standards have been issued by the International Accounting Standards Board (IASB), which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP) for the purpose of their applicability in Pakistan:

		Effective for periods beginning on or after
IFRS 1	First-time adoption of international financial reporting standards (Amendments)	July 1, 2009
IFRS 9	Financial instruments	January 1, 2015
IFRS 10	Consolidated financial statements	January 1, 2013
IFRS 11	Joint arrangements	January 1, 2013
IFRS 12	Disclosure of interests in other entities	January 1, 2013
IFRS 13	Fair value measurement	January 1, 2013

c) The following interpretations issued by the IASB have been waived off by the SECP, effective January 16, 2012:
IFRIC 4 Determining Whether an Arrangement Contains a Lease
IFRIC 12 Service Concession Arrangements

5. Summary of significant accounting policies

5.1 Employees' retirement benefits

5.1.1 The Company operates funded gratuity scheme for all permanent employees. The expense is recognised on the basis of actuarial valuation. Actuarial gains and losses in excess of the 'corridor' (10% of the higher of fair value of plan assets or present value of defined benefit obligation) are recognised over the remaining working life of employees. The latest actuarial valuation was carried out as at June 30, 2012, related details of which are given in note 42.1 to the financial statement.

5.1.2 Wateen Solutions (Pvt) Limited operates unfunded gratuity scheme for all permanent employees. The expense is recognised on the basis of actuarial valuation. Actuarial gains and losses in excess of the 'corridor' (10% of the higher of fair value of plan assets or present value of defined benefit obligation) are recognised over the remaining working life of employees. The latest actuarial valuation was carried out as at June 30, 2012, related details of which are given in note 42.2 to the financial statement.

5.1.3 Upto June 30, 2011 the Company provided compensated absences for all permanent employees in accordance with the rules of the Company. Effective July 1, 2011, the policy has been curtailed and amount due to employees as at June 30, 2011 has been settled.

5.1.4 Contributory provident fund for all permanent employees is in place. Contribution for the year amounted to Rs 32.347 million (2011: Rs 29.09 million).

5.2 Taxation

The tax expense for the year comprises of current and deferred income tax, and is recognized in income for the year, except to the extent that it relates to items recognized directly in other comprehensive income, in which case the related tax is also recognized in other comprehensive income.

Current

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the date of the statement of financial position. Management periodically evaluates positions taken in tax returns, with respect to situations in which applicable tax regulation is subject to interpretation, and establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred

Deferred income tax is accounted for using the balance sheet liability method in respect of all temporary differences arising between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred income tax liabilities are 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.

Deferred income tax is calculated at the rates that are expected to apply to the period when the differences reverse, and the tax rates that have been enacted, or substantively enacted, at the date of the statement of financial position.

5.3 Government grant

Government grants are recognized at their fair values and included in non-current liabilities, as deferred income, when there is reasonable assurance that the grants will be received and the Company will be able to comply with the conditions associated with the grants.

Grants that compensate the Company for expenses incurred, are recognized on a systematic basis in the income for the year in which the related expenses are recognized. Grants that compensate the Company for the cost of an asset are recognized in income on a systematic basis over the expected useful life of the related asset.

5.4 Borrowings and borrowing costs

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

Borrowing costs incurred that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of the cost of that asset. All other borrowing costs are charged to income for the year. Qualifying assets are assets that necessarily takes substantial period of time to get ready for their extended use.

5.5 Trade and other payables

Liabilities for creditors and other amounts payable including payable to related parties are carried at cost, which is the fair value of the consideration to be paid in the future for the goods and / or services received, whether or not billed to the Company.

5.6 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each statement of financial position date and are adjusted to reflect the current best estimate.

5.7 Contingent liability

A contingent liability is disclosed when the Company has a possible obligation as a result of past events, the existence of which will be confirmed only by the occurrence or non-occurrence, of one or more uncertain future events, not wholly within the control of the Company; or when the Company has a present legal or constructive obligation, that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

5.8 Property plant and equipment

Property, plant and equipment, except freehold land and capital work-in-progress, is stated at cost less accumulated depreciation and any identified impairment losses; freehold land is stated at cost less identified impairment losses, if any. Cost includes expenditure, related overheads, mark-up and borrowing costs (note 5.4) that are directly attributable to the acquisition of the asset.

Subsequent costs, if reliably measurable, are included in the asset's carrying amount, or recognized as a separate asset as appropriate, only when it is probable that future economic benefits associated with the cost will flow to the Company. The carrying amount of any replaced parts as well as other repair and maintenance costs, are charged to income during the period in which they are incurred.

Depreciation on operating assets is calculated, using the straight line method, to allocate their cost over their estimated useful lives, at the rates mentioned in note 20.1.

Depreciation on additions to property, plant and equipment, is charged from the month in which the relevant asset is acquired or capitalized, while no depreciation is charged for the month in which the asset is disposed off. Impairment loss, if any, or its reversal, is also charged to income for the year. Where an impairment loss is recognized, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value, over its estimated useful life.

The gain or loss on disposal of an asset, calculated as the difference between the sale proceeds and the carrying amount of the asset, is recognized in income for the year.

5.9 Intangible assets

(i) Licences

These are carried at cost less accumulated amortization and any identified impairment losses. Amortization is calculated using the straight line method from the date of commencement of commercial operations, to allocate the cost of the license over its estimated useful life specified in note 22, and is charged to income for the year.

The amortization on licenses acquired during the year, is charged from the month in which a license is acquired / capitalized, while no amortization is charged in the month of expiry / disposal of the license.

(ii) Computer software

These are carried at cost less accumulated amortisation and any identified impairment losses. Amortisation is calculated using the straight line method, to allocate the cost of the software over its estimated useful life, and is charged in profit and loss account. Costs associated with maintaining computer software, are recognised as an expense as and when incurred.

The amortization on computer software acquired during the year is charged from the month in which the software is acquired or capitalized, while no amortization is charged for the month in which the software is disposed off.

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

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

5.10 Impairment of non-financial assets

Assets that have an indefinite useful life, for example freehold land, are not subject to depreciation and are tested annually for impairment. Assets that are subject to depreciation are reviewed for impairment on the date of the statement of financial position, or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized, equal to the amount by which the asset's carrying amount exceeds its recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non financial assets that suffered an impairment, are reviewed for possible reversal of the impairment at each statement of financial position date. Reversals of the impairment loss are restricted to the extent that asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss has been recognized. An impairment loss, or the reversal of an impairment loss, are both recognized in the income statement.

5.11 Right of way charges

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

5.12 Trade debts and other receivables

Trade debts and other receivables are carried at their original invoice amounts, less any estimates made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

5.13 Stores, spares and loose tools

Stores, spares and loose tools are carried at cost less allowance for obsolescence. Cost is determined on weighted average cost formula basis. Items in transit are valued at cost, comprising invoice values and other related charges incurred up to the date of the statement of financial position.

5.14 Stocks

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

5.15 Cash and cash equivalents

Cash and cash equivalents are carried at cost. For the purpose of the statement of cash flows, cash and cash equivalents comprise cash in hand and bank and short term highly liquid investments with original maturities of three months or less, and that are readily convertible to known amounts of cash, and subject to an insignificant risk of changes in value.

5.16 Revenue recognition

Revenue is recognised as related services are rendered.

Revenue from granting of Indefeasible Right Of Use (IRU) of dark fiber for 20 years or more is recognised at the time of delivery and acceptance by the customer.

Revenue from prepaid cards is recognised as credit is used, unutilised credit is carried in balance sheet as unearned revenue in trade and other payables.

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

Interest income is recognised using the effective yield method.

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

5.17 Foreign currency translation

a) Functional and presentation currency

Foreign currency transactions are translated into the functional currency, using the exchange rates prevailing on the date of the transaction. Monetary assets and liabilities, denominated in foreign currencies, are translated into the functional currency using the exchange rate prevailing on the date of the statement of financial position. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary items at year end exchange rates, are charged to income for the year.

b) Foreign currency transactions

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

c) Foreign operations

The results and financial position of all the Company that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that financial position;

(ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions), and

(iii) all resulting currency translation differences are recognised in the statement of comprehensive income.

On the disposal of a foreign operation (that is, a disposal of the Company's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation) all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Company losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

5.18 Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument and derecognized when the Company loses control of the contractual rights that comprise the financial assets and in case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expires. All financial assets and liabilities are initially recognized at fair value plus transaction costs other than financial assets and liabilities carried at fair value through profit or loss. Financial assets and liabilities carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are charged to income for the year. These are subsequently measured at fair value, amortized cost or cost, as the case may be. Any gain or loss on derecognition of financial assets and financial liabilities is included in income for the year.

(a) Financial assets

Classification and subsequent measurement

The Company classifies its financial assets in the following categories: fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. Regular purchases and sales of financial assets are recognized on the trade date - the date on which the Company commits to purchase or sell the asset.

(i) Fair value through profit and loss

Financial assets at fair value through profit or loss, include financial assets held for trading and financial assets, designated upon initial recognition, at fair value through profit or loss.

Financial assets at fair value through profit or loss are carried in the statement of financial position at their fair value, with changes therein recognized in the income for the year. Assets in this category are classified as current assets.

(ii) Held to maturity

Non derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Company has the positive intention and ability to hold these assets to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment, if any.

(iii) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments, that are not quoted in an active market. After initial measurement, these financial assets are measured at amortized cost, using the effective interest rate method, less impairment, if any.

The Company's loans and receivables comprise 'Long term Deposits', 'Trade debts', 'Contract Work in Progress', 'Advances, deposits, prepayments and other receivables,' 'Income tax refundable' and 'Cash and bank balances'.

(iv) Available for sale

Available-for-sale financial assets are non-derivatives, that are either designated in this category, or not classified in any of the other categories. These are included in non current assets, unless management intends to dispose them off within twelve months of the date of the statement of financial position.

After initial measurement, available-for-sale financial assets are measured at fair value, with unrealized gains or losses recognized as other comprehensive income, until the investment is derecognized, at which time the cumulative gain or loss is recognized in income for the year.

Impairment

The Company assesses at the end of each reporting period whether there is an objective evidence that a financial asset or group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event'), and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

(b) Financial liabilities

Initial recognition and measurement

The Company classifies its financial liabilities in the following categories: fair value through profit or loss and other financial liabilities. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of other financial liabilities, also include directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

(i) Fair value through profit or loss

Financial liabilities at fair value through profit or loss, include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as being at fair value through profit or loss. Financial liabilities at fair value through profit or loss are carried in the statement of financial position at their fair value, with changes therein recognized in the income for the year.

(ii) Other financial liabilities

After initial recognition, other financial liabilities which are interest bearing are subsequently measured at amortized cost, using the effective interest rate method.

(c) Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position, if the Company has a legally enforceable right to set off the recognized amounts, and the Company either intends to settle on a net basis, or realize the asset and settle the liability simultaneously.

5.19 Derivative financial instruments

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

	June 30, 2012		June 30, 2011	
	Number of Shares	Rs ('000)	Number of Shares	Rs ('000)
6. Share capital				
Authorised share capital:				
Ordinary shares of Rs 10 each	1,000,000,000	10,000,000	1,000,000,000	10,000,000
Issued, subscribed and paid up share capital:				
Shares issued for cash				
Ordinary shares of Rs 10 each	408,737,310	4,087,373	408,737,310	4,087,373
Shares issued as fully paid bonus shares of Rs 10 each	208,737,310	2,087,373	208,737,310	2,087,373
	617,474,620	6,174,746	617,474,620	6,174,746

6.1 The parent company, Warid Telecom International LLC, U.A.E held 333,295,350 (2011: 333,292,700) ordinary shares, the associated companies Bank Alfalah Limited held 83,494,920 (2011: 83,494,920) ordinary shares, Taavun (Private) Limited held 28,034,821 (2011: 28,034,821) ordinary shares, Wincom (Private) Limited held 3,000,000 (2011: 3,000,000) ordinary shares and Bank Alfalah Limited - Employees Gratuity Fund held 21,000,000 (2011: Nil) ordinary shares at year end.

7. General reserve

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

	Note	2012 (Rupees in thousand)	2011
8. Long term finance - secured			
Syndicate of banks	8.1	8,142,335	4,766,000
Export Credit Guarantee Department - (ECGD)	8.2	2,411,528	2,202,888
Dubai Islamic Bank (DIB)	8.3	424,000	424,000
Motorola Credit Corporation (MCC)	8.4	4,520,428	4,129,330
Standard Chartered Bank (SCB)	8.5	-	1,043,030
Total		15,498,291	12,565,248
Unamortized transaction and other ancillary cost			
Opening balance		217,355	299,464
Amortisation for the year		(37,307)	(82,109)
		(180,048)	(217,355)
		15,318,243	12,347,893
Less: Amount shown as current liability			
Amount payable within next twelve months		-	(3,225,026)
Amount due after June 30, 2013	8.6	(15,318,243)	(9,122,867)
		(15,318,243)	(12,347,893)
		-	-

8.1 The company has obtained syndicate term finance facility from a syndicate of banks with Standard Chartered Bank Limited (SCB), Habib Bank Limited (HBL), Bank Al-Habib Limited (BAHL) and National Bank of Pakistan (NBP), being lead arrangers to finance the capital requirements of the Company. During the year, the Company and the Syndicate of Banks signed an agreement to restructure Syndicate term finance facility and the short term running finance from SCB of Rs 1,497 million, term finance facility from SCB of Rs 1,016 million, running finance facility of Rs 529 million from BAHL, running finance facility of Rs 200 million from Soneri Bank Limited and finance facility of Rs 135 million from Summit Bank Limited effective from January 1, 2011. All the finance facilities have been fully availed by the Company till June 30, 2012. The principal is repayable in ten unequal semi annual instalments . The first such instalment shall be due on July 1, 2014 and subsequently every six months thereafter until January 1, 2019. The rate of mark-up is 6 months KIBOR per annum till December 31, 2013 and 6 months KIBOR + 2.5% per annum for the remaining period. The Company shall pay the mark up at 8% per annum from January 1, 2011 to December 31, 2013 (deferment period). The remaining amount of all instalments falling due in the deferment period shall be paid in ten equal six-monthly instalments on each January 1 and July 1 commencing from July 1, 2014 and ending January 1, 2019. Initially the tenor of the facility was 5 years commencing from November 4, 2009 and it carried a mark up of 6 months KIBOR + 2.75% per annum for 1-2 years and KIBOR + 2.5% per annum for next 3-5 years.

Certain conditions precedent to the restructured agreements are not yet fulfilled, management of the Company has taken steps to fulfill those conditions. Once conditions precedent to restructured agreements are fulfilled bank will formally issue letter to the Company which will complete the restructuring process.

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

8.2 The Company has obtained long term finance facility amounting to USD 42 million (2011: USD 42 million) from ECGD UK, of which USD 35 million (2011: USD 35 million) has been availed till June 30, 2012. During the year, the Company and ECGD UK signed an agreement to restructure the terms of loan agreement including repayment schedule. Amount outstanding at June 30, 2012 was USD 25.600 million. The principal is repayable in ten semi annual instalments. The first such instalment shall be due on July 1, 2014 and subsequently every six months thereafter until January 1, 2019. The rate of mark-up is six month LIBOR + 1.5% (interest rate) per annum till June 30, 2011 and six month LIBOR + 1.9% (interest rate) for the remaining period. If the amount of instalment payable and/or interest payable is not paid on the due date, the Company shall pay interest on such amount the interest rate + 2% per annum. Initially the loan was repayable in 14 semi annual instalments of USD 3.025 million each started from October 14, 2009 and rate of mark-up was LIBOR + 1.5% per annum.

Certain conditions precedent to the restructured agreement are not yet fulfilled, management of the Company has taken steps to fulfill those conditions. Once conditions precedent to restructured agreement are fulfilled ECGD will formally issue letter to the Company which will completes the restructuring process.

The facility is secured by way of hypothecation over all present and future moveable assets (including all current assets) and present and future current/ fixed assets (excluding assets under specific charge of CM Pak, Motorola, CISCO, assets which are subject to lien in favour of USF), a mortgage by deposit of title deeds in respect of immoveable properties of the company, lien over collection accounts and Debt Service Reserve Account and personal guarantees by three Sponsors of the Company.

8.3 The Company has obtained Ijarah finance facility of Rs 530 million (2011: Rs 530 million) from DIB. During the year, the Company and DIB signed an agreement to restructure the terms of the Ijarah finance facility. The principal is repayable in ten unequal semi annual instalments. The first such instalment shall be due on July 1, 2014 and subsequently every six months thereafter until January 1, 2019. The rate of mark-up is 6 months KIBOR per annum till December 31, 2013 and KIBOR + 2.5% per annum for the remaining period. The Company shall pay the mark up at 8% per annum from January 1, 2011 to December 31, 2013 (deferment period). The remaining amount of all instalments falling due in the deferment period shall be paid in ten equal six-monthly instalments on each January 1 and July 1 commencing from July 1, 2014 and ending January 1, 2019. Initially the principal was repayable in 10 semi annual instalments of Rs 53 million each commencing from February 1, 2010 and rate of mark up was 6 month KIBOR plus 1.5% per annum.

Certain conditions precedent to the restructured agreement are not yet fulfilled, management of the Company has taken steps to fulfill those conditions. Once conditions precedent to restructured agreement are fulfilled bank will formally issue letter to the Company which will complete the restructuring process.

The facility is secured by way of hypothecation over all present and future moveable assets (including all current assets) and present and future current/ fixed assets (movable and immoveable) and a corporate guarantee from Warid Telecom International LLC.

8.4 The Company has obtained term finance facility of USD 65 million (2011: USD 65 million) from MCC of which USD 64 million (2011: USD 64 million) has been availed till June 30, 2012. On August 19, 2011, MCC has transferred all of its rights, title benefits and interests in the original facility agreement to Deutsche Bank AG as lender, effective August 19, 2011. During the year, the Company and Deutsche Bank AG signed an agreement to restructure the terms of loan agreement. Amount outstanding at June 30, 2012 was USD 48 million. The principal is repayable in ten semi annual instalments commencing from July 1, 2014 until and including the final maturity date which is December 31, 2019. The rate of mark-up is six month LIBOR + 1% per annum provided that rate shall be capped at 2.5% per annum. If the Company fails to pay any amount payable on its due date, interest shall accrue on the unpaid sum from the due date up to the date of actual payment at a rate which is 2% higher than the rate of interest in effect thereon at the time of such default until the end of the then current interest period. Thereafter, for each successive interest period, 2% above the six-month LIBOR plus margin provided the Company is in breach of its payment obligations hereof. Initially the principal amount of outstanding facility was repayable in 12 unequal semi annual instalments commencing from June 30, 2009 until and including the final maturity date which was December 31, 2014 and rate of mark-up was six month LIBOR + 1.7% per annum.

Certain conditions precedent to the restructured agreement are not yet fulfilled, management of the Company has taken steps to fulfill those conditions. Once conditions precedent to resructured agreement are fulfilled bank will formally issue letter to the Company which will completes the restructuring process. The loan is secured through personal guarantee by one Sponsor of the Company and is ranked pari passu with unsecured and unsubordinated creditors.

		Note	2012	2011
			(Rupees in thousand)	
8.5	**Standard Chartered Bank (SCB)**			
	Medium term finance facility	8.5.1	-	27,000
	Term finance facility	8.5.2	-	291,433
	Term finance facility	8.5.3	-	217,397
	Term finance facility	8.5.4	-	507,200
			-	1,043,030

8.5.1 The entire amount of the outstanding facility has been repaid during the year.

8.5.2 During the year, the Company and Syndicate of banks signed an agreement to restructure the term finance facilities from SCB of Rs 1,016 million and to consolidate these with Syndicate Finance facility as referred in note 8.1 above.

8.6 The Company has not complied with the requirements of the loan agreements to maintain Long Term Debt to Equity Ratio of 80:20 at June 30, 2012. Further the restructured loan agreements have not yet become effective as certain conditions precedent to the restructured arrangements are not yet fulfilled. Accordingly, the lenders shall be entitled to declare all outstanding amount of the loans immediately due and payable. In terms of provisions of International Accounting Standard on Presentation of financial statements (IAS 1), since the Company does not have an unconditional right to defer settlement of liabilities for at least twelve months after the statement of financial position date, all liabilities under these loan agreements are required to be classified as current liabilities. Based on above, loan installments for an amount of Rs 15,318 million due after June 30, 2013 have been shown as current liability.

		Note	2012	2011
			(Rupees in thousand)	
9.	**Long term portion of deferred mark up**			
	Syndicate of banks	9.1	626,567	-
	Dubai Islamic Bank (DIB)	9.1	30,610	-
	Bank Alfalah Limited	9.1	133,566	-
	Total		790,743	-
	Less: Amount shown as current liability			
	Amount payable within next twelve months		-	-
	Amount due after June 30, 2013		(790,743)	-
			(790,743)	-
			-	-

9.1 These amounts are payable in ten equal six-monthly instalments on each January 1 and July 1 commencing from July 1, 2014 and ending January 1, 2019. As explained in note 8.6, amount has been shown as current liability.

	Note	2012	2011
		(Rupees in thousand)	
10. Long term finance from shareholders - unsecured			
Facility 1	10.1	2,263,155	2,067,351
Facility 2	10.2	7,113,092	2,850,876
		9,376,247	4,918,227

10.1 The Company has obtained long term finance from a shareholder amounting to USD 24 million (2011: USD 24 million). This loan is subordinated to all secured finance facilities availed by the Company. This loans is repayable within 30 days of the expiry of a period of five years from the last date the lender has disbursed the loans, which shall be on or about January 29, 2015. The rate of mark-up is 6 months LIBOR + 1.5% with 24 months payment grace period payable half yearly. Alternatively loans may be converted into equity by way of issuance of the Company's ordinary shares at the option of the lender at any time prior to, at or after the repayment date on the best possible terms but subject to fulfillment of all legal requirements at the cost of the Company. The said conversion of loan shall be affected at such price per ordinary share of the Company as shall be calculated after taking into account the average share price of the last 30 calendar days, counted backwards from the conversion request date, provided that such conversion is permissible under the applicable laws of Pakistan.

This loan together with accrued interest will have at all times priority over all unsecured debts of the Company except as provided under Law. In the event the Company defaults on its financial loans or in case Warid Telecom International LLC, Abu Dhabi, UAE, no longer remains the holding company of the Company and sells its 100 % shares to any other person or party or relinquishes the control of its management then, unless otherwise agreed in writing by the lender, the entire loan together with the accrued interest will become due and payable for with and shall be paid within 15 working days of the event of default or decision of the Board of Directors of the Company accepting such a change in the shareholding as the case may be, and until repaid in full, the loan shall immediately become part of financial loans, ranking pari passu therewith subject to the consent of the Company's existing financial loan providers.

10.2 The Company has obtained long term finance from a shareholder amounting to USD 185 million (2011: USD 52 million) of which USD 75 million (2011: USD 33 million) has been availed at June 30, 2012. The rate of mark-up is 6 months LIBOR + 1.5% payable half yearly. The Company shall repay the loan in full in five equal annual instalments beginning on June 30, 2014 with final maturity date of June 30, 2018. Alternatively the lender shall also have the option to instruct the Company any time during the term of this agreement to convert the remaining unpaid amount of the loan and the interest in part or in its entirety into equity by way of issuance of ordinary shares of the Company in favour of the lender in compliance with all applicable laws of Pakistan.

Upon the request of the Company for conversion of the loan and the interest into equity, the lender and the Company shall, with mutual consent, appoint an independent auditor to determine the fair market value per share of the borrower prevailing at the time of such request. If the lender agrees to the price per share as determined by the independent auditor then the loan and the interest shall be converted into equity at the rate per share decided by the independent auditor. In case the lender, in its sole discretion, disagrees with the price per share as determined by the independent auditor then the request for conversion shall stand revoked and the loan shall subsist.

The loan together with the interest shall have priority over all other unsecured debts of the Company. Further, after the execution of this agreement, the Company shall not avail any other loan or funding facility from any other source without prior written consent of the lender. The Company undertakes that it shall not declare dividends, make any distributions or pay any other amount to its shareholders unless the repayment of the loan and the interest in full to the lender. The rights of the lender in respect of the loan are subordinated to any indebtedness of the Company to any secured lending by any financial institution in any way, both present and future notwithstanding whether such indebtedness is recoverable by process of law or is conditional or unconditional. Furthermore, in the event that insolvency proceedings are initiated against the Company or that it is unable to pay its Financial Loans as they fall due or if the Company has proposed any composition, assignment or arrangement with respect to its Financial Loans, the obligation to repay the outstanding amount of the loan shall be subordinated to the Financial Loans but will have priority over all other unsecured debts of the Company.

11. Medium term finance from an associated company - unsecured

The Company has obtained an aggregate medium term finance facility of Rs 600 million from an associated company Taavun (Pvt) Limited. As per the terms of loan agreement, this loan is subordinated to all secured finance facilities availed by the Company. The principal is repayable within 30 days of the expiry of twenty four months from the effective date i.e. September 30, 2010, which is further extendable to twelve months. The rate of mark-up is six month KIBOR + 2.5% with 24 months grace period payable quarterly. As the loan is subordinated to all secured finance facilities availed by the Company, the entire amount of loan has been classified as non current liability.

	Note	2012	2011
		(Rupees in thousand)	
12. Obligations under finance leases			
Present value of minimum lease payments		4,760	8,013
Less: Current portion shown under current liabilities		(2,616)	(3,607)
		2,144	4,406

The Company acquired vehicles under lease from commercial banks. The financing is repayable in equal monthly installments over a period of three to five years and carries a finance charge of six months KIBOR+3% to 3.5% (2011: KIBOR+3% to 3.5%).

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

	Note	2012	2011
		(Rupees in thousand)	
Due within one year			
Minimum lease payments		3,160	4,858
Less: Financial charges not yet due		(544)	(1,251)
Present value of minimum lease payments		2,616	3,607
Due after one year but not later than five years			
Minimum lease payments		2,294	5,259
Less: Financial charges not yet due		(150)	(853)
Present value of minimum lease payments		2,144	4,406
		4,760	8,013

13. Long term deposits

These represent security deposits received from customers. These are interest free and refundable on termination of relationship with the Company.

14. Deferred Universal Service Fund (USF) grants

This represents amount received and receivable from USF as subsidy to assist in meeting the cost of deployment of USF Fiber Optic Network for providing USF Fiber Optic Communication Services in Sind, Baluchistan, Punjab and broad band services in Sargodah, Hazara district, Gujranwala Telecom Region and Central Telecom Region. USF Fiber Optic Network and broad band network will be owned and operated by the Company. Total amount of USF subsidy is Rs 4,848 million (2011: Rs 2,873 million) payable by USF in five installments in accordance with project implementation milestones.

	Note	2012	2011
		(Rupees in thousand)	
Movement during the year is as follows:			
Balance at beginning of the year		1,136,310	827,159
Amount received during the year		454,438	359,756
Amount receivable at year end		224,896	-
Amount recognised as income during the year	35	(67,144)	(50,605)
Balance at end of the year		1,748,500	1,136,310

15. Finance from supplier - unsecured

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

	Note	2012	2011
		(Rupees in thousand)	
16. Short term borrowings - secured			
Short term borrowings	16.1	-	134,750
Short term running finance	16.2	1,503,656	3,972,790
		1,503,656	4,107,540

16.1 During the year, the Company and Syndicate of banks signed an agreement to restructure the short term running finance from Summit Bank and consolidate this with Syndicate Finance facility as referred in note 8.1 above.

	Note	2012	2011
		(Rupees in thousand)	
16.2 Short term running finance - secured			
Standard Chartered Bank	16.2.1	-	1,497,005
Bank Alfalah Limited	16.2.2	1,503,656	1,765,127
Soneri Bank Limited	16.2.3	-	199,220
Bank Al Habib Limited	16.2.4	-	511,438
		1,503,656	3,972,790

16.2.1 During the year, the Company and Syndicate of banks signed an agreement to restructure the short term running finance from SCB and to consolidate this with Syndicate Finance Facility as referred in note 8.1 above.

16.2.2 The Company has a running finance facility of Rs 1,800 million (2011: Rs 1,800 million), of which Rs 296 million (2011: Rs 35 million) was unutilised as at June 30, 2012. The facility is available till December 31, 2019. The principal is payable on expiry/on demand. The rate of mark-up is 6 months KIBOR per annum till December 31, 2013 and KIBOR + 1.5% per annum for the remaining period. Mark up at 8% is payable on bi-annual basis and remaining amount is deferred which is payable in 10 bi-annual instalments with the first instalment becoming payable on July 1, 2014. Initially the facility carried mark-up at three months KIBOR + 2.5 % per annum.

This facility is secured by hypothecation of first pari passu charge on all fixed assets(movable and immoveable) plus current assets of the company with a margin of 25 %.

16.2.3 During the year, the Company and syndicate of banks signed an agreement to restructure the short term running finance from Soneri Bank Limited and to consolidate this with Syndicate Finance facility as referred in note 8.1 above.

16.2.4 During the year, the Company and Syndicate of banks signed an agreement to restructure the short term running finance from Bank Al Habib Limited and to consolidate this with Syndicate Finance Facility as referred in note 8.1 above.

		Note	2012	(Restated) 2011
			(Rupees in thousand)	
17.	**Trade and other payables**			
	Creditors	17.1	801,575	957,984
	Due to associated companies	17.2	3,950	3,950
	Due to international carriers		388,768	624,125
	Fees/ contribution payable to Pakistan Telecommunication Authority (PTA)		896,324	564,370
	Accrued liabilities		3,628,845	2,110,092
	Payable to gratuity fund	42	128,049	120,013
	Payable to employees on account of accumulated compensated absences	42	-	52,435
	Payable to provident fund		22,856	36,737
	Unearned revenue		117,696	81,267
	Advance from customers	17.3	348,980	203,669
	Income tax deducted at source		103,515	143,148
			6,440,558	4,897,790
17.1	Trade creditors include following amounts due to related parties:			
	Warid Telecom (Pvt) Limited		61,016	-
17.2	Due to associated companies			
	Bank Alfalah Limited		3,950	3,950

17.3 Advance from customers

This includes advance of Rs 48.983 million (2011: Rs 48.983 million) received from associated companies.

		Note	2012	2011
			(Rupees in thousand)	
18.	**Interest / markup accrued**			
	Accrued mark up on long term finance from shareholders		168,634	-
	Accrued mark-up on long term finance - secured		450,201	539,638
	Accrued mark-up on medium term finance - unsecured	18.1	164,554	71,811
	Accrued markup on short term borrowings - secured	18.2	109,473	188,119
			892,862	799,568

18.1 This represents markup payable to an associated company Taavun (Private) Limited.

18.2 This includes markup payable to an associated company Bank Alfalah Limited and to the employee's provident fund amounting to Rs 64.554 million and Rs 3.683 million (2011: Rs 71.384 million and Rs 3.863 million) respectively.

		Note	2012	2011
			(Rupees in thousand)	
19.	**Contingencies and Commitments**			
19.1	Claims against the Company not acknowledged as debt		319,338	295,767
19.2	Performance guarantees issued by banks in favour of the Company		1,753,952	1,267,812

19.3 Under the Access Promotion Regulations, 2005, the Company is liable to make payments of Access Promotion Charges (APC) for Universal Service Fund (USF) within 90 days of close of the month to which such payment relates. The Company has disputed the APC Regulations, 2005 and the case is currently pending with High Court. The Company has not recorded the penalty on delayed payment of APC for USF amounting to Rs 77 million as required by the Access Promotion Regulations, 2005 as the management and legal advisor of the Company are of the view, that the Company has a strong case and chances of success are very high.

19.4 The Deputy Commissioner Inland Revenue (DCIR) had issued Order in Original based on the observations that Company had not paid Federal Excise Duty (FED) on fee paid to WTI and created demand of Rs 31.830 million payable along with the penalty and default surcharge and had also issued recovery notices. The Commissioner Inland Revenue – Appeals and the Appellate Tribunal Inland Revenue upheld the order of the DCIR. The Company and its advisor are of the view that by considering judicial precedence and the technical grounds encompassing Company's case, the Company has a strong chance of success and they intend to contest the case at superior appellate forum.

19.5 The Assistant Commissioner Inland Revenue (AC), had issued show cause notices based on the observation that Company has not furnished Sales Tax and Federal Excise returns for the period from August 2009 to March 2010, November 2010 and December 2011. In this respect, AC issued Order - in - Original and assessed demand of Rs 249.471 million (calculated on the basis of alleged minimum liability) payable along with penalty and default surcharge and also issued recovery note. The Company deposited principal amount of Rs 138.709 million and default surcharge of Rs 26.231 million based on the FED liability due as per own working of the Company. The Appellate Tribunal Inland Revenue, has remanded back the case to the assessing officer. The related proceedings are not yet finalized by the assessing officer. The management and the Company's advisors believe that Company has high chances to amicably settle the issue of disputed amount.

19.6 The Assistant Commissioner Inland Revenue has alleged that Company has not withheld tax on payments made to foreign telecom operators during the tax years 2008, 2009, 2010 and 2011. Further the ACIR has ordered the Company to pay alleged demand of Rs 477.767 million representing principal amount and default surcharge for the aforesaid tax years. The Company and its advisors are of the view that Company has fair chance to succeed in appeal and accordingly Company intends to contest the related orders before appellate authorities.

The Assistant commissioner Inland Revenue, Enforcement –IV issued show cause notices under section 161/205 for the tax year 2008, 2009, 2010 and 2011 on account of non withholding tax of taxes on payment made to foreign telecom operators and has bifurcated Interconnect expenses of Rs 5,800 million in the ratio of 60:40 relating to local and foreign operators respectively for the aforesaid tax years.

19.7 In relation to financial years 2008 and 2009 of Wateen Solutions (Pvt) Limited, FBR contended Sales tax and Federal excise duty of Rs 113.30 million. The company paid Rs 10.98 million under amnestry scheme against such order. An appeal had been filed before Commissioner Inland Revenue Appeals which upheld the demand raised by the Department. The company then preferred appeal before Appellate Tribunal Inland Revenue which is pending for adjudication.

19.8 The show cause notice has been issued to Wateen Solutions (Pvt) Limited by the Department raising demand of Rs 1.2 million by contending that same has been inadmissible as vendors have not deposited sales tax. The Company has filed an appeal before Commissioner Inland Revenue Appeals which is pending for adjudication.

No provision on account of contingencies disclosed in note 19.4-19.8 above has been made in these financial statements as the management and the tax advisors of the Company are of the view, that these matters will eventually be settled in favour of the Company.

		Note	2012	2011
			(Rupees in thousand)	
19.9	**Outstanding commitments for capital expenditure**		891,566	938,734

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

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

However, in light of the dividend payment of Rs 149.94 million by Wateen Solutions (Private) Limited to Mr. Jahangir Ahmed, the Company entered into negotiations with Mr. Jahangir Ahmed for the purposes of negotiating a downward revision to the purchase price as agreed in the SPA from Rs 490 million to Rs 340 million. This reduction in the purchase price and the resultant change in utilization of the IPO proceeds was approved by the shareholders of the Company in the Extra Ordinary General Meeting dated August 13, 2010.

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

Same has been approved by shareholders in Extra Ordinary General Meeting dated December 31, 2011.

20. Operating assets

	Freehold Land	Buildings freehold	Lease hold improvements	Line and wire	Network equipment	Base Station	Tools and gears	Office equipment	Computers & accessories	Furniture & fixtures	Motor Vehicles owned	Motor Vehicles leased	Total
	(Rupees in thousand)												
At July 1, 2010 - restated													
Cost	59,478	931,813	107,158	1,986,243	15,618,298	7,911	99,203	239,473	805,277	288,979	144,075	9,293	20,297,201
Accumulated depreciation	-	(62,126)	(15,751)	(169,216)	(2,085,600)	(7,911)	(88,501)	(67,719)	(448,702)	(46,419)	(79,262)	(1,858)	(3,073,065)
Net book amount	59,478	869,687	91,407	1,817,027	13,532,698	-	10,702	171,754	356,575	242,560	64,813	7,435	17,224,136
Year ended June 30, 2011 - restated													
Opening net book amount	59,478	869,687	91,407	1,817,027	13,532,698	-	10,702	171,754	356,575	242,560	64,813	7,435	17,224,136
Additions	486	2,325	4,761	648,510	3,162,797	-	6,977	4,403	19,445	2,001	483	3,504	3,855,692
Disposals													
- Cost	-	-	(11,845)	(28,739)	(81,595)	-	-	(973)	(1,408)	(3,176)	(279)	(1,858)	(129,873)
- Accumulated depreciation	-	-	1,262	1,262	17,244	-	-	129	894	1,180	158	682	22,811
Net book value	-	-	(10,583)	(27,477)	(64,351)	-	-	(844)	(514)	(1,996)	(121)	(1,176)	(107,062)
Depreciation charge	-	(23,398)	(10,585)	(95,970)	(1,614,430)	-	(9,866)	(21,409)	(225,812)	(27,660)	(27,928)	(2,006)	(2,059,064)
Impairment of assets of Wateen Telecom UK Limited	-	-	-	-	156,928	-	-	-	-	-	-	-	156,928
Currecny translation differences	-	-	-	-	9,804	-	-	-	-	-	-	-	9,804
Closing net book amount - restated	59,964	848,614	75,000	2,342,090	14,869,590	-	7,813	153,904	149,694	214,905	37,247	7,757	18,766,578
At June 30, 2011 - restated													
Cost	59,964	934,138	100,074	2,606,014	18,709,304	7,911	106,180	242,903	823,314	287,804	144,279	10,939	24,032,824
Accumulated depreciation	-	(85,524)	(25,074)	(263,924)	(3,682,786)	(7,911)	(98,367)	(88,999)	(673,620)	(72,899)	(107,032)	(3,182)	(5,109,318)
Accumulated Impairment	-	-	-	-	(156,928)	-	-	-	-	-	-	-	(156,928)
Net book amount	59,964	848,614	75,000	2,342,090	14,869,590	-	7,813	153,904	149,694	214,905	37,247	7,757	18,766,578
Year ended June 30, 2012													
Opening net book amount	59,964	848,614	75,000	2,342,090	14,869,590	-	7,813	153,904	149,694	214,905	37,247	7,757	18,766,578
Additions	430	-	2,213	437,022	1,884,810	-	8,690	5,287	24,304	6,447	4,085	-	2,373,288
Disposals/ transfer (note 20.3)													
- Cost	-	-	-	-	-	-	(1,506)	-	(802)	-	(2,113)	-	(4,421)
- Accumulated depreciation	-	-	-	-	-	-	1,156	-	775	-	1,743	-	3,674
- Net book value	-	-	-	-	-	-	(350)	-	(27)	-	(370)	-	(747)
Destroyed due to fire (note 20.4)													
- Cost	-	-	(25,314)	(2,754)	(166,828)	-	(1,688)	(144,264)	(114,791)	(98,467)	-	-	(554,106)
- Accumulated depreciation	-	-	11,724	294	33,273	-	1,688	66,545	108,198	38,971	-	-	260,693
- Net book value	-	-	(13,590)	(2,460)	(133,555)	-	-	(77,719)	(6,593)	(59,496)	-	-	(293,413)
Write offs													
- Cost	-	-	-	-	(1,045)	-	-	(5,067)	-	(2,440)	-	-	(8,552)
- Accumulated depreciation	-	-	-	-	172	-	-	2,938	-	1,550	-	-	4,660
- Net book value	-	-	-	-	(873)	-	-	(2,129)	-	(890)	-	-	(3,892)
Depreciation charge	-	(23,387)	(8,966)	(107,371)	(1,788,356)	-	(6,218)	(16,438)	(127,280)	(24,571)	(25,008)	(2,188)	(2,129,783)
Impairment (note 20.2)	-	-	-	-	(9,605,819)	-	-	(125)	(14,047)	-	(2,982)	-	(9,622,973)
Currecny translation differences	-	-	-	-	410	-	-	-	-	-	-	-	410
Closing net book amount	60,394	825,227	54,657	2,669,281	5,226,207	-	9,935	62,780	26,051	136,395	12,972	5,569	9,089,468
At June 30, 2012													
Cost	60,394	934,138	76,973	3,040,282	20,426,651	7,911	111,676	98,859	732,025	193,344	146,251	10,939	25,839,443
Accumulated depreciation	-	(108,911)	(22,316)	(371,001)	(5,437,697)	(7,911)	(101,741)	(35,954)	(691,927)	(56,949)	(130,297)	(5,370)	(6,970,074)
Accumulated Impairment	-	-	-	-	(9,762,747)	-	-	(125)	(14,047)	-	(2,982)	-	(9,779,901)
Net book amount	60,394	825,227	54,657	2,669,281	5,226,207	-	9,935	62,780	26,051	136,395	12,972	5,569	9,089,468
Annual rate of depreciation %	-	2.5	10	4	6.67-20	33.33	33.33	10	33.33	10	20	20	

20.1 Network equipment additions include finance cost of Rs Nil (2011: Rs 169 million) capitalised during the year.

20.2 Impairment

Management has reviewed the business performance of WiMAX operations during the year and an assessment has been made in respect of triggering events as specified by IAS 36 applicable to the non-current assets relating to WiMAX operations. Based on the following indicators applicable to WiMAX, an impairment test has been carried out by a consultant to determine the impairment of non-current assets relating to WiMAX operations:

- Decline in the market value of WiMAX operations assets
- Significant change in the technological and economic conditions
- Decrease in the economic performance of WiMAX business
- Indications suggest that WiMAX business is likely to become idle and management plans to restructure the WiMAX operations

For the purpose of determining the value in use, the WiMAX operations has been considered as separate Cash Generating Unit (CGU), the value in use has been determined using discounted cash flow method. The financial projections of the CGU for five years have been derived from a latest business plan which is approved by the Board of Directors (BOD) of the Company based on containment strategy. The value in use of WiMAX assets determined by a consultant is negative Rs 1,036 million using discount rate of 20%.

The Board of Directors is currently considering other options for the WiMAX business and there are certain discussions taking place with third parties to merge the WiMAX business. Based on the information available the management estimates that in case of any possible business consolidation, the fair value of these assets, (positive net present value of future cash flows of consolidated business) using discount rate of 20% amounts to Rs 2,049 million. The fair value estimate has been used as recoverable amount to determine impairment. The management has recognized an impairment loss of Rs 9,623 million (difference between carrying value and fair value as determined above). The conclusive recoverable amount of these assets can only be determined on the possible merger of WiMAX business, if successful, and any consequential difference from recoverable amount estimated as above will be recognized in the financial statements of ensuing periods.

20.3 Disposal of property, plant and equipment

Particulars of assets	Sold to	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal
		(Rupees in thousand)				
Tools and gears						
Splicing Machinery	Alfalah Insurance Company	592	246	346	531	Insurance Claim
	Others (note 20.3.1)	914	910	4	826	Insurance Claim
		1,506	1,156	350	1,357	
Computers and accessories						
Computers	Others (note 20.3.1)	802	775	27	336	Insurance Claim
Motor vehicles						
Motor Car Suzuki Bolan	Alfalah Insurance Company	483	378	105	435	Insurance Claim
Suzuki Cultus	Alfalah Insurance Company	635	477	158	576	Insurance Claim
	Others (note 20.3.1)	995	888	107	854	Insurance Claim
		2,113	1,743	370	1,865	
		4,421	3,674	747	3,558	

20.3.1 Aggregate of others having individual net book values not exceeding Rs fifty thousand.

20.4 The Company has lodged an insurance claim of Rs 508 million in respect of items destroyed due to fire. The Company has received Rs 200 million from the insurer and remaining claim is under verification.

		Note	2012	2011
			(Rupees in thousand)	
21.	**Capital work in progress**			
	Lease hold improvements		33,978	21,233
	Line and wire		1,405,356	1,288,678
	Network equipment (net of impairment of Rs 353.515 million)		750,696	994,195
			2,190,030	2,304,106
21.1	**Movement during the year**			
	Balance as at July 01		2,304,106	3,883,565
	Additions during the year		1,537,900	1,094,212
	Capitalised during the year		(1,651,976)	(2,320,156)
	Provision for impairment		-	(353,515)
	Balance as at June 30		2,190,030	2,304,106

21.2 Capital work in progress includes finance cost of Rs nil (2011: Rs 234.392 million) capitalised during the year using capitalisation rate of nil (2011: 15.02%).

		Note	2012	2011
			(Rupees in thousand)	
22.	**Intangible assets**			
	LDI license fee	22.1		
	Cost		28,934	28,934
	Amortisation			
	Opening balance		10,007	8,560
	Amortisation for the year		1,447	1,447
			(11,454)	(10,007)
	Net book value		17,480	18,927
	WLL license fee	22.2		
	Cost			
	Opening Balance		176,366	168,366
	Additions during the year		-	8,000
	Closing Balance		176,366	176,366
	Amortisation			
	Opening balance		34,874	24,970
	Amortisation for the year		9,904	9,904
			(44,778)	(34,874)
	Net book value		131,588	141,492
	Software license	22.3		
	Cost			
	Opening Balance		63,123	49,036
	Additions during the year		9,498	14,087
	Closing Balance		72,621	63,123
	Amortisation			
	Opening balance		23,904	13,432
	Amortisation for the year		13,719	10,472
			(37,623)	(23,904)
	Net book value		34,998	39,219

	Note	2012	2011
		(Rupees in thousand)	
ERP license	22.4		
Cost		7,832	7,832
Amortisation			
Opening balance		4,046	2,480
Amortisation for the year		1,566	1,566
		(5,612)	(4,046)
Net book value		2,220	3,786
Non compete fee	22.5		
Cost		20,000	20,000
Amortisation:			
Opening balance		18,000	14,000
Amortisation for the year		2,000	4,000
		(20,000)	(18,000)
Closing balance		-	2,000
Goodwill			
Goodwill arising on acquisition of Netsonline Services (Pvt) Limited	22.6	5,766	5,766
Less: Provision for impairment of goodwill		(5,766)	(5,766)
		-	-
Goodwill arising on acquisition of Wateen Solutions (Pvt) Limited	22.7	11,333	11,333
Goodwill arising on business acquisition by the subsidiary company	22.8	83,018	83,018
		94,351	94,351
Total net book value		280,637	299,775

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

22.2 **(i)** PTA granted Wireless Local Loop (WLL) License for a period of 20 years from December 1, 2004 covering twelve telecom regions. This includes license granted by PTA for WLL for a period of 20 years for Azad Jammu and Kashmir (AJK) region. Commercial operations of AJK region have not yet commenced.

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

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

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

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

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

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

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

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

	Note	2012	2011
		(Rupees in thousand)	
23. Deferred income tax asset			
Taxable temporary differences between accounting and tax depreciation		(615,343)	(3,835,305)
Unused tax losses - recognised to extent of taxable temporary differences		615,343	4,945,800
Unused tax benefit related to share issue cost		-	37,329
Deductible temporary differences on account of provisions		-	570,750
		-	1,718,574
The gross movement in deferred tax liability during the year is as follows:			
Balance at July 1		1,718,574	(76,807)
Deferred tax (expense)/credit for the year		(1,718,574)	1,795,381
Balance at June 30		-	1,718,574

The aggregate tax losses available to the Company for set off against future taxable profits at June 30, 2012 amounted to Rs 21,831 million. Of these, losses aggregating Rs 1,758 million have been recognised in the financial statements against taxable temporary differences at June 30, 2012.

Deferred tax asset, the potential tax benefit of which amounts to Rs 11,079 million has not been recognized on balance representing business losses aggregating to Rs 6,417 million, tax depreciation losses aggregating Rs 13,645 million and deductible temporary differences on account of provisions and share issue cost aggregating Rs 11,591 million as at June 30, 2012. Business losses expire as follows:

Tax Year	Rs in million
2016	1,237
2017	2,951
2018	3,464

During the year the management of the Company has prepared business plan based on containment strategy duly approved by the Board of Directors of the Company as compared to last year's approved business plan which was based on growth model. Management of the Company has taken a conservative view regarding recognition of deferred tax asset amounting to Rs 11,079 million during the year, therefore deferred tax asset has been recognised only to the extent of taxable temporary differences.

24. Long term deposits

These represents the security deposits paid to government authorities on account of utilities and suppliers on account of rent, DPLC and satellite bandwidth.

25. Long term prepayments

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

		Note	2012	(Restated) 2011
			(Rupees in thousand)	
26.	**Trade debts - unsecured**			
	Considered good	26.1	2,138,862	2,069,795
	Considered doubtful		862,214	618,470
			3,001,076	2,688,265
	Provision for doubtful debts	26.2	(862,214)	(618,470)
			2,138,862	2,069,795
26.1	**Trade debts include following balances due from associated companies:**			
	Warid Telecom (Pvt) Limited		510,661	550,954
	Warid International LLC, UAE - Parent company		93,200	41,298
	Bank Alfalah Limited		36,645	19,241
	Alfalah Insurance Limited		192	-
			640,698	611,493
26.2	**Provision for doubtful debts**			
	Opening balance		618,470	157,035
	Provision made during the year - other parties		293,288	461,817
	Reversal of provision during the year		(4,822)	(382)
	Write off against provisions		(44,722)	-
	Closing balance	26.2.1	862,214	618,470

26.2.1 These include Rs 789 million (2011: Rs 565 million) based on age analysis of the debts as follows:
- Balances 181 - 360 days past due - 50 %
- Balances over 360 days past due - 100 %

		Note	2012 (Rupees in thousand)	2011 (Rupees in thousand)
27.	**Stores, spares and loose tools**			
	Cost		715,487	743,697
	Less: Provision for obsolete stores		212,266	212,266
			503,221	531,431
28.	**Stocks**			
	Cost		18,660	8,927
	Less: Provision for obsolete stock		5,274	1,586
			13,386	7,341

		Note	2012 (Rupees in thousand)	(Restated) 2011 (Rupees in thousand)
29.	**Advances, deposits, prepayments and other receivables**			
	Advances to suppliers and contractors - considered good		875,732	530,127
	Advances to employees - considered good		27,408	11,033
	Margin held by bank against letters of guarantee		161,413	134,906
	Prepayments	29.1	102,732	82,329
	Sales tax refundable		81,812	90,914
	Due from associated companies	29.2	323,144	274,529
	Accrued interest		6,101	3,098
	Government grant receivable		224,896	-
	Others		213,307	209,879
	Short term security deposit		44,561	26,148
			2,061,106	1,362,963
	Less: Provision for doubtful receivables - related parties	29.3	178,367	178,367
	Less: Provision for doubtful receivables - other parties			
	Opening balance		42,864	-
	Provision for the year		28,679	42,864
	Closing balance		71,543	42,864
			1,811,196	1,141,732

29.1 These include current portion of right of way charges of Rs 19.074 million (2011: Rs 21.117 million).

		Note	2012 (Rupees in thousand)	2011 (Rupees in thousand)
29.2	**Due from associated companies**			
	Wateen Multimedia (Pvt) Limited		144,660	96,162
	Advance for construction of Warid Tower		68,916	68,916
	Warid International LLC, UAE - Parent company		42,019	42,019
	Amoon Media Group (Pvt) Limited		27,960	27,960
	Raseen Technologies (Pvt) Limited		18,482	18,482
	Warid Telecom - Georgia		15,403	15,403
	Warid Telecom - Bangladesh		5,587	5,587
	Bank Alfalah Limited		117	-
			323,144	274,529

29.3 Provision for doubtful receivables includes provision for doubtful receivables from following related parties:

	Note	2012	2011
		(Rupees in thousand)	
Advance for construction of Warid Tower		68,916	68,916
Warid International LLC, UAE - Parent company		42,019	42,019
Amoon Media Group (Private) Limited		27,960	27,960
Raseen Technologies (Pvt) Limited		18,482	18,482
Warid Telecom - Georgia		15,403	15,403
Warid Telecom - Bangladesh		5,587	5,587
		178,367	178,367

Provision for doubtful receivables other than Netsonline Services (Pvt) Limited was approved by shareholders of the Company in Extra Ordinary General Meeting on December 31, 2011.

	Note	2012	(Restated) 2011
		(Rupees in thousand)	
30. Cash and bank balances			
Balance with banks on			
- current accounts		140,099	223,638
- collection accounts		7,329	199,595
- deposit accounts		345,123	215,407
Cash in hand		287	554
		492,838	639,194

30.1 Bank balances amounting to Rs 327.636 million were under lien with banks (2011: Rs 50.394 million).

30.2 Cash and bank balances include foreign currency balances aggregating USD 1.032 million (2011: USD 1.059 million).

30.3 Bank balances on deposit accounts carried interest at an average rate of 0.5% - 7 % per annum (2011: 1% - 7% per annum).

	2012	(Restated) 2011
	(Rupees in thousand)	
31. Revenue		
Long distance and international	3,780,699	2,813,285
Optical fiber cable		
Indefeasible Right of Use (IRU)	-	223,823
Operation and Maintenance	466,885	559,553
Managed capacity	66,748	56,104
Broadband and voice	2,061,209	1,799,240
Hybrid Fiber Cable Services	42,752	34,544
Very Small Aperture Terminal services (VSAT)	919,404	801,408
ADM sites rentals	54,702	110,683
Others	343,347	565,498
	7,735,746	6,964,138

Notes to and Forming Part of the Consolidated Financial Statements
for the year ended June 30, 2012

		Note	2012	(Restated) 2011
			(Rupees in thousand)	
32.	**Cost of sales**			
	LDI Interconnect cost		2,980,502	2,013,813
	Leased circuit charges		377,074	381,390
	Contribution to PTA Funds		689,457	970,156
	PTA regulatory and spectrum fee		24,029	27,021
	Cost associated with IRU of Optic Fibre Cable		-	27,477
	Operational cost		2,131,346	1,313,055
	Bandwidth cost of VSAT services		615,630	768,623
	Others		354,108	309,474
			7,172,146	5,811,009
33.	**General and administration expenses**			
	Salaries, wages and benefits	33.1	1,180,999	1,123,535
	Rent		118,757	111,258
	Repairs and maintenance		20,132	28,919
	Vehicle repairs and maintenance		14,888	45,644
	Travel and conveyance		35,558	26,795
	Postage and stationery		26,371	25,681
	Auditor's remuneration	33.2	10,338	7,443
	Legal and professional charges		104,988	133,448
	Communication expenses		78,235	109,273
	Employee training		10,477	5,307
	Customer services charges		44,475	41,018
	Fees and subscription		785	3,751
	Insurance		26,432	26,173
	Entertainment		17,523	14,720
	General office expenses		69,529	89,911
	Others		3,933	1,725
			1,763,420	1,794,601

33.1 These includes charge against employee retirement benefits of Rs 75.134 million (2011: Rs 107.509 million).

		Note	2012	2011
			(Rupees in thousand)	
33.2	**Auditor's remuneration**			
	Annual audit (including additional audit fee for 2012 of Rs 3,500 thousand)		5,790	1,790
	Audit of consolidated accounts, review of corporate governance compliance, review and audit of half yearly accounts and special certifications		1,500	1,500
	Tax services		2,500	3,944
	Out of pocket expenses		548	209
			10,338	7,443

	Note	2012	(Restated) 2011
		(Rupees in thousand)	
34. Provisions and write off			
Provision for doubtful trade debts			
- related parties		-	206,227
- other parties		288,466	530,743
Trade debts written off		74,204	-
Provision for doubtful advances and other receivables			
- related parties		-	178,367
- other parties		28,679	42,864
Contract work in progress written off		7,969	-
Provision for impairment of capital work in progress		-	353,515
Provision for obsolete stores and spares		3,689	212,266
Provision for obsolete stock		-	1,586
Provision for impairment of goodwill		-	5,766
		403,007	1,531,334

	Note	2012	2011
		(Rupees in thousand)	
35. Other expenses/ (income)			
Income from non-financial assets:			
Loss/ (Profit) on sale of operating assets		(2,811)	57,183
Loss on assets destroyed in fire		93,425	
Loss on sale of inventories		-	40,878
Government grant realised		(67,144)	(50,605)
Other income		55,772	(30,069)
Liability write back		(68,270)	-
		10,972	17,387

	Note	2012	(Restated) 2011
		(Rupees in thousand)	
36. Finance cost			
Markup on long term and medium term finance	36.1	1,427,581	1,216,662
Cross currency and interest rate swap contract costs		-	377,948
Amortization of ancillary cost		37,307	82,109
Mark up on short term borrowings	36.2	228,137	644,089
Finance cost of leased assets		1,155	1,332
Bank charges, commission, fees and other charges		191,768	69,544
Late payment charges on other payables		15,954	151,632
Exchange loss		1,291,888	39,434
		3,193,790	2,582,750
Mark up on long term finance capitalised under property, plant and equipment		-	(234,392)
		3,193,790	2,348,358

36.1 This includes markup related to long term finance from a shareholder of Rs 168.634 million (2011: Rs 38.902 million) and medium term finance from an associated company of Rs 92.743 million (2011: Rs 71.811 million).

36.2 This includes markup related to an associated company of Rs 200.163 million (2011: Rs 272.802 million).

		Note	2012	(Restated) 2011
			(Rupees in thousand)	
37.	**Finance income**			
	Markup on advance to associated companies		10,147	43,988
	Income on bank deposit accounts		32,611	15,373
			42,758	59,361
38.	**Income tax credit**			
	Current			
	- for the year		(10,789)	(2,821)
	- for prior year		-	(3,587)
			(10,789)	(6,408)
	Deferred income tax expense/ (credit)	23	(1,718,574)	1,795,381
			(1,729,363)	1,788,973

		2012 %	(Restated) 2011 %
39.	**Reconciliation of tax charge**		
	Applicable tax rate	35	35
	Tax effect of income chargeable to tax at reduced rate	-	(3)
	Deferred tax asset on unused tax loss not recognised	(45)	(6)
	Average effective tax rate	(10)	26

		Note	2012	(Restated) 2011
			(Rupees in thousand)	
40.	**(Loss) per share - Basic and diluted**			
	(Loss) for the year - Rs in thousand		(18,586,280)	(5,022,236)
	Weighted average number of shares outstanding during the year in thousand		617,475	617,475
	(Loss) per share Rs		(30.10)	(8.13)

There is no dilutive effect on the basic loss per share of the Company.

	Note	2012	(Restated) 2011
		(Rupees in thousand)	
41.1 Financial assets and liabilities			
FINANCIAL ASSETS			
Maturity upto one year			
Loans and receivables			
Trade debts		2,138,862	2,069,795
Contract work in progress		136,388	30,219
Advances, deposits and other receivables		832,732	529,276
Cash and bank balances		492,838	639,194
		3,600,820	3,268,484
Maturity after one year to five years			
Loans and receivables			
Long term deposits		257,040	293,043
		3,857,860	3,561,527
FINANCIAL LIABILITIES			
Maturity upto one year			
Other financial liabilities			
Current portion of long term finance - secured		15,318,243	12,347,893
Current portion of deferred mark up		790,743	-
Current portion of medium term finance from an associated company - secured		-	600,000
Obligation under finance lease		2,616	3,607
Finance from supplier - unsecured		40,542	59,112
Short term borrowings - secured		1,503,656	4,107,540
Trade and other payables		5,973,882	4,612,854
Interest / markup accrued		892,862	799,568
		24,522,544	22,530,574
Maturity after one year			
Other financial liabilities			
Long term finance from sponsor - unsecured		9,376,247	4,918,227
Medium term finance from an associated company - unsecured		600,000	-
Obligation under finance lease		2,144	4,406
Long term deposits		65,672	61,588
Employees' retirement benefits		11,291	10,752
		10,055,354	4,994,973
		34,577,898	27,525,547

41.2 Credit quality of financial assets

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

	Rating	2012	(Restated) 2011
		(Rupees in thousand)	
Trade debts			
Counterparties with external credit rating	AA+	-	19,241
	A1+	105,020	-
	A1	31,517	20,257
	A2	75,611	57,066
	A-1	135	
Counterparties without external credit rating			
Due from related parties		640,698	611,493
Others		1,285,881	1,361,738
		2,138,862	2,069,795
Advances, deposits and other receivables			
Counterparties with external credit rating			
	A1+	2,306	8,596
	A +	-	20,292
	A-2	125,000	125,000
	BBB	-	68,728
Counterparties without external credit rating			
Due from related parties		144,777	96,162
Others		560,649	210,498
		832,732	529,276
Long term deposits			
Others		257,040	293,043
Bank balances			
	A1+	394,978	593,234
	A-1+	1,435	270
	A1	88,322	35,082
	P-1	3,769	8,988
	A2	1,019	1,044
	A-2	22	22
	A-1	3,006	-
		492,551	638,640

41.3 Financial risk management

41.3.1 Credit risk

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

As of June 30, 2012 trade debts of Rs 1,931 million (2011: Rs 1,569 million) were past due but not impaired. The aging analysis of these trade debts is as follows:

	Rating	2012	2011
		(Rupees in thousand)	
Up to 3 months		463,526	812,198
3 to 6 months		285,186	212,352
6 to 9 months		613,912	307,099
Above 9 months		568,331	237,244
		1,930,955	1,568,893

41.3.2 Interest rate risk

Financial assets of Rs 483 million (2011: Rs 312 million) and financial liabilities of Rs 26,983 million (2011: Rs 22,191 million) were subject to interest rate risk.

At June 30, 2012, if interest rates had been 1% higher/lower with all other variables held constant, loss for the year would have been Rs 172 million (2011: Rs 142 million) higher/lower.

41.3.3 Foreign exchange risk

Financial assets include Rs 1,033 million (2011: Rs 733 million) and financial liabilities include Rs 16,890 million (2011: Rs 11,871 million) which were subject to foreign exchange risk.

At June 30, 2012, if the currency had weakened/strengthened by 10% against US dollar with all other variables held constant, loss for the year would have been Rs 1,031 million (2011: Rs 724 million) higher/lower.

41.3.4 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and availability of funding to an adequate amount of committed credit facilities. The Company's treasury aims at maintaining flexibility in funding by keeping committed credit lines. Further shareholders of the Company has provided financial support in the form of long term finance to meet capital requirements of the Company. Management believes the same support will continue in future. Further, the Company has restructured the long term finance and short term borrowings which would facilitate the Company to greater extent to meet its obilgations/ covenants under loan agreements.

At June 30, 2012 the Company has financial assets of Rs 3,858 million (2011: Rs 3,562 million) and Rs 296 million (2011: Rs 2,678 million) available unavailed borrowing limit from financial institutions.

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

	Less than 1 Year	Between 1 to 5 Years
	(Rupees in thousand)	
2012		
Long term finance - secured	-	15,318,243
Long term portion of deferred mark up	-	790,743
Medium term finance from an associated company - unsecured	-	600,000
Long term finance from sponsor - unsecured	-	9,376,247
Obligations under finance leases	2,616	2,144
Long term deposits	-	65,672
Finance from supplier	40,542	-
Short term borrowings	1,503,656	-
Trade and other payables	5,973,882	-
Interest/mark-up accrued	892,862	-
Employee retirement benefit	-	11,291
	8,413,558	26,164,340
2011		
Long term finance - secured	3,225,026	9,122,867
Long term finance from an associated company - unsecured	600,000	-
Long term finance from sponsor - unsecured	-	4,918,227
Obligations under finance leases	3,607	4,406
Long term deposits	-	61,588
Finance from supplier	59,112	-
Short term borrowings	4,107,540	-
Trade and other payables	4,612,854	-
Interest/mark-up accrued	799,568	-
Employee retirement benefit	-	10,752
	13,407,707	14,117,840

41.3.5 Fair value of financial assets and liabilities

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

41.3.6 Capital risk management

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

The Company manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend to shareholders, issue new shares or sale assets to reduce debts. The Company is required to maintain debt equity ratio as specified in loan agreements and continuation of support from majority shareholder is vital for the Company's operations . Under the terms of loan agreements, the Company can not declare dividends, make any distributions or pay any other amount to its shareholders until the repayment of loan and the Interest in full to the lenders.

	Note	2012	2011
		(Rupees in thousand)	
42. Employees' retirement benefits			
These comprise of :			
Liability for staff gratuity (funded)	42.1	128,049	120,013
Liability for staff gratuity (unfunded)	42.2	11,291	10,752
Liability for accumulated compensated absences	42.3	-	52,435
		139,340	183,200
These are shown in the financial statements as follows:			
Deferred liabilities			
Employees retirement benefits			
Liability for staff gratuity (unfunded)		11,291	10,752
Trade and other payables			
Payable to gratuity fund		128,049	120,013
Payable to employees on account of accumulated compensated absences		-	52,435
42.1 Liability for staff gratuity			
The amounts recognised in the balance sheet are as follows:			
Present value of defined benefit obligation		138,147	98,620
Benefits due but not paid		4,626	28,045
Fair value of plan assets		(20,433)	(27,557)
Actuarial gain not recognised		5,709	20,905
Net liability		128,049	120,013
The amounts recognised in profit and loss account are as follows:			
Current service cost		32,737	29,138
Interest cost		13,807	14,349
Expected return on plan assets		(3,858)	(3,115)
Actuarial gain not recognised		(2,209)	-
		40,477	40,372
Actual return on plan assets		(2,365)	(271)
Changes in the present value of defined benefit obligation:			
Opening defined benefit obligation		98,620	119,576
Current service cost		32,737	29,138
Interest cost		13,807	14,349
Actuarial loss/(gain)		11,494	(13,867)
Benefits paid		(18,511)	(22,531)
Benefits due but not paid during the year		-	(28,045)
Closing defined benefit obligation		138,147	98,620

	Note	2012	2011
		(Rupees in thousand)	
Changes in fair value of plan assets:			
Opening fair value of plan assets		27,557	25,958
Actuarial gain/(loss)		(1,493)	(3,386)
Contributions by employer		32,440	24,401
Benefits paid		(41,929)	(22,531)
Expected return on plan assets		3,858	3,115
Closing fair value of plan assets		20,433	27,557

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

	2012		2011	
	Rupees in thousand	%age	Rupees in thousand	%age
Cash and bank	7,157	35	14,473	53
Investments	13,276	65	13,084	47
	20,433	100	27,557	100

Principal actuarial assumptions:

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

	2012	2011
Valuation discount rate-p.a	13%	14%
Expected rate of increase in salaries-p.a	13%	14%
Expected rate of return on plan assets-p.a	14%	14%
Average expected remaining working life time of employees	5 years	5 years

Amounts for current and previous four annual periods in respect of staff gratuity are as follows:

	2012	2011	2010	2009	2008
	(Rupees in thousand)				
As at June 30,					
Defined benefit obligation	138,147	98,620	119,576	113,009	64,876
Contributions from associated companies	-	-	-	-	(4,156)
Plan liabilities/ (assets)	(20,433)	(27,557)	(25,598)	(43,151)	(26,585)
Deficit	117,714	71,063	93,978	69,858	34,135
Experience adjustments on defined benefit obligation	11,494	(13,867)	(5,935)	(1,524)	2,987
Experience adjustments on plan assets	(1,493)	(3,386)	3,044	3,190	747

During the next financial year, the expected contribution to be paid to the funded gratuity fund by the Company is Rs 40 million (2011: Rs 35 million).

	Note	2012	2011
		(Rupees in thousand)	
42.2 Liability for staff gratuity (unfunded)			
The amounts recognised in the balance sheet are as follows:			
Present value of defined benefit obligation		7,286	8,606
Actuarial gain not recognised		4,005	2,146
Net liability		11,291	10,752
The amounts recognised in profit and loss account are as follows:			
Current service cost		2,348	2,278
Interest cost		1,205	1,257
Actuarial (gain) recognised		(257)	(68)
		3,296	3,467
Changes in the present value of defined benefit obligation:			
Opening defined benefit obligation		8,606	10,475
Current service cost		2,347	2,278
Interest cost		1,205	1,257
Actuarial (gain)		(2,116)	(760)
Benefits paid		(2,756)	(4,644)
Closing defined benefit obligation		7,286	8,606

Principal actuarial assumptions:

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

	2012	2011
Valuation discount rate-p.a	13%	14%
Expected rate of increase in salaries-p.a	13%	14%
Average expected remaining working life time of employees	5 years	5 years

Amounts for current and previous four annual periods in respect of staff gratuity are as follows:

	2012	2011	2010	2009	2008
			(Rupees in thousand)		
As at June 30,					
Defined benefit obligation	11,291	10,752	11,928	9,196	* -
Experience adjustments on defined benefit obligation	4,005	2,146	1,453	1,366	* -

* Gratuity of Wateen Solutions (Private) Limited was commenced from 2009.

42.3 Liability for unfunded accumulated compensated absences

Upto June 30, 2011 the Company provided compensated absences for all permanent employees in accordance with the rules of the Company. Effective July 1, 2011, the policy has been curtailed and all amounts due to employees as at June 30, 2011 has been settled.

43. Restatement of prior year financial statements

The Company made investment in 51% shares of Wateen Telecom UK Limited in 2008. The Company made a further investment of 49% shares on March 31, 2011. The Company was not treated as subsidiary company and therefore not consolidated as approval from State Bank of Pakistan for investment in foreign equity abroad is in process and shares of Wateen Telecom UK Limited will be issued to the Company after receipt of such approval. From the current year, Wateen Telecom UK Limited has been treated as subsidiary company of Wateen Telecom Limited in the current year on the basis of ownership and common directorship. This has been adjusted retrospectively and the prior period financial statements have been restated. The effect of restatement for the year ended June 30, 2011 and 2010 is summarized below:

	Note	2011	2010
		(Rupees in thousand)	
Statement of financial position			
Assets and liabilities			
Increase in operating assets		10,997	171,022
Increase in trade debts		28,643	12,403
Decrease in advances, deposits, prepayments and other receivables		-	(108,722)
Increase in income tax refundable		2,740	1,426
Increase in cash and bank balances		6,527	1,765
Increase in trade and other payables		(50,126)	(181,027)
Decrease in net assets		(1,219)	(103,133)
Equity			
(Increase)/decrease in accumulated loss		10,433	(52,556)
Decrease in non controlling interests		-	(50,251)
Increase in currency translation differences		(11,652)	(326)
Decrease in equity		(1,219)	(103,133)

Income statement	2011
	(Rupees in thousand)
Effect for the year ended June 30, 2011	
Decrease in revenue	(42,872)
Decrease in cost of sales (excluding depreciation and amortisation)	42,872
Increase in general and administration expenses	(4,608)
Decrease in provisions and write off	290,279
Increase in depreciation and amortisation	(12,901)
Increase in provision for impairment of property, plant and equipment	(156,928)
Increase in finance cost	(1,616)
Decrease in loss for the year	114,226
Cumulative effect	
Impact on loss attributable to:	
- owners of Wateen Telecom Limited	198,908
- non-controlling interests	(84,682)
	114,226
Decrease in loss per share attributable to Wateen Telecom Limited	Rs 0.33
Cumulative effect upto June 30, 2011	(1,219)

	Note		2011
		(Rupees in thousand)	
Statement of cash flows			
CASH FLOW FROM OPERATING ACTIVITIES			
Decrease in loss before taxation			114,226
Increase in depreciation and amortisation			(12,901)
Increase in finance cost			(1,616)
Decrease in provisions and write off			290,279
Increase in provision for impairment of property, plant and equipment			(156,928)
Decrease in trade debts			71,638
Decrease in trade and other payables			(60,035)
			6,995
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of non controlling interests			(682)
CASH FLOW FROM FINANCING ACTIVITIES			
Finance cost paid			(1,783)
INCREASE IN CASH AND CASH EQUIVALENTS			4,530

44. General

44.1 Related party transactions

The Company's related parties comprise its subsidiaries, associated undertakings, employees' retirement benefit plans and key management personnel. Amounts due from / (to) related parties, are shown under receivables and payables. Remuneration of key management personnel is disclosed in note 44.2.

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

	2012	2011
	(Rupees in thousand)	
Parent Company		
Warid Telecom International LLC, UAE (WTI)		
Markup charged to WTI	-	6,186
Provision for doubtful advances	-	42,019
Technical service fee (note 42.2)		
Shareholders		
Long term finance received from shareholder	4,458,020	4,918,227
Markup on long term finance from shareholder	168,634	38,902
Associated Companies:		
Warid Telecom (Private) Limited		
Sale of services	1,342,520	1,646,979
Cost and expenses charged by company	883,208	497,075
Trade debts written off	-	76,834
Unearned revenue reversed	-	147,315

	2012	2011
	(Rupees in thousand)	
Wateen Multimedia (Private) Limited (WMM)		
Cost and expenses charged by WMM	8,004	45,423
Markup charged to WMM	10,029	-
Bank Alfalah Limited (BAL)		
Sale of services	109,163	99,113
Cost and expenses charged by BAL	-	21,509
Markup charged by BAL on short term borrowings	200,163	272,802
Markup charged to BAL	117	-
Alfalah Insurance Limited		
Sale of goods	234	4,152
Rendering of services	400	425
Taavun (Pvt) Limited		
Long term finance received	-	600,000
Markup on long term finance	92,743	71,811
Amoon Media Group (Private) Limited		
Provision for doubtful advances	-	27,960
Warid Congo S.A (Warid Congo)		
Trade debts written off	-	125,127
Warid Telecom Uganda Limited (Warid Uganda)		
Trade debts written off	-	4,266
Warid Telecom Georgia Limited		
Provision for doubtful advances	-	15,403
Warid Telecom International - Bangladesh		
Provision for doubtful advances	-	5,587
Advance for construction of Warid Tower		
Advance paid during the year	-	3,200
Provision for doubtful advances	-	68,916
Raseen Technology (Pvt) Limited		
Provision for doubtful advances	-	18,482
Provident Fund Trust		
Employer contribution to trust	32,349	20,090
Gratuity Fund		
Employer contribution to fund	40,477	40,372

44.2 Remuneration of Directors and Executive

No remuneration was paid to the directors of the company during the year ended June 30, 2012.

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

	Chief Executive		Executives		Total	
	2012	2011	2012	2011	2012	2011
	(Rupees in thousand)					
Managerial remuneration	12,194	18,061	275,205	298,697	287,399	354,226
Housing and utilities	6,706	6,580	151,363	134,812	158,069	129,425
Company's contribution to provident and gratuity funds	1,016	1,179	23,068	20,085	24,084	22,406
Leave fair assistance	1,587	213	31,908	18,909	33,495	17,444
	21,503	26,033	481,544	472,503	503,047	523,501
Number of persons	1	1	304	286	305	287

In addition, the Chief Executive and 10 (2011: 13) executives were provided with use of company's cars. The Chief Executive and all executives were provided with medical and mobile phone facilities.

44.3 Capacity

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

45. Subsequent events after the reporting period

Subsequent to the year end on March 28, 2013, the majority shareholder of the Company, Warid Telecom International LLC, U.A.E, which presently holds 54% of the total ordinary share capital of the Company, has conveyed its intention to acquire all of the issued ordinary shares held by the other shareholders of the Company at a proposed purchase price of Rs 4.5 per ordinary share and to seek delisting of the shares of the Company from Karachi, Lahore and Islamabad Stock Exchanges in accordance with the Voluntary de-listing provisions of their respective Listing Regulations. The Board approved the delisting in their meeting held on April 22, 2013, and formal application for delisting has been applied to all stock exchanges where the Company is listed.

46. Corresponding figures

Comparative figures have been restated as a result of restatement of prior year financial statements as referred in note 43.

47. Date of authorisation for issue

These financial statements have been authorised for issue by the Board Of Directors of the Company on June 13, 2013.

Chief Executive

Director

Annexures

Pattern of Shareholding
as on June 30, 2012

No. of Shareholders	Having Shares From	To	Shares held	Percentage
178	1	100	7039	0.0011
3309	101	500	1641829	0.2659
2278	501	1000	2259471	0.3659
2193	1001	5000	8433306	1.3658
938	5001	10000	8989078	1.4558
165	10001	15000	2276041	0.3686
272	15001	20000	5348410	0.8662
95	20001	25000	2292858	0.3713
97	25001	30000	2873925	0.4654
23	30001	35000	794282	0.1286
34	35001	40000	1325221	0.2146
12	40001	45000	525480	0.0851
154	45001	50000	7690697	1.2455
10	50001	55000	533741	0.0864
10	55001	60000	593310	0.0961
6	60001	65000	383199	0.0621
4	65001	70000	276435	0.0448
5	70001	75000	370500	0.0600
10	75001	80000	787939	0.1276
5	80001	85000	418112	0.0677
4	85001	90000	360000	0.0583
1	90001	95000	95000	0.0154
92	95001	100000	9196600	1.4894
4	100001	105000	408098	0.0661
7	105001	110000	762214	0.1234
3	110001	115000	343000	0.0555
5	115001	120000	598739	0.0970
1	120001	125000	122500	0.0198
1	125001	130000	130000	0.0211
1	130001	135000	134298	0.0218
5	135001	140000	697390	0.1129
2	140001	145000	290000	0.0470
16	145001	150000	2395023	0.3879
1	150001	155000	150400	0.0244
1	155001	160000	157343	0.0255
1	165001	170000	170000	0.0275
1	170001	175000	175000	0.0283
1	175001	180000	177036	0.0287
2	180001	185000	370000	0.0599
15	195001	200000	2997099	0.4854
3	210001	215000	641012	0.1038
1	225001	230000	226000	0.0366
8	245001	250000	2000000	0.3239
1	250001	255000	254470	0.0412
1	270001	275000	274000	0.0444
1	285001	290000	290000	0.0470

Pattern of Shareholding

as on June 30, 2012

No. of Shareholders	Having Shares From	To	Shares held	Percentage
1	290001	295000	294713	0.0477
3	295001	300000	900000	0.1458
2	305001	310000	618750	0.1002
1	325001	330000	328850	0.0533
2	345001	350000	700000	0.1134
1	350001	355000	353253	0.0572
1	370001	375000	371835	0.0502
1	375001	380000	380000	0.0615
1	395001	400000	400000	0.0648
1	435001	440000	440000	0.0713
1	450001	455000	453259	0.0734
1	485001	490000	490000	0.0794
5	495001	500000	2500000	0.4049
2	595001	600000	1200000	0.1943
1	605001	610000	610000	0.0988
1	675001	680000	680000	0.1101
1	725001	730000	729111	0.1181
1	745001	750000	750000	0.1215
1	790001	795000	790320	0.1280
1	975001	980000	980000	0.1587
7	995001	1000000	6999000	1.1335
1	1155001	1160000	1160000	0.1879
1	1395001	1400000	1400000	0.2267
1	1495001	1500000	1500000	0.2429
1	1645001	1650000	1650000	0.2672
1	1785001	1790000	1785804	0.2892
1	1855001	1860000	1860000	0.3012
1	1990001	1950000	1990957	0.3224
1	1995001	2000000	2000000	0.3239
1	2045001	2050000	2050000	0.3320
1	2495001	2500000	2500000	0.4049
1	2595001	2600000	2600000	0.4211
1	2745001	2750000	2747678	0.4450
1	2995001	3000000	3000000	0.4858
1	3495001	3500000	3500000	0.5668
1	3995001	4000000	4000000	0.6478
1	4160001	4165000	4164905	0.6745
1	5975001	5980000	5975200	0.9677
1	8490001	8495000	8490037	1.3750
1	14200001	14205000	14204961	2.3005
1	20895001	20900000	20899621	3.3847
1	20995001	21000000	21000000	3.4009
1	83490001	83495000	83494920	13.5220
1	333295001	333300000	333295350	53.9772
10036		**Company Total**	**617474620**	**100.0000**

Categories of Shareholding
as on June 30, 2012

Particulars	Folio No.	Balance Share	Percentage
DIRECTORS, CEO & CHILDREN	8	2,602,350	0.4215
ASSOCIATED COMPANIES	6	447,825,091	72.5253
NIT & ICP	1	3,500,000	0.5668
BANKS, DFI & NBFI	3	5,194,016	0.8412
INSURANCE COMPANIES	4	1,642,000	0.2659
MODARABAS & MUTUAL FUNDS	13	35,282,938	5.7141
GENERAL PUBLIC (LOCAL)	9,906	82,282,214	13.3256
GENERAL PUBLIC (FOREIGN)	30	2,241,954	0.3631
OTHERS	65	36,904,057	5.9766
Company Total	**10,036**	**617,474,620**	**100.00**

Detailed Categories of Shareholding
as on June 30, 2012

FOLIO NO.	NAME	CODE	SHARES	PERCENTAGE
	DIRECTORS, CEO & THEIR SPOUSES & MINOR CHILDREN			
000000000004	H.H. NAHAYAN MABARAK AL NAHAYAN	01	1,000	0.0002
000000000021	ABDULLA KHALIL MUHAMMAD SAMEA AL MUTAWA	01	450	0.0001
000000000023	ADEEL KHALID BAJWA	01	100	0.0000
000000007630	ZOUHAIR ABDUL KHALIQ	01	500	0.0001
000000007631	NAEEM ZAMINDAR	01	100	0.0000
000000007652	H.E. SHEIKH SULTAN KHALFAN SULTAN HUDAIREM AL KTEBI	01	100	0.0000
000000007653	JINAH HAJALI	01	100	0.0000
011692004130	NAEEM ZAMINDAR	01	2,600,000	0.4211
		08	**2,602,350**	**0.4215**
	ASSOCIATED COMPANIES			
000000000018	WARID TELECOM INTERNATIONAL L.L.C.	02	333,295,350	53.9772
000000000019	BANK ALFALAH LIMITED	02	83,494,920	13.5220
003525077025	WINCOM (PVT) LTD	02	3,000,000	0.4858
005884008920	TAAVUN (PVT) LIMITED	02	1,160,000	0.1879
006452017435	TAAVUN (PVT) LIMITED	02	20,899,621	3.3847
006650003323	TAAVUN (PVT) LIMITED	02	5,975,200	0.9677
		06	**447,825,091**	**72.5253**
	NIT & ICP			
002154000027	NATIONAL BANK OF PAKISTAN-TRUSTEE DEPARTMENT NI(U)T FUND	03	3,500,000	0.5668
		01	**3,500,000**	**0.5668**
	BANKS, DFI & NBFI			
000000003005	KARAKURAM CO OPERATIVE BANK LIMITED	04	300,000	0.0486
002659000034	PAK LIBYA HOLDING COMPANY (PVT.) LIMITED	04	729,111	0.1181
007393000024	SUMMIT BANK LIMITED	04	4,164,905	0.6745
		03	**5,194,016**	**0.8412**
	INSURANCE COMPANIES			
003228034562	UNITED INSURANCE COMPANY OF PAKISTAN LIMITED	05	22,000	0.0036
003277002538	EFU LIFE ASSURANCE LTD	05	500,000	0.0810
003277009371	JUBILEE LIFE INSURANCE COMPANY LIMITED	05	1,000,000	0.1619
005264010293	THE UNITED INSURANCE COMPANY OF PAK.LTD.	05	120,000	0.0194
		04	**1,642,000**	**0.2659**

Detailed Categories of Shareholding
as on June 30, 2012

FOLIO NO.	NAME	CODE	SHARES	PERCENTAGE
	MODARABAS & MUTUAL FUNDS			
003277014768	AL NOOR MODARABA MANAGEMENT (PVT) LTD.	06	20,000	0.0032
005371000028	CDC - TRUSTEE PAKISTAN STOCK MARKET FUND	06	2,747,678	0.4450
005645000024	CDC - TRUSTEE PICIC INVESTMENT FUND	06	8,490,037	1.3750
005777000029	CDC - TRUSTEE PICIC GROWTH FUND	06	14,204,961	2.3005
005819000023	CDC - TRUSTEE PAK STRATEGIC ALLOC. FUND	06	308,750	0.0500
006197000029	CDC - TRUSTEE ALFALAH GHP VALUE FUND	06	353,253	0.0572
009480000021	CDC - TRUSTEE NAFA STOCK FUND	06	453,259	0.0734
009506000026	CDC - TRUSTEE NAFA MULTI ASSET FUND	06	1,000,000	0.1619
009738000029	CDC - TRUSTEE MCB DYNAMIC STOCK FUND	06	1,860,000	0.3012
011320000025	B.R.R. GUARDIAN MODARABA	06	10,000	0.0016
012120000028	CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND	06	4,000,000	0.6478
012682000021	CDC-TRUSTEE PAKISTAN PREMIER FUND	06	1,650,000	0.2672
013532000027	TRUSTEE - PAKISTAN PENSION FUND - EQUITY SUB FUND	06	185,000	0.0300
		13	**35,282,938**	**5.7141**
	OTHERS			
000000000151	IHSAN COTTON PRODUCTS PVT LTD	10	1,000	0.0002
000000000152	IHSAN RAIWIND MILLS PVT LTD	10	1,000	0.0002
000000000541	INDUS JUTE MILLS LIMITED	10	100,000	0.0162
000000000542	MUGHAL IRON AND STEEL IND LIMITED	10	100,000	0.0162
000000001044	RYK MILLS LIMITED	10	100,000	0.0162
000000001085	ORIENT ELECTRONICS PVT LTD	10	100,000	0.0162
000000001086	EPCT PRIVATE LIMITED	10	50,000	0.0081
000000001088	PAK ELECTRON LIMITED	10	100,000	0.0162
000000001111	HASSAN CARGO SERVICES	10	100,000	0.0162
000000001406	PEOPLE LOGIC PAKISTAN PRIVATE LIMITED	10	100,000	0.0162
000000001453	PUNJAB BEVERAGE COMPANY (PVT) LIMITED	10	20,000	0.0032
000000001463	BEST EXPORTS PRIVATE LIMITED	10	10,000	0.0016
000000001483	HASAN CORPORATION	10	50,000	0.0081
000000001486	ARZOO TEXTILE MILLS LIMITED	10	20,000	0.0032
000000001490	PAK GRAIN RICE MILLS	10	50,000	0.0081
000000001791	MS. IMAB (PVT) LTD,	10	100,000	0.0162
000000003050	AFZAL COTTON GINNING AND ALLIED INDUSTRIES	10	30,000	0.0049
000000003052	S-A COTTON GINNERS	10	30,000	0.0049
000000003053	MAHAR COTTON GINNERS	10	25,000	0.0040
000000005051	FINE GROUP INDUSTRIES	10	10,000	0.0016
000000005249	METRO HI TECH PVT LTD	10	25,000	0.0040
000000006302	IHSAN SONS (PVT.) LIMITED	10	1,000	0.0002

Detailed Categories of Shareholding

FOLIO NO.	NAME	CODE	SHARES	PERCENTAGE
000000006839	PAKARAB FERTILIZER LIMITED	10	2,000,000	0.3239
000307011134	TRUSTEE- TREET COR. LTD EMP. PROVIDENT FUND	10	250,000	0.0405
001164007584	TRUSTEES D.G.KHAN CEMENT CO. LTD. EMPLOYEES PROVIDENT FUND	10	25,000	0.0040
001669000026	SHAFFI SECURITIES (PVT) LIMITED	10	10	0.0000
003137000036	MOOSANI SECURITIES (PVT) LTD.	10	13,000	0.0021
003277010711	QUETTA TEXTILE MILLS LIMITED	10	250,000	0.0405
003277017862	SITARA INTERNATIONAL (PVT) LTD	10	20,000	0.0032
003277071716	TRUSTEE OF BANK ALFALAH LTD. EMPLOYEES GRATUITY FUND TRUST	10	21,000,000	3.4009
003277075960	TRUSTEES OF BOSICOR CHEMICALS PAKISTAN LTD EMP. PRO. FUND	10	600,000	0.0972
003277075961	TRUSTEES OF BOSICOR OIL PAKISTAN LTD EMPLOYEE PROVIDENT FUND	10	400,000	0.0648
003525004185	CAPITAL INDUSTRIES (PVT) LTD	10	200,000	0.0324
003525013182	TRUSTEES TREET CORP LTD EMP GRATUTY FUND	10	150,000	0.0243
003939000021	PEARL SECURITIES LIMITED	10	980,000	0.1587
003939000047	PEARL SECURITIES LIMITED	10	2,500,000	0.4049
003939011093	HIGHLINK CAPITAL (PVT) LTD	10	78,374	0.0127
003939012463	CAPITAL VISION SECURITIES PVT LIMITED	10	294,713	0.0477
004085048866	TAG HOLDING (PVT) LTD	10	20,500	0.0033
004184000022	AZEE SECURITIES (PRIVATE) LIMITED	10	118,739	0.0192
004226010900	TRUSTEE MAYMAR HOUSING SERVICES LIMITED STAFF PROVIDENT FUND	10	20,000	0.0032
004234005651	FAIR EDGE SECURITIES (PVT) LTD	10	1,000	0.0002
004457000078	FDM CAPITAL SECURITIES (PVT) LIMITED	10	100,000	0.0162
004580000023	CAPITAL VISION SECURITIES (PVT) LTD.	10	63,000	0.0102
004804000025	INVEST AND FINANCE SECURITIES LIMITED	10	150,000	0.0243
005116000028	TIME SECURITIES (PVT.) LTD.	10	10,000	0.0016
005264010806	TRUSTEE-NISHAT MILLS LTD. PROVIDENT FUND	10	999,000	0.1618
005264037403	S.Z.SECURITIES (PVT.) LIMITED	10	37,000	0.0060
005298000028	MAAN SECURITIES (PRIVATE) LIMITED	10	274,000	0.0444
005405010923	UNIFIED JUNCTIONS SERVICES (PVT) LTD	10	750,000	0.1215
005512004096	AMCAP SECURITIES (PVT) LTD.	10	110,000	0.0178
005512062961	SHUJABAD AGRO INDUSTRIES (PRIVATE) LIMITED	10	500,000	0.0810
005587000055	FIRST NATIONAL EQUITIES LIMITED	10	106,214	0.0172
005736000015	NCC - PRE SETTLEMENT DELIVERY ACCOUNT	10	18,230	0.0030
006445000028	DARSON SECURITIES (PVT) LIMITED	10	790,320	0.1280
006445009870	STOCK STREET (PVT) LIMITED.	10	500	0.0001
006650000022	SAAO CAPITAL (PVT) LIMITED	10	328,850	0.0533
006981000023	FAIR DEAL SECURITIES (PVT) LTD.	10	120,000	0.0194

Detailed Categories of Shareholding

FOLIO NO.	NAME	CODE	SHARES	PERCENTAGE
007179000020	MUHAMMAD SALIM KASMANI SECURITIES (PVT.) LTD.	10	5,000	0.0008
007294003129	1307 TRUSTEES TREET CORP LTD SUPERNNUATION FUND	10	100,000	0.0162
007450009878	HUM SECURITIES LIMITED	10	85,000	0.0138
009563005318	CAPITAL INDUSTRIES (PVT) LTD.	10	371,836	0.0602
010447000022	PEARL CAPITAL MANAGEMENT (PRIVATE) LIMITED	10	4,967	0.0008
010629005432	KASHMIR FEEDS LIMITED	10	150,000	0.0243
011692000021	ABA ALI HABIB SECURITIES (PVT) LIMITED	10	1,785,804	0.2892
		65	**36,904,057**	**5.9766**
GENERAL PUBLIC (LOCAL)		**9906**	**82,282,214**	**13.3256**
GENERAL PUBLIC (FOREIGN)		**30**	**2,241,954**	**0.3631**
TOTAL		**10036**	**617,474,620**	**100.00**

SHAREHOLDERS HOLDING FIVE PERCENT OR MORE VOTING INTEREST IN THE COMPANY

000000000018	WARID TELECOM INTERNATIONAL L.L.C	02	333,295,350	53.97728%
000000000019	BANK ALFALAH LIMITED	02	83,494,920	13.5220%

ALL TRADE IN SHARES CARRIED OUT BY DIRECTORS, EXECUTIVES AND THEIR SPOUSES AND MINOR CHILDREN REPORTED AS UNDER

NAME	NO OF SHARES	PURCHASE / SALE / TRANSFER
Naeem Zamindar	2,600,000	Purchase
H. E. Sheikh Saif Bin Muhammad	500	Transferred to Warid Telecom Inernational, LLC
H. E. Sheikh Saif Bin Muhammad	400	Transferred to Warid Telecom Inernational, LLC
Bashir Ahmed Tahir	400	Transferred to Warid Telecom Inernational, LLC
Bashir Ahmed Tahir	500	Transferred to Warid Telecom Inernational, LLC
Khalid Manea Saeed Ahmed Al Otaiba	350	Transferred to Warid Telecom Inernational, LLC

ANNEXURE-II

Notice of Annual General Meeting

NOTICE is hereby given that the 3rd Annual General Meeting (AGM) of WATEEN TELECOM LIMITED (the "Company") will be held on Wednesday, July 10th, 2013, at 10:00 AM at Hotel Sunfort, 72-D/1, Liberty Commercial Zone, Gulberg-III, Lahore, Pakistan, to transact the following business:

Ordinary Business

To confirm the minutes of the last board meeting.

To receive, consider and adopt the financial statements of the Company for the year ended June 30th, 2012, together with the reports of Directors and Auditors thereon.

To re-appoint Messrs A. F. Ferguson & Co, Chartered Accountants, as the Auditors of the Company for the financial year 2012-13 and to fix their remuneration.

Other Business

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

Lahore
Date: June 19, 2013

By ORDER OF THE BOARD

Sajid Farooq Hashmi
Company Sectary & Legal Head

NOTES:

Participation In Annual General Meeting

A member entitled to attend and vote at this meeting is entitled to appoint another person as his / her proxy to attend and vote. Proxies in order to be effective must be received at the Registered Office of the Company duly stamped and signed not less than 48 hours before the meeting.

CDC Account Holders

For attending the meeting
In case of individuals, the account holder or the sub-account holder and / or the person whose securities are in group account and their registration details are uploaded as per CDC regulations, shall authenticate their identity by showing their original Computerized National Identity Cards (CNICs) or original passports at the time of the meeting.

In the case of corporate entities, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

For appointing proxies

In case of individuals, the account holder or the sub-account holder and / or the person whose securities are in group account and their registration details are uploaded as per CDC regulations, shall submit the proxy form as per the above requirement. The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.

Attested copies for CNICs or the passports of the beneficial owners and of the proxy shall be furnished with the proxy form. The proxies shall produce their original CNICs or original passports at the time of the meeting.

In case of corporate entities, the Board of Directors' resolution / power of attorney with the specimen signature of the person nominated to represent and vote on behalf of the corporate entity shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

Closure of Share Transfer Books

The share transfer books of the Company will remain closed and no transfer of shares will be accepted for registration from July 04, 2013 to July 10, 2013, (both days inclusive). Transfer received in order at the office of THK Associates (Pvt) Limited, 2nd Floor, State Life Building No. 3, Dr. Ziaud din Ahmed Road, Karachi, being the share registrar by the close of business on July 03, 2013 will be treated in time.

Change In Address

Members are requested to promptly notify any change in their address.

Notes

Form of Proxy

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

I/We ______________________________ of ______________________________

being member(s) of Wateen Telecom Limited holding __________ ordinary shares hereby appoint ______________

of ____________________ (the "Appointee") and in case of failure of the Appointee to act as my/our proxy, I/we

hereby appoint ______________________ of ____________________ who is/are also member(s) of

Wateen Telecom Limited as my/our proxy in my/our absence to attend and vote for me / us and on my/our behalf at the Annual General Meeting of the Company to be held on Wednesday, July 10, 2013 at Hotel Sunfort, 72-D/1, Liberty Commercial Zone, Gulberg-III, Lahore, Pakistan, at 10.00 am and / or any adjournment thereof.

As witness my/our hand/seal this __________ day of _________, 2013.

Witness

1. Signature ____________________
   Name ____________________
   Address ____________________
   CNIC # ____________________

Signature on Five Rupees Revenue Stamp

The signature should match with the specimen registered with the Company

Witness

1. Signature ____________________
   Name ____________________
   Address ____________________
   CNIC # ____________________

Folio No. ____________________
CDC A/c No. ____________________
Sub A/c. No. ____________________
No. of Shares held ____________________
Distinctive Numbers: ____________________
From ____________ to ____________

NOTE

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

AFFIX
CORRECT
POSTAGE

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

Wateen Telecom Ltd.
4th Floor, New Auriga Complex, Main Boulevard, Gulberg II, Lahore.
UAN: 111-365-111
www.wateen.com

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