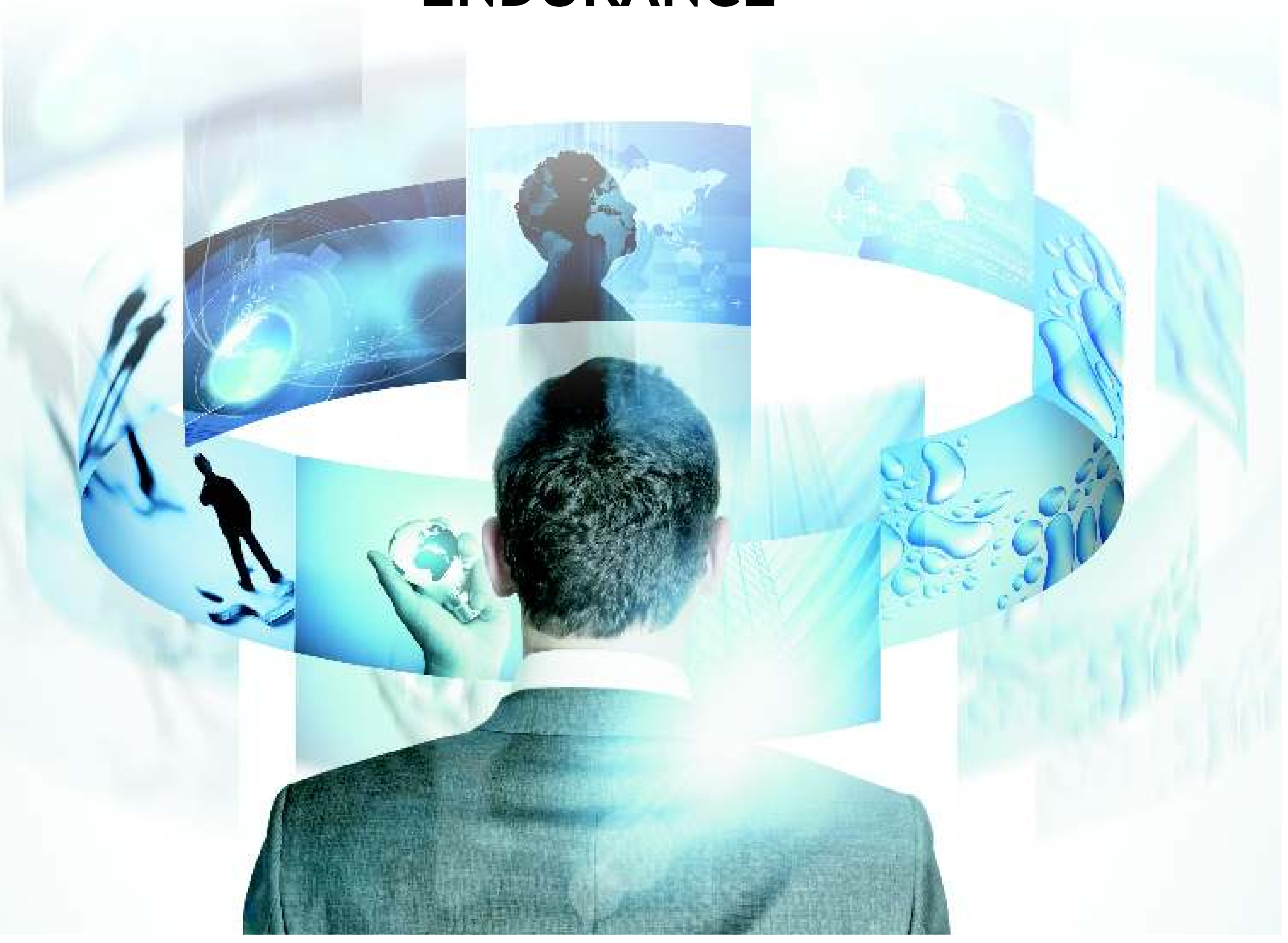
Annual Report
2014
ENDURANCE



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CORPORATE INFORMATION

List of Board of Directors as of June 30, 2014

H.H. NAHAYAN MABARAK AL NAHAYAN

DAVID JOHN BURLISON (Outgoing-replaced with Zouhair Abdul Khaliq)

NAEEM ZAMINDAR (Replaced)

ADEEL KHALID BAJWA

JINAH HAJALI (Outgoing)

ABID HASAN - Independent Director

KHWAJA AHMAD HOSAIN - Independent Director

H.E. SHAIKH MOHAMMED NAHAYAN MUBARAK AL NAHAYAN (Alternative Director)

Zouhair Abdul Khaliq (Outgoing-replaced)

List of Board of Directors as of now

1. H.H. NAHAYAN MABARAK AL NAHAYAN
2. ADEEL KHALID BAJWA
3. RIZWAN ALI TIWANA (New Appointment)
4. ABID HASAN - Independent Director
5. KHWAJA AHMAD HOSAIN - Independent Director

MANAGEMENT TEAM

Management as of June 30, 2014

Naeem Zamindar
Chief Executive Officer

Faisal Masood Ali Khan
Chief Financial Officer

Sajid Farooq Hashmi
Company Secretary & Head of Legal

Asad Rezzvi
Chief Transformation Officer HR & Admin

Mohammad Azeem
Chief Techinical Officer

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

Junaid Sheikh
General Manager Global Carrier Business Unit

Hamid Mohiyuddin
General Manager Enterprise Business Unit

Muhammad Saleem Akhtar
General Manager Business Development

Naila Bhatti
General Manager Media

Sohaib Sheikh
Head of Marketing

Management as of now

Rizwan Ali Tiwana
Chief Executive Officer

Muhammad Aqib Zulfiqar
Chief Financial Officer

Sajid Farooq Hashmi
Company Secretary & Head of Legal

Zafar Iqbal Ch.
General Manager HR & Admin

Tahir Hameed
Chief Commercial Officer

Zafar Masood
Director Programs

Muhammad Bilal
Head of Network Engineering

Jauher Ali
Head of Field Engineering

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

Muhammad Saleem Akhtar
General Manager Business Development

Junaid Sheikh
General Manager Global Carrier Business Unit and Enterprise Business Unit

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
Main Walton Road, Opposite Bab-e-Pakistan,Walton Cantt., 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 are pleased to present the audited financial statements of the Company for the year ended June 30, 2014.

INDUSTRY OUTLOOK

The much awaited auction of the spectrum and licenses for 3G and 4G took place in April 2014. This heralds a new age of data services for Pakistan as operators are now gearing up to improve the backhauling faculties of their networks. The demand for data is virulent and vibrant as early adopters clamor to embrace technology, it is expected that the telecom operators will now seek new avenues of innovation in 3G and 4G technologies to satiate the data demand for the public and private sector.

During the period, the new Government revoked the ICH regime, which has caused the operators to renew business propositions once again, and Wateen along with other operators, have challenged the matter in the High Court for relief.

The Government also announced the consultation paper for the much awaited telecom policy, which will provide confidence to investors. However, since the formal policy has not been declared, no new large scale projects for the telecom sector were announced during the period.

The overall economy showed some signs of recovery as the rupee-dollar parity decreased. However, the economic activity was curtailed due to the ongoing energy crisis, political unrest and prevalent law-order situation in the country. The public sector adoption for vertical solutions will influence the industry more than ever as the major revenue potential lies locked with them.

SIGNIFICANT DISCLOSURES
ACCOUNTING CHANGE FOR DISCONTINUATION OF WIMAX BUSINESS

During the year, Wateen Telecom Limited and Augere Holdings BV entered in to a Master Transaction Agreement (MTA) for consolidation of their respective WiMAX businesses.

Pursuant to the aforesaid agreement, the Company plans to transfer its WiMAX related assets and associated liabilities envisaged under MTA to the new company Wateen WiMAX (Private) Limited (WWL) in exchange of fully paid ordinary shares. WWL will also acquire the 100% shares of Augere Pakistan (Private) Limited from its parent company Augere Holdings (Netherlands) BV (Augere Holdings) in consideration of issuance of own shares. Further, Augere Holdings will hold 51% shares and the Company will hold 49% shares in the new jointly owned operating company.

The shareholders of the Company in the Extra-Ordinary General Meeting held on October 3, 2014 consented for the approval of transfer of assets and related liabilities to the wholly owned subsidiary WWL against issuance of shares under the share issuance agreement dated September 9, 2014, subject to necessary regulatory approvals. As a result, the Company's operations have been divided into Continuing and Discontinued operations in accordance with the requirements of International Financial Reporting Standard (IFRS) 5, 'Non-current assets held for sale and Discontinued operations'.

WiMAX operations have been classified as discontinued operations because it will be transferred to WWL. Continuing operation includes the operations other than WiMAX. In view of above, assets and liabilities as are envisaged in MTA to be transferred to the WWL are classified as held for sale under IFRS 5 and are reflected in note 18 of these financial statements. These assets and liabilities have been measured at lower of their respective carrying value and estimated fair value and resultant difference has been recognized in the income statement. The figures of prior period of the income statement have been represented in accordance with the requirement of IFRS 5.

FINANCIAL PERFORMANCE

Wateen's financial performance continued to show steady improvements with the measures taken in the previous years to stabilize the business. Although the Company saw a decrease in the topline, which was mainly attributable to the ICH regime change and curtailed economic activity in the ICT sector, the bottom-line saw a significant improvement for the Company as EBIDTA from continued operations improved to PKR 1,514 million compared to PKR 1,488 million last year. EBIDTA now stands at 26% of the total revenue as compared to a 20% in the previous year.
A quick glance at the key financial results is given below:

	FY 14	FY 13
Revenue (PKR million)	**5,906**	7,368
EBITDA (PKR million)	**1,514**	1,489
Cash flow from Operations (PKR million)	**412**	289
(Loss) per share– PKR	**(0.73)**	(1.97)

Revenue from continued operations for the year stood lower for FY14 (PKR 5,906 million) than the previous year (PKR 7,368 million), represented, due to curtailed economic activity and change in the ICH regime. LDI revenue amounted significantly lower for FY14 at PKR 3,417 million compared to PKR 4,173 million in FY13 as the Ministry of IT and PTA withdrew its directive for the ICH regime. The matter is now sub-judice in the High Courts.

OFC revenue diminished to PKR 916 million in FY14 compared to PKR 1,286 million in FY13. This was mainly attributable to the completion of delivery of large projects in the previous year, such as the Higher Education Commission (HEC) contract for lease of nationwide optical fiber connectivity and optical fiber transmission equipment.

Tele housing Revenue for ADM (Add-Drop Multiplexer) sites grew to a promising PKR 109 million in FY14 as compared PKR 55 million in FY13 on account of sharing sites with the operators (98% improvement as compared to last year).

Returns from the consumer business remained steady as revenue for HFC (Hybrid Fiber-Coaxial) saw a gradual increase to PKR 67 million in FY14 compared to PKR 57 million in FY13. Although faced with a challenging scenario of unprecedented power outages, ARPU's were increased on higher bandwidth requirements by customers. This illustrates an expanding market appetite and implies a considerable room for growth in this area.
Revenue for VSAT was recorded lower for the year and stood at PKR 563 million for FY14 as compared to PKR 932 million for FY13. Although Wateen won a major three year contract with the State Bank of Pakistan for the redundancy of its branch network, revenues dropped as Afghanistan's Roshan Telecom handed its satellite backhauling to Spacecom in order to reduce the costs.

DEBT RESTRUCTURING

In FY 14, Wateen’s balance sheet continues to witness negative equity, mainly triggered by events in prior years. As a result, Wateen enters into second round of debt re-structuring with the lenders. Subsequent to the year end, second mandatary agreement has been signed for the syndicate finance facility and the company is in process of finalizing finance agreement to re-structure the other long term and short term finance facilities. As a result the company will be able to have favourable deferment of payments.

DE-LISTING FROM THE STOCK EXCHANGES

The Karachi, Lahore and Islamabad stock exchanges have accepted the request for delisting of the Company and accordingly the Company stood delist from all the stock exchanges with effect from February 17, 2014.

EARNINGS PER SHARE

An earnings per share is PKR (0.73) for FY 2014 as compared to PKR (1.97) in FY 2013 (Represented).

DIVIDEND

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

FUTURE OUTLOOK

Communications and the field of ICT continue to show promise as Pakistan moves into a new age of digital renaissance. As the hype of the 3G auction fizzles out, a new roadmap of collaborative public-private networks from the regulatory body and the Ministry of IT & Telecoms is awaited. In the meantime, Wateen will continue to imbue its focus on enabling its B2B businesses and augmenting offers for its existing infrastructure platform, especially fiber. The company intends to work closely with other CMO's (cellular mobile operators) in enabling their networks and leveraging synergies.

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, 2014

Mr. Abid Hasan — Chairman
(Independent Director)

Mr. Khwaja Ahmed Hosain — Member
(Independent Director)

Mr. Jinah Hajali — Member
(Non-Executive Director)

Mr. Omar Zia — Secretary
(Head of Audit, Risk & Governance)

Composition as of now

Mr. Abid Hasan — Chairman
(Independent Director)

Mr. Khwaja Ahmed Hosain — Member
(Independent Director)

Name of Board Member	Meetings attended
Mr. Abid Hasan	2
Mr. Khwaja Ahmed Hosain	2
Mr. Jinah Hajali	2

CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS

The present Auditors M/s A.F. Ferguson & Co., Chartered Accountants have completed their assignment for the year ended June 30, 2014 and shall retire on the conclusion of the Annual General Meeting. 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, 2015.

SHAREHOLDING PATTERN

The shareholding pattern as at June 30, 2014, is annexed in this report.

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.

ATTENDANCE OF THE BOARD MEMBERS

S. No.	Name of Directors	Board Meetings Attendance during 2013-2014
1.	H.H. NAHAYAN MABARAK AL NAHAYAN	NIL
2.	H.E. SHAIKH MOHAMMED NAHAYAN MUBARAK AL NAHAYAN (Alternative Director)	3
3.	ADEEL KHALID BAJWA	3
4.	DAVID JOHN BURLISON (Outgoing- Replaced with ZAK)	1
5.	NAEEM ZAMINDAR (Replaced)	3
6.	JINAH HAJALI (Outgoing)	2
7.	ABID HASAN - Independent Director	3
8.	KHWAJA AHMAD HOSAIN - Independent Director	3
9.	ZOUHAIR ABDUL KHALIQ (ZAK) (Outgoing Director)	2

Financial Statements

AUDITOR'S REPORT TO THE MEMBERS

We have audited the annexed statement of financial position of Wateen Telecom Limited (the Company) as at June 30, 2014 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 43 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 except for the change as stated in note 4.1 (i) with which we concur;

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the 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, 2014 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 2 (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: November 30, 2014

Engagement Partner: JehanZeb Amin

STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2014

	Note	2014	2013
		(Rupees in thousand)	
SHARE CAPITAL AND RESERVES			
Authorised capital	5	10,000,000	10,000,000
Issued, subscribed and paid-up capital	5	6,174,746	6,174,746
General reserve	6	134,681	134,681
Accumulated loss		(28,015,802)	(26,674,911)
		(21,706,375)	(20,365,484)
NON-CURRENT LIABILITIES			
Long term finance - secured	7	-	-
Long term portion of deferred mark up	8	-	-
Long term finance from shareholders - unsecured	9	10,814,754	10,820,230
Medium term finance from an associated company - unsecured	10	600,000	600,000
Obligations under finance leases	11	182	1,090
Long term deposits	12	35,709	58,220
		11,450,645	11,479,540
DEFERRED LIABILITIES			
Deferred government grants	13	2,794,218	1,770,119
CURRENT LIABILITIES			
Current portion of long term finance - secured	7	14,615,680	15,694,054
Current portion of deferred mark up	8	1,297,134	1,065,958
Current portion of obligations under finance leases	11	908	3,257
Finance from supplier - unsecured	14	-	40,542
Short term running finance - secured	15	2,151,680	1,558,226
Trade and other payables	16	6,929,596	6,626,287
Interest / markup accrued	17	2,100,015	1,451,400
		27,095,013	26,439,724
Liabilities of disposal group classified as held for sale	18	1,266,818	-
CONTINGENCIES AND COMMITMENTS	19		
		20,900,319	19,323,899

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

STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2014

	Note	2014	2013
		(Rupees in thousand)	
NON-CURRENT ASSETS			
Property, plant and equipment			
Operating assets	20	7,727,067	11,238,094
Capital work in progress	21	1,548,633	729,229
Intangible assets	22	32,750	170,643
		9,308,450	12,137,966
LONG TERM INVESTMENT IN SUBSIDIARY COMPANIES	23	137,671	137,671
DEFERRED INCOME TAX ASSET	24	-	-
LONG TERM DEPOSITS AND PREPAYMENTS			
Long term deposits	25	249,113	240,886
Long term prepayments	26	65,571	65,893
		314,684	306,779
CURRENT ASSETS			
Trade debts	27	3,069,660	2,743,424
Contract work in progress		21,458	17,366
Stores, spares and loose tools	28	399,510	482,523
Advances, deposits, prepayments and other receivables	29	3,000,560	2,705,586
Income tax refundable		559,620	340,251
Cash and bank balances	30	563,942	452,333
		7,614,750	6,741,483
Assets of disposal group classified as held for sale	18	3,524,764	-
		20,900,319	19,323,899

Chief Executive

Director

INCOME STATEMENT
FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014	2013 Represented
Continuing operations		(Rupees in thousand)	
Revenue	31	5,905,912	7,368,129
Cost of sales (excluding depreciation and amortisation)	32	3,384,631	4,687,715
General and administration expenses	33	1,201,673	1,046,532
Advertisement and marketing expenses		10,944	1,525
Selling and distribution expenses		20,436	20,147
Provisions	34	39,787	196,728
Other income	35	(265,679)	(73,313)
Profit before interest, taxation, impairment, depreciation and amortisation		1,514,120	1,488,795
Less: Depreciation and amortisation		595,342	550,937
Finance cost	36	1,605,002	2,363,013
Finance income	37	(235,896)	(209,929)
Loss before taxation from continuing operations		(450,328)	(1,215,226)
Taxation		-	-
Loss for the year from continuing operations		(450,328)	(1,215,226)
Discontinued Operations			
Revenue		998,747	1,178,581
Operating expenses	18.3	(1,843,316)	(1,839,284)
Loss before interest, taxation, impairment, depreciation and amortisation		(844,569)	(660,703)
Less: Depreciation and amortisation		437,984	300,036
Finance cost		120,541	119,206
Loss before taxation and impairment		(1,403,094)	(1,079,945)
Reversal of impairment of WiMAX assets	20	521,067	1,258,414
(Loss)/Profit before taxation from discontinued operations		(882,027)	178,469
Taxation		-	-
Loss for the year from discontinued operations		(882,027)	178,469
Loss for the year		(1,332,355)	(1,036,757)

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

Chief Executive

Director

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014	2013 Represented
		(Rupees in thousand)	
Loss for the year		(1,332,355)	(1,036,757)
Other comprehensive income/ (loss)			
Remeasurement loss on staff retirement benefit plan	40.4	(8,536)	-
Total comprehensive loss for the year		(1,340,891)	(1,036,757)
Attributable to:			
- Continuing operations		(458,864)	(1,215,226)
- Discontinued operations		(882,027)	178,469
		(1,340,891)	(1,036,757)

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

Chief Executive

Director

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014

	2014	2013 Represented
	(Rupees in thousand)	
CASH FLOW FROM OPERATING ACTIVITIES		
Loss before taxation including discontinued operations	(1,332,355)	(1,036,757)
Adjustment of non cash items:		
Depreciation and amortisation	1,033,326	850,973
Finance cost	1,725,543	2,482,219
(Profit)/loss on sale of operating assets	-	46
Reversal of impairment of WiMAX assets	(521,067)	(1,258,414)
Operational cost associated with lease	-	521,549
Cost associated with IRU of optic fiber cable	97,020	-
Insurance claim received	(60,000)	-
Deferred USF grant recognised during the year	(205,679)	(68,181)
Provisions	39,787	196,728
Provision of markup on advances to associated companies	21,247	-
Remeasurement loss on staff retirement benefit plan	(8,536)	-
	2,121,641	2,724,920
	789,286	1,688,163
Changes in working capital:		
(Increase)/ decrease in trade debts	(341,023)	(1,002,790)
(Increase)/ decrease in contract work in progress	(4,092)	(1,490)
(Increase)/ decrease in stores, spares and loose tools	(71,805)	20,698
(Increase)/ decrease in advances, deposits, prepayments and other receivables	(177,934)	(503,079)
Increase in trade and other payables	436,726	77,963
	(158,128)	(1,408,698)
Income taxes paid	(219,369)	9,624
Cash flow from operating activities	411,789	289,089
CASH FLOW FROM INVESTING ACTIVITIES		
Property, plant and equipment additions	(1,138,707)	(778,225)
Intangible assets additions	-	(11,796)
Proceeds from sale of property, plant and equipment	5,998	1,583
Proceeds from insurance claim	60,000	-
Increase in long term investment in subsidiary companies	-	(10)
Long term deposits receivable (paid) / received	(8,227)	16,154
Long term prepayments	322	3,554
Cash flow from investing activities	(1,080,614)	(768,740)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014

	2014	2013 Represented
	(Rupees in thousand)	
CASH FLOW FROM FINANCING ACTIVITIES		
Long term finance from shareholders - unsecured	-	956,575
Decrease in finance from supplier - unsecured	(40,542)	-
Deferred grants received	1,049,491	255,986
Obligations under finance leases repaid	(3,257)	(2,882)
Long term deposits (repaid) / received	(1,110)	(7,452)
Finance cost paid	(817,602)	(785,247)
Cash flow from financing activities	186,980	416,980
INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	(481,845)	(62,671)
Cash and cash equivalents at beginning of the year	(1,105,893)	(1,043,222)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	(1,587,738)	(1,105,893)
CASH AND CASH EQUIVALENTS COMPRISE:		
Cash and bank balances	563,942	452,333
Short term running finance - secured	(2,151,680)	(1,558,226)
	(1,587,738)	(1,105,893)

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

Chief Executive

Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2014

	Share capital	General reserve	Accumulated loss	Total
	---------------(Rupees in thousand)-----------			
Balance at July 1, 2012	6,174,746	134,681	(25,638,154)	(19,328,727)
Total comprehensive loss for the year				
Loss for the year	-	-	(1,036,757)	(1,036,757)
Other comprehensive income	-	-	-	-
	-	-	(1,036,757)	(1,036,757)
Balance at June 30, 2013	6,174,746	134,681	(26,674,911)	(20,365,484)
Total comprehensive loss for the year				
Loss for the year	-	-	(1,332,355)	(1,332,355)
Other comprehensive loss	-	-	(8,536)	(8,536)
	-	-	(1,340,891)	(1,340,891)
Balance at June 30, 2014	6,174,746	134,681	(28,015,802)	(21,706,375)

The annexed notes 1- 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, 2014

1. Legal status and operations

The Company was incorporated in Pakistan as a Private Limited Company under the 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. The Karachi, Lahore and Islamabad Stock Exchanges have accepted the request for delisting of the Company and accordingly Company stood delisted from these stock exchanges with effect from February 17, 2014. The registered office of the Company is situated at Lahore. The Company is a subsidiary of Warid Telecom International LLC UAE (WTI).

1.1 Disposal group classified as held for sale and discontinued operations

During the year, Wateen Telecom Limited and Augere Holdings Netherlands (Augere Holdings) BV entered in to a Master Transaction Agreement (MTA) for consolidation of their respective WiMAX businesses.

The salient features of the aforesaid agreement require the Company to transfer its WiMAX related assets and the associated liabilities envisaged under MTA to the new company Wateen WiMAX (Private) Limited (WWL) in exchange of ordinary shares. MTA further specifies WWL to acquire the 100% shares of Augere Pakistan (Private) Limited from its parent company Augere Holdings in consideration of issuance of own shares. Consequently, Augere Holdings will hold 51% shares and the Company will hold 49% shares in the new jointly owned operating company.

The shareholders of the Company in the Extra-Ordinary General Meeting held on October 3, 2014 consented for the approval of transfer of net assets to the wholly owned subsidiary WWL against issuance of shares of WWL to the Company under the related share issuance agreement dated September 9, 2014, subject to necessary regulatory approvals. As a result, the Company’s operations have been divided into Continuing and Discontinued operations in accordance with the requirements of International Financial Reporting Standard (IFRS) 5, ‘Non-current assets held for sale and Discontinued operations’. WiMAX operations have been classified as Discontinued operations because it will be transferred to WWL. Continuing operation includes the operations other than WiMAX. In view of above, assets and liabilities, as are envisaged to be transferred to the WWL are classified as held for sale under IFRS 5 and are reflected in note 18 of these financial statements. The figures of prior period of the income statement and notes related thereto have been represented in accordance with the requirements of IFRS 5.

2. Basis of preparation

(i) Statement of compliance

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

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 operational performance of the business, the ability to implement a significant debt restructuring of the Company's existing debts and the appetite of 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 the year ended June 30, 2014, the Company incurred loss of Rs 1,332 million and had net current liabilities as at June 30, 2014 of Rs 17,222 million, of which Rs 12,184 million relate to loan installments classified as current liabilities as mentioned in note 7.5 and Rs 1,168 million relates to deferred markup classified as current liability as mentioned in note 8.1 which are due for repayment after June 30, 2015. The Company has negative equity of Rs 21,706 million at June 30, 2014. It is important to note that during these period of losses the majority shareholder of the Company has continued to provide financial support in the form of long term finance amounting to Rs 10,815 million to meet the requirements of the Company.

Following continuing losses, the Board had 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, the Company and Augere Holdings entered into an agreement during the year for prospective consolidation of their respective WiMAX businesses in Pakistan.

The Company has incurred capital expenditure on different Universal Service Fund (USF) Projects awarded by USF Company, (total contract of Rs 4,662 million value awarded to date) of which Rs 2,949 million have been received by the Company to date. Further certain 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 said audit, the Company will be entitled to claim the balance amount from USF Company related to completed milestones, and collect further material receipts from the USF Company which will benefit the cash flow.

Debt restructuring

During the year, the Company and the lenders entered into another debt restructuring and an indicative term sheet was signed. Under the term sheet, Bank Alfalah's running finance facility - I has become part of Syndicate Finance Facility. Further, Rs 1,112 million will be transferred to wholly owned subsidiary WWL and Deutsche Bank AG facility will be novated from Company to WTI. Furthermore, Ijarah finance facility from DIB and facility from ECGD will also be restructured as per terms of Syndicate Finance Facility and deferred portion of markup will be repayable in 7 unequal installments starting from April 2015 to October 2027. In addition to the above, USD 10 million has been paid subsequenlty to the lenders on signing of the second amendatory agreement in proportion to their principal outstanding at June 30, 2013. Principal portion will be settled in six monthly unequal installments starting from April 2015 till October 2024. Any excess cash accruing post repayment of the above will be split between the Company and the local lenders in proportion of 80% and 20% respectively. Local lenders shall also be given Board seat in the Company to provide oversight.

Subsequent to the year end, second amendatory agreement has been signed for the Syndicate finance facility and the Company is in process of finalizing finance agreements to restructure the other long term and short term finance facilities.

Ongoing Shareholder Support

The Company's majority shareholder WTI continues to provide management with comfort with regards to it's ongoing support, key requirements for this included the delisting of the Company from all stock exchanges of Pakistan, and the successful restructuring of the debt. The requirement related to delisting has been fulfilled during the year ended June 30, 2014.

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 is expected to provide strong support to the management through the restructuring.

(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)
(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 40)
(ix) Deferred government grants (note 13)

3. Adoption of new and revised standards and Interpretations

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

		Effective date (annual periods beginning on or after)
IFRS 2	Share-based Payments (Amendments)	July 1, 2014
IFRS 3	Business Combinations (Amendments)	July 1, 2014
IFRS 8	Operating Segments (Amendments)	July 1, 2014
IFRS 14	Regulatory Deferral Accounts	January 1, 2016
IFRS 15	Revenue from Contracts with Customers	January 1, 2017
IAS 16	Property, Plant and Equipment (Amendments)	July 1, 2014
IAS 19	Employee Benefits (Amendments)	July 1, 2014
IAS 24	Related Party Disclosures (Amendments)	July 1, 2014
IAS 32	Financial Instruments: Presentation (Amendments)	January 1, 2014
IAS 36	Impairment of Assets (Amendments)	January 1, 2014
IAS 38	Intangible Assets (Amendments)	July 1, 2014 & January 1, 2016
IAS 39	Financial Instruments: Recognition and measurement (Amendments)	January 1, 2014
IAS 40	Investment Property (Amendments)	July 1, 2014
IAS 41	Agriculture (Amendments)	January 1, 2016
IFRIC 21	Levies	January 1, 2014

The management anticipates that the adoption of the above standards, amendments and interpretations in future periods, will have no material impact on the financial statements other than in presentation/disclosures.

Further, the following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which have not been notified upto June 30, 2014 by the Securities and Exchange Commission of Pakistan, for the purpose of their applicability in Pakistan:

IFRS 1	First-time adoption of International Financial Reporting Standards
IFRS 9	Financial Instruments
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement

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

IFRIC 4	Determining whether an arrangement contains lease
IFRIC 12	Service concession arrangements

4 Summary of significant accounting policies

4.1 Employees' retirement benefits

(i) Approved defined benefit funded gratuity plan is in place for all eligible employees. Actuarial valuation is conducted periodically using the “Projected Unit Credit Method” and the latest valuation was carried out as at June 30, 2014. The details of the valuation are given in note 40.

Consequent to the revision of IAS 19 “Employee Benefits” which is effective for annual periods beginning on or after January 1, 2013, the Company has changed its accounting policy wherein, the actuarial gains and losses on employees' retirement benefit plans are recognised immediately in other comprehensive income. Previously, the actuarial gains/losses in excess of the corridor limit were recognised in income statement over the remaining service life of the employees. In addition, past service cost and curtailments were recognized in the income statement, in the period in which a change takes place. The comparative figures have not been restated for change in accounting policy due to immaterial impact. Accordingly, remeasurement gain at June 30, 2013 of Rs 150 thousand has been accounted for as other comprehensive income for the year ended June 30, 2014.

(ii) Contributory provident fund for all permanent employees of the Company is in place. Contribution for the year amounted to Rs 32.096 million (2013: Rs 29.386 million) are charged to income for the year.

4.2 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 base 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.

4.3 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.

4.4 Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized 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.

4.5 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.

4.6 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.

4.7 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.

4.8 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.

4.9 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 4.4) 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 profit or loss for the year.

4.10 Intangible assets

(i) Licenses

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 income statement. 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.

4.11 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 or amortisation 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.

4.12 Non current assets/disposal group held for sale

Non-current assets are classified as assets held-for-sale when their carrying amount is to be recovered principally through a sale transaction and sale is considered highly probable.

4.13 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 are not dealt within the financial statements of the Company, except to the extent of dividends declared by these subsidiaries.

4.14 Right of way charges

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

4.15 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.

4.16 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.

4.17 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.

4.18 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 sale of equipment is recognised when the significant risks and rewards of ownership are transferred to the buyer.

Revenue from prepaid cards is recognised as credit is used, unutilised credit is carried in statement of financial position 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.

4.19 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.

4.20 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.

4.21 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 profit or loss 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 and other receivables,' ‘Income tax refundable’ 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.

4.22 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.

5. Share capital	June 30, 2014 Number of Shares	June 30, 2014 Rs ('000)	June 30, 2013 Number of Shares	June 30, 2013 Rs ('000)
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

5.1 The parent company, Warid Telecom InternationalLLC, U.A.E held 465,082,734 (2013: 333,295,350) ordinary shares, the associated companies Bank Alfalah Limited held 83,494,920 (2013: 83,494,920) ordinary shares, Taavun (Private) Limited held 28,034,821 (2013: 28,034,821) ordinary shares, Wincom (Private) Limited held Nil (2013: 3,000,000) ordinary shares and Bank Alfalah Limited - Employees Gratuity Fund held Nil (2013: 21,000,000) ordinary shares at year end.

6. 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.

7. Long term finance - secured

	Note	2014	2013
		(Rupees in thousand)	
Syndicate of banks	7.1	8,142,335	8,142,335
Export Credit Guarantee Department (ECGD)	7.2	2,528,009	2,529,289
Dubai Islamic Bank (DIB)	7.3	424,000	424,000
Deutsche Bank AG	7.4	4,738,771	4,741,171
Total		15,833,115	15,836,795
Less: Transferred to disposal group classified as held for sale	18	(1,112,000)	-
		14,721,115	15,836,795
Unamortised transaction and other ancillary cost			
Opening balance		142,741	180,048
Amortisation for the year		(37,306)	(37,307)
		(105,435)	(142,741)
		14,615,680	15,694,054
Less: Amount shown as current liability			
Amount payable within next twelve months		(2,431,415)	-
Amount due after June 30, 2015		(12,184,265)	(15,694,054)
	7.5	(14,615,680)	(15,694,054)
		-	-

7.1 The Company obtained syndicate term finance facility from a syndicate of banks with Standard Chartered Bank Limited (SCB), Habib Bank Limited (HBL), Bank AI-HabibLimited (BAHL) and National Bank of Pakistan (NBP), being lead arrangers to finance the capital requirements of the Company. During the year ended June 30, 2012, the Company and the Syndicate of Banks signed an agreement to restructure Syndicate term finance facility. All the finance facilities have been fully availed by the Company till June 30, 2014. The principal is repayable in ten unequal semi annual installments . The first such installment 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 installments falling due in the deferment period shall be paid in ten equal six-monthly installments on each January 1 and July 1 commencing from July 1, 2014 and ending January 1, 2019

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.

7.2 The Company obtained long term finance facility amounting to USD 42 million (2013: USD 42 million) from ECGD UK, of which USD 35 million (2013: USD 35 million) has been availed till June 30, 2014. During the year ended June 30, 2012, the Company and ECGD UK signed an agreement to restructure the terms of loan agreement including repayment schedule. Amount outstanding at June 30, 2014 was USD 25.60 million (2013: 25.60 million). The principal is repayable in ten semi annual installments. The first such installment 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 installment 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.

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.

7.3 The Company obtained Ijarah finance facility of Rs 530 million (2013: Rs 530 million) from DIB. Amount outstanding at June 30, 2014 was Rs 424 million. During the year ended June 30, 2012, 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 installments. The first such installment 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 installments falling due in the deferment period shall be paid in ten equal six-monthly installments on each January 1 and July 1 commencing from July 1, 2014 and ending January 1, 2019.

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.

7.4 The Company obtained term finance facility of USD 65 million (2013: USD 65 million) from Motorola Credit Corporation (MCC) of which USD 64 million (2013: USD 64 million) has been availed till June 30, 2014. 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 ended June 30, 2012, the Company and Deutsche Bank AG signed an agreement to restructure the terms of loan agreement. Amount outstanding at June 30, 2014 was USD 48 million (2013: USD 48 million). The principal is repayable in ten semi annual installments 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.

The loan is secured through personal guarantee by one Sponsor of the Company and is ranked pari passu with unsecured and unsubordinated creditors.

7.5 The Company is required to make payments of loan installments and markup of long term finance on due dates. Subsequent to the year end, the Company has not paid loan installment of ECGD amounting to USD 1.965 million, loan installment of DIB amounting to Rs 33 million and loan installment of Deutsche Bank AG amounting to USD 3.685 million, which were due on July 1 ,2014. The Company was not able to make payments of markup to Deutsche Bank AG of Rs 271.2 million on due dates. Further, certain ratios specified in the loan agreements have not been maintained at June 30, 2014. Furthermore, the existing restructured loan agreements have not yet become effective as certain conditions precedent to the existing restructured agreements 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 12,184 million due after June 30, 2015 have been shown as current liability

As explained in note 2(iii), the Company has entered in negotiations with the lenders to restructure the existing finance facilities.

8. Long term portion of deferred mark up

	Note	2014	2013
		(Rupees in thousand)	
Syndicate of banks	8.1	1,077,478	847,952
Dubai Islamic Bank (DIB)	8.1	4,904	42,203
Bank Alfalah Limited	8.1	214,752	175,803
Total		1,297,134	1,065,958
Less: Amount shown as current liability			
Amount payable within next twelve months		(129,223)	-
Amount due after June 30, 2015		(1,167,911)	(1,065,958)
		(1,297,134)	(1,065,958)
		-	-

8.1 These amounts are payable in ten equal six-monthly installments on each January 1 and July 1 commencing from July 1, 2014 and ending January 1, 2019. As explained in note 7.5, amount has been shown as current liability.

8.2 Subsequent to the year end, the Company was not able to make payment of deferred markup installment to Syndicate of banks of Rs 107.748 million and Bank Alfalah Limited of Rs 21.475 million due on July 1, 2014.

8.3 As explained in note 2(iii), the Company has entered in negotiations with the lenders to restructure the existing finance facilities.

9. Long term finance from shareholders - unsecured

	Note	2014	2013
		(Rupees in thousand)	
Facility 1	9.1	2,372,469	2,373,670
Facility 2	9.2	8,442,285	8,446,560
		10,814,754	10,820,230

9.1 The Company obtained long term finance from a shareholder amounting to USD 24 million (2013: 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. Alternativelyloans 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.

9.2 The Company has obtained long term finance from a shareholder amounting to USD 185 million (2013: USD 185 million) of which USD 85 million (2013: USD 85 million) has been availed at June 30, 2014. 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 installments from 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.

10. 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 was repayable within 30 days of the expiry of twenty four months from the effective date i.e. September 30, 2010, which was 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.

	2014	2013
	(Rupees in thousand)	

11. Obligations under finance leases

	2014	2013
Present value of minimum lease payments	1,090	4,347
Less: Current portion shown under current liabilities	(908)	(3,257)
	182	1,090

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% (2013: KIBOR+3% to 3.5%).

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

	2014	2013
	(Rupees in thousand)	
Due within one year		
Minimum lease payments	990	3,624
Less: Financial charges not yet due	(82)	(367)
Present value of minimum lease payments	908	3,257
Due after one year but not later than five years		
Minimum lease payments	186	1,175
Less: Financial charges not yet due	(4)	(85)
Present value of minimum lease payments	182	1,090
	1,090	4,347

12. Long term deposits

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

13. Deferred grants

This represents amount received and receivable from Universal Service Fund (USF) as subsidy to assist in meeting the cost of deployment of USF Fiber Optic Network for providing USF Fiber Optic Communication Services in Sindh, Baluchistan, Punjab and broad band services in Faisalabad Telecom Region, Hazara Telecom Region, 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 4,662 million (2013: Rs 4,848 million) payable by USF in five installments in accordance with project implementation milestones.

Movement during the year is as follows:

	Note	2014	2013
		(Rupees in thousand)	
Balance at beginning of the year- excluding amount receivable		1,711,409	1,523,604
Amount received during the year		1,049,491	255,986
Amount receivable at year end		238,997	58,710
Amount recognised as income during the year	35	(205,679)	(68,181)
Balance at end of the year		2,794,218	1,770,119

14. Finance from supplier - unsecured

This represented deferred payment in respect of supply of equipment and was interest free.

	Note	2014	2013
		(Rupees in thousand)	

15. Short term running finance - secured

	Note	2014	2013
Facility - I	15.1	1,668,315	1,283,380
Facility - II	15.2	483,365	274,846
		2,151,680	1,558,226

15.1 The Company has a running finance facility of Rs 1,800 million (2013: Rs 1,800 million), of which Rs 132 million (2013: Rs 517 million) was unutilised as at June 30, 2014. The facility is available till December 31, 2019. The principal is payable on expiry/on demand. The rate of mark-up was 6 months KIBOR per annum till December 31, 2013 and KIBOR + 1.5% per annum for the period thereafter. Mark up at 8% is payable on bi-annual basis and remaining amount is deferred which is payable in 10 bi-annual installments with the first installment becoming payable on July 1, 2014.

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 %.

15.2 The Company has a cash finance facility of Rs 790 million (2013: Rs 440 million) of which Rs 307 million (2013: Rs 166 million) was unutilised as at June 30, 2014. The facility has been renewed during the year with certain changes in its terms. The facility is available till September 30, 2014. Markup on the facility is to be serviced on quarterly basis. The rate of mark-up is 3 months KIBOR + 1% per annum.

This facility is secured by lien marked on an amount of USD 8.499 million held under the name "Dhabi One Investment Services LLC" maintained at Bank Alfalah.

15.3 As explained in note 2(iii), the Company has entered in negotiations with the lenders to restructure the existing finance facilities.

16. Trade and other payables

	Note	2014	2013
		(Rupees in thousand)	
Creditors	16.1	508,154	705,165
Due to associated companies	16.2	162,880	150,006
Due to international carriers	16.3	1,062,094	526,721
Payable to Pakistan Telecommunication Authority		1,000,315	1,050,582
Accrued liabilities		3,481,882	3,625,765
Payable to gratuity fund	40	64,861	69,858
Payable to provident fund		27,043	26,008
Unearned revenue		-	128,177
Advance from customers	16.4	549,616	266,325
Income tax deducted at source		72,751	77,680
		6,929,596	6,626,287

16.1 Trade creditors include following amounts due to related parties:

	2014	2013
Wateen Solutions (Pvt) Limited	212,462	210,135
Warid Telecom (Pvt) Limited	-	413,045
	212,462	623,180

16.2 Due to associated companies

	2014	2013
Wateen Satellite Services (Pvt) Limited	146,001	146,056
Bank Alfalah Limited	16,879	3,950
	162,880	150,006

16.3 Due to international carriers includes Rs 10.485 million (2013: Rs 5.925 million) due to a related party Wateen Telecom UK Limited.

16.4 Advance from customers

This includes advance of Rs 48.983 million (2013: Rs 48.983 million) received from associated companies.

	Note	2014	2013
		(Rupees in thousand)	
17. Interest / markup accrued			
Long term finance from shareholders		663,796	456,581
Long term finance - secured		966,771	625,940
Medium term finance - unsecured	17.1	317,648	245,164
Short term running finance - secured	17.2	151,800	123,715
		2,100,015	1,451,400

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

17.2 This includes markup payable to an associated company Bank Alfalah Limited and to the employee's provident fund amounting to Rs 150.364 million and Rs Nil (2013: Rs 64.665 million and Rs 1.436 million) respectively.

18 Disposal group classified as held for sale and discontinued operations

As more fullyexplained in note 1.1 to these financial statements, the disposal group comprises of the WiMAX operations. The assets and liabilities of this disposal group have been separately presented as held for sale. In connection with this, the income statement for these operations has also been separately presented as Discontinued operations.

18.1 Assets and liabilities of disposal group classified as held for sale

	Note	2014	2013
i) Assets of disposal group		(Rupees in thousand)	
Operating assets	20	3,214,376	-
Capital work in progress	21	26,790	-
Intangible assets	22	111,780	-
Stores, spares and loose tools		154,818	-
Advances, deposits, prepayments and other receivables		17,000	-
		3,524,764	-
ii) Liabilities of disposal group			
Long term finance - secured	7	1,112,000	-
Trade and other payables		133,417	-
Long term deposits		21,401	-
		1,266,818	-
		2,257,946	-

18.2 Commitments in respect of arrangements under the Master Transaction Agreement (MTA)

The Company may be required to inject further funds into new company under the terms of MTA referred to in note 1.1 if specified earnings target is not met by a mutually agreed date. The Company is of the view that presently no such support is required for the new Company.

	2014	Represented 2013
	(Rupees in thousand)	
18.3 Operating expenses relating to discontinued operations		
Cost of sales (excluding depreciation and amortisation)	1,446,767	1,328,971
General and administration expenses	343,912	452,129
Advertisement and marketing expenses	43,878	49,549
Selling and distribution expenses	8,759	8,635
	1,843,316	1,839,284

18.4 Cash flows from discontinued operations

Cash flows from operating activities	(993,312)	(629,524)
Cash flows from investing activities	-	-
Cash flows from financing activities	(88,755)	(114,598)
Total Cash flows	(1,082,067)	(744,122)

	2014	2013
	(Rupees in thousand)	
19. Contingencies and Commitments		
19.1 Claims against the Company not acknowledged as debt	314,728	350,954
19.2 Performance guarantees issued by banks on behalf of the Company	2,401,801	2,129,829

19.3 The Company implemented policy directives of Ministry of Information Technology (MoIT) conveyed by the Pakistan Telecommunication Authority (PTA) regarding termination of all international incoming calls into Pakistan. On suspension of these directives by the Honorable Lahore High Court, the Honorable Supreme Court of Pakistan dismissed the pertinent writ petitions by directing Competition Commission of Pakistan (CCP) to decide the case. The Honorable Sind High Court suspended the adverse decision of CCP by granting stay order and the case is pending for adjudication. Further, MoIT vide its letter dated June 17, 2014 had withdrawn its prior policy directive conveyed by PTA regarding termination of all international incoming calls effective August 1, 2014. The Sindh High Court, through its interim order, restrained MoIT and PTA from implementing the direction in the aforesaid letter on a petition filed by one of the concerned operators.

19.4 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 827 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.

19.5 The Deputy Commissioner Inland Revenue (DCIR), Enforcement Unit IV, Large Taxpayers Unit (LTU), Islamabad had issued Order-in-Original based on the observations of Director General Intelligence and Investigation and raised a demand of Rs 31.830 million to be paid along with penalty and default surcharge and also issued recovery notice. The Commissioner Inland Revenue - Appeals [CIR(Appeals)] and Appellate Tribunal Inland Revenue upheld the orders of the DCIR. The Company preferred writ petition in the High Court against the orders of the Officer Inland Revenue and the Honourable High court has granted stay against the demand till the disposal of writ petition.

19.6 The Assistant Commissioner Inland Revenue (AC), Enforcement Unit IV, LTU, Islamabad, had issued show cause notices based on the observation that Company has not furnished Sales Tax and Federal Excise returns for the periods from August 2009 to March 2010, November 2010 and December 2010. 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 notice. The Company deposited principal amount of Rs 138.709 million and default surcharge of Rs 26.231 million based on actual liability as per own working of the Company. The Appellate Tribunal Inland Revenue, Islamabad has remanded the case to the assessing officer with certain directions. The Company had submitted certain information in response to the related proceedings initiated by AC, Enforcement-IV, LTU, Islamabad and proceedings are not yet completed in this respect by the AC.

19.7 The Assistant Commissioner Inland Revenue (ACIR) LTU Islamabad alleged that Company had not withheld tax on payments made to foreign telecom operators during the tax years 2008, 2009, 2010 and 2011. Further the ACIR ordered the Company to pay alleged demand of Rs 477.767 million representing principal amount and default surcharge for the aforesaid tax years. The CIR - Appeals upheld the contentions of the ACIR and directed the assessing officer to recalculate the withholding tax by applying the rates as given in the Division II of Part III of the First Schedule to the Income Tax Ordinance, 2001. The Company has filed appeal before the Appellate Tribunal Inland Revenue (ATIR), which is pending for adjudication. The Company filed a writ petition before the High Court whereby the High Court passed interim order allowing the Company to make future payments without deduction of tax. The matter is pending for hearing of applications.

19.8 The Officer Inland Revenue, Audit - V, Large Taxpayers Unit, Islamabad (OIR) issued orders with an aggregate demand of Rs 422 million relating to tax years 2008, 2009, 2011 ,2012 and 2013 by holding that the taxes paid under section 148 (7) on imports of the Company are not adjustable against the income tax liability as the Company is not covered under the definition of industrial undertaking. The OIR also levied minimum tax under section 113 of the Ordinance for tax year 2011, 2012 & 2013. The Company preferred appeals against the aforesaid orders before CIR - Appeals along with stay applications. The stay application was rejected by CIR - Appeals, Islamabad. The Company preferred the stay application before the ATIR against the demands raised vide orders dated June 19, 2014. The ATIR rejected the Company's application for stay by holding that as the main appeal is pending before CIR (A) accordingly, the ATIR cannot grant the stay in view of limitation envisaged in section 131 (2) of the Income Tax Ordinance, 2001. The Company has obtained stay from Islamabad High Court by filing writ petition which is valid till hearing of appeal on December 7, 2014 which ever is earlier. The hearing has been conducted by the CIR(A), however, order is awaited.

19.9 The Additional Commissioner Inland Revenue, Audit - II, Large Taxpayers Unit, Islamabad (ACIR) issued show cause notice dated June 6, 2014 whereby ACIR alleged the Company of claiming inadmissible input tax, suppression of sale, non payment of sales tax on fixed asset, non compliance of sales tax special procedure rules, penalty on late filing of sales tax and federal excise returns and non withholding of federal excise duty on advertisement services. The Company could not furnish the requisite information to the ACIR because of fire effected records. The ACIR passed ex-parte orders and raised the demand of Rs 518 million along with penalty and default surcharge. The Company preferred appeals and stay before Commissioner (Appeals-I), Islamabad, which is pending for hearing.

No provision on account of contingencies disclosed in note 19.3 - 19.9 above has been made in these financial statements as the management and its advisors are of the view, that these matters will eventually be settled in favour of the Company.

		2014	2013
		(Rupees in thousand)	
19.10	Outstanding commitments for capital expenditure	475,118	845,316

19.11 Commitments in respect of transfer of assets to Wateen WiMAX (Private) Limited (WWL)

As more fully explained in note 1.1 and 18, the Company has agreed to transfer net assets of Rs 2,258 million as at July 10, 2014 to WWL in furtherance of the terms of share issuance agreement dated September 9, 2014 between the Company and WWL.

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

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 WSPL 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 (SPA) dated April 1, 2010 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 WSPL to Mr. Jahangir Ahmed during the year ended June 30, 2011, 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 WSPL, the current business dynamics and the resultant devaluation of its share price, the management entered into negotiations with Mr. Jahangir Ahmed whereby he agreed to transfer the shares of WSPL to the Company without requiring payment of the balance of Rs 255 million. Same was approved by shareholders in Extra Ordinary General Meeting dated December 31, 2011.

Subsequent to the year end on November 18, 2014, the Company and Mr. Jahangir Ahmed have signed an addendum to the agreement, whereby Mr. Jahangir Ahmed has agreed to transfer the remaining 49% shares without any further consideration. The legal formalities for transfer of shares are in process.

20. Operating assets

	Freehold Land	Buildings freehold	Lease hold improvements	Line and wire	Network equipment	Tools and gears	Office equipment	Computers and accessories	Furniture and fixtures	Motor Vehicles owned	Motor Vehicles leased	Total
	(Rupees in thousand)											
At 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
Year ended June 30, 2013												
Opening 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
Additions	4,435	-	41,160	1,521,198	574,391	5,919	12,455	61,533	5,194	12,741	2,469	2,241,495
Disposals/ transfer												
- Cost	-	-	-	(270,236)	(276,196)	-	-	-	-	-	-	(546,432)
- Accumulated depreciation	-	-	-	22,580	674	-	-	-	-	-	-	23,254
- Net book value	-	-	-	(247,656)	(275,522)	-	-	-	-	-	-	(523,178)
Depreciation charge	-	(23,353)	(11,863)	(146,135)	(562,935)	(5,439)	(10,252)	(34,074)	(19,100)	(8,195)	(2,188)	(823,534)
Reversal of impairment	-	-	-	-	1,257,323	-	15	1,044	-	32	-	1,258,414
Closing net book amount	64,829	801,874	83,954	3,796,688	6,214,911	10,415	64,998	54,555	122,487	17,533	5,850	11,238,094
At June 30, 2013												
Cost	64,829	934,138	118,133	4,291,244	20,529,766	117,595	111,313	784,561	198,537	154,915	13,408	27,318,439
Accumulated depreciation	-	(132,264)	(34,179)	(494,556)	(5,966,359)	(107,180)	(46,205)	(717,003)	(76,050)	(134,432)	(7,558)	(7,715,786)
Accumulated impairment	-	-	-	-	(8,348,496)	-	(110)	(13,003)	-	(2,950)	-	(8,364,559)
Net book amount	64,829	801,874	83,954	3,796,688	6,214,911	10,415	64,998	54,555	122,487	17,533	5,850	11,238,094
Year ended June 30, 2014												
Opening net book amount	64,829	801,874	83,954	3,796,688	6,214,911	10,415	64,998	54,555	122,487	17,533	5,850	11,238,094
Additions	-	-	107	105,694	132,190	15,139	11,396	26,295	1,484	208	-	292,513
Disposals/ transfer												
- Cost	-	-	-	(97,020)	(6,447)	(1,262)	(408)	(1,255)	-	(1,647)	-	(108,039)
- Accumulated depreciation	-	-	-	-	595	1,262	358	1,159	-	1,647	-	5,021
- Net book value	-	-	-	(97,020)	(5,852)	-	(50)	(96)	-	-	-	(103,018)
Depreciation charge	-	(23,353)	(11,768)	(171,715)	(722,634)	(8,918)	(11,196)	(30,626)	(19,724)	(4,581)	(2,698)	(1,007,213)
Reversal of impairment (note 20.1)	-	-	-	-	520,912	-	6	149	-	-	-	521,067
Assets classified as held for sale (Note 18)												
Cost	-	-	-	-	(16,210,466)	(2,467)	(301)	(26,547)	-	(33,642)	-	(16,273,423)
Accumulated depreciation	-	-	-	-	5,169,464	2,467	162	12,770	-	30,692	-	5,215,555
Accumulated impairment	-	-	-	-	7,827,584	-	104	12,854	-	2,950	-	7,843,492
Transferred to assets classified as held for sale	-	-	-	-	(3,213,418)	-	(35)	(923)	-	-	-	(3,214,376)
Closing net book amount	64,829	778,521	72,293	3,633,647	2,926,109	16,636	65,119	49,354	104,247	13,160	3,152	7,727,067
Cost	64,829	934,138	118,240	4,299,918	4,445,043	129,005	122,000	783,054	200,021	119,834	13,408	11,229,490
Accumulated depreciation	-	(155,617)	(45,947)	(666,271)	(1,518,934)	(112,369)	(56,881)	(733,700)	(95,774)	(106,674)	(10,256)	(3,502,423)
Net book amount	64,829	778,521	72,293	3,633,647	2,926,109	16,636	65,119	49,354	104,247	13,160	3,152	7,727,067
Annual rate of depreciation %	-	2.5	10	4	6.67-20	33.33	10	33.33	10	20	20	

20.1 Impairment

During the year ended June 30, 2012, the management reviewed the business performance of the WiMAX operations, considering it a separate cash generating unit (CGU), and booked an impairment loss of Rs 9,623 million against the carrying value of these assets and subsequently reversed an impairment loss of Rs 1,258 million during the year ended June 30, 2013. The assessment of impairment of these assets was made on account of the certain triggering events as described below, which met the criteria specified under IAS 36 for assessment of impairment of assets.

- Decline in the market value of WiMAX operation's 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

As more fully explained in note 1.1, subsequent to the year end, the Company has agreed to transfer assets and liabilities to WWL against issuance of shares at a mutually agreed price. The difference between the carrying values of net assets to be transferred to WWL and the consideration agreed against transfer of net assets related to the WiMAX operations to WWL under the share issuance agreement between the Company and WWL dated September 9, 2014 and as approved by the shareholders of the Company in extra ordinary general meeting held on October 3, 2014 has been recognised as reversal of impairment loss.

20.2 The cost of fully depreciated assets which are still in use as at June 30, 2014 is Rs. 2,223 million (2013: Rs. Nil).

	Note	2014	2013
21. Capital work in progress		(Rupees in thousand)	
Lease hold improvements		10,912	1,006
Line and wire		1,326,058	630,171
Network equipment (net of impairment of DSL assets Rs 353.515 million)		211,663	98,052
		1,548,633	729,229
21.1 Movement during the year			
Balance as at July 01		729,229	2,190,030
Additions during the year		943,214	712,535
Less: Transferred to disposal group classified as held for sale	18	(26,790)	-
Capitalised during the year		(97,020)	(2,173,336)
Balance as at June 30		1,548,633	729,229

22. Intangible assets

	Note	2014	2013
		(Rupees in thousand)	
LDI license fee	22.1		
Cost		28,934	28,934
Amortisation			
Opening balance		12,901	11,454
Amortisation for the year		1,447	1,447
		(14,348)	(12,901)
Net book value		14,586	16,033
WLL license fee	22.2		
Cost		176,366	176,366
Amortisation			
Opening balance		54,682	44,778
Amortisation for the year		9,904	9,904
		(64,586)	(54,682)
Net book value		111,780	121,684
Less: Transferred to disposal group classified as held for sale	18	(111,780)	-
		-	121,684
Software license	22.3		
Cost			
Opening balance		84,417	72,621
Additions during the year		-	11,796
Closing balance		84,417	84,417
Amortisation			
Opening balance		52,145	37,623
Amortisation for the year		14,108	14,522
		(66,253)	(52,145)
Net book value		18,164	32,272
ERP license	22.4		
Cost		7,832	7,832
Amortisation			
Opening balance		7,178	5,612
Amortisation for the year		654	1,566
		(7,832)	(7,178)
Net book value		-	654
Total net book value		32,750	170,643

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 (WSPL), from November 4, 2004. On August 31, 2006 the license was transferred by Wateen Solutions (Pvt) Limited to the Company covering four telecom regions.

(iii) Subsequent to the year end, Wireless Local Loop (WLL) License has been transferred to wholly owned subsidiary Wateen WiMAX (Private) Limited.

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, 2014		June 30, 2013	
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 500 fully paid ordinary shares of Rs 10 each	100	5	100	5
Netsonline Services (Pvt) Limited 4,000 fully paid ordinary shares of Rs 100 each	100	4,400	100	4,400
Wateen Telecom UK Limited				
10,000 fully paid ordinary shares of GBP 1 each (note 23.2)	100	1,390	100	1,390
Wateen Wimax (Pvt) Limited (WWL)				
1,000 fully paid ordinary shares of Rs 10 each (note 23.3)	100	10	100	10
		143,461		143,461
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)
		137,671		137,671

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 investing in equity abroad is in process and shares of Wateen Telecom UK Limited will be issued to the Company after receipt of such approval.

23.3 WWL was incorporated on December 6, 2012 for the purpose of carrying out WiMAX business. In terms of Memorandum of Association of the Company dated December 17, 2012, the Wateen Telecom Limited (Parent Company) and its three nominee directors have subscribed and taken fully paid 1000 shares of Rs 10 each. As per the terms of share issuance agreement dated September 9, 2014 between the Parent Company and WWL, WWL will issue shares to the parent company at par value for consideration against transfer of assets and liabilities pertaining to the WiMAX operations to WWL. Legal formalities are in process for issuance of shares.

24. Deferred income tax asset

	2014	2013
	(Rupees in thousand)	
Taxable temporary differences between accounting and tax depreciation	(1,627,377)	(1,376,535)
Unused tax losses - recognised to extent of taxable temporary differences	1,627,377	1,376,535
	-	-

The aggregate tax losses available to the Company for set off against future taxable profits at June 30, 2014 amounted to Rs 27,362 million. Of these, losses aggregating Rs 4,786 million have been recognized in the financial statements against taxable temporary differences at June 30, 2014. The tax depreciation losses pertaining to WiMAX operations as at June 30, 2014 are estimated at Rs 12,843 million (2013: Rs 12,237 million).

Deferred tax asset, the potential tax benefit of which amounts to Rs 11,078 million has not been recognized on balance representing business losses aggregating to Rs 5,249 million, tax depreciation losses aggregating Rs 17,327 million and deductible temporary differences on account of provisions and share issue cost aggregating Rs 10,007 million as at June 30, 2014. Business losses expire as follows:

Tax Year	Rs in million
2018	3,650
2019	508
2020	1,091

25. Long term deposits

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

	Note	2014	2013
		(Rupees in thousand)	
27. Trade debts - unsecured			
Considered good	27.1	3,069,660	2,743,424
Considered doubtful		922,062	907,275
		3,991,722	3,650,699
Provision for doubtful debts	27.4	(922,062)	(907,275)
		3,069,660	2,743,424

27.1 Trade debts include following balances due from associated companies:

	2014	2013
Warid Telecom (Pvt) Limited	69,526	507,573
Warid International LLC, UAE - Parent company	98,600	98,600
Alfalah Insurance Company	7,556	4,453
	175,682	610,626

27.2 Trade debts include receivable under finance lease of optic fiber cable and telecom equipment as follows:

2014

	Total future payments	Unearned Interest income	Present value
	(Rupees in thousand)		
Not later than one year	121,180	95,244	25,935
Between one and five years	484,718	332,295	152,423
Later than five years	786,466	385,479	400,988
	1,392,364	813,018	579,346

2013

	Total future payments	Unearned Interest income	Present value
	(Rupees in thousand)		
Not later than one year	212,359	194,065	18,294
Between one and five years	454,718	332,295	122,423
Later than five years	846,466	385,479	460,987
	1,513,543	911,839	601,704

27.3 Age analysis of trade debts from associated companies, past due but not impaired is as follows:

	Note	2014	2013
		(Rupees in thousand)	
0 to 6 months		72,649	28,492
6 to 12 months		-	480,393
Above 12 months		103,033	101,741
		175,682	610,626

27.4 Provision for doubtful debts

	Note	2014	2013
Opening balance		907,275	755,547
Provision made during the year - other than related parties		14,787	151,728
Closing balance	27.4.1	922,062	907,275

27.4.1 These include Rs 874 million (2013: Rs 835 million) based on age analysis of the debts as follows:

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

28. Stores, spares and loose tools

	2014	2013
Cost	611,776	694,789
Less: Provision for obsolete stores	212,266	212,266
	399,510	482,523

	Note	2014	2013
		(Rupees in thousand)	

29. Advances, deposits, prepayments and other receivables

	Note	2014	2013
Advances to suppliers and contractors - considered good		746,906	745,218
Advances to employees - considered good		50,130	38,944
Security deposits and earnest money		102,569	111,410
Margin held by bank against letters of guarantee		337,395	171,609
Prepayments	29.1	104,415	115,139
Sales tax refundable		152,895	91,798
Due from associated companies	29.2	1,772,220	1,831,501
Accrued interest		7,842	9,908
Government grant receivable		238,997	58,710
Others		86,809	84,720
		3,600,178	3,258,957
Less:			
Provision for doubtful receivables - related parties	29.3		
Opening balance		447,607	475,567
Provision for the year - charged against finance income		21,247	-
Written off against provisions		-	(27,960)
Closing balance		468,854	447,607
Provision for doubtful receivables - other parties			
Opening balance		105,764	60,764
Provision for the year		25,000	45,000
Closing balance		130,764	105,764
		599,618	553,371
		3,000,560	2,705,586

29.1 These include current portion of right of way charges of Rs 15.872 million (2013: Rs 47.730 million).

29.2 Due from associated companies

	2014	2013
Wateen Solutions (Pvt) Limited	996,700	1,032,932
Wateen Telecom UK Limited	361,026	358,684
Warid Telecom (Pvt) Limited	7,162	94,293
Wateen Multi Media (Pvt) Limited	225,228	165,702
Advance for construction of Warid Tower	68,916	78,410
Warid International LLC, UAE - Parent company	52,717	47,808
Raseen Technologies (Pvt) Limited	23,261	21,028
Warid Telecom Georgia Limited	19,641	17,535
Netsonline services (Pvt) Limited	8,311	8,311
Warid Telecom International - Bangladesh	7,119	6,357
Wateen WiMAX (Pvt) Limited	2,022	324
Bank Alfalah Limited	117	117
	1,772,220	1,831,501

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

	2014	2013
	(Rupees in thousand)	
Wateen Telecom UK Limited	288,889	288,889
Advance for construction of Warid Tower	68,916	68,916
Warid International LLC, UAE - Parent company	52,717	42,019
Raseen Technologies (Pvt) Limited	23,261	18,482
Warid Telecom Georgia Limited	19,641	15,403
Netsonline Services (Pvt) Limited	8,311	8,311
Warid Telecom International Bangladesh	7,119	5,587
	468,854	447,607

Provision for doubtful receivables other than Netsonline Services (Pvt) Limited was approved by shareholders of the Company in Extra Ordinary General Meetings held on December 31, 2011 and October 3, 2014.

30. Cash and bank balances

	2014	2013
Balance with banks on		
- current accounts	113,537	72,068
- collection accounts	14,055	11,379
- deposit accounts	435,513	368,306
Cash in hand	837	580
	563,942	452,333

30.1 Bank balances amounting to Rs 25.213 million were under lien with banks (2013: Rs 251.177 million).

30.2 Cash and bank balances include foreign currency balances aggregating USD 1.046 million (2013: USD 0.380 million).

30.3 Bank balances on deposit accounts carried interest at an average rate of 5% - 8 % per annum (2013: 5%-8% per annum).

	2014	2013 Represented
	(Rupees in thousand)	

31. Revenue

	2014	2013
Gross revenue	6,416,743	7,686,718
Less: Sales tax / Federal excise duty	510,831	318,589
	5,905,912	7,368,129

32. Cost of sales

	2014	2013
LDI Interconnect cost	1,720,645	2,065,127
Leased circuit charges	242,061	289,702
Contribution to PTA Funds	62,130	273,544
PTA regulatory and spectrum fee	31,251	35,279
Cost associated with IRU of Optic Fibre Cable	97,020	-
Operational cost	546,454	1,366,490
Bandwidth cost of VSAT services	551,920	582,009
Others	133,150	75,564
	3,384,631	4,687,715

	Note	2014	2013 Represented
		(Rupees in thousand)	

33. General and administration expenses

	Note	2014	2013
Salaries, wages and benefits	33.1	796,076	650,186
Rent		76,188	72,131
Repairs and maintenance		16,450	6,114
Vehicle repairs and maintenance		29,924	15,765
Travel and conveyance		47,560	38,816
Postage and stationery		24,806	19,296
Auditor's remuneration	33.2	6,956	4,652
Legal and professional charges		70,062	127,481
Communication expenses		26,449	33,092
Employee training		3,548	4,806
Customer services charges		45,314	38,039
Fees and subscription		1,000	1,674
Insurance		28,401	8,916
Entertainment		15,719	15,614
General office expenses		13,220	9,950
		1,201,673	1,046,532

33.1 These include charges against employee's retirement benefits of Rs 72.253 million (2013: Rs 70.352 million).

33.2 Auditor's remuneration

	2014	2013
	(Rupees in thousand)	
Annual audit	2,200	2,000
Audit of consolidated accounts and review of half yearly accounts	1,100	1,000
Tax services	3,558	1,462
Out of pocket expenses	98	190
	6,956	4,652

34. Provisions

	2014	2013
Provision for doubtful trade debts	14,787	151,728
Provision for doubtful advances and other receivables	25,000	45,000
	39,787	196,728

35. Other income

	2014	2013
Income from non-financial assets:		
Government grant recognised	205,679	68,181
Insurance claim received	60,000	-
Loss on sale of operating assets	-	(46)
Others	-	5,178
	265,679	73,313

36. Finance cost

	Note	2014	2013 Represented
		(Rupees in thousand)	
Markup on long term and medium term finance	36.1	1,244,809	1,258,848
Amortization of ancillary cost of long term finance		37,306	37,307
Mark up on short term borrowings	36.2	241,054	185,309
Finance cost of leased assets		334	986
Bank charges, commission, fees and other charges		54,037	32,632
Late payment charges on other payables		-	730
Exchange (gain)/loss		27,462	847,201
		1,605,002	2,363,013

36.1 This includes markup related to long term finance from shareholders of Rs 216.279 million (2013: Rs 223.848 million) and medium term finance from an associated company of Rs 72.484 million (2013: Rs 80.610 million).

36.2 This includes markup related to an associated company of Rs 240.256 million (2013: Rs 185.309 million).

37. Finance income

	2014	2013
	(Rupees in thousand)	
Finance income on lease	98,821	-
Markup on advance to associated companies	124,562	172,102
Provision of markup on advances to associated companies	(21,247)	-
	103,315	172,102
Income on bank deposit accounts	33,760	37,827
	235,896	209,929

38. Reconciliation of tax charge

	2014	2013
	%	%
Applicable tax rate	34	35
Deferred tax asset on unused tax loss not recognised	(34)	(35)
Average effective tax rate	-	-

39. FINANCIAL INSTRUMENTS

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

- Credit risk;
- Liquidity risk; and
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further, quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

The Company's policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks. Management's policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of directors oversees how management monitors compliance with the Company's policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The directors are assisted in their oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors.

39.1. Credit risk

Credit risk is the risk of financial loss to the Company if a counter party to financial instruments fails to meet its contractual obligations, and arises principally from the Company's receivable from customers, deposits, contract work in progress, advances, deposits, prepayments and other receivables and bank balances. The Company assesses the credit quality of counterparties as satisfactory. The Company does not hold any collateral as security against any of its financial assets. The Company limits its exposure to credit risk by investing only in liquid securities.

Company's exposure to credit risk is influenced mainly by the individual characteristics of each operator including the default risk of the industry and country in which the operator works. Significant portion of the Company’s receivables is attributable to operators. Company regularly monitors the status of receivables.

	2014	2013
	(Rupees in thousand)	
Trade debts-net of provision	3,069,660	2,743,424
Contract work in progress	21,458	17,366
Advances, deposits, prepayments and other receivables	2,149,239	1,845,229
Bank balances	563,105	451,753
Long term deposits	249,113	240,886

Impairment losses

The aging of these trade debts at the reporting date is as follows:

	2014		2013	
	Gross	Impairment	Gross	Impairment
	(Rupees in thousand)			
Up to 3 months	2,105,065	-	1,296,808	-
3 to 6 months	267,108	-	552,850	-
6 to 9 months	62,945	31,374	450,168	100,116
Above 9 months	1,556,604	890,688	1,350,873	807,159
	3,991,722	922,062	3,650,699	907,275

The Company has recorded an allowance for impairment in respect of advances, deposits, prepayments and other receivables of Rs 600 million (2013: Rs 553 million).

39.2. Liquidity risk

Liquidity risk is the risk that Company will not be able to meet its financial obligations as they fall due. Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to Company's reputation.

Company ensures that it has sufficient cash on demand to meet expected cash outflows during its operating cycle. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. 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 is restructuringthe long term finance facilities and short term borrowings which will facilitate the Company to greater extent to meet its obligations/ covenants under loan agreements.

As June 30, 2014, the Company has financial assets of Rs 6,053 million (2013: Rs 5,299 million) and Rs 10,314 million (2013: Rs 9,081 million) unavailed borrowing facilities from financial institution.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the maturity date. The amounts disclosed in the table are contractual undiscounted cash flows except for employee's retirement benefit obligations.

			Carrying Amount	
	Carrying amount	Contractual Cash flows	Less than 1 Year	Between 1 to 5 years
	(Rupees in thousand)			
2014				
Long term finance - secured	15,727,680	15,833,115	3,543,415	12,184,265
Long term portion of deferred mark up	1,297,134	1,297,134	129,223	1,167,911
Long term finance from shareholders-unsecured	10,814,754	20,649,200	-	10,814,754
Medium term finance from an associated company - unsecured	600,000	600,000	-	600,000
Obligations under finance leases	1,090	1,176	908	182
Short term running finance - secured	2,151,680	2,590,000	2,151,680	-
Trade and other payables	6,379,980	6,379,980	6,379,980	-
Long term deposits	57,110	57,110	21,401	35,709
Interest/mark-up accrued	2,100,015	2,100,015	2,100,015	-
	39,129,443	49,507,730	14,326,622	24,802,821
2013				
Long term finance - secured	15,694,054	15,836,795	-	15,694,054
Long term portion of deferred mark up	1,065,958	1,065,958	-	1,065,958
Long term finance from shareholders - unsecured	10,820,230	20,607,400	-	10,820,230
Medium term finance from an associated company - unsecured	600,000	600,000	-	600,000
Obligations under finance leases	4,347	4,799	3,257	1,090
Finance from supplier - unsecured	40,542	40,542	40,542	-
Short term running finance - secured	1,558,226	2,590,000	1,558,226	-
Trade and other payables	6,231,785	6,231,785	6,231,785	-
Long term deposits	58,220	58,220	-	58,220
Interest/mark-up accrued	1,451,400	1,451,400	1,451,400	-
	37,524,762	48,486,899	9,285,210	28,239,552

39.3. Market risk

Market risk is the risk of changes in market prices, such as foreign exchange rates and interest rates. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

a) Interest rate risk

As the significant financial assets and liabilities carry variable interest rates, Company's operating cash flows are dependent on changes in the market interest rates. Financial assets of Rs 1,401 million (2013: Rs 1,694 million) and financial liabilities of Rs 29,401 million (2013: Rs 28,820 million) were subject to interest rate risk.

At June 30, 2014, had interest rates been 1% higher/lower with all other variables held constant, net loss for the year would have been Rs 279.80 million (2013: Rs 271.261 million) higher/lower.

b) Currency Risk

The Company is exposed to currency risk on long term finance, bank balance and receivables/payables which are denominated in currency other than the functional currency of the Company. Financial assets include Rs 1,350 million (2013: Rs 1,520 million) and financial liabilities include Rs 18,900 million (2013: Rs 18,568 million) in foreign currency which were exposed to exchange risk.

At June 30, 2014, if the currency had weakened/strengthened by 10% against US dollar with all other variables held constant, net loss for the year would have been Rs 1,755 million (2013: Rs 1,714 million) higher/lower.

c) Fair value of financial instruments.

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair values.

	2014	2013
	(Rupees in thousand)	
Financial assets - Loans and receivable		
Trade debts	3,069,660	2,743,424
Contract work in progress	21,458	17,366
Advances, deposits, prepayments and other receivables	2,149,239	1,845,229
Bank balances	563,105	451,753
Long term deposits	249,113	240,886
	6,052,575	5,298,658
Financial liabilities - Other financial liabilities		
Long term finance - secured	15,727,680	15,694,054
Long term portion of deferred mark up	1,297,134	1,065,958
Finance from supplier - unsecured	-	40,542
Long term finance from shareholders - unsecured	10,814,754	10,820,230
Medium term finance from an associated company - unsecured	600,000	600,000
Obligation under finance leases	1,090	4,347
Short term borrowings - secured	2,151,680	1,558,226
Trade and other payables	6,379,980	6,231,785
Long term deposits	57,110	58,220
Interest / markup accrued	2,100,015	1,451,400
	39,129,443	37,524,762

d) 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 sell 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.

39.4 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	2014	2013
		(Rupees in thousand)	
Trade debts			
Counterparties with external credit rating	A1+	127,109	73,026
	A1	5,208	1,772
	A2	494	3,844
	A3	2,562	-
	A-1	-	12,457
	A-1+	-	33,889
	A-2	-	1,801
	P-1	-	236
	P-2	-	334
Counterparties without external credit rating			
Due from related parties		175,682	610,626
Others		2,758,605	2,005,439
		3,069,660	2,743,424
Advances, deposits and other receivables			
Counterparties with external credit rating			
	A1+	202,174	48,839
	A1	-	3,123
	A3	125,000	125,580
	AA	-	11,856
Counterparties without external credit rating			
Due from related parties		1,303,366	1,383,894
Others		518,699	271,937
		2,149,239	1,845,229
Long term deposits			
Others		249,113	240,886
Bank balances			
	A1+	220,173	353,575
	A-1+	327,201	6,849
	A-1	14,368	88,363
	A-2	-	1,022
	A1	-	-
	P-1	70	1,944
	A3	1,293	-
		563,105	451,753

	2014	2013
	(Rupees in thousand)	

40. Employees' retirement benefits

	2014	2013
40.1 Liability for funded staff gratuity	64,861	69,858
The amounts recognised in the statement of financial position:		
Present value of defined benefit obligation	198,837	155,706
Benefits due but not paid	4,616	4,616
Fair value of plan assets	(138,592)	(90,614)
Actuarial gain not recognised	-	150
Net liability	64,861	69,858

40.2 The amounts recognised in the statement of financial position are as follows:

	2014	2013
Opening liability / (asset)	69,858	128,049
Expense recognised in income statement	40,157	40,966
Contributions made during the year	(53,690)	(109,152)
Liability transferred from Wateen Solutions (Pvt) Limited	-	9,995
Remeasurement loss recognised in statement of comprehensive income	8,536	-
Closing liability	64,861	69,858

40.3 The amounts recognised in income statement are as follows:

	2014	2013
Current service cost	36,141	38,560
Interest cost	15,275	17,959
Expected return on plan assets	(11,259)	(2,656)
Settlement (gain)/loss	-	(12,897)
	40,157	40,966

40.4 Remeasurements recognised in other comprehensive income (OCI) are as follows:

	2014	2013
Remeasurement loss/(gain) on obligations:		
Loss from changes in demographic assumptions	-	-
Loss from changes in financial assumption	-	-
Experience loss	12,176	-
Gain due to remeasurement of investment return	(3,490)	-
Remeasurement gain of prior period	(150)	-
	8,536	-

40.5 Changes in the present value of defined benefit obligation are as follows:

	2014	2013
Opening defined benefit obligation	155,706	138,147
Current service cost	36,141	38,560
Interest cost	15,275	17,959
Liability transferred from Wateen Solutions (Pvt) Limited	-	9,995
Remeasurement loss	12,176	-
Actuarial gain of prior period	-	4,093
Benefits paid	(20,461)	(39,387)
Settlement (gain)/loss	-	(12,897)
Benefits due but not paid	-	(764)
Closing defined benefit obligation	198,837	155,706

	2014	2013
	(Rupees in thousand)	

40.6 Changes in fair value of plan assets:

	2014	2013
Opening fair value of plan assets	90,614	20,433
Remeasurement gain	3,490	-
Contributions by employer	53,690	109,152
Benefits paid	(20,461)	(40,161)
Expected return on plan assets	11,259	2,656
Actuarial gain/ (loss) of prior period	-	(1,466)
Closing fair value of plan assets	138,592	90,614

Actual return on plan assets for the year is Rs 15.275 million.

During the next financial year, the expected contribution to be paid to the gratuity fund by the Company is Rs 46.07 million (2013: Rs 38 million).

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

	2014		2013	
	Rupees ('000)	%age	Rupees ('000)	%age
Cash and bank	63,752	46	28,080	31
Investments	74,840	54	62,534	69
	138,592	100	90,614	100

40.8 Significant actuarial assumptions:

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

	2014	2013
Valuation discount rate-p.a	13.25%	10.5%
Expected rate of increase in salaries-p.a	13.25%	10.5%
Expected rate of return on plan assets-p.a	12%	13%
Average expected remaining working life time of employees	8 years	6 years

40.9 Sensitivity Analysis

The calculation of the defined benefit obligation is sensitive to assumptions set out above. The following table summarizes how the defined benefit obligation at the end of reporting period would have increased/ (decreased) as a result of change in respective assumptions by one percent.

	Defined benefit obligation Effect of 1%	
	Increase	(Decrease)
	(Rupees in thousand)	
Discount rate	(14,404)	16,715
Expected rate on increase in salaries	17,208	(15,117)

40.10 The weighted average number of years of defined benefit obligation is 8 years as at June 30, 2014

40.11 The Company contributes to gratuity fund on the advice of fund's actuary. The contribution is equal to current service cost with the adjustment for any deficit.

	2014	2013
	(Rupees in thousand)	
Salaries, wages and benefits as appearing in note 33 include amounts in respect of the following:		
Provident fund	32,096	29,386
Gratuity fund	40,157	40,966
	72,253	70,352

40.12 Projected benefit payments from gratuity fund are as follows:

	(Rupees in thousand) June 30
For the year 2015	35,162
For the year 2016	31,542
For the year 2017	32,310
For the year 2018	32,583
For the year 2019	34,116
For the year 2020	33,982
For the year 2021	39,028
For the year 2022	33,779
For the year 2023	44,244
For the year 2024	36,018
For the year 2025 onwards	4,101,958

41. Defined contribution plan

Details of provident funds are as follows:

Staff provident fund	2014	2013
	(Rupees in thousand)	
Net assets	199,764	172,482
Cost of investments made	150,173	129,352
Fair value of investments made	165,087	133,657
%age of investments made	83%	78%

	2014		2013	
Breakup of investment - at cost	Rs '000	%age	Rs '000	%age
Shares	25,656	17%	25,656	20%
Mutual Funds	60,546	40%	10,000	8%
Bank deposits	63,971	43%	93,696	72%
	150,173	100%	129,352	100%

41.1 Investments out of provident funds have been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for the purpose.

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.

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

	2014	2013
	(Rupees in thousand)	
Parent Company		
Warid Telecom International LLC, UAE (WTI)		
Markup charged to WTI	4,909	5,789
Shareholders		
Long term finance received from shareholders	-	956,576
Markup on long term finance from shareholders	216,279	223,848
Subsidiary companies		
Wateen Solutions (Pvt) Limited (WSPL)		
Receipt of services	-	3,737
Markup charged to WSPL	100,941	94,108
Payments made by the Company on behalf of WSPL	-	51,795
Payments made by WSPL on behalf of company	51,277	-
General and administrative expenses reimbursable on behalf of WSPL	36,642	-
Wateen Satellite Services Private Limited		
Payment made on behalf of Wateen Satellite	55	148
Wateen Telecom UK Limited (Wateen UK)		
Sale of services	1,067	54,205
Markup charged to Wateen UK	-	39,797
Expenses charged by Wateen UK	-	29,981
Netsonline Services (Private) Limited (NOSPL)		
Payments made by the Company on behalf of NOSPL	40	40
Wateen WiMAX (Pvt) Limited (WWL)		
Payments made by the Company on behalf of WWL	1,698	324
Associated companies:		
Warid Telecom (Pvt) Limited (WTL)		
Sale of services	1,102,015	1,023,869
Markup charged to WTL	-	9,494
Cost and expenses charged by WTL	648,220	680,866
Wateen Multimedia (Pvt) Limited (WMM)		
Cost and expenses charged by WMM	-	1,500
Markup charged to WMM	21,420	19,761
Warid Telecom Georgia Limited		
Markup charged on advance	2,106	2,133
Raseen Technology (Pvt) Limited		
Markup charged on advance	2,233	2,546
Warid Telecom International - Bangladesh		
Markup charged on advance	764	770
Bank Alfalah Limited (BAL)		
Sale of services	100,363	74,215
Markup charged by BAL on short term running finance	240,256	185,309
Markup charged on bank deposits with BAF	4,531	-
Taavun (Pvt) Limited		
Markup on long term finance	72,484	80,610
Provident Fund Trust		
Employer contribution to trust	32,096	29,386
Gratuity Fund		
Employer contribution to fund	40,157	40,966

42.2 Remuneration of Executive Directors and Chief Executive

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

	Chief Executive		Directors		Total	
	2014	2013	2014	2013	2014	2013
	---(Rupees in thousand)---					
Managerial remuneration	15,484	13,290	5,465	9,218	20,949	22,508
Bonus	12,000	-	-	-	12,000	-
Housing and utilities	8,516	7,310	-	-	8,516	7,310
Company's contribution to provident and gratuity funds	1,290	1,107	-	-	1,290	1,107
Leave fair assistance	1,290	1,108	-	-	1,290	1,108
	38,580	22,815	5,465	9,218	44,045	32,033
Number of persons	1	1	2	2	3	3

42.3 Capacity

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

42.4 Number of employees	2014	2013
Total number of employees at end of the year	701	718
Average number of employees for the year	695	756

43. Reconstruction of accounting records destroyed in fire incident

During the year ended June 30, 2012, a fire broke out at the New Auriga Centre, Lahore where the Head Office of the Company was 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. The exercise related to the period July 1, 2008 to June 30, 2011 is in progress.

44. Corresponding figures

Comparative figures have been reclassified for representing the results of discontinued operations in accordance with IFRS 5 as referred to in note 1.1, 18, 32, 33 and 36 to the financial statements.

45. Date of authorisation for issue

These financial statements have been authorised for issue by the Board of Directors of the Company on November 30, 2014.

Chief Executive

Director

Consolidated Financial Statements

AUDITOR'S 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 Solutions (Pvt) Limited, Wateen Satellite Services (Pvt) Limited, Wateen Telecom UK Limited, Netsonline Services (Pvt) Limited and Wateen WiMAX (Private) Limited as at June 30, 2014 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, subsidiary companies Wateen Satellite Services (Pvt) Limited and Wateen WiMAX (Private) 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.

In our opinion, the consolidated financial statements present fairly the financial position of Wateen Telecom Limited and its subsidiary companies as at June 30, 2014 and the result of their operations for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

We draw attention to note 2 (iii) to the consolidated financial statements related to management's assessment of going concern. Our opinion is not qualified in respect of this matter.

As explained in note 44 to the consolidated 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: November 30, 2014

Engagement Partner: JehanZeb Amin

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2014

	Note	2014	2013
		(Rupees in thousand)	
SHARE CAPITAL AND RESERVES			
Authorised capital	5	10,000,000	10,000,000
Issued, subscribed and paid-up capital	5	6,174,746	6,174,746
General reserve	6	134,681	134,681
Accumulated loss		(28,077,077)	(26,690,010)
Currency translation differences		(30,891)	(34,373)
		(21,798,541)	(20,414,956)
Non-controlling interest		(108,405)	(69,346)
		(21,906,946)	(20,484,302)
NON CURRENT LIABILITIES			
Long term finance - secured	7	-	-
Long term finance - unsecured	8	294,300	-
Long term portion of deferred mark up	9	-	-
Long term finance from shareholders - unsecured	10	10,814,754	10,820,230
Medium term finance from an associated company - unsecured	11	600,000	600,000
Obligations under finance leases	12	182	1,090
Long term deposits	13	35,709	58,220
		11,744,945	11,479,540
DEFERRED LIABILITIES			
Deferred government grants	14	2,794,218	1,770,119
CURRENT LIABILITIES			
Current portion of long term finance - secured	7	14,615,680	15,694,054
Current portion of deferred mark up	9	1,297,134	1,065,958
Current portion of obligations under finance leases	12	908	3,257
Finance from supplier - unsecured	15	-	40,542
Short term running finance - secured	16	2,151,680	1,558,226
Trade and other payables	17	6,782,563	6,474,370
Interest / markup accrued	18	2,153,874	1,475,971
		27,001,839	26,312,378
Liabilities of disposal group classified as held for sale	19	1,266,818	-
CONTINGENCIES AND COMMITMENTS	**20**		
		20,900,874	19,077,735

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2014

	Note	2014	2013
		(Rupees in thousand)	
NON-CURRENT ASSETS			
Property, plant and equipment			
Operating assets	21	7,731,598	11,242,451
Capital work in progress	22	1,548,633	729,229
Intangible assets	23	127,101	264,994
		9,407,332	12,236,674
ADVANCE AGAINST PURCHASE OF SHARES OF WATEEN SOLUTIONS (PVT) LTD		85,000	85,000
DEFERRED INCOME TAX ASSET	24	-	-
LONG TERM DEPOSITS AND PREPAYMENTS			
Long term deposits	25	249,113	240,886
Long term prepayments	26	65,571	65,893
		314,684	306,779
CURRENT ASSETS			
Trade debts	27	3,469,964	3,058,239
Contract work in progress		47,925	160,696
Stores, spares and loose tools	28	399,510	482,523
Stocks	29	16,876	4,189
Advances, deposits, prepayments and other receivables	30	2,179,160	1,810,134
Income tax refundable		565,637	338,134
Cash and bank balances	31	890,022	595,367
		7,569,094	6,449,282
Assets of disposal group classified as held for sale	19	3,524,764	-
		20,900,874	19,077,735

Chief Executive **Director**

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014	2013 Represented
		(Rupees in thousand)	
Continuing operations			
Revenue	32	6,352,149	7,698,354
Cost of sales (excluding depreciation and amortisation)	33	3,753,104	4,951,216
General and administration expenses	34	1,232,664	1,067,012
Advertisement and marketing expenses		10,944	1,525
Selling and distribution expenses		20,436	20,147
Provisions	35	46,131	224,044
Other income	36	(271,668)	(122,290)
Profit before interest, taxation, impairment depreciation and amortisation		1,560,538	1,556,700
Less: Depreciation and amortisation		595,650	551,262
Finance cost	37	1,612,197	2,367,929
Finance income	38	(134,955)	(76,525)
Loss before taxation		(512,354)	(1,285,966)
Income tax expense	39	(23,209)	(8,844)
Loss for the year from continuing operations		(535,563)	(1,294,810)
Discontinued Operations			
Revenue		998,747	1,178,581
Operating expenses	19.3	(1,843,316)	(1,839,284)
Loss before interest, taxation, impairment depreciation and amortisation		(844,569)	(660,703)
Less: Depreciation and amortisation		437,984	300,036
Finance cost		120,541	119,206
Loss before taxation and impairment		(1,403,094)	(1,079,945)
Reversal of impairment of WiMAX assets	21	521,067	1,258,414
Loss before taxation from discontinued operations		(882,027)	178,469
Taxation		-	-
(Loss)/ Profit for the year from discontinued operations		(882,027)	178,469
Loss for the year		(1,417,590)	(1,116,341)
Loss attributable to:			
-owners of Wateen Telecom Limited		(1,378,531)	(1,098,896)
-non-controlling interest		(39,059)	(17,445)
		(1,417,590)	(1,116,341)

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

Chief Executive

Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014	2013 Represented
		(Rupees in thousand)	
Loss for the year		(1,417,590)	(1,116,341)
Other comprehensive income/ (loss)			
Currency translation differences		3,482	(2,161)
Remeasurement loss on staff retirement benefit plan	42.4	(8,536)	-
		(5,054)	(2,161)
Total comprehensive loss for the year		(1,422,644)	(1,118,502)
Attributable to:			
-Continuing operations		(540,617)	(1,296,971)
-Discontinued operations		(882,027)	178,469
		(1,422,644)	(1,118,502)
Total comprehensive loss attributable to:			
-owners of Wateen Telecom Limited		(1,383,585)	(1,101,057)
-non-controlling interest		(39,059)	(17,445)
		(1,422,644)	(1,118,502)

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

Chief Executive

Director

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014

	2014	2013 Represented
	(Rupees in thousand)	
CASH FLOW FROM OPERATING ACTIVITIES		
Loss before taxation including discontinued operations	(1,394,381)	(1,107,497)
Adjustment of non cash items:		
Depreciation and amortisation	1,033,634	851,298
Finance cost	1,732,738	2,487,135
(Profit)/loss on sale of operating assets	-	46
Reversal of impairment of WiMAX assets	(521,067)	(1,258,414)
Operational cost associated with lease	-	521,549
Cost associated with IRU of optic fiber cable	97,020	-
Insurance claim received	(60,000)	-
Deferred USF grant recognised during the year	(205,679)	(68,181)
Provisions	46,131	224,044
Provision of markup on advances to associated companies	21,247	-
Remeasurement loss on staff retirement benefit plan	(8,536)	-
	2,135,488	2,757,477
Changes in working capital:	741,107	1,649,980
(Increase) in trade debts	(431,077)	(1,084,503)
(Increase)/ decrease in contract work in progress	112,771	(24,308)
(Increase)/ decrease in stores, spares and loose tools	(71,805)	20,698
(Increase)/ decrease in stocks	(14,466)	4,133
(Increase)/ decrease in advances, deposits, prepayments and other receivables	(251,986)	(218,978)
Increase in trade and other payables	441,610	33,812
	(214,953)	(1,269,146)
Employees' accumulated absences paid	-	(11,291)
Income taxes paid	(250,712)	12,783
Cash flow from operating activities	275,442	382,326
CASH FLOW FROM INVESTING ACTIVITIES		
Property, plant and equipment additions	(1,138,707)	(778,225)
Intangible assets additions	-	(11,796)
Proceeds from sale of property, plant and equipment	5,998	1,583
Proceeds from insurance claim	60,000	-
Long term deposits receivable (paid) / received	(8,227)	16,154
Long term prepayments	322	3,554
Cash flow from investing activities	(1,080,614)	(768,730)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014

	2014	2013 Represented
	(Rupees in thousand)	
CASH FLOW FROM FINANCING ACTIVITIES		
Long term finance - unsecured received	293,701	956,575
Decrease in finance from supplier - unsecured	(40,542)	-
Deferred grants received	1,049,491	255,986
Obligations under finance leases repaid	(3,257)	(2,882)
Long term deposits (repaid) / received	(1,110)	(7,452)
Finance cost paid	(795,509)	(765,594)
Cash flow from financing activities	502,774	436,633
INCREASE IN CASH AND CASH EQUIVALENTS	(302,398)	50,229
Effects of exchange rates on cash and cash equivalents	3,599	(2,270)
Cash and cash equivalents at beginning of the year	(962,859)	(1,010,818)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	(1,261,658)	(962,859)
CASH AND CASH EQUIVALENTS COMPRISE:		
Cash and bank balances	890,022	595,367
Short term running finance - secured	(2,151,680)	(1,558,226)
	(1,261,658)	(962,859)

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

Chief Executive

Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2014

	Attributable to owners of Wateen Telecom Limited						
	Share capital	General reserve	Accumulated loss	Currency translation differences	Total	Non controlling interest	Total
	--------	--------	--------	(Rupees in thousand)	--------	--------	--------
Balance at July 1, 2012	6,174,746	134,681	(25,591,114)	(32,212)	(19,313,899)	(51,901)	(19,365,800)
Total comprehensive loss for the year							
Loss for the year	-	-	(1,098,896)	-	(1,098,896)	(17,445)	(1,116,341)
Other comprehensive loss	-	-	-	(2,161)	(2,161)	-	(2,161)
	-	-	(1,098,896)	(2,161)	(1,101,057)	(17,445)	(1,118,502)
Balance at June 30, 2013	6,174,746	134,681	(26,690,010)	(34,373)	(20,414,956)	(69,346)	(20,484,302)
Total comprehensive income/ (loss) for the year							
Loss for the year	-	-	(1,378,531)	-	(1,378,531)	(39,059)	(1,417,590)
Other comprehensive income/ (loss)	-	-	(8,536)	3,482	(5,054)	-	(5,054)
	-	-	(1,387,067)	3,482	(1,383,585)	(39,059)	(1,422,644)
Balance at June 30, 2014	6,174,746	134,681	(28,077,077)	(30,891)	(21,798,541)	(108,405)	(21,906,946)

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

Chief Executive

Director

1. Legal status and operations

The consolidated financial statements include the financial statements of Wateen Telecom Limited (Wateen) and its subsidiary companies Wateen Solutions (Pvt) Limited (51% owned), Wateen Satellite Services (Pvt) Limited (100% owned), Wateen Telecom UK Limited (100% owned) , Netsonline Services (Pvt) Limited (100% owned) and Wateen WiMAX (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. The Karachi, Lahore and Islamabad Stock Exchanges have accepted the request for delisting of the Company and accordingly Company stood delisted from these stock exchanges with effect from February 17, 2014. The registered office of the Company is situated at Lahore. The Company is a subsidiary of Warid Telecom International LLC, UAE. (WTI)

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 Telecom 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.

The subsidiary company, Wateen WiMAX (Private) Limited (WWL), is incorporated as a Private Limited Company under the Companies Ordinance, 1984 on December 6, 2012 to carry on business of WiMAX telecommunications services. In terms of Memorandum of Association of Company dated December 17, 2012, Wateen Telecom Limited and its three nominee directors have subscribed and taken fully paid 1000 shares of Rs 10 each. As per the terms of share issuance agreement dated September 9, 2014 between the Parent Company and WWL, the WWL will issue shares to the parent company at par value for consideration against transfer of net assets pertaining to the WiMAX operations. Legal formalities are in process for issuance of shares.

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

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 recognizes 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 recognized 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 income statement.

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 recognized 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 recognized in income statement.

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 recognized 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 recognized 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 recognized 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 recognized in other comprehensive income are reclassified to profit or loss.

1.1 Disposal group classified as held for sale and discontinued operations

During the year, Wateen Telecom Limited and Augere Holdings (Netherlands) BV (Augere Holdings) entered in to a Master Transaction Agreement (MTA) for consolidation of their respective WiMAX businesses.

The salient features of the aforesaid agreement require the Company to transfer its WiMAX related assets and the associated liabilities envisaged under MTA to the new company Wateen WiMAX (Private) Limited (WWL) in exchange of ordinary shares. MTA further specifies WWL to acquire the 100% shares of Augere Pakistan (Private) Limited from its parent company Augere Holdings in consideration of issuance of WWL's own shares. Consequently, Augere Holdings will hold 51% shares and the present Parent Company of WWL will hold 49% shares in the new jointly owned operating company.

The shareholders of the Company in the Extra-Ordinary General Meeting held on October 3, 2014 consented for the approval of transfer of net assets to the wholly owned subsidiary WWL against issuance of shares of WWL to the Company under the related share issuance agreement dated September 9, 2014, subject to necessary regulatory approvals. As a result, the Company's operations have been divided into Continuing and Discontinued operations in accordance with the requirements of International Financial Reporting Standard (IFRS) 5, 'Non-current assets held for sale and Discontinued operations'. WiMAX operations have been classified as Discontinued operations because it will be transferred to the new Company. Continuing operations includes the operations other than WiMAX. In view of above, assets and liabilities, as are envisaged to be transferred to the WWL are classified as held for sale under IFRS 5 and are reflected in note 19 of these financial statements. The figures of prior period of the income statement and notes related thereto have been represented in accordance with the requirements of IFRS 5.

2. Basis of preparation

(i) Statement of compliance

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

(ii) Accounting convention

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

(iii) 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 operational performance of the business, the ability to implement a significant debt restructuring of the Company's existing debts and the appetite of 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 the year ended June 30, 2014, the Company incurred loss of Rs 1,418 million and had net current liabilities as at June 30, 2014 of Rs 17,175 million, of which Rs 12,184 million relate to loan installments classified as current liabilities as mentioned in note 7.5 and Rs 1,168 million relates to deferred markup classified as current liability as mentioned in note 9.1 which are due for repayment after June 30, 2015. The Company has negative equity of Rs 21,907 million at June 30, 2014. It is important to note that during the period of losses the majority shareholder of the Company has continued to provide financial support in the form of long term finance amounting to Rs 10,815 million to meet the requirements of the Company.

Following continuing losses, the Board had 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, the Company and Augere Holdings entered into an agreement during the year for prospective consolidation of their respective WiMAX businesses in Pakistan.

The Company has incurred capital expenditure on different Universal Service Fund (USF) Projects awarded by USF Company, (total contract of Rs 4,662 million value awarded to date) of which Rs 2,949 million have been received by the Company to date. Further certain 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 said audit the Company will be entitled to claim the balance amount from USF Company related to completed milestones, and collect further material receipts from the USF Company which will benefit the cash flow.

Debt restructuring

During the year, the Company and the lenders entered into another debt restructuring and signed an indicative term sheet. Under the term sheet, Bank Alfalah running finance facility - I has become part of Syndicate Finance Facility. Further, Rs 1,112 million will be transferred to wholly owned subsidiary WWL and Deutsche Bank AG facility will be novated from Company to WTI. Furthermore, Ijarah finance facility from DIB and facility from ECGD will also be restructured as per terms of Syndicate Finance Facility and deferred portion of markup will be repayable in 7 unequal installments starting from April 2015 to October 2027. In addition to the above, USD 10 million has been paid subsequently to the lenders on signing of the second amendatory agreement in proportion to their principal outstanding at June 30, 2013. Principal portion will be settled in six monthly unequal installments starting from April 2015 till October 2024. Any excess cash accruing post repayment of the above will be split between the Company and the local lenders in proportion of 80% and 20% respectively. Local lenders shall also be given Board seat in the Company to provide oversight.

Subsequent to the year end, second amendatory agreement has been signed for the Syndicate finance facility and the Company is in process of finalizing finance agreements to restructure the other long term and short term finance facilities.

Ongoing Shareholder Support

The Company's majority shareholder WTI continues to provide management with comfort with regards to it’s ongoing support, key requirements for this included the delisting of the Company from all stock exchanges of Pakistan, and the successful restructuring of the debt. The requirement related to delisting has been fulfilled during the year ended June 30, 2014.

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 is expected to provide strong support to the management through the restructuring.

(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 21)
(ii) Impairment of WiMAX assets (note 21)
(iii) Impairment of DSL assets (note 22)
(iv) Provision for doubtful debts (note 27)
(vi) Provision for obsolete stores (note 28)
(v) Provision for obsolete stocks (note 29)
(vii) Provision for doubtful advances and other receivables (note 30)
(viii) Provision for current and deferred income tax (note 24)
(ix) Employees' retirement benefits (note 42)
(x) Deferred government grants (note 14)

3. Adoption of new and revised standards and Interpretations

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

		Effective date (annual periods beginning on or after)
IFRS 2	Share-based Payments (Amendments)	July 1, 2014
IFRS 3	Business Combinations (Amendments)	July 1, 2014
IFRS 8	Operating Segments (Amendments)	July 1, 2014
IFRS 14	Regulatory Deferral Accounts	January 1, 2016
IFRS 15	Revenue from Contracts with Customers	January 1, 2017
IAS 16	Property, Plant and Equipment (Amendments)	July 1, 2014
IAS 19	Employee Benefits (Amendments)	July 1, 2014
IAS 24	Related Party Disclosures (Amendments)	July 1, 2014
IAS 32	Financial Instruments: Presentation (Amendments)	January 1, 2014
IAS 36	Impairment of Assets (Amendments)	January 1, 2014
IAS 38	Intangible Assets (Amendments)	July 1, 2014 & January 1, 2016
IAS 39	Financial Instruments: Recognition and measurement (Amendments)	January 1, 2014
IAS 40	Investment Property (Amendments)	July 1, 2014
IAS 41	Agriculture (Amendments)	January 1, 2016
IFRIC 21	Levies	January 1, 2014

The management anticipates that the adoption of the above standards, amendments and interpretations in future periods, will have no material impact on the financial statements other than in presentation/disclosures.

Further, the following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which have not been notified upto June 30, 2014 by the Securities and Exchange Commission of Pakistan, for the purpose of their applicability in Pakistan:

IFRS 1 First-time adoption of International Financial Reporting Standards
IFRS 9 Financial Instruments
IFRS 10 Consolidated financial statements
IFRS 11 Joint arrangements
IFRS 12 Disclosure of interests in other entities
IFRS 13 Fair value measurement

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

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

4. Summary of significant accounting policies

4.1 Employees' retirement benefits

(i) Approved defined benefit funded gratuity plan is in place for all eligible employees. Actuarial valuation is conducted periodically using the "Projected Unit Credit Method" and the latest valuation was carried out as at June 30, 2014. The details of the valuation are given in note 42.

Consequent to the revision of IAS 19 "Employee Benefits" which is effective for annual periods beginning on or after January 1, 2013, the Company has changed its accounting policy wherein, the actuarial gains and losses on employees' retirement benefit plans are recognised immediately in other comprehensive income. Previously, the actuarial gains/losses in excess of the corridor limit were recognised in income statement over the remaining service life of the employees. In addition, past service cost and curtailments were recognized in the income statement, in the period in which a change takes place. The comparative figures have not been restated for change in accounting policy due to immaterial impact. Accordingly, remeasurement gain at June 30, 2013 of Rs 150 thousand has been accounted for as other comprehensive income for the year ended June 30, 2014.

(ii) Contributory provident fund for all permanent employees of the Company is in place. Contribution for the year amounted to Rs 32.833 million (2013: Rs 72.335 million) are charged to income for the year.

4.2 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 base 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.

4.3 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.

4.4 Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized 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.

4.5 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.

4.6 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.

4.7 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.

4.8 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 4.4) 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 21.

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 profit or loss for the year.

4.9 Intangible assets

(i) Licenses

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 23, 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 amortization and any identified impairment losses. Amortization is calculated using the straight line method, to allocate the cost of the software over its estimated useful life, and is charged in income statement. 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 amortization. Amortization 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.

4.10 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 or amortisation 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.

4.11 Non current assets/disposal group held for sale

Non-current assets are classified as assets held-for-sale when their carrying amount is to be recovered principally through a sale transaction and sale is considered highly probable.

4.12 Right of way charges

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

4.13 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.

4.14 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.

4.15 Stocks

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

4.16 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.

4.17 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 sale of equipment is recognised when the significant risks and rewards of ownership are transferred to the buyer.

Revenue from prepaid cards is recognised as credit is used, unutilized credit is carried in Statement of Financial Position 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.

4.18 Foreign currency translation

a) 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.

b) 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.

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.

4.19 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 profit or loss for

(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 and other receivables,' ‘Income tax refundable’ 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

4.20 Derivative financial instruments

Derivatives 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, 2014		June 30, 2013	
	Number of Shares	Rs '000	Number of Shares	Rs '000
5. Share capital				
Authorised share capital:				
Ordinary shares of Rs 10 each	1,000,000,000	10,000,000	1,000,000,000	10,000,000
Issued, subscribed and paid up share capital:				
Shares issued for cash				
Ordinary shares of Rs 10 each	408,737,310	4,087,373	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

5.1 The parent company, Warid Telecom International LLC, U.A.E held 465,082,734 (2013: 333,295,350) ordinary shares, the associated companies Bank Alfalah Limited held 83,494,920 (2013: 83,494,920) ordinary shares, Taavun (Private) Limited held 28,034,821 (2013: 28,034,821) ordinary shares, Wincom (Private) Limited held Nil (2013: 3,000,000) ordinary shares and Bank Alfalah Limited - Employees Gratuity Fund held Nil (2013: 21,000,000) ordinary shares at year end.

6. General reserve

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

			2014	2013
7.	**Long term finance - secured**	Note	(Rupees in thousand)	
	Syndicate of banks	7.1	8,142,335	8,142,335
	Export Credit Guarantee Department - (ECGD)	7.2	2,528,009	2,529,289
	Dubai Islamic Bank (DIB)	7.3	424,000	424,000
	Deutsche Bank AG	7.4	4,738,771	4,741,171
	Total		15,833,115	15,836,795
	Less: Transferred to disposal group classified as held for sale	19	(1,112,000)	-
			14,721,115	15,836,795
	Unamortized transaction and other ancillary cost			
	Opening balance		142,741	180,048
	Amortisation for the year		(37,306)	(37,307)
			(105,435)	(142,741)
			14,615,680	15,694,054
	Less: Amount shown as current liability			
	Amount payable within next twelve months		(2,431,415)	-
	Amount due after June 30, 2015	7.5	(12,184,265)	(15,694,054)
			(14,615,680)	(15,694,054)
			-	-

7.1 The Company 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 ended June 30, 2012, the Company and the Syndicate of Banks signed an agreement to restructure Syndicate term finance facility. All the finance facilities have been fully availed by the Company till June 30, 2014. The principal is repayable in ten unequal semi annual installments . The first such installment 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 installments falling due in the deferment period shall be paid in ten equal six-monthly installments on each January 1 and July 1 commencing from July 1, 2014 and ending January 1, 2019.

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.

7.2 The Company obtained long term finance facility amounting to USD 42 million (2013: USD 42 million) from ECGD UK, of which USD 35 million (2013: USD 35 million) has been availed till June 30, 2014. During the year ended June 30, 2012, the Company and ECGD UK signed an agreement to restructure the terms of loan agreement including repayment schedule. Amount outstanding at June 30, 2014 was USD 25.60 million (2013: 25.60 million). The principal is repayable in ten semi annual installments. The first such installment 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 installment 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.

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.

7.3 The Company obtained Ijarah finance facility of Rs 530 million (2013: Rs 530 million) from DIB. Amount outstanding at June 30, 2014 was Rs 424 million. During the year ended June 30, 2012, 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 installments. The first such installment 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 installments falling due in the deferment period shall be paid in ten equal six-monthly installments on each January 1 and July 1 commencing from July 1, 2014 and ending January 1, 2019.

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.

7.4 The Company obtained term finance facility of USD 65 million (2013: USD 65 million) from Motorola Credit Corporation (MCC) of which USD 64 million (2013: USD 64 million) has been availed till June 30, 2014. 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 ended June 30, 2012, the Company and Deutsche Bank AG signed an agreement to restructure the terms of loan agreement. Amount outstanding at June 30, 2014 was USD 48 million (2013: USD 48 million). The principal is repayable in ten semi annual installments 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.

The loan is secured through personal guarantee by one Sponsor of the Company and is ranked pari passu with unsecured and unsubordinated creditors.

7.5 The Company is required to make payments of loan installments and markup of long term finance on due dates. Subsequent to the year end, the Company has not paid loan installment of ECGD amounting to USD 1.965 million, loan installment of DIB amounting to Rs 33 million and loan installment of Deutsche Bank AG amounting to USD 3.685 million, which were due on July 1 ,2014. The Company was not able to make payments of markup to Deutsche Bank AG of Rs 271.2 million on due dates. Further, certain ratios specified in the loan agreements have not been maintained at June 30, 2014. Furthermore, the existing restructured loan agreements have not yet become effective as certain conditions precedent to the existing restructured agreements 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 12,184 million due after June 30, 2015 have been shown as current liability.

As explained in note 2(iii), the Company has entered in negotiations with the lenders to restructure the existing finance facilities .

8. Long term finance - unsecured

This represents long term finance provided under the terms of MTA and is a subordinated loan to be repaid in twelve equal semi annual installments commencing from March 1, 2018. The rate of mark-up is 6 months LIBOR plus one percent payable on six monthlybasis. The interest shall be payable in arrears and no interest shall be payable until March 1, 2018 and till that date, interest accumulated and thereafter be payable in cash accordingly.

9. Long term portion of deferred mark up

	Note	2014	2013
		(Rupees in thousand)	
Syndicate of banks	9.1	1,077,478	847,952
Dubai Islamic Bank (DIB)	9.1	4,904	42,203
Bank Alfalah Limited	9.1	214,752	175,803
Total		1,297,134	1,065,958
Less: Amount shown as current liability			
Amount payable within next twelve months		(129,223)	-
Amount due after June 30, 2015		(1,167,911)	(1,065,958)
		(1,297,134)	(1,065,958)
		-	-

9.1 These amounts are payable in ten equal six-monthly installments on each January 1 and July 1 commencing from July 1, 2014 and ending January 1, 2019. As explained in note 7.5, amount has been shown as current liability.

9.2 Subsequent to the year end, the Company was not able to make payment of deferred markup installment to Syndicate of banks of Rs 107.748 million and Bank Alfalah Limited of Rs 21.475 million due on July 1, 2014.

9.3 As explained in note 2(iii), the Company has entered in negotiations with the lenders to restructure the existing finance facilities .

10. Long term finance from shareholders - unsecured

	Note	2014	2013
		(Rupees in thousand)	
Facility 1	10.1	2,372,469	2,373,670
Facility 2	10.2	8,442,285	8,446,560
		10,814,754	10,820,230

10.1 The Company obtained long term finance from a shareholder amounting to USD 24 million (2013: 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 (2013: USD 185 million) of which USD 85 million (2013: USD 85 million) has been availed at June 30, 2014. 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 installments from 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 was repayable within 30 days of the expiry of twenty four months from the effective date i.e. September 30, 2010, which was 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.

	2014	2013
	(Rupees in thousand)	

12. Obligations under finance leases

	2014	2013
Present value of minimum lease payments	1,090	4,347
Less: Current portion shown under current liabilities	(908)	(3,257)
	182	1,090

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% (2013: KIBOR+3% to 3.5%).

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

	2014	2013
	(Rupees in thousand)	
Due within one year		
Minimum lease payments	990	3,624
Less: Financial charges not yet due	(82)	(367)
Present value of minimum lease payments	908	3,257
Due after one year but not later than five years		
Minimum lease payments	186	1,175
Less: Financial charges not yet due	(4)	(85)
Present value of minimum lease payments	182	1,090
	1,090	4,347

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 grants

This represents amount received and receivable from Universal Service Fund (USF) as subsidy to assist in meeting the cost of deployment of USF Fiber Optic Network for providing USF Fiber Optic Communication Services in Sindh, Baluchistan, Punjab and broad band services in Faisalabad Telecom Region, Hazara Telecom Region, 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 4,662 million (2013: Rs 4,848 million) payable by USF in five installments in accordance with project implementation milestones.

Movement during the year is as follows:

	Note	2014	2013
		(Rupees in thousand)	
Balance at beginning of the year - excluding amount receivable		1,711,409	1,523,604
Amount received during the year		1,049,491	255,986
Amount receivable at year end		238,997	58,710
Amount recognised as income during the year	36	(205,679)	(68,181)
Balance at end of the year		2,794,218	1,770,119

15. Finance from supplier - unsecured

This represented deferred payment in respect of supply of equipment and was interest free.

	Note	2014	2013
		(Rupees in thousand)	
16. Short term running finance - secured			
Facility - I	16.1	1,668,315	1,283,380
Facility - II	16.2	483,365	274,846
		2,151,680	1,558,226

16.1 The Company has a running finance facility of Rs 1,800 million (2013: Rs 1,800 million), of which Rs 132 million (2013: Rs 517 million) was unutilised as at June 30, 2014. The facility is available till December 31, 2019. The principal is payable on expiry/on demand. The rate of mark-up was 6 months KIBOR per annum till December 31, 2013 and KIBOR + 1.5% per annum for the period thereafter. Mark up at 8% is payable on bi-annual basis and remaining amount is deferred which is payable in 10 bi-annual installments with the first installment becoming payable on July 1, 2014.

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 The Company has a cash finance facility of Rs 790 million (2013: Rs 440 million) of which Rs 307 million (2013: Rs 166 million) was unutilised as at June 30, 2014. The facility has been renewed during the year with certain change in terms. The facility is available till September 30, 2014 (2013: September 30, 2013). Markup on the facility is to be serviced on quarterly basis. The rate of mark-up is 3 months KIBOR + 1% per annum.

This facility is secured by lien marked on an amount of USD 8.499 million held under the name "Dhabi One Investment Services LLC" maintained at Bank Alfalah.

16.3 As explained in note 2(iii), the Company has entered in negotiations with the lenders to restructure the existing finance facilities .

	Note	2014	2013
		(Rupees in thousand)	
17. Trade and other payables			
Creditors	17.1	446,600	624,025
Due to associated companies	17.2	16,879	3,950
Due to international carriers		1,051,609	520,796
Payable to Pakistan Telecommunication Authority		1,010,844	1,061,111
Accrued liabilities		3,516,495	3,686,744
Payable to gratuity fund	42	64,861	69,858
Payable to provident fund		27,043	26,008
Unearned revenue		643	128,177
Advance from customers	17.3	570,553	272,721
Income tax deducted at source		77,036	80,980
		6,782,563	6,474,370

17.1 Trade creditors include following amounts due to related parties:

	2014	2013
Warid Telecom (Pvt) Limited	-	413,045

17.2 Due to associated companies

	2014	2013
Bank Alfalah Limited	16,879	3,950

17.3 Advance from customers

This includes advance of Rs 48.983 million (2013: Rs 48.983 million) received from associated companies.

	Note	2014	2013
		(Rupees in thousand)	

18. Interest / markup accrued

	Note	2014	2013
Long term finance from shareholders/ sponsors		663,796	456,581
Long term finance - secured		966,771	625,940
Long term finance - unsecured	8	33	-
Medium term finance - unsecured	18.1	317,648	245,164
Short term running finance - secured	18.2	205,626	148,286
		2,153,874	1,475,971

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 150.364 million and Rs Nil (2013: Rs 64.665 million and Rs 1.436 million) respectively.

19. Disposal group classified as held for sale and discontinued operations

As more fully explained in note 1.1 to these financial statements, the disposal group comprises of the WiMAX operations. The assets and liabilities of this disposal group have been separately presented as held for sale. In connection with this, the income statement for these operations has also been separately presented as Discontinued operations.

19.1 Assets and liabilities of disposal group classified as held for sale

	Note	2014	2013
i) Assets of disposal group		(Rupees in thousand)	
Operating assets	21	3,214,376	-
Capital work in progress	22	26,790	-
Intangible assets	23	111,780	-
Stores, spares and loose tools		154,818	-
Advances, deposits, prepayments and other receivables		17,000	-
		3,524,764	-
ii) Liabilities of disposal group classified as held for sale			
Long term finance - secured	7	1,112,000	-
Trade and other payables		133,417	-
Long term deposits		21,401	-
		1,266,818	-
		2,257,946	-

19.2 Commitments in respect of arrangements under the Master Transaction Agreement (MTA)

The Company may be required to inject furtherfunds into new Company under the terms of MTA referred to in note 1.1 if specified earnings target is not met by a mutuallyagreed date. The Company is of the view that presently no such support is required for the new Company.

	2014	2013 Represented
19.3 Operating expenses relating to discontinued operations	(Rupees in thousand)	
Cost of sales (excluding depreciation and amortisation)	1,446,767	1,328,971
General and administration expenses	343,912	452,129
Advertisement and marketing expenses	43,878	49,549
Selling and distribution expenses	8,759	8,635
	1,843,316	1,839,284

		2014	2013 Represented
		(Rupees in thousand)	
19.4	Cash flows from discontinued operations		
	Cash flows from operating activities	(993,312)	(629,524)
	Cash flows from investing activities	-	-
	Cash flows from financing activities	(88,755)	(114,598)
	Total Cash flows	(1,082,067)	(744,122)

20. Contingencies and Commitments

		2014	2013
		(Rupees in thousand)	
20.1	Claims against the Company not acknowledged as debt	314,728	350,954
20.2	Performance guarantees issued by banks in favour of the Company	2,485,101	2,200,629

20.3 The Company implemented policy directives of Ministry of Information Technology (MoIT) conveyed by the Pakistan Telecommunication Authority (PTA) regarding termination of all international incoming calls into Pakistan. On suspension of these directives by the Honorable Lahore High Court, the Honorable Supreme Court of Pakistan dismissed the pertinent writ petitions by directing Competition Commission of Pakistan (CCP) to decide the case. The Honorable Sind High Court suspended the adverse decision of CCP by granting stay order and the case is pending for adjudication. Further, MoIT vide its letter dated June 17, 2014 had withdrawn its prior policy directive conveyed by PTA regarding termination of all international incoming calls effective August 1, 2014. The Sindh High Court, through its interim order, restrained MoIT and PTA from implementing the direction in the aforesaid letter on a petition filed by one of the concerned operators.

20.4 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 827 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.

20.5 The Deputy Commissioner Inland Revenue (DCIR), Enforcement Unit IV, Large Taxpayers Unit (LTU), Islamabad had issued Order-in-Original based on the observations of Director General Intelligence and Investigation and raised a demand of Rs 31.830 million to be paid along with penalty and default surcharge and also issued recovery notice. The Commissioner Inland Revenue - Appeals [CIR(Appeals)] and Appellate Tribunal Inland Revenue upheld the orders of the DCIR. The Company preferred writ petition in the High Court against the orders of the Officer Inland Revenue and the Honourable High court has granted stay against the demand till the disposal of writ petition.

20.6 The Assistant Commissioner Inland Revenue (AC), Enforcement Unit IV, LTU Islamabad, had issued show cause notices based on the observation that Company has not furnished Sales Tax and Federal Excise returns for the periods from August 2009 to March 2010, November 2010 and December 2010. 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 notice. The Company deposited principal amount of Rs 138.709 million and default surcharge of Rs 26.231 million based on actual liability as per own working of the Company. The Appellate Tribunal Inland Revenue, Islamabad has remanded the case to the assessing officer with certain directions. The Company had submitted certain information in response to the related proceedings initiated by AC, Enforcement-IV, LTU, Islamabad and proceedings are not yet completed in this respect by the AC.

20.7 The Assistant Commissioner Inland Revenue (ACIR), LTU Islamabad, alleged that Company had not withheld tax on payments made to foreign telecom operators during the tax years 2008, 2009, 2010 and 2011. Further the ACIR ordered the Company to pay alleged demand of Rs 477.767 million representing principal amount and default surcharge for the aforesaid tax years. The CIR - Appeals upheld the contentions of the ACIR and directed the assessing officer to recalculate the withholding tax by applying the rates as given in the Division II of Part III of the First Schedule to the Income Tax Ordinance, 2001. The Company has filed appeal before the Appellate Tribunal Inland Revenue (ATIR), which is pending for adjudication. The Company filed a writ petition before the High Court whereby the High Court passed interim order allowing the Company to make future payments without deduction of tax. The matter is pending for hearing of applications.

20.8 The Officer Inland Revenue, Audit - V, Large Taxpayers Unit, Islamabad (OIR) issued orders with an aggregate demand of Rs 422 million relating to tax years 2008, 2009, 2011 ,2012 and 2013 by holding that the taxes paid under section 148 (7) on imports of the Company are not adjustable against the income tax liability as the Company is not covered under the definition of industrial undertaking. The OIR also levied minimum tax under section 113 of the Ordinance for tax year 2011, 2012 & 2013. The Company preferred appeals against the aforesaid orders before CIR - Appeals alongwith stay applications. The stay application was rejected by CIR - Appeals, Islamabad. The Company preferred the stay application before the ATIR against the demands raised vide orders dated June 19, 2014. The ATIR rejected the Company's application for stay by holding that as the main appeal is pending before CIR (A) accordingly, the ATIR cannot grant the stay in view of limitation envisaged in section 131 (2) of the Income Tax Ordinance, 2001. The Company has obtained stay from Islamabad High Court by filing writ petition which is valid till hearing of appeal on December 7, 2014 which ever is earlier. The hearing has been conducted by the CIR(A), however, order is awaited.

20.9 The Additional Commissioner Inland Revenue, Audit - II, Large Taxpayers Unit, Islamabad (ACIR) issued show cause notice dated June 6, 2014 whereby ACIR alleged the Company of claiming inadmissible input tax, suppression of sale, non payment of sales tax on fixed asset, non compliance of sales tax special procedure rules, penalty on late filing of sales tax and federal excise returns and non withholding of federal excise duty on advertisement services. The Company could not furnish the requisite information to the ACIR because of fire effected records. The ACIR passed ex-parte orders and raised the demand of Rs 518 million along with penalty and default surcharge. The Company preferred appeals and stay before Commissioner (Appeals- I), Islamabad, which is pending for hearing.

20.10 In relation to financial years 2008 and 2009 of Wateen Solution (Pvt) Limited, FBR contended sales tax and federal excise duty of Rs 113.30 million. The Company paid Rs 10.98 million under amnesty scheme against such order. An appeal had been filed before Commissioner Inland Revenue Appeals which upheld the demand raised by the Department. The Company preferred appeal before Appellate Tribunal Inland Revenue (ATIR) and the ATIR vide its order vacated the demand and remanded back the issue to the assessing officer with certain direction.

No provision on account of contingencies disclosed in note 20.3 - 20.10 above has been made in these financial statements as the management and advisors of the Company are of the view, that these matters will eventually be settled in favour of the Company.

		2014	2013
		(Rupees in thousand)	
20.11	Outstanding commitments for capital expenditure	475,118	845,316

20.12 Commitments in respect of transfer of assets to Wateen WiMAX (Private) Limited (WWL)

As more fully explained in note 1.1 and 19, the Company has agreed to transfer net assets of Rs 2,258 million as at July 10, 2014 to WWL in furtherance of the terms of share issuance agreement dated September 9, 2014 between the Company and WWL.

20.13 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 WSPL 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 (SPA) dated April 1, 2010 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 WSPL to Mr. Jahangir Ahmed during the year ended June 30, 2011, 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 WSPL, the current business dynamics and the resultant devaluation of its share price, the management entered into negotiations with Mr. Jahangir Ahmed whereby he agreed to transfer the shares of WSPL to the Company without requiring payment of the balance of Rs 255 million. Same was approved by shareholders in Extra Ordinary General Meeting dated December 31, 2011.

Subsequent to the year end, on November 18, 2014, the Company and Mr. Jahangir Ahmed have signed an addendum to the agreement, whereby Mr. Jahangir has agreed to transfer the remaining 49% shares without any further consideration. The legal formalities for transfer of shares are in process.

21. Operating assets

	Freehold Land	Buildings freehold	Lease hold improvements	Line and wire	Network equipment	Base Station	Tools and gears	Office equipment	Computers and accessories	Furniture and fixtures	Motor Vehicles owned	Motor Vehicles leased	Total
	Rs '000												
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
Year ended June 30, 2013													
Opening 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
Additions	4,435	-	41,160	1,521,198	574,391	-	5,919	12,455	61,533	5,194	12,741	2,469	2,241,495
Disposals/ transfer													
- Cost	-	-	-	(270,236)	(276,196)	-	-	-	-	-	-	-	(546,432)
- Accumulated depreciation	-	-	-	22,580	674	-	-	-	-	-	-	-	23,254
- Net book value	-	-	-	(247,656)	(275,522)	-	-	-	-	-	-	-	(523,178)
Depreciation charge	-	(23,353)	(11,863)	(146,135)	(563,243)	-	(5,439)	(10,252)	(34,074)	(19,100)	(8,212)	(2,188)	(823,859)
Reversal of impairment	-	-	-	-	1,257,323	-	-	15	1,044	-	32	-	1,258,414
Currency translation difference	-	-	-	-	111	-	-	-	-	-		-	111
Closing net book amount	64,829	801,874	83,954	3,796,688	6,219,267		10,415	64,998	54,554	122,489	17,533	5,850	11,242,451
At June 30, 2013													
Cost	64,829	934,138	118,133	4,291,244	20,724,957	7,911	117,595	111,314	793,558	198,538	158,992	13,408	27,534,617
Accumulated depreciation	-	(132,264)	(34,179)	(494,556)	(6,000,266)	(7,911)	(107,180)	(46,206)	(726,001)	(76,049)	(138,509)	(7,558)	(7,770,679)
Accumulated impairment	-	-	-	-	(8,505,424)	-	-	(110)	(13,003)	-	(2,950)	-	(8,521,487)
Net book amount	64,829	801,874	83,954	3,796,688	6,219,267	-	10,415	64,998	54,554	122,489	17,533	5,850	11,242,451
Year ended June 30, 2014													
Opening net book amount	64,829	801,874	83,954	3,796,688	6,219,267	-	10,415	64,998	54,554	122,489	17,533	5,850	11,242,451
Additions	-	-	107	105,694	132,190	-	15,139	11,396	26,295	1,484	208	-	292,513
Disposals/ transfer													
- Cost	-	-	-	(97,020)	(6,447)	-	(1,262)	(408)	(1,255)	-	(1,647)	-	(108,039)
- Accumulated depreciation	-	-	-	-	595	-	1,262	358	1,159	-	1,647	-	5,021
- Net book value	-	-	-	(97,020)	(5,852)	-	-	(50)	(96)	-	-	-	(103,018)
Depreciation charge	-	(23,353)	(11,768)	(171,715)	(722,942)	-	(8,918)	(11,196)	(30,626)	(19,724)	(4,581)	(2,698)	(1,007,521)
Reversal of impairment (note 21.1)	-	-	-	-	520,912	-	-	6	149	-	-	-	521,067
Assets classified as held for sale (note 19)													
Cost	-	-	-	-	(16,210,466)	-	(2,467)	(301)	(26,547)	-	(33,642)	-	(16,273,423)
Accumulated depreciation	-	-	-	-	5,169,464	-	2,467	162	12,770	-	30,692	-	5,215,555
Accumulated impairment	-	-	-	-	7,827,584	-	-	104	12,854	-	2,950	-	7,843,492
Transferred to assets classified as held for sale	-	-	-	-	(3,213,418)	-	-	(35)	(923)	-	-	-	(3,214,376)
Currency translation differences	-	-	-	-	482		-	-	-	-		-	482
Closing net book amount	64,829	778,521	72,293	3,633,647	2,930,639	-	16,636	65,119	49,353	104,249	13,160	3,152	7,731,598
Cost	64,829	934,138	118,240	4,299,918	4,640,234	7,911	129,005	122,001	792,051	200,022	123,911	13,408	11,445,668
Accumulated depreciation	-	(155,617)	(45,947)	(666,271)	(1,553,149)	(7,911)	(112,369)	(56,882)	(742,698)	(95,773)	(110,751)	(10,256)	(3,557,624)
Accumulated impairment	-	-	-	-	(156,928)	-	-	-	-	-	-	-	(156,928)
Currency translation differences	-	-	-	-	482	-	-	-	-	-	-	-	482
Net book amount	64,829	778,521	72,293	3,633,647	2,930,639	-	16,636	65,119	49,353	104,249	13,160	3,152	7,731,598
Annual rate of depreciation %	-	2.5	10	4	6.67-20	33.33	33.33	10	33.33	10	20	20	

21.1 Impairment

During the year ended June 30, 2012, the management reviewed the business performance of the WiMAX operations, considering it a separate cash generating unit (CGU), and booked an impairment loss of Rs 9,623 million against the carrying value of these assets and subsequently reversed an impairment loss of Rs 1,258 million during the year ended June 30, 2013. The assessment of impairment of these assets was made on account of the certain triggering events as described below, which met the criteria specified under IAS 36 for assessment of impairment of assets.

- Decline in the market value of WiMAX operation's 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

As more fully explained in note 1.1, subsequent to the year end, the Company has agreed to transfer assets and liabilities to WWL against issuance of shares at a mutuallyagreed price. The difference between the carrying values of net assets to be transferred to WWL and the consideration agreed against transfer of net assets related to the WiMAX operations to WWL under the share issuance agreement between the Company and WWL dated September 9, 2014 and as approved by the shareholders of the Company in extra ordinary general meeting held on October 3, 2014 has been recognised as reversal of impairment loss.

21.2 The cost of fully depreciated assets which are still in use as at June 30, 2014 is Rs. 2,231 million (2013: Rs. Nil).

22. Capital work in progress	Note	2014	2013
		(Rupees in thousand)	
Lease hold improvements		10,912	1,006
Line and wire		1,326,058	630,171
Network equipment (net of impairment of DSL assets Rs 353.515 million)		211,663	98,052
		1,548,633	729,229

22.1 Movement during the year

	Note	2014	2013
Balance as at July 1		729,229	2,190,030
Additions during the year		943,214	712,535
Less: Transferred to disposal group classified as held for sale	19	(26,790)	-
Capitalised during the year		(97,020)	(2,173,336)
Balance as at June 30		1,548,633	729,229

	Note	2014	2013
		(Rupees in thousand)	
23. Intangible assets			
LDI license fee	23.1		
Cost		28,934	28,934
Amortisation			
Opening balance		12,901	11,454
Amortisation for the year		1,447	1,447
		(14,348)	(12,901)
Net book value		14,586	16,033
WLL license fee	23.2		
Cost		176,366	176,366
Amortisation			
Opening balance		54,682	44,778
Amortisation for the year		9,904	9,904
		(64,586)	(54,682)
Net book value		111,780	121,684
Less: Transferred to disposal group classified as held for sale	19	(111,780)	-
		-	121,684
Software license	23.3		
Cost			
Opening Balance		84,417	72,621
Additions during the year		-	11,796
Closing Balance		84,417	84,417
Amortisation			
Opening balance		52,145	37,623
Amortisation for the year		14,108	14,522
		(66,253)	(52,145)
Net book value		18,164	32,272
ERP license	23.4		
Cost		7,832	7,832
Amortisation			
Opening balance		7,178	5,612
Amortisation for the year		654	1,566
		(7,832)	(7,178)
Net book value		-	654
Goodwill			
Goodwill arising on acquisition of Netsonline Services (Pvt) Limited	23.5	5,766	5,766
Less: Provision for impairment of goodwill		(5,766)	(5,766)
		-	-
Goodwill arising on acquisition of Wateen Solutions (Pvt) Limited	23.6	11,333	11,333
Goodwill arising on business acquisition by the subsidiary company	23.7	83,018	83,018
		94,351	94,351
Total net book value		127,101	264,994

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

23.2 (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 (WSPL), from November 4, 2004. On August 31, 2006 the license was transferred by Wateen Solutions (Pvt) Limited to the Company covering four telecom regions.

(iii) Subsequent to the year end, Wireless Local Loop (WLL) License has been transferred to wholly owned subsidiary Wateen WiMAX (Private) Limited.

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

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

23.5 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 in 2011.

23.6 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.

23.7 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.

24. Deferred income tax asset

	2014	2013
	(Rupees in thousand)	
Taxable temporary differences between accounting and tax depreciation	(1,627,377)	(1,376,535)
Unused tax losses - recognised to extent of taxable temporary differences	1,627,377	1,376,535
	-	-

The aggregate tax losses available to the Company for set off against future taxable profits at June 30, 2014 amounted to Rs 27,420 million. Of these, losses aggregating Rs 4,786 million have been recognised in the financial statements against taxable temporary differences at June 30, 2014. The tax depreciation losses pertaining to WiMAX operations as at June 30, 2014 are estimated at Rs 12,843 million (2013: Rs 12,237 million).

Deferred tax asset, the potential tax benefit of which amounts to Rs 11,098 million has not been recognized on balance representing business losses aggregating to Rs 5,296 million, tax depreciation losses aggregating Rs 17,327 million and deductible temporary differences on account of provisions and share issue cost aggregating Rs 10,018 million as at June 30, 2014. Business losses expire as follows:

Tax Year	Rs in million
2016	37
2017	2
2018	3,650
2019	516
2020	1,091

25. Long term deposits

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

27. Trade debts - unsecured

	Note	2014	2013
		(Rupees in thousand)	
Considered good	27.1	3,469,964	3,058,239
Considered doubtful		1,046,692	1,027,340
		4,516,656	4,085,579
Provision for doubtful debts	27.4	(1,046,692)	(1,027,340)
		3,469,964	3,058,239

27.1 Trade debts include following balances due from associated companies:

	2014	2013
Warid Telecom (Pvt) Limited	107,179	542,052
Warid International LLC, UAE - Parent company	98,600	98,600
Bank Alfalah Limited	16,736	11,516
Alfalah Insurance Company	8,335	4,950
	230,850	657,118

27.2 Trade debts include receivable under finance lease of optic fiber cable and telecom equipment as follows:

2014

	Total future payments	Unearned Interest	Present value
		(Rupees in thousand)	
Not later than one year	121,180	95,244	25,935
Between one and five years	484,718	332,295	152,423
Later than five years	786,466	385,479	400,988
	1,392,364	813,018	579,346

2013

	Total future payments	Unearned Interest	Present value
		(Rupees in thousand)	
Not later than one year	212,359	194,065	18,294
Between one and five years	454,718	332,295	122,423
Later than five years	846,466	385,479	460,987
	1,513,543	911,839	601,704

27.3 Age analysis of trade debts from associated companies, past due but not impaired is as follows.

		2014	2013
		(Rupees in thousand)	
0 to 6 months		74,202	48,811
6 to 12 months		24,423	486,284
Above 12 months		132,225	122,023
		230,850	657,118

27.4 Provision for doubtful debts

Opening balance		1,027,340	862,214
Provision made during the year - other than related parties		19,352	165,126
Closing balance	27.4.1	1,046,692	1,027,340

27.4.1 These include Rs 987 million (2013: Rs 955 million) based on age analysis of the debts as follows:

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

28. Stores, spares and loose tools

Cost		611,776	694,789
Less: Provision for obsolete stores		212,266	212,266
		399,510	482,523

29. Stocks

Cost		28,992	14,526
Less: Provision for obsolete stocks	29.1	12,116	10,337
		16,876	4,189

29.1 Provision for obsolete stocks

Opening balance		10,337	5,273
Provision made during the year		1,779	5,064
Closing balance		12,116	10,337

30. Advances, deposits, prepayments and other receivables

Advances to suppliers and contractors - considered good		806,300	853,965
Advances to employees - considered good		50,347	38,944
Security deposits and earnest money		170,449	185,904
Margin held by bank against letters of guarantee		449,097	189,121
Prepayments	30.1	104,415	115,139
Sales tax refundable		176,819	110,459
Due from associated companies	30.2	404,161	431,250
Accrued interest		12,171	9,908
Government grant receivable		238,997	58,710
Others		88,455	92,538
		2,501,211	2,085,938
Less:			
Provision for doubtful receivables - related parties	30.3		
Opening balance		150,407	178,367
Provision for the year - charged against finance income		21,247	-
Written off against provisions		-	(27,960)
Closing balance		171,654	150,407
Less: Provision for doubtful receivables - other parties			
Opening balance		125,397	71,543
Provision for the year		25,000	53,854
Closing balance		150,397	125,397
		322,051	275,804
		2,179,160	1,810,134

30.1 These include current portion of right of way charges of Rs 15.872 million (2013: Rs 47.730 million).

30.2 Due from associated companies	2014	2013
	(Rupees in thousand)	
Wateen Multi Media (Pvt) Limited	225,228	165,702
Warid International LLC, UAE - Parent company	52,717	47,808
Warid Telecom (Pvt) Limited	7,162	94,293
Raseen Technologies (Pvt) Limited	23,261	21,028
Warid Telecom Georgia Limited	19,641	17,535
Warid Telecom International - Bangladesh	7,119	6,357
Advance for construction of Warid Tower	68,916	78,410
Bank Alfalah Limited	117	117
	404,161	431,250

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

Advance for construction of Warid Tower	68,916	68,916
Warid International LLC, UAE - Parent company	52,717	42,019
Raseen Technologies (Pvt) Limited	23,261	18,482
Warid Telecom - Georgia Limited	19,641	15,403
Warid Telecom - International	7,119	5,587
	171,654	150,407

Provision for doubtful receivables was approved by shareholders of the Company in Extra Ordinary General Meetings held on December 31, 2011 and October 3, 2014.

31. Cash and bank balances

Balance with banks on		
- current accounts	363,285	141,130
- collection accounts	14,055	11,379
- deposit accounts	511,835	442,268
Cash in hand	847	590
	890,022	595,367

31.1 Bank balances amounting to Rs 99.69 million were under lien with banks (2013: Rs 251.177 million).

31.2 Cash and bank balances include foreign currency balances aggregating USD 1.046 million and GBP 0.032 million (2013: USD 0.380 million and GBP 0.145 million).

31.3 Bank balances on deposit accounts carried interest at an average rate of 5% - 8 % per annum (2013: 5%-8% per annum).

	2014	Represented 2013
	(Rupees in thousand)	
32. Revenue		
Gross revenue	6,901,311	8,055,165
Less: Sales tax / Federal excise duty	549,162	356,811
	6,352,149	7,698,354
33. Cost of sales		
LDI Interconnect cost	1,817,424	2,076,148
Leased circuit charges	242,061	289,702
Contribution to PTA Funds	62,130	273,544
PTA regulatory and spectrum fee	31,251	35,279
Cost associated with IRU of Optic Fibre Cable	97,020	-
Operational cost	546,454	1,366,490
Bandwidth cost of VSAT services	551,920	582,009
Others	404,844	328,044
	3,753,104	4,951,216

	Note	2014	Represented 2013
		(Rupees in thousand)	
34. General and administration expenses			
Salaries, wages and benefits	34.1	818,314	667,502
Rent		76,188	72,131
Repairs and maintenance		16,512	6,114
Vehicle repairs and maintenance		29,924	15,765
Travel and conveyance		47,645	38,879
Postage and stationery		24,806	19,296
Auditor's remuneration	34.2	7,556	5,026
Legal and professional charges		77,209	129,275
Communication expenses		26,449	33,092
Employee training		4,356	4,806
Customer services charges		45,314	38,039
Fees and subscription		1,000	1,674
Insurance		28,401	9,253
Entertainment		15,719	15,614
General office expenses		13,271	9,950
Others		-	596
		1,232,664	1,067,012

34.1 These include charge against employee retirement benefits of Rs 72.989 million (2013: Rs 72.314 million).

34.2 Auditor's remuneration

	2014	2013
Annual audit	2,450	2,130
Audit of consolidated accounts and review of half yearly accounts	1,100	1,000
Tax services	3,898	1,585
Out of pocket expenses	108	311
	7,556	5,026

35. Provisions

	2014	2013
Provision for doubtful trade debts	19,352	165,126
Provision for doubtful advances and other receivables	25,000	53,854
Provision for obsolete stock	1,779	5,064
	46,131	224,044

36. Other income

	2014	2013
Income from non-financial assets:		
Government grant recognised	205,679	68,181
Insurance claim received	60,000	-
(Loss)/ profit on sale of operating assets	-	(46)
Liability written back	-	48,030
Other income	-	5,192
Income from financial assets:		
Profit on long term deposits	5,989	933
	271,668	122,290

	Note	2014	Represented 2013
		(Rupees in thousand)	
37. Finance cost			
Markup on long term and medium term finance	37.1	1,244,842	1,258,848
Amortization of ancillary cost of long term finance		37,306	37,307
Mark up on short term borrowings	37.2	241,054	185,309
Finance cost of leased assets		334	986
Bank charges, commission, fees and other charges		80,359	33,701
Late payment charges on other payables		2,527	8,310
Exchange loss		5,775	843,468
		1,612,197	2,367,929

37.1 This includes markup related to long term finance from shareholders of Rs 216.297 million (2013: Rs 223.848 million) and medium term finance from an associated company of Rs 72.484 million (2013: Rs 80.610 million).

37.2 This includes markup related to an associated company of Rs 240.256 million (2013: Rs 185.309 million).

	Note	2014	2013
		(Rupees in thousand)	
38. Finance income			
Finance income on lease		98,821	-
Markup on advance to associated companies		23,621	38,698
Provision of markup on advances to associated companies		(21,247)	-
		2,374	38,698
Income on bank deposit accounts		33,760	37,827
		134,955	76,525
39. Income tax expense			
Current			
- prior year		8,507	-
- for the year		14,702	8,844
		23,209	8,844
40. Reconciliation of tax charge		%	%
Applicable tax rate		34	35
Deferred tax asset on unused tax loss not recognised		(32)	(35)
Average effective tax rate		2	-

41. FINANCIAL INSTRUMENTS

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

- Credit risk;
- Liquidity risk; and
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further, quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

The Company's policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks. Management's policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of directors oversees how management monitors compliance with the Company's policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The directors are assisted in their oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors.

41.1. Credit risk

Credit risk is the risk of financial loss to the Company if a counter party to financial instruments fails to meet its contractual obligations, and arises principally from the Company's receivable from customers, deposits, contract work in progress, advances, deposits, prepayments and other receivables and bank balances. The Company assesses the credit quality of counterparties as satisfactory. The Company does not hold any collateral as security against any of its financial assets. The Company limits its exposure to credit risk by investing only in liquid securities.

Company's exposure to credit risk is influenced mainly by the individual characteristics of each operator including the default risk of the industry and country in which the operator works. Significant portion of the Company’s receivables is attributable to operators. Company regularly monitors the status of receivables.

	2014	2013
	(Rupees in thousand)	
Trade debts-net of provision	3,469,964	3,058,239
Contract work in progress	47,925	160,696
Advances, deposits, prepayments and other receivables	1,285,445	841,030
Bank balances	889,175	594,777
Long term deposits	249,113	240,886

Impairment losses

The aging of these trade debts at the reporting date is as follows:

	2014		2013	
	Gross	Impairment	Gross	Impairment
	(Rupees in thousand)			
Up to 3 months	2,145,740	-	1,386,660	-
3 to 6 months	310,861	-	639,013	-
6 to 9 months	287,809	88,105	504,616	154,564
Above 9 months	1,772,246	958,587	1,555,290	872,776
	4,516,656	1,046,692	4,085,579	1,027,340

The Company has recorded an allowance for impairment in respect of advances, deposits, prepayments and other receivables of Rs 322 million (2013: Rs 276 million).

41.2. Liquidity risk

Liquidity risk is the risk that Company will not be able to meet its financial obligations as they fall due. Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to Company's reputation.

Company ensures that it has sufficient cash on demand to meet expected cash outflows during its operating cycle. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. 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 is restructuringthe long term finance facilities and short term borrowings which will facilitate the Company to greater extent to meet its obligations/ covenants under loan agreements.

As June 30, 2014, the Company has financial assets of Rs 5,942 million (2013: Rs 4,896 million) and Rs 10,314 million (2013: Rs 9,081 million) unavailed borrowing facilities from financial institution.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the maturity date. The amounts disclosed in the table are contractual undiscounted cash flows except for employee's retirement benefit obligations.

	Carrying amount	Contractual Cashflows	Carrying Amount Less than 1 Year	 Between 1 to 5 years
			(Rupees in thousand)	
2014				
Long term finance - secured	15,727,680	15,833,115	3,543,415	13,296,265
Long term finance - unsecured	294,300	294,000	-	294,000
Long term portion of deferred mark up	1,297,134	1,297,134	129,223	1,167,911
Long term finance from shareholders - unsecured	10,814,754	20,649,200	-	10,814,754
Medium term finance from an associated company - unsecured	600,000	600,000	-	600,000
Obligations under finance leases	1,090	1,176	908	182
Long term deposits	57,110	57,110	21,401	35,709
Short term running finance - secured	2,151,680	2,590,000	2,151,680	-
Trade and other payables	6,211,367	6,211,367	6,211,367	-
Interest/mark-up accrued	2,153,874	2,153,874	2,153,874	-
	39,308,989	49,686,976	14,211,868	26,208,821
2013				
Long term finance - secured	15,694,054	15,836,795	-	15,694,054
Long term portion of deferred mark up	1,065,958	1,065,958	-	1,065,958
Long term finance from shareholders - unsecured	10,820,230	20,607,400	-	10,820,230
Medium term finance from an associated company - unsecured	600,000	600,000	-	600,000
Obligations under finance leases	4,347	4,799	3,257	1,090
Long term deposits	58,220	58,220	-	58,220
Finance from supplier - unsecured	40,542	40,542	40,542	-
Short term running finance - secured	1,558,226	2,590,000	1,558,226	-
Trade and other payables	6,073,472	6,073,472	6,073,472	-
Interest/mark-up accrued	1,475,971	1,475,971	1,475,971	-
	37,391,020	48,353,157	9,151,468	28,239,552

41.3. Market risk

Market risk is the risk of changes in market prices, such as foreign exchange rates and interest rates. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

a) Interest rate risk

As the significant financial assets and liabilities carry variable interest rates, Company's operating cash flows are dependent of changes in the market interest rates. Financial assets of Rs 916 million (2013: Rs 725 million) and financial liabilities of Rs 29,695 million (2013: Rs 28,820 million) were subject to interest rate risk.

At June 30, 2014, had interest rates been 1% higher/lower with all other variables held constant, net loss for the year would have been Rs 288 million (2013: Rs 281 million) higher/lower.

b) Currency Risk

The Company is exposed to currency risk on long term finance, bank balance and receivables / payables which are denominated in currency other than the functional currency of the Company. Financial assets include Rs 1,551 million (2013: Rs 1,543 million) and financial liabilities include Rs 19,104 million (2013: Rs 18,568 million) in foreign currency which were exposed to exchange risk.

At June 30, 2014, if the currency had weakened/strengthened by 10% against US dollar with all other variables held constant, net loss for the year would have been Rs 1,755 million (2013: Rs 1,724 million) higher/lower.

c) Fair value of financial instruments.

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair values.

	2014	2013
	(Rupees in thousand)	
Financial assets - Loans and receivable		
Trade debts - net of provision	3,469,964	3,058,239
Contract work in progress	47,925	160,696
Advances, deposits, prepayments and other receivables	1,285,445	841,030
Bank balances	889,175	594,777
Long term deposits	249,113	240,886
	5,941,622	4,895,628
Financial liabilities - Other financial liabilities		
Long term finance - secured	15,727,680	15,694,054
Long term finance - unsecured	294,300	-
Long term portion of deffered mark up	1,297,134	1,065,958
Finance from supplier - unsecured	-	40,542
Finance from supplier - unsecured	10,814,754	10,820,230
Medium term finance from an associated company - unsecured	600,000	600,000
Obligation under finance leases	1,090	4,347
Long term deposits	57,110	58,220
Short term running finance - secured	2,151,680	1,558,226
Trade and other payables	6,211,367	6,073,472
Interest / markup accrued	2,153,874	1,475,971
	39,308,989	37,391,020

d) 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 sell 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.

41.4 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	2014	2013
		(Rupees in thousand)	
Trade debts			
Counterparties with external credit rating	A1+	127,109	73,026
	A1	5,208	1,772
	A2	494	3,844
	A-1	2,562	12,457
	A-1+	-	33,889
	A-2	-	1,801
	P-1	-	236
	P-2	-	334
Counterparties without external credit rating			
Due from related parties		230,850	657,118
Others		3,103,741	2,273,762
		3,469,964	3,058,239
Advances, deposits and other receivables			
Counterparties with external credit rating			
	A1+	202,174	48,839
	A1	-	3,123
	A-2	-	-
	A3	125,000	125,580
	AA	-	11,856
Counterparties without external credit rating			
Due from related parties		232,507	280,843
Others		725,764	370,789
		1,285,445	841,030
Long term deposits			
Others		249,113	240,886
Bank balances			
	A1+	537,464	493,605
	A-1+	332,985	6,849
	A-1	17,341	91,336
	A-2	22	1,044
	A1	-	-
	P-1	71	1,943
	A3	1,293	-
		889,175	594,777

42. Employees' retirement benefits

	2014	2013
	(Rupees in thousand)	
42.1 Liability for funded staff gratuity	64,861	69,858

The amounts recognised in the statement of financial position are as follows:

	2014	2013
Present value of defined benefit obligation	198,837	155,706
Benefits due but not paid	4,616	4,616
Fair value of plan assets	(138,592)	(90,614)
Actuarial gain not recognised	-	150
Net liability	64,861	69,858

42.2 The amounts recognised in the statement of financial position are as follows:

	2014	2013
Opening liability / (asset)	69,858	128,049
Expense recognised in income statement	40,157	40,966
Contributions made during the year	(53,690)	(109,152)
Liability transferred from Wateen Solutions (Pvt) Limited	-	9,995
Remeasurement loss recognised in statement of comprehensive income	8,536	-
Net liability	64,861	69,858

42.3 The amounts recognised in income statement are as follows:

	2014	2013
Current service cost	36,141	38,560
Interest cost	15,275	17,959
Expected return on plan assets	(11,259)	(2,656)
Settlement (gain)/loss	-	(12,897)
	40,157	40,966

42.4 Remeasurements recognised in other comprehensive income (OCI) are as follows:

	2014	2013
Remeasurement loss/(gain) on obligations:		
Loss from changes in demographic assumptions	-	-
Loss from changes in financial assumption	-	-
Experience loss	12,176	-
Gain due to remeasurement of investment return	(3,490)	-
Remeasurement gain of prior period	(150)	-
	8,536	-

42.5 Changes in the present value of defined benefit obligation are as follows:

	2014	2013
Opening defined benefit obligation	155,706	138,147
Current service cost	36,141	38,560
Interest cost	15,275	17,959
Liability transferred from Wateen Solutions (Pvt) Limited	-	9,995
Remeasurement loss	12,176	-
Actuarial gain of prior period	-	4,093
Benefits paid	(20,461)	(39,387)
Settlement (gain)/loss	-	(12,897)
Benefits due but not paid	-	(764)
Closing defined benefit obligation	198,837	155,706

	2014	2013
	(Rupees in thousand)	

42.6 Changes in fair value of plan assets:

	2014	2013
Opening fair value of plan assets	90,614	20,433
Remeasurement gain	3,490	-
Contributions by employer	53,690	109,152
Benefits paid	(20,461)	(40,161)
Expected return on plan assets	11,259	2,656
Actuarial gain/ (loss) of prior period	-	(1,466)
Closing fair value of plan assets	138,592	90,614

Actual return on plan assets for the year is Rs 15.275 million.

During the next financial year, the expected contribution to be paid to the gratuity fund by the Company is Rs 46.07 million (2013: Rs 38 million).

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

	2014		2013	
	Rupees ('000)	%age	Rupees ('000)	%age
Cash and bank	63,752	46	28,080	31
Investments	74,840	54	62,534	69
	138,592	100	90,614	100

42.8 Significant actuarial assumptions:

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

	2014	2013
Valuation discount rate-p.a	13.25%	10.5%
Expected rate of increase in salaries-p.a	13.25%	10.5%
Expected rate of return on plan assets-p.a	12%	13%
Average expected remaining working Life time of employees	8 years	6 years

42.9 Sensitivity Analysis

The calculation of the defined benefit obligation is sensitive to assumptions set out above. The following table summarizes how the defined benefit obligation at the end of reporting period would have increased/ (decreased) as a result of change in respective assumptions by one percent.

	Defined benefit obligation Effect of 1%	
	Increase	(Decrease)
	(Rupees in thousand)	
Discount rate	(14,404)	16,715
Expected rate on increase in salaries	17,208	(15,117)

42.10 The weighted average number of years of defined benefit obligation is 8 years as at June 30, 2014.

42.11 The Company contributes to gratuity fund on the advice of fund's actuary. The contribution is equal to current service cost with the adjustment for any deficit.

	2014	2013
	(Rupees in thousand)	
Salaries, wages and benefits as appearing in note 34 include amounts in respect of the following:		
Provident fund	32,832	72,335
Gratuity fund	40,157	40,966
	72,989	113,301

	(Rupees in thousand)
	June 30
Projected benefit payments from gratuity fund are as follows:	
For the year 2015	35,162
For the year 2016	31,542
For the year 2017	32,310
For the year 2018	32,583
For the year 2019	34,116
For the year 2020	33,982
For the year 2021	39,028
For the year 2022	33,779
For the year 2023	44,244
For the year 2024	36,018
For the year 2025 onwards	4,101,958

43. Defined contribution plan

Details of provident funds are as follows:

Staff provident fund	2014	2013
	(Rupees in thousand)	
Net assets	210,494	172,482
Cost of investments made	158,227	129,352
Fair value of investments made	178,080	133,657
%age of investments made	85%	78%

	2014		2013	
Breakup of investment - at cost	Rs '000	%age	Rs '000	%age
Shares	33,710	21%	25,656	20%
Mutual Funds	60,546	38%	10,000	8%
Bank deposits	63,971	41%	93,696	72%
	158,227	100%	129,352	100%

43.1 Investments out of provident funds have been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for the purpose.

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:

	2014	2013
	(Rupees in thousand)	
Parent Company		
Warid Telecom International LLC, UAE (WTI)		
Markup charged to WTI	4,909	5,789
Shareholders/ Sponsors		
Long term finance received from shareholders	-	956,575
Markup on long term finance from shareholders	216,279	223,848
Long term finance - unsecured received	294,300	-
Mark up on long term finance - unsecured	33	-
Associated companies:		
Warid Telecom (Pvt) Limited (WTL)		
Sale of services	1,117,920	1,038,066
Markup charged to WTL	-	9,494
Cost and expenses charged by WTL	648,220	680,866
Wateen Multimedia (Pvt) Limited (WMM)		
Cost and expenses charged by WMM	-	1,500
Markup charged to WMM	21,420	19,761
Warid Telecom Georgia Limited		
Markup charged on advance	2,106	2,133
Raseen Technology (Pvt) Limited		
Markup charged on advance	2,233	2,546
Warid Telecom International - Bangladesh		
Markup charged on advance	764	770
Bank Alfalah Limited (BAL)		
Sale of services	143,682	171,991
Rendering of services	17,892	10,203
Markup charged by BAL on short term running finance	240,256	185,309
Markup charged on bank deposits with BAF	4,531	-
AlFalah Insurance Limited		
Rendering of services	268	1,050
Taavun (Pvt) Limited		
Markup on long term finance	72,484	80,610
Provident Fund Trust		
Employer contribution to trust	32,832	72,335
Gratuity Fund		
Employer contribution to fund	40,157	40,966

44.2 Remuneration of Executive Directors and Chief Executive

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

	Chief Executive		Directors		Total	
	2014	2013	2014	2013	2014	2013
	(Rupees in thousand)					
Managerial remuneration	15,484	13,290	5,465	9,218	20,949	22,508
Bonus	12,000	-	-	-	12,000	-
Housing and utilities	8,516	7,310	-	-	8,516	7,310
Company's contribution to provident and gratuity funds	1,290	1,107	-	-	1,290	1,107
Leave fair assistance	1,290	1,108	-	-	1,290	1,108
	38,580	22,815	5,465	9,218	44,045	32,033
Number of persons	1	1	2	2	3	3

44.3 Capacity

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

44.4 Number of employees

	2014	2013
Total number of employees at end of the year	701	718
Average number of employees for the year	695	756

45. Reconstruction of accounting records destroyed in fire incident

During the year ended June 30, 2012, a fire broke out at the New Auriga Centre, Lahore where the Head Office of the Company was 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. The exercise related to the period July 1, 2008 to June 30, 2011 is in progress.

46. Corresponding figures

Comparative figures have been reclassified for representing the results of discontinued operations in accordance with IFRS 5 as referred to in note 1.1, 19, 32, 33 and 34 to the financial statements.

47. Date of authorisation for issue

These financial statements have been authorised for issue by the Board of Directors of the Company on November 30, 2014.

Chief Executive

Director

Pattern of Shareholding
as on June 30, 2014

NO. OF SHAREHOLDERS	HAVING SHARES From	To	SHARES HELD	PERCENTAGE
189	1	100	5386	0.0009
2858	101	500	1417840	0.2296
1879	501	1000	1873394	0.3034
1530	1001	5000	6135361	0.9936
584	5001	10000	5730071	0.9280
63	10001	15000	904307	0.1465
160	15001	20000	3193187	0.5171
32	20001	25000	790930	0.1281
52	25001	30000	1552300	0.2514
11	30001	35000	380804	0.0617
11	35001	40000	440000	0.0713
4	40001	45000	172582	0.0280
91	45001	50000	4547300	0.7364
2	50001	55000	102696	0.0166
7	55001	60000	415055	0.0672
1	60001	65000	65000	0.0105
1	65001	70000	70000	0.0113
1	70001	75000	75000	0.0121
1	80001	85000	80932	0.0131
48	95001	100000	4800000	0.7774
1	145001	150000	150000	0.0243
1	170001	175000	175000	0.0283
5	195001	200000	1000000	0.1620
1	295001	300000	300000	0.0486
1	495001	500000	500000	0.0810
1	675001	680000	680000	0.1101
1	1155001	1160000	1160000	0.1879
1	1995001	2000000	2000000	0.3239
1	3475001	3480000	3480000	0.5636
1	5975001	5980000	5975200	0.9677
1	20895001	20900000	20899621	3.3847
1	83490001	83495000	83494920	13.5220
1	131610001	131615000	131612034	21.3146
1	333295001	333300000	333295700	53.9772
7543		**Company Total**	**617,474,620**	**100.0000**

Categories of Shareholding
as on June 30, 2014

Particulars	No of Folio	Balance Share	Percentage
DIRECTORS, CEO & CHILDREN	7	2,000	0.0003
ASSOCIATED COMPANIES	7	576,612,475	93.3824
BANKS, DFI & NBFI GENERAL	1	300,000	0.0486
PUBLIC (LOCAL) GENERAL PUBLIC	7,486	36,554,115	5.9199
(FOREIGN) OTHERS	15	836,015	0.1354
	27	3,170,015	0.5134
Company Total	**7,543**	**617,474,620**	**100.0000**

NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE is hereby given that the 5th Annual General Meeting (AGM) of WATEEN TELECOM LIMITED (the **"Company"**) will be held on Friday, January 16, 2015, at Marvel Hotel, 31-B, Sector XX, DHA, Lahore Cantt at 10:00 AM, to transact the following business:

A. **Ordinary Business**

1. To confirm the minutes of last Extraordinary General Meeting held on October 03, 2014.

2. To receive, consider and adopt the audited accounts of the Company for the year ended June 30, 2014, together with the reports of the Board of Directors and Auditors thereon.

3. To re-appoint M/s A. F. Ferguson & Co., Chartered Accountants, as the Auditors of the Company for the financial year 2014-15 and to fix their remuneration.

B. **Other Business**

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

Lahore
Date: December 27, 2014

By the Order of the Board

Sajid Farooq Hashmi
Company Secretary & GM Legal Head

NOTES:

A. **PARTICIPATION IN ANNUAL GENERAL MEETING**

A member entitled to attend and vote at this meeting may appoint another person as his/ her proxy to attend and vote for him/ her. 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.

B. **CDC ACCOUNTS HOLDERS**

(a) 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.

(b) For appointing proxies

(i) 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.

(ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.

(iii) Attested copies for CNICs or the passports of the beneficial owners and of the proxy shall be furnished with the proxy form.

(iv) The proxies shall produce their original CNICs or original passports at the time of the meeting.

(v) 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.

C. CLOSURE OF SHARE TRANSFER BOOKS

The share transfer books of the Company will remain closed, and no transaction with respect to the sale/purchase of the Company's shares shall be accepted, from January 10, 2015 to January 16, 2015, (both days inclusive).

D. CHANGE IN ADDRESS

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

FORM OF PROXY
5th ANNUAL GENERAL MEETING

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 Friday, January 16, 2015, at Marvel Hotel, 31-B, Sector XX, DHA, Lahore Cantt at 10:00 AM, and / or any adjournment thereof.

As witness my/our hand/seal this ________ day of ______________________, 2015.

Witnesses

Signature on Five Rupees Revenue Stamp.

The signature should match with the specimen registered with the Company

1.__________________________

2.__________________________

Shareholder Folio No. ______________

Or

CDC Participant I.D. No. ______________

&

Sub Account No. ______________

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