VISION

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

MISSION STATEMENT

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

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

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

CONTENTS

FINANCIAL STATEMENTS

FOR THE YEAR ENDED
30 JUNE 2008

COMPANY INFORMATION

Chairman	Dr. Mohammed Ali Mohammed Al-Wohaibi
Chief Executive Officer	Babar Ali Syed
Board of Directors (*in Alphabetical order)*	Abdullah Zahran Abdullah Al-Hinai Dr. Mohammed Ali Mohammed Al-Wohaibi Nasim Beg Saleem Jawad Jaffer Al-Khabori Salmaan Taseer Sameer Hamed Nasser Al-Siyabi Sheikh Sulieman Ahmed Said Al-Hoqani Sumbul Munir Talal Said Marhoon Al-Mamari
Chief Financial Officer	Muhammad Naveed Tariq
Audit Committee	Talal Said Marhoon Al-Mamari (Chairman) Nasim Beg (Member) Sumbul Munir (Member)
Company Secretary	Ahmad Bilal
Auditors	KPMG Taseer Hadi & Co. Chartered Accountants
Legal Advisers	Ebrahim Hosain & Associates Advocates
Bankers	ABN Amro Bank Limited Allied Bank Limited Askari Bank Limited Arif Habib Bank Limited Barclays Bank Plc Citi Bank N.A Pakistan Deutsche Bank AG Emirates Global Islamic Bank Faysal Bank Ltd Habib Bank Limited Habib Metropolitan Bank Limited KASB Bank Limited MCB Bank Limited National Bank of Pakistan NIB Bank Limited Soneri Bank Limited Standard Chartered Bank (Pakistan) Limited The Bank of Punjab United Bank Limited
Registrar and Shares Transfer Office	THK Associates (Pvt.) Limited Ground Floor State Life Building No.3, Dr. Zia-ud-Din Ahmed Road Karachi ☎ (021) 111-000-322
Registered Office/Head Office	103-C/II, Gulberg-III Lahore, Pakistan ☎ (042) 5757591-4 Fax: (042) 5757590, 5877920

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 8th Annual General Meeting of the shareholders of Worldcall Telecom Limited (the "Company" or "WTL") will be held on Tuesday, 16 September 2008 at 11:00 a.m. at Pearl Continental Hotel, Shahrah-e-Quaid-e-Azam, Lahore, to transact the following business:

1. To confirm the minutes of last Extraordinary General Meeting held on 29 December 2007;

2. To receive, consider and to adopt the financial statements of the Company for the year ended 30 June 2008 together with the Directors' and Auditors' reports thereon; and

3. To appoint the Auditors of the Company for the period ending 31 December 2008 and to fix their remuneration.

By order of the Board

Lahore
25 August 2008

Ahmad Bilal
Company Secretary

Notes:

1) The Register of Members will remain closed from 09 September 2008 to 16 September 2008 (both days inclusive). Transfers received at THK Associates (Pvt.) Limited, Ground Floor State Life Building No.3, Dr. Ziauddin Ahmed Road, Karachi, the Registrar and Shares Transfer Office of the Company by the close of business on 08 September 2008 will be treated in time.

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

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

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

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

5) Members are requested to notify any change in their registered address immediately.

MESSAGE FROM THE CHAIRMAN

Respected Shareholders:

On behalf of the Board of Directors of Worldcall Telecom Limited ("Worldcall" or "the Company"), I am pleased to present a summary of results of the operations for the financial year ended 30th June 2008.

Acquisition by Omantel

Oman Telecommunications Company SAOG (Omantel) has acquired major stake of the Company on 2nd May 2008. This is the first investment of Omantel outside the Sultanate of Oman. Post acquisition, financial results of Worldcall as at 30th June 2008 have been consolidated with the results of Omantel.

Omantel is the largest telecommunications service provider in Sultanate of Oman providing landline, mobile telephone, and internet services.

After acquisition by Omantel, the Company will be benefited in different ways and will be able to find more avenues for growth in the current competitive market environment by utilizing synergies and expertise.

General Economic Environment

With a total population of 170 million, Pakistan is being considered as one of the favorite markets around the globe to attract investment in telecommunication services. However the market condition for telecom services, after the investment by large players, has become price sensitive. On the other hand, for data services, there is still a significant room available for penetration.

Pakistan's economy is showing increasing signs of stress by the end of fiscal year 2007-2008, real GDP growth for FY-08 has dropped below 6% level for the first time in last 5 years, annual inflation has reached 12%. However despite the deterioration, it is also pertinent to note that as a result of structural reforms and liberalization measures over the last 15 years the economy has fundamentally gained resilience. This suggests that a policy focus on regaining macro economic stability through further reforms and corrective measures could quickly reinvigorate the growth momentum of the economy.

Foreign Direct Investment in Pakistan in the year 2007-2008 was US$ 5.2 billion of which 32% pertains to communication sector.

Major Achievements

During the year, Company's primary focus has remained the expansion of operations in the areas of fibre optic laying and broadband internet coverage of all major cities of the country to secure the future revenue from data and video clientage . Some of the major achievements of the year ended June 30, 2008 are summarized below:

Worldcall has signed a Rs. 500 M (approx) contract with Telenor to provide fibre optic connectivity services in 20 major cities of Pakistan. This agreement provided the opportunity to expand the services of cable TV, wire line internet and data connectivity in these cities. Worldcall has become the first company which has deployed metro fibre of over 800 km across the country.

Currently the Company owns the largest cable TV network in Pakistan. To further expand its operations the Company is launching its service to 4 new cities i.e. Islamabad/Rawalpindi, Faisalabad, Multan and Gujranwala, with an initial plan of loop business which will significantly enhance the advertisement income and Hybrid Fiber Coaxial (HFC) network afterwards. Service will be commercially launched in the first quarter of the current financial year.

Worldcall is again the first in introducing 3G technology in broadband internet i.e. EVDO project which is at the verge of commercial launch in Karachi, the largest city and commercial capital of Pakistan. Further the process of launch of service in other 6 major cities has been started. This will be the first performing wireless broadband service in Pakistan.

Worldcall along with its allied partners has been successful in achieving the milestone of obtaining approval for 150% enhancement in Access Promotion Charges (APC) rate and selling rate was increased by US$ 0.05 which has increased international selling rate by 4 times approximately.

Company Operating Performance

With the continuously increasing competition in telephony market, inclusion of yet another one of the largest mobile operators into this market and decline in calling rates by country's largest telecom operator PTCL, revenues per customer of all telecom operators are on declining trend. However the Company was still able to record 4.5% growth in revenue by increasing customer base. The Company has expanded its network of metro fibre optic cable in all major cities of Pakistan in order to spread out its data and video operations in which the Company leads the way.

The total Company revenue for the year ended June 30, 2008 rose by 4.5% to Rs. 4,508 million compared to Rs. 4,313 million for the last year.

The operating expenses increased by Rs. 152 million (14.4%) compared to the last year. The increase in operating expenses is on account of increase in operations, rise in inflation and petroleum prices hike.

Earning per Share (EPS) as of June 30, 2008 is Rs. 0.10, which is 88% lower than the corresponding period in last year.

Total subscriber base (all services) has recorded a growth of 60%. Total number of subscribers has increased to 578k as of June'08 compared to 362k of the corresponding period of the previous year.

Subsidiary Companies:

Worldcall has 70.65% shareholding in Worldcall Telecommunications Lanka (Private) Limited which operates payphone operations in Sri Lanka. During the period, the number of customers subscribed to Worldcall Lanka service decreased by 372 (from 1,238 to 866). The gross revenue for the year ended 30 June 2008 is Rs. 11.2 Million compared to the corresponding period of previous year's revenue of Rs.16.2 Million.

Corporate Governance and Internal Controls

The Company follows Corporate Governance issued by Securities and Exchange Commission of Pakistan that are applicable on KSE/LSE listed companies and ensures full compliance of the rules and regulations. Board of Directors periodically assign specific areas of internal controls for the review of internal auditors and thus ensure its effectiveness.

Challenges and Future Outlook

A major challenge being faced by the WLL segment of the Company is recent price war in calling rates; Worldcall is committed to compete in this price sensitive market by further strengthening the quality of service for which Worldcall is upgrading its network and increasing the cell sites.

As per the planned strategy, the Company will continue to enhance its subscriber base for telephony as well as data and video. The new operation which is on the verge of its launching i.e. EVDO, metro connectivity business and Cable TV services in new cities shall be more focused to grab the subscriber base in initial stage of launching. The Company has aggressive roll-out strategy for wire line and wireless broadband which would revolutionize the service offerings in coming days.

Post Omantel acquisition of Worldcall's major shareholding, new avenues of growth would be available through synergies and expertise.

On behalf of the Board of Directors, I take this opportunity to express our heartfelt thanks to our shareholders and loyal customers, whose continued support has remained an asset for the Company. Also we, wholeheartedly appreciate the Chairman and Members of Board Sub-Committees, Executive Management and Employees for their sincere efforts towards the Company. We are confident with all your support we would be able to take the Company to new heights.

We, also express our special thanks to Pakistan Telecommunication and Pakistan Electronic Media Regulatory Authority and our suppliers and other stakeholders for their valuable cooperation and contributions.

Muscat:
12 August 2008

Dr. Mohammed Ali Mohammed Al Wohaibi
Chairman, Board of Directors of Worldcall Telecom Limited

DIRECTORS' REPORT

The Directors of Worldcall Telecom Limited ("Worldcall" or "the Company") are pleased to present before you a review of your Company's performance for the year ended 30 June 2008.

Financial Overview

The Company posted net revenue of Rs. 4.5 billion while making a net profit after tax of Rs. 76.218 million during the year. The Company has recorded an increase of 4.5% in the revenue over last year and was able to maintain the gross profit of the company. This shows that even in the presence of ongoing competition in telecom market, the Company is striving to achieve maximum revenue to overcome the turndown in margins and is under the process of consolidating and expanding its operations in various segments. The current year's operating costs increased by 14.4% as a result of inflation and petroleum prices hike. The Company generated healthy cash flows from operating activities. Detailed results of the Company for the year are disclosed in the financial statements accompanying this report; however salient features of the results for the year are as follows:

Profit and Loss Account	**(Rs. in Millions)**
Revenue	**4,508**
Gross Profit	**1,653**
Profit after Taxation	**76**
EPS-Basic-(Rupees)	**0.10**
Balance Sheet	
Non Current Assets	**16,126**
Net Current Assets	**1,774**
Non Current Liabilities	**5,537**
Share Capital and Reserves	**12,362**
Break up Value per Share (Excluding surplus on revaluation)- Rupees	**13.99**
Break up Value per Share (Including surplus on revaluation) - Rupees	**14.37**

Acquisition by Omantel (Holding Company)

Oman Telecommunications Company SAOG (Omantel) has acquired majority stake of the Company on 2nd May 2008 after which Worldcall has proudly added to its name "An Omantel Company". This is the first investment of Omantel outside the Sultanate of Oman.

Omantel is the largest communications service provider in Sultanate of Oman providing landline, mobile telephone, and internet services.

After acquisition by Omantel, the Company will be benefited in different ways and will be able to find more avenues for growth in the current competitive market environment by utilizing synergies and expertise.

Post acquisition strategies to redefine Worldcall as market leader are under the process of evaluation and will be matured in near future. The Company would be able to seek benefit from Omantel experience and would be able to explore new avenues to reduce the costs and maximize the revenue primarily in the LDI and IP bandwidth.

Operational Achievements are highlighted below

Amatis Loan Conversion

The Company had arranged a long term loan of US$ 25 Million from Amatis Limited while Rupee value was predetermined at the time of conversion of USD into Rs. The loan amounted to Rs. 1.497 billion. The loan carried an interest rate of 1% per annum payable annually in arrears within 25 days of each anniversary. The term of loan was 7 years. The loan (including any accrued interest) had been converted into 108.5 million ordinary shares of Rs. 10 each upon exercise of conversion option by the lender during the year at a price of Rs. 13.93 per share (including a premium of Rs. 3.93 per share).

Expansion in Fibre Optic Network

The Company has signed Rs. 500 M (approx) contract with Telenor Pakistan to provide fiber optic connectivity services in 20 major cities of the country. Significant cost of installation will be paid by Telenor and the company has spare pairs of fiber available in the network to offer the services to other telecom operators and institutions. This agreement has also provided Worldcall with an opportunity to expand its Hybrid Fibre Coaxial (HFC) operation across Pakistan. Currently Worldcall has become the only Company which owns metro fibre network of over 800 km across the country.

Long Haul Fibre Pair from Multinet

The Company's one of the strategic assets “the right to use one pair of dark fiber all across the country” is near to maturity and final process of taking over is under negotiations with the local management of Multinet. On the other hand our engineers have been evaluating the technologies to make this fiber is active. Once this fiber active, it will have huge cost saving impact on front of media costs and plays a very important gadget for company's broadband and video expansion plans.

Introduction of 3G Technology

Worldcall is consistent with its policy of entering into new ventures and is again the first in introducing 3G technology in broadband internet i.e. EVDO project which is under the final stage of deployment in Karachi, the largest city and commercial capital of Pakistan, further that the equipment has been ordered for service in 6 other major cities. The existing WLL infrastructure is being used for the project which has enabled the Company to significantly save the costs. This project will be the first performing wireless broadband internet service in the country.

Cable TV Services in New Cities

Worldcall will be able to expand its similar network of services to many more cities especially where fiber optic networks are being deployed under a special contract with Telenor. This expansion will provide revenue streams through additional cable and internet connections, directly or through other connected small operators. Major revenue expectations are from advertisement on cable systems. Currently the Company is at final stages to launch Cable TV services in 4 new cities i.e. Islamabad/Rawalpindi, Faisalabad, Multan and Gujranwala, with an initial plan of loop business and HFC network afterwards. Service will be launched in 1st quarter of current financial year. Worldcall will become the only Company in Pakistan having its cable TV operations in 6 major cities.

Increase in LDI Revenue

Worldcall along with its consortium partners has been successful in achieving the milestone of obtaining approval for 150% enhancement in Access Promotion Charges (APC) rate and selling rate was increased by US$ 0.05 which has increased international selling rate by 4 times approximately. As the aforementioned revision in rates took into effect from May 2008, very little benefit was available in the year under review while maximum benefit is expected during the years to come. Few LDI operators have gone to court against this determination of PTA however it is believed that they have a very weak case.

Expensive Debt Retirement

Worldcall has raised new finances under TFC arrangement at lower mark-up rate (KIPOR plus 1.6%) and retired most of the expensive loans (KIBOR plus 4%) saving a considerable financial cost. The Company is in the process of obtaining approval from SECP for public offer of Rs. 1 Billion out of a total TFC issue of Rs. 4 Billion.

Withholding Tax Decision

Income Tax Appellate Tribunal has decided the long outstanding case of withholding tax in Company's favour resultantly the Income Tax Department's demand of Rs. 182M has been reversed. The department has 3 months to file reference in High Court against the decision but so far (as per information available) they have not filed any reference.

Future Outlook

In order to overcome the current competition in telephony business, the management has formulated the following strategies;

- Enhance internal efficiency to control operating costs, while making cautious infrastructure investments to enhance the customer experience
- Continue being the leading broadband and cable TV service provider in the country by expanding network and introduction of new technologies to enhance revenues
- Further strengthen the company's customer focus strategy
- Investment in branding, marketing and innovative sales campaigns to build competitive edge

We expect the growth in broadband market to continue in the country whereas a tough competition is expected in telephony market and Average Revenue Per User (ARPU) from Cable TV and broadband internet is still attractive when compared with telephony ARPU. Worldcall is already very well placed in the broadband market, with the planned introduction of Wireless Broadband services through EVDO and increased thrust on Wire-line Broadband services are expected to see sweeping growth in the appetite of the market. Also, the deployment of fibre optic network in new areas coupled with the cable TV services would significantly contribute to Company's point to point connectivity and advertisement revenue. We expect these planned activities would be completed in time. We are confident that these measures would undoubtedly increase service revenue and profitability.

Nevertheless, the existing and ongoing competition in telephony business requires an appropriate management otherwise it would result in further denting of segment profitability. Expansion of network for EVDO will augment the enhancement of voice quality and will provide the ability to target corporate and small business units which still require location based telephone connectivity. This approach will help improve the voice revenues and stabilize the ARPU from further decline.

Further, in the post Omantel acquisition scenario, the Company is expecting a significant growth with the expansion plans which are under the process of evaluation.

Changes in the Board of Directors

Since the last report there have been following changes in the composition of the Board during the period Dr. Mohammed Ali Mohammed Al-Wohaibi , Talal Said Marhoon Al-Mamari, Saleem Jawad Jaffer Al-Khabori, Sameer Hamed Nasser Al-Siyabi, Abdullah Zahran Abdullah Al-Hinai, Sumbul Munir and Nasim Beg have been appointed in the place of Arshed Ahmed Khan, Aamna Taseer, Shaan Taseer, Babar Ali Syed, Abid Raza, Air Vice Marshal (Retd.) Arshad Rashid Sethi and Jamal Said Al-Ojaili . At present there are nine Directors serving the Board of the Company.

In additional Mr. Salmaan Taseer resigned from the office of Chief Executive Officer of the Company and Mr. Babar Ali Syed was appointed as a new Chief Executive Officer of the Company. The Board appreciates the services rendered by Mr. Salmaan Taseer during tenure of his services.

Statement U/S 218 of the Companies Ordinance, 1984

The board of directors in their meeting held on 12 August 2008 has appointed Mr. Babar Ali Syed as a new CEO of the Company and has revised his remuneration. He shall be paid Rupees 1 million per month alongwith perquisites and other benefits as admissible under the Company's policy.

Change in Financial Year of the Company

Since the year end of the Holding company "Oman Telecommunications Company (SOAG)" is 31 December therefore the year end of the Company is changed to 31 December for consolidation and other reporting purposes. In this regard, approval from Federal Board of Revenue for change in tax year has also been obtained.

Board Meetings during the year

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

Directors	Meetings Attended
Dr. Mohammed Ali Mohammed Al-Wohaibi (Chairman)	1
Salmaan Taseer	6
Talal Said Marhoon Al-Mamari	1
Saleem Jawad Jaffer Al-Khabori	1
Sameer Hamed Nasser Al-Siyabi	1
Abdullah Zahran Abdullah Al-Hinai	1
Sumbul Munir	1
Sulieman Ahmed Said Al-Hoqani	3
Nasim Beg	2
Air Vice Marshal (R) Arshad Rashid Sethi (Resigned)	2
Aamna Taseer (Resigned)	5
Shaan Taseer (Resigned)	2
Babar Ali Syed (Resigned)	7
Abid Raza (Resigned)	3
Jamal Said Al-Ojaili (Resigned)	-
Arshad Ahmed Khan (Resigned)	4

The Directors who could not attend the meeting were duly granted leave by the Board.

Audit Committee

The Board of Directors in compliance with the Code of Corporate Governance has established an Audit Committee consisting of following Directors:

Talal Said Marhoon Al-Mamari	Chairman
Nasim Beg	Member
Sumbul Munir	Member

During the year Abid Raza was appointed in place of Arshed Ahmed Khan. Thereafter Talal Said Marhoon Al-Mamari, Sumbul Munir and Nasim Beg have been appointed in place of Babar Ali Syed, Aamna Taseer and Abid Raza.

Auditors

The present Auditors, Messrs KPMG Taseer Hadi & Co., Chartered Accountants shall retire but are eligible for re-appointment for the period ending 31 December 2008, subject to approval by the members of the Company.

Pattern of Shareholding

The pattern of shareholding as required under Section 236 of the Companies Ordinance, 1984 and listing regulations is enclosed.

Dividend / Payout

Keeping in view the financial results of the company, the directors have recommended no dividend / payout be paid for the year under review.

Trading by Directors etc.

During the financial year, the trading in shares of the Company by the directors', CEO, CFO, Company Secretary and their spouses and any minor children is given in annexure-I.

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

1. The financial statements, prepared by the management of the Company, fairly present its state of affairs, the result of its operations, cash flows and change in the equity.

2. Proper books of accounts of the Company have been maintained.

3. Appropriate accounting policies have been consistently applied except for the changes referred in note 2.5 in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment.

4. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements.

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

6. There are no significant doubts upon the Company's ability to continue as a going concern.

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

8. The key financial data of past four years is summarized in the report.

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

Earning per Share

Earning per share for the financial year ended 30 June 2008 is Rs. 0.10 per share.

Human Resources

Worldcall appreciates the hard work and determination of its employees that has helped it to become one of the leading telecom companies in Pakistan. Worldcall continues to rely on its employees for its future expansion and believes in the mutual sharing of rewards that are a result of the endeavors of its employees.

For and on behalf of the Board of Directors

Muscat: 12 August 2008	**Dr. Mohammed Ali Mohammed Al-Wohaibi** Chairman	**Babar Ali Syed** Chief Executive Officer	**Talal Said Marhoon Al-Mamari** Chairman Audit Committee

Annexure-1

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

	Opening balance as on 01-07-2007	Purchase	Bonus	Sale	Closing balance as on 30-06-2008
Directors					
Salmaan Taseer	7,235,281	-	-	7,200,000	35,281
Aamna Taseer (Resigned)	1,746	-	-	500	1,246
Shaan Taseer (Resigned)	1,500	-	-	500	1,000
Sulieman Ahmed Said Al-Hoqani	347,896,342	-	-	273,069,905	74,826,437
Jamal Said Al-Ojaili (Resigned)	816	-	-	500	316
Abid Raza (Resigned)	1,951	-	-	500	1,451
Babar Ali Syed *(Resigned)	500	-	-	500	-
Air Vice Marshal (R) Arshad Rashid Sethi (Resigned)	575	-	-	575	-
Arshad Ahmed Khan (Resigned)	-	-	-	-	-
Nasim Beg	-	-	-	-	-
Dr. Mohammed Ali Mohammed Al-Wohaibi	-	500	-	-	500
Talal Said Marhoon Al-Mamari	-	500	-	-	500
Saleem Jawad Jaffer Al-Khabori	-	500	-	-	500
Sameer Hamed Nasser Al-Siyabi	-	500	-	-	500
Abdullah Zahran Abdullah Al-Hinai	-	500	-	-	500
Sumbul Munir	-	575	-	-	575
Chief Financial Officer					
Muhammad Naveed Tariq	1,782	-	-	-	1,782
Company Secretary					
Ahmad Bilal	1,990	-	-	-	1,990
Spouses	-	-	-	-	-
Minor Children	-	-	-	-	-

*Babar Ali Syed resigned as a Director, however subsequently appointed as a Chief Executive Officer of the Company.

FOUR YEARS FINANCIAL PERFORMANCE
INCOME STATEMENT

	2008	2007	2006	01 December 2004 to 30 June 2005
	(Rupees in '000)			
Revenue-Net	4,508,111	4,312,513	4,355,859	677,854
Direct Cost	(2,854,820)	(2,628,806)	(2,726,331)	(607,833)
Gross Profit	**1,653,291**	**1,683,707**	**1,629,528**	**70,021**
Operating Cost	(1,210,139)	(1,057,853)	(1,034,128)	(91,497)
Operating Profit/(loss)	**443,152**	**625,854**	**595,400**	**(21,476)**
Finance Cost	(460,569)	(312,939)	(179,092)	(24,746)
	(17,417)	**312,915**	**416,308**	**(46,222)**
Gain on re-measurement of investments at fair value	3,844	279,183	138,363	-
Gain on re-measurement of investment property at fair value	4,012	15,516	21,000	-
Gain on re-measurement of long term liabilities	-	-	453,107	-
Other Operating Income	93,355	138,086	158,077	14,300
Other Expenses	(29,941)	(39,259)	(4,635)	-
Profit/(loss) before taxation	**53,853**	**706,441**	**1,182,220**	**(31,922)**
Taxation	22,365	(82,905)	(234,610)	12,704
Profit/(loss) after taxation	**76,218**	**623,536**	**947,610**	**(19,218)**
Bonus Shares	**-**	**-**	**15%**	**-**
Earning per share-Basic	**0.10**	**0.83**	**1.28**	**(0.14)**

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES ON TRANSFER PRICING FOR THE YEAR ENDED 30 JUNE 2008

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

For and on behalf of the Board

Muscat: 12 August 2008	**Dr. Mohammed Ali Mohammed Al-Wohaibi** Chairman	**Babar Ali Syed** Chief Executive Officer	**Talal Said Marhoon Al-Mamari** Chairman Audit Committee

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2008

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

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

1) The board of directors comprise of nine directors. The Company encourages representation of independent non-executive directors on its board. At present the board includes at least 3 independent non-executive directors.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

For and on behalf of the Board

Muscat:	**Dr. Mohammed Ali Mohammed Al-Wohaibi**	**Babar Ali Syed**	**Talal Said Marhoon Al-Mamari**
12 August 2008	Chairman	Chief Executive Officer	Chairman Audit Committee

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the statement of compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **Worldcall Telecom Limited** ("the Company") to comply with the Listing Regulation No. 37 of Karachi Stock Exchange and Chapter XIII of Lahore Stock Exchange, where the Company is listed.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

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

KPMG Taseer Hadi &

Lahore:
12 August 2008

KPMG Taseer Hadi & Co.
Chartered Accountants

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Worldcall Telecom Limited ("the Company")** as at 30 June 2008 and the related profit and loss account, cash flow statement and statement of changes in equity, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

We conducted our audit in accordance with 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;

b) in our opinion:

    i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for change referred to in note 2.5 to the financial statements 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 balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2008 and of the profit, its cash flows and changes in equity for the year then ended; and

d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980, was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

KPMG Taseer Hadi & Co.

Lahore:
12 August 2008

KPMG Taseer Hadi & Co.
Chartered Accountants

BALANCE SHEET
AS AT 30 JUNE 2008

	Note	2008	2007
		(Rupees in '000)	
NON CURRENT ASSETS			
Tangible fixed assets			
Property, plant and equipment	3	**8,903,741**	7,643,496
Capital work-in-progress	4	**1,976,225**	1,780,544
		10,879,966	9,424,040
Intangible assets	5	**5,008,323**	4,704,499
Investment property	6	**76,162**	72,150
Long term investments - at cost less impairment	7	**51,461**	58,758
Long term deposits	8	**109,908**	223,383
Deferred costs	9	**-**	4,727
		16,125,820	14,487,557
CURRENT ASSETS			
Store and spares		**57,340**	67,451
Stock in trade		**90,868**	35,187
Trade debts	10	**900,712**	899,052
Loans and advances - considered good	11	**216,089**	115,195
Deposits and prepayments	12	**234,004**	178,320
Other receivables	13	**233,821**	410,245
Short term investments	14	**574,785**	570,941
Income tax recoverable-net		**102,469**	58,229
Cash and bank balances	15	**849,040**	560,575
		3,259,128	2,895,195
CURRENT LIABILITIES			
Current maturities of non-current liabilities	16	**323,429**	751,320
Running finance under mark-up arrangements - secured	17	**66,894**	525,459
Trade and other payables	18	**1,020,125**	1,039,068
Interest and mark-up accrued	19	**74,841**	31,981
		1,485,289	2,347,828
NET CURRENT ASSETS		**1,773,839**	547,367
NON CURRENT LIABILITIES			
Term finance certificates - secured	20	**3,237,470**	342,855
Long term finances	21	**258,787**	677,464
Deferred taxation	22	**710,589**	666,625
Retirement benefits	23	**133,200**	98,856
Liabilities against assets subject to finance lease	24	**110,916**	194,026
Long term payables- secured		**119,876**	134,127
Long term deposits		**53,060**	59,774
License fee payable	25	**913,554**	806,791
		5,537,452	2,980,518
Contingencies and commitments	26	**-**	-
		12,362,207	12,054,406
REPRESENTED BY			
Share capital and reserves			
Authorized capital			
900,000,000 (2007: 900,000,000) ordinary shares of Rs. 10 each		**9,000,000**	9,000,000
Issued, subscribed and paid up capital	27	**8,605,716**	7,520,607
Share premium	28	**837,335**	410,887
Convertible loan reserve	21.2	**-**	1,403,575
Accumulated profit		**2,597,762**	2,521,544
		12,040,813	11,856,613
Surplus on revaluation	29	**321,394**	197,793
		12,362,207	12,054,406

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

Muscat:
12 August 2008

CHAIRMAN **CHIEF EXECUTIVE** **CHAIRMAN AUDIT COMMITTEE**

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2008

		Note	2008	2007
			(Rupees in '000)	
Revenue -net		30	**4,508,111**	4,312,513
Direct cost		31	**(2,854,820)**	(2,628,806)
Gross profit			**1,653,291**	1,683,707
Operating cost		32	**(1,210,139)**	(1,057,853)
Operating profit			**443,152**	625,854
Finance cost		33	**(460,569)**	(312,939)
			(17,417)	312,915
Gain on re-measurement of investments at fair value		14	**3,844**	279,183
Gain on re-measurement of investment property at fair value		6	**4,012**	15,516
Other operating income		34	**93,355**	138,086
Other expenses		35	**(29,941)**	(39,259)
Profit before taxation			**53,853**	706,441
Taxation		36	**22,365**	(82,905)
Profit after taxation			**76,218**	623,536
Earnings per share - basic	**(Rupees)**	37	**0.10**	0.83
Earnings per share - diluted	**(Rupees)**	37	**-**	0.73

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

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

Muscat:
12 August 2008

CHAIRMAN — CHIEF EXECUTIVE — CHAIRMAN AUDIT COMMITTEE

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008	2007
		(Rupees in '000)	
Cash flows from operating activities			
Cash generated from operations	39	**1,478,094**	1,502,215
Decrease/(increase) in long term deposits receivable		**113,475**	(23,679)
Decrease in long term deposits payable		**(6,714)**	(16,486)
(Decrease)/increase in long term payables		**(14,251)**	127,866
Decrease in license fee payable		**(71,000)**	-
Retirement benefits paid		**(18,811)**	(14,503)
Finance cost paid		**(408,171)**	(297,684)
Taxes paid		**(44,465)**	(31,599)
Net cash generated from operating activities		**1,028,157**	1,246,130
Cash flow from investing activities			
Fixed capital expenditure		**(2,343,667)**	(2,751,841)
Intangible assets acquired		**(1,580)**	(5,139)
Sale proceeds of property, plant and equipment		**14,145**	27,174
Short term investments-net		**19,045**	578,058
Net cash used in investing activities		**(2,312,057)**	(2,151,748)
Cash flow from financing activities			
Receipt of long term finances		**1,947,750**	44,800
Repayment of long term finances		**(2,623,041)**	(450,171)
Receipt of term finance certificates		**3,000,000**	350,000
Repayment of term finance certificates		**(99,365)**	(106,944)
Repayment of finance lease liabilities		**(194,414)**	(76,533)
Net cash generated from/(used) in financing activities		**2,030,930**	(238,848)
Net increase/(decrease) in cash and cash equivalents		**747,030**	(1,144,466)
Cash and cash equivalents at the beginning of the year		**35,116**	1,179,582
Cash and cash equivalents at the end of the year	40	**782,146**	35,116

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

Muscat:
12 August 2008

CHAIRMAN | CHIEF EXECUTIVE | CHAIRMAN AUDIT COMMITTEE

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2008

	Share capital	Capital reserves		Revenue reserve	Total
		Share premium	Convertible loan reserve	Accumulated profit/(loss)	
	(Rupees in '000)				
Balance as at 30 June 2006	6,539,658	1,391,836	1,400,430	1,898,008	**11,229,932**
Reimbursement of transaction cost related to equity component of convertible loan	-	-	3,145	-	**3,145**
Bonus shares issued	980,949	(980,949)	-	-	**-**
Net profit for the year	-	-	-	623,536	**623,536**
Balance as at 30 June 2007	**7,520,607**	**410,887**	**1,403,575**	**2,521,544**	**11,856,613**
Liability component of convertible loan (note 21.2)	-	-	107,982	-	**107,982**
Shares issued against convertible loan (note 21.2)	1,085,109	426,448	(1,511,557)	-	**-**
Net profit for the year	-	-	-	76,218	**76,218**
Balance as at 30 June 2008	**8,605,716**	**837,335**	**-**	**2,597,762**	**12,040,813**

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

Muscat:
12 August 2008

CHAIRMAN | CHIEF EXECUTIVE | CHAIRMAN AUDIT COMMITTEE

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

1 Legal status and nature of business

Worldcall Telecom Limited ("the Company") is a public limited company incorporated in Pakistan on 15 March 2001 under the Companies Ordinance, 1984 and its shares are quoted on the Karachi and Lahore Stock Exchanges. The Company commenced its operations on 01 December 2004 and is engaged in providing Wireless Local Loop ("WLL") and Long Distance & International ("LDI") services in Pakistan, operation and maintenance of public payphones network and re-broadcasting international/national satellite/terrestrial wireless and cable television and radio signals as well as interactive communication and to establish, maintain and operate the licensed telephony services. The Company has been licensed by Pakistan Telecommunication Authority ("PTA") and Pakistan Electronic Media Regulatory Authority ("PEMRA") for these purposes. The registered office of the Company is situated at 103 C-II, Gulberg III, Lahore. During the year 56.80% shares (488,839,429 ordinary shares) have been acquired by Oman Telecommunications Company SAOG.

2 Summary of significant accounting policies

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

2.1 Statement of compliance

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

2.2 Accounting convention and basis of preparation

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

2.3 Significant accounting judgments and estimates

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

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

- Useful life of depreciable assets and amortization of intangible assets- (note 2.4, 2.5, 3 & 5)
- Staff retirement benefits- (note 2.15 & 23)
- Taxation- (note 2.9 & 36)
- Provisions and contingencies- (note 2.20 & 26)
- Investment properties- (note 2.6 & 6)

2.4 Fixed capital expenditure and depreciation

Property, plant and equipment

Property, plant and equipment except plant and equipment, are stated at cost less accumulated depreciation and any identified impairment loss. Plant and equipment are stated at revalued amount less accumulated depreciation and any identified impairment loss.

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

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

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

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

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

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

Finance leases

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

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

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

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

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

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

Capital work-in-progress

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

2.5 Intangible assets

Goodwill

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

During the year ended 30 June 2007, the Company adopted International Financial Reporting Standard "IFRS" 3 (Business Combinations), which has been adopted by Securities and Exchange Commission of Pakistan (SECP) vide SRO 1228(I)/2006 dated 06 December 2006 and ceased the amortization of goodwill. The goodwill is measured at cost less accumulated impairment, if any, and the amount already amortized in profit and loss account.

Other intangible assets

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

During the year, the Company has changed its accounting policy for subsequent measurement of intangible assets from cost model to revaluation model. These are stated at revalued amount less accumulated amortization and any identified impairment loss. Earlier these were stated at cost less accumulated amortization and any identified impairment loss.

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

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

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

Gain or loss arising on disposal and retirement of intangible asset is determined as a difference between net disposal proceeds and carrying amount of the asset and is recognized as income or expense in the profit and loss account.

2.6 Investment properties

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

Any gain or loss arising from a change in fair value is recognized in the profit and loss account. Rental income from investment property is accounted for as described in note 2.18.

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

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

2.7 Investments

The Company classifies its investments in following categories.

Investments in equity instruments of subsidiary and associated company

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

The Company is required to issue consolidated financial statements along with its separate financial statements, in accordance with the requirements of IAS 27 'Consolidated and Separate Financial Statements'. Investments in associated undertakings, in the consolidated financial statements, are being accounted for using the equity method.

Investments at fair value through profit or loss

Investments that are acquired principally for the purpose of generating profit from short term fluctuations in price or dealer's margin are classified as held for trading.

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

Available for sale investments

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

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

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

2.8 Securities under repurchase/reverse repurchase agreements

Transactions of repurchase/reverse repurchase investment securities are entered into at a contracted rate for specified period of time and are accounted for as follows:

Repurchase agreements

Investments sold with a simultaneous commitment to repurchase at a specified future date (repo) continue to be recognized in the balance sheet and are measured in accordance with accounting policies for investment. The counter party liability for amounts received under these agreements is included in borrowing. The difference between sale and repurchase price is treated as mark-up on borrowing and accrued over the life of repo agreement.

Reverse repurchase agreements

Investments purchased with a corresponding commitment to resale at a specified future date (reverse repo) are not recognized in the balance sheet. Amount paid under these agreements are recorded as funds placements. The difference between purchase and resale price is treated as return from fund placement with financial institutions or income from reverse repurchase transactions of listed shares, as the case may be, and accrued over the life of the reverse repo agreement.

2.9 Taxation

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

Current

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

Deferred

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

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

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

2.10 Deferred costs

These include share issue expenses incurred on increasing the authorized capital of the Company and expenses incurred in connection with the public offering/placements for the year 2004. In order to comply with the substituted Fourth Schedule to the Companies Ordinance, 1984, the Company has adopted the treatment allowed by Circular No. 1 of 2005 issued by Securities and Exchange Commission of Pakistan whereby deferred costs incurred prior to 01 July 2004 are being amortized over a period of five years whereas deferred cost incurred subsequent to this date are charged to income currently.

2.11 Inventories

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

Store and spares

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

Stock in trade

Cost is determined on weighted average basis.

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

2.12 Trade debts and other receivables

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

2.13 Financial liabilities

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

Interest bearing borrowings

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

Term finance certificates

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

Convertible loans

Convertible loans that can be converted to share capital at the option of the lender, where the number of shares issued does not vary with the changes in their fair value, are accounted for as compound financial instruments. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity component in proportion to the allocation of proceeds. The equity component of the convertible loan is calculated as the excess of the issue proceeds over the present value of future cash out flows, discounted at the market rate of interest applicable to similar liabilities that do not have a conversion option. The interest expense recognized in the income statement is calculated using the effective interest rate method.

Other financial liabilities

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

2.14 Trade and other payables

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

2.15 Retirement and other benefits

Defined benefit plan

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

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

2.16 Impairment losses

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

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

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

2.17 Foreign currencies

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

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

2.18 Revenue recognition

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

Revenue from different sources is recognized as follows:

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

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

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

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

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

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

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

Rental income from investment property is recognized in the income statement on accrual basis.

Revenue from prepaid cards is recognized as credit is used.

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

2.19 Borrowing cost

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

2.20 Provisions

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

2.21 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. Cash and cash equivalents comprise cash in hand and demand deposits. Running finances that are repayable on demand are included as component of cash and cash equivalents for the purpose of cash flow statement.

2.22 Financial instruments

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

Offsetting of financial assets and financial liabilities

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

2.23 Segment reporting

A segment is a distinguishable component of the Company that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risk and rewards that are different from other segments.

2.24 Related Party transactions

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

2.25 Business combination involving entities under common control

A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and the control is not transitory.

In the absence of more specific guidance, the Company consistently applied the fair value (Purchase method) measurement method to all common control transactions.

2.26 Dividend

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

3 Property, plant and equipment

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

	Cost as at 01 July 2007	Revaluation Surplus/(Deficit)	Additions/ (Disposals)	Transfers	Cost as at 30 June 2008	Accumulated depreciation as at 01 July 2007	Depreciation charge for the year/ (Disposals)	Transfers	Accumulated depreciation as at 30 June 2008	Net book value as at 30 June 2008	Depreciation rate %
	(Rupees in '000)					(Rupees in '000)				(Rupees in '000)	
Owned assets											
Freehold Land	19,800	-	-	-	19,800	-	-	-	-	19,800	-
Leasehold improvements	71,420	-	16,099 (290)	- -	87,229	22,408	12,755 (122)	- -	35,041	52,188	20-33
Plant and equipment	8,061,218	(229,963)	2,303,832 (9,409)	232,728 (133,797)	10,224,609	1,059,005	751,306 (2,258)	76,376 (9,543)	1,874,886	8,349,723	6.67-20
Office equipment	56,123	-	14,478 (15,433)	- -	55,168	15,268	8,167 (15,374)	- -	8,061	47,107	10
Computers	60,951	-	19,015 (465)	- -	79,501	27,651	20,934 (238)	- -	48,347	31,154	10-33
Furniture and fixtures	13,741	-	4,546 -	- -	18,287	3,843	2,282 -	- -	6,125	12,162	10
Vehicles	47,154	-	4,171 (7,402)	37,973 -	81,896	25,142	17,207 (6,674)	28,312 -	63,987	17,909	20
Lab and other equipment	15,785	-	455 -	-	16,240	5,268	3,217 -	-	8,485	7,755	10-20
	8,346,192	**(229,963)**	**2,362,596** **(32,999)**	**270,701** **(133,797)**	**10,582,730**	**1,158,585**	**815,868** **(24,666)**	**104,688** **(9,543)**	**2,044,932**	**8,537,798**	
Leased assets											
Plant and equipment	430,520	(10,275)	13,000	(232,728) 133,797	334,314	56,745	50,966	(76,376) 9,543	40,878	293,436	6.67-20
Vehicles	109,093	-	22,484 (1,946)	(37,973)	91,658	26,979	24,564 (396)	(28,312)	22,835	68,823	20
Office equipment	-	-	4,055	-	4,055	-	371	-	371	3,684	10
	539,613	**(10,275)**	**39,539** **(1,946)**	**(270,701)** **133,797**	**430,027**	**83,724**	**75,901** **(396)**	**(104,688)** **9,543**	**64,084**	**365,943**	
	8,885,805	**(240,238)** **-**	**2,402,135** **(34,945)**	**-** **-**	**11,012,757**	**1,242,309**	**891,769** **(25,062)**	**-**	**2,109,016**	**8,903,741**	

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

	Cost as at 01 July 2006	Revaluation Surplus	Additions/ (Disposals)	Transfers	Cost as at 30 June 2007	Accumulated depreciation as at 01 July 2006	Depreciation charge for the year/ (Disposals)	Transfers	Accumulated depreciation as at 30 June 2007	Net book value as at 30 June 2007	Depreciation rate %
	(Rupees in '000)					(Rupees in '000)				(Rupees in '000)	
Owned assets											
Freehold Land	-	-	19,800	-	19,800	-	-	-	-	19,800	-
Leasehold improvements	57,781	-	13,639	- -	71,420	11,389	11,019	- -	22,408	49,012	20-33
Plant and equipment	5,808,040	300,080	1,929,553 (4,009)	74,858 (47,304)	8,061,218	433,203	622,646 (462)	14,979 (11,361)	1,059,005	7,002,213	6.67-20
Office equipment	49,924	-	6,460 (261)	- -	56,123	7,798	7,560 (90)	- -	15,268	40,855	10
Computers	37,354	-	24,286 (1,042)	353 -	60,951	13,878	14,422 (1,002)	353 -	27,651	33,300	10-33
Furniture and fixtures	11,802	-	2,089 (150)	- -	13,741	2,024	1,849 (30)	- -	3,843	9,898	10
Vehicles	52,646	-	20,261 (27,381)	1,628 -	47,154	20,509	9,737 (5,861)	757 -	25,142	22,012	20
Lab and other equipment	9,771	-	6,014	-	15,785	2,297	2,971	-	5,268	10,517	10-20
	6,027,318	**300,080**	**2,022,102** **(32,843)**	**76,839** **(47,304)**	**8,346,192**	**491,098**	**670,204** **(7,445)**	**16,089** **(11,361)**	**1,158,585**	**7,187,607**	
Leased assets											
Plant and equipment	426,208	4,217	27,649	(74,858) 47,304	430,520	20,173	40,190	(14,979) 11,361	56,745	373,775	6.67-20
Vehicles	43,327	-	67,394	(1,628)	109,093	11,790	15,946	(757)	26,979	82,114	20
Computers	353	-	-	(353)	-	353	-	(353)	-	-	33
	469,888	**4,217**	**95,043**	**(76,839)** **47,304**	**539,613**	**32,316**	**56,136**	**(16,089)** **11,361**	**83,724**	**455,889**	
	6,497,206 **-**	**304,297** **-**	**2,117,145** **(32,843)**	**-** **-**	**8,885,805**	**523,414**	**726,340** **(7,445)**	**-**	**1,242,309**	**7,643,496**	

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

Had there been no revaluation, the net book value of plant and equipment as at 30 June 2008 would have amounted to Rs. 8,579 million (2007: Rs. 7,062 million)

	Note	2008	2007
		(Rupees in '000)	
3.4 Depreciation charge for the year has been allocated as follows:			
Direct cost	31	**802,272**	662,837
Operating cost	32	**89,497**	63,503
		891,769	726,340

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

Description	Cost	Accumulated depreciation	Book Value	Sale proceeds	Mode of disposal	Sold to
	(Rupees in '000)					
Leasehold Improvements	290	122	168	238	Insurance claim	-
Plant and equipment						
Cable plant	3,276	520	2,756	3,166	Insurance claim	-
NP Soft Switch	6,133	1,738	4,395	4,395	Insurance claim	-
Computers						
Laptop	76	20	56	48	Insurance claim	-
Laptop	125	67	58	95	Insurance claim	-
Vehicles						
Toyota Corolla XLI	875	627	248	622	Negotiation	M. Ansar
Kia Classic NGV LX	575	259	316	375	Insurance claim	-
Honda Civic VTI PT 1.8 VTEC	1,371	137	1,234	1,371	Insurance claim	-
Suzuki Cultus VXR	423	134	289	375	Insurance claim	-
Honda Civic	515	395	120	334	Negotiation	Zahid Aslam Arain
Items with book value less than Rs. 50,000.	21,286	21,043	243	3,126		
Total	**34,945**	**25,062**	**9,883**	**14,145**		

	2008	2007
4 Capital work-in-progress	**(Rupees in '000)**	
Owned		
Civil works	**285,740**	130,520
Plant and equipment	**1,511,131**	1,464,130
Store and spares held for capital expenditure	**161,541**	162,313
	1,958,412	1,756,963
Leased		
Plant and equipment subject to finance lease	**17,813**	23,581
	1,976,225	1,780,544

5 Intangible assets

	Cost as at 01 July 2007	Revaluation Surplus/ (deficit)	Additions/ (adjustments)	Cost as at 30 June 2008	Accumulated amortization as at 01 July 2007	Amortization/ (adjustments) for the year	Accumulated amortization as at 30 June 2008	Net book value as at 30 June 2008	Rate %
	(Rupees in '000)				(Rupees in '000)				
Licenses	2,457,715	434,327	1,248	2,893,290	322,943	123,307	446,250	2,447,040	5
Patents and copyrights	5,333	-	-	5,333	1,602	892	2,494	2,839	10
Software	19,888	(3,936)	332	16,284	7,386	3,948	11,334	4,950	20
Goodwill	2,690,403	-	-	2,690,403	136,909	-	136,909	2,553,494	-
	5,173,339	**430,391**	**1,580**	**5,605,310**	**468,840**	**128,147**	**596,987**	**5,008,323**	

	Cost as at 01 July 2006	Revaluation Surplus/ (deficit)	Additions/ (adjustments)	Cost as at 30 June 2007	Accumulated amortization as at 01 July 2006	Amortization/ (adjustments) for the year	Accumulated amortization as at 30 June 2007	Net book value as at 30 June 2007	Rate %
	(Rupees in '000)				(Rupees in '000)				
Licenses	2,454,340	-	3,375	2,457,715	199,978	122,965	322,943	2,134,772	5
Patents and copyrights	5,333	-	-	5,333	801	801	1,602	3,731	10
Software	18,124	-	1,764	19,888	3,761	3,625	7,386	12,502	20
Goodwill	2,690,403	-	-	2,690,403	136,909	-	136,909	2,553,494	-
	5,168,200	**-**	**5,139**	**5,173,339**	**341,449**	**127,391**	**468,840**	**4,704,499**	

5.1 The Company has revalued its intangible assets on 30 June 2008 resulting in a net surplus of Rs. 430.392 million. The valuation was conducted by an independent valuer, M/s. Surval. Valuation for intangible assets was based on the estimated gross replacement cost, earning potential amortized to reflect the current market value. Had there been no revaluation, the net book value of intangible assets as at 30 June 2008 would have amounted to Rs. 4,577.931 million.

5.2 Goodwill

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

The Company assessed the recoverable amount of goodwill and determined that no impairment was found. The recoverable amount was assessed by reference to value in use which uses cash flow projections based on budgets approved by the management covering five years period and a discount rate of 20% per annum. Cash flow projections during the budget period are based on the same expected gross margins during the budget period. The cash flows beyond the five years period have been extrapolated using a steady 3% growth rate which is consistent with the long-term average growth rate for the industry.

The management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate amount to exceed the aggregate recoverable amount of the cash generating unit.

	Note	2008	2007
		(Rupees in '000)	
5.3 Amortization charge for the year has been allocated as follows:			
Direct Cost	31	**86,535**	58,273
Operating cost	32	**2,932**	2,500
Capitalized during the year		**38,680**	66,618
		128,147	127,391

6 Investment property

	2008	2007
Opening balance	**72,150**	56,634
Fair value adjustment	**4,012**	15,516
Closing balance	**76,162**	72,150

Investment property comprises commercial property part of which is rented to Media Times Limited, an associated company.

The carrying value of investment property is the fair value of the property as determined by approved independent valuer M/s PEE DEE & Associates as at 30 June 2008. Fair value was determined giving due regard to recent market transactions for similar properties in the same location and condition as the Company's investment property.

	2008	2007
	(Rupees in '000)	
7 Long term investments - at cost less impairment		
Foreign subsidiary - Unquoted		
Worldcall Telecommunications Lanka (Pvt) Limited		
Incorporated in Sri Lanka		
7,221,740 (2007: 7,221,740) ordinary shares of Sri Lankan Rupees 10/-each	**44,406**	44,406
Equity held 70.65% (2007: 70.65%)		
Share deposit money	**13,671**	13,671
	58,077	58,077
Less: Provision for impairment	**(48,611)**	(41,314)
	9,466	16,763
Associated company - Unquoted		
Media Times Limited		
Incorporated in Pakistan		
4,199,500 (2007: 2,599,500) ordinary shares of Rs. 10/-each	**41,995**	25,995
Equity held 4.19% (2007: 30.12%)		
Share deposit money	**-**	16,000
	41,995	41,995
	51,461	58,758

7.1 The shareholding has decreased to 9.77% due to issuance of shares during the period ended 31 March 2008 and further decreased to 4.19% due to merger of Total Media Limited and Media Times Limited through Court order dated 14 April 2008. As at 30 June 2008 Media Times Limited is an associated company due to common management.

	Note	2008	2007
		(Rupees in '000)	
8 Long term deposits			
Security deposits with PTCL		**18,825**	20,998
Deposits with financial institutions		**34,368**	167,668
Others		**58,686**	56,088
		111,879	244,754
Less: Current maturity	12	**(1,971)**	(21,371)
		109,908	223,383
9 Deferred costs			
Opening balance		**4,727**	10,063
Less: Amortization during the year		**(4,727)**	(5,336)
Closing balance		**-**	4,727
10 Trade debts			
Considered good - Unsecured	10.1	**900,712**	899,052
Considered doubtful - Unsecured		**189,935**	116,906
		1,090,647	1,015,958
Less: Provision for doubtful debts	10.2	**(189,935)**	(116,906)
		900,712	899,052

10.1 This includes due from associated companies as follows:

	2008	2007
Pace (Pakistan) Limited	**-**	462
Pace Wood Land (Private) Limited	**32,894**	-
Pace Barka Properties Limited	**47,781**	-
Pace Gujrat (Private) Limited	**12,138**	-
Media Times Limited	**10**	440
First Capital Securities Corporation Limited	**-**	115
	92,823	1,017

10.2 Provision for doubtful debts

	2008	2007
Opening balance	**116,906**	55,881
Addition during the year	**73,029**	61,030
Less: write off during the year	**-**	(5)
Closing balance	**189,935**	116,906

	Note	2008	2007
		(Rupees in '000)	
11 Loans and advances - considered good			
Loans and advances to employees	11.1	**20,480**	32,638
Advances to suppliers		**166,723**	53,671
Advances to associated company	11.2	**28,886**	28,886
		216,089	115,195

11.1 These loans and advances are unsecured and interest free and include advances given to executives of Rs. 5.20 million (2007 : Rs. 2.46 million).

11.2 This represents unsecured advance given to Media Times Limited carrying markup at the rate of 14% per annum (2007: 14% to 16% per annum).

11.3 Chief Executive and directors have not taken any loan/advance from the Company (2007: Rs. Nil).

	Note	2008	2007
		(Rupees in '000)	
12 Deposits and prepayments			
Margin deposits	12.1	**162,885**	81,585
Prepayments		**59,431**	69,357
Current maturity of long term deposits	8	**1,971**	21,371
Short term deposits		**9,631**	5,921
Deposit with regulatory authorities		**86**	86
		234,004	178,320

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

	Note	2008	2007
		(Rupees in '000)	
13 Other receivables			
Receivable from PTCL - unsecured considered good	13.1	**174,225**	204,149
Receivable from PTCL - unsecured considered doubtful		**22,694**	12,590
		196,919	216,739
Less: provision for doubtful receivables	13.2	**(22,694)**	(12,590)
		174,225	204,149
Receivable from Pakistan Telecommunication Authority		**-**	173,006
Other receivables - considered good		**59,596**	33,090
Other receivables - considered doubtful		**15,139**	21,319
		74,735	54,409
Less: provision for doubtful receivables	13.3	**(15,139)**	(21,319)
		59,596	33,090
		233,821	410,245

13.1 This includes Rs. 174 million (2007: Rs. 174 million) representing claims lodged by Worldcall Communications Limited (WCL), merged into the Worldcall Telecom Limited, with Pakistan Telecommunication Company Limited (PTCL) for excess billing on short duration calls, border line calls and 0900 facility. These claims were initially acknowledged by PTCL's Corporate Clients Committee through its decision dated 15 December 2003. However, PTCL subsequently through its letter dated 09 September 2005 withdrew its decision. The Company had invoked the available arbitration clause in the agreement to realize the claimed amount but PTCL had refused the appointment of arbitrator. The Company has gone to civil court for the appointment of an arbitrator. The management is hopeful of a favorable outcome in this respect.

	Note	**2008**	2007
		(Rupees in '000)	
13.2 Provision for doubtful receivables-PTCL			
Opening balance		12,590	-
Adjustment during the year		6,180	-
Charged during the year		3,924	12,590
Closing balance		22,694	12,590
13.3 Provision for doubtful other receivables			
Opening balance		21,319	21,319
Adjustment during the year		(6,180)	-
Closing balance		15,139	21,319

14 Short term investments

	Note	2008	2007
At fair value through profit and loss - Carrying value	14.1	**17,350**	16,050
Fair value adjustment		**(2,943)**	1,300
		14,407	17,350
Related parties			
At fair value through profit and loss - Carrying value	14.2	**553,591**	275,708
Fair value adjustment		**6,787**	277,883
		560,378	553,591
Total carrying value of short term investments		**570,941**	291,758
Total fair value adjustment		**3,844**	279,183
		574,785	570,941

14.1 **Particulars of listed shares - At fair value through profit and loss**

All shares have face value of Rs. 10 each.

Name	No. of shares 2008	No. of shares 2007	2008 Carrying value (Rupees in '000)	2008 Market value (Rupees in '000)	2007 Carrying value (Rupees in '000)	2007 Market value (Rupees in '000)
Commercial Banks						
The Bank of Punjab	**10,258**	7,658	**892**	**328**	472	892
Mutual Fund						
First Dawood Mutual Fund	**580,750**	580,750	**5,226**	**4,147**	4,697	5,226
Pak Oman Advantage Fund	**1,000,000**	1,000,000	**10,450**	**9,500**	10,000	10,450
Electric Appliances						
Pak Electron Limited	**93**	75	**5**	**5**	8	5
Leasing						
Standard Chartered Leasing Limited	**70,000**	70,000	**777**	**427**	873	777
			17,350	**14,407**	16,050	17,350

14.2 **Particulars of listed shares of related parties - At fair value through profit and loss**

All shares have face value of Rs. 10 each.

Name	No. of shares 2008	No. of shares 2007	2008 Carrying value (Rupees in '000)	2008 Market value (Rupees in '000)	2007 Carrying value (Rupees in '000)	2007 Market value (Rupees in '000)
First Capital Securities Corporation Limited	**2,049,051**	1,707,543	**119,272**	**121,304**	44,459	119,272
Percentage of equity held 1.26% (2007: 1.26%)						
Shaheen Insurance Company Limited	**2,744,844**	2,744,844	**236,229**	**241,848**	148,330	236,229
Percentage of equity held 15.68% (2007: 15.68%)						
Pace (Pakistan) Limited	**6,959,290**	6,959,290	**198,090**	**197,226**	82,919	198,090
Percentage of equity held 3.16% (2007: 3.70%)						
			553,591	**560,378**	275,708	553,591

	Note	2008	2007
		(Rupees in '000)	
15 Cash and bank balances			
At banks in			
Current accounts		**262,753**	35,140
Saving accounts	15.1	**380,400**	478,572
Deposit accounts	15.2	**168,000**	-
		811,153	513,712
Cash in hand		**37,887**	46,863
		849,040	560,575

15.1 The balances in saving accounts bear mark up at the rate of 0.5% to 9% per annum (2007: 0.13% to 11% per annum). The balance includes Rs. 40 million (2007: Rs. 40 million) and interest accrued thereon deposited in Escrow account as stated in note 26.1.2.

15.2 The balances in deposit accounts bear mark up at the rate of 10% per annum (2007: 9% to 10.5 % per annum).

	Note	2008	2007
		(Rupees in '000)	
16 Current maturities of non-current liabilities			
Term finance certificates	20	**59,557**	50,110
Long term finances	21	**146,597**	441,170
Liabilities against assets subject to finance lease	24	**117,275**	189,040
License fee payable	25	**-**	71,000
		323,429	751,320

17 Running finance under markup arrangements-Secured

Short term running finances available from commercial banks under mark up arrangements amount to Rs. 531 million (2007: Rs. 870 million). Mark up is charged at rates ranging from 5.3% to 16.61% per annum (2007: 10.7% to 14.1% per annum). These are secured by hypothecation charge over fixed assets, stores and spares, stock in trade and receivables.

	Note	2008	2007
		(Rupees in '000)	
18 Trade and other payables			
Trade creditors			
Related parties - associated companies		**109**	2,536
Others		**771,425**	757,074
		771,534	759,610
Accrued and other liabilities		**116,132**	130,489
Advances from customers		**67,764**	81,674
Commitment fee payable		**549**	646
Retention money		**29,859**	29,214
Sales tax payable		**11,207**	10,688
Tax deducted at source		**8,659**	12,326
Un-claimed dividend	18.1	**14,421**	14,421
		1,020,125	1,039,068

18.1 This represents unpaid dividend declared in 2005 by Worldcall Communications Limited, merged into the Company. M/s Interworld Securities (Pvt) Limited had held shares of the Worldcall Communications Limited, however dividend was not paid to them due to disputed claim of entitlement. M/s Interworld had approached the Honorable Sindh High Court at Karachi for dividend payment of Rs. 12.6 million. The Sindh High Court had directed the Company to deposit the dividend amount in the Court. The amount has been deposited as per order of the Honorable Court. The matter is still pending before Honorable Court.

		Note	2008	2007
			(Rupees in '000)	
19	**Interest and mark-up accrued**			
	Long term financing		**16,329**	15,748
	Short term borrowings		**290**	9,900
	Share deposit money		**972**	972
	Finance lease		**561**	13
	Term finance certificates		**56,689**	5,348
			74,841	31,981
20	**Term finance certificates - secured**			
	Term Finance Certificates - I	20.1	**-**	49,970
	Term Finance Certificates - II	20.2	**349,790**	349,929
	Term Finance Certificates - III	20.3	**3,000,000**	-
			3,349,790	399,899
	Less: Initial transaction cost		**(56,190)**	(6,934)
			3,293,600	392,965
	Amortization of transaction cost		**3,427**	-
			3,297,027	392,965
	Less: Current maturity	16	**(59,557)**	(50,110)
			3,237,470	342,855

Term Finance Certificates (TFC-I), (TFC-II) and (TFC-III) have a face value of Rs. 5,000 per certificate.

20.1 Term Finance Certificates - I

These TFCs have been fully repaid during the year.

20.2 Term Finance Certificates - II

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

If the Company fails to redeem any TFC-II on the redemption date, the obligation shall become immediately due.

20.3 Term Finance Certificates - III

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

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

21 Long term finances

	Note	2008	2007
		(Rupees in '000)	
Long term finances utilized under mark up arrangements:			
Banking companies and other financial institutions			
Convertible loan from Amatis Limited - un-secured	21.2	**-**	60,048
Syndicated Loan I - secured	21.3	**149,994**	689,188
Syndicated loan II - secured	21.4	**-**	305,558
Faysal Bank Limited - secured	21.5	**-**	16,667
Habib Metropolitan Bank Limited - secured	21.5	**-**	20,417
Orix Investment Bank Limited - secured	21.5	**-**	8,333
Pak Kuwait Investment Company Limited - secured	21.5	**-**	41,667
The Bank of Punjab - secured	21.5	**256,545**	-
		406,539	1,141,878
Initial transaction costs incurred		**(38,795)**	(43,920)
		367,744	1,097,958
Accumulated amortization of transaction costs		**37,640**	20,676
		405,384	1,118,634
Less: Current portion	16	**(146,597)**	(441,170)
		258,787	677,464

21.1 Finance costs

Finance cost amounting to Rs. 170.67 million (2007: Rs. 92.037 million) was capitalized during the year in property, plant and equipment.

21.2 Convertible loan from Amatis Limited

The Company had arranged a long term loan from Amatis Limited ("the lender") of Rs. 1.497 billion. The purpose of the loan was expansion of WLL operations. The loan carried an interest rate of 1% per annum payable annually in arrears within 25 days of each anniversary. The term of the loan was 7 years. The loan along with interest accrued thereon has been converted into ordinary shares of Rs. 10 each upon exercise of conversion option by the lender in April 2008 at a price of Rs. 13.93 per share.

	(Rupees in '000)
Liability component - Convertible Loan, 01 July 2007	60,048
Add: Transaction cost	29,091
	89,139
Interest expense charged during the period	18,843
Liability component transferred to equity	107,982
Equity component already included in equity	1,403,575
Total convertible into equity	1,511,557
Less: Shares issued	(1,511,557)
	-

	2008		2007	
	Limit	**Outstanding**	Limit	Outstanding
	(Rupees in '000)		(Rupees in '000)	
21.3 Syndicated Loan I - Secured				
Habib Bank Limited	**150,000**	**149,994**	750,000	287,160
National Bank of Pakistan Limited	**-**	**-**	750,000	287,158
MCB Bank Limited	**-**	**-**	150,000	57,435
Askari Bank Limited	**-**	**-**	150,000	57,435
	150,000	**149,994**	1,800,000	689,188

The Company obtained a long term loan facility of Rs. 1,800 million from Habib Bank Limited, National Bank of Pakistan Limited, MCB Bank Limited and Askari Bank Limited for the purpose of acquiring 20 years license from Pakistan Telecommunication Authority (PTA) to operate WLL network and import of equipment under various letters of credit. The loan was repayable in 14 equal quarterly installments starting from November 2006 with a grace period of 18 months. The loan was repaid during the year except the above mentioned amount, which Habib Bank Limited desires to convert into equity. The amount till in form of debt is completely secured against first hypothecation charges on all present & future moveable and fixed assets of the Company (excluding LDI assets) upto Rs. 200 million and personal guarantees to the extent of Rs. 200 million. The loan carries markup at the rate of 6 month KIBOR plus 2.5% per annum (2007: 6 month KIBOR plus 4% per annum with no floor or cap).

21.4 Syndicated loan II has been fully repaid during the year.

21.5 The Bank of Punjab under a term finance agreement purchased the goods at the purchase price of Rs. 310 million. The Bank of Punjab repaid the entire principal outstanding of syndicate of banking companies aggregating Rs. 293 million. Term loan was swapped in February 2008 for a period of two years at mark up of 1.4% per annum above three months KIBOR and is repayable in eight quarterly installments starting February 2008. The loan is secured by way of first exclusive hypothecation charge ranking pari passu of Rs. 413 million over all present and future movable fixed assets related to the cable TV and internet division of Broadband Karachi.

Further under swap arrangement, principal portion of the following banks was repaid and forms part of rescheduled term finance loan:

- Habib Metropolitan Bank Limited - secured
- Orix Investment Bank Limited - secured
- Pak Kuwait Investment Company Limited - secured
- Faysal Bank Limited - secured

	2008	2007
	(Rupees in '000)	
22 Deferred taxation		
This is composed of:		
Liability for deferred taxation comprising temporary differences related to:		
Accelerated tax depreciation	**1,643,440**	1,414,455
Surplus on revaluation of plant and equipment	**173,058**	106,504
Others	**254,295**	155,529
Asset for deferred taxation comprising temporary differences related to:		
Unused tax losses and tax credits	**(1,360,204)**	(1,009,863)
	710,589	666,625

	Note	2008	2007
		(Rupees in '000)	

23 Retirement benefits

Gratuity

The amount recognized in the balance sheet is as follows:

	Note	2008	2007
Present value of defined benefit obligation		**133,328**	107,126
Unrecognized actuarial losses		**(10,675)**	(8,616)
Benefits due but not paid		**10,547**	346
		133,200	98,856
Liability at beginning of the year		**98,856**	69,823
Charge for the year	23.1	**53,156**	43,516
Additional liability due to transferred employees		**-**	20
Paid during the year		**(18,812)**	(14,503)
		133,200	98,856

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

	Note	2008	2007
		(Rupees in '000)	
Interest cost for the year		**10,713**	9,469
Current service cost		**42,406**	34,047
Actuarial loss recognized during the year		**37**	-
	23.2	**53,156**	43,516

23.2 Charge for the year has been allocated as follows:

	2008	2007
Operating cost	**47,901**	38,260
Capitalized during the year	**5,255**	5,256
	53,156	43,516

23.3 Recent actuarial valuation of plan was carried out on 30 June 2008 by Nauman Associates.

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

	2008 per annum	2007 per annum
Discount rate	**12%**	10%
Expected rate of salary increase	**11%**	9%
Average expected remaining working life time of employees	**12 years**	12 years

23.4 Historical information for gratuity

	2005	2006	2007	2008
Present value of defined benefit obligation	5,774	73,978	107,126	**133,328**
Experience adjustment arising on plan liabilities	(14)	(4,251)	(4,461)	**(2,096)**

24 Liabilities against assets subject to finance lease

	Note	2008 (Rupees in '000)	2007 (Rupees in '000)
Present value of minimum lease payments		**228,191**	383,066
Less: Current portion shown under current liabilities	16	**(117,275)**	(189,040)
		110,916	194,026

Interest rate used as discounting factor is ranging from 8 % to 17.44% per annum (2007: 7.5% to 16% per annum). Taxes, repairs, replacements and insurance costs are to be borne by lessee. Under the terms of the agreements, the Company has an option to acquire the assets at the end of the respective lease terms by adjusting the deposit amount against the residual value of the assets. The Company intends to exercise the option. In case of default in payment of installments, the Company will be liable to pay additional lease rental on overdue payment at the rate of 0.1% per day.

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

	2008			2007		
	Minimum Lease Payment	**Finance cost**	**Principal**	Minimum Lease Payment	Finance cost	Principal
	(Rupees in '000)			(Rupees in '000)		
Not later than one year	**136,970**	**19,695**	**117,275**	212,069	23,029	189,040
Later than one year but not later than five years	**117,115**	**6,199**	**110,916**	217,674	23,648	194,026
	254,085	**25,894**	**228,191**	429,743	46,677	383,066

25 License fee payable

	Note	2008 (Rupees in '000)	2007 (Rupees in '000)
Carrying value of license fee payable to PTA		**1,206,000**	1,206,000
Less: present value adjustment		**(453,107)**	(453,107)
		752,893	752,893
Accumulated interest charged to profit and loss		**231,661**	124,898
Less: Payments		**(71,000)**	-
		913,554	877,791
Less: Current portion shown under current liabilities	16	**-**	(71,000)
		913,554	806,791

This represents interest free license fee payable to PTA for WLL license. As per the agreement with PTA, the total of Rs. 1,135 million is payable after two years by March 2010. The long term portion has been discounted using the effective interest rate of 12.5%.

26 Contingencies and commitments

26.1 Disputes with PTCL

26.1.1 There is a dispute of Rs. 77.97 million (2007: Rs 75.2 million) with PTCL for billing of non revenue time of prepaid calling cards and excess minutes billed on account of interconnect and settlement charges. The management is confident that matter will be decided in favour of the Company.

26.1.2 PTCL has charged the Company excess Domestic Private Lease Circuits (DPLC) and other media charges amounting to Rs. 73.9 million (2007: Rs. 20.2 million) on account of difference in rates, distances and date of activation. Further the Company has also deposited Rs. 40 million (2007: Rs. 40 million) in Escrow Account on account of dispute of charging of bandwidth charges from the date of activation of Digital Interface Units (DIUs) for commercial operation and in proportion to activation of DIUs related to each DPLC link and excess charging in respect of Karachi-Rawalpindi link which was never activated. The management is confident that matter will be decided in favour of the Company.

26.2 Disputes with Pakistan Telecommunication Authority (PTA)

26.2.1 PTA has raised a demand on the Company of Rs. 4.3 million on account of annual microwave and BTS registration charges. The Company is not paying this amount on the grounds that earlier exemptions were given to mobile operators. In addition to this, there is no legal requirement to register BTS with PTA, therefore PTA cannot charge a fee for BTS registration. The management is confident that matter will be decided in favour of the Company.

26.2.2 PTA has issued a notice to the Company regarding the 479 MHz and 3.5 GHz frequency bands, as the Company has failed to undertake the rollout of its wireless local loop ("WLL") network in the aforesaid frequencies within the time limit prescribed by PTA. The Authority has right to withdraw unused frequency spectrum and cancel the license for not meeting the said roll out requirement. The Company's stance in this respect is that the rollout in 479 MHz, a non standard frequency band, could not be carried out due to non availability of infrastructure and user terminals. Its deployment and commercial operation is not possible in the limited revised time frame. In 3.5 GHz band, the roll out is delayed due to limited customers' market and high cost of the Customer Premises Equipment. Non-firm standards, technology evolution and optimization of spectrum by PTA are also the main reasons for its delayed rollout. However, the Company has started its roll out plan and is successful in getting commencement certificate in GTR and KTR regions for 3.5 GHz frequency and 479 MHz frequency respectively. The management is hopeful that matter will be decided in favour of the Company and notice will be withdrawn.

26.2.3 There is a dispute of Rs. 11.3 million with PTA on account of contribution to the Research and Development Fund ("R&D Fund") for the period prior to the formation of R&D Fund by the Federal Government. Based on legal advice, the management is confident that the matter will be decided in favour of the Company.

26.2.4 There is a dispute of Rs. 491 million (2007: Rs. 491 million) with PTA on Universal Service Fund (USF) representing contribution to USF for the period prior to the formation of USF by the Federal Government. Out of this amount, Rs. 223 million relating to prior periods has been deposited with PTA. Show cause notice was issued by the PTA and the Company had submitted its reply. PTA after hearing the Company's view has passed determination dated 4 April 2008 against the Company. The Company has filed an appeal in Honourable Islamabad High Court and stay order has been granted by the Honourable Islamabad High Court in favour of the Company. The case before Honourable Islamabad High Court is now fixed for 16 September 2008. Based on legal advice, the management is confident that the matter will be decided in favour of the Company.

26.3 The Income Tax proceedings have been finalized upto Tax Year 2007 with the exception of the following issues:

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

26.3.2 In 2006 Sales Tax Authorities served Show Cause Notices to various payphone companies, including the Company on account of alleged wrong claim of refund of Rs. 167 million under section 66 of the Sales Tax Act 1990. Subsequent to 30 June 2007, Additional Collector (Adjudication) Sales Tax, Lahore has given a decision against the Company and imposed a penalty on the Company and Chief Executive, equivalent to the amount of original alleged claim. Later on, the Sales Tax Department has issued a notice under Section 48 of the Sales Tax Act, 1990 to the bankers of the Company and Customs Authorities for recovery of refund along with penalty. Moreover, a notice for stoppage of clearance of imported goods has also been issued by the Sales Tax Department to Custom Authorities. The Federal Tax Ombudsman ("FTO") has issued an order that no penalty can be imposed against the Company as there is no element of tax fraud involved in the matter and the issue pertains to a change of opinion of the Federal Board of Revenue. Order to the extent of Chief Executive for imposition of penalty could not be passed by FTO as the Chief Executive's writ petition is pending in the Honourable Lahore High Court. Upon application of the Company under section 47A of the Sales Tax Act, 1990 for constitution of Alternative Dispute Resolution Committee (ADRC) the FBR has constituted the Committee and referred the matter to be resolved at ADRC. The management is confident that matter will be decided in favour of the Company.

		2008	2007
		(Rupees in '000)	
26.4	Outstanding guarantees	**314,446**	195,569
26.5	Commitments in respect of capital expenditure	**108,629**	179,261
26.6	Outstanding letters of credit	**518,396**	31,084

27 Issued, subscribed and paid up capital

	2008	2007
Ordinary shares of Rs. 10 each as fully paid in cash	**3,440,000**	3,440,000
Ordinary shares of Rs. 10 each issued in accordance with the scheme of merger	**3,099,658**	3,099,658
Ordinary shares of Rs. 10 each issued as fully paid bonus shares	**980,949**	980,949
Ordinary shares of Rs. 10 each issued against convertible loan	**1,085,109**	-
	8,605,716	7,520,607

27.1 Reconciliation of Issued, subscribed and paid up capital

	2008	2007
	(Number of shares)	
Opening balance	**752,060,657**	653,965,789
Issued as fully paid bonus shares	**-**	98,094,868
Issued against convertible loan	**108,510,856**	-
	860,571,513	752,060,657

27.2 As at 30 June 2008, Oman Telecommunications Company SAOG the holding company, holds 488,839,429 ordinary shares (2007: nil) of the Company. In addition 53,003,749 ordinary shares (2007; 85,960,573 ordinary shares) are held by the following related parties as at 30 June 2008:

	2008	2007
	(Number of shares)	
Related parties		
First Capital Securities Corporation Limited	**7,737,207**	84,159,661
Pace (Pakistan) Limited	**912**	1,800,912
Arif Habib Securities Limited	**45,265,630**	-
	53,003,749	85,960,573

28 Share premium

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

	2008	2007
	(Rupees in '000)	
29 Surplus on revaluation		
Revaluation surplus on:		
Plant & equipment	**64,059**	304,297
Intangible assets	**430,393**	-
	494,452	304,297
Less: Related deferred tax liability	**(173,058)**	(106,504)
	321,394	197,793

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

	Note	2008	2007
		(Rupees in '000)	
30 Revenue -net			
Telecom services		**3,180,468**	3,382,246
Broadband services		**1,622,136**	1,280,157
		4,802,604	4,662,403
Less:			
Sales tax		**146,647**	203,962
Discount and commission		**147,846**	145,928
		294,493	349,890
		4,508,111	4,312,513
31 Direct cost			
Interconnect, settlement and other charges		**1,233,289**	1,356,321
Bandwidth and other PTCL charges		**267,905**	263,043
Depreciation	3.4	**802,272**	662,837
Amortization of intangible assets	5.3	**86,535**	58,273
Power consumption and pole rent		**189,180**	102,298
Security services		**35,368**	20,719
PTA charges	31.1	**26,537**	28,534
Cable license fee		**34,551**	32,768
Salaries and other benefits		**19,363**	13,241
Inventory consumed		**17,661**	30,983
Stores and spares consumed		**18,285**	9,647
Annual spectrum fee		**21,911**	13,243
Content cost		**30,517**	24,814
Network maintenance & insurance		**60,908**	9,833
Others		**10,538**	2,252
		2,854,820	2,628,806

	Note	2008	2007
		(Rupees in '000)	
31.1 PTA Charges			
LDI license	31.1.1	**4,583**	10,321
WLL license	31.1.2	**15,471**	12,345
Payphones license		**-**	555
Broadband license		**5,641**	4,465
Telephony license	31.1.3	**389**	175
Annual numbering charges		**111**	198
Testing and other charges		**342**	475
		26,537	28,534

31.1.1 This represents charges payable to PTA in respect of contribution to the Universal Service Fund established by Federal Government amounting to Rs. 2.73 million (2007: Rs. 1.123 million) and annual regulatory fee amounting to Rs. 1.85 million (2007: Rs. 3.066 million) under the license agreement for LDI project.

31.1.2 This represents charges payable to PTA in respect of contribution to the Research and Development Fund established by Federal Government amounting to Rs. 2.10 million (2007: Rs. 6.157 million), Universal Service Fund amounting to Rs. 10.03 million (2007: Rs.3.109 million) and annual regulatory fee amounting to Rs. 3.34 million (2007: Rs 3.079 million) under the license agreement for WLL project.

The gross revenue represents revenue from licensed services only i.e. connection charges, post paid billing to customers, air time of prepaid cards utilized by customers, line rent of both prepaid and post paid connections and local and international inbound revenue. It does not include one time initial fee received from customers on activation of connection i.e. membership fee and license fee.

31.1.3 This represents charges payable to PTA in respect of contribution to the Research and Development Fund established by Federal Government amounting to Rs. 0.130 million (2007: Rs. 0.113 million), Universal Service Fund amounting to Rs. 0.195 million (2007: Rs. Nil) and annual regulatory fee amounting to Rs. 0.065 million (2007: Rs. 0.062 million) for the current year under the license agreement for Telephony Project.

	Note	2008	2007
		(Rupees in '000)	
32 Operating cost			
Salaries, wages and benefits		**492,551**	471,274
Marketing, advertisement and selling expenses		**170,997**	149,441
Rent, rates and taxes		**63,733**	52,453
Communications		**31,847**	30,311
Transportation		**26,482**	18,408
Legal and professional	32.1	**25,451**	11,387
Insurance		**36,523**	23,062
Utilities		**25,297**	24,730
Printing and stationery		**20,487**	17,987
Entertainment		**19,932**	19,048
Travel and conveyance		**62,477**	41,237
Repairs and maintenance		**21,543**	18,727
Provision for doubtful debts		**76,953**	73,619
Donations	32.2	**313**	571
Fees and subscriptions		**6,778**	9,587
Postage and courier		**10,422**	8,273
Newspapers and periodicals		**532**	643
Auditor's remuneration	32.3	**4,306**	3,940
Depreciation	3.4	**89,497**	63,503
Amortization of intangible assets	5.3	**2,932**	2,500
Amortization of deferred cost		**4,727**	5,336
Miscellaneous		**16,359**	11,816
		1,210,139	1,057,853

32.1 These include operating expenses amounting to Rs. 0.005 million (2007: Rs. 0.091 million) with respect to investment property.

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

32.3 Auditor's remuneration

	Note	2008	2007
		(Rupees in '000)	
Statutory audit		**2,800**	2,500
Half year review		**770**	700
Services in connection with review and reporting of accounts to parent company auditors		**300**	-
Other sundry certifications		**51**	400
Out of pocket expenses		**385**	340
		4,306	3,940

33 Finance cost

	Note	2008	2007
Mark-up on long term loans	33.1	**147,275**	101,683
Mark-up on short term loans		**120,889**	30,001
Interest on PTA license fee		**106,763**	101,125
Financial charge on leased liabilities		**34,702**	32,278
Mark up on Term Finance Certificates		**43,009**	40,389
Bank charges and commission		**7,931**	7,463
		460,569	**312,939**

33.1 This includes amortization of initial transaction cost of Rs. 54.459 million (2007: Rs. 7.985 million).

34 Other operating income

	2008	2007
	(Rupees in '000)	
Income from financial assets		
Profit on sale of investments	**19,045**	85,274
Income on deposit and saving accounts	**19,188**	25,580
Dividend income	**581**	2,490
Mark-up on advance to associated company	**4,060**	6,483
	42,874	119,827
Income from non-financial assets		
Rental income from investment property	**4,492**	4,084
Scrap sales	**413**	469
Gain /(loss) on sale of property, plant and equipment	**4,262**	1,776
Miscellaneous	**41,314**	11,930
	50,481	18,259
	93,355	138,086

35 Other expenses

	2008	2007
Provision for impairment of long term investment	**7,298**	41,314
Exchange loss / (gain)	**22,643**	(2,055)
	29,941	39,259

	Note	2008	2007
		(Rupees in '000)	
36 Taxation			
For the year			
Current	36.1	**225**	329
Deferred		**(22,590)**	82,576
		(22,365)	82,905

36.1 The Company has not made provision for current taxation, except for income covered under presumptive tax regime, as carried forward losses and accelerated tax depreciation are available to the Company under Income Tax Ordinance 2001. As per section 113 of the Income Tax Ordinance, 2001, minimum tax paid by the Company is adjustable against tax payable by the Company in respect of future taxable profits.

36.2 Tax charge reconciliation

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

	2008 %	2007 %
Applicable tax rate	**35.00**	35.00
Tax effect of amounts:		
Not deductible for tax purposes	**97.72**	8.24
Admissible for tax purposes	**(154.25)**	(12.39)
Exempt from tax	**(17.49)**	(18.83)
Covered under presumptive tax regime	**(2.50)**	(0.28)
Average effective tax rate (tax expense divided by profit before tax)	**(41.52)**	11.74

37 Earnings per share

37.1 Basic earnings per share

		2008	2007
Profit after taxation available for distribution to ordinary shareholders	Rupees in '000	**76,218**	623,536
Weighted average number of ordinary shares	Number in '000	**770,146**	752,061
Basic earnings per share	Rupees	**0.10**	0.83

37.2 Diluted earnings per share

		2007 (Rupees in '000)
Profit after taxation available for distribution to ordinary shareholders		623,536
After tax effect of interest on convertible loan from Amatis Limited		8,504
After tax effect of interest on syndicated loan-I		1,377
Profit after taxation available for distribution to ordinary shareholders (diluted)		633,417
		Number in '000
Weighted average number of ordinary shares		752,061
Effect of conversion of convertible loan from Amatis Limited		107,164
Effect of conversion of syndicated loan-I		3,903
Weighted average number of ordinary shares (diluted)		863,128
Diluted earnings per share	Rupees	0.73

37.2.1 Potential ordinary shares of syndicated loan have anti-dilutive impact in the current year's earning per share. Therefore diluted earning per share for the current year has not been disclosed.

38 Related party transactions

The related parties comprise foreign subsidiary, local associated companies, related group companies, directors of the Company, companies where directors also hold directorship and key management employees. Amounts due from and to related parties are shown under receivables and payables and remuneration of directors and key management employees is disclosed in note 41. Other significant transactions with related parties are as follows:

	2008	2007
	(Rupees in '000')	
Associated companies		
Purchase of goods and services	**39,915**	52,348
Sale of goods and services	**128,849**	10,013

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

39 Cash generated from operations

	2008	2007
Profit before taxation	**53,853**	706,441
Adjustment for non-cash charges and other items:		
Depreciation	**891,769**	726,340
Amortization of intangible assets	**89,467**	60,773
Amortization of deferred cost	**4,727**	5,336
Amortization of transaction cost	**54,459**	7,985
Interest on PTA license fee	**106,763**	101,125
Provision for doubtful receivables	**76,953**	73,619
Gain on sale of short term investments	**(19,045)**	(85,274)
Profit on disposal of property, plant and equipment	**(4,262)**	(1,776)
Provision for impairment of long term investment	**7,298**	11,314
Gain on re-measurement of investments at fair value	**(3,844)**	(279,183)
Gain on re-measurement of investment property at fair value	**(4,012)**	(15,516)
Retirement benefits	**47,901**	38,260
Finance costs	**299,347**	203,829
Profit before working capital changes	**1,601,374**	1,583,273
Effect on cash flow due to working capital changes:		
(Increase)/decrease in the current assets		
Stores and spares	**10,111**	(32,814)
Stock in trade	**(55,681)**	(13,256)
Trade debts	**(74,689)**	(258,643)
Loans and advances	**(100,894)**	18,900
Deposits and prepayments	**(55,684)**	12,704
Other receivables	**172,500**	(1,448)
Increase/(decrease) in the current liabilities		
Trade and other payables	**(18,943)**	193,499
	(123,280)	(81,058)
	1,478,094	1,502,215

	Note	2008	2007
		(Rupees in '000)	
40 Cash and cash equivalents			
Cash and bank balances	15	**849,040**	560,575
Running finance under markup arrangements-secured	17	**(66,894)**	(525,459)
		782,146	35,116

41 Remuneration of Chief Executive, directors and executives

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

	Chief Executive		Directors		Executives	
	2008	2007	**2008**	2007	**2008**	2007
	(Rupees in '000)		(Rupees in '000)		(Rupees in '000)	
Managerial remuneration	**1,398**	1,584	**1,334**	1,637	**77,823**	68,857
Retirement benefits	**200**	200	**200**	200	**9,214**	9,187
Housing	**559**	648	**533**	655	**31,130**	27,543
Utilities	**140**	168	**133**	164	**7,782**	6,886
	2,297	2,600	**2,200**	2,656	**125,949**	112,473
Number of persons	**1**	1	**1**	1	**96**	100

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

No meeting fee was paid to directors during the year (2007: Rs. Nil).

42 Financial assets and liabilities

	Interest / mark up bearing				Non interest/mark up bearing				Total	
	Maturity upto one year	Maturity after one year upto two years	Maturity after two years upto five years	Sub total	Maturity upto one year	Maturity after one year upto two years	Maturity after two years upto five years	Sub total	2008	2007
	(Rupees in '000)				(Rupees in '000)				(Rupees in '000)	
Financial assets										
Long term deposits	-	-	-	-	1,971	29,485	80,423	**111,879**	**111,879**	244,754
Trade debts	-	-	-	-	900,712	-	-	**900,712**	**900,712**	899,052
Loans and advances - considered good	28,886	-	-	**28,886**	-	-	-	-	**28,886**	28,886
Deposits and short term prepayments	-	-	-	-	38,159	-	-	**38,159**	**38,159**	87,506
Other receivables	-	-	-	-	233,821	-	-	**233,821**	**233,821**	410,245
Short term investments	-	-	-	-	574,785	-	-	**574,785**	**574,785**	570,941
Cash and bank balances	548,400	-	-	**548,400**	300,640	-	-	**300,640**	**849,040**	560,575
	577,286	**-**	**-**	**577,286**	**2,050,088**	**29,485**	**80,423**	**2,159,996**	**2,737,282**	2,801,959
Financial liabilities										
Term finance certificates - secured	59,557	1,518,690	1,771,544	**3,349,791**	-	-	-	-	**3,349,791**	392,965
Long term finances-secured	146,597	259,942	-	**406,539**	-	-	-	-	**406,539**	1,118,634
Liabilities against assets subject to finance lease	117,275	102,073	8,844	**228,192**	-	-	-	-	**228,192**	383,066
Long term payables	-	-	-	-	-	-	119,876	**119,876**	**119,876**	134,127
Long term deposits	-	-	-	-	-	-	53,060	**53,060**	**53,060**	59,774
License fee payable	-	-	-	-	-	913,554	-	**913,554**	**913,554**	806,791
Running finance under markup arrangements-secured	66,894	-	-	**66,894**	-	-	-	**-**	**66,894**	525,459
Trade and other payables	-	-	-	-	941,154	-	-	**941,154**	**941,154**	946,706
Interest and mark up accrued	-	-	-	-	74,841	-	-	**74,841**	**74,841**	31,981
	390,323	**1,880,705**	**1,780,388**	**4,051,416**	**1,015,995**	**913,554**	**172,936**	**2,102,485**	**6,153,901**	4,399,503
Off balance sheet financial instruments										
Contingencies and commitments									**934,099**	1,272,661
Guarantees									**314,446**	195,569
Letters of credit									**518,396**	31,084
									1,766,941	1,499,314

The effective interest/ mark-up rates for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.

42.1 Financial risk management objectives

The Company finances its operations through equity, borrowings and management of working capital with a view to obtain a reasonable mix between the various sources of finance to minimize the risk.

Taken as a whole, risk arising from the Company's financial instruments is limited as there is no significant exposure to market risk in respect of such instruments.

42.2 Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into foreign currency. The Company is exposed to foreign currency risk on sales, purchases and borrowings that are entered in a currency other than Pak Rupees. The Company uses forward exchange contracts to hedge its foreign currency risk, when considered appropriate.

42.3 Concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. The Company's credit risk is primarily attributable to its trade debts and loans and advances. The Company has no significant concentration of credit risk as exposure is spread over a large number of counter parties in the case of trade debts. Total financial assets of Rs. 2,737 million (2007: Rs. 2,802 million) include financial assets Rs. 1,313 million (2007: Rs. 1,683 million), which are subject to credit risk. To manage exposure to credit risk, the Company applies credit limits to its customers and obtains advances from certain customers.

42.4 Fair values of financial assets and liabilities

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

42.5 Liquidity risk

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

42.6 Interest rate risk

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

42.7 Capital management

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

The Company's objectives when managing capital are:

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

b) to provide an adequate return to shareholders.

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

	2008	2007
	(Rupees in '000)	
The debt-to-equity ratios as at 30 June 2008 and at 30 June 2007 were as follows:		
Total debt	**3,997,496**	2,420,124
Total equity and debt	**16,038,309**	14,276,737
Debt-to-equity ratio	**25 :75**	17 : 83

The increase in the debt-to-equity ratio in 2008 resulted primarily from acquiring new financing for further expansion.

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

43 Segment reporting

Segment information is presented in respect of the Company's business. The primary format, business segment, is based on the Company's management reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year.

The Company's operations comprise of the following main business segments:

- Telecom segment which comprises of WLL, LDI and Operation and Maintenance of payphone network.

- Broadband segment which comprise of internet over cable and cable TV services.

All inter-segment sales are on arms length basis.

Segment analysis for the year ended 30 June 2008

	Telecom	Broadband	Eliminations	Total
	(Rupees in '000)			
Sales				
External sales	**3,180,468**	**1,622,136**	-	**4,802,604**
Inter-segment sales	**9,926**	**3,264**	**(13,190)**	**-**
Sales tax	**(81,551)**	**(65,096)**	-	**(146,647)**
Discount and commission	**(143,239)**	**(4,607)**	-	**(147,846)**
Total revenue	**2,965,604**	**1,555,697**	**(13,190)**	**4,508,111**
Profit before tax and unallocated expenses	**(491,720)**	**545,573**		**53,853**
Unallocated corporate expenses				
Taxation				**22,365**
Profit after taxation				**76,218**

	Telecom	Broadband	Total
	(Rupees in '000)		
Segment assets and liabilities			
Segment assets	**13,883,130**	**5,501,818**	**19,384,948**
Consolidated total assets			**19,384,948**
Segment liabilities	**4,822,402**	**1,489,750**	**6,312,152**
Unallocated segment liabilities			**710,589**
Consolidated total liabilities			**7,022,741**
Segment capital expenditure	**1,555,893**	**847,822**	**2,403,715**
			2,403,715
Non-cash expenses other than depreciation and amortization	**236,853**	**20,166**	**257,019**
Depreciation and amortization	**730,753**	**289,163**	**1,019,916**

Segment analysis for the year ended 30 June 2007

	Telecom	Broadband	Eliminations	Total
	(Rupees in '000)			
Sales				
External sales	3,382,246	1,280,157	-	4,662,403
Inter-segment sales	8,350	25,830	(34,180)	-
Sales tax	(161,923)	(42,039)	-	(203,962)
Discount and commission	(136,392)	(9,536)	-	(145,928)
Total revenue - net	3,092,281	1,254,412	(34,180)	4,312,513
Profit before tax and unallocated expenses	252,060	454,381	-	706,441
Unallocated corporate expenses				
Taxation				(82,905)
Profit after taxation				623,536

	Telecom	Broadband	Total
	(Rupees in '000)		
Segment assets and liabilities			
Segment assets	12,938,245	4,444,507	17,382,752
Consolidated total assets			17,382,752
Segment liabilities	3,671,906	989,815	4,661,721
Unallocated segment liabilities			666,625
Consolidated total liabilities			5,328,346
Segment capital expenditure	1,673,127	449,157	2,122,284
			2,122,284
Non-cash expenses other than depreciation and amortization	187,280	40,044	227,324
Depreciation and amortization	656,291	197,440	853,731

44 Date of authorization for issue

These financial statements were authorized for issue on 12 August 2008 by the Board of Directors.

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

Certain amendments to IAS 23 "Borrowing Costs" has been revised and is effective for the Company's accounting period beginning after 01 July 2009. Adoption of this standard will have no impact on the Company's financial statements.

IFRS 7 "Financial instruments: Disclosures" and IFRS 8 "Operating Segments" will be effective from 01 July 2008 and 01 July 2009 respectively. Adoption of these standards will effect the disclosures being presented in financial statements.

Other Standards, interpretations and amendments to published approved accounting standards are not relevant to the Company.

46 General

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

Muscat:
12 August 2008

CHAIRMAN	CHIEF EXECUTIVE	CHAIRMAN AUDIT COMMITTEE

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED
30 JUNE 2008

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Worldcall Telecom Limited ("the Company") and its subsidiary company (hereinafter referred as the "Group") as at 30 June 2008 and the related consolidated profit and loss account, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. The financial statements of the subsidiary company, Woldcall Telecommunications Lanka (Private) Limited was audited by another firm of auditors, whose report has been furnished to us and our opinion in so far as it relates to the amounts included for such company, is based solely on the report of such other auditor.

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

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

In our opinion the consolidated financial statements present fairly the financial position of the Group as at 30 June 2008 and the results of its operations, its cash flows and changes in equity for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

KPMG Taseer Hadi & Co.

Lahore:
12 August 2008

KPMG Taseer Hadi & Co.
Chartered Accountants

DIRECTORS' REPORT (Consolidated Accounts)

The Directors of Worldcall Telecom Limited ("WTL" or the "Parent Company") are pleased to present the annual audited consolidated financial statements of the Group for the year ended June 30, 2008.

Financial Overview	**Rupees in million**	
	2008	2007
Revenue Net	**4,519**	4,329
Gross Profit	**1,653**	1,682
Profit after tax	**66**	627
Combined EPS Basic - Rupees	**0.09**	0.83

Group Foreign Subsidiary

Worldcall Telecommunications Lanka (Pvt.) Limited (WCTL)

The Company posted a gross profit of SLR 4.2 million as compared to SLR 3.60 million last year. Operational loss is SLR 36.05 million this year as compared to SLR 18.79 million last year. Management is evaluating the project to improve the profitability.

Pattern of Shareholding

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

For and on behalf of the Board of Directors

Muscat:	**Dr. Mohammed Ali Mohammed Al-Wohaibi**	**Babar Ali Syed**	**Talal Said Marhoon Al-Mamari**
12 August 2008	Chairman	Chief Executive Officer	Chairman Audit Committee

CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2008

	Note	2008	2007
		(Rupees in '000)	
NON CURRENT ASSETS			
Tangible fixed assets			
Property, plant and equipment	4	**8,930,588**	7,677,460
Capital work-in-progress	5	**1,976,470**	1,780,893
		10,907,058	9,458,353
Intangible assets	6	**5,008,324**	4,704,499
Investment property	7	**76,162**	72,150
Long term investments	8	**41,448**	29,680
Long term deposits	9	**109,908**	223,383
Deferred costs	10	**-**	4,727
		16,142,900	14,492,792
CURRENT ASSETS			
Store and spares		**57,190**	67,451
Stock in trade		**91,094**	36,201
Trade debts	11	**901,050**	899,714
Loans and advances - considered good	12	**216,089**	115,195
Deposits and prepayments	13	**234,424**	178,787
Other receivables	14	**234,478**	412,103
Short term investments	15	**574,785**	570,941
Income tax recoverable-net		**102,462**	58,224
Cash and bank balances	16	**850,516**	562,985
		3,262,088	2,901,601
CURRENT LIABILITIES			
Current maturities of non-current liabilities	17	**323,429**	751,320
Running finance under mark-up arrangements - secured	18	**66,894**	525,459
Trade and other payables	19	**1,023,322**	1,044,306
Interest and mark-up accrued	20	**74,841**	31,981
		1,488,486	2,353,066
NET CURRENT ASSETS		**1,773,602**	548,535
NON CURRENT LIABILITIES			
Term finance certificates - secured	21	**3,237,470**	342,855
Long term finances	22	**258,787**	677,464
Deferred taxation	23	**710,589**	666,625
Retirement benefits	24	**133,824**	99,311
Liabilities against assets subject to finance lease	25	**110,916**	194,026
Long term payables- secured		**142,935**	146,873
Long term deposits		**54,037**	60,627
License fee payable	26	**913,554**	806,791
		5,562,112	2,994,572
Contingencies and commitments	27		
		12,354,390	12,046,755
REPRESENTED BY			
Share capital and reserves			
Authorized capital			
900,000,000 (2007: 900,000,000) ordinary shares of Rs. 10 each		**9,000,000**	9,000,000
Issued, subscribed and paid up capital	28	**8,605,716**	7,520,607
Share premium	29	**837,335**	410,887
Convertible loan reserve	22.2	**-**	1,403,575
Exchange translation reserve		**(944)**	(2,301)
Accumulated profit		**2,590,242**	2,509,902
Capital and reserves attributable to equity holders of the Company		**12,032,349**	11,842,670
Minority interest		**647**	6,292
		12,032,996	11,848,962
Surplus on revaluation	30	**321,394**	197,793
		12,354,390	12,046,755

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

Muscat:
12 August 2008

CHAIRMAN **CHIEF EXECUTIVE** **CHAIRMAN AUDIT COMMITTEE**

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2008

		Note	2008	2007
			(Rupees in '000)	
Revenue -Net		31	**4,519,304**	4,328,751
Direct cost		32	**(2,866,276)**	(2,646,540)
Gross profit			**1,653,028**	1,682,211
Operating cost		33	**(1,221,140)**	(1,066,466)
Operating profit			**431,888**	615,745
Finance cost		34	**(461,173)**	(313,466)
			(29,285)	302,279
Gain on re-measurement of investments at fair value		15	**3,844**	279,183
Gain on re-measurement of investment property at fair value		7	**4,012**	15,516
Other operating income		35	**93,441**	138,138
Other expenses		36	**(32,014)**	(26,992)
Profit before taxation and share from associate			**39,998**	708,124
Share of profit from associate			**3,448**	2,871
Profit before taxation			**43,446**	710,995
Taxation		37	**22,365**	(84,025)
Profit after taxation			**65,811**	626,970
Attributable to:				
Equity holders of parents			**72,020**	630,078
Minority interest			**(6,209)**	(3,108)
			65,811	626,970
Earnings per share - basic	**(Rupees)**	38	**0.09**	0.83
Earnings per share - diluted	**(Rupees)**	38	**-**	0.74

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

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

Muscat:
12 August 2008

CHAIRMAN CHIEF EXECUTIVE CHAIRMAN AUDIT COMMITTEE

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008	2007
		(Rupees in '000)	
Cash flows from operating activities			
Cash generated from operations	40	**1,469,028**	1,497,062
Decrease/(increase) in long term deposits receivable		**113,475**	(23,679)
Decrease in long term deposits payable		**(6,731)**	(16,519)
(Decrease)/increase in long term payables		**(6,039)**	133,918
Decrease in license fee payable		**(71,000)**	-
Retirement benefits paid		**(18,862)**	(14,464)
Finance cost paid		**(408,171)**	(297,684)
Taxes paid		**(44,465)**	(31,599)
Net cash generated from operating activities		**1,027,235**	1,247,035
Cash flow from investing activities			
Fixed capital expenditure		**(2,343,679)**	(2,753,794)
Intangible assets		**(1,580)**	(5,139)
Sale proceeds of property, plant and equipment		**14,145**	27,174
Short term investments - net		**19,045**	578,058
Net cash used in investing activities		**(2,312,069)**	(2,153,701)
Cash flow from financing activities			
Receipt of long term finances		**1,947,750**	44,800
Repayment of long term finances		**(2,623,041)**	(450,171)
Receipt of term finance certificates		**3,000,000**	350,000
Repayment of term finance certificates		**(99,365)**	(106,944)
Repayment of finance lease liabilities		**(194,414)**	(76,533)
Net cash generated from/(used) in financing activities		**2,030,930**	(238,848)
Net increase / (decrease) in cash and cash equivalents		**746,096**	(1,145,514)
Cash and cash equivalents at the beginning of the year		**37,526**	1,183,040
Cash and cash equivalents at the end of the year	41	**783,622**	37,526

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

Muscat:
12 August 2008

CHAIRMAN CHIEF EXECUTIVE CHAIRMAN AUDIT COMMITTEE

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2008

	Atributable to equity holders of the Company						Minority Interest	Total
	Capital reserves				Revenue reserve	Sub Total		
	Share capital	Share premium	Currency translation reserve	Convertible loan reserve	Accumulated profit/ (loss)			
	(Rupees in '000)							
Balance as at 30 June 2006	6,539,658	1,391,836	(845)	1,400,430	1,879,824	**11,210,903**	10,005	**11,220,908**
Reimbursement of transaction cost related to equity component of convertible loan	-	-	-	3,145	-	**3,145**	-	**3,145**
Bonus shares issued	980,949	(980,949)	-	-	-	-	-	-
Exchange translation difference	-	-	(1,456)	-	-	**(1,456)**	(605)	**(2,061)**
Net profit for the year	-	-	-	-	630,078	**630,078**	(3,108)	**626,970**
Balance as at 30 June 2007	**7,520,607**	**410,887**	**(2,301)**	**1,403,575**	**2,509,902**	**11,842,670**	**6,292**	**11,848,962**
Liability component of convertible loan (note 22.2)	-	-	-	107,982	-	107,982	-	**107,982**
Shares issued against convertible loan (note 22.2)	1,085,109	426,448	-	(1,511,557)	-	-	-	-
Exchange translation difference	-	-	1,357	-	-	1,357	564	**1,921**
Adjustment due to dilution in shareholding of associate	-	-	-	-	8,320	8,320	-	**8,320**
Net profit for the year ended 30 June 2008	-	-	-	-	72,020	72,020	(6,209)	**65,811**
Balance as at 30 June 2008	**8,605,716**	**837,335**	**(944)**	**-**	**2,590,242**	**12,032,349**	**647**	**12,032,996**

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

Muscat:
12 August 2008

CHAIRMAN	CHIEF EXECUTIVE	CHAIRMAN AUDIT COMMITTEE

NOTES TO THE COSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

1 Legal status and nature of business

1.1 The Group consists of:

Worldcall Telecom Limited; and

Worldcall Telecommunications Lanka (Private) Limited

1.2 Worldcall Telecom Limited ("the Company") is a public limited company incorporated in Pakistan on 15 March 2001 under the Companies Ordinance, 1984 and its shares are quoted on the Karachi and Lahore Stock Exchanges. The Company commenced its operations on 01 December 2004 and is engaged in providing Wireless Local Loop ("WLL") and Long Distance & International ("LDI") services in Pakistan, operation and maintenance of public payphones network and re-broadcasting international/national satellite/terrestrial wireless and cable television and radio signals as well as interactive communication and to establish, maintain and operate the licensed telephony services. The Company has been licensed by Pakistan Telecommunication Authority ("PTA") and Pakistan Electronic Media Regulatory Authority ("PEMRA") for these purposes. The registered office of the Company is situated at 103 C-II, Gulberg III, Lahore. During the year 56.80% shares (488,839,429 ordinary shares) have been acquired by Oman Telecommunications Company SAOG.

Worldcall Telecommunications Lanka (Private) Limited (" the Subsidiary") was incorporated in Sri Lanka and is a joint venture with Hayleys Group to operate payphones. The principal activity of the Subsidiary is the operation and maintenance of a public payphones network. Payphones are installed at various shops/ commercial outlets. The Company holds 70.65% of voting securities in the Subsidiary.

2 Basis of consolidation

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

Subsidiary

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

Associates

Associates are those entities in which the Group has significant influences but not control over the financial and reporting policies. The consolidated financial statements include the Group's share of the total recognized gains and losses of associates on equity accounting basis, from the date that significant influence commences until the date total significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the group has incurred legal or constructive obligation or made payments on behalf of the associate.

Transactions eliminated on consolidation

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

Minority interest is that part of net results of operations and of net assets of Subsidiary attributable to interest which are not owned by the Group. Minority interest is presented separately in the consolidated financial statements.

3 Summary of significant accounting policies

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

3.1 Statement of compliance

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

3.2 Accounting convention and basis of preparation

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

3.3 Significant accounting judgments and estimates

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

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

- Useful life of depreciable assets and amortization of intangible assets- (note 3.4, 3.5, 4 & 6)
- Staff retirement benefits- (note 3.15 & 24)
- Taxation- (note 3.9 & 37)
- Provisions and contingencies- (note 3.20 & 27)
- Investment properties- (note 3.6 & 7)

3.4 Fixed capital expenditure and depreciation

Property, plant and equipment

Property, plant and equipment except plant and equipment, are stated at cost less accumulated depreciation and any identified impairment loss. Plant and equipment are stated at revalued amount less accumulated depreciation and any identified impairment loss.

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

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

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

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

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

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

Finance leases

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

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

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

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

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

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

Capital work-in-progress

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

3.5 Intangible assets

Goodwill

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

During the year ended 30 June 2007, the Group adopted International Financial Reporting Standard "IFRS" 3 (Business Combinations), which has been adopted by Securities and Exchange Commission of Pakistan (SECP) vide SRO 1228(I)/2006 dated 06 December 2006 and ceased the amortization of goodwill. The goodwill is measured at cost less accumulated impairment, if any, and the amount already amortized in profit and loss account.

Other intangible assets

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

During the year, the Group has changed its accounting policy for subsequent measurement of intangible assets from cost model to revaluation model. These are stated at revalued amount less accumulated amortization and any identified impairment loss. Earlier these were stated at cost less accumulated amortization and any identified impairment loss.

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

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

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

Gain or loss arising on disposal and retirement of intangible asset is determined as a difference between net disposal proceeds and carrying amount of the asset and is recognized as income or expense in the profit and loss account.

3.6 Investment properties

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

Any gain or loss arising from a change in fair value is recognized in the profit and loss account. Rental income from investment property is accounted for as described in note 3.18.

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

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

3.7 Investments

The Group classifies its investments in following categories.

Investments in equity instruments of associated company

Long term investments in associated companies, are stated at Group's share of their underlying net assets using the equity method.

Investments at fair value through profit or loss

Investments that are acquired principally for the purpose of generating profit from short term fluctuations in price or dealer's margin are classified as held for trading.

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

Available for sale investments

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

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

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

3.8 Securities under repurchase/reverse repurchase agreements

Transactions of repurchase/reverse repurchase investment securities are entered into at a contracted rate for specified period of time and are accounted for as follows:

Repurchase agreements

Investments sold with a simultaneous commitment to repurchase at a specified future date (repo) continue to be recognized in the balance sheet and are measured in accordance with accounting policies for investment. The counter party liability for amounts received under these agreements is included in borrowing. The difference between sale and repurchase price is treated as mark-up on borrowing and accrued over the life of repo agreement.

Reverse repurchase agreements

Investments purchased with a corresponding commitment to resale at a specified future date (reverse repo) are not recognized in the balance sheet. Amount paid under these agreements are recorded as funds placements. The difference between purchase and resale price is treated as return from fund placement with financial institutions or income from reverse repurchase transactions of listed shares, as the case may be, and accrued over the life of the reverse repo agreement.

3.9 Taxation

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

Current

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

Deferred

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

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

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

3.10 Deferred costs

These include share issue expenses incurred on increasing the authorized capital of the Group and expenses incurred in connection with the public offering/placements for the year 2004. In order to comply with the substituted Fourth Schedule to the Companies Ordinance, 1984, the Group has adopted the treatment allowed by Circular No. 1 of 2005 issued by Securities and Exchange Commission of Pakistan whereby deferred costs incurred prior to 01 July 2004 are being amortized over a period of five years whereas deferred cost incurred subsequent to this date are charged to income currently.

3.11 Inventories

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

Store and spares

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

Stock in trade

Cost is determined on weighted average basis.

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

3.12 Trade debts and other receivables

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

3.13 Financial liabilities

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

Interest bearing borrowings

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

Term finance certificates

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

Convertible loans

Convertible loans that can be converted to share capital at the option of the lender, where the number of shares issued does not vary with the changes in their fair value, are accounted for as compound financial instruments. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity component in proportion to the allocation of proceeds. The equity component of the convertible loan is calculated as the excess of the issue proceeds over the present value of future cash out flows, discounted at the market rate of interest applicable to similar liabilities that do not have a conversion option. The interest expense recognized in the income statement is calculated using the effective interest rate method.

Other financial liabilities

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

3.14 Trade and other payables

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

3.15 Retirement and other benefits

Defined benefit plan

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

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

3.16 Impairment losses

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

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

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

3.17 Foreign currencies

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

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

3.18 Revenue recognition

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

Revenue from different sources is recognized as follows:

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

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

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

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

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

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

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

Rental income from investment property is recognized in the income statement on accrual basis.

Revenue from prepaid cards is recognized as credit is used.

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

3.19 Borrowing cost

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

3.20 Provisions

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

3.21 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. Cash and cash equivalents comprise cash in hand and demand deposits. Running finances that are repayable on demand are included as component of cash and cash equivalents for the purpose of cash flow statement.

3.22 Financial instruments

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

Offsetting of financial assets and financial liabilities

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

3.23 Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risk and rewards that are different from other segments.

3.24 Related Party transactions

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

3.25 Business combination involving entities under common control

A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and the control is not transitory.

In the absence of more specific guidance, the Group consistently applied the fair value (Purchase method) measurement method to all common control transactions.

3.26 Dividend

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

4 Property, plant and equipment

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

	Cost as at 01 July 2007	Exchange Adjustments	Revaluation Surplus/ (deficit)/ (imparment)	Additions/ (Disposals)	Transfers	Cost as at 30 June 2008	Accumulated depreciation as at 01 July 2007	Depreciation charge for the year/ (Disposals)	Exchange Adjustments	Transfers	Accumulated depreciation as at 30 June 2008	Net book value as at 30 June 2008	Depreciation rate %
	(Rupees in '000)						(Rupees in '000)					(Rupees in '000)	
Owned assets													
Freehold Land	19,800	-	-	-	-	19,800	-	-	-	-	-	19,800	-
Leasehold improvements	71,420	-	-	16,099 (290)	- -	87,229	22,408	12,755 (122)	-	-	35,041	52,188	20-33
Plant and equipment	8,098,578	6,754	(229,963) (9,371)	2,304,145 (9,409)	232,728 (133,797)	10,259,665	1,064,683	753,682 (2,258)	2,432	76,376 (9,543)	1,885,372	8,374,293	6.67-20
Office equipment	56,536	117	-	14,479 (15,433)	-	55,699	15,409	8,244 (15,374)	78	-	8,357	47,342	10
Computers	61,242	342	-	19,024 (465)	- -	80,143	27,846	20,966 (238)	328	-	48,902	31,241	10-33
Furniture and fixtures	14,257	142	-	4,544 -	- -	18,943	4,014	2,374 -	92	-	6,480	12,463	10
Vehicles	47,179	10	-	4,171 (7,402)	37,973 -	81,931	25,167	17,207 (6,674)	10	28,312	64,022	17,909	20
Lab and other equipment	17,651	368	-	455 -	-	18,474	5,565	3,378 -	122	-	9,065	9,409	10-20
	8,386,663	**7,733**	**(229,963) (9,371)**	**2,362,917 (32,999)**	**270,701 (133,797)**	**10,621,884**	**1,165,092**	**818,606 (24,666)**	**3,062**	**104,688 (9,543)**	**2,057,239**	**8,564,645**	
Leased assets													
Plant and equipment	430,520	-	(10,275)	13,000	(232,728) 133,797	334,314	56,745	50,966	-	(76,376) 9,543	40,878	293,436	6.67-20
Vehicles	109,093	-	-	22,484 (1,946)	(37,973)	91,658	26,979	24,564 (396)	-	(28,312)	22,835	68,823	20
Office equipment	-	-	-	4,055	-	4,055	-	371	-	-	371	3,684	10
	539,613	**-**	**(10,275)**	**39,539 (1,946)**	**(270,701) 133,797**	**430,027**	**83,724**	**75,901 (396)**	**-**	**(104,688) 9,543**	**64,084**	**365,943**	
	8,926,276	**7,733**	**(240,238) (9,371)**	**2,402,456 (34,945)**	**- -**	**11,051,911**	**1,248,816**	**894,507 (25,062)**	**3,062**	**-**	**2,121,323**	**8,930,588**	

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

	Cost as at 01 July 2006	Exchange Adjustments	Revaluation Surplus/ (deficit)/ (imparment)	Additions/ (Disposals)	Transfers	Cost as at 30 June 2007	Accumulated depreciation as at 01 July 2006	Depreciation charge for the year/ (Disposals)	Exchange Adjustments	Transfers	Accumulated depreciation as at 30 June 2007	Net book value as at 30 June 2007	Depreciation rate %
	(Rupees in '000)						(Rupees in '000)					(Rupees in '000)	
Owned assets													
Freehold Land	-	-	-	19,800	-	19,800	-	-	-	-	-	19,800	
Leasehold improvements	57,781	-	-	13,639	-	71,420	11,389	11,019	-	-	22,408	49,012	20-33
Plant and equipment	5,846,340	(2,558)	300,080	1,931,171 (4,009)	74,858 (47,304)	8,098,578	435,841	625,727 (462)	(41)	14,979 (11,361)	1,064,683	7,033,895	6.67-20
Office equipment	50,339	(21)	-	6,479 (261)	- -	56,536	7,862	7,634 (90)	3	- -	15,409	41,127	10
Computers	37,531	44	-	24,356 (1,042)	353 -	61,242	13,907	14,535 (1,002)	53	353 -	27,846	33,396	10-33
Furniture and fixtures	12,346	(28)	-	2,089 (150)	- -	14,257	2,104	1,938 (30)	2	- -	4,014	10,243	10
Vehicles	52,672	(1)	-	20,261 (27,381)	1,628 -	47,179	20,521	9,750 (5,861)	-	757 -	25,167	22,012	20
Lab and other equipment	11,763	(132)	-	6,020 -	-	17,651	2,444	3,125 -	(4)	-	5,565	12,086	10-20
	6,068,772	**(2,696)**	**300,080**	**2,023,815 (32,843)**	**76,839 (47,304)**	**8,386,663**	**494,068**	**673,728 (7,445)**	**13**	**16,089 (11,361)**	**1,165,092**	**7,221,571**	
Leased assets													
Plant and equipment	426,208	-	4,217	27,649	(74,858) 47,304	430,520	20,173	40,190	-	(14,979) 11,361	56,745	373,775	6.67-20
Vehicles	43,327	-	-	67,394	(1,628)	109,093	11,790	15,946	-	(757)	26,979	82,114	20
Computers	353	-	-	-	(353)	-	353	-	-	(353)	-	-	33
	469,888	**-**	**4,217**	**95,043**	**(76,839) 47,304**	**539,613**	**32,316**	**56,136**	**-**	**(16,089) 11,361**	**83,724**	**455,889**	
	6,538,660	**(2,696)**	**304,297 -**	**2,118,858 (32,843)**	**- -**	**8,926,276**	**526,384**	**729,864 (7,445)**	**13**	**-**	**1,248,816**	**7,677,460**	

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

Had there been no revaluation, the net book value of plant and equipment as at 30 June 2008 would have amounted to Rs. 8,579 million (2007: Rs. 7,062 million)

	Note	2008	2007
		(Rupees in '000)	
4.4 Depreciation charge for the year has been allocated as follows:			
Direct cost	32	**804,648**	666,361
Operating cost	33	**89,859**	63,503
		894,507	729,864

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

Description	Cost	Accumulated depreciation	Book Value	Sale proceeds	Mode of disposal	Sold to
	(Rupees in '000)					
Leasehold Improvements	290	122	168	238	Insurance claim	-
Plant and equipment						
Cable plant	3,276	520	2,756	3,166	Insurance claim	-
NP Soft Switch	6,133	1,738	4,395	4,395	Insurance claim	-
Computers						
Laptop	76	20	56	48	Insurance claim	-
Laptop	125	67	58	95	Insurance claim	-
Vehicles						
Toyota Corolla XLI	875	627	248	622	Negotiation	M. Ansar
Kia Classic NGV LX	575	259	316	375	Insurance claim	-
Honda Civic VTI PT 1.8 VTEC	1,371	137	1,234	1,371	Insurance claim	-
Suzuki Cultus VXR	423	134	289	375	Insurance claim	-
Honda Civic	515	395	120	334	Negotiation	Zahid Aslam Arain
Items with book value less than Rs. 50,000.	21,286	21,043	243	3,126		
	34,945	**25,062**	**9,883**	**14,145**		

	2008	2007
	(Rupees in '000)	
5 Capital work-in-progress		
Owned		
Civil works	**285,740**	130,520
Plant and equipment	**1,511,376**	1,464,479
Store and spares held for capital expenditure	**161,541**	162,313
	1,958,657	1,757,312
Leased		
Plant and equipment subject to finance lease	**17,813**	23,581
	1,976,470	1,780,893

6 Intangible assets

	Cost as at 01 July 2007	Revaluation Surplus/ (deficit)	Additions/ (adjustments)	Cost as at 30 June 2008	Accumulated amortization as at 01 July 2007	Amortization/ (adjustments) for the year	Accumulated amortization as at 30 June 2008	Net book value as at 30 June 2008	Rate %
	(Rupees in '000)				(Rupees in '000)				
Licenses	2,457,715	434,328	1,248	2,893,291	322,943	123,307	446,250	2,447,041	5
Patents and copyrights	5,333	-	-	5,333	1,602	892	2,494	2,839	10
Software	19,888	(3,936)	332	16,284	7,386	3,948	11,334	4,950	20
Goodwill	2,690,403	-	-	2,690,403	136,909	-	136,909	2,553,494	-
	5,173,339	**430,392**	**1,580**	**5,605,311**	**468,840**	**128,147**	**596,987**	**5,008,324**	

	Cost as at 01 July 2006	Revaluation Surplus/ (deficit)	Additions/ (adjustments)	Cost as at 30 June 2007	Accumulated amortization as at 01 July 2006	Amortization/ (adjustments) for the year	Accumulated amortization as at 30 June 2007	Net book value as at 30 June 2007	Rate %
	(Rupees in '000)				(Rupees in '000)				
Licenses	2,454,340	-	3,375	2,457,715	199,978	122,965	322,943	2,134,772	5
Patents and copyrights	5,333	-	-	5,333	801	801	1,602	3,731	10
Software	18,124	-	1,764	19,888	3,761	3,625	7,386	12,502	20
Goodwill	2,720,979	-	- - (30,576)	2,690,403	138,438	- (1,529)	136,909 -	2,553,494 -	-
	5,198,776	**-**	**5,139 (30,576)**	**5,173,339**	**342,978**	**127,391 (1,529)**	**468,840**	**4,704,499**	

6.1 The Group has revalued its intangible assets on 30 June 2008 resulting in a net surplus of Rs. 430.392 million. The valuation was conducted by an independent valuer, M/s. Surval. Valuation for intangible assets was based on the estimated gross replacement cost, earning potential amortized to reflect the current market value. Had there been no revaluation, the net book value of intangible assets as at 30 June 2008 would have amounted to Rs. 4,577.931 million.

6.2 Goodwill

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

The Group assessed the recoverable amount of goodwill and determined that no impairment was found. The recoverable amount was assessed by reference to value in use which uses cash flow projections based on budgets approved by the management covering five years period and a discount rate of 20% per annum. Cash flow projections during the budget period are based on the same expected gross margins during the budget period. The cash flows beyond the five years period have been extrapolated using a steady 3% growth rate which is consistent with the long-term average growth rate for the industry.

The management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate amount to exceed the aggregate recoverable amount of the cash generating unit.

	Note	2008	2007
		(Rupees in '000)	
6.3 Amortization charge for the year has been allocated as follows:			
Direct Cost	32	**86,535**	58,273
Operating cost	33	**2,932**	2,500
Capitalized during the year		**38,680**	66,618
		128,147	127,391

7 Investment property

	2008	2007
Opening balance	**72,150**	56,634
Fair value adjustment	**4,012**	15,516
Closing balance	**76,162**	72,150

Investment property comprises commercial property part of which is rented to Media Times Limited, an associated company.

The carrying value of investment property is the fair value of the property as determined by approved independent valuer M/s PEE DEE & Associates as at 30 June 2008. Fair value was determined giving due regard to recent market transactions for similar properties in the same location and condition as the Group's investment property.

8 Long term investments

	2008	2007
	(Rupees in '000)	
Associated company - Unquoted		
Media Times Limited		
Incorporated in Pakistan		
4,199,500 (2007: 2,599,500) ordinary shares of Rs. 10/-each	**41,995**	25,995
Equity held 4.19% (2007: 30.12%)		
Share deposit money	**-**	16,000
Adjustment due to dilution in share holding	**8,320**	-
Share of post acquisition losses of associate	**(8,867)**	(12,315)
	41,448	29,680

8.1 The shareholding had decreased to 9.77% due to issuance of shares as at 31 March 2008 and further decreased to 4.19% due to merger of Total Media Limited and Media Times Limited through Court order dated 14 April 2008, accordingly financial results of Total Media Limited upto 31 March 2008 have been used for the purpose of application of equity method for current period only.

As at 30 June 2008 Media Times Limited is an associated company due to common management.

8.2 Summarized information of Total Media Limited	31 March 2008	30 June 2007
	(Rupees in '000)	
Total assets	**651,157**	323,780
Total liabilities	**255,432**	155,518
Revenue for the period/year ended	**147,451**	110,812
Profit after taxation for the period/year ended	**35,585**	5,833

	Note	2008	2007
		(Rupees in '000)	
9 Long term deposits			
Security deposits with PTCL		**18,825**	20,998
Deposits with financial institutions		**34,368**	167,668
Others		**58,686**	56,088
		111,879	244,754
Less: Current maturity	13	**(1,971)**	(21,371)
		109,908	223,383

10 Deferred costs

		2008	2007
Opening balance		**4,727**	10,063
Less: Amortization during the year		**(4,727)**	(5,336)
Closing balance		**-**	4,727

11 Trade debts

	Note	2008	2007
Considered good - Unsecured	11.1	**901,050**	899,714
Considered doubtful - Unsecured		**191,707**	118,427
		1,092,757	1,018,141
Less: Provision for doubtful debts	11.2	**(191,707)**	(118,427)
		901,050	899,714

11.1 This includes due from associated companies as follows:

	2008	2007
Pace (Pakistan) Limited	**-**	462
Pace Wood Land (Private) Limited	**32,894**	-
Pace Barka Properties Limited	**47,781**	-
Pace Gujrat (Private) Limited	**12,138**	-
Media Times Limited	**10**	440
First Capital Securities Corporation Limited	**-**	115
	92,823	1,017

11.2 Provision for doubtful debts

	2008	2007
Opening balance	**118,427**	57,520
Addition during the year	**73,029**	61,030
Less: write off during the year	**-**	(5)
Exchange rate adjustments	**251**	(118)
Closing balance	**191,707**	118,427

	Note	2008	2007
		(Rupees in '000)	
12 Loans and advances - considered good			
Loans and advances to employees	12.1	**20,480**	32,638
Advances to suppliers		**166,723**	53,671
Advances to associated company	12.2	**28,886**	28,886
		216,089	115,195

12.1 These loans and advances are unsecured and interest free and include advances given to executives of Rs. 5.20 million (2007 : Rs. 2.46 million).

12.2 This represents unsecured advance given to Media Times Limited carrying markup at the rate of 14% per annum (2007: 14% to 16% per annum).

12.3 Chief Executive and directors have not taken any loan/advance from the Group (2007: Rs. Nil)

	Note	2008	2007
		(Rupees in '000)	
13 Deposits and prepayments			
Margin deposits	13.1	**162,885**	81,585
Prepayments		**59,701**	69,709
Current maturity of long term deposits	9	**1,971**	21,371
Short term deposits		**9,781**	6,036
Deposit with regulatory authorities		**86**	86
		234,424	178,787

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

	Note	2008	2007
		(Rupees in '000)	
14 Other receivables			
Receivable from PTCL - unsecured considered good	14.1	**174,225**	204,149
Receivable from PTCL - unsecured considered doubtful		**22,694**	12,590
		196,919	216,739
Less: provision for doubtful receivables	14.2	**(22,694)**	(12,590)
		174,225	204,149
Receivable from Pakistan Telecommunication Authority		**-**	173,006
Rural subsidy project		**834**	716
Other receivables - considered good		**60,814**	34,232
Other receivables - considered doubtful		**15,139**	21,319
		75,953	55,551
Less: provision for doubtful receivables	14.3	**(16,534)**	(21,319)
		59,419	34,232
		234,478	412,103

14.1 This includes Rs. 174 million (2007: Rs. 174 million) representing claims lodged by Worldcall Communications Limited (WCL), merged into the Worldcall Telecom Limited, with Pakistan Telecommunication Company Limited (PTCL) for excess billing on short duration calls, border line calls and 0900 facility. These claims were initially acknowledged by PTCL's Corporate Clients Committee through its decision dated 15 December 2003. However, PTCL subsequently through its letter dated 09 September 2005 withdrew its decision. The Company had invoked the available arbitration clause in the agreement to realize the claimed amount but PTCL had refused the appointment of arbitrator. The Company has gone to civil court for the appointment of an arbitrator. The management is hopeful of a favorable outcome in this respect.

	Note	**2008**	2007
		(Rupees in '000)	
14.2 Provision for doubtful receivables-PTCL			
Opening balance		12,590	-
Adjustment during the year		6,180	-
Charged during the year		3,924	12,590
Closing balance		22,694	12,590
14.3 Provision for doubtful other receivables			
Opening balance		21,319	21,319
Adjustment during the year		(6,180)	-
Charged during the year		1,296	-
Exchange rate adjustments		99	-
Closing balance		16,534	21,319

15 Short term investments

	Note	2008	2007
At fair value through profit and loss - Carrying value	15.1	**17,350**	16,050
Fair value adjustment		**(2,943)**	1,300
		14,407	17,350
Related parties			
At fair value through profit and loss - Carrying value	15.2	**553,591**	275,708
Fair value adjustment		**6,787**	277,883
		560,378	553,591
Total carrying value of short term investments		**570,941**	291,758
Total fair value adjustment		**3,844**	279,183
		574,785	570,941

15.1 **Particulars of listed shares - At fair value through profit and loss**

All shares have face value of Rs. 10 each.

Name	No. of shares 2008	No. of shares 2007	2008 Carrying value	2008 Market value	2007 Carrying value	2007 Market value
			(Rupees in '000)		(Rupees in '000)	
Commercial Banks						
The Bank of Punjab	**10,258**	7,658	**892**	**328**	472	892
Mutual Fund						
First Dawood Mutual Fund	**580,750**	580,750	**5,226**	**4,147**	4,697	5,226
Pak Oman Advantage Fund	**1,000,000**	1,000,000	**10,450**	**9,500**	10,000	10,450
Electric Appliances						
Pak Electron Limited	**93**	75	**5**	**5**	8	5
Leasing						
Standard Chartered Leasing Limited	**70,000**	70,000	**777**	**427**	873	777
			17,350	**14,407**	16,050	17,350

15.2 **Particulars of listed shares of related parties - At fair value through profit and loss**

All shares have face value of Rs. 10 each.

Name	No. of shares 2008	No. of shares 2007	2008 Carrying value	2008 Market value	2007 Carrying value	2007 Market value
			(Rupees in '000)		(Rupees in '000)	
First Capital Securities Corporation Limited	**2,049,051**	1,707,543	**119,272**	**121,304**	44,459	119,272
Percentage of equity held 1.26% (2007: 1.26%)						
Shaheen Insurance Company Limited	**2,744,844**	2,744,844	**236,229**	**241,848**	148,330	236,229
Percentage of equity held 15.68% (2007: 15.68%)						
Pace (Pakistan) Limited	**6,959,290**	6,959,290	**198,090**	**197,226**	82,919	198,090
Percentage of equity held 3.16% (2007: 3.70%)						
			553,591	**560,378**	275,708	553,591

16 Cash and bank balances

	Note	2008	2007
		(Rupees in '000)	
At banks in			
Current accounts		**263,376**	36,112
Saving accounts	16.1	**380,400**	478,572
Deposit accounts	16.2	**168,852**	1,437
		812,628	516,121
Cash in hand		**37,888**	46,864
		850,516	562,985

16.1 The balances in saving accounts bear mark up at the rate of 0.5% to 9% per annum (2007: 0.13% to 11% per annum). The balance includes Rs. 40 million (2007: Rs. 40 million) and interest accrued thereon, deposited in Escrow account as stated in note 27.1.2.

16.2 The balances in deposit accounts bear mark up at the rate of 10% per annum (2007: 9% to 10.5 % per annum).

17 Current maturities of non-current liabilities

	Note	2008	2007
		(Rupees in '000)	
Term finance certificates	21	**59,557**	50,110
Long term finances	22	**146,597**	441,170
Liabilities against assets subject to finance lease	25	**117,275**	189,040
License fee payable	26	**-**	71,000
		323,429	751,320

18 Running finance under markup arrangements-Secured

Short term running finances available from commercial banks under mark up arrangements amount to Rs. 531 million (2007: Rs. 870 million). Mark up is charged at rates ranging from 5.3% to 16.61% per annum (2007: 10.7% to 14.1% per annum). These are secured by hypothecation charge over fixed assets, stores and spares, stock in trade and receivables.

19 Trade and other payables

	Note	2008	2007
		(Rupees in '000)	
Trade creditors			
Related parties - associated companies		**109**	2,536
Others		**776,025**	763,493
		776,134	766,029
Accrued and other liabilities		**116,734**	130,950
Advances from customers		**67,985**	81,866
Commitment fee payable		**549**	646
Retention money		**29,859**	29,214
Sales tax payable		**8,981**	8,854
Tax deducted at source		**8,659**	12,326
Un-claimed dividend	19.1	**14,421**	14,421
		1,023,322	1,044,306

19.1 This represents unpaid dividend declared in 2005 by Worldcall Communications Limited, merged into the Company. M/s Interworld Securities (Pvt) Limited had held shares of the Worldcall Communications Limited, however dividend was not paid to them due to disputed claim of entitlement. M/s Interworld had approached the Honorable Sindh High Court at Karachi for dividend payment of Rs. 12.6 million. The Sindh High Court had directed the Company to deposit the dividend amount in the Court. The amount has been deposited as per order of the Honorable Court. The matter is still pending before Honorable Court.

	Note	2008	2007
		(Rupees in '000)	

20 Interest and mark-up accrued

Long term financing		**16,329**	15,748
Short term borrowings		**290**	9,900
Share deposit money		**972**	972
Finance lease		**561**	13
Term finance certificates		**56,689**	5,348
		74,841	31,981

21 Term finance certificates - secured

Term Finance Certificates - I	21.1	**-**	49,970
Term Finance Certificates - II	21.2	**349,790**	349,929
Term Finance Certificates - III	21.3	**3,000,000**	-
		3,349,790	399,899
Less: Initial transaction cost		**(56,190)**	(6,934)
		3,293,600	392,965
Amortization of transaction cost		**3,427**	-
		3,297,027	392,965
Less: Current maturity	17	**(59,557)**	(50,110)
		3,237,470	342,855

Term Finance Certificates (TFC-I), (TFC-II) and (TFC-III) have a face value of Rs. 5,000 per certificate.

21.1 Term Finance Certificates - I

These TFCs have been fully repaid during the year.

21.2 Term Finance Certificates - II

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

If the Group fails to redeem any TFC-II on the redemption date, the obligation shall become immediately due.

21.3 Term Finance Certificates - III

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

If the Group fails to redeem any TFC-III on the redemption date, the obligation shall become immediately due.

22 Long term finances

	Note	2008	2007
		(Rupees in '000)	
Long term finances utilized under mark up arrangements:			
Banking companies and other financial institutions			
Convertible loan from Amatis Limited - un-secured	22.2	**-**	60,048
Syndicated Loan I - secured	22.3	**149,994**	689,188
Syndicated loan II - secured	22.4	**-**	305,558
Faysal Bank Limited - secured	22.5	**-**	16,667
Habib Metropolitan Bank Limited - secured	22.5	**-**	20,417
Orix Investment Bank Limited - secured	22.5	**-**	8,333
Pak Kuwait Investment Company Limited - secured	22.5	**-**	41,667
The Bank of Punjab - secured	22.5	**256,545**	-
		406,539	1,141,878
Initial transaction costs incurred		**(38,795)**	(43,920)
		367,744	1,097,958
Accumulated amortization of transaction costs		**37,640**	20,676
		405,384	1,118,634
Less: Current portion	17	**(146,597)**	(441,170)
		258,787	677,464

22.1 Finance costs

Finance cost amounting to Rs. 170.67 million (2007: Rs. 92.037 million) was capitalized during the year in property, plant and equipment.

22.2 Convertible loan from Amatis Limited

The Group had arranged a long term loan from Amatis Limited ("the lender") of Rs. 1.497 billion. The purpose of the loan was expansion of WLL operations. The loan carried an interest rate of 1% per annum payable annually in arrears within 25 days of each anniversary. The term of the loan was 7 years. The loan along with interest accrued thereon has been converted into ordinary shares of Rs. 10 each upon exercise of conversion option by the lender in April 2008 at a price of Rs. 13.93 per share.

	(Rupees in '000)
Liability component - Convertible Loan, July 01, 2007	60,048
Add: Transaction cost	29,091
	89,139
Interest expense charged during the period	18,843
Liability component transferred to equity	107,982
Equity component already included in equity	1,403,575
Total convertible into equity	1,511,557
Less: Shares issued	(1,511,557)
	-

22.3 Syndicated Loan I - Secured

	2008		2007	
	Limit	**Outstanding**	Limit	Outstanding
	(Rupees in '000)		(Rupees in '000)	
Habib Bank Limited	**150,000**	**149,994**	750,000	287,160
National Bank of Pakistan Limited	**-**	**-**	750,000	287,158
MCB Bank Limited	**-**	**-**	150,000	57,435
Askari Bank Limited	**-**	**-**	150,000	57,435
	150,000	**149,994**	1,800,000	689,188

The Group obtained a long term loan facility of Rs. 1,800 million from Habib Bank Limited, National Bank of Pakistan Limited, MCB Bank Limited and Askari Bank Limited for the purpose of acquiring 20 years license from Pakistan Telecommunication Authority (PTA) to operate WLL network and import of equipment under various letters of credit. The loan was repayable in 14 equal quarterly installments starting from November 2006 with a grace period of 18 months. The loan was repaid during the year except the above mentioned amount, which Habib Bank Limited desires to convert into equity. The amount till in form of debt is completely secured against first hypothecation charges on all present & future moveable and fixed assets of the Company (excluding LDI assets) upto Rs. 200 million and personal guarantees to the extent of Rs. 200 million. The loan carries markup at the rate of 6 month KIBOR plus 2.5% per annum (2007: 6 month KIBOR plus 4% per annum with no floor or cap).

22.4 Syndicated loan II has been fully repaid during the year.

22.5 The Bank of Punjab under a term finance agreement purchased the goods at the purchase price of Rs. 310 million. The Bank of Punjab repaid the entire principal outstanding of syndicate of banking companies aggregating Rs. 293 million. Term loan was swapped in February 2008 for a period of two years at mark up of 1.4% per annum above three months KIBOR and is repayable in eight quarterly installments starting February 2008. The loan is secured by way of first exclusive hypothecation charge ranking pari passu of Rs. 413 million over all present and future movable fixed assets related to the cable TV and internet division of Broadband Karachi.

Further under swap arrangement, principal portion of the following banks was repaid and forms part of rescheduled term finance loan:

- Habib Metropolitan Bank Limited - secured
- Orix Investment Bank Limited - secured
- Pak Kuwait Investment Company Limited - secured
- Faysal Bank Limited - secured

23 Deferred taxation

This is composed of:

	2008	2007
	(Rupees in '000)	
Liability for deferred taxation comprising temporary differences related to:		
Accelerated tax depreciation	**1,643,440**	1,414,455
Surplus on revaluation of plant and equipment	**173,058**	106,504
Others	**254,295**	155,529
Asset for deferred taxation comprising temporary differences related to:		
Unused tax losses and tax credits	**(1,360,204)**	(1,009,863)
	710,589	666,625

	Note	2008	2007
		(Rupees in '000)	

24 Retirement benefits

Gratuity

The amount recognized in the balance sheet is as follows:

Present value of defined benefit obligation		**133,328**	107,126
Unrecognized actuarial losses		**(10,675)**	(8,616)
Benefits due but not paid		**10,547**	346
		133,200	98,856
Subsidiary's gratuity obligaton		**624**	455
		133,824	99,311
Liability at beginning of the year		**99,311**	70,103
Charge for the year	24.1	**53,294**	43,756
Additional liability due to transferred employees		**-**	20
Paid during the year		**(18,862)**	(14,542)
Exchange adjustment on Subsidiary's gratuity obligation		**81**	(26)
		133,824	99,311

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

	Note	2008	2007
		(Rupees in '000)	
Interest cost for the year		**10,851**	9,469
Current service cost		**42,406**	34,287
Actuarial loss recognized during the year		**37**	-
	24.2	**53,294**	43,756

24.2 Charge for the year has been allocated as follows:

Operating cost	**48,039**	38,500
Capitalized during the year	**5,255**	5,256
	53,294	43,756

24.3 Recent actuarial valuation of plan was carried out on 30 June 2008 by Nauman Associates.

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

	2008 per annum	2007 per annum
Discount rate	**12%**	10%
Expected rate of salary increase	**11%**	9%
Average expected remaining working life time of employees	**12 years**	12 years

24.4 Historical information for gratuity

	2005	2006	2007	2008
Present value of defined benefit obligation	5,774	73,978	107,126	**133,328**
Experience adjustment arising on plan liabilities	(14)	(4,251)	(4,461)	**(2,096)**

	Note	2008	2007
		(Rupees in '000)	
25 Liabilities against assets subject to finance lease			
Present value of minimum lease payments		**228,191**	383,066
Less: Current portion shown under current liabilities	17	**(117,275)**	(189,040)
		110,916	194,026

Interest rate used as discounting factor is ranging from 8 % to 17.44% per annum (2007: 7.5% to 16% per annum). Taxes, repairs, replacements and insurance costs are to be borne by lessee. Under the terms of the agreements, the Group has an option to acquire the assets at the end of the respective lease terms by adjusting the deposit amount against the residual value of the assets. The Group intends to exercise the option. In case of default in payment of installments, the Group will be liable to pay additional lease rental on overdue payment at the rate of 0.1% per day.

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

	2008			2007		
	Minimum Lease Payment	**Finance cost**	**Principal**	Minimum Lease Payment	Finance cost	Principal
	(Rupees in '000)			(Rupees in '000)		
Not later than one year	**136,969**	**19,694**	**117,275**	212,069	23,029	189,040
Later than one year but not later than five years	**117,115**	**6,199**	**110,916**	217,674	23,648	194,026
	254,084	**25,893**	**228,191**	429,743	46,677	383,066

	Note	2008	2007
		(Rupees in '000)	
26 License fee payable			
Carrying value of license fee payable to PTA		**1,206,000**	1,206,000
Less: present value adjustment		**(453,107)**	(453,107)
		752,893	752,893
Accumulated interest charged to profit and loss		**231,661**	124,898
Less: Payments		**(71,000)**	-
		913,554	877,791
Less: Current portion shown under current liabilities	17	**-**	(71,000)
		913,554	806,791

This represents interest free license fee payable to PTA for WLL license. As per the agreement with PTA, the total of Rs. 1,135 million is payable after two years by March 2010. The long term portion has been discounted using the effective interest rate of 12.5%.

27 Contingencies and commitments

27.1 Billing disputes with PTCL

27.1.1 There is a dispute of Rs. 77.97 million (2007: Rs 75.2 million) with PTCL for billing of non revenue time of prepaid calling cards and excess minutes billed on account of interconnect and settlement charges. The management is confident that matter will be decided in favour of the Company.

27.1.2 PTCL has charged the Company excess Domestic Private Lease Circuits (DPLC) and other media charges amounting to Rs. 73.9 million (2007: Rs. 20.2 million) on account of difference in rates, distances and date of activation. Further the Company has also deposited Rs. 40 million (2007: Rs. 40 million) in Escrow Account on account of dispute of charging of bandwidth charges from the date of activation of Digital Interface Units (DIUs) for commercial operation and in proportion to activation of DIUs related to each DPLC link and excess charging in respect of Karachi-Rawalpindi link which was never activated. The management is confident that matter will be decided in favour of the Company.

27.2 Billing disputes with Pakistan Telecommunication Authority (PTA)

27.2.1 PTA has raised a demand on the Company of Rs. 4.3 million on account of annual microwave and BTS registration charges. The Company is not paying this amount on the grounds that earlier exemptions were given to mobile operators. In addition to this, there is no legal requirement to register BTS with PTA, therefore PTA cannot charge a fee for BTS registration. The management is confident that matter will be decided in favour of the Company.

27.2.2 PTA has issued a notice to the Company regarding the 479 MHz and 3.5 GHz frequency bands, as the Company has failed to undertake the rollout of its wireless local loop ("WLL") network in the aforesaid frequencies within the time limit prescribed by PTA. The Authority has right to withdraw unused frequency spectrum and cancel the license for not meeting the said roll out requirement. The Company's stance in this respect is that the rollout in 479 MHz, a non standard frequency band, could not be carried out due to non availability of infrastructure and user terminals. Its deployment and commercial operation is not possible in the limited revised time frame. In 3.5 GHz band, the roll out is delayed due to limited customers' market and high cost of the Customer Premises Equipment. Non-firm standards, technology evolution and optimization of spectrum by PTA are also the main reasons for its delayed rollout. However, the Company has started its roll out plan and is successful in getting commencement certificate in GTR and KTR regions for 3.5 GHz frequency and 479 MHz frequency respectively. The management is hopeful that matter will be decided in favour of the Company and notice will be withdrawn.

27.2.3 There is a dispute of Rs. 11.3 million with PTA on account of contribution to the Research and Development Fund ("R&D Fund") for the period prior to the formation of R&D Fund by the Federal Government. Based on legal advice, the management is confident that the matter will be decided in favour of the Company.

27.2.4 There is a dispute of Rs. 491 million (2007: Rs. 491 million) with PTA on Universal Service Fund (USF) representing contribution to USF for the period prior to the formation of USF by the Federal Government. Out of this amount, Rs. 223 million relating to prior periods has been deposited with PTA. Show cause notice was issued by the PTA and the Company had submitted its reply. PTA after hearing the Company's view has passed determination dated 4 April 2008 against the Company. The Company has filed an appeal in Honourable Islamabad High Court and stay order has been granted by the Honourable Islamabad High Court in favour of the Company. The case before Honourable Islamabad High Court is now fixed for 16 September 2008. Based on legal advice, the management is confident that the matter will be decided in favour of the Company.

27.3 The Income Tax proceedings have been finalized upto Tax Year 2007 with the exception of the following issues:

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

27.3.2 In 2006 Sales Tax Authorities served Show Cause Notices to various payphone companies, including the Company on account of alleged wrong claim of refund of Rs. 167 million under section 66 of the Sales Tax Act 1990. Subsequent to 30 June 2007, Additional Collector (Adjudication) Sales Tax, Lahore has given a decision against the Company and imposed a penalty on the Company and Chief Executive, equivalent to the amount of original alleged claim. Later on, the Sales Tax Department has issued a notice under Section 48 of the Sales Tax Act, 1990 to the bankers of the Company and Customs Authorities for recovery of refund along with penalty. Moreover, a notice for stoppage of clearance of imported goods has also been issued by the Sales Tax Department to Custom Authorities. The Federal Tax Ombudsman ("FTO") has issued an order that no penalty can be imposed against the Company as there is no element of tax fraud involved in the matter and the issue pertains to a change of opinion of the Federal Board of Revenue. Order to the extent of Chief Executive for imposition of penalty could not be passed by FTO as the Chief Executive's writ petition is pending in the Honourable Lahore High Court. Upon application of the Company under section 47A of the Sales Tax Act, 1990 for constitution of Alternative Dispute Resolution Committee (ADRC) the FBR has constituted the Committee and referred the matter to be resolved at ADRC. The management is confident that matter will be decided in favour of the Company.

		2008	2007
		(Rupees in '000)	
27.4	Outstanding guarantees	**314,446**	197,006
27.5	Commitments in respect of capital expenditure	**108,629**	179,261
27.6	Outstanding letters of credit	**518,396**	31,084

28 Issued, subscribed and paid up capital

	2008	2007
Ordinary shares of Rs. 10 each as fully paid in cash	**3,440,000**	3,440,000
Ordinary shares of Rs. 10 each issued in accordance with the scheme of merger	**3,099,658**	3,099,658
Ordinary shares of Rs. 10 each issued as fully paid bonus shares	**980,949**	980,949
Ordinary shares of Rs. 10 each issued against convertible loan	**1,085,109**	-
	8,605,716	7,520,607

28.1 Reconciliation of Issued, subscribed and paid up capital

	2008	2007
	(Number of shares)	
Opening balance	**752,060,657**	653,965,789
Issued as fully paid bonus shares	**-**	98,094,868
Issued against convertible loan	**108,510,856**	-
	860,571,513	752,060,657

28.2 As at 30 June 2008, Oman Telecommunications Company SAOG the holding company, holds 488,839,429 ordinary shares (2007: Nil) of the Company. In addition 53,003,749 ordinary shares (2007; 85,960,573 ordinary shares) are held by the following related parties as at 30 June 2008:

Related parties	2008	2007
	(Number of shares)	
First Capital Securities Corporation Limited	**7,737,207**	84,159,661
Pace (Pakistan) Limited	**912**	1,800,912
Arif Habib Securities Limited	**45,265,630**	-
	53,003,749	85,960,573

29 Share premium

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

30 Surplus on revaluation

	2008	2007
	(Rupees in '000)	
Revaluation surplus on:		
Plant & equipment	**64,059**	304,297
Intangible assets	**430,393**	-
	494,452	304,297
Less: Related deferred tax liability	**(173,058)**	(106,504)
	321,394	197,793

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

31 Revenue -net

	Note	2008	2007
		(Rupees in '000)	
Telecom services		**3,191,888**	3,398,756
Broadband services		**1,622,136**	1,280,157
		4,814,024	4,678,913
Less:			
Sales tax		**146,647**	203,962
Discount and commission		**148,073**	146,200
		294,720	350,162
		4,519,304	4,328,751

32 Direct cost

	Note	2008	2007
Interconnect, settlement and other charges		**1,242,007**	1,370,531
Bandwidth and other PTCL charges		**267,905**	263,043
Depreciation	4.4	**804,648**	666,361
Amortization of intangible assets	6.3	**86,535**	58,273
Power consumption and pole rent		**189,180**	102,298
Security services		**35,368**	20,719
PTA charges	32.1	**26,537**	28,534
Cable license fee		**34,551**	32,768
Salaries and other benefits		**19,363**	13,241
Inventory consumed		**17,661**	30,983
Stores and spares consumed		**18,285**	9,647
Annual spectrum fee		**21,911**	13,243
Content cost		**30,517**	24,814
Network maintenance & insurance		**60,908**	9,833
Others		**10,900**	2,252
		2,866,276	2,646,540

32.1 PTA Charges	Note	2008 (Rupees in '000)	2007
LDI license	32.1.1	**4,583**	10,321
WLL license	32.1.2	**15,471**	12,345
Payphones license		**-**	555
Broadband license		**5,641**	4,465
Telephony license	32.1.3	**389**	175
Annual numbering charges		**111**	198
Testing and other charges		**342**	475
		26,537	28,534

32.1.1 This represents charges payable to PTA in respect of contribution to the Universal Service Fund established by Federal Government amounting to Rs. 2.73 million (2007: Rs. 1.123 million) and annual regulatory fee amounting to Rs. 1.85 million (2007: Rs. 3.066 million) under the license agreement for LDI project.

32.1.2 This represents charges payable to PTA in respect of contribution to the Research and Development Fund established by Federal Government amounting to Rs. 2.10 million (2007: Rs. 6.157 million), Universal Service Fund amounting to Rs. 10.03 million (2007: Rs.3.109 million) and annual regulatory fee amounting to Rs. 3.34 million (2007: Rs 3.079 million) under the license agreement for WLL project.

The gross revenue represents revenue from licensed services only i.e. connection charges, post paid billing to customers, air time of prepaid cards utilized by customers, line rent of both prepaid and post paid connections and local and international inbound revenue. It does not include one time initial fee received from customers on activation of connection i.e. membership fee and license fee.

32.1.3 This represents charges payable to PTA in respect of contribution to the Research and Development Fund established by Federal Government amounting to Rs. 0.130 million (2007: Rs. 0.113 million), Universal Service Fund amounting to Rs. 0.195 million (2007: Rs. Nil) and annual regulatory fee amounting to Rs. 0.065 million (2007: Rs. 0.062 million) for the current year under the license agreement for Telephony Project.

33 Operating cost	Note	2008 (Rupees in '000)	2007
Salaries, wages and benefits		**498,568**	476,164
Marketing, advertisement and selling expenses		**170,795**	149,475
Rent, rates and taxes		**65,270**	53,861
Communications		**32,236**	30,739
Transportation		**26,749**	18,615
Legal and professional	33.1	**25,758**	11,492
Insurance		**36,525**	23,065
Utilities		**25,702**	25,129
Printing and stationery		**20,559**	18,061
Entertainment		**19,948**	19,063
Travel and conveyance		**62,761**	41,524
Repairs and maintenance		**21,676**	18,884
Provision for doubtful debts		**78,249**	73,619
Donations	33.2	**313**	571
Fees and subscriptions		**6,778**	9,587
Postage and courier		**10,456**	8,288
Newspapers and periodicals		**537**	647
Consultancy		**22**	-
Auditor's remuneration	33.3	**4,306**	4,064
Depreciation	4.4	**89,859**	63,503
Amortization of intangible assets	6.3	**2,932**	2,500
Amortization of deferred cost		**4,727**	5,336
Miscellaneous		**16,414**	12,279
		1,221,140	1,066,466

33.1 These include operating expenses amounting to Rs. 0.005 million (2007: Rs. 0.091 million) with respect to investment property.

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

	Note	**2008**	2007
		(Rupees in '000)	
33.3 Auditor's remuneration			
Statutory audit		**2,800**	2,624
Half year review		**770**	700
Services in connection with review and reporting of accounts to parent company auditors		**300**	-
Other sundry certifications		**51**	400
Out of pocket expenses		**385**	340
		4,306	4,064
34 Finance cost			
Mark-up on long term loans	34.1	**147,275**	101,683
Mark-up on short term loans		**120,888**	30,001
Interest on PTA license fee		**106,763**	101,125
Financial charge on leased liabilities		**35,277**	32,772
Mark up on Term Finance Certificates		**43,009**	40,389
Bank charges and commission		**7,961**	7,496
		461,173	**313,466**

34.1 This includes amortization of initial transaction cost of Rs. 54.459 million (2007: Rs. 7.985 million).

	2008	2007
	(Rupees in '000)	
35 Other operating income		
Income from financial assets		
Profit on sale of investments	**19,045**	85,274
Income on deposit and saving accounts	**19,188**	25,628
Dividend income	**581**	2,490
Mark-up on advance to associated company	**4,060**	6,483
	42,874	119,875
Income from non-financial assets		
Rental income from investment property	**4,492**	4,084
Scrap sales	**413**	469
Gain on sale of property, plant and equipment	**4,261**	1,776
Miscellaneous	**41,401**	11,934
	50,567	18,263
	93,441	138,138
36 Other expenses		
Impairment of goodwill	**-**	29,047
Provision for impairment of fixed assets of the subsidiary	**9,371**	-
Exchange loss/(gain)	**22,643**	(2,055)
	32,014	26,992

37 Taxation

	Note	2008	2007
		(Rupees in '000)	
For the year			
Current	37.1	**225**	334
Deferred		**(22,590)**	82,576
		(22,365)	82,910
Share of taxation from associate		**-**	1,115
		(22,365)	84,025

37.1 The Group has not made provision for current taxation, except for income covered under presumptive tax regime, as carried forward losses and accelerated tax depreciation are available to the Group under Income Tax Ordinance 2001. As per section 113 of the Income Tax Ordinance, 2001, minimum tax paid by the Group is adjustable against tax payable by the Group in respect of future taxable profits.

37.2 Tax charge reconciliation

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

	2008 %	2007 %
Applicable tax rate	**35.00**	35.00
Tax effect of amounts:		
Not deductible for tax purposes	**125.17**	7.58
Admissible for tax purposes	**(207.70)**	(12.31)
Exempt from tax	**(23.53)**	(18.71)
Covered under presumptive tax regime	**(3.37)**	(0.28)
Of Subsidiary	**18.51**	0.52
Of Associate	**-**	0.02
Average effective tax rate (tax expense divided by profit before tax)	**(55.92)**	11.82

38 Earnings per share

38.1 Basic earnings per share

		2008	2007
Profit after taxation available for distribution to ordinary shareholders	Rupees in '000	**65,811**	626,970
Weighted average number of ordinary shares	Number in '000	**770,146**	752,061
Basic earnings per share	Rupees	**0.09**	0.83

38.2 Diluted earnings per share

		2007 (Rupees in '000)
Profit after taxation available for distribution to ordinary shareholders		626,970
After tax effect of interest on convertible loan from Amatis Limited		8,504
After tax effect of interest on syndicated loan-I		1,377
Profit after taxation available for distribution to ordinary shareholders (diluted)		636,851
		Number in '000
Weighted average number of ordinary shares		752,061
Effect of conversion of convertible loan from Amatis Limited		107,164
Effect of conversion of syndicated loan-I		3,903
Weighted average number of ordinary shares (diluted)		863,128
Diluted earnings per share	Rupees	0.74

38.3 Potential ordinary shares of syndicated loan have anti-dilutive impact in the current year's earning per share. Therefore diluted earning per share for the current year has not been disclosed.

39 Related party transactions

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

	2008	2007
	(Rupees in '000')	
Associated companies		
Purchase of goods and services	**39,915**	52,348
Sale of goods and services	**128,849**	10,013

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

40 Cash generated from operations

	2008	2007
Profit before taxation	**43,446**	710,995
Adjustment for non-cash charges and other items:		
Depreciation	**894,507**	729,864
Amortization of intangible assets	**89,467**	60,773
Amortization of deferred cost	**4,727**	5,336
Amortization of transaction cost	**54,459**	7,985
Interest on PTA license fee	**106,763**	101,125
Provision for doubtful receivables	**78,249**	73,619
Gain on sale of short term investments	**(19,045)**	(85,274)
Share of profit from associated companies - net	**(3,448)**	(2,871)
Profit on disposal of property, plant and equipment	**(4,261)**	(1,776)
Impairment of Goodwill	**-**	29,047
Impairment of assets	**9,371**	-
Gain on re-measurement of investments at fair value	**(3,844)**	(279,183)
Gain on re-measurement of investment property at fair value	**(4,012)**	(15,516)
Retirement benefits	**48,039**	38,500
Finance costs	**299,347**	203,829
Profit before working capital changes	**1,593,764**	1,576,453
Effect on cash flow due to working capital changes:		
(Increase)/decrease in the current assets		
Stores and spares	**10,111**	(32,814)
Stock in trade	**(54,726)**	(13,988)
Trade debts	**(74,356)**	(259,032)
Loans and advances	**(100,894)**	18,900
Deposits and prepayments	**(55,549)**	12,608
Other receivables	**172,611**	(1,484)
Increase/(decrease) in the current liabilities		
Trade and other payables	**(21,933)**	196,419
	(124,736)	(79,391)
	1,469,028	1,497,062

	Note	2008	2007
		(Rupees in '000)	
41 Cash and cash equivalents			
Cash and bank balances	16	**850,516**	562,985
Running finance under markup arrangements-secured	18	**(66,894)**	(525,459)
		783,622	37,526

42 Remuneration of chief executive, directors and executives

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

	Chief Executive		Directors		Executives	
	2008	2007	**2008**	2007	**2008**	2007
	(Rupees in '000)		(Rupees in '000)		(Rupees in '000)	
Managerial remuneration	**1,398**	1,584	**1,334**	1,637	**77,823**	68,857
Retirement benefits	**200**	200	**200**	200	**9,214**	9,187
Housing	**559**	648	**533**	655	**31,130**	27,543
Utilities	**140**	168	**133**	164	**7,782**	6,886
	2,297	2,600	**2,200**	2,656	**125,949**	112,473
Number of persons	**1**	1	**1**	1	**96**	100

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

No meeting fee was paid to directors during the year (2007: Rs. Nil).

43 Financial assets and liabilities

	Interest / mark up bearing				Non interest/mark up bearing				Total	
	Maturity upto one year	Maturity after one year upto two years	Maturity after two years upto five years	Sub total	Maturity upto one year	Maturity after one year upto two years	Maturity after two years upto five years	Sub total	2008	2007
	(Rupees in '000)				(Rupees in '000)				(Rupees in '000)	
Financial assets										
Long term deposits	-	-	-	-	1,971	29,485	80,423	**111,879**	**111,879**	244,754
Trade debts	-	-	-	-	900,712	-	-	**900,712**	**900,712**	899,714
Loans and advances - considered good	28,886	-	-	**28,886**	-	-	-	-	**28,886**	28,886
Deposits and short term prepayments	-	-	-	-	38,309	-	-	**38,309**	**38,309**	87,621
Other receivables	-	-	-	-	235,874	-	-	**235,874**	**235,874**	411,387
Short term investments	-	-	-	-	574,785	-	-	**574,785**	**574,785**	570,941
Cash and bank balances	549,252	-	-	**549,252**	301,263	-	-	**301,263**	**850,516**	562,985
	578,138	**-**	**-**	**578,138**	**2,052,914**	**29,485**	**80,423**	**2,162,822**	**2,740,961**	2,806,288
Financial liabilities										
Term finance certificates - secured	59,557	1,518,690	1,771,544	**3,349,791**	-	-	-	-	**3,349,791**	392,965
Long term finances-secured	146,597	259,942	-	**406,539**	-	-	-	-	**406,539**	1,118,634
Liabilities against assets subject to finance lease	117,275	102,073	8,844	**228,192**	-	-	-	-	**228,192**	383,066
Long term payables	-	-	-	-	-	-	142,935	**142,935**	**142,935**	146,873
Long term deposits	-	-	-	-	-	-	54,037	**54,037**	**54,037**	60,627
License fee payable	-	-	-	-	-	913,554	-	**913,554**	**913,554**	806,791
Running finance under markup arrangements-secured	66,894	-	-	**66,894**	-	-	-	**-**	**66,894**	525,459
Trade and other payables	-	-	-	-	946,367	-	-	**946,367**	**946,367**	953,586
Interest and mark up accrued	-	-	-	-	74,841	-	-	**74,841**	**74,841**	31,981
	390,323	**1,880,705**	**1,780,388**	**4,051,416**	**1,021,208**	**913,554**	**196,972**	**2,131,734**	**6,183,150**	4,419,982
Off balance sheet financial instruments										
Contingencies and commitments									**934,099**	1,272,661
Guarantees									**314,446**	197,006
Letters of credit									**518,396**	31,084
									1,766,941	1,500,751

The effective interest/ mark-up rates for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.

43.1 Financial risk management objectives

The Group finances its operations through equity, borrowings and management of working capital with a view to obtain a reasonable mix between the various sources of finance to minimize the risk.

Taken as a whole, risk arising from the Group's financial instruments is limited as there is no significant exposure to market risk in respect of such instruments.

43.2 Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into foreign currency. The Group is exposed to foreign currency risk on sales, purchases and borrowings that are entered in a currency other than Pak Rupees. The Group uses forward exchange contracts to hedge its foreign currency risk, when considered appropriate.

43.3 Concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. The Group's credit risk is primarily attributable to its trade debts and loans and advances. The Group has no significant concentration of credit risk as exposure is spread over a large number of counter parties in the case of trade debts. Total financial assets of Rs. 2,741 million (2007: Rs. 2,806 million) include financial assets Rs. 1,316 million (2007: Rs. 1,672 million), which are subject to credit risk. To manage exposure to credit risk, the Group applies credit limits to its customers and obtains advances from certain customers.

43.4 Fair values of financial assets and liabilities

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

43.5 Liquidity risk

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

43.6 Interest rate risk

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

43.7 Capital management

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

The Group's objectives when managing capital are:

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

b) to provide an adequate return to shareholders.

The Group 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 Group may, for example, adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt. The Group monitors capital on the basis of the debt-to-equity ratio calculated as a ratio of total debt to equity and total debt.

	2008	2007
	(Rupees in '000)	
The debt-to-equity ratios as at 30 June 2008 and at 30 June 2007 were as follows:		
Total debt	**3,997,496**	2,420,124
Total equity and debt	**16,029,846**	14,262,794
Debt-to-equity ratio	**25 :75**	17 : 83

The increase in the debt-to-equity ratio in 2008 resulted primarily from acquiring new financing for further expansion.

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

44 Segment reporting

Segment information is presented in respect of the Group's business. The primary format, business segment, is based on the Group's management reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year.

The Group's operations comprise of the following main business segments:

- Telecom segment which comprises of WLL, LDI and Operation and Maintenance of payphone network.

- Broadband segment which comprise of internet over cable and cable TV services.

All inter-segment sales are on arms length basis.

Segment analysis for the year ended 30 June 2008

	Telecom	Broadband	Eliminations	Total
	(Rupees in '000)			
Sales				
External sales	**3,191,888**	**1,622,136**	**-**	**4,814,024**
Inter-segment sales	**9,926**	**3,264**	**(13,190)**	**-**
Sales tax	**(81,551)**	**(65,096)**	**-**	**(146,647)**
Discount and commission	**(143,466)**	**(4,607)**	**-**	**(148,073)**
Total revenue	**2,976,797**	**1,555,697**	**(13,190)**	**4,519,304**
Profit before tax and unallocated expenses	**(502,130)**	**545,576**	**-**	**43,446**
Unallocated corporate expenses				
Taxation				**22,365**
Profit after taxation				**65,811**

	Telecom	Broadband	Total
	(Rupees in '000)		
Segment assets and liabilities			
Segment assets	**13,903,173**	**5,501,815**	**19,404,988**
Consolidated total assets			**19,404,988**
Segment liabilities	**4,850,259**	**1,489,750**	**6,340,009**
Unallocated segment liabilities			**710,589**
Consolidated total liabilities			**7,050,589**
Segment capital expenditure	**1,556,215**	**847,820**	**2,404,035**
			2,404,035
Non-cash expenses other than depreciation and amortization	**238,149**	**20,166**	**258,315**
Depreciation and amortization	**733,491**	**289,163**	**1,022,654**

Segment analysis for the year ended 30 June 2007

	Telecom	Broadband	Eliminations	Total
	(Rupees in '000)			
Sales				
External sales	3,398,756	1,280,157	-	4,678,913
Inter-segment sales	8,350	25,830	(34,180)	-
Sales tax	(161,923)	(42,039)	-	(203,962)
Discount and commission	(136,664)	(9,536)	-	(146,200)
Total revenue - net	3,108,519	1,254,412	(34,180)	4,328,751
Profit before tax and unallocated expenses	256,614	454,381	-	710,995
Unallocated corporate expenses				
Taxation				(84,025)
Profit after taxation				626,970

	Telecom	Broadband	Total
	(Rupees in '000)		
Segment assets and liabilities			
Segment assets	12,949,886	4,444,507	17,394,393
Consolidated total assets			17,394,393
Segment liabilities	3,691,198	989,815	4,681,013
Unallocated segment liabilities			666,625
Consolidated total liabilities			5,347,638
Segment capital expenditure	1,674,840	449,157	2,123,997
			2,123,997
Non-cash expenses other than depreciation and amortization	175,253	40,044	215,297
Depreciation and amortization	659,815	197,440	857,255

45 Date of authorization for issue

These financial statements were authorized for issue on 12 August 2008 by the Board of Directors.

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

Certain amendments to IAS 23 "Borrowing Costs" has been revised and is effective for the Group's accounting period beginning after 01 July 2009. Adoption of this standard will have no impact on the Group's financial statements.

IFRS 7 "Financial instruments: Disclosures" and IFRS 8 "Operating Segments" will be effective from 01 July 2008 and 01 July 2009 respectively. Adoption of these standards will effect the disclosures being presented in financial statements.

Other Standards, interpretations and amendments to published approved accounting standards are not relevant to the Group.

47 General

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

Muscat:
12 August 2008

CHAIRMAN | CHIEF EXECUTIVE | CHAIRMAN AUDIT COMMITTEE

PATTERN OF SHAREHOLDING
AS AT 30 JUNE 2008

INCORPORATION NUMBER: 0042200 of 15-03-2001

No. of Shareholders	Shareholdings From		Shareholdings To	Shares Held
602	1	-	100	28,708
1586	101	-	500	479,461
3493	501	-	1000	2,374,368
1867	1001	-	5000	4,490,212
363	5001	-	10000	2,803,486
95	10001	-	15000	1,185,856
100	15001	-	20000	1,822,658
68	20001	-	25000	1,528,130
37	25001	-	30000	1,020,862
23	30001	-	35000	746,627
14	35001	-	40000	528,601
14	40001	-	45000	604,693
18	45001	-	50000	887,268
11	50001	-	55000	575,410
5	55001	-	60000	289,293
6	60001	-	65000	380,941
3	65001	-	70000	201,431
2	70001	-	75000	144,611
1	75001	-	80000	78,444
4	85001	-	90000	344,858
3	90001	-	95000	273,737
9	95001	-	100000	891,859
3	100001	-	105000	303,232
3	105001	-	110000	319,862
2	110001	-	115000	223,672
1	125001	-	130000	128,168
1	130001	-	135000	133,312
3	135001	-	140000	416,431
2	140001	-	145000	285,012
4	145001	-	150000	588,299
2	150001	-	155000	303,169
2	165001	-	170000	333,572
7	170001	-	175000	1,197,238
1	175001	-	180000	179,000
1	180001	-	185000	185,000
2	185001	-	190000	375,177

No. of Shareholders	Shareholdings From		Shareholdings To	Shares Held
1	190001	-	195000	192,500
2	195001	-	200000	395,616
2	200001	-	205000	402,517
1	205001	-	210000	206,069
2	210001	-	215000	427,000
2	225001	-	230000	454,759
1	250001	-	255000	255,000
3	255001	-	260000	768,818
1	260001	-	265000	263,303
1	275001	-	280000	276,762
3	295001	-	300000	900,000
3	310001	-	315000	935,990
1	320001	-	325000	322,513
1	370001	-	375000	371,904
1	425001	-	430000	428,228
1	430001	-	435000	430,100
1	445001	-	450000	450,000
1	460001	-	465000	465,000
1	465001	-	470000	467,987
1	500001	-	505000	503,170
1	510001	-	515000	515,000
1	515001	-	520000	518,000
1	550001	-	555000	553,117
1	575001	-	580000	578,686
1	590001	-	595000	592,000
1	595001	-	600000	597,500
1	605001	-	610000	605,943
1	900001	-	905000	903,000
1	1045001	-	1050000	1,050,000
1	1085001	-	1090000	1,088,500
1	1535001	-	1540000	1,535,500
1	1600001	-	1605000	1,601,337
1	1895001	-	1900000	1,900,000
1	1995001	-	2000000	2,000,000
1	2210001	-	2215000	2,214,009
1	2325001	-	2330000	2,329,000
1	2355001	-	2360000	2,355,675
1	2405001	-	2410000	2,406,035
1	2490001	-	2495000	2,494,000
1	2700001	-	2705000	2,700,500
1	2740001	-	2745000	2,744,429

No. of Shareholders	Shareholdings From		Shareholdings To	Shares Held
1	2760001	-	2765000	2,763,268
1	2905001	-	2910000	2,905,971
1	2995001	-	3000000	2,998,530
1	3000001	-	3005000	3,000,161
1	3345001	-	3350000	3,350,000
1	4220001	-	4225000	4,220,677
1	4275001	-	4280000	4,279,766
1	5045001	-	5050000	5,046,500
1	5050001	-	5055000	5,055,000
1	5180001	-	5185000	5,182,821
1	12120001	-	12125000	12,120,095
1	12645001	-	12650000	12,648,020
1	13795001	-	13800000	13,800,000
1	14995001	-	15000000	15,000,000
1	16045001	-	16050000	16,050,000
1	16250001	-	16255000	16,252,094
1	19240001	-	19245000	19,240,609
1	29645001	-	29650000	29,650,000
1	32230001	-	32235000	32,231,926
1	42500001	-	42505000	42,502,362
1	56580001	-	56585000	56,582,159
1	488835001	-	488840000	488,839,429
8,431				**860,571,513**

PATTERN OF SHAREHOLDING
AS AT 30 JUNE 2008

Categories of Shareholders	Shares held	Percentage
Directors, Chief Executive Officer, and their spouse and minor children	74,866,039	8.700
Associated Companies, undertakings and related parties.	541,843,178	62.963
NIT and ICP	310,591	0.036
Banks, Development Financial Institutions, Non Banking financial Institutions	30,307,339	3.522
Insurance Companies	3,023,498	0.351
Modarabas and Mutual Funds	14,031,398	1.630
Share holders holding 10% or more	488,839,429	56.804
General Public		
a) Local	74,121,580	8.613
b) Foreign	56,582,597	6.575
Others		
- Joint Stock Companies	47,891,115	5.565
- Foreign Companies	16,978,178	1.973

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

PATTERN OF SHAREHOLDING AS PER LISTING REGULATIONS AS AT 30 JUNE 2008

Shareholders' Category	Number of Shares held
Associated Companies, undertaking and related parties	
First Capital Securities Corporation Limited	7,737,207
Pace (Pakistan) Limited	912
Arib Habib Securities Limited	45,265,628
Oman Telecommunications Company (S.A.O.G.)	488,839,429
NIT and ICP	310,591
Directors & their Spouse and Minor Children	
Dr. Mohammed Ali Mohammed Al-Wohaibi (Chairman)	500
Salmaan Taseer	35,281
Talal Said Marhoon Al-Mamari	500
Saleem Jawad Jaffer Al-Khabori	500
Sameer Hamed Nasser Al-Siyabi	500
Abdullah Zahran Abdullah Al-Hinai	500
Sumbul Munir	575
Sheikh Sulieman Ahmed Said Al-Hoqani	74,826,437
Nasim Beg (Nominee: Arif Habib Securities Limited)	-
Spouse and Minor Children	
Aamna Taseer	1,246
Executives	-
Public Sector Companies and Corporations	47,891,115
Banks Development Financial Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas and Mutual Funds etc.	47,362,235
Shareholders holding 10% or more voting interest in the Company	
Oman Telecommunications Company (S.A.O.G.)	488,839,429

CEO
Babar Ali Syed resigned as a Director, however subsequently appointed as a Chief Executive Officer of the Company.

FORM OF PROXY

The Company Secretary
Worldcall Telecom Limited
103-C/II, Gulberg-III
Lahore

Folio No./CDC A/c No. ___________

Shares Held: ___________

I / We ____ of ______________________________________
(Name) *(Address)*

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

Miss ____ of ____
(Name) *(Address)*

or failing him / her / Mr. / Mrs. / Miss. ______________________________ of __________________________
(Name) *(Address)*

[who is also member of the Company vide Registered Folio No. ____________ (being the member of the Company)] as my / our proxy to attend at and vote for me / us and on my / our behalf at the Annual General Meeting of the Company to be held at Pearl Continental Hotel, Shahrah-e-Quaid-e-Azam, Lahore, on 16 September 2008 at 11:00 a.m. and at any adjournment thereof.

Signature this _________________ Day of _______________ 2008.

Affix Revenue Stamp of Rupees Five

(Witnesses)

1. ___________________

2. ___________________

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

Notes:

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

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

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